

*In the opinion of Stradling Yocca Carlson & Rauth LLP, 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 in this Official Statement, interest (and original issue discount) on the Series 2026A 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 2026A Bonds is exempt from State of California personal income tax. See the caption “TAX MATTERS” herein with respect to tax consequences relating to the Series 2026A Bonds, including with respect to the alternative minimum tax imposed on certain large corporations.*



**\$13,885,000**  
**MILL VALLEY PUBLIC FINANCING AUTHORITY**  
**LEASE REVENUE BONDS, SERIES 2026A**

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

The Mill Valley Public Financing Authority Lease Revenue Bonds, Series 2026A are payable from Base Rental Payments to be made by the City of Mill Valley for the right to use certain real property pursuant to a Lease Agreement, dated as of June 1, 2026, by and between the City, as lessee, and the Mill Valley Public Financing Authority, as lessor. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2026A BONDS.”

The Series 2026A Bonds are being issued to provide funds to (i) finance all or a portion of the design, acquisition, construction and/or installation of various capital improvement projects in the City, including a new public works building to be located at the City’s Corporation Yard and the renovation of the Golf Course Clubhouse operated by the City, and (ii) pay the costs incurred in connection with the issuance of the Series 2026A Bonds. See “THE PROJECT.” The City has covenanted under the Lease Agreement to make all Base Rental Payments provided for therein, to include all such payments as a separate line item in its biennial 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 2026A 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 (DTC), New York, New York. Interest on the Series 2026A Bonds is payable semiannually on April 1 and October 1 of each year, commencing October 1, 2026. Purchasers will not receive certificates representing their interest in the Series 2026A 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 2026A Bonds will be paid by The Bank of New York Mellon Trust Company, N.A., 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 2026A Bonds. See “THE SERIES 2026A BONDS—Book-Entry Only System” herein.

The Series 2026A Bonds will be issued pursuant to an Indenture, dated as of June 1, 2026 (the “Indenture”) by and among the City, the Authority and the Trustee. The Series 2026A Bonds and any Additional Bonds issued pursuant to the Indenture are collectively referred to as the “Bonds.”

The Series 2026A Bonds are subject to extraordinary redemption prior to maturity. See “THE SERIES 2026A BONDS—Redemption.” The Authority is not funding a debt service reserve fund for the Series 2026A Bonds.

**The Series 2026A 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 2026A 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.**

The following firm, serving as municipal advisor to the City, has structured this issue:



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.

*For information concerning the competitive sale of the Bonds, contact the City’s Municipal Advisor, Wulff, Hansen & Co., San Rafael, California. The Series 2026A Bonds will be offered when, as and if issued, subject to the approval as to their validity by Stradling Yocca Carlson & Rauth LLP, Newport Beach, California, Bond Counsel. Stradling Yocca Carlson & Rauth LLP, Newport Beach, California, is also acting as Disclosure Counsel to the City and the Authority. Certain legal matters will be passed upon for the City and the Authority by the City Attorney of the City of Mill Valley. It is anticipated that the Series 2026A Bonds in definitive form will be available for delivery to DTC in New York, New York on or about June 4, 2026.*

Dated: May 20, 2026

## MATURITY SCHEDULE

**\$13,885,000**  
**Mill Valley Public Financing Authority**  
**Lease Revenue Bonds, Series 2026A**  
**Base CUSIP<sup>†</sup>: 600028**

<i>Maturity Date (October 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>	<i>Price</i>	<i>CUSIP<sup>†</sup></i>
2026	\$1,515,000	5.000%	2.500%	100.798	AA2
2027	1,120,000	5.000	2.500	103.234	AB0
2028	1,180,000	5.000	2.490	105.632	AC8
2029	1,235,000	5.000	2.560	107.726	AD6
2030	1,300,000	5.000	2.630	109.625	AE4
2031	1,365,000	5.000	2.720	111.228	AF1
2032	1,430,000	5.000	2.810	112.605	AG9
2033	1,505,000	5.000	2.850	114.119	AH7
2034	1,580,000	5.000	2.940	115.110	AJ3
2035	1,655,000	5.000	3.020	115.982	AK0

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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 2026A 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 2026A 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 2026A 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.

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. These securities 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 2026A 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 captions "THE CITY OF MILL VALLEY," "CITY FINANCIAL INFORMATION" and "RISK FACTORS."

**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 2026A BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2026A 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 2026A 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 2026A 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.**

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 2026A Bonds.

**CITY OF MILL VALLEY  
MARIN COUNTY, CALIFORNIA**

**MILL VALLEY PUBLIC FINANCING AUTHORITY GOVERNING BOARD AND CITY COUNCIL  
OF THE CITY OF MILL VALLEY**

Max Perrey, *Chair/Mayor*  
Caroline Joachim, *Vice Chair/Vice Mayor*  
Urban Carmel, *Board Member/Council Member*  
Katherine Jones, *Board Member/Council Member*  
Stephen Burke, *Board Member/Council Member*

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**AUTHORITY OFFICIALS / CITY**

Todd Cusimano, *Executive Director/City Manager*  
Eric Erickson, *Treasurer/Director of Finance and Administrative Services*  
Risa De Ferrari, *Secretary/City Clerk*  
G. Inder Khalsa, *Authority Counsel/City Attorney*  
Trevor Atashkarian, *Deputy Director of Finance*

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**BOND COUNSEL AND DISCLOSURE COUNSEL**

Stradling Yocca Carlson & Rauth LLP  
Newport Beach, California

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**MUNICIPAL ADVISOR**

Wulff, Hansen & Co.  
San Rafael, California

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**TRUSTEE**

The Bank of New York Mellon Trust Company, N.A.  
Los Angeles, California

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# CITY OF MILL VALLEY LOCATION MAP



## OFFICIAL STATEMENT

**\$13,885,000**

### **MILL VALLEY PUBLIC FINANCING AUTHORITY LEASE REVENUE BONDS, SERIES 2026A**

#### 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 \$13,885,000 aggregate principal amount of Mill Valley Public Financing Authority Lease Revenue Bonds, Series 2026A (the “Series 2026A Bonds”).

The net proceeds of the sale of the Series 2026A Bonds will be used to (i) finance all or a portion of the design, acquisition, construction and/or installation of various capital improvement projects in the City, including a new public works building to be located at the City’s Corporation Yard and the renovation of the Golf Course Clubhouse operated by the City, (collectively, the “Project”), and (ii) pay the costs incurred in connection with the issuance of the Series 2026A Bonds. See “THE PROJECT” herein for a further description of the Project.

The Series 2026A Bonds are equally and ratably payable from base rental payments (the “Base Rental Payments”) to be made by the City of Mill Valley (the “City”) for the right to use certain real property (collectively, the “Property” and described further under the caption “THE PROPERTY”) pursuant to a Lease Agreement, dated as of June 1, 2026 (the “Lease Agreement”), between the City, as lessee, and the Mill Valley Public Financing Authority (the “Authority”), as lessor.

The Series 2026A Bonds will be issued pursuant to an Indenture, dated as of June 1, 2026 (the “Indenture”), by and among the Authority, the City and The Bank of New York Mellon Trust Company, N.A., as trustee (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 2026A Bonds (the Series 2026A Bonds and any such Additional Bonds being collectively referred to as the “Bonds”). See the caption “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2026A BONDS—Additional Bonds.”

Pursuant to a Ground Lease, dated as of June 1, 2026 (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, 2026, 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 Property leased under the Ground Lease and the Lease Agreement will initially consist of the Mill Valley Community Center, located at 180 Camino Alto, Mill Valley, California. See the caption “THE PROPERTY.” The City has the right to substitute or release all or a portion of the Property subject to certain conditions precedent. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2026A BONDS—Substitution or Release of the Property.”

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 and other amounts payable under the Lease Agreement), due under the Lease Agreement as a separate line item in its biennial 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 Series 2026A Bonds. To the extent that proceeds of insurance are available or moneys are available in certain funds and accounts pledged as security for the Series 2026A Bonds, Base Rental Payments (or a portion thereof) may be made during periods of abatement.

THE SERIES 2026A 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 2026A 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 Authority is not funding a debt service reserve fund for the Series 2026A Bonds.

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 ("Rule 15c2-12") 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 Rule 15c2-12. See "CONTINUING DISCLOSURE" herein for a description of the City's compliance with its prior continuing disclosure undertakings pursuant to Rule 15c2-12 and APPENDIX—E "FORM OF CONTINUING DISCLOSURE CERTIFICATE" for a description of the specific nature of the annual report and notices of listed events and the terms of the disclosure undertaking pursuant to which such reports are to be made.

The Bank of New York Mellon Trust Company, N.A., Los Angeles, California, will act as Trustee with respect to the Series 2026A Bonds. The Series 2026A Bonds will be issued subject to the approval as to their legality by Stradling Yocca Carlson & Rauth LLP, Newport Beach, California, Bond Counsel. Certain legal matters will be passed upon for the City and the Authority by the City Attorney of the City of Mill Valley and by Stradling Yocca Carlson & Rauth LLP, Newport Beach, California, Disclosure Counsel. The City's financial statements for the fiscal year ended June 30, 2025 included as Appendix C hereto have been audited by Terry E. Krieg, Santa Rosa, California (the "Auditor"). See APPENDIX C—"AUDITED FINANCIAL STATEMENTS OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2025" herein. The City's financial statements are public documents and are included within this Official Statement without the prior approval of the Auditor. Accordingly, the Auditor has not performed any post-audit review of the financial condition of the City and also has not performed any procedures relating to this Official Statement.

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 2026A Bonds.

The presentation of information, including tables of receipt of revenues, is intended to show recent historical information and, except for a budget discussion for the 2024-26 biennial budget 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. See the captions “THE CITY OF MILL VALLEY” and “CITY FINANCIAL INFORMATION” for financial and operating information related to the City.

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 2026A 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. See APPENDIX B—“SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS.”

## **THE SERIES 2026A BONDS**

### **General**

The Series 2026A Bonds shall be issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof. The Series 2026A 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 2026A Bonds will be paid semiannually on April 1 and October 1 (each, an “Interest Payment Date”) of each year, commencing October 1, 2026.

Interest on the Series 2026A Bonds will be payable from the Interest Payment Date next preceding the date of authentication thereof (a “Record Date”) unless (i) a Series 2026A Bond is authenticated on or before an Interest Payment Date and after the close of business on the preceding Record Date, in which event it will bear interest from such Interest Payment Date, (ii) a Series 2026A 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 2026A 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 2026A 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 2026A 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 2026A 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 2026A Bonds will be subject to redemption as set forth herein.

### **Registration, Transfers and Exchanges**

The Series 2026A 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 2026A 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 2026A Bonds. See “THE SERIES 2026A BONDS—Book-Entry Only System.”

## **Redemption**

***Extraordinary Redemption from Net Proceeds.*** The Series 2026A 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 2026A Bonds to be redeemed, plus accrued interest thereon to the date of redemption, without premium.

***No Optional Redemption of Series 2026A Bonds.*** The Series 2026A Bonds are not subject to optional redemption, prior to their stated maturities.

***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 with respect to any redemption of Bonds of a Series, among maturities of Bonds of such Series as directed in a Written Request of the Authority, and pro rata among Bonds of the same Series with the same maturity. 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.*** Notice of redemption shall be given by the Trustee, not less than 20 nor more than 60 days prior to the redemption date (i) as to Series 2026A Bonds not registered in the name of a Securities Depository or its nominee, to the respective Owners of the Series 2026A Bonds designated for redemption at their addresses appearing on the Registration Books, (ii) as to Series 2026A Bonds registered in the name of a Securities Depository or its nominee, to such Securities Depository for such Series 2026A Bonds, and (iii) the Information Services. Notice of redemption to the Owners pursuant to (i) above shall be given by mail at their addresses appearing on the Registration Books, or any other method agreed upon by such Owner and the Trustee. Notice of redemption to the Securities Depositories pursuant to (ii) above and the Information Services pursuant to (iii) above shall be given by electronically secure means, or any other method agreed upon by such entities and the Trustee. 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 Bond numbers and the maturity or maturities (except in the event of redemption of all of the Bonds of such maturity or maturities in whole) of the Bonds to be redeemed, and will require that such 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 Bonds will not accrue from and after the date fixed 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 Bonds or the cessation of accrual of interest thereon from and after the date fixed for redemption.

With respect to any notice of redemption of the Bonds, such notice may state that such redemption is conditional upon the receipt by the Trustee, on or prior to the date fixed for such redemption, of moneys sufficient to pay the principal of, premium if any, and interest on the Bonds to be redeemed and upon other conditions set forth therein and that, if such money has not been so received or such other conditions have not been satisfied, said notice is of no force and effect and the Trustee is not required to redeem such Bonds. If any condition stated in the redemption notice for a redemption have not been satisfied on or prior to the redemption date: (i) the redemption notice will be of no force and effect, (ii) the Authority will not be required to redeem such Bonds, (iii) the redemption will not be made, and (iv) the Trustee will within a reasonable time thereafter give notice to the persons in the manner in which the conditional redemption notice was given that such condition or conditions were not met and that the redemption was canceled.

***Partial Redemption of Bonds.*** Upon surrender of any 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 Bond or Bonds of the same Series in authorized denominations equal in aggregate principal amount representing the unredeemed portion of the 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 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 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 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 Bonds will cease to accrue and become payable. All moneys held by or on behalf of the Trustee for the redemption of Bonds will be held in trust for the account of the Owners of the Bonds so to be redeemed without liability to such Owners for interest thereon. All 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 2026A Bonds. The Series 2026A Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Series 2026A Bond will be issued for each maturity of the Series 2026A 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 Bonds.*** The following provisions regarding the exchange and transfer of the Series 2026A Bonds apply only during any period in which the Series 2026A Bonds are not subject to DTC's book-entry system. While the Series 2026A 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 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 Bond for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Trustee. Whenever any Bond or Bonds will be surrendered for transfer, the Authority will execute and the Trustee will authenticate and will deliver a new Bond or Bonds of the same Series in a like aggregate principal amount, in any Authorized Denomination. The Trustee will require the Bond Owner requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer.

The Bonds may be exchanged at the principal corporate trust office of the Trustee for a like aggregate principal amount of Bonds of the same Series of other authorized denominations. The Trustee will require the payment by the 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 Bonds of a Series during the period established by the Trustee for the selection of Bonds of such Series for redemption, or with respect to any Bonds of such Series selected for redemption.

## SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2026A BONDS

### **Pledge of Revenues**

The Series 2026A Bonds are equally and ratably payable from and secured by Base Rental Payments and certain amounts on deposit in certain 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 captions “THE CITY OF MILL VALLEY,” “CITY FINANCIAL INFORMATION” and “RISK FACTORS” for a description of such available funds and the potential risks associated with the availability of such funds to make Base Rental Payments. 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 as a separate line item in its biennial 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 Owners of the Series 2026A Bonds 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 2026A Bonds, subject to certain conditions precedent. See the caption “—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 2026A 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 2026A BONDS. THE AUTHORITY HAS NO TAXING POWER.

### **Base Rental Payments**

Rental Payments (collectively, the Base Rental Payments and the Additional 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 fifth Business Day 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 2026A Bonds.

Scheduled Base Rental Payments relating to the Series 2026A Bonds are set forth below under the caption "BASE RENTAL PAYMENT SCHEDULE."

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.

### **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, 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.
- (v) 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 Payments—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 or amounts in certain funds and accounts pledged to the Series 2026A Bonds), 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.

The Lease Agreement provides that if the Bonds have not been fully paid or defeased by the final maturity thereof, or if the Rental Payments remain due and payable or have been abated at any time and for any reason, then the term of the Lease Agreement will be extended until the date upon which (i) all Bonds are fully paid or defeased, or (ii) the Indenture is discharged by its terms and all Rental Payments are paid in full, up to an additional ten years beyond the final maturity of the Bonds.

#### **Substitution or Release of the Property**

**General.** The Authority and the City may amend the Lease Agreement to substitute alternate real property for any portion of 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 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:

(a) the City finds (as set forth in a certificate delivered by the City to the Trustee) that the Property, as constituted after such substitution or release: (i) has an annual fair rental value at least equal to the maximum annual 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 one or more American Land Title Association (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 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 Assessor-Recorder-Clerk of Marin County, 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;

- (e) the City shall have provided notice of such substitution to each rating agency then rating the Bonds;
- (f) no event of default has occurred and is continuing under the Lease Agreement;
- (g) the City gives, or causes to be given, any notice of the occurrence of such substitution required to be given pursuant to the Continuing Disclosure Certificate;
- (h) the City certifies to the Trustee that the City has a current need for the substituted real property; and
- (i) the City certifies to the Trustee that any substitution will not cause the City to violate any of its covenants, representations and warranties made in the Lease Agreement.

See APPENDIX B—“SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS—THE LEASE AGREEMENT—No Consequential Damages; Use of Property; Substitution or Release.”

### **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, Owners of the Series 2026A Bonds 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 Series 2026A 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—Defaults and Remedies” and “—THE INDENTURE—Default and Limitations of Liability.”

### **No Reserve Fund**

The Authority has not funded a debt service reserve fund for the Series 2026A Bonds.

### **Additional Bonds**

Pursuant to the Indenture, the Authority may issue Additional Bonds payable from the Base Rental Payments on parity with the Series 2026A Bonds upon satisfaction of certain conditions, including, but not limited to, the following:

- (a) The issuance of such Additional Bonds has been authorized under and pursuant to the Indenture and provided for by a Supplemental Indenture;
- (b) The Authority and the City are in compliance with all agreements, conditions, covenants and terms contained in the Indenture, the Lease Agreement and the Ground Lease required to be observed or performed by each of them;

(c) The Ground Lease has been amended, to the extent necessary, and the Lease Agreement has 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 timely payment of the principal of and interest on such Additional Bonds; provided, however, that no such amendment is permitted to 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.

See APPENDIX B—“SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS—THE INDENTURE—Issuance of Bonds; Application of Proceeds.”

### **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. 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 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 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 worker’s compensation insurance as described in APPENDIX B—“SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS—THE LEASE AGREEMENT—Insurance.”

The City’s obligation to maintain the insurance described above (including rental interruption insurance) may be satisfied by self-insurance, provided such self-insurance complies with the requirements of the Lease Agreement.

The City is required under the Lease Agreement to provide, at its own expense, one or more ALTA title insurance policies for the Property, in the aggregate amount of not less than the initial aggregate principal amount of the Bonds (and the initial aggregate principal amount of Additional Bonds issued after the Closing Date), 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 Owners.

See APPENDIX B—“SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS—THE LEASE AGREEMENT—Insurance.”

**SOURCES AND USES OF FUNDS**

The sources and uses of funds with respect to the Series 2026A Bonds are shown below.

**Sources**

Principal Amount of Series 2026A Bonds	\$ 13,885,000.00
Original Issue Premium	<u>1,384,553.95</u>
<b>Total Sources</b>	<b><u>\$ 15,269,553.95</u></b>

**Uses**

Project Fund	\$ 15,000,000.00
Costs of Issuance <sup>(1)</sup>	<u>269,553.95</u>
<b>Total Uses</b>	<b><u>\$ 15,269,553.95</u></b>

<sup>(1)</sup> Includes legal, municipal advisory, rating agency, printing fees, underwriter’s discount, 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 2026A Bonds, assuming no redemption prior to maturity:

<b>Bond Year (Ending October 1)</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2026	\$1,515,000	\$225,631.25	\$1,740,631.25
2027	1,120,000	618,500.00	1,738,500.00
2028	1,180,000	562,500.00	1,742,500.00
2029	1,235,000	503,500.00	1,738,500.00
2030	1,300,000	441,750.00	1,741,750.00
2031	1,365,000	376,750.00	1,741,750.00
2032	1,430,000	308,500.00	1,738,500.00
2033	1,505,000	237,000.00	1,742,000.00
2034	1,580,000	161,750.00	1,741,750.00
2035	<u>1,655,000</u>	<u>82,750.00</u>	<u>1,737,750.00</u>
<b>TOTAL</b>	<b>\$13,885,000</b>	<b>\$3,518,631.25</b>	<b>\$17,403,631.25</b>

**THE PROJECT**

The Project consists of the design, construction, and rehabilitation of certain public capital improvements located in the City, including construction of a new public works building on the Corporation Yard and the remodeling of the Golf Course Clubhouse operated by the City as an event space. As part of the Project, the City will construct a new approximately 4,000 square-foot building at Corporation Yard to house the entire Public Works team which will include a publicly accessible entrance and offer parking for staff and visitors. This will enable the consolidation of the Engineering and Operations staff into one building and free up space in City Hall, where these two teams were previously housed. This new building will be located at 444 Sycamore Avenue, Mill Valley, CA 94941. The Public Works building construction will cost up to approximately \$9 million, of which \$5.4 million is anticipated to be funded by Series 2026A Bond proceeds, and is expected to be completed by the end of 2027.

Additionally, the Project will include renovations and modernization of the City’s Golf Course Clubhouse, which is utilized by the City as a rental event space for the public. The Golf Course Clubhouse will require repairs, including, but not limited to the exterior stairs, exterior walls, electrical system, fire detection

system, gutters and downspouts, parking lot asphalt pavement repairs, water heater, thermostat, dishwasher and other infrastructure. The Golf Course Clubhouse is located at 267 Buena Vista Avenue, Mill Valley, CA 94941. The renovation will cost approximately \$5 million, all of which is anticipated to be funded by Series 2026A Bond proceeds. The renovation of the Golf Course Clubhouse is anticipated to be completed by the end of 2027.

The new public works building at the Corporation Yard and the renovations to the Golf Course Clubhouse are the two primary components of the Project but the Project will include other public capital improvements owned by the City, primarily including improvements to the Library, City Hall, the Community Center, and other various City-owned assets.

## **THE PROPERTY**

The Property leased under the Ground Lease and the Lease Agreement will initially consist of the Mill Valley Community Center (the “Community Center”), located at 180 Camino Alto, Mill Valley, California. The Community Center was initially opened in April 2001 and consists of two buildings, the first of which is comprised of a large reception hall, teen and senior centers, meeting spaces, and activity rooms. The main event space can accommodate banquet-style seating for up to 285 guests and theater seating for 400. The second building is dedicated to swimming and fitness and includes an indoor swimming pool with retractable roof, a 120-foot spiral water slide, Jacuzzi spa, and outdoor patio. The outdoor area of the Community Center consists of green fields for sports and a community garden.

The current insured value of the Community Center is approximately \$16,298,000.

The City and the Property are located in a seismically active area. A major earthquake could cause considerable damage to the City and properties in the City, including the Property. See the caption “RISK FACTORS – Natural Disasters.” The City has the right to substitute or release all or a portion of the Property subject to certain conditions precedent. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2026A BONDS – Substitution or Release of the Property.”

## **THE AUTHORITY**

The Authority was established pursuant to Article 1 (commencing with Section 6500) of Chapter 5 Division 7, Title 1 of the California Government Code and a Joint Exercise of Powers Agreement, dated as of March 20, 2006, by and between the City and the California Municipal Finance Authority. The governing board of the Authority is comprised of all of the individuals who currently are members of the City Council of the City. The Authority is qualified to assist in the financing of certain public improvements and to issue the Series 2026A 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”). The Authority has no taxing power. The Authority and the City are each separate and distinct legal entities, and the debts and obligations of each such entity are not debts or obligations of the other entity.

## **THE CITY OF MILL VALLEY**

### **General**

The City is located in Marin County, about 14 miles (23 km) north of San Francisco. The City is bordered by Mt. Tamalpais on the west, the Town of Tiburon on the east, the Town of Corte Madera on the north, and the Golden Gate National Recreational Area on the south. The City is primarily a suburban community. The City is home to approximately 13,688 residents living within its 4.8 square mile area, as of January 1, 2025, and serves as the center for a larger unincorporated Mill Valley area with a population of more than 30,000 residents living in the adjacent unincorporated communities of Almonte, Alto, Homestead Valley, Tamalpais Valley and Strawberry. The City was incorporated on September 1, 1900, as a general law

city under the laws of the State of California (the “State”). For additional economic and demographic information regarding the City, see APPENDIX A—“ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING THE CITY OF MILL VALLEY.”

### City Council

The City operates under a council-manager form of government. The five-member City Council (the “City Council”) is elected on an at large basis by the City’s voters. The City Council consists of a Mayor, Vice Mayor and three other elected City Council members. The posts of Mayor and Vice-Mayor rotate among the council. The City Council appoints the City Manager and the City Attorney. The City Manager is responsible for directing, coordinating and carrying out City Council policies.

The City Council receives input, develops and adopts the policy, and resolves public issues. They formulate City policy through motions, resolutions, and ordinances which reflect the needs of the public; and maintain a working knowledge of intergovernmental issues and how they will affect Mill Valley.

The members of the City Council and the current expiration dates of their respective terms are set forth in the table below.

#### CITY OF MILL VALLEY City Council

<i>Name</i>	<i>Term Began</i>	<i>Term Expires</i>
Max Perrey, Mayor	2022	2026
Caroline Joachim, Vice Mayor	2023 <sup>(1)</sup>	2028
Urban Carmel, Councilmember	2020	2028
Katherine Jones, Councilmember	2024	2028
Stephen Burke, Councilmember	2021 <sup>(2)</sup>	2026

(1) Originally elected in 2023 and re-elected in 2024.

(2) Appointed in 2021 and elected in 2022.

Source: City of Mill Valley.

### City Management

**City Manager.** The City Manager (the “City Manager”) is responsible for enforcing municipal laws, directing the daily operations of the City, and preparing and observing the municipal budget. The City Manager is the City’s chief administrative officer and is responsible for planning, organizing and directing all administrative activities. The City Manager, in concert with department managers, work to develop all personnel, continually evaluate the organizational structure of the City, implement programs to improve the community, and direct employee relations and personnel management. The City Manager makes recommendations to the City Council on program alternatives and ensures that programs adopted by the City Council are implemented. The department performs a wide variety of administrative procedures and special projects. The City’s current City Manager is Todd Cusimano.

**Director of Finance and Administrative Services.** The Director of Finance and Administrative Services (the “Director”) oversees revenue and business license collections, cash flow management, and oversight of all investments and accounts receivable. The division also provides services for accounts payable, payroll, employee benefits, budget control, expenditure audit and budget preparation. It maintains an automated Fund Accounting System and records and provides necessary financial reporting, auditing administration, asset control and claims management. In addition to this, the Director oversees the City’s IT environment as well as the City’s Human Resources function. The City’s current Director of Finance and Administrative Services is Eric Erickson.

## Employee and Employee Relations

For fiscal year 2025-26, the City had 142 full-time authorized positions, of which 137 were filled as of July 1, 2025. The City also employed 140 part-time employees as of that date. In accordance with the provisions of California Government Code Section 3500, the City participates in labor negotiations with its employee associations. The result of the negotiations processes is memorialized in memoranda of understanding (each an “MOU”) reached between the City and the City employee associations. The table below lists the City’s two employee associations and the approximate membership as of January 15, 2026, as well as the unrepresented executive employees :

<i>Unit/Affiliation</i>	<i>Contract Expiration Date</i>	<i>Number of Members</i>
<i>AFSCME</i>	6/30/2027	66
<i>Police</i>	6/30/2027	23
<i>Unrepresented Executives</i>	6/30/2026	73

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Source: City of Mill Valley.

## Risk Management

The City participates in a joint powers agreement through the Bay Cities Joint Powers Insurance Authority (the “BCJPIA”) which is a workers compensation and general liability risk pool. BCJPIA was created as a California joint exercise of powers authority by an agreement between certain public agencies in the San Francisco Bay Area to provide vehicle, general liability, and workers compensation coverage. BCJPIA is governed by a Board of Directors which is comprised of officials appointed by each member city or agency.

BCJPIA manages separate accounts for each pool member. Losses and expenses are paid from these pools above the self-insured retention limit of \$25,000 to \$1,000,000 per occurrence. BCJPIA annually evaluates the financial risk cash position, less claims reserves, claims incurred but not reported, and claims development of each member in its primary liability program. If a member has a negative risk position its annual assessment is increased. BCJPIA purchases excess insurance above the \$1,000,000 limit which provides risk sharing pool coverage for its members up to \$28,000,000 per occurrence. The workers compensation fund is self-insured for the first \$150,000 of loss per accident. Settlements have not exceeded coverage for each of the past three fiscal years except for \$1,839,400 in uninsured losses in fiscal 2023 relating to damages from a hillside mudslide.

For additional information about the City’s Risk Management, see APPENDIX C—“AUDITED FINANCIAL STATEMENTS OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2025, NOTE 5A.”

***Pooled Liability Program.*** BCJPIA provides General Liability, Auto Liability, and Errors & Omissions coverage for its members in excess of the member’s retained limit, or Self-Insured Retention (“SIR”), up to \$1,000,000 per occurrence. Each member retains the portion of every loss that falls within their SIR, ranging from \$5,000 to \$500,000. BCJPIA is also a member of the California Affiliated Risk Management Authorities (“CARMA”), a risk sharing joint powers authority. When losses exceed the \$1,000,000 per occurrence limit, CARMA provides excess coverage. The third party claims administrator for the BCJPIA Pooled Liability Program is Acclamation Insurance Management Services.

***Worker’s Compensation Coverage.*** BCJPIA provides coverage for workers’ compensation losses incurred under the State of California Workers’ Compensation Law and Statutes and within the limits of

program coverage. BCJPIA claims are handled by a third party claims administrator, Innovative Claims Solutions (ICS). The Pooled Workers' Compensation Program provides coverage in excess of various limits retained by the members. BCJPIA retains the first \$1,000,000 of each loss for workers' compensation and employer's liability and shares the risk among the members.

For more information with respect to the insurance requirements under the Lease Agreement, see the caption "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2026A BONDS—Insurance" in this Official Statement.

### **Joint Powers Authorities**

The City is a participant of the following organizations:

***Marin Telecommunications Agency.*** The Marin Telecommunications Agency was created by an agreement between the City, the County, the Cities of Belvedere, Larkspur, Sausalito, and San Rafael, and the Towns of Corte Madera, Ross, Fairfax, and Tiburon to provide for the regulation of rates for certain cable television services and equipment pursuant to the Cable Television Consumer Protection and Competition Act of 1992. The City pays a proportionate share of the budget based on the City's relative number of subscribers.

***Marin Central Services Authority.*** The Marin Central Service Authority was formed for the purpose of acquiring street lighting facilities owned by PG&E. It is governed by one member from the County and certain cities and special districts within the County, including the City. The City pays a percentage share of the purchase costs of facilities.

***Sewerage Agency of Southern Marin ("SASM").*** This agency was formed for the purpose of providing sanitary sewerage treatment facilities to governments in southern Marin County. Members include the City, four sanitation districts, and one community services district. The City maintains the accounting records and acts as fiscal agent for SASM. The City pays a pro-rata share of SASM's operating and capital costs. In fiscal year 2024-25, the City paid \$5,264,825 to the Agency.

***Marin Emergency Radio Authority.*** The City is a member of the Marin Emergency Radio Authority, a joint exercise of powers authority that operates under an operating agreement between certain public agencies in the County to provide a public safety radio system to its members. The City pays the Marin Emergency Radio Authority service payments for a pro-rata share of the use of the authority's system.

***Marin Wildfire Prevention Authority.*** Marin Wildfire Prevention Authority is a coalition formed by local fire agencies, emergency service providers, and cities, towns, and county government in the County to support the development and implementation of a comprehensive wildfire prevention and emergency preparedness initiative. To accomplish this purpose, a parcel tax measure was passed in the March 2020 election to provide dedicated funding for the Marin Wildfire Prevention Authority's programs. In fiscal year 2024-25, the City received \$546,605 in funding from the Marin Wildfire Prevention Authority for fire mitigation purposes.

***Richardson Bay Regional Agency.*** Richardson Bay Regional Agency (RBRA) is a local government agency serving Belvedere, Mill Valley, Tiburon and unincorporated Southern Marin. The RBRA is dedicated to maintaining and improving the navigational waterways, open waters and shoreline of Richardson Bay.

For information concerning the Joint Powers Authorities the City participates in, please see APPENDIX C—"AUDITED FINANCIAL STATEMENTS OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2025, NOTE 5C."

## CITY FINANCIAL INFORMATION

### Management Discussion and Analysis

**Fiscal Year 2023-24.** The City's financial position remained stable in fiscal year 2023-24. Overall, City-wide revenues from all government activities decreased by 13% in fiscal year 2023-24 to \$55.27 million or about \$8.2 million less than fiscal year 2022-23 total revenues. This decrease is mainly attributed to fiscal year 2023-24 being the first year that a portion of the City's property tax shifted to the Southern Marin Fire Protective District (the "District") as a result of the reorganization and transfer of the City's main fire department activities to the District. This change also decreased the City's fiscal year 2023-24 expenses by about \$4.4 million.

Additionally, revenues from all activities decreased in fiscal year 2023-24 by about \$8.3 million compared to fiscal year 2022-23 while expenses of all City programs decreased by \$4.2 million. The three most significant causes of the net revenue decline were (1) the \$6.6 million shift of property taxes to the District described above, (2) the \$2.8 million reduction in Federal COVID-19 era funding, and (3) the \$700,000 increase in rents and interest revenues. The City's main revenue sources are taxes which account for approximately 53% of revenue and charges for programs and services which account for 41%. As previously discussed, property tax revenues declined significantly in fiscal year 2023-24 as a result of the transfer of the City's fire department and personnel.

**Fiscal Year 2024-25.** The City's net position increased by approximately \$1.9 million at the end of fiscal year 2025. The fiscal year 2024-25 net increase was about \$468,000 more than the fiscal year 2023-24 increase.

Overall City-wide revenues from all governmental activities increased by about 2% in fiscal year 2024-25 to \$56.3 million or about \$994,000 more than fiscal year 2023-24 total revenues. Most of the fiscal year 2024-25 revenue increases were from property taxes, grants and contributions.

There was a net increase of approximately \$526,000 in total city-wide expenses in fiscal year 2024-25. The combined net change in pension and retiree medical obligations contributed a net one million reduction in expenses in fiscal year 2024-25 which helped offset expense increases in other areas.

The general fund reported a fund balance of \$19.5 million at the end of fiscal year 2024-25. This was a net decrease of approximately \$256,600 for the fiscal year. The City also ended the fiscal year with \$12.03 million in its sanitation fund, \$3.39 million in the capital improvement fund, and \$10 million in the remaining special funds for an aggregated combined \$44.9 million city-wide end of year fund balance. On a fund-wide basis, there was an increase of approximately \$1,841,000 in the combined total of all city funds in fiscal year 2024-25.

### 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").

The City's government-wide financial statements (the "Government-wide Financial Statements") present a broad overview of the financial picture of the City from the economic resources measurement focus using the accrual basis of accounting. The Government-wide Financial Statements present governmental activities and business-type activities separately. These statements include all assets of the City (including infrastructure) as well as all liabilities (including long-term liabilities). Additionally, certain eliminations have occurred as prescribed by GASB Statement No. 34 in regard to interfund activity, payables, and receivables.

The City's statement of net position presents information on all of the City's assets, deferred outflows, liabilities, and deferred inflows, with the difference reported as net position. Over time, increases or decreases in net position may serve as an indicator of whether the financial position of the City is improving or declining.

The City's statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The Government-wide Financial Statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees or are required by grantor agencies to be accounted for in this fashion (business-type activities).

The governmental activities include public safety, public works, sanitary sewers, library, parking, recreation and culture, and other general government activities. Property taxes, sales taxes, franchise taxes, a municipal service tax, special bonds, transient occupancy taxes, business license taxes and other taxes finance these activities.

As required by accounting principles generally accepted in the United States of America, the City's financial statements represent the City (the primary government). A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the City are divided into three categories of activities – governmental, proprietary, and private purpose trust funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the Government-wide Financial Statements. However, unlike the Government-wide Financial Statements, Governmental Fund Financial Statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of Governmental Fund Financial Statements is narrower than that of the Government-wide Financial Statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the Government-wide Financial Statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains multiple individual governmental funds. Information for the General Fund is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances. The General Fund, the Sanitation Fund, Measure A Streets Fund, Capital Improvement Fund, and Other Governmental Funds are considered to be the major governmental funds. Data from the other nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data, including budgetary information, for each of these nonmajor governmental funds are provided in the combining financial statements under the supplementary information section.

A budget comparison statement has been provided to demonstrate compliance with the budget. Budgetary information for the major governmental funds has been provided under the required supplementary information section.

Proprietary Funds provide the same type of information as the business-type activities in the Government-wide financial statements, except that the Proprietary Funds provide greater detail. These funds require the statement of net position, revenues, expenses and changes in net positions within their financial statements. Additionally, cash flows for these funds must be updated. The Proprietary Funds also use the accrual accounting and economic resources focus as their accounting basis and measurement focus.

Net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by about \$1.98 million at the close of fiscal year 2024-25.

For more information, see Note 1 to the City's audited financial statements for fiscal year 2024-25 attached to this Official Statement as Appendix C.

### **City Component Units and Discrete Component Units**

**General.** GAAP requires that the City's financial statements present the City and its component units; entities for which the City is considered to be financially accountable. The City is considered to be financially accountable for an organization if the City appoints a voting majority of that organization's governing body and either the City is able to impose its will on that organization or there is a potential for that organization to provide specific financial benefits to or impose specific financial burdens on the City. The City is also considered to be financially accountable for an organization if that organization is fiscally dependent (i.e., it is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval from the City). In certain cases, other organizations are included as component units if the nature and significance of their relationship with the City are such that their exclusion would cause the City's financial statements to be misleading or incomplete.

The City's basic financial statements, attached to this Official Statement in Appendix C, present the financial activity of the City, which is the primary government. The reporting entity is the City of Mill Valley. The Mill Valley Public Financing Authority, a joint exercise of powers authority created by agreement of the City and the California Municipal Finance Authority to assist the City with financing public capital improvements, is a blended component unit of the City.

### **Financial Policies**

**General.** The City Council has adopted a Budget Management Policy, Investment Policy, and Debt Management Policy. A summary of certain of these City Council policies is set forth below.

**Budget Management.** The City consistently maintains a conservative outlook by putting aside reserves in good times and then using those reserves during down periods in order to achieve stable operations. By employing this budgetary management in the past, the City has been able to remain fiscally stable during revenue fluctuations and increases in operational costs. The City has used reserves along with other fiscal strategies to foster the City's long-term financial viability.

The City Budget Management Policy requires the City Manager to prepare and present to the City Council no later than May 1 of each even numbered year, a proposed budget for the ensuing two fiscal years commencing on July 1<sup>st</sup>. The proposed budget includes all funds and details anticipating beginning balances, estimated revenues, recommended expenditures and anticipated ending balances. The City Manager exercises financial control of the approved budget and may authorize transfers between activities in any department within a fund. The City Council must approve all other transfers. The City Council must also approve equipment expenditures over \$60,000 and all new projects and increases to any approved projects over \$60,000. A general contingency reserve for the City is maintained at 15% of the prior year's operating budget by Council policy, with an additional 10% maintained by practice. The City also includes regulations for the

Recreation Program Fund, Community Center Funds, Special Reserve, Open Space Fund, and Library Foundation Fund.

***Debt Management Policy.*** In accordance with section 8855(i) of the California Government Code the City adopted a debt management policy on June 19, 2017 and as amended on May 4, 2026, to establish conditions for the use of debt; to ensure that debt capacity and affordability are adequately considered; to minimize the City’s interest and issuance costs; to maintain the highest possible credit rating; to provide complete financial disclosure and reporting; and to maintain financial flexibility for the City.

***Investment Policy.*** The City invests its funds in accordance with the City’s investment policy (the “Investment Policy”). In accordance with Section 53601 *et seq.* of the California Government Code, investments and cash management are the responsibility of the City Manager. The City’s Investment Policy sets forth the policies and procedures applicable to the investment of City funds and designates eligible investments. The Investment Policy sets forth a stated objective, among others, of enhancing the economic status of the City while protecting its pooled cash. Funds are invested in the following order of priority:

- Safety;
- Liquidity; and
- Total Return on Investment

Eligible investments are generally limited to: U.S. Treasury Obligations, Obligations of Federal agencies and U.S. Government Sponsored Enterprises, State of California Obligations, Banker’s Acceptances, Corporate Notes, Insured Saving/Money Market Accounts, Negotiable Certificates of Deposits or Deposit Notes, Mortgage and Asset-Backed Obligations; State of California’s Local Agency Investment Fund (LAIF); and Commercial Paper as defined in the Investment Policy. In many cases, the eligible investments are subject to certain maximum maturity and ratings requirements, as well as certain maximum portfolio limitations for any particular category of eligible investments.

Subject to certain constraints set forth in the Investment Policy, the authority to direct the City’s investments is delegated to the City Manager. The City Manager or his designee is required to generate a monthly investment report which includes the following elements:

Type of investment instrument (i.e. Treasury Bill, medium-term note):

- Type of Investment Instruments
- Issuer names
- Purchase date (trade and settlement date)
- Maturity date
- Par value
- Purchase price
- Coupon rate
- Call/refunding date and price
- Discounts or premiums, if any
- Accrued interest paid at purchase, if any
- Accrued interest to date
- Amortization of premium/discount
- Overall portfolio yield based on cost
- Yield at market
- Book value
- Current market value and the source of the valuation

At June 30, 2025, the City had an investment portfolio with a market value of \$55,966,140 and at April 1, 2026 the City had an investment portfolio with a market value of \$51,649,114. The following table presents a summary of the City’s investment portfolio as of such dates.

**TABLE 1**  
**CITY OF MILL VALLEY**  
**SUMMARY OF INVESTMENTS**  
**(AS OF JUNE 30, 2025 AND APRIL 1, 2026)<sup>(1)</sup>**

<i>Investment Type</i>	<i>Market Value</i>	
	<i>As of June 30, 2025</i>	<i>As of April 1, 2026<sup>(2)</sup></i>
Certificates of Deposits	\$ 9,358,000	\$ 6,891,000
Local Agency Investment	46,264,063	44,523,842
Investments Held by Fiscal Agents	344,077	234,272
<b>Total</b>	<b>\$ 55,966,140</b>	<b>\$ 51,649,114</b>

(1) Investment measured at fair value.

(2) Unaudited.

Source: City of Mill Valley.

For additional information with respect to the City’s cash and investments, see APPENDIX C—“AUDITED FINANCIAL STATEMENTS OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2025, Note 1.”

**Budget Procedure, Current Budget and Historical Budget Information**

**Budget Procedure.** Biennially, in odd numbered years, the City Council approves two, one-year operating budgets submitted by the City Manager prior to the beginning of the first of the two fiscal years. The City Council has final authority over the budget and may make any budget amendments necessary during the year. A financial update is typically brought before the City Council in February as part of its strategic planning process. General adjustments to revenue projections and expenditures could be made at these times. Other material Council budget adjustments may arise during the year, and are put before Council on an individual basis.

The City maintains budgetary controls to maintain the budget’s integrity and allow staff to function efficiently throughout the year. The Director of Finance shall exercise financial control of the approved budget by refusing to pay any obligations without prior City Council approval, the payment of which will exceed the following: (i) the total for employee services for the applicable budgetary activity and (ii) the total of supplies, services and equipment for the applicable budgetary activity. Council must authorize any net increase in the appropriations within a fund. The City Manager may authorize transfers between activities in any department within a fund but the City Council must approve all other transfers. Funds not expended or encumbered during the budget year will be appropriated to a carryover reserve which, with approval from the City Manager, departments may use for program elements previously approved by the City Council.

**Fiscal Year 2024-26 Adopted Budget.** The City’s biennial operating budget for the 2024-26 period (the “2024-26 Budget”) was approved by the City Council on June 17, 2024. For fiscal years 2024-25 and 2025-26, Total Revenues and Total Expenses, including the General Fund and all Restricted funds, were proposed as follows: (i) for fiscal year 2024-25, revenues of \$56,325,275 and expenses of \$56,270,033, and (ii) for fiscal year 2025-26, revenues of \$56,699,507 and expenses of \$56,667,650.

The Adopted Budget for fiscal years 2024-25 and 2025-26 projects General Fund revenues of \$36,632,102 and \$37,844,767, respectively. The Adopted Budget for fiscal years 2024-25 and 2025-26

projects General Fund expenses of \$34,579,688 and \$36,361,734, respectively. The City’s policy requires a 15% Contingency Reserve, which is calculated against the prior year General Fund operating budget. The City plans to keep the Contingency Reserve at the level prior to the transfer of the City’s fire protection services to the District, which was projected in the fiscal year 2024-2026 adopted to provide for a reserve of \$5,962,332 and \$6,224,340 for fiscal years 2024-25 and 2025-26 respectively, or 3% above the requirement.

**Fiscal Year 2025-26 Revised Budget.** On June 16, 2025, the City Council approved a revised operating budget for the 2025-26 fiscal year (the “2025-26 Revised Budget”). Total Revenues and Total Expenses, including the General Fund and all Restricted funds, were proposed as \$65,133,864 and \$63,216,690, respectively.

The 2025-26 Revised Adopted Budget projects General Fund revenues of \$41,483,223 and General Fund expenses of \$36,782,074. The City continued to budget the Contingency Reserve at a level consistent with the amount prior to the transfer of the City’s fire protection services to the Southern Marin Fire Protection District, projected at \$6,291,846, or 3% above the 15% requirement.

**Capital Improvement Program.** The City’s adopted fiscal years 2024-26 biennial capital project budget (the “2024-26 Capital Project Budget”) includes the City’s Capital Improvement Plan (the “CIP”), which consists of long-range (five year) capital projects approved by the City Council. Capital funds account for major construction, improvements, and repair projects.

**Fiscal Year 2025-26 Revised CIP Budget:** On June 16, 2025, the City Council approved a revised CIP budget for the 2025-26 fiscal year. Total CIP expenditures, which include the General Fund and all Restricted funds, were proposed as \$15,989,993. The original fiscal year 2025-26 CIP budget was proposed as \$9,297,590. The greatest difference between the original and revised fiscal year 2025-26 CIP is the inclusion of projects programmed with the newly passed Measure L funding.

The following table sets forth the City’s projected Five- Year CIP expenditures by CIP category. Total CIP appropriations for the four fiscal years shown total approximately \$41.2 million and appropriations for Fiscal Years 2025-26 and 2026-27 are approximately \$9.3 million (revised to \$16 million during the 2025-26 budget revision process) and \$8.3 million, respectively. Costs of the Project are included in the following table. Other than the issuance of the Bonds to finance the Project, at this time the City has no plans to issue new General Fund debt to finance any of the projects described in this paragraph and the following table.

**TABLE 2  
CITY OF MILL VALLEY  
CAPITAL IMPROVEMENT PLAN  
(FISCAL YEARS 2025-26 THROUGH 2028-29)**

<i>Project Description</i>	<i>Fiscal Year 2025-26 Revised<sup>(1)</sup></i>	<i>Fiscal Year 2026-27</i>	<i>Fiscal Years 2027-28 through 2028-29</i>	<i>Total</i>
Civic Building	\$ 3,698,213	\$ 481,808	\$ 1,038,616	\$ 5,218,637
Parks/Open Spaces	715,000	500,000	700,000	1,915,000
Street & Transportation	6,552,285	3,493,453	7,347,240	17,392,978
Utilities & Miscellaneous	3,582,495	3,831,645	7,941,701	15,355,841
Climate Resilience	<u>1,351,000</u>	<u>-</u>	<u>-</u>	<u>1,351,000</u>
<b>Total</b>	<b>\$ 15,898,993</b>	<b>\$ 8,306,906</b>	<b>\$ 17,027,557</b>	<b>\$ 41,233,456</b>

<sup>(1)</sup> The revised 2025-26 fiscal year figures include an additional \$3.3 million in capital budget due to the programming of Measure L funds. The 5-year capital improvement plan was completed prior to the passage of Measure L, and therefore the figures for fiscal year 2026-27 and 2028-29 do not include programmed Measure L expenditures.

Source: City of Mill Valley.

**Historical and Preliminary Budget Information.** Table 3 presents the adopted General Fund budgets for fiscal years 2023-24 and 2024-25 and the audited results for fiscal years 2023-24 and 2024-25. Table 4 presents the adopted General Fund budget for fiscal years 2024-25 and 2025-26. The General Fund budget figures shown in Table 3 and Table 4 below does not reflect the application of GAAP and therefore differs in certain respects to the audited General Fund Statement of Revenues, Expenditures and Change in Fund Balance shown in Table 5 below.

**TABLE 3  
CITY OF MILL VALLEY  
GENERAL FUND BUDGETS TO ACTUAL COMPARISONS (ON A BUDGETARY BASIS)**

	<i>Adopted Fiscal Year 2023-24 Budget</i>	<i>Audited Fiscal Year 2023-24 Results</i>	<i>Adopted Fiscal Year 2024-25 Budget</i>	<i>Audited Fiscal Year 2024-25 Results</i>
<b>REVENUES</b>				
<b>Fund Balance, July 1</b>	\$ 18,127,661	\$ 17,952,114	\$ 19,865,954	\$ 19,719,670
Resources (Inflows):				
Property Taxes <sup>(1)</sup>	\$ 24,130,134	\$ 18,406,887	\$ 19,192,126	\$ 19,312,013
Other Taxes	6,752,015	7,641,894	7,585,180	7,704,261
License Permits	1,116,000	2,426,143	1,683,424	2,247,178
Fines and Forfeits	57,000	40,820	65,000	59,497
Interest and Rents	983,547	1,686,527	1,496,815	2,119,044
Intergovernmental	781,046	1,325,659	574,531	841,329
Charges for Services	5,480,045	5,836,709	5,757,017	5,763,010
Miscellaneous	237,500	407,996	278,000	669,349
Transfers in	228,836	334,286	-	296,752
Amounts Available for Charges to Appropriations	<u>\$ 57,893,784</u>	<u>\$ 56,059,035</u>	<u>\$ 56,498,056</u>	<u>\$ 58,732,105</u>
<i>General government:</i>				
City Council <sup>(3)</sup>	\$ 82,358	\$ 79,084	\$ 481,225	\$ 515,033
Technical Services	-	-	-	-
City Manager <sup>(3)</sup>	735,384	893,412	747,415	716,469
City Clerk	323,549	177,524	254,601	209,493
Finance	1,214,684	1,356,889	911,669	1,049,173
Human Resources	-	13	638,150	614,646
City Attorney	382,400	401,022	369,200	342,608
Planning	1,232,518	1,515,674	1,437,261	1,548,964
Nondepartmental <sup>(2)</sup>	3,266,549	6,799,823	7,613,892	7,563,358
<i>Public Safety:</i>				
Police	7,367,406	6,437,681	6,565,347	6,739,440
Fire Services <sup>(1)</sup>	8,357,552	627,037	49,300	160,853
<i>Public Works:</i>				
Building	1,707,001	1,806,322	1,382,682	2,063,917
Engineering	894,406	659,216	887,526	818,432
Street Maintenance	1,137,116	1,140,957	1,167,704	1,532,688
General Government Building	-	-	-	301
Vehicle Maintenance	45,000	163,644	135,001	78,352
Library	3,391,791	3,185,252	3,383,150	3,347,724
Parks and Recreation				
Recreation	829,903	872,050	822,503	1,009,234
Park Maintenance	1,714,905	1,683,259	1,910,128	2,038,703
Community Programs	632,047	581,376	680,790	698,499
Golf Course	969,164	878,309	1,088,966	898,513
Recreation Services	1,027,962	1,245,870	1,054,637	1,097,876
Aqua Fitness	1,432,862	1,764,462	1,679,697	1,879,046
Community Center	1,174,384	1,255,587	1,318,828	1,302,952
Capital Outlay	-	331,542	-	256,803
Transfers out	1,390,558	2,337,076	-	2,650,953
Total Charges to Appropriations	<u>\$ 39,309,499</u>	<u>\$ 36,193,081</u>	<u>\$ 34,579,671</u>	<u>\$ 39,269,031</u>
Change in Fund Balance	<u>\$ 456,624</u>	<u>\$ 1,913,840</u>	<u>\$ 2,052,431</u>	<u>\$ (256,596)</u>
Fund Balance, June 30	<u>\$ 18,584,285</u>	<u>\$ 19,865,954</u>	<u>\$ 21,918,385</u>	<u>\$ 19,463,074</u>

<sup>(1)</sup> Fire Service was transferred to the Southern Marin Fire Protection District in fiscal year 2023-24.

<sup>(2)</sup> Nondepartmental expenses include insurance expenditures, retiree health expenditures, PERS UAL and POB expenditures, among other miscellaneous expenditures.

<sup>(3)</sup> City Council department included the City Manager in 2024/25. Additionally, the City manager department was briefly renamed "Admin Services" for 2024/25. As of 25/26, this has reverted to the original department names and allocations.

Source: The City of Mill Valley Audited Financial Statements for Fiscal Years 2023-24 and 2024-25.

**TABLE 4  
CITY OF MILL VALLEY  
ADOPTED FISCAL YEAR 2024-26 BIENNIAL BUDGETS  
(BUDGETARY BASIS)**

	<i>Adopted Fiscal Year 2024-25 Budget</i>	<i>Adopted Fiscal Year 2025-26 Revised Budget</i>
<b>REVENUES</b>		
Secured and unsecured property taxes	\$ 16,943,476	\$ 17,822,536
Taxes based on sales and use	4,156,136	3,987,470
Transient Occupancy Tax	1,010,000	1,078,600
Franchise tax	1,699,044	1,834,941
Other taxes	788,848	808,848
Licenses and permits	1,683,424	1,833,000
Intergovernmental revenues:		
Motor vehicle in lieu	2,248,650	2,386,863
American Rescue Plan Act -COVID-19	0	0
Grants	2,210,901	3,099,986
Other governmental revenues	366,733	351,033
Charges for services:		
Public safety	83,000	95,054
Development	1,208,146	1,311,721
Recreation, parks, pavilion, and zoo	4,254,780	4,463,039
Other services		
Fines and forfeitures	111,500	112,705
Use of money and property	1,496,815	1,875,493
Other revenues	748,666	421,935
Total Revenues	39,010,119	41,483,223
<b>EXPENDITURES</b>		
Current:		
General government	11,626,605	11,528,301
Public safety <sup>(5)</sup>	6,758,164	7,307,012
Community development	2,837,043	3,344,473
Community, recreation and zoo services	10,053,515	10,752,173
Parks and open space	1,973,943	1,974,303
Public works	2,190,230	1,875,813
Capital outlay	2,063,562	2,931,000
Total Expenditures	<u>37,018,261</u>	<u>39,713,074</u>
Net Income	\$ 1,991,858	\$ 1,770,149

Source: City of Mill Valley.

## Comparative Change in Fund Balance of the City General Fund

The table below presents the City's audited General Fund Statement of Revenues, Expenditures and Change in Fund Balances for fiscal years 2020-21 through 2024-25.

**TABLE 5**  
**CITY OF MILL VALLEY**  
**GENERAL FUND STATEMENT OF**  
**REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES**

	<i>2020-21</i>	<i>2021-22</i>	<i>2022-23</i>	<i>2023-24</i>	<i>2024-25</i>
<b>REVENUES</b>					
Property Taxes <sup>(1)</sup>	\$ 19,519,044	\$ 20,675,753	\$ 21,963,837	\$ 16,237,298	\$ 17,033,760
Sales Taxes	3,223,369	3,824,138	4,369,820	4,088,122	4,031,729
Transient Occupancy taxes	528,423	992,121	1,098,775	1,095,735	1,144,753
Other Taxes	4,268,299	4,368,881	4,455,201	4,627,624	4,806,034
Licenses and Permits	1,260,151	1,670,605	2,109,684	2,426,143	2,247,178
Fines and Forfeits	118,646	254,201	90,779	40,820	59,497
Intergovernmental	1,944,658	1,814,953	4,643,824	1,325,659	841,329
Interest and Rents	334,536	817,936	1,436,409	1,686,529	2,119,044
Charges for Services	3,836,910	5,466,528	6,304,472	5,836,709	5,763,010
Miscellaneous	<u>412,050</u>	<u>455,954</u>	<u>530,107</u>	<u>407,996</u>	<u>669,349</u>
Total Revenues	35,446,086	40,341,070	47,002,908	37,772,635	38,715,683
<b>EXPENDITURES</b>					
Current:					
General Government	6,302,391	6,349,312	9,109,937	10,991,956	12,322,441
Public Safety <sup>(1)</sup>	14,278,100	15,816,648	15,756,945	7,064,718	6,900,293
Public Works and Streets	2,702,503	2,736,790	3,271,267	3,770,139	4,493,691
Parks and Recreation	5,105,305	6,213,126	7,776,479	8,280,913	8,924,823
Library	2,316,211	2,441,557	3,012,013	3,185,252	3,347,724
Debt Service:					
Principal	152,727	167,727	187,727	207,727	227,727
Interest	173,664	167,904	161,229	153,504	144,576
Capital Outlay	<u>-</u>	<u>247,901</u>	<u>3,322,461</u>	<u>331,542</u>	<u>256,803</u>
Total Expenditures	<u>\$ 31,030,901</u>	<u>\$ 34,140,965</u>	<u>\$ 42,598,058</u>	<u>\$ 33,985,751</u>	<u>\$ 36,618,078</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 4,415,185</u>	<u>\$ 6,200,105</u>	<u>\$ 4,404,850</u>	<u>\$ 3,786,884</u>	<u>\$ 2,097,605</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers In	194,153	183,434	224,305	334,286	<u>296,752</u>
Transfers Out	<u>(912,000)</u>	<u>(2,123,291)</u>	<u>(3,734,429)</u>	<u>(2,207,330)</u>	<u>(2,650,953)</u>
Total Other Financing Sources (Uses)	<u>(717,847)</u>	<u>(1,939,857)</u>	<u>(3,510,124)</u>	<u>(1,873,044)</u>	<u>(2,354,201)</u>
<b>SPECIAL ITEM:</b>					
Annexation Transfer of Fire Department	-	-	(216,943)	-	-
Net Change in Fund Balances	3,697,338	4,260,248	677,783	1,913,840	(256,596)
Fund Balances, July 1	<u>9,492,292</u>	<u>13,189,630</u>	<u>17,449,878</u>	<u>17,952,114</u>	<u>19,719,670</u>
Fund Balances, June 30	<u>\$ 13,189,630</u>	<u>\$ 17,449,878</u>	<u>\$ 18,127,661</u>	<u>\$ 19,865,954</u>	<u>\$ 19,463,074</u>

<sup>(1)</sup> Fire Service was transferred to the Southern Marin Fire Protection District in fiscal year 2023-24. Property tax revenues were reduced by approximately \$6.6 million and expenditures for public safety were reduced by approximately \$8 million.

Source: The City of Mill Valley Audited Financial Statements for Fiscal Years 2020-21, 2021-22, 2022-23, 2023-24, and 2024-25.

## Comparative General Fund Balance Sheets of the City

The table below presents the City's audited General Fund Balance Sheets for fiscal years 2020-21 through 2024-25.

**TABLE 6**  
**CITY OF MILL VALLEY**  
**GENERAL FUND BALANCE SHEETS**  
**FIVE YEAR COMPARISON**

	2020-21	2021-22	2022-23	2023-24	2024-25
<b>ASSETS</b>					
Cash and Investments	\$ 13,887,104	\$ 20,397,741	\$ 19,730,458	\$ 20,157,433	\$ 19,706,522
Cash and Investments with Fiscal Agent	-	193,028	31,473	55,068	86,702
<b>Receivables:</b>					
Taxes Receivable	451,355	440,331	497,117	571,782	438,246
Accounts Receivable	756,718	1,015,799	224,806	942,837	1,261,345
Interest Receivable	24,141	67,673	313,269	359,799	483,798
Due from Other Governments	528,477	473,193	1,267,773	387,830	367,294
Accrued Receivable	-	-	1,017,822	-	-
Due from Other Funds	669,317	807,576	607,576	46,526	97,735
Lease	-	2,711,363	2,612,336	2,507,690	2,397,232
Deposits	249,566	229,566	229,566	265,036	287,228
Prepayments	98,476	139,745	85,289	137,668	268,201
Inventories	<u>177,363</u>	<u>186,662</u>	<u>209,764</u>	<u>203,058</u>	<u>186,806</u>
<b>Total Assets</b>	16,842,517	26,662,677	27,027,249	25,634,727	25,581,109
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts Payable	1,473,532	2,848,344	1,916,454	959,531	1,487,817
Accrued Payables	697,441	711,017	2,847,979	1,087,009	643,916
Compensated absences <sup>(1)</sup>	-	-	-	-	181,276
Due to Other Funds	-	-	-	-	-
Interest Payable	-	-	-	-	-
Deposits	746,717	520,221	594,910	713,727	611,557
Unearned Advances	<u>735,197</u>	<u>2,477,975</u>	<u>1,036,731</u>	<u>656,421</u>	<u>992,812</u>
<b>Total Liabilities</b>	3,652,887	6,557,557	6,396,074	3,416,688	3,917,378
<b>Deferred Inflows of Resources</b>					
Lease Related	-	2,655,242	2,503,514	2,351,785	2,200,657
<b>Fund Balances</b>					
Nonspendable	525,405	555,973	524,619	605,762	742,234
<b>Restricted for:</b>					
Public Parking	4,300	4,300	4,300	4,300	4,300
Sanitation	-	-	-	-	-
Streets	-	-	-	-	-
Public Safety	37,290	12,905	-	-	-
Debt Service	-	-	-	-	-
Library	553,739	592,682	615,996	647,085	590,856
Parks and Recreation	58,110	136,145	142,419	142,410	142,410
Housing	-	-	-	-	-
Building Technology	358,926	376,177	197,358	57,154	-
Planning	108,787	264,314	464,314	541,409	647,937
ADA Education	-	44,853	44,853	44,853	44,853
Capital Projects	-	-	-	-	-
<b>Committed for:</b>					
Employee Benefits	2,287,317	2,794,618	2,868,215	3,350,211	2,493,019
Capital Improvements and Equipment	-	-	-	-	-
Self Insurance	200,000	200,000	200,000	200,000	200,000
Contingencies	4,727,588	4,901,445	5,478,207	5,686,941	5,962,331
Special Purposes	110,226	1,772,900	318,776	152,488	69,436
Assigned	602,953	925,396	508,780	-	-
Unassigned	<u>3,614,989</u>	<u>4,868,170</u>	<u>6,759,624</u>	<u>8,433,341</u>	<u>8,565,698</u>
<b>Total Fund Balances</b>	<u>13,189,630</u>	<u>17,449,878</u>	<u>18,127,661</u>	<u>19,865,954</u>	<u>19,463,074</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u>\$ 16,842,517</u>	<u>\$ 26,662,677</u>	<u>\$ 27,027,249</u>	<u>\$ 25,634,427</u>	<u>\$ 25,581,109</u>

<sup>(1)</sup> GASB 101 required compensated absences to be tracked as a liability on the balance sheet.

Source: The City of Mill Valley Audited Financial Statements for Fiscal Years 2020-21, 2021-22, 2022-23, 2023-24 and 2024-25.

## Tax Revenues By Source

The City derives its General Fund tax revenues from a variety of sources including *ad valorem* property taxes, sales and use taxes, transient occupancy taxes, and franchise taxes. The City’s total General Fund tax revenues by source for the five most recent fiscal years are set forth below.

**TABLE 7**  
**CITY OF MILL VALLEY**  
**GENERAL FUND TAX REVENUES BY SOURCE**

<i>Revenue Category</i>	<i>2020-21</i>	<i>2021-22</i>	<i>2022-23</i>	<i>2023-24</i>	<i>2024-25</i>
Property Taxes <sup>(1)(2)</sup>	\$21,338,863	\$22,573,043	\$23,995,026	\$18,406,888	\$19,312,013
Sales Taxes	3,223,369	3,824,138	4,369,821	4,088,123	4,031,730
Transient Occupancy Tax	528,423	992,121	1,098,778	1,095,735	1,144,752
Franchise Tax	1,474,853	1,572,393	1,614,023	1,664,589	1,757,395
Business License Tax	547,864	539,222	541,516	574,018	504,539
Property transfer Tax	425,763	359,977	268,476	219,431	265,847
Total Taxes	\$27,539,135	\$29,860,894	\$31,887,640	\$26,048,784	\$27,016,276

(1) Inclusive of property taxes in lieu of department of Motor Vehicle license fees. See “Property Taxes” below.

(2) Property taxes dropped in fiscal year 2023-24 due to the annexation of the Mill Valley Fire Department to the Southern Marin Fire Protection District

Source: City of Mill Valley.

## Property Taxes

During fiscal year 2024-25, property tax receipts of approximately \$18.5 million provided the largest tax revenue source of the City, contributing approximately 71% of total General Fund revenues. Property tax revenues of approximately \$19.3 million were received during fiscal year 2024-25 and approximately \$20.2 million are budgeted for fiscal year 2025-26.

Many years ago, the Statewide Department of Motor Vehicle license fees (“VLF”) were 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 2011-12, all of the VLF is now received through an in-lieu payment from State property tax revenues referred to as property taxes in lieu of VLF.

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 are due November 1 and February 1 and become delinquent on the following December 10 and April 10, respectively. 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 enforcing 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 75 *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.

The County adopted the "Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds" provided for in Revenue and Taxation Code Sections 4701 - 4717, commonly known as the "Teeter Plan." The Teeter Plan has no impact on tax assessments, tax rates, or collection procedures. The City adopted this method and under it, the City receives 100% of its secured property tax levied in exchange for foregoing any interest and penalties collected on delinquent taxes. The City receives payments as a series of advances made by the County throughout the fiscal year. The secured property tax levy is recognized as revenue upon receipt, including the final payment, which generally is received within 60 days after the fiscal year end.

In the past, the State Legislature has shifted property taxes from cities, counties and special districts to the Educational Revenue Augmentation Fund (ERAF). However, the California Constitution has been amended to protect cities and other local agencies from legislative reductions and reallocations of local property tax revenues, with some exceptions. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS—Proposition 1A" and "—Proposition 22" for a description of certain limitations on the State's authority over local government revenue sources.

The assessed valuation of property in the City is established by the County Assessor, except for public utility property which is assessed by the State Board of Equalization (SBE). Assessed valuations are reported at 100% of the "full value" of the property, as defined in Article XIII A of the California Constitution.

Certain classes of property, such as churches, colleges, not-for-profit hospitals and charitable institutions, are exempt from property taxation and do not appear on the tax rolls. No reimbursement is made by the State for such exemptions. Property taxes allocated to the City are collected by the County at the same time and on the same tax rolls as are county and special district taxes. The valuation of secured property by the County Assessor is established as of January 1 and is subsequently equalized in September of each year.

The table below sets forth the historic assessed valuations for property in the City for the fiscal years 2020-21 through 2025-26. The information in the following table has been obtained from third-party sources and is included for general information purposes only. Neither the City nor the Underwriter has verified the information in the following table and neither guarantees the accuracy of such information.

**TABLE 8  
CITY OF MILL VALLEY  
HISTORIC ASSESSED VALUATIONS  
FISCAL YEARS 2020-21 THROUGH 2025-26**

<i>Fiscal Year Ending June 30,</i>	<i>Local Secured</i>	<i>Utility</i>	<i>Unsecured</i>	<i>Total Assessed Valuation</i>	<i>% Change</i>
2021-22	\$ 6,718,005,140	\$ 0	\$ 69,343,869	\$ 6,787,349,009	-
2022-23	7,209,930,378	0	69,142,905	7,279,073,283	7.24%
2023-24	7,697,911,715	0	69,985,930	7,767,897,645	6.72
2024-25	8,070,323,670	0	72,325,616	8,142,649,286	4.82
2025-26	8,458,615,477	0	69,983,539	8,528,599,016	4.74

Source: California Municipal Statistics, Inc.

The following table gives a distribution of taxable real property located in the City by principal purpose for which the land is used, and the assessed valuation and number of parcels for each use. The information in the following table has been obtained from third-party sources and is included for general information purposes only. Neither the City nor the Underwriter has verified the information in the following table and neither guarantees the accuracy of such information.

**TABLE 9  
CITY OF MILL VALLEY  
ASSESSED VALUATION BY LAND USE**

	<i>2025-26 Assessed Valuation<sup>(1)</sup></i>	<i>% of Total</i>	<i>No. of Parcels</i>	<i>% of Total</i>
<b><i>Non-Residential:</i></b>				
Commercial	\$ 543,999,131	6.43%	222	3.87%
Vacant Commercial	3,826,301	0.05	19	0.33
Government/Social/Institutional	<u>3,004,951</u>	<u>0.04</u>	<u>277</u>	<u>4.83</u>
Subtotal Non-Residential	\$ 550,830,383	6.51%	518	9.03%
<b><i>Residential:</i></b>				
Single Family Residence	\$ 6,767,418,624	80.01%	3,816	66.55%
Condominium/Townhouse	649,037,379	7.67	859	14.98
2+ Residential Units/Apartments	459,117,171	5.43	343	5.98
Vacant Residential	<u>32,211,920</u>	<u>0.38</u>	<u>198</u>	<u>3.45</u>
Subtotal Residential	\$ <u>7,907,785,094</u>	<u>93.49%</u>	<u>5,216</u>	<u>90.97%</u>
<b>Total</b>	\$ 8,458,615,477	100.00%	5,734	100.00%

(1) Local Secured Assessed Valuation, excluding tax-exempt property.

Source: California Municipal Statistics, Inc.

**Assessed Valuation of Single-Family Homes.** The following table focuses on single-family residential properties only, which comprise approximately 80.01% of the assessed value of taxable property in the City. The information in the following table has been obtained from third-party sources and is included for general information purposes only. Neither the City nor the Underwriter has verified the information in the following table and neither guarantees the accuracy of such information.

**TABLE 10  
CITY OF MILL VALLEY  
PER PARCEL - ASSESSED VALUATION OF SINGLE-FAMILY HOMES**

	<i>No. of Parcels</i>	<i>Fiscal Year Assessed Valuation</i>	<i>Average Assessed Valuation</i>	<i>Median Assessed Valuation</i>
Single Family Residential	3,816	6,767,418,624	\$1,773,433	\$1,477,893

<i>Assessed Valuation</i>	<i>No. of Parcels<sup>(1)</sup></i>	<i>% of Total</i>	<i>Cumulative % of Total</i>	<i>Total Valuation</i>	<i>% of Total</i>	<i>Cumulative % of Total</i>
\$0 - \$199,999	275	7.206%	7.206%	\$ 38,844,768	0.574%	0.574%
\$200,000 - \$399,999	307	8.045	15.252	90,639,660	1.339	1.913
\$400,000 - \$599,999	232	6.080	21.331	115,272,070	1.703	3.617
\$600,000 - \$799,999	250	6.551	27.883	175,315,192	2.591	6.207
\$800,000 - \$999,999	256	6.709	34.591	230,317,884	3.403	9.611
\$1,000,000 - \$1,199,999	260	6.813	41.405	287,463,854	4.248	13.858
\$1,200,000 - \$1,399,999	245	6.420	47.825	319,494,812	4.721	18.579
\$1,400,000 - \$1,599,999	246	6.447	54.271	370,834,098	5.480	24.059
\$1,600,000 - \$1,799,999	224	5.870	60.142	380,542,859	5.623	29.682
\$1,800,000 - \$1,999,999	215	5.634	65.776	407,692,160	6.024	35.707
\$2,000,000 - \$2,199,999	197	5.162	70.938	413,405,438	6.109	41.815
\$2,200,000 - \$2,399,999	174	4.560	75.498	400,313,089	5.915	47.731
\$2,400,000 - \$2,599,999	143	3.747	79.245	355,883,172	5.259	52.989
\$2,600,000 - \$2,799,999	106	2.778	82.023	286,598,927	4.235	57.224
\$2,800,000 - \$2,999,999	90	2.358	84.382	260,612,280	3.851	61.075
\$3,000,000 - \$3,199,999	75	1.965	86.347	231,842,148	3.426	64.501
\$3,200,000 - \$3,399,999	88	2.306	88.653	290,301,651	4.290	68.791
\$3,400,000 - \$3,599,999	61	1.599	90.252	213,676,175	3.157	71.948
\$3,600,000 - \$3,799,999	56	1.468	91.719	206,191,540	3.047	74.995
\$3,800,000 - \$3,999,999	54	1.415	93.134	210,254,677	3.107	78.102
\$4,000,000 and greater	<u>262</u>	<u>6.866</u>	100.000	<u>1,481,922,170</u>	<u>21.898</u>	100.000
Total	3,816	100.000%		\$ 6,767,418,624	100.000%	

<sup>(1)</sup> Improved single-family residential parcels. Excludes condominiums and parcels with multiple family units.  
Source: California Municipal Statistics, Inc.

The 20 largest property taxpayers in the City for fiscal year 2025-26 based on secured assessed valuation, the land use and the percentage of the City’s total assessed value attributable to each are shown in the below table. The information in the following table has been obtained from third-party sources and is included for general information purposes only. Neither the City nor the Underwriter has verified the information in the following table and neither guarantees the accuracy of such information.

**TABLE 11  
CITY OF MILL VALLEY  
LARGEST SECURED PROPERTY OWNERS BY TOTAL ASSESSED VALUATION  
FISCAL YEAR 2025-26**

<i>Property Owner</i>	<i>Primary Land Use</i>	<i>Total Assessed Valuation</i>	<i>% of Total<sup>(1)</sup></i>
1. EDC II WF LLC	Shopping Center	\$ 29,467,667	0.35%
2. Shelterpoint Equities LP	Business Park	27,122,586	0.32
3. Safeway Stores	Supermarket	23,552,372	0.28
4. Gold Mountain Simons Way LP	Residential Properties	21,905,848	0.26
5. Sarah Drive Trust	Residential	21,844,791	0.26
6. Christie Naify Trust	Residential	19,308,668	0.23
7. Thirty-O’Leary Living Trust	Residential	16,542,360	0.20
8. GRI Alto Center LLC	Shopping Center	16,095,740	0.19
9. 500 Miller Ave LLC	Condominiums	15,550,931	0.18
10. Lansing and Whitney Davis Trust	Residential	15,177,847	0.18
11. Mikkel V. Frandsen	Residential	14,612,670	0.17
12. 1155 Bryant Street LP	Office Building	12,556,066	0.15
13. Ronald J. Brabo Trust	Shopping Center	12,467,381	0.15
14. Walsh Family LP	Apartments	12,394,209	0.15
15. 216-218 Corte Madera Ave LLC	Residential	12,306,620	0.15
16. Tiffanie L. DeBartolo Trust	Residential	11,654,371	0.14
17. Tam View LLC	Residential	11,362,000	0.13
18. Alpha Lima Bravo Trust	Residential	11,148,926	0.13
19. 999 Van Ness LLC	Bank	10,890,683	0.13
20. Michael C. Levit	Residential	<u>10,855,285</u>	<u>0.13</u>
<b>Total</b>		<b>\$ 326,817,021</b>	<b>3.86%</b>

<sup>(1)</sup> 2025-26 Total Secured Assessed Valuation: \$8,458,615,477  
Source: California Municipal Statistics, Inc.

### Charges for Services

During fiscal year 2023-24, charges for services of approximately \$5.84 million contributed approximately 15% of total General Fund revenues. General Fund revenues from charges for services of approximately \$5.76 million were received during fiscal year 2024-25 and approximately \$6 million are budgeted for fiscal year 2025-26. The City collects charges for services for various development fees, use of City facilities, park and recreation fees, public works services, and public safety services, among others.

### Sales Taxes

**General.** During fiscal year 2023-24, sales tax receipts of approximately \$4.09 million contributing approximately 11% of total General Fund revenues. General Fund sales tax revenues of approximately \$4.03 million were received during fiscal year 2024-25 and approximately \$4 million are budgeted for fiscal year 2025-26. 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 total sales

tax rate in the City is 9.25%, consisting of the 7.25% base statewide rate plus 2.00% in local rates, including a 1.00% increase approved by Mill Valley voters through Measure L.

The table below sets forth the top twenty-five sales tax producers as of June 30, 2025 in alphabetical order. The information in the following table has been obtained from third-party sources and is included for general information purposes only. Neither the City nor the Underwriter has verified the information in the following table and neither guarantees the accuracy of such information.

**TABLE 12  
CITY OF MILL VALLEY  
TOP 25 SALES TAX PRODUCERS  
(AS OF JUNE 30, 2025)**

Anthony Meier Fine Arts	Piatti Ristorante & Bar
Arco Am/Pm Mini Marts	Piazza D'angelo
Bungalow 44	Playa
Chevron Service Stations	Safeway Stores
Cvs/Pharmacy	Sloat Garden Center
Ferrari & Maserati	Sol Food
Ferrari Financial Services	Super Duper Burgers
Ferrari San Francisco	The Cantina
Fuel 24:7 Service Stations	The Depot Bookstore & Cafe
Goodman Building Supply Co.	Vintage Wine & Spirits
Henrybuilt	Watershed Mill Valley
Malugani's Tire Center	Whole Foods Market
Pet Food Express	

Source: City of Mill Valley.

### **Licenses and Permits**

During fiscal year 2023-24, revenues from licenses and permits of approximately \$2.43 million contributed approximately 6% of total General Fund revenues. General Fund revenues from licenses and permits of approximately \$2.25 million were received during fiscal year 2024-25 and approximately \$1.83 million are budgeted for fiscal year 2025-26. Revenues from licenses and permits are comprised of various construction permits, encroachment permits, tree application fees and other development related permits.

### **Other Taxes and Charges**

**Other Taxes and Charges.** The City receives other General Fund revenues from other taxes and charges, including, but not limited to, business licenses, and fines and forfeitures. Revenues for fiscal year 2024-25 were approximately \$2.2 million for licenses and permits, and \$4.8 million for other taxes, fines and forfeitures respectively.

**Transient Occupancy Tax (Hotel Visitor's Tax).** During fiscal year 2023-24, transient occupancy tax receipts of approximately \$1.1 million contributed approximately 3% of total General Fund revenues. General Fund transient occupancy tax revenues of approximately \$1.14 million were received during fiscal year 2024-25 and approximately \$1.1 million are budgeted for fiscal year 2025-26. The Transient Occupancy Tax charged to guests is currently 12%, 2% of which is remitted to the Marin County Business Improvement District. The City's transient occupancy tax does not expire.

**Intergovernmental.** The City receives other General Fund revenue from other government agencies, principally from the County, State and Federal governments. These revenues include monies called

subventions, as well as grants for specific projects, and reimbursements related to State mandated activities or disaster/emergency declarations. These revenues can fluctuate from year-to-year for on-going programs and activities.

**Investment Earnings.** Revenues from investment earnings consist of interest earnings on City investments.

**Other.** Other sources of General Fund revenue for the City include reimbursements for special events, recovery from damage to City properties, donations, sale of City assets, administrative charges and other miscellaneous revenue sources. These revenues can be inconsistent from year-to-year or are generally one-time in nature.

## **Indebtedness**

**Long-Term Debt.** The City's long-term obligations payable from the general fund include: Certificates of Participation 2021 Capital Improvement Financing Project, issued on August 26, 2021 and outstanding as of June 30, 2025 in the principal amount of \$5,910,000, Sewer System 2021 Refunding Revenue Bonds, issued on August 19, 2021 to refund the outstanding Certificates of Participation 2012 Sewer System Financing Project, outstanding as of June 30, 2025 in the principal amount of \$3,705,000 and secured by a pledge on the net revenues of the sewer system, and Pension Obligation Bonds, Series 2008, issued on May 7, 2008 and outstanding as of June 30, 2025 in the principal amount of \$2,335,000.

For additional information with respect to the City's outstanding long-term obligations, see APPENDIX C—"AUDITED FINANCIAL STATEMENTS OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2025, NOTE 4E."

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

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

Set forth below is a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics, Inc. and effective January 8, 2026. The Debt Report is included for general information purposes only. Neither the City nor the Underwriter has reviewed the Debt Report for completeness or accuracy and neither the City nor the Underwriter makes any representation in connection therewith.

The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the City in whole or in part. Such long-term obligations generally are not payable from revenues of the City (except as indicated) nor are they necessarily obligations secured by land within the City. In many cases, long-term obligations issued by a public agency are payable only from the General Fund or other revenues of such public agency.

The contents of the Debt Report are as follows: (1) the first column indicates the public agencies which have outstanding debt as of the date of the Debt Report and whose territory overlaps the City; (2) the second column shows the respective percentage of the assessed valuation of the overlapping public agencies identified in column 1 which is represented by property located in the City; and (3) the third column is an apportionment of the dollar amount of each public agency's outstanding debt (which amount is not shown in the table) to property in the City, as determined by multiplying the total outstanding debt of each agency by the percentage of the City's assessed valuation represented in column 2.

**TABLE 13  
CITY OF MILL VALLEY  
DIRECT AND OVERLAPPING BONDED DEBT  
(AS OF JANUARY 1, 2026)**

2025-26 Assessed Valuation:           \$           8,528,599,016

<b>OVERLAPPING TAX AND ASSESSMENT DEBT:</b>	<b>% Applicable</b>	<b>Debt 1/1/26</b>
Marin Community College District	7.736%	\$ 40,198,964
Tamalpais Union High School District	12.814	27,846,103
Larkspur-Corte Madera School District	0.725	326,502
Mill Valley School District	50.133	72,382,025
City of Mill Valley Community Facilities District No. 1996-1	100.	578,000
Marin Healthcare District	9.229	42,542,921
Marin Emergency Radio Authority (Measure A)	5.535	<u>2,036,574</u>
<b>TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT</b>		<b>\$ 185,911,089</b>

<b>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</b>		
Marin County General Fund Obligations	7.726%	\$ 5,119,634
Marin County Pension Obligation Bonds	7.726	1,154,264
Marin Community College District General Fund Obligations	7.736	767,572
<b>City of Mill Valley General Fund Obligations</b>	<b>100.</b>	<b>5,775,000<sup>(1)(2)</sup></b>
<b>City of Mill Valley Pension Obligation Bonds</b>	<b>100.</b>	<b><u>2,335,000</u></b>
<b>TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>		<b>\$ 15,151,470</b>

COMBINED TOTAL DEBT \$ 201,062,559<sup>(3)</sup>

Ratios to 2025-26 Assessed Valuation:

<b>Combined Direct Debt (\$8,110,000).....</b>	<b>0.10%</b>
Total Direct and Overlapping Tax and Assessment Debt ....	2.18%
Combined Total Debt.....	2.36%

<sup>(1)</sup> Excludes issue to be sold.

<sup>(2)</sup> City's share of Marin Emergency Radio Authority Revenue Bonds.

<sup>(3)</sup> Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

**Retirement System**

*This caption contains certain information relating to the California Public Employees Retirement System ("CalPERS"). The information is primarily derived from information produced by CalPERS, its independent accountants and actuaries. The City has not independently verified the information provided by CalPERS and makes no representations nor expresses any opinion as to the accuracy of the information provided by CalPERS.*

*The annual comprehensive financial reports of CalPERS are available on its Internet website at [www.calpers.ca.gov](http://www.calpers.ca.gov). CalPERS makes its actuarial valuation reports and other information concerning benefits and other matters available on its website. Such information is not 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 be changed in the future. Actuarial assessments will change with the future experience of the pension plans.*

**Plan Description.** All qualified permanent and probationary employees 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 (the “CalPERS”). The Plan consists of individual rate plans (benefit tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool (all others). 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 of Mill Valley sponsors seven rate plans (three miscellaneous and four safety). Benefit provisions under the Plan are established by State statute and City of Mill Valley resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS’ website at [www.calpers.ca.gov](http://www.calpers.ca.gov).

On September 12, 2012, the California Governor signed the California Public Employees’ Pension Reform Act of 2013 (“PEPRA”) into law. PEPRA took effect January 1, 2013. Among other things, PEPRA: (1) established PEPRA which applies to all public employers and public pension plans on and after January 1, 2013 (except specific exemptions); (2) established new retirement tiers/benefits for new public employees; (3) prohibited certain cash payment from being counted as compensation; and (4) increased retirement age for all new public employees.

The required employer contribution rates for the fiscal year ended June 30, 2025 are 14.99% for the First Tier, 12.67% for the Second Tier, and 8.18% for the PEPRA in the Miscellaneous Plan, with an employee member contribution of 8.25%. The required employer contribution rates for the fiscal year ended June 30, 2025 are 23% for Safety Second Tier Plan, 13.76% for the PEPRA Safety Fire Plan with an employee member contribution of 13.75%, and 13.76% PEPRA Safety Police Plan in the Safety Plan with an employee member contribution of 13.75%.

**Benefits provided.** CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to a fixed percentage of their highest annual salary formula as determined by the benefit program they participate in. 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.

The Plans’ provisions and benefits in effect at June 30, 2025, are summarized as follows:

	<i>Miscellaneous Plan</i>		
	First Tier	Second Tier	PEPRA
Benefit formula	2.5% <sup>@55</sup>	2.5% <sup>@55</sup>	2.5% <sup>@55</sup>
Required employee contribution rates	0%	0%	8.25%
Required employer contribution rates <sup>(1)</sup>	14.99%	12.67%	8.18%

<sup>(1)</sup> As described under “—Contributions” below, CalPERS no longer collects required contributions for the unfunded portion of pension liability based on a percentage of payroll.

Source: The City of Mill Valley.

	<i>Safety Plan</i>			
	First Tier	Second Tier	PEPRA Fire	PEPRA Police
Hire date	3% <sup>@55</sup>	3% <sup>@55</sup>	2.7% <sup>@57</sup>	2.7% <sup>@57</sup>
Required employee contribution rates	0%	0%	13.75%	13.75%
Required employer contribution rates <sup>(1)</sup>	0%	23%	13.76%	13.76%

<sup>(1)</sup> As described under “—Contributions” below, CalPERS no longer collects required contributions for the unfunded portion of pension liability based on a percentage of payroll.

Source: The City of Mill Valley.

**Employees Covered.** As of the June 30, 2024 actuarial valuation date, the following employees were covered by the benefit terms:

<i>Description</i>	
Active members	45
Inactive employees or beneficiaries currently receiving benefits	99
Inactive employees entitled to but not yet receiving benefits	-
Total	144

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Source: The City of Mill Valley.

**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 the Plan is 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 the employees. The City’s General Fund contribution to the Plan for the fiscal year ended June 30, 2025, was \$1,560,685.24.

The required employer contribution is comprised of a Normal Cost component and a component equal to an amortized amount of the unfunded liability or annual Unfunded Accrued Liability (“UAL”) Payment. The Normal Cost is the annual cost of service earned by active employees for the upcoming fiscal year, which is expressed as a percentage of payroll. Employer Normal Cost contribution rates may change if plan contracts are amended. PEPRAs employees contribute 50% of the base total normal cost established by the plan. The annual UAL Payment is the amortized dollar amount needed to fund past service credit earned (or accrued) for members who are currently receiving benefits, active members, and for members entitled to deferred benefits, as of the valuation date. The UAL Payment is a fixed dollar annual payment that is either billed monthly or at the option of each agency may be paid in a lump sum at the beginning of each fiscal year to achieve a cost savings. The City has historically paid the annual UAL in a lump sum at the beginning of each year.

Beginning in fiscal year 2016 for pooled plans, CalPERS began collecting employer contributions for the Plan as a percentage of payroll for the normal cost portion and as a dollar amount for contributions toward the unfunded liability and side fund. According to CalPERS, this change was designed to improve long-term funding stability.

For the year ended June 30, 2025, the City’s total required UAL contributions were \$1,880,844 for the Miscellaneous Plan and \$2,161,063 for the Safety Plan. Such amounts were paid by the City and represented an estimated 5% and 6%, respectively, of General Fund expenditures. The City’s required UAL contributions in fiscal year 2025-26 were \$2,718,094 for the Miscellaneous Plan and \$2,528,717 for the Safety Plan, and the City has made such UAL payments. The City’s required UAL contributions in fiscal year 2026-27 are estimated by CalPERS to be \$3,000,770 for the Miscellaneous Plans and \$2,753,270 for the Safety Plans.

The tables below are derived from the City’s Annual Valuation Reports with valuation dates as of June 30, 2024 and delivered in July 2025 (the “2025 Reports”) and show the required and projected employer contributions for the next six fiscal years. Such projections also assume that all actuarial assumptions will be realized and that no further changes to assumptions, contributions, benefits, or funding will occur during the projection period. The projected normal cost percentages in the projections below does not reflect that the normal cost will decline over the time as new employees are hired into PEPRAs or other lower cost benefit tiers.

The projections set forth below assume the investment return for fiscal year 2023-24 and beyond would be 6.8%. CalPERS announced a preliminary investment return of 11.6% for fiscal year 2024-25. As a

result, the actual contribution requirements for the following fiscal years shown below may differ from such projections. No assurance can be provided that the City’s CalPERS plan expenses will not increase significantly in the future.

**Miscellaneous Risk Pool  
Projected Employer Contribution**

Rate Plan Identifier	Covered Payroll June 30, 2024	Required Contribution 2026-27	Projected Future Employer Contributions (Assumes 6.80% Return for Fiscal Year 2024-25 and Beyond)				
			2027-28	2028-29	2029-30	2030-31	2031-32
<b>Normal Cost Rates (Percentage of Payroll)</b>							
9663	\$ 2,215,655	15.03%	15.0%	15.0%	15.0%	15.0%	15.0%
9664	1,699,092	12.72	12.7	12.7	12.7	12.7	12.7
27457	6,638,901	8.24	8.2	8.2	8.2	8.2	8.2
<b>UAL Payment</b>		\$3,000,770	\$3,127,000	\$3,400,000	\$3,434,000	\$3,460,000	\$3,530,000

Source: CalPERS Miscellaneous Plan for the City of Mill Valley Annual Valuation Report as of June 30, 2024.

**Safety Risk Pool  
Projected Employer Contribution**

Rate Plan Identifier	Covered Payroll June 30, 2024	Required Contribution 2026-27	Projected Future Employer Contributions (Assumes 6.80% Return for fiscal year 2024-25 and Beyond)				
			2027-28	2028-29	2029-30	2030-31	2031-32
<b>Normal Cost Rates (Percentage of Payroll)</b>							
5540	\$ 0	0.00%	0.0%	0.0%	0.0%	0.0%	0.0%
5541	1,337,178	23.09	23.1	23.1	23.1	23.1	23.1
25880	0	13.91	13.9	13.9	13.9	13.9	13.9
25881	1,666,421	13.91	13.9	13.9	13.9	13.9	13.9
<b>UAL Payment</b>		\$2,753,270	\$2,835,000	\$3,088,000	\$3,086,000	\$3,074,000	\$3,105,000

Source: CalPERS Safety Risk Pool Plan for the City of Mill Valley Annual Valuation Report as of June 30, 2024.

**Net Pension Liability.** The City’s 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, 2024, 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, 2023, rolled forward to June 30, 2024, 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 plan relative to other projected contributions of all participating employers, actuarially determined.

The City’s proportionate share of the net pension liability for the Plan as of measurement dates June 30, 2024, and 2023, was as follows:

**Proportionate Percentage Share of Net Pension Liability**

	Percentage Share of Plan		Change: Increase/(Decrease)
	June 30, 2025	June 30, 2024	
Measurement Date	6/30/2024	6/30/2023	-
Percentage of Plan (PERFC)	0.00452883	0.00446600	0.00006283
Net Pension Liability			

Source: The City of Mill Valley Audited Financial Statements for Fiscal Year 2024-25.

***Sensitivity of Proportionate Share of the Net Pension Liability to Changes in the Discount Rate.***

The following presents the City’s proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

<b><i>City’s Proportionate Share of the Net Pension Liability</i></b>	<b><i>1% Decrease (5.90%)</i></b>	<b><i>Current Discount Rate (6.90%)</i></b>	<b><i>1% Increase (7.90%)</i></b>
Miscellaneous plan	\$ 42,745,959	\$ 29,349,356	\$ 18,321,980
Safety plan	<u>39,140,122</u>	<u>25,573,723</u>	<u>14,478,315</u>
Totals	<u>\$ 81,886,081</u>	<u>\$ 54,923,079</u>	<u>\$ 32,800,295</u>

Source: The City of Mill Valley Audited Financial Statements for Fiscal Year 2024-25.

***Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions.*** On June 25, 2012, the Governmental Accounting Standards Board approved GASB Statement No. 68 (“GASB 68”) with respect to pension accounting and financial reporting standards for state and local governments and pension plans. GASB 68 states that, for pensions within the scope of the statement, a cost-sharing employer that does not have a special funding situation is required to recognize a net pension liability, deferred outflows of resources, deferred inflows of resources related to pensions, and pension expense based on its proportionate share of the net pension liability for benefits provided through the pension plan. While the accounting standard changed financial statement reporting requirements, they do not impact funding policies of the pension systems. The audited financial statements of the City for fiscal year 2024-25 attached hereto as Appendix C reflect the application of the GASB 68.

At June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions for the combined Plans from the following resources:

<b><i>Miscellaneous Plan</i></b>	<b><i>Deferred Outflows of Resources</i></b>	<b><i>Deferred Inflows of Resources</i></b>
Differences between expected and actual experience:	\$ 2,537,521	\$ 99,013
Changes in assumptions	754,339	-
Net difference between projected and actual earnings on pension plan investments	1,689,607	-
Changes in employer’s proportion	-	2,753,759
Differences between the employer’s contributions and the employer’s proportionate share of contributions	334,918	122,327
City contributions subsequent to the Measurement date (\$2,894,276 City, \$575,944 SASM)	<u>3,470,220</u>	<u>-</u>
Totals	<u>\$ 8,786,605</u>	<u>\$ 2,975,099</u>

<b>Safety Plan</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience:	\$ 2,087,044	\$ 67,859
Changes in assumptions	630,084	--
Net difference between projected and actual earnings on pension plan investments	1,236,119	--
Changes in employer's proportion	44,701	466,121
Differences between the employer's contributions and the employer's proportionate share of contributions	115,168	550,141
City contributions subsequent to the Measurement date	<u>2,708,316</u>	<u>--</u>
Totals	<u>\$ 6,821,432</u>	<u>\$ 1,084,121</u>

Source: The City of Mill Valley Audited Financial Statements for Fiscal Years 2024-25.

The \$6,178,536 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 fiscal year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense for the combined Plans as follows:

<b>Fiscal Year Ended June 30</b>	<b>Deferred Outflows (Inflows) of Resources</b>
2026	\$ 471,128
2027	6,060,853
2028	(159,746)
2029	(1,001,954)
2030	--
Thereafter	--

Source: The City of Mill Valley Audited Financial Statements for Fiscal Years 2024-25.

**Funded Status.** The tables below are derived from the 2025 Reports and show the recent history of the actuarial accrued liability, share of the pools' market value of assets, unfunded accrued liability, funded ratio, and annual covered payroll of the City's defined benefit pension plan as of the valuation dates shown.

#### Miscellaneous Plan Funding History

<b>Valuation Date</b>	<b>Accrued Liability (AL)</b>	<b>Share of Pool's Market Value of Assets (MVA)</b>	<b>Unfunded Accrued Liability (UAL)</b>	<b>Funded Ratio</b>	<b>Annual Covered Payroll</b>
06/30/2015	\$ 64,629,935	\$ 49,199,482	\$ 15,430,453	76.1%	\$ 8,200,436
06/30/2016	67,972,267	48,057,438	19,914,829	70.7	8,218,840
06/30/2017	71,723,666	51,828,262	19,895,404	72.3	8,648,159
06/30/2018	77,460,988	54,678,824	22,782,164	70.6	8,631,638
06/30/2019	80,201,981	56,307,414	23,894,567	70.2	8,907,810
06/30/2020	84,116,996	58,288,326	25,828,670	69.3	8,067,935
06/30/2021	88,318,218	69,325,161	18,993,057	78.5	7,947,828
06/30/2022	93,155,056	63,368,557	29,786,499	68.0	8,723,708
06/30/2023	96,276,046	64,589,751	31,686,295	67.1	9,432,418
06/30/2024	100,769,122	69,463,949	31,305,173	68.9	10,553,648

Source: CalPERs Miscellaneous Plan of the City of Mill Valley Annual Valuation Report as of June 30, 2024.

**Safety Plan  
Funding History**

<i>Valuation Date</i>	<i>Accrued Liability (AL)</i>	<i>Share of Pool's Market Value of Assets (MVA)</i>	<i>Unfunded Accrued Liability (UAL)</i>	<i>Funded Ratio</i>	<i>Annual Covered Payroll</i>
06/30/2015	\$ 64,015,843	\$ 51,636,650	\$ 12,379,193	80.7%	\$ 4,543,133
06/30/2016	67,114,179	50,171,902	16,942,277	74.8	4,549,874
06/30/2017	70,988,422	53,776,022	17,212,400	75.8	4,770,297
06/30/2018	78,205,257	58,132,314	20,072,943	74.3	4,865,841
06/30/2019	80,996,933	59,806,520	21,190,413	73.8	5,372,987
06/30/2020	84,071,135	61,143,320	22,927,815	72.7	5,768,359
06/30/2021	89,077,755	73,451,115	15,626,640	82.5	5,784,046
06/30/2022	92,840,718	66,059,271	26,781,447	71.2	5,937,286
06/30/2023	97,033,658	68,622,937	28,410,721	70.7	5,873,822
06/30/2024	97,241,545	69,559,979	27,681,566	71.5	3,003,599

Source: CalPERs Safety Risk Pool Plan for the City of Mill Valley Annual Valuation Report as of June 30, 2024.

**Other Post-Employment Benefits**

**Post-Retirement Health Benefits.** Permanent employees of the City, hired prior to April 15, 2013 for Non-Represented, the Police Union (POA), and the Fire Fighters Association (FFA), and prior to April 1, 2013 for AFSCME, with 15 years of service and a PERS retirement from the City shall be eligible for paid medical benefits for themselves and their spouse after retirement. Eligible employees can choose from Retire Health Plans that provide the coverage provided by the plans that active employees can choose from. Department managers are eligible for paid health insurance after 7.5 years of service and a PERS retirement from the City under the above conditions. An employee who meets the above criteria shall qualify for medical coverage for the remainder of his/her life and that of his/her spouse.

Permanent employees hired on or after April 15, 2013 and on or before February 17, 2017 for the Non-Represented group, on or after April 15, 2013 and prior to May 15, 2017 for the POA, on or after April 15, 2013 and prior to May 1, 2017 for the FFA, and on or after April 1, 2013 and prior to January 1, 2017 for AFSCME, shall be provided this benefit for the employee only, after 20 years of service (10 for department managers) with a maximum City contribution of two-thirds of the active employees single plan premium.

Employees hired after February 21, 2017 for the Non-Represented group, May 15, 2017 for the POA, May 1, 2017 for the FFA, and January 1, 2017 for AFSCME, are not eligible for the Health Insurance After Retirement Benefit.

For permanent employees not eligible for, or receiving, the Health Insurance After Retirement benefit, the City has established a Retiree Health Savings plan.

Of the employees covered by the Health Insurance After Retirement benefit, a total of 99 people received benefits in fiscal year 2023-24, with an additional 45 active employees in the plan. The City funds these benefits on a pay-as-you-go basis. The City made benefit payments of \$1.12 million in fiscal year 2024-25, \$1.08 million in fiscal year 2023-24, \$943,688 in fiscal year 2022-23, and \$905,321 in fiscal year 2021-22.

## **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 2026A 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 2026A 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 2026A Bonds**

The Series 2026A 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 2026A 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 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 as a separate line item in its biennial 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.”

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 XIII B of the California Constitution. See “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS—Article XIII B 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 2026A BONDS—Abatement.” In the event that 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 2026A Bonds, there could be insufficient funds to make payments to Owners in full. The Authority has not funded a reserve fund for the Series 2026A Bonds.

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 the execution and delivery of the Series 2026A Bonds. Abatement, therefore, could have an uncertain and material adverse effect on the security for and payment of the Series 2026A Bonds.

The City is required under the Lease Agreement to maintain property insurance and rental interruption insurance with respect to the Property, as well as a policy of title insurance (which is obtained at Closing). See the caption “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2026A BONDS—Insurance.” 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 2026A 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 2026A Bond Owners for nonpayment under such circumstances.

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, up to a maximum of ten years beyond the stated termination date of the Lease Agreement.

#### **No Reserve Fund**

The Authority has not funded a debt service reserve fund for the Series 2026A Bonds.

#### **Effect of Economy on Revenues**

The City relies heavily on property tax and sales tax revenues. These revenues can be negatively affected by economic downturns in various ways. Property taxes are directly linked to the assessed value of property in the City and an economic recession affecting real estate markets can cause a significant decline in the City’s property tax revenues. Similarly, a recession could cause a reduction in consumer spending and travel, which would have a material adverse impact on the City’s sales tax as well as transient occupancy tax revenues. The City can provide no assurance that economic factors affecting the City, the State, or the nation will not cause a reduction in the City’s General Fund tax revenues and a material adverse effect on the City’s ability to pay Base Rental Payments.

On January 16, 2025, Governor Gavin Newsom issued Executive Order N-10-25 (the “Governor’s Order”) which canceled penalties, costs and interest on overdue property taxes within certain zip codes affected by the Palisades Fire during calendar year 2025. If a similar natural disaster occurred in the City, and a cancellation of penalties for delayed payments of taxes was implemented, then the City would similarly face a delay in receipt of property tax revenues from properties in the City.

#### **Natural Disasters**

The occurrence of any natural disaster in the City, including, without limitation, fire, windstorm, agricultural pest infestation and disease, biological agents, human caused hazardous materials, drought, earthquake, landslide, mudslide, flood or the unexpected consequences 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. The County has adopted the Marin County Operational Area Multijurisdictional Hazard Mitigation Plan 2023 (the “Mitigation Plan”), which includes specific planning for emergencies such as earthquakes, floods, fires, winter storms, thunderstorms, hazard materials release, power outage, drought, civil unrest, dam failure and national security threats. Mill Valley has an annex in the County plan that details specific local hazards for the City and mitigation planning efforts.

**Wildfires.** In recent years, wildfires have caused extensive damage throughout the State, including within the County. Several of these fires have burned thousands of acres and destroyed hundreds and in some cases thousands of homes. In some instances, entire neighborhoods have been destroyed. Several fires in recent years damaged or destroyed property in areas that were not previously considered to be at risk from such events. In particular, certain electrical operators in the State have seen their distribution/transmission lines cause billions of dollars in property damage and the loss of lives. In 2023, as in several prior years, for example, devastating wildfires burned in various communities in the State, causing wide-spread damage. In 2025, communities in Los Angeles County, including Pacific Palisades, Malibu and Altadena, experienced widespread devastation from wildfires causing losses of life, thousands of burned homes, and billions of dollars in property damage. Marin is heavily forested and frequently subject to large-scale wildfires and is expected to be subject to wildfires in the future.

The County and the Bay Area have faced significant wildfires that have become common occurrences. The most notable wildfires in the region were the 2017 Northern California Wildfires where approximately 250 wildfires burned in the region. This resulted in over 245,000 acres of burned land, 11,000 firefighters deployed to the area, 43 dead and the evacuation of 100,000 individuals. At its peak, there were 21 major wildfires and approximately 8,900 destroyed structures. These fires surrounded the County with fires occurring in Sonoma and Napa. As a result of these fires, the County’s electric and power distributor, Pacific Gas & Electric Company (PG&E), has implemented Public Safety Power Shutoff (PSPS) events in the County. PG&E operates a total of 1,179 miles over of overhead electricity transmission and distribution lines in the County. These lines can be damaged or downed under severe weather conditions. The PSPSs are used under severe weather conditions to proactively shut off power in high fire risk areas.

Additionally, over the past century, the County has faced various wildfires within its own borders. As recent as 2021, the Lucas Valley Wildfire burned 40 acres and prompted the evacuations in parts of the unincorporated communities of Lucas Valley and Marinwood. In 1995 the Vision Fire, caused by an illegal campfire, burned over 12,000 acres in Point Reyes National Seashore and destroyed 48 structures in the unincorporated community of Inverness. The Mitigation Plan gives the City a Risk Score of 16 out of 16 possible points. The probability of occurrence is likely with a between 10% and 100% chance of occurrence in the next year or has a recurrence interval of 10 years or less. The Mitigation Plan also rates the geographic extent of a fire as “extensive” with severe magnitude of impact and high significance. As of July 2024 Marin Wildfire contracted with a team of modeling and data experts to update the Marin County’s Community Wildfire Protection Plan (“CWPP”). The CWPP will integrate existing mitigation projects and address emerging risks, including those in the City. The updated CWPP is expected to be completed in May 2026.

On February 24, 2025, CAL Fire released an updated Fire Hazard Severity Zone (“FHSZ”) map for the Northern California region which evaluates “hazard,” being the likelihood and expected fire behavior over a 30 to 50-year period without considering mitigation measures such as home hardening, recent wildfire or fuel reduction efforts. On the other hand, “Risk” is the potential damage a fire can cause in an area under existing conditions, accounting for any modifications such as fuel reduction projects, defensible space, and ignition resistant building construction. Pursuant to Sections 4201-4204 of the California Public Resources Code, the State Fire Marshal is mandated to classify the state responsibility areas (the “SRAs”), where the state has financial responsibility for wildfire protection and prevention, into FHSZs. These zones are classified as either “Moderate,” “High”, or “Very High” and are based on statewide criteria and severity of fire hazard that is expected to prevail in those areas. Each zone embraces relatively homogeneous lands and is based on fuel loading, slope, fire weather, and other relevant factors present, including areas where winds have been

identified as a major cause of wildfire spread. In areas designated as the local responsibility areas (the “LRAs”), where local agencies have financial responsibility for wildfire protection and prevention, local agencies must adopt a FHSZ map and all three FHSZ classes. The LRA map for Mill Valley was adopted by City Council in May of 2025. For more information, see the CAL Fire website. While the Community Center itself is not in a FHSZ zone, the areas surrounding the Community Center within the City are designated as Moderate, High, and Very High FHSZ.

There is a risk of the Property and the other properties in the City being destroyed by wildfires and no assurance can be given as to the severity or frequency of wildfires within the vicinity of the Property. Additionally, property located adjacent to burn areas can be subject to mudslides and flooding, which can cause significant damage and destruction to property, therefore disrupting economic activity resulting in lower sale tax revenue for the City.

**Landslide.** The County also faces challenges related to landslides. Notably, in January 1982, a storm weakened the foundation of the Golden Gate Bridge, resulting in the bridge’s closure for several days and cutting off the only road linking the County to San Francisco. Additionally, another landslide occurred on Highway 101, resulting in its complete closure. More remote areas of the County were isolated for several days, with numerous slides covering roadways.

Storms in March 1995, the spring of 2006, the winter of 2006, and throughout 2014 caused several mudslides within the County, leading to road blockages and damage to residential and public property. As a result of these storms, the County constructed a \$1.5 million emergency slide repair in 2011. More recently, storms in 2023 caused severe mudslide damage and buckled a 100-foot stretch of road on Highway 101, forcing the closure of Olompali State Historic Park. Recently, in January 2026, storms in the County caused approximately \$4.35 million in damages caused by widespread coastal and inland flooding, levee failures causing landslides as well as other issues.

The Mitigation Plan assigns the City a Risk Score of 13 out of 16 possible points for landslide risks, placing it in the High Risk category. The Mitigation Plan predicts that the City faces a 10% to 100% chance of occurrence within the next year and has a recurrence interval of 10 years or less. The Mitigation Plan further states that the potential significance of debris flow impacts would be high for the City, with the potential for widespread effects. The Mitigation Plan also identifies areas of prior landslides throughout the County, including Homestead Valley in Mill Valley.

**Drought.** The City’s water supply is managed by the Marin Municipal Water District (MMWD) which sources 75% of its water from Mt. Tamalpais Watershed reservoir. MMWD supplements their local rainfall supplies through a contract with the Sonoma County Water Agency which sources water from the Russian River. Additionally, MMWD provides recycled water to approximately 330 customers in Terra Linda through a partnership with Las Galinas Valley Sanitary District. The County has experienced droughts throughout the past two decades. In 2014 the State of California issued a drought emergency after experiencing the least amount of rainfall in its 163-year history. The drought continued in 2015 with the State Water Resources Control Board implementing mandatory water reductions. In July 2021, the County was included in a list of counties falling under the state of emergency regarding deepening drought conditions and record-breaking high temperatures statewide. In August of that same year the reservoir levels were at historic lows for MMWD which led to a declaration of a water shortage emergency. The Mitigation Plan assigned the City a Risk Score of 13 out of the 16 possible points for Drought risks, placing it in the High Risk Category for drought risk.

**Earthquakes.** The San Andreas Fault passes approximately 5 miles southwest of the City and the Hayward Fault lies approximately 12 miles northeast of the City. Additionally, all jurisdictions in California are subject to the effects of damaging earthquakes. The region experienced a magnitude 7.8 earthquake in 1906 and a 7.1 earthquake in 1989. An earthquake along one of the faults in the vicinity, either known or unknown, could cause a number of casualties and extensive property damage, including to the Property. The effects of such an earthquake could be aggravated by aftershocks and secondary effects such as fires, landslides,

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. The City is not required to, and does not, maintain earthquake insurance with respect to the Property. The City received Risk Score of 13 out of the 16 possible points for earthquake risks in the Mitigation Plan, placing it in the High Risk Category.

**Flood Risk.** Like most of the State, the City is subject to unpredictable seasonal rainfall, with periods of intense and sustained precipitation occurring every few years. Properties in the City along the Arroyo Corte Madera del Presidio, the Old Mill Creek and the Coyote Creek have all experienced damages from flooding.

When measuring the potential for floods in an area, FEMA prepares Flood Insurance Rate Maps (FIRMs) which divides sections into different Zones. Zone X consists of areas that have a .2% annual chance Flood Hazard, areas of 1% annual chance flood with average depth less than one foot or with drainage areas of less than one square miles, areas with future conditions 1% annual chance flood hazard, and areas with reduced flood risk due to levee. The information last updated June 2024 indicates that the Property is not located in Zone X. However, it is close to areas that are. Further, severe flooding could damage infrastructure, reduce taxable property value, and increase the City's operating and recovery costs. Flooding could also render the Property unusable, resulting in abatement of Base Rental Payments.

The City does not carry flood insurance for the Property.

**Sea Level Rise.** Certain western portions of the City are adjacent to Richardson Bay and are at risk of flooding and property damaged caused by rising sea levels. According to the Flood Control District, a 36-inch increase in sea levels will greatly impact people's lives throughout Southern Marin County. Daily high tides will inundate major thoroughfares, schools, retirement communities, private homes, shopping areas, bike paths, and stormwater detention ponds. Valuable marsh and mudflat habitat will be permanently flooded. Infrastructure will need to be armored, abandoned, or relocated. Shorelines will be eroded by increased wave erosion, threatening even more infrastructure.

City, County, State and Federal officials continue to monitor the rate of sea level rise and its effects. The County and the Flood Control District are exploring mitigation marshland restoration, the creation of sand dunes at beaches and other strategies to address the problem. The City is undertaking a major, multi-year effort to understand its shoreline vulnerabilities and design long-term strategies to protect the community from sea-level rise. Using grant funding from the Ocean Protection Council, the City is developing a comprehensive Sea Level Rise Shoreline Adaptation Plan, guided by newly issued regional requirements from the Bay Conservation and Development Commission (BCDC). The plan will include detailed studies of existing conditions, future flooding scenarios, and potential protective measures, ranging from nature-based solutions to engineered barriers. This work will be completed in phases through 2027, with later phases addressing land use policy, funding strategies, and long-term implementation. Once adopted by the City Council and approved by BCDC, the plan will guide future resilience projects and make the City more competitive for state and federal climate-adaptation funding. The City's Risk Score for Sea Level Rise in the Mitigation Plan is 12 out of the 16 possible points, placing it in the High Risk Category.

**Severe Weather, Wind and Tornado.** Extreme winds may exacerbated existing weather conditions by increasing the effect on temperature and decreasing visibility due to the movement of particulate matters through the air. The winds, as discussed in the Wildfire section, may also exacerbate fire conditions by drying out the ground cover, propelling fuel around the region and increasing the ferocity of existing fires. Areas of the County, including the unincorporated area – coastal, mountainous and inland valleys where there are power lines, roads, and creeks/bridges, and ponded water for infrastructure (stormwater, wastewater, drinking water purposes), are particularly vulnerable to disruption due to wind damage, as are private structures with nearby trees. The City's Risk Score for Wind and Tornado in the Mitigation Plan is 12 out of the 16 possible points, placing it in the High Risk Category.

***Climate Change.*** Climate change caused by human activities may have adverse effects on the City. Climate change can also result in more variable weather patterns throughout the State, which can lead to longer and more severe droughts and wildfires as well as increased risk of flooding and a rise in sea levels. The City considers the potential effects of climate change in its planning.

Projections of the impacts of global climate change on the City are complex and depend on many factors that are outside the City's control. The various scientific studies that forecast the amount and timing of adverse impacts of climate change are based on assumptions contained in such studies, but actual events may vary materially. Also, the scientific understanding of climate change and its effects continues to evolve. Accordingly, the City is unable to forecast with certainty when adverse impacts of climate change will occur or the extent of such impacts.

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. Reduced ability to pay Base Rental Payments could affect the payment of the principal of and interest on the Series 2026A Bonds. The City maintains liability insurance and property casualty insurance (for losses other than from seismic events) for the Premises. See the caption "THE CITY OF MILL VALLEY—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**

An additional environmental condition that may result in the reduction in the assessed value of property, and therefore property tax revenue available to make Base Rental Payments, would be the discovery of a hazardous substance that would limit the beneficial use of taxable property within the City. In general, the owners and operators of a property may be required by law to remedy conditions of the property relating to releases or threatened releases of hazardous substances. The owner or operator may be required to remedy a hazardous substance condition of property whether or not the owner or operator has anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the property within the City be affected by a hazardous substance, could be to reduce the marketability and value of the property by the costs of remedying the condition. Furthermore, if hazardous substances are discovered at the Leased Assets, the facilities could be closed or restricted, causing abatement of Base Rental Payments. The City is not aware of any hazardous substances located at the Property.

### **Other Financial Matters**

Due to weakness in the economy of the State and the United States, it is possible that the general revenues of the City will decline. Such financial matters may have a detrimental impact on the City's General Fund, and, accordingly, may reduce the City's ability to make Base Rental Payments. See "THE CITY OF MILL VALLEY" and "CITY FINANCIAL INFORMATION."

### **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. 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 2026A BONDS—Substitution or Release of the Property." Moreover, the Authority may issue Additional Bonds secured by Base Rental Payments which are increased from current levels. See the caption "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2026A BONDS—Additional Bonds."

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 2026A 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—No Consequential Damages; Use of the Property; Substitution or Release.”

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. See APPENDIX B—“SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS—THE INDENTURE—Issuance of Bonds; Application of Proceeds.”

#### **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 2026A Bonds when due, and the Trustee is not empowered to sell the Property for the benefit of the Owners of the Series 2026A 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 2026A BONDS” and APPENDIX B—“SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—THE LEASE AGREEMENT—Defaults and Remedies.”

## **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 2026A 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 2026A Bonds. In a bankruptcy case, the amount recovered by Owners of the Series 2026A 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 2026A 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 2026A Bonds.

The opinions of counsel, including Bond Counsel, delivered in connection with the issuance of the Series 2026A 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.

### **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 and interest on the Series 2026A Bonds when due. In addition, certain risks, such as earthquakes, 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 2026A BONDS—Insurance.”

### **Loss of Tax Exemption**

As discussed under the heading “TAX MATTERS,” the interest on the Series 2026A Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date of delivery of the Series 2026A Bonds, as a result of acts or omissions of the Authority or the City in violation of its covenants in the Indenture and the Lease Agreement. Should such an event of taxability occur, the Series 2026A 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 2026A 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.

### **Dependence on State for Certain Revenues**

On January 9, 2026, the Governor released the proposed State budget for fiscal year 2026-27 (the “Proposed 2026-27 Budget”). The following is drawn from the DOF and LAO summaries of the Proposed 2026-27 Budget.

The Proposed 2026-27 Budget reports that the State experienced a welcome surge in revenues since the 2025-26 State Budget, with a projection approximately \$42 billion higher over the three-year budget window, from fiscal year 2024-25 through 2026-27, than the projection at the 2025-26 State Budget. Much of the revenue surge is attributable to a relatively small number of technology companies that have experienced a substantial increase in their share prices due to investor enthusiasm in artificial intelligence. Additionally, the increase in revenues is due to higher cash receipts, higher stock market levels and an improved economic outlook. However, the Proposed 2026-27 Budget reports that the constitutional funding requirements, need for an adequate budget reserve and higher program costs exceed the level of increased revenues, resulting in a projected shortfall of \$2.9 billion for fiscal year 2026-27. Despite the \$12 billion in ongoing expenditure reductions included in the 2025-26 Budget, the State continues to be confronted with structural operating deficits that need to be addressed. The Proposed 2026-27 Budget identifies dominant risks to the State budget as stock market and asset price declines and unpredictable federal policies, including continued uncertainty regarding tariffs and immigration, as well as their impact on inflation, the labor market, investment and overall demand. Additionally, significant federal policy changes for health and human services programs due to the adoption of House of Representatives (“H.R.”) 1 of 2025, which increased projected costs for the State’s

Medicaid Program and Supplemental Nutrition Assistance Program in fiscal year 2026-27 by approximately \$1.4 billion. The Proposed 2026-27 Budget reports a balanced budget for fiscal year 2026-27, with a discretionary reserve of \$4.5 billion and projects a deficit of roughly \$22 billion in fiscal year 2027-28, with additional shortfalls in the two subsequent fiscal years.

The LAO notes that the administration's revenue estimates in the Proposed 2026-27 Budget exceed LAO projections by \$25 to \$30 billion over the three-year budget window. The LAO revenue projections reflect an assessment that recent gains are unlikely to be sustainable as they are tied to an overheated stock market with a high risk of reversing course into a downturn in the next year or two. The LAO reports that the Proposed 2026-27 Budget relies on the increased revenue forecast in order to remain roughly balanced for fiscal year 2026-27 and continues to project alarming multiyear budget deficits, with estimates ranging between \$20 billion to \$35 billion annually. The LAO reports that the Proposed 2026-27 Budget does not propose material actions to address downside revenue risk.

For fiscal year 2025-26, the Proposed 2026-27 Budget projects total general fund revenues and transfers of \$235.16 billion and authorizes expenditures of \$237.66 billion. The State is projected to end the 2025-26 fiscal year with total reserves of approximately \$41.3 billion, including \$11.33 billion in the BSA, \$25.45 billion in traditional general fund reserves and \$4.51 billion in the PSSSA. For fiscal year 2026-27, the Proposed 2026-27 Budget projects total general fund revenues and transfers of approximately \$227.39 billion and authorizes expenditures of \$248.33 billion. The State is projected to end the 2026-27 fiscal year with total reserves of approximately \$23 billion, including \$4.51 billion in the traditional general fund reserve, \$14.35 billion in the BSA and \$4.10 billion in the PSSSA. The Safety Net Reserve is projected to have a zero balance across both fiscal years 2025-26 and 2026-27.

For additional information regarding the 2026-27 State Budget, see the DOF and LAO websites [www.dof.ca.gov](http://www.dof.ca.gov) and [www.lao.ca.gov](http://www.lao.ca.gov). However, the information presented on such website is not incorporated herein by any reference.

The City cannot predict the extent of the budgetary problems the State may 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.

A number of the City's revenues are collected and dispersed by the State (such as sales taxes and property tax in lieu of 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 the captions "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS—Proposition 1A" and "—Proposition 22."

## **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 a potential target for 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 and information or causing operational disruption and damage. The City employs a multi-level cyber protection approach that includes network firewalls, server- and workstation- level anti-virus software, anti-spam/malware software, email protection as well as intrusion protection. The City also conducts periodic cybersecurity training for City employees and carries cybersecurity insurance.

## **CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS**

Principal of and interest on the Series 2026A 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 2026A BONDS." Articles XIII A, XIII B, XIII C and XIII D 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 XIII A of the State Constitution**

On June 6, 1978, State voters approved Proposition 13, which added Article XIII A to the State Constitution. Article XIII A, 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 XIII A defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under "full cash value," or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment." This full cash value may be increased at a rate not to exceed 2% per year to account for inflation.

Article XIII A 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 XIII A**

Legislation has been enacted and amended a number of times since 1978 to implement Article XIII A. 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 XIII B of the State Constitution**

In addition to the limits that Article XIII A 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 XIII B which effectively limits the amount of such revenues that such entities are permitted to spend. Article XIII B, 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 XIII B 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 (such as the Bonds), 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 XIII B.

## **Articles XIII C and XIII D 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 XIII C and XIII D 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 XIII C requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the City 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 XIII D also adds several provisions making it generally more difficult for local agencies to levy and maintain property-related fees, charges, and assessments for municipal services and programs, 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 XIID, over and above any general benefits conferred; (iii) a majority protest procedure for assessments which involves the mailing of notice and a ballot to the record owner of each affected parcel, a public hearing and the tabulation of ballots weighted according to the proportional financial obligation of the affected party; and (iv) a prohibition against fees and charges which are used for general governmental services, including police, fire or library services, where the service is available to the public at large in substantially the same manner as it is to property owners. If the City is unable to continue to collect these revenues, 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 the 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 XIIC 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 XIII A; (e) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities; and (f) requires that any tax imposed by a local governmental entity on or after 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.

California appellate court cases have overturned the provisions of Proposition 62 pertaining to the imposition of taxes for general government purposes. However, the California Supreme Court upheld Proposition 62 in its decision on August 28, 1995 in *Fresno County Transportation Authority v. Gardino*. This decision reaffirmed the constitutionality of Proposition 62. Certain matters regarding Proposition 62 were not addressed in the Court’s decision, such as what remedies exist for taxpayers subject to a tax not in compliance with Proposition 62, and whether the decision applies to charter cities. The City has not experienced any substantive adverse financial impact as a result of the passage of Proposition 62.

## **Proposition 1A**

Proposition 1A, proposed by the State Legislature in connection with the State's fiscal year 2004-05 budget, approved by the voters in November 2004 and generally effective in State fiscal year 2006-07, provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the Legislature. Proposition 1A provides, however, that beginning in State fiscal year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe state financial hardship, the shift is approved by two-thirds of both houses and certain other conditions are met. The State also will not be able to borrow from local property tax revenues for more than two fiscal years within a period of ten 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 State-wide local sales tax. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also provides that if the State reduces the motor vehicle license fee rate currently in effect, 0.65% of vehicle value, the State must provide local governments with equal replacement revenues. Further, Proposition 1A requires the State, beginning July 1, 2005, to suspend State mandates affecting cities, counties and special districts, excepting mandates relating to employee rights, schools or community colleges, in any year that the State does not fully reimburse local governments for their costs to comply with such mandates.

Proposition 1A may result in more stable City revenues. The extent of such stability is unknown and would depend on future actions by the State. However, Proposition 1A could also result in decreased resources being available for State programs. This reduction, in turn, could affect actions taken by the State to resolve budget difficulties. Such actions could include increasing State taxes, decreasing spending on other State programs or other action, some of which could be adverse to the City.

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 California voters 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 XIII C 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 XIII D. 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 XIII A, XIII B, XIII C and XIII D 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 LLP (the “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 2026A 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. However, it should be noted that with respect to applicable corporations as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended (the “Code”), generally certain corporations with more than \$1,000,000,000 of average annual adjusted financial statement income, interest (and original issue discount) with respect to the Series 2026A Bonds might be taken into account in determining adjusted financial statement income for purposes of computing the alternative minimum tax imposed by Section 55 of the Code on such corporations. In the further opinion of Bond Counsel, interest (and original issue discount) on the Series 2026A Bonds is exempt from State 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 2026A Bonds is based upon certain representations of fact and certifications made by the Authority and others and is subject to the condition that the Authority comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Series 2026A Bonds to assure that interest (and original issue discount) on the Series 2026A Bonds 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 Series 2026A Bonds to be included in gross income for

federal income tax purposes retroactive to the date of issuance of the Series 2026A Bonds. The Authority has covenanted to comply with all such requirements.

In the opinion of Bond Counsel, the difference between the issue price of a Series 2026A Bond (the first price at which a substantial amount of the Series 2026A Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity of such Series 2026A Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Beneficial Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Beneficial Owner will increase the Beneficial Owner's basis in the applicable Series 2026A Bond. The amount of original issue discount that accrues to the Beneficial Owner of a Series 2026A Bond is excluded from the gross income of such Beneficial Owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals, and is exempt from State personal income tax.

The amount by which a Series 2026A Bond Owner's original basis for determining loss on sale or exchange in the applicable Series 2026A 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 Series 2026A Bond Owner's basis in the applicable Series 2026A Bond (and the amount of tax-exempt interest received with respect to the Series 2026A Bonds), 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 Series 2026A Bond Owner realizing a taxable gain when a Series 2026A Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Series 2026A Bond to the Owner. Purchasers of the Series 2026A Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

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 2026A Bonds will be selected for audit by the IRS. It is also possible that the market value of the Series 2026A Bonds might be affected as a result of such an audit of the Series 2026A Bonds (or by an audit of similar municipal obligations). 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 2026A Bonds to the extent that it adversely affects the exclusion from gross income of interest (and original issue discount) on the Series 2026A Bonds or their market value.

**SUBSEQUENT TO THE ISSUANCE OF THE SERIES 2026A 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 2026A 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 2026A BONDS. THESE CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE SERIES 2026A BONDS. NO ASSURANCE CAN BE GIVEN THAT SUBSEQUENT TO THE ISSUANCE OF THE SERIES 2026A 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 2026A 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 2026A BONDS.**

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 and the Tax Certificate relating to the Series 2026A Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on the exclusion from gross income of interest (and original issue discount) for federal income tax purposes with respect to any Series 2026A Bond if any such action is taken or omitted based upon the advice of counsel other than Stradling Yocca Carlson & Rauth LLP.

Although Bond Counsel has rendered an opinion that interest (and original issue discount) on the Series 2026A Bonds is excluded from gross income for federal income tax purposes provided that the Authority continues to comply with certain requirements of the Code, the ownership of the Series 2026A Bonds and the accrual or receipt of interest (and original issue discount) on the Series 2026A 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 Series 2026A Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the Series 2026A Bonds. Should interest (and original issue discount) on the Series 2026A Bonds become includable in gross income for federal income tax purposes, the Series 2026A Bonds are not subject to early redemption and will remain outstanding until maturity or until redeemed in accordance with the Indenture.

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

#### **CERTAIN LEGAL MATTERS**

The validity of the Series 2026A Bonds and certain other legal matters are subject to the approving opinion of Stradling Yocca Carlson & Rauth LLP, Bond Counsel. Stradling Yocca Carlson & Rauth LLP 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 and Disclosure Counsel will receive compensation from the City contingent upon the sale and delivery of the Series 2026A Bonds. Counsel to the Underwriter will receive compensation contingent upon the issuance of the Series 2026A 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 2026A Bonds, the Lease Agreement, the Ground Lease 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.

#### **UNDERWRITING**

The Series 2026A Bonds were sold at a competitive sale on May 20, 2026. The Series 2026A Bonds were awarded to TD Financial Products LLC (the "Underwriter"). The Underwriter has agreed, subject to certain conditions, to purchase all of the Series 2026A Bonds at a price of \$15,247,276.45 (which amount represents the principal amount of the Series 2026A Bonds, plus original issue premium of \$1,384,553.95, less an underwriter's discount of \$22,277.50). The Underwriter may offer and sell the Series 2026A Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page hereof.

#### **RATING**

S&P Global Ratings, a Standard & Poor's Financial Services LLC business ("S&P") has assigned an issuer credit rating of "AA+" to the Series 2026A Bonds. Such rating reflects only the views of S&P and any desired explanation of the significance of such rating should be obtained from the rating agency furnishing the same. Generally, a rating agency bases its ratings on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by the rating

agency, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Series 2026A Bonds. None of the Authority, the City, or the Underwriter has undertaken any responsibility either to bring to the attention of the owners of the Series 2026A Bonds a proposed change in or withdrawal of any rating or to oppose any such proposed revision or withdrawal.

### **MUNICIPAL ADVISOR**

Wulff, Hansen & Co. has acted as municipal advisor (the “Municipal Advisor”) to the Authority and City in conjunction with the issuance of the Series 2026A Bonds. The Municipal Advisor has assisted in matters related to the planning, structuring, execution, and delivery of the Series 2026A Bonds. The Municipal Advisor will receive compensation contingent upon the sale and delivery of the Series 2026A Bonds. The Municipal Advisor has not audited, authenticated, or otherwise independently verified the information set forth in this Official Statement, or any other related information available, with respect to accuracy and completeness of disclosure of such information. Because of this limited participation, the Municipal Advisor makes no guaranty, warranty, or other representation with respect to the accuracy or completeness of this Official Statement, or any other matter related to this Official Statement.

### **CONTINUING DISCLOSURE**

The City has covenanted for the benefit of the Owners of the Series 2026A Bonds to provide annually certain financial information and operating data relating to the Series 2026A 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 April 1 after the end of the City’s fiscal year, commencing with the report for fiscal year 2025-26. 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 Rule 15c2-12.

During the previous five years, the City and its related governmental entities have complied in all material respects with their continuing disclosure undertakings under the Rule, except for failure to timely disclose a bond insurer rating change in 2022, which has been remedied.

### **FINANCIAL STATEMENTS OF THE CITY**

Included herein as Appendix C are the audited financial statements of the City for the year ended June 30, 2025, together with the report thereon dated February 20, 2026 of Terry E. Krieg, CPA, Santa Rosa, California, certified public accountants (the “Auditor”). Such audited financial statements have been included herein in reliance upon the report of the Auditor. The City’s financial statements are public documents and are included within this Official Statement without the prior approval of the Auditor. Accordingly, the Auditor has not performed any post-audit review of the financial condition of the City and also has not performed any procedures relating to this Official Statement. The Auditor has not undertaken to update the audited financial statements of the City or its report, and no opinion is expressed by the Auditor with respect to any event subsequent to its report dated February 20, 2026.

### **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 Mill Valley, 26 Corte Madera Avenue, Mill Valley, CA 94941.

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 2026A Bonds.

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

**MILL VALLEY PUBLIC FINANCING AUTHORITY**

By: /s/ Todd Cusimano  
Executive Director

**CITY OF MILL VALLEY**

By: /s/ Todd Cusimano  
City Manager

## APPENDIX A

### ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING THE CITY OF MILL VALLEY

*The following information concerning the City of Mill Valley and Marin County is included only for the purpose of supplying general information regarding the City and the County. The Bonds are not a debt of the County, the State or any of its political subdivisions, and none of the County, the State nor any of their political subdivisions, except for the City, are liable therefor.*

*Although reasonable efforts have been made to include up-to-date information in this Appendix A, some of the information is not current due to delays in reporting of information by various sources. It should not be assumed that the trends indicated by the following data would continue beyond the specific periods reflected herein.*

#### **Introduction**

**City of Mill Valley.** The City of Mill Valley (the “City”) is located in Marin County (the “County”), California, and is bordered by Mt. Tamalpais on the west, the Town of Tiburon on the east, the Town of Corte Madera on the north, and the Golden Gate National Recreational Area (“GGNRA”) on the south. The City is primarily a suburban community. While the City is home to approximately 13,688 living within its 4.8 square mile area, the City serves as the center for a larger unincorporated Mill Valley area with a population of more than 30,000 residents living in the adjacent unincorporated communities of Almonte, Alto, Homestead Valley, Tamalpais Valley, and Strawberry.

**Marin County.** Marin County, located in the San Francisco-Oakland metro area, is one of 58 counties in California. One of the nine Bay Area counties, the County is linked to San Francisco by the Golden Gate Bridge and to the East Bay by the Richmond-San Rafael Bridge. The County is bordered on the north and northeast by Sonoma County, on the west by the Pacific Ocean and on the east by the San Francisco Bay. According to the U.S. Census Bureau, the County has a total area of 828 square miles (2,140 km<sup>2</sup>), of which 520 square miles (1,300 km<sup>2</sup>) is land and 308 square miles (800 km<sup>2</sup>) (37.2%) is water. The County is the fourth-smallest county in California by land area.

Most of the County’s population resides in the eastern side of the County with a string of communities running along San Francisco Bay, from Sausalito to Tiburon to Corte Madera to San Rafael. The interior of the County contains large areas of agricultural and open space. West Marin, through which State Route 1 runs alongside the California coast, contains many small unincorporated communities whose economies depend on agriculture and tourism. West Marin has beaches which are popular destinations for surfers and tourists year-round. Notable features of the County include the Sausalito shoreline, Richardson Bay, the Tiburon Peninsula, Ring Mountain, and Triangle Marsh at Corte Madera.

## Population

The following table summarizes population estimates as of January 1 for the City of Mill Valley, the County and the State for the years 2021 through 2025.

**POPULATION ESTIMATES**  
**City of Mill Valley,**  
**County of Marin and State of California**  
**2021-2025**

<i>Year (January 1)</i>	<i>City of Mill Valley</i>	<i>County of Marin</i>	<i>State of California</i>
2021	14,083	260,112	39,369,530
2022	13,801	256,512	39,179,680
2023	13,705	254,861	39,228,444
2024	13,679	254,743	39,420,663
2025	13,688	254,550	39,529,101

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Source: State of California, Department of Finance, E-4 Population Estimates for Cities, Counties, and the State, 2021-2025, with 2020 Census Benchmark.

## Employment

The following table summarizes historical employment and unemployment for the County, the State and the United States:

**CIVILIAN LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT**  
**City of Mill Valley, County of Marin, the State of California and the United States**  
**2020-2024**

<i>Year and Area</i>	<i>Labor Force</i>	<i>Employment</i>	<i>Unemployment</i>	<i>Unemployment Rate (%)<sup>(1)</sup></i>
<b><u>2020</u></b>				
City of Mill Valley	6,700	6,400	200	3.5%
Marin County	123,500	114,600	8,900	7.2
State of California	18,956,600	17,039,800	1,916,800	10.1
United States	160,742,000	147,795,000	12,947,000	8.1
<b><u>2021</u></b>				
City of Mill Valley	6,400	6,200	200	3.4%
Marin County	121,900	116,000	5,900	4.8
State of California	18,954,600	17,564,900	1,389,700	7.3
United States	161,204,000	152,581,000	8,623,000	5.3
<b><u>2022</u></b>				
City of Mill Valley	6,400	6,200	200	3.7%
Marin County	123,700	120,100	3,500	2.9
State of California	19,218,300	18,393,900	824,400	4.3
United States	164,287,000	158,291,000	5,996,000	3.6
<b><u>2023</u></b>				
City of Mill Valley	6,600	6,300	300	4.8%
Marin County	125,100	120,800	4,300	3.5
State of California	19,471,000	18,551,800	919,200	4.7
United States	167,116,000	161,037,000	6,080,000	3.6
<b><u>2024</u></b>				
City of Mill Valley	N/A	N/A	N/A	N/A
Marin County	125,400	120,400	4,900	3.9
State of California	19,644,100	18,600,900	1,043,100	5.3
United States	168,106,000	161,346,000	6,761,000	4.0

Data is not seasonally adjusted.

<sup>(1)</sup> The unemployment rate is computed from unrounded data.

Source: Employment Development Department and U.S. Bureau of Labor Statistics.

**Principal Employers**

The following table lists the principal employers located in the County in 2024.

**PRINCIPAL EMPLOYERS  
Marin County  
2024**

<i>Rank:</i>	<i>Employer</i>	<i>Employees</i>	<i>% of Total</i>
1.	County of Marin	5,012	3.98%
2.	Bio Marin Pharmaceutical Inc.	3,401	2.70
3.	County of Marin	2,506	1.99
4.	Marin Health Medical Center	1,900	1.51
5.	Corrections Department	1,233	0.98
6.	YMCA San Francisco	1,096	0.87
7.	RH (Restoration Hardware)	1,048	0.83
8.	Bay Equity	1,012	0.80
9.	Glassdoor Inc.	860	0.68
10.	College of Marin	508	0.40

Source: Marin County Fiscal Year 2024 CAFR.

**Construction Activity**

The following table reflects the five-year history of building permit valuation for the City and the County:

**BUILDING PERMITS AND VALUATION  
City of Mill Valley  
(Dollars in Thousands)**

	<i>2020</i>	<i>2021</i>	<i>2022</i>	<i>2023</i>	<i>2024</i>
Valuation					
Residential	\$ 19,147	\$ 39,938	\$ 42,255	\$ 42,043	\$ 41,094
Non-Residential	<u>6,251</u>	<u>7,113</u>	<u>9,428</u>	<u>6,165</u>	<u>4,576</u>
Total	\$ 25,398	\$ 47,051	\$ 51,683	\$ 48,208	\$ 45,670
Units					
Single Family	5	21	15	5	4
Multiple Family	<u>0</u>	<u>2</u>	<u>4</u>	<u>20</u>	<u>9</u>
Total	5	23	19	25	13

**BUILDING PERMITS AND VALUATION**  
**Marin County**  
(Dollars in Thousands)

	<i>2020</i>	<i>2021</i>	<i>2022</i>	<i>2023</i>	<i>2024</i>
Valuation					
Residential	\$ 187,309	\$ 313,885	\$ 371,169	\$ 429,024	\$ 357,716
Non-Residential	<u>50,642</u>	<u>130,319</u>	<u>157,158</u>	<u>185,403</u>	<u>101,009</u>
Total	\$ 237,951	\$ 444,204	\$ 528,327	\$ 614,427	\$ 458,725
Units					
Single Family	97	235	323	107	104
Multiple Family	<u>3</u>	<u>21</u>	<u>8</u>	<u>502</u>	<u>170</u>
Total	100	256	331	609	274

Note: Totals may not add to sum because of rounding.  
Source: Construction Industry Research Board.

**Personal Income**

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

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

The following table summarizes per capita personal income for the County, the State of California and the United States for the years 2020 through 2024. 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<sup>(1)</sup>**  
**County of Marin, State of California, and United States**  
**2020-2024**

<i>Year</i>	<i>County of Marin</i>	<i>California</i>	<i>United States</i>
2020	145,393	70,098	59,123
2021	164,340	76,882	64,460
2022	168,814	76,941	66,244
2023	180,575	81,255	69,810
2024	190,891	86,323	73,204

<sup>(1)</sup> Per capita personal income is the total personal income divided by the total midyear population estimates. All dollar estimates are in current dollars (not adjusted for inflation).

Source: U.S. Bureau of Economic Analysis.

## Industry

The County is included in the San Rafael Metropolitan Statistical Area (the “MSA”). The distribution of employment in the MSA is presented in the following table for the past five calendar years of data currently available.

**INDUSTRY EMPLOYMENT & LABOR FORCE ANNUAL AVERAGES**  
**San Rafael Metropolitan Statistical Area (MSA)**  
**(Marin County)**  
**2020-2024<sup>(1)</sup>**

	<i>2020</i>	<i>2021</i>	<i>2022</i>	<i>2023</i>	<i>2024</i>
Farming	400	400	400	400	400
Mining, Logging and Construction	7,300	7,600	7,800	7,600	7,500
Manufacturing	4,600	4,400	4,200	4,300	4,200
Wholesale Trade	2,200	2,100	2,100	2,200	2,200
Retail Trade	13,700	13,900	13,900	13,500	13,200
Transportation, Warehousing and Utilities	1,400	1,400	1,400	1,400	1,500
Information	2,600	2,700	2,800	2,900	2,900
Financial Activities	5,200	5,000	5,200	5,200	5,000
Professional and Business Services	17,500	17,700	18,200	17,900	17,500
Private Education and Health Services	19,400	20,000	20,400	21,400	22,100
Leisure and Hospitality	11,200	12,100	14,000	14,500	14,600
Other Services	4,800	4,800	5,300	5,600	5,900
Government	14,800	14,500	14,800	15,300	15,900
Total:	105,000	106,600	110,500	112,000	112,700

Source: Employment Development Department, Industry Employment & Labor Force – by Annual Average.

## APPENDIX B

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

*The following is a summary of certain provisions of the Indenture and the Lease Agreement which are not described elsewhere in this Official Statement. This summary does not purport to be comprehensive and reference should be made to the respective document for a full and complete statement of the provisions thereof.*

#### INDENTURE

##### DEFINITIONS; EQUAL SECURITY

Definitions. Unless the context otherwise requires, the terms defined under this caption “Definitions” have the meanings defined in the Indenture, the following definitions to be equally applicable to both the singular and plural forms of any of the terms defined below. Capitalized terms not otherwise defined in the Indenture have the meanings assigned to such terms in the Lease Agreement.

“Additional Bonds” means Bonds other than the Series 2026A Bonds issued under the Indenture in accordance with the provisions described under the captions “ISSUANCE OF BONDS; APPLICATION OF PROCEEDS—Conditions for the Issuance of Additional Bonds” and “—Procedure for the Issuance of Additional Bonds.”

“Act” means the Marks-Roos Local Bond Pooling Act of 1985, commencing with Section 6584 of the California Government Code.

“Additional Rental Payments” means all amounts payable by the City as Additional Rental Payments pursuant to the Lease Agreement.

“Assignment Agreement” means the Assignment Agreement, dated as of June 1, 2026, by and between the Authority and the Trustee, as amended and supplemented from time to time.

“Authority” means the Mill Valley Public Financing Authority, a joint exercise of powers entity organized and existing under and by virtue of the laws of the State of California.

“Authorized Authority Representative” means the Chair, Vice Chair, Executive Director, Treasurer and Secretary of the Authority, or any other person authorized by the Board of Directors of the Authority to act on behalf of the Authority under or with respect to the Indenture.

“Authorized City Representative” means the Mayor, the Mayor Pro Tem, the City Manager, the Director of Finance and Administrative Services, and the City Clerk, or any other person authorized by the City Council of the City to act on behalf of the City under or with respect to the Indenture.

“Authorized Denominations” means \$5,000 or any integral multiple thereof.

“Base Rental Payment Fund” means the fund by that name established in accordance with the Indenture.

“Base Rental Payments” means all amounts payable to the Authority by the City as Base Rental Payments pursuant to the Lease Agreement.

“Beneficial Owner” means, whenever used with respect to a Book-Entry Bond, the person whose name is recorded as the beneficial owner of such Book-Entry Bond or a portion of such Book-Entry Bond by a Participant on the records of such Participant or such person’s subrogee.

“Bonds” means the Series 2026A Bonds and any Additional Bonds issued under the Indenture.

“Book-Entry Bonds” means the Bonds of a Series registered in the name of the nominee of DTC, or any successor securities depository for such Series of Bonds, as the registered owner thereof pursuant to the terms and provisions of the Indenture.

“Business Day” means a day which is not (a) a Saturday, Sunday or legal holiday, (b) a day on which banking institutions in the State of California, or in any state in which the Office of the Trustee is located, are required or authorized by law (including executive order) to close, or (c) a day on which the New York Stock Exchange is closed or the payment system of the Federal Reserve System is not operational.

“Cede & Co.” means Cede & Co., the nominee of DTC, and any successor nominee of DTC with respect to a Series of Book-Entry Bonds.

“City” means the City of Mill Valley, a municipal corporation and general law city duly organized and existing under and by virtue of the Constitution and laws of the State of California.

“Closing Date” means the date on which the Series 2026A Bonds are issued.

“Code” means the Internal Revenue Code of 1986, as amended.

“Continuing Disclosure Certificate” means the Continuing Disclosure Certificate, dated as of the Closing Date, executed by the City, as originally executed and as it may from time to time be amended in accordance with the provisions thereof.

“Costs of Issuance” means all the costs of issuing and delivering the Bonds, including, but not limited to, all printing and document preparation expenses in connection with the Indenture, the Lease Agreement, the Ground Lease, the Assignment Agreement, the Bonds and any preliminary official statement and final official statement pertaining to the Bonds, rating agency fees, market study fees, legal fees and expenses of counsel with the issuance and delivery of the Bonds, the initial fees and expenses of the Trustee and its counsel, the initial fees and expenses of any bond insurer or reserve fund credit facility provider, and other fees and expenses incurred in connection with the issuance and delivery of the Bonds, to the extent such fees and expenses are approved by the City.

“Costs of Issuance Fund” means the fund by that name established in accordance with the Indenture.

“DTC” means The Depository Trust Company, a limited-purpose trust company organized under the laws of the State of New York, and its successors as securities depository for any Series of Book-Entry Bonds, including any such successor appointed pursuant to the Indenture.

“Electronic Means” means the following communications methods: e-mail, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Trustee, or another method or system specified by the Trustee as available for use in connection with its services in the Indenture.

“Federal Securities” means (a) direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America) and (b) obligations of any agency, department or instrumentality of the United States of

America the timely payment of principal of and interest on which are fully guaranteed by the United States of America.

“Fitch” means Fitch, Inc., its successors and assigns, except that if such corporation shall no longer perform the function of a securities rating agency for any reason, the term “Fitch’s” shall be deemed to refer to any other nationally recognized securities rating agency selected by the Authority.

“Ground Lease” means the Ground Lease, dated as of June 1, 2026, by and between the City and the Authority, as originally executed and as it may from time to time be amended in accordance with the provisions thereof and of the Lease Agreement.

“Indenture” means the Indenture dated as of May 1, 2026, by and among the City, the Authority, and the Trustee, as originally executed and as it may be amended or supplemented from time to time by any Supplemental Indenture.

“Information Services” means Municipal Securities Rulemaking Board through the Electronic Municipal Marketplace Access (EMMA) website; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other services providing information with respect to called bonds as the Authority may designate in a Written Certificate of the Authority delivered to the Trustee.

“Interest Fund” means the fund by that name established in accordance with the Indenture.

“Interest Payment Date” means April 1 and October 1 of each year, commencing on October 1, 2026.

“Joint Powers Agreement” means the Joint Exercise of Powers Agreement dated as of March 20, 2006, by and between the City and the California Municipal Finance Authority, pursuant to which the Authority is established, as originally executed and as it may from time to time be amended in accordance with the provisions thereof.

“Lease Agreement” means the Lease Agreement, dated as of June 1, 2026, by and between the City and the Authority, as originally executed and as it may be from time to time amended in accordance with the provisions thereof.

“Moody’s” means Moody’s Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, except that if such corporation no longer performs the function of a securities rating agency for any reason, the term “Moody’s” will be deemed to refer to any other nationally recognized securities rating agency selected by the Authority.

“Office of the Trustee” means the principal corporate trust office of the Trustee in Los Angeles, California, or such other office as may be specified to the Authority and the City by the Trustee in writing, except that with respect to presentation of Bonds for payment or for registration of transfer and exchange such term means the office or the agency of the Trustee at which, at any particular time, its corporate trust agency is conducted as specified to the Authority and the City by the Trustee in writing.

“Opinion of Counsel” means a written opinion of Stradling Yocca Carlson & Rauth LLP, or other counsel of recognized national standing in the field of law relating to municipal bonds, appointed and paid by the Authority or the City and which written opinion is satisfactory to the Trustee.

“Outstanding,” when used as of any particular time with reference to Bonds, means (subject to the provisions of the Indenture described under the caption “MISCELLANEOUS—Disqualified Bonds”) all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under the Indenture except:

(a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation;

(b) Bonds with respect to which all liability of the Authority has been discharged in accordance with the provisions of the Indenture described under the caption “DEFEASANCE—Discharge of Indenture;” and

(c) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds have been authenticated and delivered by the Trustee pursuant to the Indenture.

“Owner” means, with respect to a Bond, the Person in whose name such Bond is registered on the Registration Books.

“Participant” means any entity which is recognized as a participant by DTC in the book-entry system of maintaining records with respect to Book-Entry Bonds.

“Participating Underwriter” has the meaning ascribed thereto in the Continuing Disclosure Certificate.

“Permitted Investments” means any of the following to the extent then permitted by the general laws of the State of California:

(1) (a) Direct obligations (other than an obligation subject to —variation in principal repayment) of the United States of America (“United States Treasury Obligations”), (b) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America, (c) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America, or (d) evidences of ownership of proportionate interests in future interest and principal payments on obligations described above held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated (collectively “United States Obligations”). These include, but are not necessarily limited to:

- U.S. Treasury obligations
  - All direct or fully guaranteed obligations
- Farmers Home Administration
  - Certificates of beneficial ownership
- General Services Administration
  - Participation certificates
- U.S. Maritime Administration
  - Guaranteed Title XI financing
- Small Business Administration
  - Guaranteed participation certificates
  - Guaranteed pool certificates
- Government National Mortgage Association (GNMA)
  - GNMA-guaranteed mortgage-backed securities
  - GNMA-guaranteed participation certificates
- U.S. Department of Housing & Urban Development
  - Local authority bonds
- Washington Metropolitan Area Transit Authority
  - Guaranteed transit bonds

(2) Federal Housing Administration debentures.

(3) The listed obligations of government-sponsored agencies which are not backed by the full faith and credit of the United States of America:

- Federal Home Loan Mortgage Corporation (FHLMC)
  - Participation certificates (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts)
  - Senior debt obligations
- Farm Credit Banks (formerly: Federal Land Banks, Federal intermediate Credit Banks and Banks for Cooperatives)
  - Consolidated systemwide bonds and notes
- Federal Home Loan Banks (FHL Banks)
  - Consolidated debt obligations
- Federal National Mortgage Association (FNMA)
  - Senior debt obligations
  - Mortgage-backed securities (excluded are stripped mortgages securities which are purchased at prices exceeding their principal amounts)
- Financing Corporation (FICO)
  - Debt obligations
- Resolution Funding Corporation (REFCORP)
  - Debt obligations

(4) Bank deposit products, unsecured certificates of deposit (including those placed by a third party pursuant to an agreement between the City and the Trustee), trust funds, trust accounts, overnight banking deposits, interest bearing deposits, interest bearing money market accounts, time deposits, demand deposits, other deposit products, and bankers' acceptances (having maturities of not more than 30 days) of any bank (including the Trustee and any affiliate) the short-term obligations of which are rated "A-1" or "A-2" without regard to qualifier by S&P.

(5) Deposits the aggregate amount of which are fully insured by the Federal Deposit Insurance Corporation (FDIC), in banks, including the Trustee and its affiliates, which have capital and surplus of at least \$5 million.

(6) Commercial paper (having original maturities of not more than 270 days) rated, at the time of purchase, "A-1" or better by S&P and "Prime-1" by Moody's.

(7) Money market mutual funds rated in the highest investment category granted thereby from S&P and Moody's (including those for which the Trustee or its affiliates receives and retains a fee for services provided to the fund, whether as a custodian, transfer agent, investment advisor or otherwise) but excluding such funds with a floating net asset value.

(8) Repurchase agreements:

With (1) any domestic bank, or domestic branch of a foreign bank or any non-bank financial institution or primary dealer as designated by the Federal Reserve the long term debt of which is rated at least "BBB+" by S&P or Moody's (including the Trustee or any of its affiliates); or (2) any broker-dealer with "retail customers" or a related affiliate thereof which broker-dealer has, or the parent company (which guarantees the provider) of which has, long-term debt rated at least "BBB+" by S&P or Moody's, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation; or (3) any other entity rated "BBB+" or better by S&P or Moody's, provided that:

(a) The collateral must be securities described in clause 1(a), (b) or (c) of this subsection, and the market value of the collateral is maintained at levels equal to 104% of the amount of cash transferred by the Trustee or the City to the provider of the repurchase

agreement plus accrued interest with the collateral being valued weekly and marked-to-market at current market price plus accrued interest;

(b) The Trustee or a third party acting solely as agent therefor or for the City (the "Holder of the Collateral") has possession of the collateral or the collateral has been transferred to the Holder of the Collateral in accordance with applicable state and federal laws (other than by means of entries on the transferor's books);

(c) The repurchase or reverse repurchase agreement must state and an opinion of counsel must be rendered at the time such collateral is delivered that the Holder of the Collateral has a first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession);

(d) The repurchase or reverse repurchase agreement must provide that if during its term the provider's rating by either Moody's or S&P is withdrawn or suspended or falls below "BBB" by S&P or "Baa2" by Moody's, as appropriate, the provider must, at the direction of Trustee, within 10 days of receipt of such direction, repurchase all collateral and terminate the agreement, with no penalty or premium to the Trustee or the City.

Notwithstanding the above, if a repurchase agreement has a term of 270 days or less (with no evergreen provision), collateral levels need not be as specified in (a) above, so long as such collateral levels are 103% or better and the provider is rated at least "A" by S&P or Moody's, respectively.

(9) State Obligations

(a) Direct general obligations of any state of the United States or any subdivision or agency thereof to which is pledged the full faith and credit of a state the unsecured general obligation debt of which is rated "A2" by Moody's and "A" by S&P, or better, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is so rated.

(b) Direct, general short-term obligations of any state agency or subdivision described in (a) above and rated "A-1+" by S&P and "Prime-1" by Moody's.

(c) Special Revenue Bonds (as defined in the United States Bankruptcy Code) of any state, state agency or subdivision described in (a) above and rated "AA" or better by S&P and "Aa" or better by Moody's.

(10) Local Agency Investment Fund of the State of California.

(11) Investment agreements, including guaranteed investment contracts, repurchase agreements and forward delivery agreements, that are obligations of an entity rated, or whose obligations are rated, or guaranteed by an entity which is rated or whose obligations are rated, (at the time the investment is entered into) not lower than "A-" by S&P or Fitch, or "A3" by Moody's.

(12) Pre-refunded municipal obligations rated "AAA" by S&P and "Aaa" by Moody's meeting the following requirements:

(a) the municipal obligations are (1) not subject to redemption prior to maturity or (2) the trustee for the municipal obligations has been given irrevocable instructions concerning their call and redemption and the issuer of the municipal obligations has

covenanted not to redeem such municipal obligations other than as set forth in such instructions;

(b) the municipal obligations are secured by cash or United States Treasury Obligations which may be applied only to payment of the principal of, interest and premium on such municipal obligations;

(c) the principal of and interest on the United States Treasury Obligations (plus any cash in the escrow) has been verified by the report of independent certified public accountants to be sufficient to pay in full all principal of, interest, and premium, if any, due and to become due on the municipal obligations (“Verification”);

(d) the cash or United States Treasury Obligations serving as security for the municipal obligations are held by an escrow agent or trustee in trust for owners of the municipal obligations;

(e) no substitution of a United States Treasury Obligation will be permitted except with another United States Treasury Obligation and upon delivery of a new Verification; and

(f) the cash or United States Treasury Obligations are not available to satisfy any other claims, including those by or against the trustee or escrow agent.

The Trustee has no responsibility to monitor the ratings of Permitted Investments after the initial purchase of such Permitted Investments.

“Person” means an individual, corporation, firm, association, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

“Project” means the acquisition, construction and installation of certain public capital improvements to be located in various sites in the City, including the construction of a new public works building on the Corporation Yard and the remodeling of the Golf Course Clubhouse operated by the City as an event space, and related infrastructure improvements as further described in Exhibit B to the Lease Agreement.

“Project Fund” means the fund by that name established in accordance with the Indenture.

“Principal Fund” means the account by that name established in accordance with the Indenture.

“Rebate Fund” means the fund by that name established in accordance with the Indenture.

“Rebate Requirement” has the meaning ascribed thereto in the Tax Certificate.

“Record Date” means the fifteenth day of the month next preceding an Interest Payment Date, whether or not such day is a Business Day.

“Redemption Fund” means the fund by that name established in accordance with the Indenture.

“Redemption Price” means the aggregate amount of principal of and premium, if any, on the Bonds upon the redemption thereof pursuant to the Indenture.

“Registration Books” means the records maintained by the Trustee for the registration of ownership and registration of transfer of the Bonds pursuant to the Indenture.

“Rental Payments” means, collectively, the Base Rental Payments and the Additional Rental Payments.

“Rental Period” means the period from the Closing Date through September 30, 2026 and, thereafter, the twelve-month period commencing on October 1 of each year during the term of the Lease Agreement.

“Representation Letter” means the Letter of Representations from the Authority to DTC, or any successor securities depository for any Series of Book-Entry Bonds, in which the Authority makes certain representations with respect to issues of its securities for deposit by DTC or such successor depository.

“S&P” means S&P Global Ratings, a Standard & Poor’s Financial Services LLC business, its successors and assigns, except that if such entity no longer performs the functions of a securities rating agency for any reason, the term “S&P” will be deemed to refer to any other nationally recognized securities rating agency selected by the Authority.

“Securities Depositories” means The Depository Trust Company; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other securities depositories as the Authority may designate in a Written Certificate of the Authority delivered to the Trustee.

“Series” means the Series 2026A Bonds executed, authenticated and delivered on the Closing Date and identified pursuant to the Indenture and any Additional Bonds issued pursuant to a Supplemental Indenture and identified as a separate Series of Bonds.

“Series 2026A Bonds” means the Mill Valley Public Financing Authority Lease Revenue Bonds, Series 2026A issued under the Indenture.

“Supplemental Indenture” means any supplemental indenture amendatory of or supplemental to the Indenture, but only if and to the extent that such Supplemental Indenture is specifically authorized under the Indenture.

“Tax Certificate” means the Tax Certificate executed by the Authority and the City at the time of issuance of the Series 2026A Bonds relating to the requirements of Section 148 of the Code, as originally executed and as it may from time to time be amended in accordance with the provisions thereof.

“Trustee” means The Bank of New York Mellon Trust Company, N.A., a national banking association duly organized and existing under and by virtue of the laws of the United States, or any successor thereto as Trustee under the Indenture, appointed as provided therein.

“Written Certificate of the Authority” and “Written Request of the Authority” mean, respectively, a written certificate or written request signed in the name of the Authority by an Authorized Authority Representative. Any such certificate or request may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined will be read and construed as a single instrument

“Written Certificate of the City” and “Written Request of the City” mean, respectively, a written certificate or written request signed in the name of the City by an Authorized City Representative. Any such certificate or request may, but need, not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined will be read and construed as a single instrument.

Equal Security. In consideration of the acceptance of the Bonds by the Owners thereof, the Indenture will be deemed to be and will constitute a contract among the Authority, the City, the Trustee and the Owners from time to time of all Bonds authorized, executed, issued and delivered thereunder and then Outstanding to secure the full and final payment of the principal of, premium, if any, and interest on all Bonds which may

from time to time be authorized, executed, issued and delivered thereunder, subject to the agreements, conditions, covenants and provisions contained therein; and all agreements and covenants set forth therein to be performed by or on behalf of the Authority or the City are for the equal and proportionate benefit, protection and security of all Owners of the Bonds without distinction, preference or priority as to security or otherwise of any Bonds over any other Bonds by reason of the number or date thereof or the time of authorization, sale, execution, issuance or delivery thereof or for any cause whatsoever, except as expressly provided in the Indenture.

## THE BONDS

Form of Series 2026A Bonds. The Series 2026A Bonds will be in substantially the form set forth in the Indenture, with appropriate or necessary insertions, omissions and variations as permitted or required by the Indenture.

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

The transferor will also provide or cause to be provided to the Trustee all information necessary to allow the Trustee to comply with any applicable tax reporting obligations, including without limitation any cost basis reporting obligations under Internal Revenue Code Section 6045. The Trustee may rely on the information provided to it and will have no responsibility to verify or ensure the accuracy of such information.

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

The Trustee will not be obligated to make any transfer or exchange of Bonds of a Series pursuant to the Indenture during the period established by the Trustee for the selection of Bonds of such Series for redemption, or with respect to any Bonds of such Series selected for redemption.

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

Execution of Bonds. The Bonds will be executed in the name and on behalf of the Authority with the manual or facsimile signature of an Authorized Authority Representative attested by the manual or facsimile signature of the Secretary or any duly authorized deputy secretary of the Authority. The Bonds will then be delivered to the Trustee for authentication by it. In case any of such officers of the Authority who will have signed or attested any of the Bonds will cease to be such officers of the Authority before the Bonds so signed or attested will have been authenticated or delivered by the Trustee, or issued by the Authority, such Bonds may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issue, will be as binding upon the Authority as though those who signed and attested the same had continued to be such officers of the Authority, and also any Bonds may be signed and attested on behalf of the Authority by such

Persons as at the actual date of execution of such Bonds will be the proper officers of the Authority although at the nominal date of such Bonds any such Person will not have been such officer of the Authority.

Authentication of Bonds. Only such of the Bonds as will bear thereon a certificate of authentication substantially in the form as that set forth in the Indenture, manually executed by the Trustee, will be valid or obligatory for any purpose or entitled to the benefits of the Indenture, and such certificate of or on behalf of the Trustee will be conclusive evidence that the Bonds so authenticated have been duly executed, authenticated and delivered under the Indenture and are entitled to the benefits of the Indenture.

Temporary Bonds. The Bonds of a Series may be issued in temporary form exchangeable for definitive Bonds of such Series when ready for delivery. Any temporary Bonds may be printed, lithographed or typewritten, will be of such authorized denominations as may be determined by the Authority, will be in fully registered form without coupons and may contain such reference to any of the provisions of the Indenture as may be appropriate. Every temporary Bond will be executed by the Authority and authenticated by the Trustee upon the same conditions and in substantially the same manner as the definitive Bonds. If the Authority issues temporary Bonds of a Series it will execute and deliver definitive Bonds of such Series as promptly thereafter as practicable, and thereupon the temporary Bonds of such Series, may be surrendered, for cancellation, at the Office of the Trustee and the Trustee will authenticate and deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of such Series in Authorized Denominations. Until so exchanged, the temporary Bonds of such Series are entitled to the same benefits under the Indenture as definitive Bonds of such Series authenticated and delivered under the Indenture.

Bonds Mutilated, Lost, Destroyed or Stolen. If any Bond becomes mutilated, the Authority, at the expense of the Owner of said Bond, will execute, and the Trustee will thereupon authenticate and deliver, a new Bond of like tenor and Series in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated. Every mutilated Bond so surrendered to the Trustee will be canceled by it and delivered to, or in accordance with the order of, the Authority. If any Bond is lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence and indemnity satisfactory to the Trustee is given, the Authority, at the expense of the Owner, will execute, and the Trustee will thereupon authenticate and deliver, a new Bond of like tenor and Series in lieu of and in replacement for the Bond so lost, destroyed or stolen (or if any such Bond has matured or has been selected for redemption, instead of issuing a replacement Bond, the Trustee may pay the same without surrender thereof). The Authority may require payment by the Owner of a sum not exceeding the actual cost of preparing each replacement Bond issued under the Indenture and of the expenses which may be incurred by the Authority and the Trustee. Any Bond of a Series issued under the provisions of the Indenture in lieu of any Bond of such Series alleged to be lost, destroyed or stolen will constitute an original additional contractual obligation on the part of the Authority whether or not the Bond so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and will be entitled to the benefits of the Indenture with all other Bonds of such Series secured by the Indenture.

Book-Entry Bonds.

(a) Prior to the issuance of a Series of Bonds, the Authority may provide that such Series of Bonds will initially be issued as Book-Entry Bonds and, in such event, the Bonds of such Series for each maturity will be in the form of a separate single fully registered Bond (which may be typewritten). The Series 2026A Bonds will initially be issued as Book-Entry Bonds.

Except as provided in the Indenture, the registered Owner of all of the Book-Entry Bonds will be Cede & Co., as nominee of DTC. Notwithstanding anything to the contrary contained in the Indenture, payment of interest with respect to any Book-Entry Bond registered as of each Record Date in the name of Cede & Co. will be made by wire transfer of same-day funds to the account of Cede & Co. on the Interest Payment Date at the address indicated on the Record Date for Cede & Co. in the Registration Books or as otherwise provided in the Representation Letter.

(b) The Trustee and the Authority may treat DTC (or its nominee) as the sole and exclusive Owner of Book-Entry Bonds registered in its name for the purposes of payment of the principal, premium, if any, or interest with respect to Book-Entry Bonds, selecting Book-Entry Bonds or portions thereof to be redeemed, giving any notice permitted or required to be given to Owners of Book-Entry Bonds under the Indenture, registering the transfer of Book-Entry Bonds, obtaining any consent or other action to be taken by Owners of Book-Entry Bonds and for all other purposes whatsoever, and neither the Trustee nor the Authority will be affected by any notice to the contrary. Neither the Trustee nor the Authority have any responsibility or obligation to any Participant, any person claiming a beneficial ownership interest in Book-Entry Bonds under or through DTC or any Participant, or any other person which is not shown on the Registration Books as being an Owner, with respect to the accuracy of any records maintained by DTC or any Participant, the payment by DTC or any Participant of any amount in respect of the principal, premium, if any, or interest with respect to Book-Entry Bonds, any notice which is permitted or required to be given to Owners of Book-Entry Bonds under the Indenture, the selection by DTC or any Participant of any person to receive payment in the event of a partial redemption of Book-Entry Bonds, or any consent given or other action taken by DTC as Owner of Book-Entry Bonds. The Trustee will pay all principal, premium, if any and interest with respect to Book-Entry Bonds, only to DTC, and all such payments will be valid and effective to fully satisfy and discharge the Authority's obligations with respect to the principal, premium, if any, and interest with respect to the Book-Entry Bonds to the extent of the sum or sums so paid. Except under the conditions of subsection (c) below, no person other than DTC will receive an executed Book-Entry Bond for each separate stated maturity. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions in the Indenture with respect to record dates, the term "Cede & Co." in the Indenture will refer to such new nominee of DTC.

(c) In the event (i) DTC, including any successor as securities depository for a Series of Bonds, determines not to continue to act as securities depository for such Series of Bonds; or (ii) the Authority determines that the incumbent securities depository will no longer so act, and delivers a written certificate to the Trustee to that effect, then the Authority will discontinue the book-entry system with the incumbent securities depository for such Series of Bonds. If the Authority determines to replace the incumbent securities depository for such Series of Bonds with another qualified securities depository, the Authority will prepare or direct the preparation of a new single, separate fully registered Bond of such Series for the aggregate outstanding principal amount of Bonds of such Series of each maturity, registered in the name of such successor or substitute qualified securities depository, or its nominee, or make such other arrangement acceptable to the Authority, the Trustee and the successor securities depository for the Bonds of such Series as are not inconsistent with the terms of the Indenture. If the Authority fails to identify another qualified successor securities depository for such Series of Bonds to replace the incumbent securities depository, then the Bonds of such Series will no longer be restricted to being registered in the Registration Books in the name of the incumbent securities depository or its nominee, but will be registered in whatever name or names the incumbent securities depository for such Series of Bonds, or its nominee, designate. In such event the Authority will execute, and deliver to the Trustee, a sufficient quantity of Bonds of such Series to carry out the transfers and exchanges provided in the Indenture. All such Bonds of such Series will be in fully registered form in Authorized Denominations.

(d) Notwithstanding any other provision of the Indenture to the contrary, so long as any Book-Entry Bond is registered in the name of DTC, or its nominee, all payments with respect to the principal, premium, if any, and interest with respect to such Book-Entry Bond and all notices with respect to such Book-Entry Bond will be made and given, respectively, as provided in the Representation Letter.

(e) In connection with any notice or other communication to be provided to Owners of Book-Entry Bonds pursuant to the Indenture by the Authority, the City or the Trustee with respect to any consent or other action to be taken by Owners, the Authority, the City or the Trustee, as the case may be, will establish a record date for such consent or other action and give DTC notice of such record date not less than 15 calendar days in advance of such record date to the extent possible.

In connection with any proposed transfer outside the Book-Entry Only system, the Authority, the City or DTC will provide or cause to be provided to the Trustee all information necessary to allow the Trustee to comply with any applicable tax reporting obligations, including without limitation any cost basis reporting obligations under Internal Revenue Code Section 6045. The Trustee may rely on the information provided to it and will have no responsibility to verify or ensure the accuracy of such information.

#### ISSUANCE OF BONDS; APPLICATION OF PROCEEDS

Issuance of Series 2026A Bonds. The Authority may, at any time, execute the Series 2026A Bonds for issuance pursuant to the Indenture and deliver the same to the Trustee. The Trustee will authenticate the Series 2026A Bonds and deliver the Series 2026A Bonds to the original purchaser thereof upon receipt of a Written Request of the Authority and upon receipt of the purchase price therefor.

Conditions for the Issuance of Additional Bonds. The Authority may at any time issue one or more Series of Additional Bonds (in addition to the Series 2026A Bonds) payable from Base Rental Payments as provided in the Indenture on a parity with all other Bonds theretofore issued thereunder, but only subject to the following conditions, which are conditions precedent to the issuance of such Additional Bonds:

(a) The issuance of such Additional Bonds has been authorized under and pursuant to the Indenture and has been provided for by a Supplemental Indenture which specifies the following:

(i) The application of the proceeds of the sale of such Additional Bonds;

(ii) The principal amount and designation of such Series of Additional Bonds and the denomination or denominations of the Additional Bonds;

(iii) The date, the maturity date or dates, the interest payment dates and the dates on which mandatory sinking fund redemptions, if any, are to be made for such Additional Bonds; provided, however, that (i) the serial Bonds of such Series of Additional Bonds are payable as to principal annually on October 1 of each year in which principal falls due, and the term Bonds of such Series of Additional Bonds have annual mandatory sinking fund redemptions on October 1, (ii) the Additional Bonds are payable as to interest semiannually on April 1 and October 1 of each year, except that the first installment of interest may be payable on either April 1 and October 1 and will be for a period of not longer than twelve months and the interest will be payable thereafter semiannually on April 1 and October 1, (iii) all Additional Bonds of a Series of like maturity will be identical in all respects, except as to number or denomination, and (iv) serial maturities of serial Bonds or mandatory sinking fund redemptions for term Bonds, or any combination thereof, will be established to provide for the redemption or payment of such Additional Bonds on or before their respective maturity dates;

(iv) The redemption premiums and terms, if any, for such Additional Bonds;

(v) The form of such Additional Bonds; and

(vi) If a reserve fund is to be established and maintained for such Series of Additional Bonds, the applicable reserve requirement and the amount, if any, to be deposited from the proceeds of sale of such Additional Bonds in such reserve fund to be held as separate security for such Series of Additional Bonds;

(vii) Designate accounts in the Interest Fund, the Principal Fund, the Redemption Fund, the Rebate Fund and the reserve fund (if any) to be applicable to such Additional Bonds; and

(viii) Such other provisions that are appropriate or necessary and are not inconsistent with the provisions of the Indenture; including the establishment of a capitalized interest fund for the Additional Bonds, if appropriate;

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

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

(d) The Ground Lease has been amended, to the extent necessary, and the Lease Agreement has 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 timely payment of 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 (evidence of the satisfaction of such condition is to be made by a Written Certificate of the City). Nothing contained in the Indenture limit the issuance of any bonds or other obligations payable from Base Rental Payments if, after the issuance and delivery of such bonds or other obligations, none of the Bonds theretofore issued under the Indenture will be Outstanding.

Procedure for the Issuance of Additional Bonds. At any time after the sale of any Additional Bonds in accordance with the Act, such Additional Bonds will be executed by the Authority for issuance under the Indenture and will be delivered to the Trustee and thereupon will be authenticated and delivered by the Trustee, but only upon receipt by the Trustee of the following:

(a) Certified copies of the Supplemental Indenture authorizing the issuance of such Additional Bonds, the amendment to the Lease Agreement required by the Indenture and the amendment to the Ground Lease, if any, required by the Indenture, together with satisfactory evidence that such amendment to the Lease Agreement and such amendment to the Ground Lease, if any, have been (or will be immediately upon issuance of such Additional Bonds) duly recorded in the Official Records of the Marin, California Recorder's office;

(b) A Written Request of the Authority as to the delivery of such Additional Bonds;

(c) An opinion of Bond Counsel substantially to the effect that: (i) the Indenture (including all Supplemental Indentures), the Lease Agreement (including the amendment thereto required by the Indenture) and the Ground Lease (including any amendment thereto required by the Indenture) have been duly authorized, executed and delivered by, and constitute the valid and binding obligations of, the Authority and the City, enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights and by the application of equitable principles and by the exercise of judicial discretion in appropriate cases and subject to the limitations on legal remedies against political subdivisions in the State of California); (ii) such Additional Bonds constitute valid and binding special obligations of the Authority payable solely from Base Rental Payments as provided in the Indenture and are enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights and by the application of equitable principles and by the exercise of judicial discretion in appropriate cases and subject to the limitations on legal remedies against political subdivisions in the State of California); and (iii) the issuance of such Additional Bonds, in and of itself, will not adversely

affect the exclusion of interest on any tax-exempt Bonds Outstanding prior to the issuance of such Additional Bonds from gross income for federal income tax purposes;

(d) a Written Certificate of the Authority that the requirements of the Indenture have been met;

(e) a Written Certificate of the City that the requirements set forth under the captions “— Conditions for the Issuance of Additional Bonds,” “LEASE AGREEMENT – INSURANCE – Commercial General Liability and Property Damage Insurance; Workers’ Compensation Insurance,” and “— Title Insurance” have been met, and a Written Certificate of the City directing the application of the proceeds of such Additional Bonds; and

(f) Such further documents as are required by the provisions of the Indenture or by the provisions of the Supplemental Indenture authorizing the issuance of such Additional Bonds.

Additional Bonds. So long as any of the Bonds remain Outstanding, the Authority may not issue any Additional Bonds or obligations payable from the Base Rental Payments, except pursuant to the provisions of the Indenture described under the captions “—Conditions for the Issuance of Additional Bonds” and “— Procedure for the Issuance of Additional Bonds.”

#### SECURITY FOR BONDS; FLOW OF FUNDS; INVESTMENTS

Pledge; Special Obligations. Subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein, all of the 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 have been pledged 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 pledge will secure the payment of such Bonds and will be effective, binding, and enforceable against the Authority, its successors, creditors and all others irrespective of whether those parties have notice of the pledge or grant and without the need of any physical delivery, recordation, filing, or further act. The pledge and grant is an agreement between the Authority and the Owners of Bonds to provide security for the Bonds in addition to any statutory lien that may exist.

All obligations of the Authority under the Indenture are special obligations of the Authority, payable solely from Rental Payments and the other assets pledged therefor under the Indenture; provided, however, that all obligations of the Authority under the 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 Bonds.

#### Flow of Funds.

(a) The Trustee will establish and maintain separate funds designated the “Base Rental Payment Fund,” the “Interest Fund,” the “Principal Fund” and the “Redemption Fund.” If Additional Bonds are issued, the Trustee will establish subaccounts within each fund for each Series of Additional Bonds.

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.

(b) The Trustee will transfer the amounts on deposit in the Base Rental Payment Fund, at the times and in the manner provided in the Indenture, to the following respective funds in the following order of priority:

(1) Interest Fund. On the Business Day immediately preceding each Interest Payment Date, the Trustee will transfer from the Base Rental Payment Fund to the Interest Fund the amount, if any, necessary to cause the amount on deposit in the Interest Fund to be equal to the interest due on the Bonds on such Interest Payment Date. Moneys in the Interest Fund will be used by the Trustee to pay interest due on the Bonds on each Interest Payment Date.

(2) Principal Fund. On the Business Day immediately preceding each October 1, commencing October 1, 2026, the Trustee will transfer from the Base Rental Payment Fund to the Principal Fund the amount, if any, necessary to cause the amount on deposit in the Principal Fund to be equal to the principal amount of the Bonds due on such October 1 either as a result of the maturity thereof or mandatory sinking fund redemption payments required to be made with respect thereto. Moneys in the Principal Fund will be used by the Trustee for the purpose of paying the principal of the Bonds when due and payable at their maturity dates or upon earlier mandatory sinking fund redemption.

(3) Redemption Fund. The Trustee, on the redemption date specified in the Written Request of the City filed with the Trustee at the time that any prepaid Base Rental Payment is paid to the Trustee pursuant to the Lease Agreement, will deposit in the Redemption Fund that amount of moneys representing the portion of the Base Rental Payments designated as prepaid Base Rental Payments. Additionally, the Trustee will deposit in the Redemption Fund any amounts required to be deposited therein pursuant to the Indenture. Moneys in the Redemption Fund will be used by the Trustee for the purpose of paying the principal of and interest and premium, if any, on Series 2026A Bonds redeemed pursuant to the provisions of the Indenture and Additional Bonds redeemed pursuant to the corresponding provisions of the Supplemental Indenture pursuant to which such Additional Bonds are issued.

Application of Net Insurance Proceeds. If the Property or any portion thereof is damaged or destroyed, subject to the further requirements of the Indenture, the City will, as expeditiously as possible, continuously and diligently prosecute or cause to be prosecuted the repair or replacement thereof, unless the City elects not to repair or replace the Property or the affected portion thereof in accordance with the provisions of the Indenture.

The Net Insurance Proceeds (other than Net Insurance Proceeds of rental interruption insurance), including the proceeds of any self-insurance, received on account of any damage or destruction of the Property or a portion thereof will as soon as possible be deposited with the Trustee and be held by the Trustee in a special account and made available for and, to the extent necessary, will be applied to the cost of repair or replacement of the Property or the affected portion thereof upon receipt of a Written Request of the City, together with invoices therefor. Pending such application, such proceeds may be invested by the Trustee as directed by the City in Permitted Investments that mature not later than such times moneys are expected to be needed to pay such costs of repair or replacement.

Notwithstanding the foregoing, the City will, within 60 days of the occurrence of the event of damage or destruction, notify the Trustee in writing as to whether the City intends to replace or repair the Property or the portions of the Property which were damaged or destroyed. If the City does intend to replace or repair the Property or portions thereof, the City will deposit with the Trustee the full amount of any insurance deductible to be credited to the special account.

In the event of any damage to or destruction of the Property caused by one of the perils covered by the insurance required by the Lease Agreement which would result in an abatement of rental payments or any

portion thereof pursuant to the Lease Agreement, then the City will apply the Net Insurance Proceeds (other than Net Insurance Proceeds of rental interruption insurance), together with other legally available funds that the City elects to contribute, to the repair, reconstruction or replacement of the damaged or destroyed portions of the Property; provided, however, that the City is not required to repair or replace any portion of the Property pursuant to the Indenture if such Net Insurance Proceeds, together with any other amounts held under the Indenture and any other legally available funds made available by the City at its election, are sufficient to prepay (i) all of the Outstanding Bonds, or (ii) a portion of the Outstanding Bonds such that the resulting Base Rental Payments in any Rental Period following such partial prepayment are sufficient to pay in such Rental Period the principal of and interest on all Bonds to remain Outstanding immediately after such partial redemption. If the City is not required to replace or repair the Property, or the affected portion thereof, or to use such amounts to redeem Bonds, in each case as set forth in the Indenture, then such proceeds (and rental interruption insurance proceeds not applied pursuant to the next paragraph) will, if there is first delivered to the Trustee a Written Certificate of the City to the effect that the annual fair rental value of the Property after such damage or destruction, and after any repairs or replacements made as a result of such damage or destruction, is at least equal to 100% of the maximum amount of Base Rental Payments becoming due under the Lease Agreement in the then current Rental Period or any subsequent Rental Period and the fair replacement value of the Property after such damage or destruction is at least equal to the principal amount of the Outstanding Bonds, be paid to the City to be used for any lawful purpose.

Proceeds of rental interruption insurance will be deposited to the Base Rental Payment Fund and applied to the payment of Base Rental Payments to the extent of any abatement thereof pursuant to the Lease Agreement, and otherwise as directed by the City.

The proceeds of any award in eminent domain received in respect to the Property will be deposited by the Trustee in the Redemption Fund and applied to the redemption of Bonds pursuant to the Indenture and the corresponding provisions of any Supplemental Indenture pursuant to which Additional Bonds are issued.

Title Insurance. Proceeds of any policy of title insurance received by the Trustee in respect of the Property will be applied and disbursed by the Trustee as follows:

(a) if the City determines that the title defect giving rise to such proceeds has not substantially interfered with its use and occupancy of the Property and will not result in an abatement of Rental Payments payable by the City under the Lease Agreement, such proceeds will be remitted to the City and used for any lawful purpose thereof; or

(b) if the City determines that the title defect giving rise to such proceeds has substantially interfered with its use and occupancy of the Property and will result in an abatement of Rental Payments payable by the City under the Lease Agreement, then the Trustee will immediately deposit such proceeds in the Redemption Fund and such proceeds will be applied to the redemption of Bonds in the manner provided in the Indenture and the corresponding provisions of any Supplemental Indenture pursuant to which Additional Bonds are issued.

Rebate Fund.

(a) Establishment. The Trustee will establish a fund for the Bonds designated the “Rebate Fund” when required in accordance with the Indenture. Absent an Opinion of Counsel that the exclusion from gross income for federal income tax purposes of interest on the Series 2026A Bonds will not be adversely affected, the Authority will cause to be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to the Indenture and the Tax Certificate. All money at any time deposited in the Rebate Fund will be held by the Trustee in trust for payment to the United States Treasury. All amounts on deposit in the Rebate Fund for the Series 2026A Bonds will be governed by the Indenture and the Tax Certificate, unless and to the extent that the Authority delivers to the Trustee an opinion of Bond Counsel that the exclusion from gross income for federal income tax purposes of interest on the Bonds will not be adversely affected if such

requirements are not satisfied. Notwithstanding anything to the contrary contained in the Indenture or in the Tax Certificate, the Trustee: (1) will be deemed conclusively to have complied with the Indenture if it follows all Written Requests of the Authority or Written Requests of the City; (2) will have no liability or responsibility to enforce compliance by the Authority or the City with the terms of the Tax Certificate and will not be deemed to have knowledge of the terms thereof; (3) may rely conclusively on the Authority's or the City's calculations and determinations and certifications relating to rebate matters; and (4) will have no responsibility to independently make any calculations or determinations or to review the Authority's or the City's calculations or determinations thereunder.

(i) Annual Computation. Within 55 days of the end of each fifth Bond Year (as such term is defined in the Tax Certificate), the Authority will calculate or cause to be calculated the amount of rebatable arbitrage, in accordance with Section 148(f)(2) of the Code and Section 1.148-3 of the Treasury Regulations (taking into account any applicable exceptions with respect to the computation of the rebatable arbitrage, described, if applicable, in the Tax Certificate (e.g., the temporary investments exceptions of Section 148(f)(4)(B) and the construction expenditures exception of Section 148(f)(4)(C) of the Code), and taking into account whether the election pursuant to Section 148(f)(4)(C)(vii) of the Code (the "1½% Penalty") has been made), for this purpose treating the last day of the applicable Bond Year as a computation date, within the meaning of Section 1.148-1(b) of the Treasury Regulations (the "Rebatable Arbitrage"). The Authority will obtain expert advice as to the amount of the Rebatable Arbitrage to comply with the Indenture.

(ii) Annual Transfer. Within 55 days of the end of each fifth Bond Year, upon the Written Request of the Authority or Written Request of the City, an amount will be deposited to the Rebate Fund by the Trustee from any Rental Payments legally available for such purpose (as specified by the Authority or the City in the aforesaid Written Request), if and to the extent required, so that the balance in the Rebate Fund will equal the amount of Rebatable Arbitrage so calculated in accordance with clause (i) above. In the event that immediately following the transfer required by the previous sentence, the amount then on deposit to the credit of the Rebate Fund exceeds the amount required to be on deposit therein, upon Written Request of the Authority or Written Request of the City, the Trustee will withdraw the excess from the Rebate Fund and then credit the excess to the Base Rental Payment Fund.

(iii) Payment to the Treasury. The Trustee will pay, as directed by Written Request of the Authority, to the United States Treasury, out of amounts in the Rebate Fund:

(A) Not later than 60 days after the end of: (X) the fifth Bond Year; and (Y) each applicable fifth Bond Year thereafter, an amount equal to at least 90% of the Rebatable Arbitrage calculated as of the end of such Bond Year; and

(B) Not later than 60 days after the payment of all of the Bonds, an amount equal to 100% of the Rebatable Arbitrage calculated as of the end of such applicable Bond Year, and any income attributable to the Rebatable Arbitrage, computed in accordance with Section 148(f) of the Code and Section 1.148-3 of the Treasury Regulations.

In the event that, prior to the time of any payment required to be made from the Rebate Fund, the amount in the Rebate Fund is not sufficient to make such payment when such payment is due, the Authority will calculate or cause to be calculated the amount of such deficiency and deposit an amount received from any legally available source equal to such deficiency prior to the time such payment is due. Each payment required to be made pursuant to the Indenture will be made to the Internal Revenue Service Center, Ogden, Utah 84201 on or before the date on which such payment is due, and will be accompanied by Internal Revenue Service Form 8038-T (prepared by the Authority), or will be made in such other manner as provided under the Code.

(b) Disposition of Unexpended Funds. Any funds remaining in the Rebate Fund after redemption and payment of the Series 2026A Bonds and the payments described in the Indenture (a) above being made may be withdrawn by the Authority and utilized in any manner by the Authority.

(c) Survival of Defeasance. Notwithstanding anything in the Indenture to the contrary, the obligation to comply with the requirements of the Indenture will survive the defeasance or payment in full of the Series 2026A Bonds.

Investment of Moneys. Except as otherwise provided in the Indenture, all moneys in any of the funds or accounts established pursuant to the Indenture and held by the Trustee will be invested by the Trustee solely in Permitted Investments, as directed in writing by the Authority. The Trustee may conclusively rely upon the Authority's written instructions as to both suitability and legality of Permitted Investments. Moneys in all funds and accounts held by the Trustee will be invested in Permitted Investments maturing not later than the date on which it is estimated that such moneys will be required for the purposes specified in the Indenture. Absent timely written direction from the Authority, the Trustee will hold any funds held by it uninvested.

Subject to the provisions of the Indenture, all interest, profits and other income received from the investment of moneys in any fund or account established pursuant to the Indenture will be retained in such fund or account.

Permitted Investments acquired as an investment of moneys in any fund established under the Indenture will be credited to such fund. For the purpose of determining the amount in any fund, all Permitted Investments credited to such fund will be valued by the Trustee at the fair market value thereof, such valuation to be performed not less frequently than semiannually on or before each March 15 and September 15. In determining fair market value, the Trustee may use and rely conclusively on any generally recognized securities pricing service available to it (including brokers and dealers in securities).

The Trustee may act as principal or agent in the making or disposing of any investment. Upon the Written Request of the Authority, the Trustee will sell or present for redemption any Permitted Investments so purchased whenever necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund to which such Permitted Investments is credited, and the Trustee will not be liable or responsible for any loss resulting from any investment made or sold pursuant to the Indenture. The Trustee will have no liability in respect of losses incurred as a result of the liquidation of any investment prior to its stated maturity or failure of the Authority to provide timely written investment direction. Ratings of permitted investments will be determined at the time of purchase of such permitted investments and without regard to ratings subcategories. For purposes of investment, the Trustee may commingle moneys in any of the funds and accounts established under the Indenture.

The Trustee may make any investments under the Indenture through the bond or investment department or trust investment department of the entity acting as Trustee thereunder, or those of such entity's parent or any affiliate, and such entity, or its parent or affiliate, as applicable, is entitled to its normal, customary and reasonable compensation for such services.

The entity acting as Trustee under the Indenture, or any of its affiliates, may act as sponsor, advisor or manager in connection with any investments made by the Trustee thereunder and such entity, or its affiliate, as applicable, is entitled to its normal, customary and reasonable compensation for such services, including account maintenance fees.

The Authority and the City have acknowledged that, to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Authority and the City the right to receive brokerage confirmations of security transactions as they occur, at no additional cost, the Authority and the City have specifically waived receipt of such confirmations to the extent permitted by law.

## COVENANTS

Compliance with Agreements. The Trustee will not authenticate or deliver any Bonds in any manner other than in accordance with the provisions of the Indenture, and the Authority and the City will not suffer or permit any default by them to occur thereunder, but will faithfully comply with, keep, observe and perform all the agreements, conditions, covenants and terms thereof required to be complied with, kept, observed and performed by them.

Compliance with Ground Lease and Lease Agreement. The Authority and the City will faithfully comply with, keep, observe and perform all the agreements, conditions, covenants and terms contained in the Ground Lease and the Lease Agreement required to be complied with, kept, observed and performed by them and, together with the Trustee, will enforce the Ground Lease and the Lease Agreement against the other party thereto in accordance with their respective terms.

Observance of Laws and Regulations. The Authority, the City and the Trustee will faithfully comply with, keep, observe and perform all valid and lawful obligations or regulations now or later imposed on them by contract, or prescribed by any law of the United States of America or of the State of California, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of each and every franchise, right or privilege now owned or later acquired by them, including their right to exist and carry on their respective businesses, to the end that such franchises, rights and privileges will be maintained and preserved and will not become abandoned, forfeited or in any manner impaired.

Other Liens. The City will keep the Property and all parts thereof free from judgments and materialmen's and mechanics' liens and free from all claims, demands, encumbrances and other liens of whatever nature or character, and free from any claim or liability which materially impairs the City in conducting its business or utilizing the Property, and the Trustee at its option (after first giving the City ten days' written notice to comply therewith and failure of the City to so comply within such ten-day period) may, but is in no event obligated to, defend against any and all actions or proceedings, or may pay or compromise any claim or demand asserted in any such actions or proceedings; provided, however, that, in defending against any such actions or proceedings or in paying or compromising any such claims or demands, the Trustee will not in any event be deemed to have waived or released the City from liability for or on account of any of its agreements and covenants contained in the Indenture, or from its liability thereunder and to perform such agreements and covenants.

So long as any Bonds are Outstanding, none of the Trustee, the Authority or the City will create or suffer to be created any pledge of or lien the amounts on deposit in any of the funds or accounts created under the Indenture, other than the pledge and lien thereof.

The Authority, the City and the Trustee will not encumber the Property other than in accordance with the Ground Lease, the Lease Agreement, the Indenture and the Assignment Agreement.

Prosecution and Defense of Suits. The City will promptly, upon request of the Trustee (which request the Trustee is not required to make), take such action from time to time as may be necessary or proper to remedy or cure any cloud upon or defect in the title to the Property or any part thereof, whether now existing or later developing, will prosecute all actions, suits or other proceedings as may be appropriate for such purpose and will indemnify and save the Trustee harmless from all cost, damage, expense or loss, including attorneys' fees and expenses, which it or the Owners may incur by reason of any such cloud, defect, action, suit or other proceeding.

Accounting Records and Statements. The Trustee will keep proper accounting records in which complete and correct entries are made of all transactions relating to the receipt, deposit and disbursement of the Base Rental Payments, and such accounting records will be available for inspection by the Authority and the

City at reasonable hours and under reasonable conditions, including, without limitation, reasonable prior written notice of inspection.

Recordation and Filing. The City will record, or cause to be recorded, with the appropriate county recorder, the Lease Agreement, the Ground Lease and the Assignment Agreement, or memoranda thereof.

Tax Covenants. Notwithstanding any other provision of the Indenture, absent an Opinion of Counsel that the exclusion from gross income of the interest on the Series 2026A Bonds will not be adversely affected for federal income tax purposes, the City and the Authority covenant to comply with all applicable requirements of the Code necessary to preserve such exclusion from gross income with respect to the Series 2026A Bonds and specifically covenant, without limiting the generality of the foregoing, as follows:

(a) Private Activity. The City and the Authority will not take any action or refrain from taking any action or make any use of the proceeds of the Series 2026A Bonds or of any other moneys or property which would cause the Series 2026A Bonds to be “private activity bonds” within the meaning of Section 141 of the Code;

(b) Arbitrage. The City and the Authority will make no use of the proceeds of the Series 2026A Bonds or of any other amounts or property, regardless of the source, and will not take any action or refrain from taking any action which would cause the Series 2026A Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code;

(c) Federal Guarantee. The City and the Authority will make no use of the proceeds of the Series 2026A Bonds and will not take or omit to take any action that would cause the Series 2026A Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Code;

(d) Information Reporting. The City and the Authority will take or cause to be taken all necessary action to comply with the informational reporting requirement of Section 149(e) of the Code necessary to preserve the exclusion of interest on the Series 2026A Bonds pursuant to Section 103(a) of the Code;

(e) Hedge Bonds. The City and the Authority will make no use of the proceeds of the Series 2026A Bonds or any other amounts or property, regardless of the source, and will not take any action or refrain from taking any action that would cause the Series 2026A Bonds to be considered “hedge bonds” within the meaning of Section 149(g) of the Code unless the City and the Authority take all necessary action to assure compliance with the requirements of Section 149(g) of the Code to maintain the exclusion from gross income of interest on the Series 2026A Bonds for federal income tax purposes; and

(f) Miscellaneous. The City and the Authority will not take any action or refrain from taking any action inconsistent with its expectations stated in the Tax Certificate and will comply with the covenants and requirements stated therein and incorporated by reference in the Indenture.

The Indenture and the covenants set forth therein will not be applicable to, and nothing contained therein will be deemed to prevent the City and the Authority from causing the Trustee to issue revenue bonds or to execute and deliver contracts payable on a parity with the Series 2026A Bonds, the interest with respect to which has been determined by an Opinion of Counsel to be subject to federal income taxation.

Continuing Disclosure. The City will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of the Indenture, failure of the City to comply with the Continuing Disclosure Certificate does not constitute an event of default under the Indenture; provided, however, that the Trustee may (and, at the written direction of any Participating Underwriter or the holders of at least 25% of the aggregate principal amount of Outstanding Bonds, and upon being indemnified to its reasonable satisfaction therefor, will) or any holder or Beneficial Owner of the Bonds may take such

actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

Further Assurances. Whenever and so often as requested to do so by the Trustee, the Authority and the City will promptly execute and deliver or cause to be executed and delivered all such other and further assurances, documents or instruments and promptly do or cause to be done all such other and further things as may be necessary or reasonably required in order to further and more fully vest in the Trustee all advantages, benefits, interests, powers, privileges and rights conferred or intended to be conferred upon it by the Indenture, the Assignment Agreement, the Ground Lease or the Lease Agreement.

#### DEFAULT AND LIMITATIONS OF LIABILITY

Action on Default. If an event of default (within the meaning of the Lease Agreement) happens, then such event of default will constitute an event of default under the Indenture. The Trustee will give notice, as assignee of the Authority, will give notice to the City of an event of default under the Lease Agreement. In each and every case during the continuance of an event of default, the Trustee may upon notice in writing to the City and the Authority, exercise any of the remedies granted to the Authority under the Lease Agreement and, in addition, take whatever action at law or in equity may appear necessary or desirable to enforce its rights as assignee pursuant to the Assignment Agreement or to protect and enforce any of the rights vested in the Trustee or the Owners by the Indenture or by the Bonds, either at law or in equity or in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement or for the enforcement of any other legal or equitable right, including any one or more of the remedies set forth under the caption “—Other Remedies of the Trustee.”

Other Remedies of the Trustee. Subject to the provisions of the Indenture, the Trustee has the right:

(a) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the Authority or the City or any member, director, officer or employee thereof, and to compel the Authority or the City or any such member, director, officer or employee to perform or carry out its or his or her duties under law and the agreements and covenants required to be performed by it or him or her contained in the Indenture;

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

(c) by suit in equity upon the happening of any event of default under the Indenture to require the Authority and the City to account as the trustee of an express trust.

Nothing in the Indenture will be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Owner any plan of reorganization, arrangement, adjustment or composition affecting the Bonds or the rights of any Owner thereof, or to authorize the Trustee to vote in respect of the claim of any Owner in any such proceeding without the approval of the Owners so affected.

Non-Waiver. A waiver of any default or breach of duty or contract by the Trustee will not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission by the Trustee to exercise any right or remedy accruing upon any default or breach of duty or contract will impair any such right or remedy or be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon the Trustee by law or by the Indenture may be enforced and exercised from time to time and as often the Trustee deems expedient.

If any action, proceeding or suit to enforce any right or to exercise any remedy is abandoned or determined adversely to the Trustee or any Owner, then subject to any adverse determination, the Trustee, such

Owner, the Authority and the City will be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

Remedies Not Exclusive. Subject to the provisions of the Indenture, no remedy conferred upon or reserved to the Trustee therein is intended to be exclusive of any other remedy, and each such remedy will be cumulative and in addition to every other remedy given thereunder or now or later existing in law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by any law. The assertion or employment of any right or remedy under the Indenture, or otherwise, does not prevent the concurrent assertion or employment of any other appropriate right or remedy.

No Liability by the Authority to the Owners. Except as expressly provided in the Indenture, the Authority has no obligation or liability to the Owners 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 the 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 therein.

No Liability by the City to the Owners. Except for the payment when due of the Base Rental Payments and the performance of the other agreements and covenants required to be performed by it contained in the Lease Agreement, the Ground Lease or the Indenture, the City has no obligation or liability to the Owners with respect to the Trust Indenture or the preparation, execution, delivery or transfer of the Bonds or the disbursement of the Base Rental Payments by the Trustee to the Owners, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained in the Indenture.

No Liability of the Trustee to the Owners. Except as expressly provided in the Indenture, the Trustee has no obligation or liability to the Owners with respect to the payment when due of the Base Rental Payments by the City, or with respect to the performance by the Authority or the City of the other agreements and covenants required to be performed by them contained in the Lease Agreement, the Ground Lease or the Indenture.

Application of Amounts After Default. All payments received by the Trustee with respect to the rental of the Property after a default by the City pursuant to the Lease Agreement (including, without limitation, any proceeds received in connection with the sale, assignment or sublease of the Authority's right, title and interest in the Ground Lease), and all damages or other payments received by the Trustee for the enforcement of any rights and powers of the Trustee under the Lease Agreement, will be deposited into the Base Rental Payment Fund and as soon as practicable thereafter applied, together with all other funds held under the Indenture (except funds in the Rebate Fund):

- (a) to the payment of all amounts due the Trustee under the Indenture;
- (b) to the payment of all amounts then due for interest on the Bonds, in respect of which, or for the benefit of which, money has been collected (other than Bonds which have become payable prior to such event of default and money for the payment of which is held by the Trustee), ratably without preference or priority of any kind, according to the amounts of interest on such Bonds due and payable; and
- (c) to the payment of all amounts then due for principal of the Bonds, in respect of which, or for the benefit of which, money has been collected (other than Bonds which have become payable prior to such event of default and money for the payment of which is held by the Trustee), ratably without preference or priority of any kind, according to the amounts of principal of such Bonds due and payable.

Trustee May Enforce Claims Without Possession of Bonds. All rights of action and claims under the Indenture or the Bonds may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee will be brought in its own name as trustee of an express trust, and any recovery of judgment will, after

provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of the Owners in respect of which such judgment has been recovered.

Limitation on Suits. No Owner of any Bond has any right to institute any proceeding, judicial or otherwise, with respect to the Indenture, or for the appointment of a receiver or Trustee, or for any other remedy thereunder, unless (a) such Owner has previously given written notice to the Trustee of a continuing event of default, (b) the Owners of not less than 25% of the aggregate principal amount of Bonds then Outstanding have made written request to the Trustee to institute proceedings in respect of such event of default in its own name as Trustee under the Indenture, (c) such Owner or Owners have afforded to the Trustee indemnity reasonably satisfactory to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request, (d) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceedings, and (e) no direction inconsistent with such written request has been given to the Trustee during such 60 day period by the Owners of a majority of the aggregate principal amount of Bonds then Outstanding; it being understood and intended that no one or more Owners have any right in any manner whatever by virtue of, or by availing of, any provision of the Indenture to affect, disturb or prejudice the rights of any other Owner, or to obtain or seek to obtain priority or preference over any other Owner or to enforce any right under the Indenture, except in the manner provided in the Indenture and for the equal and ratable benefit of all the Owners.

#### THE TRUSTEE

Employment of the Trustee. The Authority has appointed and employed the Trustee to receive, deposit and disburse the Base Rental Payments, to authenticate, deliver and transfer the Bonds and to perform the other functions contained in the Indenture, all in the manner provided therein and subject to the conditions and terms thereof. By executing and delivering the Indenture, the Trustee has accepted the appointment and employment referred to in the Indenture and accepts the rights and obligations of the Trustee provided therein, subject to the conditions and terms thereof. Other than when an event of default has occurred and is continuing, the Trustee undertakes to perform such duties and only such duties as are specifically set forth in the Indenture, and no implied covenants or obligations will be read into the Indenture against the Trustee. In case an event of default has occurred and is continuing, the Trustee will exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his own affairs. The Trustee has covenanted and agreed that it will not encumber the Property other than in accordance with the Indenture or the Assignment Agreement.

Duties, Removal and Resignation of the Trustee. The Authority will remove the Trustee initially a party thereto and any successor thereto if at any time (a) requested to do so by an instrument or concurrent instruments in writing signed by the Owners of a majority of the aggregate principal amount of Bonds at the time Outstanding (or their attorneys duly authorized in writing), or (b) the Trustee will cease to be eligible in accordance with the following sentence, and will appoint a successor Trustee. The Trustee and any successor Trustee will be: (i) a national banking association in good standing authorized to exercise trust powers or having the powers of a trust company and duly authorized to exercise trust powers within the State having a combined capital and surplus of at least \$250,000,000, and subject to supervision or examination by federal or state authority, or (ii) a state-chartered commercial bank that is a member of the Federal Reserve System having at least \$1,000,000,000 of assets. No removal, resignation or termination of the Trustee will take effect until a successor, meeting the requirements above, will be qualified and appointed. If such entity publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of the Indenture the combined capital and surplus of such entity will be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The Authority will provide 30 days written notice to the Trustee of the removal of the Trustee and the removal of the Trustee by the Authority will be subject to such party not being in default under the transaction documents.

The Trustee may at any time resign by giving written notice of such resignation to the Authority and the City and by giving notice, by first class mail, postage prepaid, of such resignation to the Owners at their addresses appearing on the Registration Books. Upon receiving such notice of resignation, the Authority will promptly appoint a successor Trustee by an instrument in writing; provided, however, that in the event the Authority does not appoint a successor Trustee within 30 days following receipt of such notice of resignation, the resigning Trustee may, at the expense of the Authority, petition the appropriate court having jurisdiction to appoint a successor Trustee. Any resignation or removal of a Trustee and appointment of a successor Trustee will become effective only upon acceptance of appointment by the successor Trustee.

Any corporation, association or agency into which the Trustee may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its corporate trust business and assets as a whole or substantially as a whole, or any corporation or association resulting from any such conversion, sale, merger, consolidation or transfer to which it is a party, provided that such entity meets the combined capital and surplus requirements of the Indenture, ipso facto, will be and become successor trustee under the Indenture and vested with all the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any instrument or any further act, deed or conveyance on the part of any of the parties to the Indenture, anything therein to the contrary notwithstanding.

Compensation of the Trustee. The City will from time to time, subject to any written agreement then in effect with the Trustee, pay the Trustee reasonable compensation for all its services rendered under the Indenture and reimburse the Trustee for all its reasonable advances and expenditures (which will not include "overhead expenses" except as such expenses are included as a component of the Trustee's stated annual fees) thereunder, including but not limited to advances to and reasonable fees and reasonable expenses of accountants, agents, appraisers, consultants or other experts, and counsel not directly employed by the Trustee but an attorney or firm of attorneys retained by the Trustee, employed by it in the exercise and performance of its rights and obligations thereunder. The Trustee may take whatever legal actions are lawfully available to it directly against the Authority or the City.

The City will, to the extent permitted by law, indemnify and save the Trustee harmless against any liabilities, costs, claims or expenses, including those of its attorneys, which it may incur in the exercise and performance of its powers and duties under the Indenture, under the Lease Agreement, or in connection with any document or transaction contemplated thereunder, including the enforcement of any remedies and the defense of any suit, and which are not due to its negligence or its willful misconduct as finally adjudicated by a court of competent jurisdiction. The duty of the City to indemnify the Trustee will survive the termination and discharge of the Indenture and the earlier removal or resignation of the Trustee.

If the Trustee renders any service not provided for in the Indenture or related financing documents, or the Trustee is made a party to or intervenes in any litigation pertaining to the Indenture or related financing documents or institutes interpleader proceedings relative to the Indenture, the Trustee will be compensated reasonably by the Authority for such extraordinary services and reimbursed for any and all claims, liabilities, losses, damages, fines, penalties, and expenses, including out-of-pocket and incidental expenses and legal fees and expenses occasioned thereby.

No provision of the Indenture requires the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties thereunder or in the exercise of any of its rights or powers thereunder. The Trustee may refuse to perform any duty or exercise any right or power which would require it to expend its own funds or risk any liability if it reasonably believes that repayment of such funds or adequate indemnity against such risk is not reasonably assured to it.

Upon an Event of Default, and only upon an Event of Default, the Trustee will have a first lien with right of payment prior to payment on account of principal of and premium, if any, and interest on any Bond, upon the trust estate for the foregoing fees, charges and expenses incurred by it. When the Trustee incurs expenses or renders services after the occurrence of an Event of Default, such expenses and the compensation for such services are intended to constitute expenses of administration under any federal or state bankruptcy, insolvency, arrangement, moratorium, reorganization or other debtor relief law.

Protection of the Trustee. The Trustee will be protected and incur no liability in acting or proceeding in good faith upon any affidavit, bond, certificate, consent, notice, request, requisition, resolution, statement, telegram, voucher, waiver or other paper or document which it in good faith believes to be genuine and to have been adopted, executed or delivered by the proper party or pursuant to any of the provisions of the Indenture, and the Trustee is under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument, but may accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements. The Trustee is under no obligation to exercise any of the rights or powers vested in it by the Indenture at the request or direction of any of the Owners of the Bonds pursuant to the Indenture, unless such Owners have offered to the Trustee security or indemnity, reasonably satisfactory to the Trustee, against the reasonable costs, expenses and liabilities which might be incurred by it in compliance with such request or direction. The Trustee may consult with counsel, who may be counsel to the Authority or the City, with regard to legal questions, and the opinion of such counsel will be full and complete authorization and protection in respect to any action taken or suffered by it under the Indenture in good faith in accordance therewith.

The Trustee is not responsible for the sufficiency of the Bonds or the Lease Agreement, or of the assignment made to it by the Assignment Agreement, or for statements made in any preliminary or final official statement or any other disclosure material prepared or distributed relating to the Bonds, or of the title to the Property. The Trustee will have no responsibility for compliance with any state or federal securities laws in connection with the Bonds.

Whenever in the administration of its rights and obligations under the Indenture the Trustee deems it necessary or desirable that a matter be proved or established prior to taking or suffering any action thereunder, such matter (unless other evidence in respect thereof is specifically prescribed) may be deemed to be conclusively proved and established by a Written Certificate of the City or a Written Certificate of the Authority, and such certificate will be full warrant to the Trustee for any action taken or suffered under the provisions of the Indenture upon the faith thereof, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as it deems reasonable.

The Trustee may buy, sell, own, hold and deal in any of the Bonds and may join in any action which any Owner may be entitled to take with like effect as if the Trustee were not a party to the Indenture. The Trustee, either as principal or agent, may also engage in or be interested in any financial or other transaction with the Authority or the City, and may act as agent, depository or trustee for any committee or body of Owners or of owners of obligations of the Authority or the City as freely as if it were not the Trustee under the Indenture.

The Trustee may, to the extent reasonably necessary, execute any of the trusts or powers of the Indenture and perform any rights and obligations required of it thereunder either directly or by or through agents, attorneys, custodians, nominees or receivers appointed with due care, and is entitled to advice of counsel concerning all matters of trust and its rights and obligations thereunder, and the Trustee will not be answerable for the negligence or misconduct of any such agent, attorney, custodian, nominee or receiver selected by it with reasonable care. The Trustee is not liable for any error of judgment made by it in good faith unless it is proved that the Trustee was negligent in ascertaining the pertinent facts.

The Trustee is not answerable for the exercise of any trusts or powers under the Indenture or for anything whatsoever in connection with the funds established thereunder, except only for its own willful misconduct, negligence or breach of an obligation thereunder.

The Trustee will not be deemed to have knowledge of an event of default unless it has actual knowledge thereof.

The Trustee may, on behalf of the Owners, intervene in any judicial proceeding to which the Authority or the City is a party and which, in the opinion of the Trustee and its counsel, affects the Bonds or the security therefor, and will do so if requested in writing by the Owners of at least 5% of the aggregate principal amount of Bonds then Outstanding, provided that the Trustee has no duty to take such action unless it has been indemnified to its reasonable satisfaction against all risk or liability arising from such action.

The Trustee's rights to immunities and protection from liability under the Indenture and its rights to payment of its fees and expenses will survive its resignation or removal and final payment or defeasance of the Bonds.

All indemnifications and releases from liability granted to the Trustee in the Indenture extend to the directors, officers, employees and agents of the Trustee.

The permissive right of the Trustee to do things enumerated in the Indenture will not be construed as a duty, and the Trustee will not be answerable for other than its negligence or willful default. The Trustee has no responsibility or liability with respect to any information, statements or recitals in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of these Bonds. The Trustee is not accountable for the use or application by the Borrower of any of the Bonds or the proceeds thereof or for the use or application of any money paid over by the Trustee in accordance with the provisions of the Indenture or for the use and application of money received by any paying agent.

In no event is the Trustee responsible or liable for special, indirect, consequential, punitive or incidental loss or damage of any kind whatsoever (including, but not limited to, loss of profit) irrespective of whether the Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action.

In no event is the Trustee responsible or liable for any failure or delay in the performance of its obligations under the Indenture arising out of or caused by, directly or indirectly, forces beyond its control, including, without limitation, strikes, work stoppages, accidents, acts of war or terrorism, civil or military disturbances, pandemics, epidemics, recognized public emergencies, quarantine restrictions, nuclear or natural catastrophes or acts of God, interruptions, loss or malfunctions of utilities, communications or computer (software and hardware) services, and hacking, cyber-attacks, or other use or infiltration of the Trustee's technological infrastructure exceeding authorized access; it being understood that the Trustee will use reasonable efforts that are consistent with accepted practices in the banking industry to resume performance as soon as practicable under the circumstances.

The Trustee shall have the right to accept and act upon instructions, including funds transfer instructions ("Instructions") given pursuant to the Indenture and related financing documents and delivered using Electronic Means; provided, however, that the Authority or the City, as applicable, shall provide to the Trustee an incumbency certificate listing officers with the authority to provide such Instructions ("Authorized Officers") and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the Authority or the City, as applicable, whenever a person is to be added or deleted from the listing. If the Authority or the City, as applicable, elects to give the Trustee Instructions using Electronic Means and the Trustee in its discretion elects to act upon such Instructions, the Trustee's understanding of such Instructions shall be deemed controlling. The Authority and the City understand and agree that the Trustee cannot determine the identity of the actual sender of such Instructions and that the Trustee shall conclusively

presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Trustee have been sent by such Authorized Officer. The Authority and the City shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Trustee and that the Authority, the City and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the Authority and/or the City, as applicable. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The Authority and the City agree: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Trustee, including, without limitation, the risk of the Trustee acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Trustee and that there may be more secure methods of transmitting Instructions than the method(s) selected by the Authority and/or the City, as applicable; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Trustee immediately upon learning of any compromise or unauthorized use of the security procedures.

In acting or omitting to act pursuant to the Lease Agreement or Ground Lease, the Trustee is entitled to all of the rights, immunities and indemnities accorded to it under the Indenture and the Lease Agreement.

## MODIFICATION OR AMENDMENTS

### Modifications and Amendments Permitted.

(a) The Indenture and the rights and obligations of the Authority, the City, the Owners of the Bonds and the Trustee may be modified or amended from time to time and at any time by a Supplemental Indenture, which the Authority, the City and the Trustee may enter into with the prior written consent of the Owners of a majority in aggregate principal amount of all Bonds then Outstanding, which has been filed with the Trustee. No such modification or amendment may: (i) extend the fixed maturity of any Bonds, or reduce the amount of principal thereof or the rate of interest thereon, or extend the time of payment, without the consent of the Owner of each Bond so affected, or (ii) reduce the aforesaid percentage of Bonds the consent of the Owners of which is required to effect any such modification or amendment, or (iii) permit the creation of any lien on the Base Rental Payments and other assets pledged under the Indenture prior to or on a parity with the lien created by the Indenture or deprive the Owners of the Bonds of the lien created by the Indenture on such Base Rental Payments and other assets (except as expressly provided in the Indenture), without the consent of the Owners of all of the Bonds then Outstanding. It is not necessary for the consent of the Bond Owners to approve the particular form of any Supplemental Indenture, but it is sufficient if such consent approves the substance thereof.

(b) The Indenture and the rights and obligations of the Authority, the City, the Trustee and the Owners of the Bonds may also be modified or amended from time to time and at any time by a Supplemental Indenture, which the Authority, the City and the Trustee may enter into without the consent of any Bond Owners for any one or more of the following purposes:

(1) to add to the covenants and agreements of the Authority or the City contained in the Indenture other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power therein reserved to or conferred upon the Authority or the City;

(2) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision contained in the Indenture;

(3) to provide for the issuance of one or more Series of Additional Bonds, and to provide the terms and conditions under which such Series of Additional Bonds may be issued, subject to and in accordance with the provisions of the Indenture;

(4) to modify, amend or supplement the Indenture in such manner as to permit the qualification thereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute later in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute;

(5) to modify, amend or supplement the Indenture in such manner as to cause interest on the Bonds to be excludable from gross income for purposes of federal income taxation by the United States of America; and

(6) in any other respect whatsoever as the Authority and the City may deem necessary or desirable, provided that such modification or amendment does not materially adversely affect the interests of the Bond Owners under the Indenture.

(c) Promptly after the execution by the Authority, the City and the Trustee of any Supplemental Indenture, the Trustee will mail a notice (the form of which will be furnished to the Trustee by the Authority), by first class mail postage prepaid, setting forth in general terms the substance of such Supplemental Indenture, to the Owners of the Bonds at the respective addresses shown on the Registration Books. Any failure to give such notice, or any defect therein, will not, however, in any way impair or affect the validity of any such Supplemental Indenture.

(d) No Supplemental Indenture may modify any of the rights or obligations of the Trustee without the Trustee's prior written consent.

The Authority or the City will send copies of any Supplemental Indenture to any rating agency which maintains a rating with respect to the Series 2026A Bonds.

Effect of Supplemental Indenture. Upon the execution of any Supplemental Indenture pursuant to the Indenture, the Indenture will be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations thereunder of the Authority, the City, the Trustee and all Owners of Bonds Outstanding will thereafter be determined, exercised and enforced thereunder subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Indenture will be deemed to be part of the terms and conditions of the Indenture for any and all purposes.

In executing, or accepting the additional trusts created by any supplemental indenture permitted by the Indenture or the modification thereby of the trusts created by the Indenture, the Trustee will be entitled to receive, and will be fully protected in relying upon, an opinion of counsel stating that the execution of such supplemental indenture is authorized or permitted by the Indenture and complies with the terms of the Indenture.

Endorsement of Bonds; Preparation of New Bonds. Bonds delivered after the execution of any Supplemental Indenture pursuant to the Indenture may, and if the Authority so determines will, bear a notation by endorsement or otherwise in form approved by the Authority and the Trustee as to any modification or amendment provided for in such Supplemental Indenture, and, in that case, upon demand of the Owner of any Bonds Outstanding at the time of such execution and presentation of his Bonds for the purpose at the Office of the Trustee a suitable notation will be made on such Bonds. If the Supplemental Indenture so provides, new Bonds so modified as to conform, in the opinion of the Authority and the Trustee, to any modification or amendment contained in such Supplemental Indenture, will be prepared and executed by the Authority and authenticated by the Trustee, and upon demand of the Owners of any Bonds then Outstanding will be exchanged at the Office of the Trustee, without cost to any Bond Owner, for Bonds then Outstanding, upon

surrender for cancellation of such Bonds, in equal aggregate principal amount of the same interest rate and maturity.

Amendment of Particular Bonds. The provisions of the Indenture do not prevent any Bond Owner from accepting any amendment as to the particular Bonds held by such Owner.

#### DEFEASANCE

Discharge of Indenture. If the Authority pays or cause to be paid or there is otherwise paid to the Owners of all Outstanding Bonds the principal thereof and the interest and premium, if any, thereon at the times and in the manner stipulated in the Indenture and the Bonds, then the Owners of such Bonds will cease to be entitled to the pledge of the Base Rental Payments and the other assets as provided in the Indenture, and all agreements, covenants and other obligations of the Authority and the City to the Owners of such Bonds thereunder will thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee will execute and deliver to the Authority and the City all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee will pay over or deliver to the City all money or securities held by it pursuant to the Indenture which are not required for the payment of the principal of and interest and premium, if any, on such Bonds.

Subject to the provisions of the above paragraph, when any of the Bonds have been paid and if, at the time of such payment, the Authority and the City have kept, performed and observed all of the covenants and promises in such Bonds and in the Indenture required or contemplated to be kept, performed and observed by them on or prior to that time, then the Indenture will be considered to have been discharged in respect of such Bonds and such Bonds will cease to be entitled to the lien of the Indenture and such lien and all covenants, agreements and other obligations of the Authority and the City thereunder will cease, terminate become void and be completely discharged as to such Bonds.

Notwithstanding the satisfaction and discharge of the Indenture or the discharge of the Indenture in respect of any Bonds, those provisions of the Indenture relating to the maturity of the Bonds, interest payments and dates thereof, exchange and transfer of Bonds, replacement of mutilated, destroyed, lost or stolen Bonds, the safekeeping and cancellation of Bonds, non-presentment of Bonds, and the duties of the Trustee in connection with all of the foregoing, will remain in effect and will be binding upon the Trustee and the Owners of the Bonds and the Trustee will continue to be obligated to hold in trust any moneys or investments then held by the Trustee for the payment of the principal of and interest and premium, if any, on the Bonds, to pay to the Owners of Bonds the funds so held by the Trustee as and when such payment becomes due. Notwithstanding the satisfaction and discharge of the Indenture or the discharge of the Indenture in respect of any Bonds, those provisions of the Indenture relating to the compensation and indemnity of the Trustee will remain in effect and be binding upon the Trustee, the City and the Authority.

Bonds Deemed To Have Been Paid. If moneys have been set aside and held by the Trustee (or an escrow agent or other fiduciary) for the payment or redemption of any Bonds and the interest thereon at the maturity or redemption date thereof, such Bonds will be deemed to have been paid within the meaning and with the effect provided in the Indenture. Any Outstanding Bonds will prior to the maturity date or redemption date thereof be deemed to have been paid within the meaning of and with the effect expressed in the Indenture if (a) in case any of such Bonds are to be redeemed on any date prior to their maturity date, the Authority has given to the Trustee in form satisfactory to it irrevocable instructions to mail, on a date in accordance with the provisions of the Indenture, notice of redemption of such Bonds on said redemption date, said notice to be given in accordance with the Indenture, (b) there has been deposited with the Trustee (or an escrow agent or other fiduciary) either (i) money in an amount which is sufficient, or (ii) Federal Securities that are not subject to redemption other than at the option of the holder thereof, the interest on and principal of which when paid will provide money which, together with the money, if any deposited or on deposit with the Trustee at the same time, will, as verified by an independent certified public accountant, be sufficient to pay when due the interest to become due on such Bonds on and prior to the maturity date or redemption date thereof, as the case

may be, and the principal of and premium, if any, on such Bonds, and (c) in the event such Bonds are not by their terms subject to redemption within the next succeeding 60 days, the Authority will have given the Trustee in form satisfactory to it irrevocable instructions to mail as soon as practicable, a notice to the owners of such Bonds that the deposit required by clause (b) above has been made with the Trustee (or an escrow agent or other fiduciary) and that such Bonds, are deemed to have been paid in accordance with the Indenture and stating the maturity date or redemption date upon which money is to be available for the payment of the principal of and premium, if any, on such Bonds.

Payment of Bonds After Discharge of Indenture. Notwithstanding any provisions of the Indenture, to the extent permitted by law, any moneys held by the Trustee in trust for the payment of the principal of, or premium or interest on, any Bonds and remaining unclaimed for two years after the date of deposit of such moneys, will be repaid to the Authority (without liability for interest) free from the trusts created by the Indenture, and all liability of the Trustee with respect to such moneys will thereupon cease; provided, however, that before the repayment of such moneys to the Authority as aforesaid, the Trustee may (at the cost of the Authority) first mail, by first class mail postage prepaid, to the Owners of Bonds which have not yet been paid, at the respective addresses shown on the Registration Books, a notice, in such form as may be deemed appropriate by the Trustee with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the Authority of the moneys held for the payment thereof. Any money held by the Trustee pursuant to this paragraph will be held uninvested and without any liability for interest.

#### MISCELLANEOUS

Benefits of Indenture Limited to Parties. Nothing contained in the Indenture, expressed or implied, is intended to give to any person other than the Authority, the City, the Trustee and the Owners any claim, remedy or right under or pursuant thereto, and any agreement, condition, covenant or term required therein to be observed or performed by or on behalf of the Authority or the City is for the sole and exclusive benefit of the Trustee and the Owners.

Successor Deemed Included in all References to Predecessor. Whenever the Authority, the City or the Trustee, or any officer thereof, is named or referred to in the Indenture, such reference will be deemed to include the successor to the powers, duties and functions that are presently vested in the Authority, the City or the Trustee, or such officer, and all agreements, conditions, covenants and terms required by the Indenture to be observed or performed by or on behalf of the Authority, the City or the Trustee, or any officer thereof, will bind and inure to the benefit of the respective successors thereof whether so expressed or not.

Execution of Documents by Owners. Any declaration, request or other instrument which is permitted or required in the Indenture to be executed by Owners may be in one or more instruments of similar tenor and may be executed by Owners in person or by their attorneys appointed in writing. The fact and date of the execution by any Owner or his attorney of any declaration, request or other instrument or of any writing appointing such attorney may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state or territory in which he purports to act that the person signing such declaration, request or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer, or by such other proof as the Trustee may accept which it may deem sufficient.

The ownership of any Bonds and the amount, payment date, number and date of owning the same may be proved by the Registration Books.

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

Waiver of Personal Liability. Notwithstanding anything contained in the Indenture to the contrary, no member, officer or employee of the Authority or the City will be individually or personally liable for the payment of any moneys, including without limitation, the principal of or interest on the Bonds, but nothing contained in the Indenture relieves any member, officer or employee of the City or the Authority from the performance of any official duty provided by any applicable provisions of law, by the Lease Agreement or the Indenture.

Destruction of Bonds. Whenever in the Indenture provision is made for the cancellation by the Trustee and the delivery to the Authority of any Bonds, the Trustee may, in lieu of such cancellation and delivery, destroy such Bonds.

Funds and Accounts. Any fund or account required to be established and maintained in the Indenture by the Trustee may be established and maintained in the accounting records of the Trustee either as an account or a fund, and may, for the purposes of such accounting records, any audits thereof and any reports or statements with respect thereto, be treated either as an account or a fund, but all such records with respect to all such funds and accounts will at an times be maintained in accordance with sound accounting practice and with due regard for the protection of the security of the Bonds and the rights of the Owners.

The Trustee may commingle any of the moneys held by it under the Indenture for investment purposes only; provided, however, that the Trustee will account separately for the moneys in each fund or account established pursuant to the Indenture. The Trustee may establish such funds and accounts as it deems necessary or appropriate to perform its obligations thereunder.

Partial Invalidity. If any one or more of the agreements, conditions, covenants or terms required in the Indenture to be observed or performed by or on the part of the Authority, the City or the Trustee is contrary to law, then such agreement or agreements, such condition or conditions, such covenant or covenants or such term or terms will be null and void to the extent contrary to law and will be deemed separable from the remaining agreements, conditions, covenants and terms of the Indenture and will in no way affect the validity of the Indenture or the Bonds, and the Owners will retain all the benefit, protection and security afforded to them under any applicable provisions of law. The Authority, the City and the Trustee have declared that they would have executed the Indenture, and each and every Article, Section, paragraph, subsection, sentence, clause and phrase thereof and would have authorized the execution and delivery of the Bonds pursuant thereto irrespective of the fact that any one or more Articles, Sections, paragraphs, subsections, sentences, clauses or phrases thereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

Disqualified Bonds. In determining whether the Owners of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under the Indenture, Bonds which are actually known by the Trustee to be owned or held by or for the account of the Authority or the City, or by any Person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority or the City, will be disregarded and deemed not to be Outstanding for the purpose of any such determination; except that, in determining whether the Trustee is protected in relying upon any such demand, request, direction, consent or waiver of an Owner, only Bonds which the Trustee actually knows to be owned or held by or for the account of the Authority or the City, or by any Person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority or the City, will be disregarded unless all Bonds are so owned or held, in which case such Bonds will be considered Outstanding for the purpose of such determination. Bonds so owned which have been pledged in good faith may be regarded as Outstanding for the purposes of the Indenture if the pledgee establishes to the satisfaction of the Trustee the pledgee's right to vote such Bonds and that the pledgee is not a Person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority or the City. In case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel will be full protection to the Trustee. Upon request of the Trustee, the Authority and the City will specify in a Written

Certificate of the City and Authority those Bonds disqualified pursuant to the Indenture and the Trustee may conclusively rely on such Certificate.

Money Held for Particular Bonds. The money held by the Trustee for the payment of the interest, principal or premium due on any date with respect to particular Bonds (or portions of Bonds in the case of Bonds redeemed in part only) will, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Owners of the Bonds entitled thereto, subject, however, to the provisions of the Indenture but without any liability for interest thereon.

Payment on Non-Business Days. In the event any payment is required to be made under the Indenture on a day which is not a Business Day, such payment will be made on the next succeeding Business Day with the same effect as if made on such non-Business Day.

California Law. The Indenture will be construed and governed in accordance with the laws of the State of California.

Notice to Rating Agencies. The Trustee will provide S&P, if the Bonds are then rated by S&P, and Moody's, if the Bonds are then rated by Moody's, with prompt notice of any substitution or release of property pursuant to the Lease Agreement.

## LEASE AGREEMENT

### DEFINITIONS

Definitions. Unless the context otherwise requires, the terms defined in the Lease Agreement, for all purposes of the Lease Agreement, have the meanings therein specified, which meanings are equally applicable to both the singular and plural forms of any of the terms therein defined. Capitalized terms not otherwise defined in the Lease Agreement have the meanings assigned to such terms in the Indenture.

“Additional Bonds” means bonds other than the Series 2026A Bonds issued under the Indenture in accordance with the provisions thereof

“Additional Rental Payments” means all amounts payable by the City as Additional Rental Payments pursuant to the Lease Agreement.

“Authority” means the Mill Valley Public Financing Authority, a joint exercise of powers authority organized and existing under the laws of the State of California.

“Base Rental Deposit Date” means the fifth (5<sup>th</sup>) Business Day next preceding each Interest Payment Date.

“Base Rental Payments” means all amounts payable to the Authority from the City as Base Rental Payments pursuant to the Indenture.

“Base Rental Payment Schedule” means the schedule of Base Rental Payments payable to the Authority from the City pursuant to the Lease Agreement and attached thereto.

“Bonds” means the Series 2026A Bonds, and any Additional Bonds.

“City” means the City of Mill Valley, a municipal corporation and general law city duly organized and existing under and by virtue of the Constitution and laws of the State of California.

“Closing Date” means the date of issuance of the Series 2026A Bonds.

“Costs” means, with respect to the Project, together with any other proper item of cost not specifically mentioned in the Indenture, (a) costs of payment of, or reimbursement for, acquisition, design, construction, rehabilitation, installation, delivery and financing of the Project, including, but not limited to, the payment of real property rental, administrative costs and capital expenditures relating to acquisition, construction, installation, and demolition, inspection costs, filing and recording costs, printing costs, reproduction and binding costs, fees and charges of the Trustee pursuant to the Indenture and other financing documents, legal fees and charges, financial, accounting and other professional consultant fees, costs of rating agencies or credit ratings, fees for the printing, execution, transportation and safekeeping of the Series 2026A Bonds; (b) all other costs which the City will be required to pay under the terms of any contract or contracts for the acquisition, construction, delivery and installation of the Project, and demolition work required for the Project, including, but not limited to, the cost of insurance; (c) any sums required to reimburse the City for advances made for any of the above items, or for any other costs incurred and for work done, which is properly chargeable to the Project; (d) any costs paid from the Net Insurance Proceeds to repair, restore or replace the Project; and (e) such other expenses not specified in the Indenture as may be necessary or incidental to the acquisition, construction, delivery and installation of the Project, the financing thereof and the placing of the same in use and operation. Costs, as defined in the Lease Agreement, will be deemed to include the cost and expenses incurred by any agent of the City for any of the above mentioned items.

“Ground Lease” means the Ground Lease, dated as of the Lease Agreement, by and between the City and the Authority, as originally executed and as it may from time to time be amended in accordance with to the provisions thereof and of the Lease Agreement.

“Indenture” means the Indenture, dated as of the Lease Agreement, by and among the Authority, the City and the Trustee, as originally executed and as it may from time to time be amended or supplemented in accordance with the provisions thereof.

“Joint Powers Agreement” means the Joint Exercise of Powers Agreement, dated March 20, 2006, by and between the City and the California Municipal Finance Authority, pursuant to which the Authority is established, as originally executed and as it may from time to time be amended in accordance with the provisions thereof.

“Lease Agreement” means the Lease Agreement, as originally executed and as it may from time to time be amended in accordance with the provisions thereof.

“Net Insurance Proceeds” means any insurance proceeds or condemnation award paid with respect to any of the Property, remaining after payment therefrom of all reasonable expenses incurred in the collection thereof.

“Permitted Encumbrances” means, with respect to the Property, as of any particular time (a) liens for general *ad valorem* taxes and assessments, if any, not then delinquent, or which the City may, pursuant to provisions of the Lease Agreement, permit to remain unpaid, (b) the Assignment Agreement, (c) the Lease Agreement, (d) the Ground Lease, (e) any right or claim of any mechanic, laborer, materialman, supplier or vendor not filed or perfected in the manner prescribed by law as normally exist with respect to properties similar to the Property for the purposes for which it was acquired or is held by the City, (f) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record as of the Closing Date which the City certifies in writing will not affect the intended use of the Property or impair the security granted to the Trustee for the benefit of the Owners of the Bonds by the Indenture and the Assignment Agreement and to which the Authority and the City consent in writing, (g) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions established following the Closing Date which the City certifies in writing do not affect the intended use of the Property or impair the security granted to the Trustee for the benefit of the Owners of the Bonds by the Indenture and the Assignment Agreement and to which the Authority and the City consent in writing, (h) that certain Solar Power Purchase Agreement dated as of September 29, 2014 between the City and

SolEd Solar Holdings I, LLC, a California limited liability company and the Memorandum of License executed by the City and SolEd Solar Holdings I, LLC, a California limited liability company pursuant thereto, dated February 1, 2017 and recorded against the Property in the Official Records of Marin County, California, as Instrument No. 2017-0018173, and (i) future subleases of the Property entered into by the City, as sublessor, and third party tenants, as sublessee, so long as such subleases are entered into in compliance with the Lease Agreement.

“Project” is defined in the is defined in the Recitals and further described in Exhibit B attached to the Lease Agreement. The City may add, delete or substitute other improvements for components of the Project described in the Lease Agreement by filing with the Authority and Trustee a Certificate of the City stating that such addition, deletion, or substitution shall not cause the City to violate any of its covenants, representations and warranties made in the Lease Agreement, the Indenture, or the Tax Certificate.

“Property” means all real property described in the Lease Agreement and improvements located therein.

“Rental Payments” means, collectively, the Base Rental Payments and the Additional Rental Payments.

“Rental Period” means the period from the Closing Date through September 30, 2026 and, thereafter, the twelve-month period commencing on October 1 of each year during the term of the Lease Agreement.

“Series 2026A Bonds” means the Mill Valley Public Financing Authority Lease Revenue Bonds, Series 2026A issued under the Indenture.

“Termination Date” means October 1, 2035, unless extended or sooner terminated as provided in the Lease Agreement.

“Trustee” means the trustee appointed under the Indenture and referred to therein as the Trustee.

## LEASE OF PROPERTY; TERM

### Lease of Property.

(a) The Authority has leased to the City and the City has leased from the Authority the Property, on the terms and conditions set forth in the Lease Agreement, subject to all Permitted Encumbrances.

(b) The leasing of the Property by the City to the Authority pursuant to the Ground Lease does not effect or result in a merger of the City’s leasehold estate pursuant to the Lease Agreement and its fee estate as lessor under the Ground Lease, and the Authority will continue to have a leasehold estate in the Property pursuant to the Ground Lease throughout the term thereof and of the Lease Agreement. The leasehold interest granted by the City to the Authority pursuant to the Ground Lease is and will be independent of the Lease Agreement; the Lease Agreement is not an assignment or surrender of the leasehold interest granted to the Authority under the Ground Lease.

Term; Occupancy. The term of the Lease Agreement will commence on the Closing Date and end on the Termination Date, unless such term is extended or sooner terminated as provided in the Lease Agreement. If on the Termination Date the Bonds are not fully paid, or provision therefor made in accordance with the defeasance provision of the Indenture, or the Indenture is not discharged by its terms, or if the Rental Payments remain due and payable or have been abated at any time and for any reason, then the term of the Lease Agreement will be extended until the date upon which (i) all Bonds are fully paid, or provision therefor made in accordance with the defeasance provision of the Indenture, or (ii) the Indenture is discharged by its terms and all Rental Payments have been paid in full. Notwithstanding the foregoing, the term of the Lease

Agreement will in no event be extended more than ten years beyond the Termination Date, such extended date being the “Maximum Lease Term.” If prior to the Termination Date, all Bonds are fully paid, or provision therefor made in accordance with the provisions of the Indenture under the caption “DEFEASANCE,” the Indenture will be discharged by its terms and all Rental Payments will be paid in full, then the term of the Lease Agreement will end simultaneously therewith.

## RENTAL PAYMENTS

### Base Rental Payments.

(a) Subject to the provisions of the Lease Agreement relating to a revision of the Base Rental Payment Schedule pursuant to clause (b) below, the City will pay to the Authority, as Base Rental Payments (subject to the provisions of the Lease Agreement, relating to abatement, eminent domain, and prepayment) the amount at the times specified in the Base Rental Payment Schedule, a portion of which Base Rental Payments constitutes principal, and a portion of which constitutes interest. 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.

The obligation of the City to make the Base Rental Payments does not constitute a debt of the City or of 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.

(b) If the term of the Lease Agreement has been extended as described under the caption “LEASE OF PROPERTY’S TERM — Term; Occupancy.”, the obligation of the City to pay Rental Payments will continue to and including the Base Rental Deposit Date preceding the date of termination of the Lease Agreement (as so extended pursuant to the Lease Agreement). Upon such extension, the Base Rental Payments will be established so that they will be sufficient to pay all extended and unpaid Base Rental Payments; provided, however, that the Rental Payments payable in any Rental Period may not exceed the annual fair rental value of the Property.

Additional Rental Payments. The City will also pay, as Additional Rental Payments, such amounts as are be required for the payment of the following:

(a) 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;

(b) 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;

(c) insurance premiums for all insurance required pursuant to the Lease Agreement;

(d) 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 Code; and

(e) 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 Indenture 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.

Fair Rental Value. The parties to the Lease Agreement have agreed and determined that the annual fair rental value of the Property is not less than the maximum annual Rental Payments due in any year. In making such determination of fair rental value, consideration has been given to the uses and purposes that may be served by the Property and the benefits therefrom which will accrue to the City and the general public. Payments of the Rental Payments for the Property during each Rental Period constitute the total rental for said Rental Period.

Payment Provisions. Each installment of Base Rental Payments payable under the Lease Agreement will be paid in lawful money of the United States of America to or upon the order of the Authority at the principal office of the Trustee in Los Angeles, California, or such other place or entity as the Authority or Trustee designates. Each Base Rental Payment will be deposited with the Trustee no later than the Base Rental Deposit Date preceding the Interest Payment Date on which such Base Rental Payment is due. Any Base Rental Payment which is not paid by the City when due and payable under the terms of the Lease Agreement will bear interest from the date when the same is due thereunder until the same is paid at the rate equal to the highest rate of interest on any of the Outstanding Bonds. Notwithstanding any dispute between the Authority and the City, the City will make all Rental Payments when due without deduction or offset of any kind and will not withhold any Rental Payments pending the final resolution of such dispute. In the event of a determination that the City was not liable for said Rental Payments or any portion thereof, said payments or excess of payments, as the case may be, will be credited against subsequent Rental Payments due under the Lease Agreement or refunded at the time of such determination. Amounts required to be deposited by the City with the Trustee pursuant to the Lease Agreement on any date will be reduced to the extent of available amounts on deposit in the Base Rental Payment Fund, the Interest Fund or the Principal Fund.

Appropriations Covenant. The City has covenanted to take such action as may be necessary to include all Rental Payments due under the Lease Agreement as a separate line item in its biennial budgets and to make necessary annual appropriations for all such Rental Payments. The City will deliver to the Authority and the Trustee a Certificate of the City stating that its final biennial budget includes all Base Rental Payments due in the fiscal years addressed in such budget within ten days after the filing or adoption thereof. The covenants on the part of the City contained in the Lease Agreement are deemed to be and will be construed to be duties imposed by law and it is the duty of each and every public official of the City to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the City to carry out and perform the covenants and agreements in the Lease Agreement agreed to be carried out and performed by the City.

Rental Abatement. 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 will be abated proportionately, and the City waives the benefits of Civil Code Sections 1932(1), 1932(2) and 1933(4) and any and all other rights to terminate the 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. The City and the Authority will calculate such abatement and provide the Trustee with a certificate setting forth such calculation and the basis therefor. 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 described under the caption “LEASE OF PROPERTY’S TERM — Term; Occupancy,” except that the term will in no event be extended beyond the Maximum Lease Term.

Notwithstanding the foregoing, to the extent that moneys are available for the payment of Rental Payments in any of the funds and accounts established under the Indenture or proceeds of the rental interruption insurance are available, 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, accounts, and proceeds.

#### ACQUISITION, CONSTRUCTION AND IMPROVEMENT OF THE PROJECT

Deposit of Bond Proceeds; City Deposit. Upon the issuance of the Series 2026A Bonds, the Authority agrees that all proceeds of the Series 2026A Bonds will be paid to the Trustee and that such moneys will be deposited with the Trustee and be applied as provided in the Indenture.

Acquisition, Construction and Improvement of the Project. The City agrees to acquire, construct, deliver and install any portion of the Project to be financed with the proceeds of the Series 2026A Bonds, or to cause such portion to be acquired, constructed, delivered and installed, with the proceeds of Series 2026A Bonds paid to the City by the Authority pursuant to the Lease Agreement and the Authority will have no responsibility with respect thereto.

Compliance with Law. The City will comply with all applicable provisions for bids and contracts prescribed by law with respect to the Project, including, without limitation, any applicable environmental review and approvals, Sections 20110 et seq. of the Public Contract Code and Article 42 (commencing with Section 20670 of Part 3 of Division 2 of the Public Contract Code. The City acknowledges and agrees that specific expenditures for all or any portion of the Project, are expressly subject to compliance with such requirements.

Payment of Costs. Payment of Costs will be made from the moneys deposited with the Trustee in the Project Fund as provided in the Lease Agreement and Indenture, which will be disbursed from the Project Fund in accordance and upon compliance with the Indenture.

Time of Completion. The construction and equipping of the Project will be completed on or prior to the date that is three years following the Closing Date, subject to excused delays pursuant to standard City procedures.

Construction and Acquisition of the Project. The City agrees to oversee the construction, acquisition, delivery and installation of the Project in accordance with the following terms:

(a) Construction and Completion. The City agrees to proceed with all due diligence to complete the construction, acquisition, delivery and installation of the Project, all in accordance with the plans and specifications for the Project (the “Plans and Specifications”) approved by the City Engineer. The City will comply with all statutes and laws applicable to the performance of its obligations under the Indenture, including all public laws applicable thereto and all laws regarding the approval, acquisition and construction of public projects by cities in the State of California. The City will make certain that each contract relating to the Project is awarded in accordance with applicable law and contains a scheduled completion date which requires completion on or before the scheduled completion date referred to above;

(b) Payment of Costs of the Project. Payment of the portion of the Costs of the Project being financed by the City will be made from moneys deposited in the Project Fund, and will be disbursed for such purpose in accordance and upon compliance with the Indenture. Neither the Authority nor the City will be liable for the payment of Costs of the Project other than from amounts on deposit in the Project Fund; and

(c) Unexpended Monies. The City agrees that unexpended moneys remaining in the Project Fund will, upon payment in full of all Costs of the Project, be applied solely in accordance with the provisions of the Indenture.

## MAINTENANCE, ALTERATIONS AND ADDITIONS

### Modification of the Property.

(a) The City and any sublessee will, at its own expense, or with the proceeds of Additional Bonds, have the right to make additions, modifications, and improvements to any portion of the Property if such improvements are necessary or beneficial for the use of such portion of the Property. All such additions, modifications and improvements will thereafter comprise part of the Property and be subject to the provisions of the Lease Agreement. Such additions, modifications and improvements will not in any way cause an abatement of Rental Payments with respect to the Property or cause it to be used for purposes other than those authorized under the provisions of State and federal law or in any way which would impair the State tax-exempt status or the exclusion from gross income for federal income tax purposes of the interest on the Bonds and Additional Bonds (to the extent such Additional Bonds were issued as tax exempt Bonds); and the Property, upon completion of any additions, modifications and improvements made pursuant to this Section, will have an annual fair rental value which is not less than the annual Rental Payments.

(b) The City and any sublessee will, at its own expense, or with the proceeds of Additional Bonds, have the right to make replacements, redevelopment or renovation of all or a portion of the Property if the following conditions precedent are satisfied:

(i) The City receives an opinion of Bond Counsel, a copy of which the City will furnish to the Authority and the Trustee, that (1) such replacement does not adversely affect the federal income tax exclusion or the State tax-exempt status of the interest on the Bonds and Additional Bonds (to the extent such Additional Bonds were issued as tax exempt Bonds), and (2) the Lease will remain the legal, valid, binding and enforceable obligation of the City;

(ii) In the event such replacement, redevelopment or renovation would result in the temporary abatement of Rental Payments as provided in the Lease Agreement, the City will have notified any rating agency then providing a rating on the Bonds and will deposit moneys with the Trustee in advance for payment of Rental Payments from the proceeds of Additional Bonds or from special funds of the City or other moneys, the application of which would not, in the opinion of Bond Counsel (a copy of which shall have been delivered to the Trustee), result in such Rental Payments constituting indebtedness of the City in contravention of the Constitution and laws of the State; and

(iii) The City must certify to the Trustee that it has sufficient funds to complete such replacement, redevelopment or renovation.

Maintenance and Utilities. Throughout the term of the Lease Agreement, as part of the consideration for rental of the Property, all improvement, repair and maintenance of the Property will be the responsibility of the City, and the City will pay for or otherwise arrange for the payment of all utility services supplied to the Property, which may include, without limitation, janitor service, security, power gas, telephone, light, heating, ventilation, air conditioning, water and all other utility services, and will pay for or otherwise arrange for payment of the cost of the repair and replacement of the Property resulting from ordinary wear and tear or want of care on the part of the City or any assignee or sublessee thereof. In exchange for the Rental Payments, the Authority has agreed to provide only the Property.

Installation of City's Equipment. The City and any sublessee may at any time and from time to time, in its sole discretion and at its own expense, install or permit to be installed items of equipment or other personal property in or upon the Property. All such items will remain the sole property of the City or such

sublessee, and neither the Authority nor the Trustee have any interest therein. The City or such sublessee may remove or modify such equipment or other personal property at any time, provided that such party will repair and restore any and all damage to the Property resulting from the installation, modification or removal of any such items. Nothing in the Lease Agreement prevents the City or any sublessee from purchasing items to be installed pursuant to the Lease Agreement under a conditional sale or lease purchase contract, or subject to a vendor's lien or security agreement as security for the unpaid portion of the purchase price thereof, provided that no such lien or security interest will attach to any part of the Property.

## INSURANCE

### Commercial General Liability and Property Damage Insurance; Workers' Compensation Insurance.

(a) The City will 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. Said policy or policies must provide for indemnification of said parties against direct or contingent loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the use or ownership of the Property. Said policy or policies must provide coverage in the minimum liability limits of \$1,000,000 for personal injury or death of each person and \$3,000,000 for personal injury or deaths of two or more persons in a single accident or event, and in a minimum amount of \$500,000 for damage to property (subject to a deductible clause of not to exceed \$100,000) resulting from a single accident or event. Such commercial general liability and property damage insurance may, however, be in the form of a single limit policy in the amount of \$3,000,000 covering all such risks. Such liability insurance may be maintained as part of or in conjunction with any other liability insurance coverage carried or required to be carried by the City, and may be maintained in whole or in part in the form of self-insurance by the City provided such self-insurance complies with the provisions of the Lease Agreement. The Net Insurance Proceeds of such liability insurance will be applied toward extinguishment or satisfaction of the liability with respect to which the Net Insurance Proceeds of such insurance have been paid.

(b) The City will maintain or cause to be maintained, throughout the term of the Lease Agreement, workers' compensation insurance issued by a responsible carrier authorized under the laws of the State of California to insure employers against liability for compensation under the California Labor Code, or any act enacted as an amendment or supplement thereto or in lieu thereof, such workers' compensation insurance to cover all persons employed by the City in connection with the Property and to cover full liability for compensation under any such act; provided, however, that the City's obligations may be satisfied by self-insurance, provided that such self-insurance complies with the provisions of the Lease Agreement.

(c) The City will 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 requires 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 obligations may be satisfied by self-insurance, provided that such self-insurance complies with the provisions of the Lease Agreement.

(d) The City will 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 required to be covered pursuant to clause (c) above 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 obligations under this subsection may be satisfied by self-insurance, provided such self-insurance complies with the Lease Agreement.

(e) The insurance required by the Lease Agreement will be provided by reputable insurance companies with claims paying abilities determined, in the reasonable opinion of a professionally certified risk manager or an independent insurance consultant, to be adequate for the purposes of the Lease Agreement.

Title Insurance. The City will provide, at its own expense, one or more ALTA title insurance policies for the Property, in the aggregate amount of not less than the initial aggregate principal amount of the Series 2026A Bonds and the initial aggregate principal amount of any Additional Bonds issued after the Closing Date. Such policy or policies will insure (a) the fee interest of the City in the Property, (b) the Authority's ground leasehold estate in the Property under the Ground Lease, and (c) the City's leasehold estate thereunder in the Property, subject only to Permitted Encumbrances. All Net Insurance Proceeds received under said policy or policies will be deposited with the Trustee and applied as provided in the Indenture. So long as any of the Bonds remain Outstanding, each policy of title insurance obtained pursuant to the Indenture or the Lease Agreement or required thereby must provide that all proceeds thereunder be payable to the Trustee for the benefit of the Bond Owners.

Additional Insurance Provision; Form of Policies. The City will pay or cause to be paid when due the premiums for all insurance policies required by the Lease Agreement. All such policies must provide that the Trustee be given 30 days' notice of the expiration thereof or any intended cancellation thereof. The Trustee will be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss agreed to by the Trustee.

The City will cause to be delivered to the Trustee on or before August 15 each year, commencing August 15, 2026, a Certificate of the City stating that such policies are in full force and effect and that the City is in full compliance with the requirements of the Lease Agreement or, if applicable that the City maintains such insurance through self-insurance as provided in the Lease Agreement. The Trustee is entitled to rely upon said Certificate of the City as to the City's compliance therewith. The Trustee is not responsible for the sufficiency of coverage or amounts of such policies.

Self-Insurance. Insurance provided through a California joint powers authority of which the City is a member or with which the City contracts for insurance is deemed to be self-insurance for purposes of the Lease Agreement. Any self-insurance maintained by the City pursuant to the Lease Agreement must comply with the following terms:

(a) the self-insurance program must be approved in writing by the City's Risk Manager, a professionally certified risk manager, or an independent insurance consultant;

(b) the self-insurance program must include an actuarially sound claims reserve fund out of which each self-insured claim is paid, the adequacy of each such fund will be evaluated on an annual basis by the City's Risk Manager, a professionally certified risk manager, or an independent insurance consultant and any deficiencies in any self-insured claims reserve fund will be remedied in accordance with the recommendation of the City's Risk Manager, a professionally certified risk manager or such independent insurance consultant, as applicable; and

(c) in the event that the self-insurance program is discontinued, the actuarial soundness of its claims reserve fund, as determined by a professionally certified risk manager or by an independent insurance consultant, will be maintained.

## DEFAULTS AND REMEDIES

### Defaults and Remedies.

(a) (i) If the City fails: (A) to pay any Rental Payment payable under the Lease Agreement when the same becomes due and payable, time being expressly declared to be of the essence in the Lease Agreement

or (B) to keep, observe or perform any other term, covenant or condition contained therein or in the Indenture to be kept or performed by the City, or (ii) upon the happening of any of the events described in this subsection (a) or subsection (b), below, the City will be deemed to be in default thereunder and it will be lawful for the Authority to exercise any and all remedies available pursuant to law or granted pursuant to the Lease Agreement. The City will in no event be in default in the observance or performance of any covenant, condition or agreement in the Lease Agreement on its part to be observed or performed, other than as referred to in clause (i)(A) or (ii) of the preceding sentence, unless the City has failed, for a period of 30 days or such additional time as is reasonably required to correct any such default after notice by the Authority to the City properly specifying wherein the City has failed to perform any such covenant, condition or agreement. Upon any such default, the Authority, in addition to all other rights and remedies it may have at law, has the option to do any of the following:

(1) To terminate the Lease Agreement in the manner therein provided on account of default by the City, notwithstanding any re-entry or re-letting of the Property as therein provided for in subparagraph (2) below, and to re-enter the Property and remove all persons in possession thereof and all personal property whatsoever situated upon the Property and place such personal property in storage in any warehouse or other suitable place, for the account of and at the expense of the City. In the event of such termination, the City has agreed to surrender immediately possession of the Property, without let or hindrance, and to pay the Authority all damages recoverable at law that the Authority may incur by reason of default by the City, including, without limitation, any costs, loss or damage whatsoever arising out of, in connection with, or incident to any such re-entry upon the Property and removal and storage of such property by the Authority or its duly authorized agents in accordance with the provisions contained in the Lease Agreement. Neither notice to pay Rental Payments or to deliver up possession of the Property given pursuant to law nor any entry or re-entry by the Authority nor any proceeding in unlawful detainer, or otherwise, brought by the Authority for the purpose of effecting such re-entry or obtaining possession of the Property nor the appointment of a receiver upon initiative of the Authority to protect the Authority's interest under the Lease Agreement will of itself operate to terminate the Lease Agreement, and no termination of the Lease Agreement on account of default by the City will be or become effective by operation of law or acts of the parties thereto, or otherwise, unless and until the Authority has given written notice to the City of the election on the part of the Authority to terminate the Lease Agreement. The City has covenanted and agreed that no surrender of the Property or of the remainder of the term of the Lease Agreement or any termination thereof will be valid in any manner or for any purpose whatsoever unless stated by the Authority by such written notice.

(2) Without terminating the Lease Agreement, (x) to collect each installment of Rental Payments as the same become due and enforce any other terms or provisions thereof to be kept or performed by the City, regardless of whether or not the City has abandoned the Property, or (y) to exercise any and all rights of entry and re-entry upon the Property. In the event that Authority does not elect to terminate the Lease Agreement in the manner provided for in subparagraph (1) above, the City will remain liable and has agreed to keep or perform all covenants and conditions contained in the Lease Agreement to be kept or performed by the City and, if the Property is not re-let, to pay the full amount of the Rental Payments to the end of the term of the Lease Agreement or, in the event that the Property is re-let, to pay any deficiency in Rental Payments that results therefrom; and has further agreed to pay said Rental Payments and/or Rental Payment deficiency punctually at the same time and in the same manner as provided in the Lease Agreement for the payment of Rental Payments thereunder, notwithstanding the fact that the Authority may have received in previous years or may receive thereafter in subsequent years Rental Payments in excess of the Rental Payments therein specified, and notwithstanding any entry or re-entry by the Authority or suit in unlawful detainer, or otherwise, brought by the Authority for the purpose of effecting such re-entry or obtaining possession of the Property. Should the Authority elect to re-enter as provided in the Lease Agreement, the City has irrevocably appointed the Authority as the agent and attorney-in-fact of the City to re-let the Property, or any part thereof, from time to time, either in the Authority's name or otherwise, upon such terms and conditions and for such use and period as the Authority may deem advisable and to remove all persons in possession thereof and all personal property whatsoever situated upon the Property and to place such personal property in storage in any warehouse or other suitable place, for the account of and at the expense of the City,

and the City has indemnified and agreed to save harmless the Authority from any costs, loss or damage whatsoever arising out of, in connection with, or incident to any such re-entry upon and re-letting of the Property and removal and storage of such property by the Authority or its duly authorized agents in accordance with the provisions contained in the Lease Agreement. The City has agreed that the terms of the Lease Agreement constitute full and sufficient notice of the right of the Authority to re-let the Property in the event of such re-entry without effecting a surrender of the Lease Agreement, and has further agreed that no acts of the Authority in effecting such re-letting constitute a surrender or termination of the Lease Agreement irrespective of the use or the term for which such re-letting is made or the terms and conditions of such re-letting, or otherwise, but that, on the contrary, in the event of such default by the City the right to terminate the Lease Agreement will vest in the Authority to be effected in the sole and exclusive manner provided for in subparagraph (1) above. The City has further agreed to pay the Authority the cost of any alterations or additions to the Property necessary to place the Property in condition for re-letting immediately upon notice to the City of the completion and installation of such additions or alterations.

The City has waived any and all claims for damages caused or which may be caused by the Authority in re-entering and taking possession of the Property as provided in the Lease Agreement and all claims for damages that may result from the destruction of or injury to the Property and all claims for damages to or loss of any property belonging to the City, or any other person, that may be in or upon the Property.

(b) If (i) the City's interest in the Lease Agreement or any part thereof is assigned or transferred, either voluntarily or by operation of law or otherwise, without the written consent of the Authority and, as provided for in the Lease Agreement or (ii) the City or any assignee files any petition or institute any proceeding under any act or acts, state or federal, dealing with or relating to the subject or subjects of bankruptcy or insolvency, or under any amendment of such act or acts, either as a bankrupt or as an insolvent, or as a debtor, or in any similar capacity, wherein or whereby the City asks or seeks or prays to be adjudicated a bankrupt, or is to be discharged from any or all of the City's debts or obligations, or offers to the City's creditors to elect a composition or extension of time to pay the City's debts or asks, seeks or prays for reorganization or to effect a plan of reorganization, or for a readjustment of the City's debts, or for any other similar relief, or if any such petition or any such proceedings of the same or similar kind or character be filed or be instituted or taken against the City, or if a receiver of the business or of the property or assets of the City is appointed by any court, except a receiver appointed at the instance or request of the Authority, or if the City makes a general assignment for the benefit of the City's creditors; or (iii) the City abandons or vacates the Property, then the City will be deemed to be in default under Lease Agreement.

(c) In addition to the other remedies set forth in the Lease Agreement, upon the occurrence of an event of default, the Authority and its assignee are entitled to proceed to protect and enforce the rights vested in the Authority and its assignee by the Lease Agreement or by law. The provisions of the Lease Agreement and the duties of the City and of its city council, officers or employees are enforceable by the Authority or its assignee by mandamus or other appropriate suit, action or proceeding in any court of competent jurisdiction. Without limiting the generality of the foregoing, the Authority and its assignee have the right to bring the following actions:

(i) Accounting. By action or suit in equity to require the City and its city council, officers and employees and its assigns to account as the trustee of an express trust.

(ii) Injunction. By action or suit in equity to enjoin any acts or things which may be unlawful or in violation of the rights of the Authority or its assignee.

(iii) Mandamus. By mandamus or other suit, action or proceeding at law or in equity to enforce the Authority's or its assignee's rights against the City (and its city council, officers and employees) and to compel the City to perform and carry out its duties and obligations under the law and its covenants and agreements with the City as provided in the Lease Agreement.

Each and all of the remedies given to the Authority under the Lease Agreement or by any law now or later enacted are cumulative and the single or partial exercise of any right, power or privilege thereunder does not impair the right of the Authority to the further exercise thereof or the exercise of any or all other rights, powers or privileges. The term “re-let” or “re-letting” as used in the Lease Agreement includes, but is not limited to, re-letting by means of the operation by the Authority of the Property. If any statute or rule of law validly limits the remedies given to the Authority under the Lease Agreement, the Authority is nevertheless entitled to whatever remedies are allowable under any statute or rule of law. In the event that the Authority prevails in any action brought to enforce any of the terms and provisions of the Lease Agreement, the City has agreed to pay a reasonable amount as and for attorney’s fees incurred by the Authority in attempting to enforce any of the remedies available to the Authority under the Lease Agreement. Notwithstanding anything to the contrary contained in the Lease Agreement, the Authority has no right upon a default under the Lease Agreement by the City to accelerate Rental Payments.

(d) Notwithstanding anything to the contrary contained in the Lease Agreement, the termination thereof by the Authority and its assignees on account of a default by the City thereunder will not effect or result in a termination of the Ground Lease.

Waiver. Failure of the Authority to take advantage of any default on the part of the City will not be, or be construed as, a waiver thereof, nor will any custom or practice which may grow up between the parties in the course of administering the Lease Agreement be construed to waive or to lessen the right of the Authority to insist upon performance by the City of any term, covenant or condition of the Lease Agreement, or to exercise any rights given the Authority on account of such default. A waiver of a particular default will not be deemed to be a waiver of any other default or of the same default subsequently occurring. The acceptance of Rental Payments under the Lease Agreement will not be, or be construed to be, a waiver of any term, covenant or condition thereof.

#### EMINENT DOMAIN; PREPAYMENT

Eminent Domain. If all of the Property (or portions thereof such that the remainder is not usable for public purposes by the City) is taken under the power of eminent domain, the term thereof will cease as of the day that possession is so taken. If less than all of the Property is taken under the power of eminent domain and the remainder is usable for public purposes by the City at the time of such taking, then the Lease Agreement will continue in full force and effect as to such remainder, and the parties waive the benefits of any law to the contrary, and in such event there will be a partial abatement of the Rental Payments in accordance with the provisions of the Lease Agreement. So long as any Bonds are Outstanding, any award made in eminent domain proceedings for the taking of the Property, or any portion thereof, will be paid to the Trustee and applied to the redemption of Bonds as provided in the Indenture, in the corresponding provisions of any Supplemental Indenture pursuant to which Additional Bonds are issued and in the Indenture. Any such award made after all of the Bonds, and all other amounts due under the Indenture and the Lease Agreement, have been fully paid, will be paid to the Authority and to the City as their respective interests may appear.

#### Prepayment.

(a) Reserved.

(b) The City may prepay, from any source of available funds, all or any portion of the Base Rental Payments attributable to the Series 2026A Bonds by depositing with the Trustee moneys or securities as provided, and subject to the terms and conditions set forth, in the defeasance provisions of the Indenture sufficient to make such Base Rental Payments when due or to make such Base Rental Payments through a specified date on which the City has a right to prepay such Base Rental Payments pursuant to subsection (a) above, and to prepay such Base Rental Payments on such prepayment date, at a prepayment price determined in accordance with subsection (a) above.

(c) If less than all of the Base Rental Payments attributable to the Series 2026A Bonds are prepaid pursuant to the Lease Agreement then, as of the date of such prepayment pursuant to subsection (a) above, or the date of a deposit pursuant to subsection (b) above, the principal and interest components of such Base Rental Payments will be recalculated by the City and transmitted to the Trustee in order to take such prepayment into account. The City has agreed that if, following a partial prepayment of such Base Rental Payments, the Property is damaged or destroyed or taken by eminent domain, or a defect in title to the Property is discovered, the City is not entitled to, and by such prepayment waives the right of, abatement of such prepaid Base Rental Payments and the City is not entitled to any reimbursement of such Base Rental Payments.

(d) If all of the Base Rental Payments are prepaid in accordance with the provisions of the Lease Agreement then, as of the date of such prepayment pursuant to subsection (a) above and, if applicable, the corresponding provisions of the Lease Agreement relating to the prepayment of Base Rental Payments attributable to Additional Bonds, or deposit pursuant to subsection (b) above and, if applicable, such corresponding provisions, and payment of all other amounts owed under the Lease Agreement, the term of the Lease Agreement will be terminated.

(e) Prepayments of Base Rental Payments attributable to the Series 2026A Bonds made pursuant to the Indenture will be applied to the redemption of the Series 2026A Bonds as directed by the City and as provided in the Indenture.

(f) Before making any prepayment pursuant to the Lease Agreement, the City will give written notice to the Authority and the Trustee specifying the date on which the prepayment will be made (conditionally or otherwise), which date will be not less than 30 days prior to from the date set for such prepayment.

## COVENANTS

Right of Entry. The Authority and its assignees have the right to enter upon and to examine and inspect the Property during reasonable business hours (and in emergencies at all times) for any purpose connected with the Authority's rights or obligations under the Lease Agreement, and for all other lawful purposes.

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

Quiet Enjoyment. The parties to the Lease Agreement have mutually covenanted that the City, by keeping and performing the covenants and agreements therein contained, will at all times during the term of the Lease Agreement peaceably and quietly have, hold and enjoy the Property without suit, trouble or hindrance from the Authority.

Authority Not Liable. The Authority and its directors, officers, agents and employees, are not liable to the City or to any other party whomsoever for any death, injury or damage that may result to any person or property by or from any cause whatsoever in, on or about the Property. To the extent permitted by law, the

City will, at its expense, indemnify and hold the Authority and the Trustee and all directors, members, officers and employees thereof harmless against and from any and all claims by or on behalf of any person, firm, corporation or governmental authority arising from the acquisition, construction, occupation, use, operation, maintenance, possession, conduct or management of or from any work done in or about the Property or from the subletting of any part thereof, including any liability for violation of conditions, agreements, restrictions, laws, ordinances, or regulations affecting the Property or the occupancy or use thereof, but excepting the negligence or willful misconduct of the persons or entity seeking indemnity. The City has also covenanted and agreed, at its expense, to pay and indemnify and save the Authority and the Trustee and all directors, officers and employees thereof harmless against and from any and all claims arising from (a) any condition of the Property and the adjoining sidewalks and passageways, (b) any breach or default on the part of the City in the performance of any covenant or agreement to be performed by the City pursuant to the Lease Agreement, (c) any act or negligence of licensees in connection with their use, occupancy or operation of the Property, or (d) any accident, injury or damage whatsoever caused to any person, firm or corporation in or about the Property or upon or under the sidewalks and from and against all costs, reasonable counsel fees, expenses and liabilities incurred in any action or proceeding brought by reason of any claim referred to in this paragraph, but excepting the negligence or willful misconduct of the person or entity seeking indemnity. In the event that any action or proceeding is brought against the Authority or the Trustee or any director, member, officer or employee thereof, by reason of any such claim, the City, upon notice from the Authority or the Trustee or such director, member, officer employee thereof, has covenanted to resist or defend such action or proceeding by counsel reasonably satisfactory to the Authority or the Trustee or such director, member, officer or employee thereof.

Assignment and Subleasing. The Lease Agreement may not be assigned by the City. The City may sublease the Property or any portion thereof to any other person or entity for any other purpose, subject to the satisfaction of all of the following conditions (a) through (d) below:

(a) the Lease Agreement and the obligation of the City to make all Rental Payments thereunder will remain the primary obligation of the City;

(b) the City will, within 30 days after the delivery thereof, furnish or cause to be furnished to the Authority and the Trustee a true and complete copy of such sublease;

(c) any sublease of the Property by the City will explicitly provide that such sublease is subject to all rights of the Authority under the Lease Agreement, including, the right to re-enter and re-let the Property or terminate the Lease Agreement upon a default by the City; and

(d) the City will furnish the Authority and the Trustee with an Opinion of Counsel to the effect that such sublease will not, in and of itself, cause the interest on the Bonds to be included in gross income for federal income tax purposes.

Title to Property. Upon the termination or expiration of the Lease Agreement (other than for a default or as a result of a taking in eminent domain), and the first date upon which the Bonds are no longer Outstanding, all right, title and interest in and to the Property will vest in the City. Upon any such termination or expiration, the Authority will execute such conveyances, deeds and other documents as may be necessary to effect such vesting of record.

Authority's Purpose. The Authority has covenanted that, prior to the discharge of the Lease Agreement and the Bonds, it will not engage in any activities inconsistent with the purposes for which the Authority is organized, as set forth in the Joint Powers Agreement.

Representations of the City. The City has represented and warranted to the Authority that (a) the City has the full power and authority to enter into, to execute and to deliver the Lease Agreement, the Ground Lease and the Indenture, and to perform all of its duties and obligations thereunder, and has duly authorized the

execution and delivery of the Lease Agreement, the Ground Lease and the Indenture, and (b) the Property will be used in the performance of essential governmental functions.

Representation of the Authority. The Authority has represented and warranted to the City that the Authority has the full power and authority to enter into, to execute and to deliver the Lease Agreement, the Ground Lease, the Assignment Agreement and the Indenture, and to perform all of its duties and obligations thereunder, and has duly authorized the execution and delivery of the Lease Agreement, the Ground Lease, the Assignment Agreement and the Indenture.

#### NO CONSEQUENTIAL DAMAGES; USE OF THE PROPERTY; SUBSTITUTION OR RELEASE

No Consequential Damages. In no event will the Authority or the Trustee be liable for any incidental, indirect, special or consequential damage in connection with or arising out of the Lease Agreement or the City's use of the Property.

Use of the Property. The City will not use, operate or maintain the Property improperly, carelessly, in violation of any applicable law or in a manner contrary to that contemplated by the Lease Agreement. In addition, the City has agreed to comply in all respects (including, without limitation, with respect to the use, maintenance and operation of the Property) with all laws of the jurisdictions in which its operations may extend and any legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Property; provided, however, that the City may contest in good faith the validity or application of any such law or rule in any reasonable manner which does not, in the opinion of the Authority, adversely affect the estate of the Authority in and to any of the Property or its interest or rights under the Lease Agreement.

Substitution or Release of the Property. The City has the right to substitute alternate real property for any portion of the Property or to release a portion of the Property from the Lease Agreement. All costs and expenses incurred in connection with such substitution or release will be borne by the City. Notwithstanding any substitution or release of Property pursuant to the Lease Agreement, 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 of any portion of the Property is subject to the following specific conditions, which have been made conditions precedent to such substitution or release:

(a) the City has found (as set forth in a certificate delivered by the City to the Trustee) that the Property, as constituted after such substitution or release, (i) has an annual fair rental value at least equal to the maximum annual Base Rental Payments payable by the City in any Rental Period, during the remaining term of the Lease Agreement, as determined by the City on the basis of commercially reasonable evidence of the fair rental value of the Property, and (ii) has a useful life in excess of the final maturity of any Outstanding Bonds;

(b) the City has obtained or caused to be obtained an ALTA title insurance policy or policies with respect to any substituted property in the 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 has provided 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 to be included in gross income for federal income tax purposes;

(d) the City, the Authority and the Trustee have executed, and the City has caused to be recorded with the Assessor-Recorder Clerk of Marin County, 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;

- Bonds;
- (e) the City has provided notice of such substitution to each rating agency then rating the Bonds;
  - (f) no event of default (as described in the Lease Agreement) has occurred and is continuing;
  - (g) the City will give, or cause to be given, any notice of the occurrence of such substitution required to be given pursuant to the Continuing Disclosure Certificate;
  - (h) the City will certify to the Trustee that the City has a current need for the substituted real property; and
  - (i) the City will certify to the Trustee that any substitution will not cause the City to violate any of its covenants, representations and warranties made in the Lease Agreement.

#### MISCELLANEOUS

Law Governing. THE LEASE AGREEMENT WILL BE GOVERNED EXCLUSIVELY BY THE PROVISIONS OF THE LEASE AGREEMENT AND BY THE LAWS OF THE STATE OF CALIFORNIA AS THE SAME FROM TIME TO TIME EXIST.

Validity and Severability. If for any reason the Lease Agreement is held by a court of competent jurisdiction to be void, voidable or unenforceable by the Authority or by the City, or if for any reason it is held by such a court that any of the covenants and conditions of the City thereunder, including the covenant to pay Rental Payments, is unenforceable for the full term thereof; then and in such event the Lease Agreement is and will be deemed to be a Lease Agreement under which the Rental Payments are to be paid by the City annually in consideration of the right of the City to possess, occupy and use the Property, and all of the terms, provisions and conditions of the Lease Agreement, except to the extent that such terms, provisions and conditions are contrary to or inconsistent with such holding, will remain in full force and effect.

Net-Net-Net Lease. The Lease Agreement will be deemed and construed to be a “net-net-net lease” and the City has agreed that the Rental Payments will be an absolute net return to the Authority, free and clear of any expenses, charges or set-offs whatsoever and notwithstanding any dispute between the City and the Authority.

Taxes. The City will pay or cause to be paid all taxes and assessments of any type or nature charged to the Authority or affecting the Property or the respective interests or estates therein; provided, however, that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the City is obligated to pay only such installments as are required to be paid during the term of the Lease Agreement as and when the same become due.

The City or any sublessee may, at the City’s or such sublessee’s expense and in its name, in good faith contest any such taxes, assessments, utility and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Authority or the Trustee notifies the City or such sublessee that, in the opinion of independent counsel, by nonpayment of any such items, the interest of the Authority in the Property will be materially endangered or the Property, or any part thereof, will be subject to loss or forfeiture, in which event the City or such sublessee will promptly pay such taxes, assessments or charges or provide the Authority with full security against any loss which may result from nonpayment, in form satisfactory to the Authority and the Trustee.

Amendments.

(a) The Lease Agreement and the Ground Lease may be amended and the rights and obligations of the Authority and the City thereunder may be amended at any time by an amendment thereto which becomes binding upon execution and delivery by the Authority and the City, but only with the prior written consent of the Owners of a majority of the principal amount of the Bonds then Outstanding pursuant to the Indenture, provided that no such amendment may (i) extend the payment date of any Base Rental Payments, reduce the interest component or principal component of any Base Rental Payments or change the prepayment terms and provisions, without the prior written consent of the Owner of each Bond so affected, or (ii) reduce the percentage of the principal amount of the Bonds the consent of the Owners of which is required for the execution of any amendment of the Lease Agreement or the Ground Lease.

(b) The Lease Agreement and the Ground Lease and the rights and obligations of the Authority and the City thereunder may also be amended at any time by an amendment thereto which will become binding upon execution by the Authority and the City, without the written consents of any Owners, but only to the extent permitted by law and only for any one or more of the following purposes:

(i) to add to the agreements, conditions, covenants and terms required by the Authority or the City to be observed or performed therein other agreements, conditions, covenants and terms thereafter to be observed or performed by the Authority or the City, or to surrender any right or power reserved therein to or conferred therein on the Authority or the City, and which in either case do not materially adversely affect the interests of the Owners, as evidenced by an Opinion of Bond Counsel;

(ii) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained therein or in regard to questions arising thereunder which the Authority or the City may deem desirable or necessary and not inconsistent therewith, and which do not materially adversely affect the interests of the Owners, as evidenced by an Opinion of Bond Counsel;

(iii) to make such additions, deletions or modifications as may be necessary or appropriate to assure the exclusion from gross income for federal income tax purposes of the interest on the Bonds;

(iv) to provide for the substitution or release of a portion of the Property in accordance with the provisions of the Lease Agreement;

(v) to provide for the issuance of Additional Bonds in accordance with the Indenture including, without limitation, to increase the Base Rental Payments payable by the City under the Lease Agreement and to add or substitute property as necessary; or

(vi) to make such other changes therein or modifications thereto as the Authority or the City may deem desirable or necessary, and which do not materially adversely affect the interests of the Owners, as evidenced by an Opinion of Counsel.

Assignment. The City and the Authority have acknowledged the assignment of the Lease Agreement (except for the Authority's obligations and its rights to give consents or approvals thereunder), and the Base Rental Payments payable thereunder, to the Trustee pursuant to the Assignment Agreement. To the extent that the Lease Agreement confers upon or gives or grants the Trustee any right, remedy or claim under or by reason of the Lease Agreement, the Trustee has been explicitly recognized as being a third-party beneficiary thereunder and may enforce any such right, remedy or claim conferred, given or granted thereunder.

**APPENDIX C**

**AUDITED FINANCIAL STATEMENTS OF THE CITY FOR THE YEAR ENDED JUNE 30, 2025**

**CITY OF MILL VALLEY, CALIFORNIA  
BASIC FINANCIAL STATEMENTS  
JUNE 30, 2025**

**CITY OF MILL VALLEY, CALIFORNIA**  
**Basic Financial Statements**  
**Fiscal Year Ended June 30, 2025**  
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**CITY OF MILL VALLEY, CALIFORNIA**  
**Basic Financial Statements**  
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*Independent Auditor's Report*

Honorable Mayor and Members of the City Council  
City of Mill Valley  
Mill Valley, California

**Report on the Audit of the Financial Statements**

**Opinions**

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Mill Valley as of and for the year ended June 30, 2025 and the related notes to the financial statements, which collectively comprise the City of Mill Valley's basic financial statements as listed the table of contents.

In my opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information City of Mill Valley as of June 30, 2025 and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinions**

I conducted my audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of my report. I am required to be independent of the City of Mill Valley and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinions.

**Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt the City of Mill Valley's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **Auditor's Responsibility for the Audit of Financial Statements**

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinions. Reasonable assurance is a high level of assurance but is report not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, I

- exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, design and perform auditing procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of City of Mill Valley's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Mill Valley's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters I identified during the audit.

## **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that *management's discussion and analysis, budgetary comparison schedules, schedules of the city's proportionate share of the net pension liability and schedule of employer pension contributions, schedule of changes in the City's Net OPEB Liability and Related Ratios and schedule of contributions to the OPEB Plan* be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

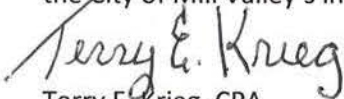
I have applied certain limited procedures to the required supplemental information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's representations to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

### **Supplementary Information**

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Mill Valley's basic financial statements. The combining nonmajor fund financial statements and the summary schedule of salaries and benefits are presented for additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In my opinion, the combining nonmajor fund financial statements and summary schedule of salaries and benefits is fairly stated, in all material respects, in relation to the financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, I have also issued my report dated February 20, 2026 on my consideration of City of Mill Valley's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of City of Mill Valley's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Mill Valley's internal control over financial reporting and compliance.



Terry E. Krieg, CPA  
Santa Rosa, California  
February 20, 2026

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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This section of the *City of Mill Valley's* annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year that ended on June 30, 2025. Please read it in conjunction with the City's audited financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- The City's net position increased by about a net 1.9 million at the end of fiscal 2025. The fiscal 2025 net increase was about \$468,000 more than the fiscal 2024 increase. The main reasons for the net increase in fiscal 2025 was total revenues were greater than all expenses.
- Overall City-wide revenues from all governmental activities increased by about 2% in fiscal 2025 to \$56.3 million or about \$994,000 more than fiscal 2024 total revenues. Most of the 2025 revenue increases were from property taxes, grants and contributions.
- There was about a net \$526,000 increase in total city-wide expenses in fiscal 2025. The combined net change in pension and retiree medical obligations contributed a net one million reduction in expenses in fiscal 2025 which helped offset expense increases in other areas.
- The general fund reported a fund balance of \$19.5 million at the end of fiscal 2025. This was about a net \$256,600 decrease for the fiscal year. The City also ended the fiscal year with \$12.03 million in its sanitation fund, \$3.39 million in the capital improvement fund, and 10 million in the remaining special funds for an aggregated combined \$44.9 million city-wide end of year fund balance. On a fund-wide basis, there was about a \$1,841,000 increase in the combined total of all city funds in fiscal 2025.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts – a *management's discussion and analysis* (this section), the *basic financial statements, required supplementary information*, and an optional section that presents *combining statements* for non-major governmental funds. The basic financial statements include the government-wide and the fund statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the City's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements.
  - The *governmental funds* statements tell how *general government* services like public safety, recreation, libraries, and public works were financed in the *short term* as well as what remains for future spending. The city has no business type funds and only reports governmental funds and fiduciary funds for resources held by the City for the Sewerage Agency of Southern Marin.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. In addition to these required elements, we have included a section combining statements that provide details about our non-major funds, each of which is added together and presented in single columns in the basic financial statements.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Figure A-1 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

*Figure A-1*

**MAJOR FEATURES OF THE CITY OF MILL VALLEY'S GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

	<u>Fund Statements</u>		
	<u>Government-Wide Statements</u>	<u>Governmental Funds</u>	<u>Proprietary Funds</u>
Scope	Entire City government	The activities of the city that are not proprietary or fiduciary, such as police, fire, and parks	Activities the City operate similar to private businesses: the city does not report any programs using the reporting model similar to those used for private -profit businesses.
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues expenses, and changes in net position</li> <li>• Statement of cash flows</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets, deferred outflows, liabilities and deferred inflows, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

**Government-Wide Statements**

The government-wide statements report information about the city as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes *all* the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report on the City's *net position* and how it has changed. Net position – the difference between the City's assets and liabilities – is one way to measure the City's financial health, or *position*.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### Government-Wide Financial Statements (Continued)

- Over time, increases or decreases in the City's net position is one indicator of whether its financial health is improving or deteriorating, respectively.

The government-wide financial statements of the City are reported in one category:

- *Governmental activities* – All of the City's basic services are included here, such as the police, fire, public works, park maintenance, sanitary sewer, library, recreation, community center activities and programs and general administration. Property taxes, sales taxes, transient occupancy taxes, special and other taxes, user charges and fees and state, local and federal grants finance these activities.

### Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds – not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law such as the State Gas Tax Fund.
- The City Council establishes other funds to control and manage money for particular purposes (such as the City's capital asset improvement and replacement funds).
- Some funds are maintained to demonstrate that the City is properly using certain specific taxes for their intended purpose (such as the City's municipal services tax fund).
- Other funds are maintained for similar purposes but in addition demonstrate the City's ability to repay its long-term debt obligations such as the revenue bonds and certificates of participation.
- *Governmental funds* – The City's basic services are included in governmental funds, which focus on (1) *how cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term view* that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.

### FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

**Net Position.** The City's *combined* net position increased between the fiscal years 2025 and 2024 by about \$1.86 million (See Table A-1 and A-2).

The most significant changes in City assets, liabilities and deferrals were the 4 percent net decline change in capital as depreciation charges exceeded capital additions this year. In the area of pensions and retiree medical there was a net 22 percent decrease in deferred outflows (somewhat similar to an asset) and an 11 percent decline in deferred inflows (somewhat similar to a liability). The most significant change was about a \$4.6 million (35%) decrease in the OPEB (retiree medical) obligation due to differences in expectations, benefit terms, and investment income.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (Continued)**

**Net Position (Continued)**

*Table A-1  
City of Mill Valley's Net Position  
(Rounded to Nearest Thousand)*

	Governmental Activities		Total Percentage Change
	2025	2024	2024-2025
Current and other assets	\$ 57,703,000	\$55,703,000	4 %
Capital assets	41,676,000	43,407,000	(4)
<b>Total assets</b>	<b>99,379,000</b>	<b>99,110,000</b>	
<b>Deferred outflow of resources</b>	<b>21,479,000</b>	<b>27,392,000</b>	<b>(22)</b>
Long-term liabilities	17,029,000	17,970,000	(5)
Net pension liability	54,923,000	55,715,000	(1)
Net other postemployment liability	8,330,000	12,934,000	(35)
Other liabilities	5,670,000	5,070,000	12
<b>Total liabilities</b>	<b>85,952,000</b>	<b>91,689,000</b>	<b>(6)</b>
<b>Deferred inflow of resources</b>	<b>13,649,000</b>	<b>15,419,000</b>	<b>(11)</b>
<b>Net position</b>			
Net investment in capital assets	30,294,000	33,678,000	(10)
Restricted	21,514,000	21,748,000	(1)
Unrestricted (deficit)	(30,551,000)	(36,032,000)	18
<b>Total net position</b>	<b>\$ 21,257,000</b>	<b>\$ 19,394,000</b>	<b>10%</b>

**Changes in Net Position.**

The City continues to report an increasing revenue stream mainly resulting from property tax revenue increases and increases in revenues from other governments and contributions.

In fiscal 2025, the total cost of all programs increased a net \$526,000 compared to fiscal 2024. There were decreases in public safety costs, library and recreation and culture mainly resulting from reductions of about one million in fiscal 2025 of actuarial costs compared to a \$2.5 million increase in fiscal 2024 for a net favorable change of about \$4 million.

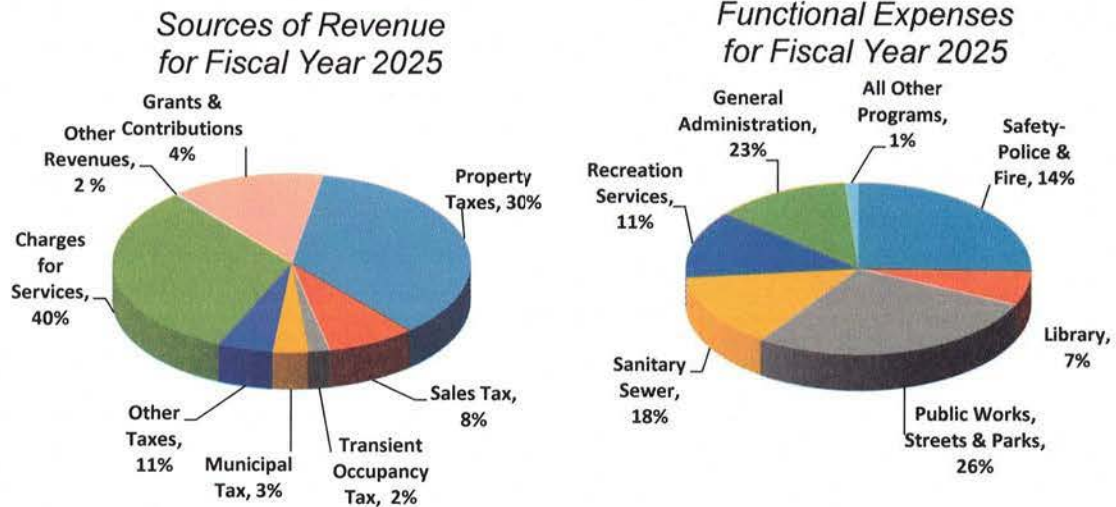
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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The Sources of the City's major types of revenue and the areas where such resources are used is shown below in summary graphic form:



### Governmental Activities

Revenues from all activities in fiscal 2025 increased by about one million compared to fiscal 2024 while expenses of all City programs increased by about \$526,000. The increases in property taxes (\$827,000) and operating grants (\$822,000) were partially offset by decreases in federal awards, other taxes and charges for services. The decrease in charges for services was caused by lower parking revenues, lower road impact and lower housing fees in fiscal 2025 compared to fiscal 2024.

As the above graph shows, the City's main revenue sources are taxes (54%) and charges for programs and services (40%). Investment income and other revenues account for the remaining six percent of total revenues. The charges for services are derived from sewer service fees, community center fees; aquatic, recreation, and golf course fees; and from general government fees such as permits and planning fees.

About a quarter of the City's operating expenses are incurred to provide public works and street maintenance and improvements related to the developments. Another 11 percent of the City's 2025 operating expenses were incurred to provide a variety of cultural and recreation services including operation of the City's community center, recreation programs, golf course and City library. General administration costs accounted for another 23 percent of total operating expenses. The remaining 421percent was spent on police protection, sewer services, library and other programs.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

*FINANCIAL ANALYSIS OF THE CITY AS A WHOLE  
TABLE A-2*

*Changes in the City of Mill Valley's Net Position  
(Rounded to Nearest Thousand)*

	<i>Governmental Activities Fiscal Year Ended June 30</i>		<i>Total Percent Change</i>
	<i>2025</i>	<i>2024</i>	
<b>Revenues</b>			
Program revenues:			
Charges for services	\$22,544,000	\$22,911,000	(2) %
Operating Grants and contributions	3,147,000	2,325,000	35
Capital grants and contributions			
General revenues:			
Taxes:			
Property taxes	17,034,000	16,207,000	5
Sales taxes	4,221,000	4,231,000	
Other taxes	8,176,000	8,354,000	(2)
State Local Fiscal Recovery Fund award		341,000	(100)
Other revenues	1,149,000	908,000	27
<b>Total revenues</b>	<b>56,271,000</b>	<b>55,277,000</b>	<b>2%</b>
<b>Expenses:</b>			
General government	12,384,000	11,594,000	7
Public safety	7,244,000	8,776,000	(18)
Sanitation	9,866,000	8,240,000	20
Public works	14,999,000	13,796,000	9
Library	3,194,000	3,627,000	(12)
Recreation & culture	5,702,000	6,775,000	(16)
Parking	616,000	642,000	(16)
Other	403,000	432,000	(7)
<b>Total expenses</b>	<b>54,408,000</b>	<b>53,882,000</b>	<b>1</b>
<b>Increase in net position</b>	<b>1,863,000</b>	<b>1,395,000</b>	<b>33</b>
<b>Net position, beginning</b>	<b>19,394,000</b>	<b>17,999,000</b>	
<b>Net position, ending</b>	<b>\$21,257,000</b>	<b>\$19,394,000</b>	<b>10%</b>

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Table A-3 presents the cost of each of the City's four largest programs – administration or general government, public safety, public works, and community recreation programs.

- The cost of all *governmental* activities this year was \$54.4 million, compared to \$53.8 million in fiscal 2024.

**FINANCIAL ANALYSIS OF THE CITY AS A WHOLE**

- While users and contributors funded about \$25.7 million of the costs of city programs through related program revenues and grants, the City still had to make up the difference from general revenues such as taxes in the amount of \$28.7 million. Major sources of the \$25,6 million in program revenues were:
  - Those who directly benefited from or used the programs (\$22.5 million), and
  - Other governments and organizations subsidized certain programs with grants and contributions (\$3.1 million) coming mainly from State tax allocations, street grants, fire grants and allocations.
- The City paid for the \$28.6 million “public benefit” portion by using its fiscal 2025 property taxes, sales taxes, and other general revenues. After subsidizing operating expenses with City tax revenues, there was \$1.98 million leftover to add to City resources.

*Table A-3*

*Cost of City of Mill Valley's Governmental Activities  
(Rounded to Nearest Thousand)*

	Total Cost of Services		Percentage Change
	2025	2024	2024-2025
General Government	\$12,384,000	\$11,594,000	7
Public Safety	7,244,000	8,776,000	(18)
Recreation and culture	5,702,000	6,775,000	(16)
Public Works	14,999,000	13,796,000	12
Library	3,194,000	3,627,000	(12)
Sanitary sewers	9,866,000	8,240,000	20
All other	1,019,000	1,074,000	(5)
<b>Total</b>	<b>\$54,408,000</b>	<b>\$53,882,000</b>	<b>1 %</b>

The overall increase in expenses in fiscal 2025 was about \$526,000. However, this was a combination of increases in general government, sanitation, and public works that were offset by decreases in public safety, library and recreation activities.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

At year end, the City's General Fund had a fund balance of about \$19.5 million. Of this, about \$8.6 million was unassigned and available for any future purpose.

The City has two capital improvement and replacement funds which ended the fiscal year with a combined fund balance of \$5.2 million. These monies have been set aside for future capital asset replacements and improvements. In addition, the City's non-major governmental funds ended the 2025 fiscal year with a combined fund balance of \$7.5 million (excluding the capital funds). Of this \$7.5 million, about \$490,000 is in debt service funds used to pay principal and interest on the revenue bonds and certificates. In addition, the sanitation fund ended fiscal 2025 with 12.03 million available for operations and capital improvements.

**General Fund Budgetary Highlights**

Over the course of the year, the City Council revised the city budget several times. These budget amendments fall into two categories: changes made to the midyear budget review for unanticipated revenues and costs and increases in appropriations to prevent budget overruns. General fund expenditures were about \$421,000 less than the final budget after excluding fund transfers out. The primary expenditure budget changes were a \$2.4 million increase for capital projects and transfers out to other funds.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of 2025, the city invested \$41.6 million (net of accumulated depreciation) in a broad range of capital assets, including equipment, vehicles, buildings, park facilities, community center, library, streets, roads, bridges, and other assets (See Table A-4). This amount represents a net decrease (including additions and deductions) of about \$1.8 million compared to the end of fiscal 2024. The reduction was caused by the depreciation expense being greater than net capital additions.

TABLE A-4

*City of Mill Valley Capital Assets*  
(Rounded to Nearest Thousand, net of accumulated depreciation)

	Governmental Activities		Total Percentage Change
	2025	2024	2024-2025
Land	\$ 6,318,000	\$ 6,318,000	0.0%
Construction in progress	872,000	75,000	1,163
Buildings	2,993,000	3,637,000	(12)
Machinery and equipment	710,000	641,000	11
Vehicles	686,000	711,000	(5)
Infrastructure and systems	30,097,000	32,024,000	(6)
<b>Total</b>	<b>\$ 41,676,000</b>	<b>\$ 43,406,000</b>	<b>(4) %</b>

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

#### Capital Assets (Continued)

More information about capital assets can be found on page 30 of the notes to the financial statements.

#### Long-Term Debt, Pension and Other Post-Employment Benefits

Major long-term obligations other than pensions and retiree medical outstanding at the end of fiscal 2025 totaled \$17 million, about a \$1.3 million decrease in long-term obligations.

As the City is self-insured for the first \$150,000 for each worker's compensation claim and \$250,000 for each general liability claim, the statement of net position also shows a liability of about \$1.8 million for estimated claim obligations. The City's general fund pays all insurance-related costs.

In addition, because of the financial reporting standards for other post-employment (OPEB) obligations, the City has reported a long-term obligation payable of \$8.3 million for retiree medical benefits. The City's current intent is to reduce this obligation by funding the full, actuarially calculated contribution each year as a minimum. This would fully fund the obligation over 30 years, of which 16 remain, unless future year financial and economic conditions prohibit sufficient resources to permit such funding. The City's net obligation for these retiree medical benefits actually went down by \$4.6 million in fiscal 2025.

The City ended fiscal 2025 with an actuarially determined \$54.9 million net pension liability representing the City's proportional share of the net pension liability of the PERS retirement system pools in which the City is a member. This liability is based upon actuarial information provided by the PERS and such actuarial information is derived using various assumptions concerning past and future employee retirements, investment rates of return and other factors. In fiscal 2025, the City's net pension liability decreased from \$55.7 million to \$54.9 million (about an \$800,000 decrease). This positive change resulted from increases in the City's share of the pool's total pension liability being less than the increase in the City's share of the pool's total trust assets. Higher than expected investment earnings were the reason for the significant increase in the cost-sharing pool's trust funds. A sensitivity analysis on page 40 of this report depicts how liability may change depending upon fluctuations in market conditions as of June 30, 2025.

The City paid all required debt service payments required to be made in fiscal 2025. The City has \$490,000 in its debt service fund at the end of fiscal 2025 and has sufficient funds available to pay its equipment funding obligations required by the annexation arrangements.

Additional information about the City's debt obligations can be found starting on page 31 of the notes to the financial statement, on page 37 for pension matters and on page 40 for other post-employment benefits.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City's fiscal 2025-2026 original budget expects that revenues from all sources will be \$65.13 million, overall spending is estimated to be about 63.2 million resulting in a projected breakeven basis for fiscal 2026.

### **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance and Human Resources Director, City of Mill Valley, 26 Corte Madera Avenue, Mill Valley, California 94941.

**CITY OF MILL VALLEY**  
**Statement of Net Position**  
**June 30, 2025**

	<u>Governmental Type Activities</u>
<b>ASSETS</b>	
Current assets:	
Cash and investments	\$ 45,476,075
Net receivables	2,856,055
Deposits	287,228
Prepayments	268,201
Inventories	186,806
Total current assets	<u>49,074,365</u>
Noncurrent assets:	
Restricted cash and investments	430,779
Long-term receivables- Sewerage Agency Southern Marin	5,800,863
Lease related	2,397,232
Capital assets not being depreciated	7,189,681
Net capital assets being depreciated	34,486,575
Total noncurrent assets	<u>50,305,130</u>
Total assets	<u>99,379,495</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows from pensions	15,608,037
Deferred outflows from OPEB	5,870,535
Total deferred outflows of resources	<u>21,478,572</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	2,343,755
Accrued liabilities	646,973
Claims	530,206
Compensated absences	1,288,455
Deposits	611,557
Unearned advances	992,812
Accrued interest payable	123,791
Annexaion agreement	266,382
Financed lease purchases due in one year	25,565
Bonds and certificates due in one year	743,000
Total current liabilities	<u>7,572,496</u>
Noncurrent liabilities:	
Compensated absences	670,349
Claims and judgments	1,286,239
Annexation agreement	266,380
Financed lease purchases due in more than one year	33,059
Bonds and certificates due in more than one year	12,063,000
Unamortized loss on advance refunding	(5,080)
Unamortized premiums on long-term obligations	812,793
Net pension liability	54,923,079
Net other post employment benefit obligation	8,330,147
Total noncurrent liabilities	<u>78,379,966</u>
Total liabilities	<u>85,952,462</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unamortized gain on refunding	44,839
Lease related	2,200,657
Deferred inflows from pensions	4,059,220
Deferred inflows from OPEB	7,344,052
Total deferred inflows of resources	<u>13,648,768</u>
<b>NET POSITION</b>	
Net investment in capital assets	30,294,259
Restricted for:	
Streets and parking	5,424,031
Debt service	490,595
Public safety	482,557
Sanitation	12,034,208
Other purposes	3,083,358
Unrestricted	<u>(30,552,171)</u>
Total net position	<u>\$ 21,256,837</u>

The accompanying notes are an integral part of the financial statements

**CITY OF MILL VALLEY**  
**Statement of Activities**  
For the Fiscal Year Ended June 30, 2025

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total City Government
					Total Governmental Activities
City government					
Governmental activities:					
<i>General government</i>	\$ 12,383,265	\$ 4,776,888	\$ 26,393	\$	\$ (7,579,984)
<i>Public safety:</i>					
Police protection	6,704,614	93,000	222,035		(6,389,579)
Fire protection	538,904	243,173	548,278		252,547
<i>Public works:</i>					
Administration	2,698,636				(2,698,636)
Streets	8,892,772	1,012,204	1,516,899		(6,363,669)
Park maintenance	3,407,051	885,123	575,725		(1,946,203)
Sanitary sewers	9,865,868	10,961,122			1,095,254
Library	3,193,987	3,676	257,403		(2,932,908)
Parking	615,743	768,773			153,030
<i>Recreation and Culture:</i>					
Community center	1,804,980	373,066			(1,431,914)
Aquatic and fitness	1,840,459	338,489			(1,501,970)
Golf course	663,594	889,811			226,217
Fee programs	1,395,424	2,199,110			803,686
Interest on long-term debt	402,919				(402,919)
Total governmental activities	54,408,216	22,544,435	3,146,733		(28,717,048)
Total City government	\$ 54,408,216	\$ 22,544,435	\$ 3,146,733	\$	(28,717,048)
General revenues and special items:					
Taxes:					
					17,033,760
					4,220,896
					1,757,394
					1,900,961
					324,745
					1,144,752
					504,539
					265,847
					2,278,255
					1,149,181
Total general revenues					30,580,330
Change in net position					1,863,282
Net position beginning of year					19,393,555
Net position, end of year					\$ 21,256,837

The accompanying notes are an integral part of the financial statements

**CITY OF MILL VALLEY**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2025**

	General Fund	Sanitation Fund	Measure A Streets Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and investments	\$ 19,706,522	\$ 12,333,113	\$ 656,339	\$ 3,486,303	\$ 9,293,798	\$ 45,476,075
Cash and investments with fiscal agent	86,702	195,450		179	148,448	430,779
<b>Receivables:</b>						
Taxes receivable	438,246					438,246
Accounts receivable	1,261,345	80,357			18,784	1,360,486
Interest receivable	483,798					483,798
Due from other governments	367,294				206,231	573,525
Due from other funds	97,735					97,735
Lease	2,397,232					2,397,232
Deposits	287,228					287,228
Prepayments	268,201					268,201
Inventories	186,806					186,806
<b>Total assets</b>	<b>25,581,109</b>	<b>12,608,920</b>	<b>656,339</b>	<b>3,486,482</b>	<b>9,667,261</b>	<b>52,000,111</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable	1,487,817	511,246		96,069	248,623	2,343,755
Accrued payables	643,916	3,016			41	646,973
Compensated absences	181,276					181,276
Due to other funds					97,735	97,735
Interest payable		60,450				60,450
Deposits	611,557					611,557
Unearned advances	992,812					992,812
<b>Total liabilities</b>	<b>3,917,378</b>	<b>574,712</b>		<b>96,069</b>	<b>346,399</b>	<b>4,934,558</b>
Deferred inflows of resources						
Lease related	2,200,657					2,200,657
<b>Fund balances:</b>						
Nonspendable	742,234					742,234
<b>Restricted for:</b>						
Public parking	4,300					4,300
Sanitation		12,034,208				12,034,208
Streets			656,339		4,763,392	5,419,731
Public safety					482,557	482,557
Debt service					490,595	490,595
Library	590,856					590,856
Parks and recreation	142,410				34,291	176,701
Housing					1,623,911	1,623,911
Planning	647,937					647,937
ADA education	44,853					44,853
Capital projects						-
<b>Committed for:</b>						
Employee benefits	2,493,019					2,493,019
Capital improvements and equipment				3,390,413	2,020,772	5,411,185
Self insurance	200,000					200,000
Contingencies	5,962,331					5,962,331
Special purposes	69,436					69,436
Unassigned	8,565,698				(94,656)	8,471,042
<b>Total fund balances</b>	<b>19,463,074</b>	<b>12,034,208</b>	<b>656,339</b>	<b>3,390,413</b>	<b>9,320,862</b>	<b>44,864,896</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 25,581,109</b>	<b>\$ 12,608,920</b>	<b>\$ 656,339</b>	<b>\$ 3,486,482</b>	<b>\$ 9,667,261</b>	<b>\$ 52,000,111</b>
<b>Total Governmental Fund Balances</b>						<b>\$ 44,864,896</b>
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>						
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds						41,676,256
Bond premiums are not current financial resources and are therefore not reported in the funds						(812,793)
Advance refunding losses are not current financial resources and are therefore not reported in the funds						5,080
Advance refunding gains are not current financial resources and are therefore not reported in the funds						(44,839)
Net other postemployment benefit obligations that are not due and payable in the current period are not reported in the funds						(8,330,147)
Long-term receivables from other governments for retiree and pension costs are not current financial resources and are not reported in the funds.						5,800,863
The net pension liability does not use current financial resources and is not reported in the funds						(54,923,079)
Deferred outflows and inflows related to pensions are not included in the governmental funds						11,548,817
Deferred outflows and inflows related to OPEB are not included in the governmental funds						(1,473,517)
Some liabilities, including bonds, certificates, loans, compensated absences, claims and accrued interest are not due and payable in the current period and are therefore not reported in the funds						(17,054,700)
<b>Statement of Net Position of Governmental Activities</b>						<b>\$ 21,256,837</b>

The accompanying notes are an integral part of the financial statements

**CITY OF MILL VALLEY**  
**Statements of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2025**

	General Fund	Sanitation Fund	Measure A Streets Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Property taxes	\$ 17,033,760	\$	\$		\$ 324,745	\$ 17,358,505
Sales taxes	4,031,729		360,865		332,761	4,725,355
Transient occupancy taxes	1,144,753					1,144,753
Other taxes	4,806,034				1,900,961	6,706,995
Licenses and permits	2,247,178				193,726	2,440,904
Fines and forfeits	59,497					59,497
Intergovernmental	841,329				1,606,927	2,448,256
Interest and rents	2,119,044	498,159		2,362	373,776	2,993,341
Charges for services	5,763,010	10,076,171			1,825,306	17,664,487
Miscellaneous	669,349	60,056				729,405
<b>Total revenues</b>	<b>38,715,683</b>	<b>10,634,386</b>	<b>360,865</b>	<b>2,362</b>	<b>6,558,202</b>	<b>56,271,498</b>
<b>EXPENDITURES</b>						
Current:						
General government	12,322,441				102,680	12,425,121
Public safety	6,900,293				466,298	7,366,591
Public works and streets	4,493,691				987,510	5,481,201
Parks and recreation	8,924,823				27,684	8,952,507
Library	3,347,724					3,347,724
Parking					615,587	615,587
Sanitation		1,553,745				1,553,745
Intergovernmental		5,264,825				5,264,825
Debt service:						
Principal	227,727	125,000			683,760	1,036,487
Interest	144,576	120,900			202,559	468,035
Capital outlay	256,803	2,934,986	284,626	2,149,580	2,292,846	7,918,841
<b>Total expenditures</b>	<b>36,618,078</b>	<b>9,999,456</b>	<b>284,626</b>	<b>2,149,580</b>	<b>5,378,924</b>	<b>54,430,664</b>
Excess (deficiency) of revenues over (under) expenditures	2,097,605	634,930	76,239	(2,147,218)	1,179,278	1,840,834
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers in	296,752			2,340,056	334,721	2,971,529
Transfers out	(2,650,953)	(256,043)			(64,533)	(2,971,529)
<b>Total other financing sources(uses)</b>	<b>(2,354,201)</b>	<b>(256,043)</b>		<b>2,340,056</b>	<b>270,188</b>	
<b>Net change in fund balances</b>	<b>(256,596)</b>	<b>378,887</b>	<b>76,239</b>	<b>192,838</b>	<b>1,449,466</b>	<b>1,840,834</b>
Fund balances, July 1	\$ 19,719,670	11,655,321	580,100	3,197,575	7,871,396	43,024,062
Fund balances, June 30	<b>\$ 19,463,074</b>	<b>\$ 12,034,208</b>	<b>\$ 656,339</b>	<b>\$ 3,390,413</b>	<b>\$ 9,320,862</b>	<b>\$ 44,864,896</b>

The accompanying notes are an integral part of the financial statements

**CITY OF MILL VALLEY**  
**Reconciliation of the Statement of Revenues,**  
**Expenditures and Changes in Fund Balances of**  
**Governmental Funds to the Statement of Activities**  
**For the Fiscal Year Ended June 30, 2025**

Net Change in Fund Balances - Total Governmental Funds	<u>\$ 1,840,834</u>
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures, however in the statement of activities, the costs of those assets is allocated over their estimated useful lives as depreciation expenses. This is the amount by which capital outlays of \$1,416,828 are less than depreciation of \$3,127,868 in the current period.	(1,711,040)
Losses on the disposal of capital assets do not use current financial resources and are therefore not recorded in the funds	(19,330)
Decreases in the net other post employment benefit obligation for other postemployment benefits decreases the long-term obligation in the statement of net position, but is not reported in the funds	4,603,327
Changes in deferred inflows and deferred outflows related to the net post employment benefit liability do not use or provide current financial resources and are not reported in the funds	(523,053)
Decreases in long-term receivables for special financing arrangements that are related to pensions and other benefit costs are not reported in the funds until they are both measurable and available for use as a current financial resource.	(272,310)
Retirement of long-term debt principal are expenditures in the governmental funds, but the repayment reduces liabilities in the statement of net position	864,058
Changes in the net pension liability does not use or provide current financial resources and is not reported in the funds	791,826
Changes in deferred inflows and deferred outflows related to the net pension liability do not use or provide current financial resources and are not reported in the funds	(3,776,146)
Amortization of the gains and loss on advance refunding of bonds is deferred in the statement of net position and is not reported in the funds	<u>65,116</u>
Net differences	<u>22,448</u>
Change in Net Position of Governmental Activities	<u><u>\$ 1,863,282</u></u>

The accompanying notes are an integral part of the financial statements

**CITY OF MILL VALLEY**  
**Statement of Fiduciary Net Position**  
**06/30/25**

	<b>Custodial Fund</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 12,936,455
Restricted cash and investments held by fiscal agent	1,889,930
Accounts receivable	14,981
Prepayments	14,907
Lease receivable	429,361
Total assets	15,285,634
<b>LIABILITIES</b>	
Accounts payable	281,474
Other liabilities	754,142
Liability payable other local government	5,803,924
Total liabilities	6,839,540
<b>DEFERRED INFLOW OF RESOURCES</b>	
Lease	400,545
<b>NET POSITION</b>	
Restricted for other government	8,045,549
Total net position	\$ 8,045,549

The accompanying notes are an integral part of the financial statements

**CITY OF MILL VALLEY**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Fund**  
**For the Fiscal Year Ended June 30, 2025**

	<b>Custodial Fund</b>
<b>ADDITIONS</b>	
Wastewater treatment fees collected for other government	10,624,544
Other fees collected for other government	1,467,758
Total additions	12,092,302
<b>DEDUCTIONS</b>	
Distributions to other government	2,943,847
Administrative fees	326,736
Contractual services	5,655,838
Total deductions	8,926,421
Net increase (decrease) in fiduciary net position	3,165,881
Net position - beginning	4,879,668
Net position - ending	<b>\$ 8,045,549</b>

The accompanying notes are an integral part of the financial statements

**CITY OF MILL VALLEY**  
**Notes to the Basic Financial Statements**  
**June 30, 2025**

**1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

The City of Mill Valley is a municipal corporation governed by an elected five-member City Council. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. The Mill Valley Public Financing Authority is a legally separate corporate entity for which the City is financially accountable, and it is governed by the elected City Council. The Financing Authority was formed to provide a method of financing public improvements. The financial activity of the Authority is blended with those of the city and is reported in the city's governmental funds, and as capital assets of the city and debt obligations of the city. A lease agreement payable and receivable between the city and the Authority has been eliminated from the accompanying financial statements. The Authority does not issue separate financial statements.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of changes in activities) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The City has no business-type activities for which it reports financial activity. Assets held by the City as an agent for other governmental agencies in custodial fiduciary funds are excluded from the City's statement of net position because they are not available for use by the city.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for each fund category, governmental and fiduciary funds. Major individual governmental funds and selected other funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor funds.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide and fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

**CITY OF MILL VALLEY**  
**Notes to the Basic Financial Statements**  
**June 30, 2025**

**Note 1. Summary of Significant Accounting Policies (continued)**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, transient occupancy taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Sanitation Fund* used to account for fees collected for service and used to pay for treatment costs.

The *Measure A Streets Fund* used to account for Measure A restricted revenues for street projects.

The *Capital Improvement Fund* used to account for resources set aside for future major capital improvements and projects.

The city also presents fiduciary fund financial statements that include a custodial fund for resources held by the City for the Sewerage Agency of Southern Marin. Fiduciary funds are accounted for using the economic resources measurement focus and accrual basis of accounting the fiduciary financial statements include a statement of net position and a statement of changes in fiduciary net position.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

**CITY OF MILL VALLEY**  
**Notes to the Basic Financial Statements**  
**June 30, 2025**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Assets, Liabilities, Fund Balances and Net Position**

**1. Cash and Investments**

The City is authorized by its most recent investment policy to invest in the State of California Local Agency Investment Fund, U.S. Treasury bonds, bills, and notes, obligations issued by US Government agencies, banker's acceptances, repurchase agreements, and time deposits and savings and demand accounts. The City's investment policy specifically prohibits investments in other instruments authorized by the State Legislature unless approved in advance by the City Council. The California Government Code authorizes the City to invest in any form of prudent investment the fiduciary funds applicable to the retired employee's health care plan.

Fair value measurements – The city categorizes fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted market prices in active markets for identical assets; Level 2 inputs are significant other observable inputs and Level 3 inputs are significant unobservable inputs. Investments for the City are reported to be of fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

**2. Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable government funds to indicate that they are not available for appropriation and are not expendable available financial resources. All trade and property tax receivables are not shown in net of an allowance for uncollectibles.

Long-term receivables include a special funding arrangement with the Sewerage Agency of Southern Marin wherein the Agency is to reimburse the City for the funding of other post employment benefit and employee pension costs incurred by the City under a contractual service arrangement. The receivable is based upon the Agency's proportionate share of the net pension liability and OPEB obligation.

Leases receivable include a leasing arrangement for a city owned building. The lease receivable is measured at the present value of lease payments expected to be received during the term of the lease. A deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable.

Property taxes are levied as of March 1 on property values assessed as of the same date. State statutes provide that the property tax rate be limited generally to one percent of market value, be levied by only the County, and be shared by applicable jurisdictions. The County of Marin collects the taxes and distributes them to taxing jurisdictions on the basis of assessed valuations subject to voter-approved debt. Property taxes are due on November 1 and March 1 and become delinquent on December 10 and April 10. The City receives property taxes pursuant to an arrangement with the County known as the "Teeter Plan". Under the plan, the County assumes responsibility for the collection of delinquent taxes and pays the full allocation to the city. The City recognizes property tax revenues in the fiscal year in which they are due to the City.

**CITY OF MILL VALLEY**  
**Notes to the Basic Financial Statements**  
**June 30, 2025**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Assets, Liabilities, Fund Balances and Net Position (Continued)**

**3. Inventories and Prepaid Items**

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when used or consumed. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**4. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$ 5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The City, as a Phase 2 entity under Governmental Accounting Standards Board guidelines, completed an inventory of the City's major infrastructure capital assets, assigned estimated costs to those assets, and recorded major infrastructure capital assets net of accumulated depreciation in its financial statements for fiscal year ended June 30, 2007. The costs of normal maintenance and repairs that do not add to the value of asset or materially extend assets lives are not capitalized. Library collections are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Property, plant, and equipment of the City are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	25
Public domain infrastructure	3 - 90
Vehicles and equipment	3 - 10

**5. Compensated Absences**

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is a liability for a portion of unpaid accumulated sick leave since the City does have a policy to pay certain amounts when employees separate from service with the City. All vacation pay and applicable sick leave is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**6. Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

**7. Comparative Data**

Comparative total data for the prior year has been presented in order to provide an understanding of the changes in net assets. Also, certain amounts presented in the prior year data have been reclassified to be consistent with the current year's presentation.

**CITY OF MILL VALLEY**  
**Notes to the Basic Financial Statements**  
**June 30, 2025**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Assets, Liabilities, Fund Balances and Net Position (Continued)**

**8. Fund Balances – Governmental Fund Types**

Fund balances for governmental funds are reported in classifications based primarily on the extent to which the City is bound to honor constraints about the specific purposes for which amounts in those funds can be spent. These classifications include (1) nonspendable, (2) restricted, (3) committed, (4) assigned and (5) unassigned amounts.

Nonspendable amounts are generally items not expected to be converted into cash such as inventories, prepayments, and long-term receivables. Restricted amounts include those where constraints placed on the uses of resources are externally imposed by grantors, contributors, other governments, or by laws and regulations. Committed amounts are those that can only be used for specific purposes as determined by the City Council. Such committed amounts may be redeployed for other uses only by the direction of the City Council. Assigned amounts are fund balance amounts constrained by the City's intent to be used for specific purposes as determined by the City Manager and Finance Director. Assigned amounts can be redeployed for other uses by the direction of the City Manager or Finance Director. Unassigned fund balance amounts are the residual amounts reported only in the general fund.

When expenditures are incurred for which both restricted and unrestricted (committed, assigned or unassigned) amounts are available, the City considers restricted amounts to have been spent first. When expenditures are incurred for which any class of unrestricted fund balance could be used, the City considers committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts.

**9. Pensions**

For purposes of measuring the net pension liability and net OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the fiduciary net position of the State of California Public Employees Retirement System (PERS) and the California Employers' Retiree Benefit Trust (CERBT) and additions to or deductions from the PERS and OPEB fiduciary net position have been determined on the same basis as they are reported by the PERS and CERBT. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**2. Reconciliation of Government-Wide and Fund Financial Statements**

**A. Explanation of Certain Differences between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position**

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statements of net position. One element of that reconciliation explains that "capital assets are not financial resources and are not reported in the funds." The details of this \$41,676,256 difference are as follows.

Capital assets not being depreciated	\$ 7,189,681
Capital assets being depreciated	130,052,156
Less: Accumulated depreciation	<u>(95,565,581)</u>
Net adjustment to increase <i>fund balance – total governmental funds</i> to arrive at <i>net position – governmental activities</i>	<u>\$ 41,676,256</u>

**CITY OF MILL VALLEY**  
**Notes to the Basic Financial Statements**  
**June 30, 2025**

**2. Reconciliation of Government-Wide and Fund Financial Statements (Continued)**

Another element of the reconciliation explains that "long-term liabilities" are not due and payable in the current period and are therefore not reported in the funds. The details of this \$17,054,700 difference are as follows:

Refunding revenue bonds (2016 Library project)	\$	856,000
Certificates of participation (2021 Capital Improvement Project)		5,910,000
Sewer system 2021 refunding revenue bonds		3,705,000
Pension obligation bonds		2,335,000
Compensated absences		1,777,528
Accrued interest on bonds and certificates		63,341
Financed purchases		58,624
Annexation agreement		532,762
Claims covered by self-insurance		<u>1,816,445</u>
Net adjustment to decrease fund balance total governmental funds to arrive at net position - governmental activities	\$	<u>(17,054,700)</u>

**B. Explanation of Certain differences between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$22,448 difference and other significant components of the difference are as follows:

Capital outlay	\$	1,416,828
Depreciation expense		(3,127,868)
Net decrease in OPEB obligations and deferrals		4,080,274
Repayments long-term debt and related items		864,058
Net increase in net pension liability and deferrals		(2,984,320)
Other items		<u>(226,524)</u>
Net adjustment to increase <i>net changes in fund balances. total governmental funds to arrive at changes in net. position of governmental activities</i>	\$	<u>22,448</u>

**3. Stewardship, Compliance, and Accountability**

**A. Budgetary Information**

Annual budgets are adopted on a basis of consistent with generally accepted accounting principles for all governmental funds. Appropriations, except for those applicable to capital projects, lapse at fiscal year end. The city adopted a two-year budget for the 2024 and 2025 fiscal years. The appropriated budget is prepared by fund, function, and department. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level. The council made several supplemental budgetary appropriations throughout the year. The supplemental budgetary appropriations made in the general fund were material. The Clean Stormwater special revenue fund ended 2025 with a \$94,656 fund deficit which will be funded with subsequent year's revenues.

**CITY OF MILL VALLEY**  
**Notes to the Basic Financial Statements**  
**June 30, 2025**

**4. Detailed Notes on All Funds**

**A. Cash and Investments**

Cash and investments on June 30, 2025, consisted of the following:

City (nonfiduciary) cash and investments:	
Pooled demand deposits and cash on hand	\$ 12,093,029
Pooled investments (LAIF)	<u>33,383,046</u>
Subtotal – City	45,476,075
Library bond, sewer bond, Golf and 2021 project funds with trustees	<u>430,779</u>
Total City non-fiduciary cash and investments	<u>45,906,854</u>
Fiduciary Funds:	
Custodial funds City pooled investments (LAIF)	12,936,455
Custodial funds with trustee bank	<u>1,889,889</u>
Subtotal custodial funds held for the Sewerage Agency of Southern Marin	<u>14,826,344</u>
Total City and fiduciary funds	<u>\$ 60,733,198</u>

City Unrestricted and Restricted Funds:

<u>City unrestricted funds</u>	<u>Amounts</u>
Bank and negotiable certificates of deposit	\$ 9,358,000
Bank deposit account and cash on hand	2,735,029
Local Agency Investment Fund	<u>33,383,046</u>
Subtotal unrestricted funds	<u>45,476,075</u>
<u>City restricted:</u>	
Dreyfus money market funds held by Trustee for pension bonds	86,702
Golf course fiscal agent	148,448
Dreyfus money market funds held by Trustee for library bonds	179
Dreyfus money market funds held by Trustee for capital projects	<u>195,450</u>
Subtotal restricted funds	<u>430,779</u>
<i>Total City Funds</i>	<u>\$ 45,906,854</u>

Investments - On June 30, 2025, the city had the following investments.

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>
Local Agency Investment Fund (LAIF)	Average 248 days	\$ 46,319,501
Dreyfus government prime money market	Average 60 days	<u>430,779</u>
Totals		<u>\$ 46,750,280</u>

*Custodial Credit Risk* - For deposits, custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's policy for cash deposits is that they shall be insured by the FDIC, and if more than \$250,000 is placed in any one institution they shall be collateralized with United States backed securities, and time certificates of deposit shall have a maturity of less than five years. On June 30, 2025, \$9,608,000 of the City's bank balances of \$10,390,333 was insured and not exposed to custodial credit risk. The remaining \$782,333 was secured by collateral held by the pledging bank's agent but not in the City's name.

**CITY OF MILL VALLEY**  
**Notes to the Basic Financial Statements**  
**June 30, 2025**

**4. Detailed Notes on All Funds (Continued)**

**A. Deposits and Investments (Continued)**

For investments, custodial credit risk is the risk that, in the event of the failure of a counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy specifies that securities are to be held by a third party, other than the counterparty, in the City's name, whenever possible. The City's investment in the State Pool and the Dreyfus money market fund are not subject to custodial credit risk because these investments are not evidenced by a specific security.

*Interest Rate Risk* - As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits the City's investment portfolio to maturities prescribed in Sections 53600 through 53609 of the California Government Code, which for City purposes is five years. *Credit Risk* - State law limits investments in various securities to a certain level of risk ratings issued by nationally recognized statistical rating organizations. It is the City's policy to comply with State law as regards securities ratings. The City's investment in mutual funds was rated AAA. The State Investment Pool was unrated. The LAIF is a part of the Pooled Money Investment Account (PMIA), and oversight is provided by its Board of Directors and the Local Investment Advisory Board. PMIA Board members are the State Treasurer, Director of Finance and State Controller. On June 30, 2025, 55 percent of PMIA investments consisted of government bonds, bills, and notes, 25 percent in federal agency notes and debentures, and 20 percent in time deposits and commercial paper.

**B. Receivables**

Receivables as of year-end for the government's individual major and nonmajor funds in the aggregate, net of the applicable allowances for uncollectible accounts are as follows:

	General Fund	Sanitation Fund	Nonmajor Funds	Total
Taxes	\$ 438,246	\$	\$	\$ 438,246
Interest	483,798			483,798
Other governments	367,294		206,231	573,525
Accounts receivable	1,261,345	80,357	18,784	1,360,486
Leases	2,397,232			2,397,232
Net total receivables	<u>\$ 4,947,915</u>	<u>\$ 80,357</u>	<u>\$ 225,015</u>	<u>\$ 5,253,287</u>

1. Noncurrent Long-Term Receivable - The City has an operations and maintenance agreement with the Sewerage Agency of Southern Marin wherein the Agency agreed to pay to the city all costs associated with the operations, maintenance, administration, and capital improvements of the Agency. The city hires employees specifically for the purpose of operating, maintaining and managing the Agency's wastewater treatment and disposal facilities. The costs of these employees as well as related pension and postemployment medical benefits are deemed as allowable costs under the arrangement. The Agency itself does not maintain a separate employee's retirement or post employment benefit trust as the employees providing services to the Agency participate in the City's PERS retirement and the City's OPEB plans. The City reports the Net Pension Liability and OPEB liability for all plan participants including those dedicated exclusively to operations and maintenance of the Agency.

**CITY OF MILL VALLEY**  
**Notes to the Basic Financial Statements**  
**June 30, 2025**

**4. Detailed Notes on All Funds (Continued)**

**B. Receivables (Continued)**

**1. Noncurrent Long-Term Receivable (Continued)**

Because of the special financing agreement between the City and the Agency which agreement requires the Agency to pay all costs, the City has recorded a long-term receivable in its government wide statement of net position equal to the actuarially determined prorated share of the City's net pension liability and OPEB obligation specifically identified as applicable to those employees serving only the Agency. The Agency commenced making prefunding cash contributions to the City's plans in fiscal 2015. The receivable balance was \$5,800,863 on June 30, 2025, and is not reported in the City's fund statements as it is not a current financial resource. The city paid the Agency \$5,264,625 as its share of operating expenses and received \$326,736 as an administrative fee for operating the Agency's facilities in fiscal 2025.

**2. Lease Receivable**

The city is the lessor of a city-owned building known as the depot facility. For long-term leases the City recognizes a lease receivable and an offsetting deferred inflow of resources in the government-wide financial statements and in the general fund financial statements. At lease commencement, the City initially measures the lease receivable at the present value of payments expected to be received during the term of the lease. Subsequently, the lease receivable is reduced by the principal portion of the lease payments received. The City recognizes interest income on the lease receivable, and lease revenue from the deferred inflows of resources in a systematic method over the term of the lease. Key estimates include the use of an estimated incremental borrowing rate, estimated periodic rent increases, and assumptions about the exercise of options to extend the term of the lease. When certain changes occur that affect the amount of the lease, the receivable is remeasured, and corresponding adjustments are made to the deferred inflow of resources. Lease revenue for 2025 was \$159,780. The future expected minimum lease payments are.

Fiscal Year	Principal	Interest	Total
2026	116,486	42,840	159,326
2027	122,725	41,609	164,334
2028	129,184	39,259	168,443
2029	135,867	36,786	172,653
2030	142,484	34,486	176,970
2031-2035	826,288	117,155	943,443
2036-2040	924,198	40,510	964,708
Totals	<u>\$2,397,232</u>	<u>\$ 352,645</u>	<u>\$2,749,877</u>

**C Interfund Transfers**

1. The composition of interfund transfers of June 30, 2025, is as follows:

	General Fund	Nonmajor Funds	Capital Asset Improvement Fund	Total
Transfers out:				
General fund	\$	\$ 334,721	\$ 2,316,233	\$ 2,650,954
Sanitation fund	256,043			256,043
Nonmajor funds	40,709		23,823	64,532
Total transfers in:	<u>\$ 296,752</u>	<u>\$ 334,721</u>	<u>\$ 2,340,056</u>	<u>\$ 2,971,529</u>

**CITY OF MILL VALLEY**  
**Notes to the Basic Financial Statements**  
**June 30, 2025**

**4. Detailed Notes on All Funds (Continued)**

**C. Interfund Transfers (Continued)**

The transfers out of the general fund were \$297,425 to fund debt service, \$37,296 to fund storm water projects, and \$2,316,233 to fund capital projects.

**D. Capital Assets**

Capital asset activity for the year ended June 30, 2025, was as follows.

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 6,317,826	\$	\$	\$ 6,317,826
Construction in progress	75,224	796,631		871,855
Total capital assets, not being depreciated	6,393,050	796,631		7,189,681
Capital assets, being depreciated:				
Buildings	27,110,730			27,110,730
Machinery and equipment	5,322,274	444,373	340,039	5,426,608
Vehicles	2,855,142	175,824	276,545	2,754,421
Infrastructure-street and sewer systems	94,760,397			94,760,397
Total capital assets being depreciated	130,048,543	620,197	616,584	130,052,156
Less accumulated depreciation for:				
Buildings	(23,473,291)	(644,677)		(24,117,968)
Machinery and equipment	(4,681,181)	(339,614)	304,326	(4,716,469)
Vehicles	(2,143,608)	(217,359)	292,928	(2,068,039)
Infrastructure-street and sewer systems	(62,736,887)	(1,926,218)		(64,663,105)
Total accumulated depreciation	(93,034,967)	(3,127,868)	597,254	(95,565,581)
Total capital assets, being depreciated, net	37,013,576	(2,507,671)	(19,330)	34,486,575
Governmental activities capital assets, net	<u>\$ 43,406,626</u>	<u>\$ (1,711,040)</u>	<u>\$(19,330)</u>	<u>\$ 41,676,256</u>

**CITY OF MILL VALLEY**  
**Notes to the Basic Financial Statements**  
**June 30, 2025**

**4. Detailed Notes on All Funds (Continued)**

**D. Capital Assets (Continued)**

Depreciation expense was charged to functions/programs of the city as follows:

Governmental activities:	
General government	\$ 9,685
Police	137,199
Fire	34,998
Technical services	73,302
Parking	27,372
Streets and related infrastructure	1,959,626
Sewer system	196,493
Library	17,367
Recreation	75,508
Community Center	557,709
Golf course	38,609
	<hr/>
Total depreciation expense – governmental activities	<u>\$ 3,127,868</u>

**E. Long-Term Debt**

The City issues revenue bonds, certificates of participation, pension bonds, and enters into capital leases and loans for the acquisition and construction of major capital facilities, major equipment items, and pension related matters. The City also incurs obligations for self-insured claims and employee compensated absences summarized as follows:

Governmental Activities:	Sale Date	Final Maturity	Due in Year	Due after One Year	Outstanding June 30, 2025
Bonds and certificates:					
Library refunding bonds	2016	2028	\$ 278,000	\$ 578,000	\$ 856,000
Certificates 2021 capital project	2021	2051	135,000	5,775,000	5,910,000
Sewer system refunding bonds	2021	2043	135,000	3,570,000	3,705,000
Pension bonds	2008	2033	195,000	2,140,000	2,335,000
Subtotal			<hr/> 743,000	<hr/> 12,063,000	<hr/> 12,806,000
Direct Borrowings:					
Financed purchases:					
Annexation agreement	2023	2026	266,382	266,380	532,762
Parking meters	2017	2027	25,565	33,059	58,624
Subtotal			<hr/> 291,947	<hr/> 299,439	<hr/> 591,386
Other obligations:					
Compensated absences, net	N/A	N/A	1,107,179	670,349	1,777,528
Self-insured claims	N/A	N/A	530,206	1,286,239	1,816,445
Totals			<hr/> <u>\$2,672,332</u>	<hr/> <u>\$14,319,027</u>	<hr/> <u>\$ 16,991,359</u>

**CITY OF MILL VALLEY**  
**Notes to the Basic Financial Statements**  
**June 30, 2025**

**4. Detailed Notes on All Funds (Continued)**

**E. Long-Term Debt**

*Local Agency Refunding Revenue Bonds (Public Library Project) 2016 Series A*

The City of Mill Valley Public Financing Authority, on January 20, 2016, issued \$ 2,885,000 in local agency refunding revenue bonds with an interest rate of 2.75 percent to provide funds primarily for the advance refunding and purchasing of the City of Mill Valley Community Facilities District 1996-1 Local Agency Revenue Bonds (Public Library Project) 2006 Series A. The refunding revenue bonds are secured by a voter-approved special tax levy on dwelling units of no more than \$64 per dwelling unit per annum. Under the arrangement, the 2006 bonds are considered to have been defeased and refunded, and the liability for the 2006 bonds has been removed from the accompanying financial statements. Future debt service is as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2026	\$ 278,000	\$ 19,718	\$ 297,718
2027	284,000	11,990	295,990
2028	<u>294,000</u>	<u>4.043</u>	<u>298,043</u>
Totals	<u>\$ 856,000</u>	<u>\$ 35,751</u>	<u>\$ 891,751</u>

Net proceeds of \$2,682,774 after payment of issuance costs and other items from the sale of the 2016 refunding revenue bonds plus an additional \$145,878 from the 2006 redemption funds on hand were used to purchase U. S. Government securities. Those securities were deposited for the 2006 bonds in an irrevocable trust with an escrow agent to provide for all future debt service payments.

*Certificates of Participation 2021 Capital Improvement Financing Project*

Current Refunding of Debt

On August 26, 2021, the 2021 certificates of participation were issued to refund the 2011 Community Center refinancing certificates. Part of the proceeds were placed in an irrevocable trust that is to be used to pay the remaining debt service on the refunded debt. The refunding resulted in economic loss as well as negative savings from the refunding. The economic loss realized from the refunding was \$33,538.

The City entered into a site and project lease arrangement with the Mill Valley Public Financing Authority, a blended component unit of the City, to enable the Authority to issue \$6,250,000 of Certificates of Participation to provide funds to finance capital improvements in the city and refund the 2011 certificates. The certificates consist of \$3,090,000 in serial certificates and \$3,160,000 in term certificates maturing at various dates. Interest on the certificates is payable each April 1 and October 1 through 2051. The principal is due each October 1, and the certificates bear interest at rates of 2 to 5 percent. The debt service on the certificates is secured by the lease payments to be made by the city to the city's component unit Financing Authority. The lease receivable and payable between the City and its Financing Authority has been eliminated from these financial statements.

**CITY OF MILL VALLEY**  
**Notes to the Basic Financial Statements**  
**June 30, 2025**

**4. Detailed Notes on All Funds (Continued)**

**E. Long-Term Debt (Continued)**

*Certificates of Participation 2021 Capital Improvement Financing Project (Continued)*

Fiscal Year	Principal	Interest	Total
2026	\$ 135,000	\$ 165,925	\$ 300,925
2027	140,000	159,050	299,050
2028	145,000	151,925	296,925
2029	155,000	144,425	299,425
2030	160,000	136,550	296,550
2031-2035	925,000	566,400	1,491,400
2036-2040	1,090,000	403,975	1,493,975
2041-2045	1,225,000	278,091	1,503,091
2046-2050	1,350,000	142,216	1492,216
2051-2052	585,000	13,219	598,219
Totals	<u>\$ 5,910,000</u>	<u>\$ 2,161,776</u>	<u>\$ 8,071,776</u>

*Sewer System 2021 Refunding Revenue Bonds.*

*Current Refunding of Debt*

On August 19, 2021, the Sewer System 2021 Refunding Revenue Bonds were issued to refund the outstanding Certificates of Participation 2012 Sewer System Financing Project. Proceeds from the sale of the 2021 refunding revenue bonds were placed in an irrevocable trust that is to be used to service the future debt service in the refunded debt. The refunding resulted in an economic gain as well as savings from the refunding. The economic gain realized in this refunding was \$914,332 and the savings resulting from the refunding was \$1,063,328.

The revenue bonds consist of \$3,045,000 in serial certificates and \$1,025,000 in term bonds maturing at various dates. Interest on the bonds is payable each January 1 and June 30 through 2043. Principal is due each July 1, and the certificates bear interest at rates of 2 to 5 percent. The debt service on the revenue bonds is secured by a pledge of the net revenues of the sewer system. There is a rate covenant requiring that net system revenues equal 1.25 times the annual debt service on the bonds coming due in such a fiscal year. The City funds the debt service from its sanitation fund. Future debt service on the certificates is:

Fiscal Year	Principal	Interest	Total
2026	\$ 135,000	\$ 117,525	\$ 252,525
2027	145,000	110,525	255,525
2028	155,000	103,025	258,025
2029	160,000	95,150	255,150
2030	170,000	86,900	256,900
2031-2035	985,000	311,125	1,296,125
2036-2040	1,180,000	142,550	1,322,550
2041-2043	775,000	23,450	798,450
	<u>\$ 3,705,000</u>	<u>\$ 990,250</u>	<u>\$ 4,695,250</u>

**CITY OF MILL VALLEY**  
**Notes to the Basic Financial Statements**  
**June 30, 2025**

**4. Detailed Notes on All Funds (Continued)**

**E. Long-Term Debt (Continued)**

*Pension Obligation Bonds*

On May 7, 2008, the City of Mill Valley issued \$6,775,000 of taxable Pension Obligation Bonds, Series 2008, for the purpose of obtaining financing to refund and pay down the unfunded actuarial accrued liability to the State of California Public Employees Retirement System (PERS) applicable to the Police and Fire employee groups and the non-safety employee group. The pension obligation bonds bear interest at the rate of 5.76 percent per annum compared to the 7.75 percent rate on the unfunded actuarial accrued liability. The bonds mature each June 1 through 2033; and the bonds are not subject to optional redemption prior to their maturity. The bonds are not an obligation for which the city is obligated to levy or pledge any form of taxation. The City has agreed to pay the debt service on these bonds, but it has not pledged any specific source of revenue or funds for such repayments. Future debt service is.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 195,000	\$ 134,496	\$ 329,496
2027	220,000	123,264	343,264
2028	245,000	110,592	355,592
2029	270,000	96,480	366,480
2030	300,000	80,928	380,928
2031-2032	<u>1,105,000</u>	<u>131,328</u>	<u>1,236,328</u>
Totals	<u>\$ 2,335,000</u>	<u>\$ 677,088</u>	<u>\$ 3,012,088</u>

**Direct Borrowings – Financed Purchases**

The city entered into purchase arrangements for construction of solar power facilities in the original amount of \$843,537 and \$232,569 for parking meters. Under the arrangements, the city is obligated to appropriate in its annual budget sufficient amounts to provide for the debt payments. The related acquisitions were recorded as a capital asset of the city. The solar facilities arrangement is payable in annual installments with zero interest. These direct borrowings are secured by the vehicles and equipment. Future debt service is.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2026	\$ 26,421	\$ 1,880	28,301
2027	27,507	794	28,301
2028	<u>4,696</u>	<u>24</u>	<u>4,720</u>
	<u>\$ 58,624</u>	<u>\$ 2,698</u>	<u>\$ 61,322</u>

*Annexation Agreement*

As part of the transfer of the City's fire department to the Southern Marin Fire Protection District, the City entered into an agreement to provide equipment replacement funds to the district in a total amount of \$1,065,526 payable in annual installments of \$266,382 over the next four years commencing June 30, 2023. The balance remaining at June 30, 2025 is \$532,782

**CITY OF MILL VALLEY**  
**Notes to the Basic Financial Statements**  
**June 30, 2025**

**4. Detailed Notes on All Funds (Continued)**

**E. Long-Term Debt (Continued)**

*Changes in Long-term liabilities*

Long-term debt activity for the 2025 fiscal year was as follows:

Governmental activities:	Balance Beginning	Additions	Reductions	Balance Ending	Due In One Year
<b>Bonds and certificates:</b>					
Library refunding bonds	\$1,123,000	\$	\$ 267,000	\$ 856,000	\$ 278,000
2021 certificates participation	6,035,000		125,000	5,910,000	135,000
2021 sewer revenue bonds	3,830,000		125,000	3,705,000	135,000
Pension bonds	2,510,000		175,000	2,335,000	195,000
<b>Direct borrowings:</b>					
Solar facilities	52,727		52,727		
Parking meters	84,002		25,378	58,624	25,565
Annexation agreement	799,144		266,382	532,762	266,382
<b>Other obligations:</b>					
Compensated absences, net	1,694,778	82,750		1,777,528	1,288,455
Claims and judgments	1,721,305	415,799	320,659	1,816,445	530,206
	<u>\$17,849,958</u>	<u>\$ 498,549</u>	<u>\$1,357,146</u>	<u>\$16,991,359</u>	<u>\$ 2,853,608</u>

**5. Other Information**

**A. Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the City carries insurance. The City, due to the costs of available coverage, participates as a member in joint powers insurance authorities as follows:

*Workers Compensation Insurance* - The City was a member of the Marin County Risk Management Authority. Under the arrangement, the risk of loss below \$150,000 was not transferred to the Authority. The Authority maintained separate accounts for each participant, and each participant is responsible for paying its own claim liabilities. Claims exceeding the City's \$150,000 self-insured limit are covered by the Authority's insurance policies provided by outside insurance carriers up to the statutory limit. The City accounts for its insurance activities in its general fund. Effective in fiscal year 2004, the Authority was dissolved, and related assets were transferred to the Bay Cities Joint Powers Insurance Authority which now provides coverage to the City for workers compensation insurance.

**CITY OF MILL VALLEY**  
**Notes to the Basic Financial Statements**  
**June 30, 2025**

**5. Other Information (Continued)**

**A. Risk Management (Continued)**

The city is fully responsible for all prior claims at the date of transfer of related assets. Under the new arrangement, the City is self-insured for the first \$150,000 of each claim with the Authority responsible for losses above that amount.

*Liability and Property Insurance* - The City is a member of the Bay Cities Joint Powers Insurance Authority. The City through the Authority participates in group purchased property, earthquake, flood, boiler and machinery, and general liability insurance coverages. The risk of loss is transferred to the Authority except for the first \$250,000 of general liability claims for which the City is self-insured and retains the risk of loss. The Authority is self-insured for the first \$ 1 million per claim less each member's self-insured limit. The Authority participates in an excess pool, California Affiliated Risk Management Authorities, which provides general liability coverages for \$28 million in excess of the above stated \$ 1 million. Each participant is insured for the replacement cost of property. The all-risk property coverage provided by the Authority has a \$ 1 billion limit per occurrence for all members in the aggregate.

*Liabilities of the City are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are evaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claim's liability estimate. Settlements have not exceeded coverage for each of the past three fiscal years except for \$1,839,400 in uninsured losses in fiscal 2023.*

Changes in the balances of claims liabilities during the past two years are as follows:

	Year Ended 6/30/2024	Year Ended 6/30/2025
Unpaid claims, beginning of fiscal year	\$ 1,944,422	\$ 1,721,305
Incurred claims (including IBNRs)	(102,765)	415,799
Claim payments	(120,352)	(320,659)
Unpaid claims, end of fiscal year	<u>\$ 1,721,305</u>	<u>\$ 1,816,445</u>

**B. Contingencies and Commitments**

*Litigation.* The City is involved in litigation incurred in the normal course of conducting City business. City management believes that, based upon consultation with its counsel, these cases, in the aggregate, are not expected to result in a material adverse financial impact on the City.

*Commitments.* At June 30, 2025, outstanding encumbrances consisted of about \$160,000 in the general fund, \$2.7 million in the sanitation fund, 1.1 million in the capital improvement fund and \$3 million in all nonmajor funds. In addition, construction contracts were awarded to build a new public works office building at an estimated costs of \$8.3 million.

**CITY OF MILL VALLEY**  
**Notes to the Basic Financial Statements**  
**June 30, 2025**

**3. Other Information (Continued)**

**C. Jointly Governed Organizations**

Jointly governed organizations are legal entities or other organizations that result from a contractual arrangement and that are owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain an ongoing financial interest or ongoing financial responsibility. The City is a participant in the following organizations other than the insurance authorities described in the preceding notes:

*Marin Telecommunications Agency.* This Agency was established for the purpose of regulating rates for cable television systems and is governed by representatives from member governments. The City's financial responsibility is to pay a proportionate share of the Agency's budget based upon the City's relative number of subscribers. *Marin Central Services Authority.* This authority was formed for the purpose of acquiring street lighting facilities owned by PG & E. The Authority is governed by one member from Marin County, and certain cities and special districts within Marin County. The City's financial responsibility is limited to a percentage share of the purchase cost of acquired facilities.

*Sewerage Agency of Southern Marin.* This agency was formed for the purpose of providing sanitary sewerage treatment facilities to governments in Southern Marin County. Members include the City of Mill Valley, four sanitation districts, and one community services district. The city maintains the accounting records and acts as the fiscal agent for this Agency. The City's obligation under this arrangement is to pay a substantial prorata share of the Agency's operating and capital costs. In fiscal year 2025 the city paid \$5,264,825 to the Agency.

*Marin Emergency Radio Authority.* The Authority was formed by the County, the City of Mill Valley and 24 other governmental agencies for the purpose of financing and operating a County-Wide public safety and emergency radio system. The City's financial responsibility under the arrangement is to make service payments to the Authority for a prorata share of the use of the Authority's system.

*Marin Wildfire Prevention Authority.* The Authority was formed to help prevent and mitigate wildfires in Marin County and is funded by a voter approved special parcel tax. In fiscal 2025, the City as a member of the Authority received \$520,050 in funding for fire mitigation purposes.

**D. Public Employee Pension Plans**

Plan Description - The plans are a cost-sharing multiple-employer defined benefit pension plan administered by the California Public Employees Retirement System (CalPERS). The CalPERS is governed by a 13 member Board of Administration with six elected members, three appointed members and four ex officio members which include the State Treasurer, the State Controller, the Director of the California Department of Human Services and a designee of the State Personnel Board.

Benefits Provided - The CalPERS provides retirement, disability and death benefits. Retirement benefits are defined as 2.5 percent of the employees' final 12 months average compensation times the employee's years of service (2.0 percent for safety employees) Employees with 10 years of continuous are eligible to retire at age 55 (age 50 for safety employees) Employees are eligible for service-related disability benefits regardless of the length of service. Five years of service is required for non-service-related disability eligibility. Disability benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial

**CITY OF MILL VALLEY**  
**Notes to the Basic Financial Statements**  
**June 30, 2025**

**5. Other Information (Continued)**

**D. Public Employee Pension Plans (Continued)**

Contributions – Section 20814 of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employees 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. The total plan contributions are determined through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred inflows of Resources Related to Pensions - On June 30, 2025, the City reported a liability of \$54,923,079 for its proportionate share of the net pension liability for all plans. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2023. 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 plan relative to the projected contributions of all participating governments, actuarially determined. On June 30, 2025, the City's proportion was 0.00452883 percent of the total Plan (PERF C) compared to 0.00446600 percent on June 30, 2024.

For the measurement period ending June 30, 2024 the city recognized pension expense of \$9,162,857 (\$ 8,361,888 City and \$ 800,969 SASM). On June 30, 2025, the city reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Miscellaneous Plan</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience:	\$ 2,537,521	\$ 99,013
Changes in assumptions	754,339	
Net difference between projected and actual earnings on pension plan investments	1,689,607	
Changes in employer's proportion		2,753,759
Differences between the employer's contributions and the employer's proportionate share of contributions	334,918	122,327
City contributions subsequent to the Measurement date (\$2,894,276 City, \$575,944 SASM)	3,470,220	
<b>Totals</b>	<b>\$ 8,786,605</b>	<b>\$ 2,975,099</b>
<u>Safety Plan</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience:	\$ 2,087,044	\$ 67,859
Changes in assumptions	630,084	
Net difference between projected and actual earnings on pension plan investments	1,236,119	
Changes in employer's proportion	44,701	466,121
Differences between the employer's contributions and the employer's proportionate share of contributions	115,168	550,141
City contributions subsequent to the Measurement date	2,708,316	
<b>Totals</b>	<b>\$ 6,821,432</b>	<b>\$ 1,084,121</b>

**CITY OF MILL VALLEY**  
**Notes to the Basic Financial Statements**  
**June 30, 2025**

**5. Other Information (Continued)**

**D. Public Employee Pension Plans (Continued)**

The \$6,178,536 reported as deferred outflows of resources related to pensions from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the financial reporting year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ended June 30	Deferred Outflows (Inflows) of Resources
2026	\$ 471,128
2027	6,060,853
2028	(159,746)
2029	(1,001,954)
2030	
Thereafter	

*Actuarial Assumptions* – The total pension liability in the June 30, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30 percent
Salary increases	Varies by entry age and service
Investment rate of return	6.8 percent, net of pension plan investment expense, including inflation

All other actuarial assumptions used on the June 30, 2023, valuation was based on the results of an actuarial experience study for the fiscal years 1997 to 2015, including updates to salary increase, mortality and retirement rates. The Experience Study can be obtained at the CalPERS website under Forms and Publications. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension cash flows. The expected rate of return was then set equivalent to a single equivalent rate calculated by CalPERS and rounded down to the nearest one quarter of one percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Real Return Years 1-10
Global Equity	42%	3.84 -4.54%
Private equity	13	7.28
Investment grade corporates	10	1.56
Real estate	15	3.21
All other	20	.27-3.57

*Discount Rate* – The discount rate used to measure the total pension liability was 6.90 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 6.90 percent discount rate is adequate, and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 6.90 percent will be applied to all plans in the Public Employee Retirement Fund.

**CITY OF MILL VALLEY**  
**Notes to the Basic Financial Statements**  
**June 30, 2025**

**5. Other Information (Continued)**

**D. Public Employee Pension Plans (Continued)**

*Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate* – The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.90 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.90 percent) or 1-percentage higher (7.90 percent) than the current rate:

<u>City's proportionate share of the net pension liability</u>	<u>1% Decrease (5.90%)</u>	<u>Current Discount Rate (6.90%)</u>	<u>1% Increase (7.90%)</u>
Miscellaneous plan	\$ 42,745,959	\$ 29,349,356	\$ 18,321,980
Safety plan	39,140,122	25,573,723	14,478,315
<b>Totals</b>	<b>\$ 81,886,081</b>	<b>\$ 54,923,079</b>	<b>\$ 32,800,295</b>

*Pension plan fiduciary net position* - Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial report.

**E. Restricted Net Assets and Nonspendable Fund Balances**

The \$ 21,514,749 restricted amount in the governmental activities statement net assets represent amounts to be used only for specific purposes which restrictions are imposed by laws, formal agreements or other governments. Most of the restricted amount is related to debt service funds, police grants, sanitation funds, state gas tax funds and other funds with formal restrictions on their use. Nonspendable amounts in the general fund were as follows:

<u>Nonspendable Amounts</u>	<u>General Fund</u>
Inventories	\$ 186,806
Prepayments and deposits	555,428
	<u>\$ 742,234</u>

**F. Other Post Employment Benefits**

*Plan Description.*

The city has a retiree healthcare plan (the OPEB Plan) and participates in an agent multiple employer defined benefit plan, administered through the California Employers' Retiree Benefit Trust (CERBT) by CalPERS, which acts as a common investment and administrative agent for participating member employers. The CERBT is not under the control of the city, and it is managed by a separately appointed board. Therefore, the city's OPEB fiduciary fund is not included in these financial statements as it is not considered to be a component unit of the city. The CalPERS issues a publicly available financial report, which includes information about the CERBT, that can be obtained at <https://www.calpers.ca.gov/docs/forms-publications/cafr-2025.pdf>.

*Benefits Provided.*

The City's OPEB plan provides healthcare benefits to eligible retirees and their dependents. Benefits are provided through third party insurers, and the full cost of the benefits is provided by the Plan. The City's OPEB Plan provides for ad hoc postemployment benefit changes.

**CITY OF MILL VALLEY**  
**Notes to the Basic Financial Statements**  
**June 30, 2025**

**5. Other Information (Continued)**

**F. Other Post Employment Benefits**

*Employees Covered by the Benefit Terms.*

As of the June 30, 2024, valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries current receiving benefits	99
Inactive employees entitled to but not yet receiving benefit payments	
Active employees	45
	144

The City's OPEB Plan is closed to new entrants.

*Contributions*

City regulations grant authority to the City Council to establish and amend contribution requirements. Employees are not required to contribute to the plan. Plan contributions are based upon an actuarially determined rate. For the measurement year ended June 30, 2024, the City's contribution rate was 33.5 percent of covered employee payroll, and the employer contribution was \$1,697,917. The amount contributed for the 2024 measurement year was based on the City's decision to prefund its obligation.

*Net OPEB Liability*

The City's net OPEB liability was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2024.

*Actuarial assumptions*

The total net OPEB liability on the June 30, 2024, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50 percent per year
Salary increases	3.0 percent per year
Investment rate of return	5.5 percent net of investment expense including inflation
Healthcare trend rates	6.5 percent for 2025, decreasing 4.9 percent in 2075 and later years

Mortality rates were based on CalPERS 2021 Experience Study

The actuarial assumptions used on the June 30, 2024 measurement date was based on the results of actuarial valuation as of June 30, 2024.

The long-term expected rate of return on OPEB plan investments was 5.5 percent.

*Discount Rate*

The discount rate used was the 5.5 percent long-term expected rate of return on the OPEB trust.

**CITY OF MILL VALLEY**  
**Notes to the Basic Financial Statements**  
**June 30, 2025**

**5. Other Information (Continued)**

**F. Other Post Employment Benefits (Continued)**

	<i>Changes in the Net OPEB Liability</i> <i>Increase (Decrease)</i>		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) – (b)
Balances at 6/30/2024 Fiscal Year	\$ 30,750,114	\$ 17,816,590	\$ 12,933,524
Changes for the year:			
Service cost	561,419		561,419
Interest	1,680,058		1,680,058
Differences between expected and actual experience	(4,436,104)		(4,436,104)
Changes of assumptions	2,270,440		2,270,440
Change in benefit terms	(1,530,944)		(1,530,944)
Contributions – employer		1,697,917	(1,697,917)
Net investment income		1,456,064	(1,456,064)
Benefit payments	(1,530,052)	(1,530,052)	
Administrative expenses		(5,735)	5,735
Net changes	(2,985,183)	1,618,194	(4,603,377)
Balances at 6/30/2025 Fiscal Year (Measurement Date June 30, 2024)	\$ 27,764,931	\$ 19,434,784	\$ 8,330,147

*Sensitivity of the Net OPEB Liability to changes in the discount rate and health-care cost trend rates.*

Sensitivity of the net OPEB liability to changes in the discount rate:

The following presents the Net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.5 percent) or 1-percentage point higher (6.5 percent) than the current discount rate.

	1% Decrease (4.5%)	Discount Rate (5.5%)	1% Increase (6.5%)
Net OPEB Liability (Asset)	\$ 12,123,870	\$ 8,330,147	\$ 5,229,341

**CITY OF MILL VALLEY**  
**Notes to the Basic Financial Statements**  
**June 30, 2025**

**5. Other Information (Continued)**

**F. Other Post Employment Benefits**

Sensitivity of the net OPEB liability to changes in healthcare cost trend rates.

	1% decrease	Healthcare Cost Trend	1% increase
Net OPEB liability (asset)	\$ 5,099,904	\$ 8,330,147	\$ 12,305,092

*OPEB plan fiduciary net position.*

The city's fiduciary OPEB plan fund is invested in the California Employers' Retiree Benefit Trust (CERBT) in its Strategy 2 portfolio. The portfolio is not a mutual fund, and it is managed by CalPERS and or external advisors. State Street Advisors manages all asset classes for CERBT. The City does not issue separate plan financial statements. Each employer choosing CERBT Strategy 2 owns a percentage of this portfolio which invests in pooled asset classes. Employers do not have direct ownership of the securities in the portfolio. The target allocation for each major asset class is as follows:

Asset Class	Target Allocation
Global equity	34%
Fixed income	41
Treasury inflation protected securities (TIPS)	5
Real estate investment trusts	17
Commodities	3
<b>Total</b>	<b>100%</b>

For plan funding purposes, the CERBT assumes a rate of 5.5 percent.

*OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB*

For the fiscal year ended June 30, 2025, the city recognized OPEB income \$2,399,820. On June 30, 2025 the city reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows Of Resources
Differences between expected and actual experience	\$	\$
Changes of assumptions	2,571,490	225,534
Plan experience	5,778	6,319,405
Net differences between projected and actual earnings on OPEB plan investments	805,700	
Contributions subsequent to the measurement date	1,688,504	
<b>Totals</b>	<b>\$ 5,071,422</b>	<b>\$ 6,544,939</b>

**CITY OF MILL VALLEY**  
**Notes to the Basic Financial Statements**  
**June 30, 2025**

**5. Other Information (Continued)**

**F. Other Post Employment Benefits**

Contributions subsequent to the measurement date (June 30, 2024) will be considered in the plan valuation (June 30, 2024) for the 2026 fiscal year.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal year ended June 30	Amounts
2026	\$ (2,153,145)
2027	(309,634)
2028	(604,855)
2029	(94,337)
Thereafter	

*Payable to the OPEB Plan*

On June 30, 2025, the city had no payable for the outstanding number of contributions to the plan for the year ended June 30, 2025.

**G. Annexation and Transfer of Mill Valley Fire Department**

Property Tax Transfers

On October 17, 2022, the City of Mill Valley approved a resolution accepting a negotiated exchange of property taxes between the City of Mill Valley and the Southern Marin Fire Protection District designated as Annexation No. 2 to the Southern Marin Fire Protection District. For fiscal year 2023-2024 The City of Mill Valley shall transfer to the Southern Marin Fire Protection District \$6,624,263 of City of Mill Valley's secured and unsecured property tax revenue and homeowners property tax relief subvention revenues. For the fiscal year 2024-2025, and subsequent years, the City of Mill Valley shall transfer to the Southern Marin Fire Protection District the percentage of the total City of Mill Valley property tax revenue in fiscal 2023-2024 represented by the \$6,624,263 to such total property tax revenues as agreed to by both parties.

The city retains funding responsibility for other post-employment benefits (OPEB) for those employees that are vested in the City's OPEB plan and are transferring to the Southern Marin Fire Protection District to the extent of its obligations prior to the transfer. Fire employees transferring to the district have an option to file for retirement from CalPERS or apply for reciprocity between CalPERS and the Marin County Employee Retirement Association (MCERA).

**5. Other Information (Continued)**

**H. Change in Accounting Principal**

The City in fiscal 2025 adopted the provisions of Governmental Accounting Standards Board Statement (GASBS) Number 101 titled *Compensated Absences*. The impact of the adoption of the GASB Statement 101 was to record in the general fund compensated absences liabilities that would be liquidated with expendable available resources upon the occurrence of relevant events such as employee resignations and terminations.

**CITY OF MILL VALLEY**  
**Notes to the Basic Financial Statements**  
**June 30, 2025**

The impact on the general fund and statement of net position was:

	<u>Net Position</u>	<u>General Fund</u>
Net position/fund balance June 30, 2024 as originally reported	\$19,419,869	\$19,865,954
Change in accounting for compensated absences	<u>(26,314)</u>	<u>(146,284)</u>
Net position/fund balance June 30, 2024 As restated	<u>\$19,393,555</u>	<u>\$19,719,670</u>

**Required Supplementary Information**  
**CITY OF MILL VALLEY**  
**Budgetary Comparison Schedule - General Fund**  
**For the Fiscal Year Ended June 30, 2025**

	Budgeted Amounts		Actual Amounts	Final Budget Positive (Negative)
	Original	Final		
<b>Fund Balance, July 1</b>	\$ 19,865,954	\$ 19,865,954	\$ 19,719,670	\$ (146,284)
Resources (inflows):				
Property taxes	19,192,135	19,192,135	19,312,013	119,878
Other taxes	7,585,180	7,585,180	7,704,263	119,083
License permits	1,683,424	1,683,424	2,247,178	563,754
Fines and forfeits	65,000	65,000	59,497	(5,503)
Interest and rents	1,496,815	1,496,815	2,119,044	622,229
Intergovernmental	574,531	2,646,482	841,329	(1,805,153)
Charges for services	5,757,017	5,765,017	5,763,010	(2,007)
Miscellaneous	278,000	576,065	669,349	93,284
Transfers in			296,752	296,752
Amounts available for charges to appropriations	<u>56,498,056</u>	<u>58,876,072</u>	<u>58,732,105</u>	<u>(143,967)</u>
Charges to appropriations:				
<i>General government:</i>				
City council	481,225	522,363	515,033	7,330
Technical services			-	-
City manager	747,415	791,415	716,469	74,946
City clerk	254,601	254,601	209,493	45,108
Finance	911,669	971,669	1,049,173	(77,504)
Human resources	638,150	639,465	614,646	24,819
City attorney	369,200	369,200	342,608	26,592
Planning	1,437,261	1,448,061	1,548,964	(100,903)
Nondepartmental	7,613,892	7,613,892	7,698,358	(84,466)
<i>Public safety:</i>				
Police	6,565,347	6,659,301	6,739,440	(80,139)
Fire services	49,300	98,863	160,853	(61,990)
<i>Public works:</i>				
Building	1,382,682	1,388,982	2,063,917	(674,935)
Engineering	887,526	887,526	818,432	69,094
Street maintenance	1,167,704	1,167,704	1,532,688	(364,984)
General government building	(1)	(1)	301	(302)
Vehicle maintenance	135,001	135,001	78,352	56,649
<i>Library</i>	3,383,150	3,384,150	3,347,724	36,426
<i>Parks and recreation</i>				
Recreation	822,503	825,253	1,009,234	(183,981)
Park maintenance	1,910,128	1,973,943	2,038,703	(64,760)
Community programs	680,790	722,278	698,499	23,779
Golf course	1,088,966	1,088,966	898,513	190,453
Recreation services	1,054,637	1,044,490	1,097,876	(53,386)
Aqua fitness	1,679,697	1,679,697	1,879,046	(199,349)
Community center	1,318,828	1,308,681	1,302,953	5,728
<i>Capital outlay</i>		2,063,562	256,803	1,806,759
<i>Transfers out</i>	-	421,117	2,650,953	(2,229,836)
Total charges to appropriations	<u>34,579,671</u>	<u>37,460,179</u>	<u>39,269,031</u>	<u>(1,808,852)</u>
Change in fund balance	<u>2,052,431</u>	<u>1,549,939</u>	<u>(256,596)</u>	<u>(1,952,819)</u>
Fund Balance, June 30	<u>\$ 21,918,385</u>	<u>\$ 21,415,893</u>	<u>\$ 19,463,074</u>	<u>\$ (1,952,819)</u>

CITY OF MILL VALLEY

Budgetary Comparison Schedule - General Fund

Note to RSI

For the Fiscal Year Ended June 30, 2025

**Note A. Explanation of Difference between Budgetary Inflows and Outflows and GAAP Revenues and expenditures:**

**Sources/inflows resources:**

Actual amounts "available for appropriation" from budgetary comparison schedule:	\$ 58,878,389
Differences - budget to GAAP:	
Transfers in are not considered revenues for financial reporting	(296,752)
The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes	<u>(19,865,954)</u>
Total revenues as reported in the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$ 38,715,683</u>

**Uses/outflows of resources:**

Actual amounts "total charges to appropriations" from the budgetary comparison schedule	\$ 39,269,031
Differences - budget to GAAP:	
Transfers to fiduciary trust fund reclassified as fund expenditure	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(2,650,953)</u>
Total expenditures as reported in the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$ 36,618,078</u>

**Required Supplementary Information**  
**CITY OF MILL VALLEY**  
**Budgetary Comparison Schedule - Sanitation Special Revenue Fund**  
**For the Fiscal Year Ended June 30, 2025**

	<u>Budgeted Amounts</u>		Actual Amounts	Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Fund Balance, July 1</b>	\$ 11,655,321	\$ 11,655,321	\$ 11,655,321	
Resources (inflows):				
Sewer service fees	10,209,628	10,209,628	10,076,171	(133,457)
Sewer connection fees	21,800	21,800	3,755	(18,045)
Interest and rents	250,000	250,000	498,159	248,159
Lateral fees	35,958	35,958	56,301	20,343
Miscellaneous				
Amounts available for charges to appropriations	<u>22,172,707</u>	<u>22,172,707</u>	<u>22,289,707</u>	<u>117,000</u>
<b>Charges to appropriations:</b>				
<i>Sanitation:</i>				
Salaries and benefits	554,947	554,947	475,019	79,928
Supplies and services	1,339,122	1,339,122	1,078,726	260,396
Intergovernmental-SASM	5,264,825	5,264,825	5,264,825	
<i>Debt service:</i>				
Principal	115,000	115,000	125,000	
Interest	136,275	136,275	120,900	15,375
Capital outlay	3,530,948	6,801,816	2,934,986	3,866,830
<i>Transfers out</i>	-	-	256,043	
Total charges to appropriations	<u>10,941,117</u>	<u>14,211,985</u>	<u>10,255,499</u>	<u>4,222,529</u>
Fund Balance, June 30	<u>\$ 11,231,590</u>	<u>7,960,722</u>	<u>\$ 12,034,208</u>	<u>\$ 4,339,529</u>

**Explanation of Differences Between Budgetary Inflows and GAAP revenues:**

**Sources of inflows/resources:**

Actual amounts available for appropriation from budgetary comparison schedule	\$ 22,289,707
Differences - budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource, but is not a current year revenue for financial reporting purposes	<u>(11,655,321)</u>
Total revenues as reported in the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 10,634,386</u>

**Uses/outflows of resources:**

Actual amounts " total charges to appropriations" from budgetary comparison schedule	\$ 10,255,499
Differences - budget to GAAP:	
Transfers to other funds are outflows for budgetary purposes but, are not considered to be expenditures for financial reporting purposes	<u>(256,043)</u>
Total expenditures as reported in the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$ 9,999,456</u>

**Required Supplementary Information**  
**CITY OF MILL VALLEY**  
**Budgetary Comparison Schedule - Measure A Streets Special Revenue Fund**  
**For the Fiscal Year Ended June 30, 2025**

	Budgeted Amounts		Actual Amounts	Final Budget Positive (Negative)
	Original	Final		
<b>Fund Balance, July 1</b>	\$ 580,100	\$ 580,100	\$ 580,100	\$
Resources (inflows):				
Intergovernmental:				
Measure A and AA sales taxes	360,865	360,865	360,865	-
Measure A Safe Routes				-
Amounts available for charges to appropriations	<u>940,965</u>	<u>940,965</u>	<u>940,965</u>	<u>-</u>
<b>Charges to appropriations:</b>				
<i>Streets - Capital Outlay:</i>				
E. Blithdale Rehab		25,000		25,000
Downtown paving		149,461	22,600	126,861
Safe path pedestrian crosswalk		1,870		1,870
Downtown paving utilities				-
Annual street rehab		97,304	97,304	
Annual street rehab - arterials	54,130	54,130		54,130
Annual street rehab - collection	<u>306,735</u>	<u>306,735</u>	<u>164,722</u>	<u>142,013</u>
Total charges to appropriations	<u>360,865</u>	<u>634,500</u>	<u>284,626</u>	<u>349,874</u>
Fund Balance, June 30	<u>\$ 580,100</u>	<u>\$ 306,465</u>	<u>\$ 656,339</u>	<u>\$ 349,874</u>

**Explanation of Differences Between Budgetary Inflows and GAAP revenues:**

**Sources of inflows/resources:**

Actual amounts available for appropriation from budgetary comparison schedule	\$ 940,965
Differences - budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource, but is not a current year revenue for financial reporting purposes	<u>(580,100)</u>
Total revenues as reported in the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 360,865</u>

**CITY OF MILL VALLEY**  
**Schedule of the City's Proportionate Share of the Net Pension Liability**  
**(Last Ten Fiscal Years)**  
**As of June 30, 2024**

	Fiscal Year End June 30				
	2016	2017	2018	2019	2020
<b>Measurement Date June 30</b>	2015	2016	2017	2018	2019
City's proportionate share of the net pension liability	0.36437%	0.38159%	0.38450%	0.39633%	0.308225%
City's proportionate share of the net pension liability	\$25,010,100	\$33,018,955	\$ 38,221,086	\$38,191,140	\$ 41,470,544
City' covered payroll	\$12,509,120	\$12,768,714	\$ 13,258,448	\$13,848,246	\$ 14,365,752
City's proportionate share of the net pension liability as a percentage of its covered employee payroll	198.35%	258.59%	288.28%	275.78%	288.68%
Plan's (PERF C) fiduciary net position as a percentage of the Plan's total pension liability	78.40%	75.12%	73.77%	74.65%	74.00%

	Fiscal Year Ended June 30				
	2021	2022	2023	2024	2025
<b>Measurement Date June 30</b>	2020	2021	2022	2023	2024
City's proportionate share of the net pension liability	0.41500%	0.50745%	0.45120%	0.44660%	0.45288%
City's proportionate share of the net pension liability	\$45,158,668	\$27,445,719	\$ 52,117,127	\$55,714,904	\$ 54,923,079
City' covered payroll	\$14,347,370	\$13,991,687	\$ 14,728,615	\$15,910,008	\$ 13,645,783
City's proportionate share of the net pension liability as a percentage of its covered employee payroll	314.75%	196.16%	353.85%	350.18%	402.49%
Plan's (PERF C) fiduciary net position as a percentage of the Plan's total pension liability	72.67%	84.96%	71.42%	70.83%	72.34%

**Notes to the schedule:**

**Benefit changes:** In fiscal 2023, there were no plan changes

**Changes in assumptions:** In fiscal 2016, the plan's discount rate was changed from 7.5 %to 7.65 %. In fiscal 2018, the plan's discount rate was changed from 7.65% to 7.15%., the discount rate in fiscal 2023 waas 6.90%

**Last Ten Years:** This schedule is intended to show information for 10 years. Fiscal 2015 was the first year of implementation, and additional years will be presented as it becomes available.

**CITY OF MILL VALLEY**  
**Schedule of the Employer Pension Contributions**  
**(Last Ten Fiscal Years)**  
**As of June 30, 2025**

<b>Contributions for the fiscal year ended</b>	Fiscal Year Ended June 30				
	2016	2017	2018	2019	2020
Contractually required contributions	\$ 2,551,885	\$ 2,833,207	\$ 3,278,220	\$ 3,806,227	\$ 4,557,060
Contributions in relation to the contractually required contribution	\$ 2,551,885	\$ 2,833,207	\$ 3,278,220	\$ 3,806,227	\$ (4,557,060)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered employee payroll	\$ 12,658,258	\$ 13,258,448	\$ 13,848,246	\$ 14,365,752	\$14,347,370
Contributions as a percentage of the covered employee payroll	20.16%	21.37%	23.67%	25.50%	31.78%
<b>Contributions for the fiscal year ended</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
Contractually required contributions	\$ 5,018,357	\$ 5,445,143	\$ 5,937,251	\$ 5,405,547	\$ 6,178,536
Contributions in relation to the contractually required contribution	\$ (5,018,357)	\$ (5,445,143)	\$ 5,937,251	\$ 5,405,547	\$ 6,178,536
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered employee payroll	\$ 13,991,687	\$ 14,728,615	\$ 15,910,008	\$ 13,645,783	\$14,773,316
Contributions as a percentage of the covered employee payroll	35.87%	36.97%	37.32%	39.61%	41.82%

**Notes to the schedule:**

Plan valuation date: June 30, 2021

Last Ten Years: This schedule is intended to show information for 10 years. Fiscal 2015 was the first year of implementation, and additional information will be presented as it becomes available

Covered payroll: Commencing in fiscal 2024 fire personnel transferred by annexion to Southern Marin Fire Protection District

**CITY OF MILL VALLEY**  
**Required Supplementary Information**  
**Schedule of Changes in the City's Net OPEB Liability and Related Ratios**  
**Last 10 Fiscal Years**

	Fiscal Year June 30							
	2018	2019	2020	2021	2022	2023	2024	2025
<b>Total OPEB Liability:</b>								
Service cost	\$ 821,123	\$ 847,809	\$ 729,364	\$ 753,068	\$ 540,874	\$ 557,101	\$ 545,067	\$ 561,419
Interest	1,900,912	1,991,776	2,107,334	2,195,243	1,852,153	1,916,378	1,640,171	1,680,058
Changes of benefit terms								(1,530,944)
Differences between expected and actual experience		381,412		(5,594,805)		(5,321,952)	-	(4,436,104)
Changes of assumptions		150,976		(1,470,077)		2,120,912	-	2,270,440
Benefit payments	(1,168,171)	(1,300,468)	(1,354,624)	(1,435,893)	(1,342,889)	(1,334,801)	(1,422,694)	(1,530,052)
<b>Net change in total OPEB Liability</b>	<b>1,553,864</b>	<b>2,071,505</b>	<b>1,482,074</b>	<b>(5,552,464)</b>	<b>1,050,138</b>	<b>(2,062,362)</b>	<b>762,544</b>	<b>(2,985,183)</b>
<b>Total OPEB liability, beginning of year</b>	<b>31,444,815</b>	<b>32,998,679</b>	<b>35,070,194</b>	<b>36,552,258</b>	<b>30,999,794</b>	<b>32,049,932</b>	<b>29,987,570</b>	<b>30,750,114</b>
<b>Total OPEB liability, end of year (a)</b>	<b>\$ 32,998,679</b>	<b>\$ 35,070,184</b>	<b>\$ 36,552,268</b>	<b>\$ 30,999,794</b>	<b>\$ 32,049,932</b>	<b>\$ 29,987,570</b>	<b>\$ 30,750,114</b>	<b>\$ 27,764,931</b>
<b>Plan fiduciary net position:</b>								
Contributions employer	\$ 2,344,418	\$ 2,534,386	\$ 2,565,502	\$ 2,485,746	\$ 1,692,232	\$ 1,773,043	\$ 1,812,216	\$ 1,697,917
Net investment income	642,161	412,262	880,443	720,887	3,042,004	1,139,050	600,914	1,456,064
Investment experience						(3,508,977)	-	-
Benefit payments	(1,168,171)	(1,300,468)	(1,354,624)	(1,435,893)	(1,342,889)	(1,334,801)	(1,422,694)	(1,530,052)
Administrative expense	(40)	(4,602)	(2,563)	(7,012)	(5,628)	(4,750)	(4,822)	(5,735)
<b>Net change in fiduciary net position</b>	<b>1,818,368</b>	<b>1,641,578</b>	<b>2,088,758</b>	<b>1,763,728</b>	<b>3,385,719</b>	<b>(1,936,435)</b>	<b>985,614</b>	<b>1,618,194</b>
<b>Plan fiduciary net position, beginning of year</b>	<b>8,069,260</b>	<b>9,887,628</b>	<b>11,529,206</b>	<b>13,617,964</b>	<b>15,381,692</b>	<b>18,767,411</b>	<b>16,830,976</b>	<b>17,816,590</b>
<b>Plan fiduciary net position, end of year (b)</b>	<b>\$ 9,887,628</b>	<b>\$ 11,529,206</b>	<b>\$ 13,617,964</b>	<b>\$ 15,381,692</b>	<b>\$ 18,767,411</b>	<b>\$ 16,830,976</b>	<b>\$ 17,816,590</b>	<b>\$ 19,434,784</b>
<b>City's net OPEB liability, end of year (a-b)</b>	<b>\$ 23,111,051</b>	<b>\$ 23,540,978</b>	<b>\$ 22,934,294</b>	<b>\$ 15,618,102</b>	<b>\$ 13,282,521</b>	<b>\$ 13,156,594</b>	<b>\$ 12,933,524</b>	<b>\$ 8,330,147</b>
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	<b>29.96%</b>	<b>32.87%</b>	<b>37.26%</b>	<b>49.62%</b>	<b>58.60%</b>	<b>58.60%</b>	<b>57.94%</b>	<b>70.00%</b>
<b>Covered employee payroll</b>	<b>\$ 12,281,782</b>	<b>\$ 11,946,664</b>	<b>\$ 11,138,043</b>	<b>\$ 8,932,457</b>	<b>\$ 9,433,578</b>	<b>\$ 9,105,581</b>	<b>\$ 7,652,650</b>	<b>\$ 5,067,118</b>
<b>City's net OPEB liability as a percentage of covered payroll</b>	<b>188.17%</b>	<b>197.05%</b>	<b>205.91%</b>	<b>174.85%</b>	<b>140.80%</b>	<b>144.49%</b>	<b>169.01%</b>	<b>164.40%</b>

**Notes to Schedule:**

Benefit changes: No changes in fiscal 2018 -2024. In fiscal 2025, the City eliminated the WHA Medicare plan coverage as an option for Medicare retirees. All affected retirees transitioned to Non-City coverage

Changes of assumptions: No significant changes in assumptions 2018-2020. In 2021 major change in assumptions was the elimination of the excise tax liability.

Ten years of Data: Fiscal 2018 was the first year of implementation of the GASB Statement Number 75. Additional years of information will be presented as it becomes available.

Covered payroll: Commencing in fiscal 2024 fire personnel transferred by annexation to Southern Marin Fire Protection District

**CITY OF MILL VALLEY**  
**Required Supplementary Information**  
**Schedule of Contributions to OPEB Plan**  
**Last 10 Fiscal Years**

Fiscal Year Ended June 30	2018	2019	2020	2021	2022	2023	2024	2025
Actuarially determined contribution	\$ 2,444,925	\$ 2,389,781	\$ 2,358,202	\$ 1,734,338	\$ 1,782,326	\$ 1,831,440	\$ 1,612,464	\$ 1,045,192
Contributions in relation to the actuarially determined contribution	(2,534,386)	(2,565,502)	(2,485,746)	(1,692,232)	(1,773,043)	(1,812,216)	(1,697,917)	(1,688,454)
Contribution deficiency (Excess)	\$ (89,461)	\$ (175,721)	\$ (127,544)	\$ 42,106	\$ 9,283	\$ 19,224	\$ (85,453)	\$ (643,262)

Covered employee payroll	\$ 11,946,664	\$ 11,138,043	\$ 8,932,457	\$ 9,433,578	\$ 9,105,581	\$ 7,652,650	\$ 5,067,118	\$ 4,925,028
Contributions as a percentage of covered employee payroll	21.21%	23.03%	27.83%	17.94%	19.47%	23.68%	33.51%	34.28%

**Notes to schedule:**

Valuation Date	June 30, 2016	June 30, 2018	June 30, 2018	June 30, 2020	June 30, 2020	June 30, 2022	June 30, 2022	June 30, 2024
Actuarial cost method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization method	Level Percent of Pay; 30 years Closec	Level Percent of Pay; 30 years Closed	Level Percent of Pay; 30 years Closed	Level Percent of Pay; 30 years Closed	Level Percent of Pay; 30 years Closed	Level Percent of Pay; 30 years Closed	Level Percent of Pay; 30 years Closed	Level Percent of Pay; 30 years Closec
Amortization period	21 years remain	20 years remain	19 years remain	18 years remain	17 years remain	16 years remain	15 years remain	14 years remain
Asset valuation method	Market Value	Market Value	Market Value	Market Value	Market Value	Market Value	Market Value	Market Value
Inflation	2.75%	2.75%	2.75%	2.50%	2.50%	2.50%	2.50%	2.50%
Healthcare cost trend rates	7% in 2017 5% in steps of .25%	7.5 % in 2017 5% in steps of .25%	7% in 2019 5% in steps of .25%	6.5% in 2021 4% by 2076	6.5% in 2021 4% by 2076	7.4% in 2023, 3.9% by 2075	7.4% in 2023, 3.9% by 2075	7.4% in 2023, 3.9% by 2075
Salary increases	3.25%	3.25%	3.25%	3.00%	3.00%	3.00%	3.00%	3.00%
Investment rate of return	6.0%	6.0%	6.0%	6.0%	6.0%	5.5%	5.5%	5.5%
Retirement age	50 to 75	50 to 75	50 to 75	50 to 75	50 to 75	50 to 75	50 to 75	50 to 75
Mortality	CalPERS 2014 Experience Study	CalPERS 2017 Experience Study	CalPERS 2017 Experience Study	CalPERS 2017 Experience Study	CalPERS 2017 Experience Study	CalPERS 2021 Experience Study	CalPERS 2021 Experience Study	CalPERS 2021 Experience Study
Mortality Improvement	MW Scale 2017 generationally	MW Scale 2018 generationally	MW Scale 2018 generationally	MW Scale 2020 generationally	MW Scale 2020 generationally	MW Scale 2022 generationally	MW Scale 2022 generationally	MW Scale 2022 generationally
Benefit changes	None in fiscal 2018 -2024. In fiscal 2025, the City eliminated the WHA Medicare plan as an option for Medicare retirees. All affected retirees transitioned to Non-City coverage.							
Changes of assumptions	No significant changes 2018-2020. In 2021 major change elimination of excise tax liability.							
Ten years of data	Fiscal 2018 was the first year that GASB statement Number 75 was implemented by the City. Additional years of data will be presented as it becomes available.							
Covered Payroll changes	Commencing in fiscal 2024 fire personel transferred by annexataion to Southern Marin Fire Protection District							

**CITY OF MILL VALLEY  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEETS  
June 30, 2025**

**Special Revenue Funds**

	Parking	Infrastructure Sales Tax	Gas Tax	Road Impact Fee	Clean Stormwater	Measure A Parks	Measure B Streets
<b>Assets</b>							
Cash and investments	\$ 494,848	\$ 209,322	\$ 601,004	\$ 1,210,453	\$ 24,755	\$ 69,615	
Cash and investments with fiscal agent							
Receivables (net of allowance for uncollectibles):							
Accounts							
Intergovernmental			66,505	41,697	3,484		51,210
<b>Total assets</b>	<u>\$ 494,848</u>	<u>\$ 209,322</u>	<u>\$ 667,509</u>	<u>\$ 1,252,150</u>	<u>\$ 28,239</u>	<u>\$ 69,615</u>	<u>\$ 51,210</u>
<b>Liabilities and Fund Fund Balances</b>							
<b>Liabilities:</b>							
Accounts payable	\$ 18,780	\$ 2,954	\$	\$	\$ 76,370	\$ 35,324	
Accrued payables							
Agreement payable							
Due to other funds					46,525		\$ 51,210
<b>Total liabilities</b>	<u>18,780</u>	<u>2,954</u>			<u>122,895</u>	<u>35,324</u>	<u>\$ 51,210</u>
<b>Fund balances:</b>							
<b>Restricted for:</b>							
Streets	476,068		667,509	1,252,150			
Parks and recreation						34,291	
Public safety							
Housing							
Debt service							
Committed for equipment and Capital improvements		206,368					
Unassigned					(94,656)		
<b>Total fund balances</b>	<u>476,068</u>	<u>206,368</u>	<u>667,509</u>	<u>1,252,150</u>	<u>(94,656)</u>	<u>34,291</u>	
<b>Total liabilities and fund balances</b>	<u>\$ 494,848</u>	<u>\$ 209,322</u>	<u>\$ 667,509</u>	<u>\$ 1,252,150</u>	<u>\$ 28,239</u>	<u>\$ 69,615</u>	<u>\$ 51,210</u>

Measure C Wildfire Prevention	Supplemental			Capital Projects Fund		Totals
	Law Enforcement Services	Municipal Services	Housing Impact	Equipment Replacement Fund	Debt Service Fund	
\$ 170,667	\$ 285,290	\$ 2,437,788	\$ 1,653,350	\$ 1,795,620	\$ 341,086 \$ 148,448	\$ 9,293,798 \$ 148,448
26,555	544	13,852		18,784	2,384	18,784 206,231
<u>\$ 197,222</u>	<u>\$ 285,834</u>	<u>\$ 2,451,640</u>	<u>\$ 1,653,350</u>	<u>\$ 1,814,404</u>	<u>\$ 491,918</u>	<u>\$ 9,667,261</u>
\$ 190	\$ 268 \$ 41	\$ 83,975	\$ 29,439	\$	\$ 1,323	\$ 248,623 41 -
190	309	83,975	29,439		1,323	97,735 346,399
197,032	285,525	2,367,665	1,623,911	1,814,404	490,595	4,763,392 34,291 482,557 1,623,911 490,595
<u>197,032</u>	<u>285,525</u>	<u>2,367,665</u>	<u>1,623,911</u>	<u>1,814,404</u>	<u>490,595</u>	<u>2,020,772</u> <u>(94,656)</u>
<u>\$ 197,222</u>	<u>\$ 285,834</u>	<u>\$ 2,451,640</u>	<u>\$ 1,653,350</u>	<u>\$ 1,814,404</u>	<u>\$ 491,918</u>	<u>\$ 9,667,261</u>

**CITY OF MILL VALLEY  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

<b>Special Revenue Funds</b>						
	Parking	Infrastructure Sales Tax	Gas Tax	Road Impact Fee	Clean Stormwater	Measure A Parks
<b>Revenues:</b>						
Municipal services tax	\$	\$	\$	\$	\$	\$
Property taxes						
Sales taxes		189,167				143,594
Interest	16,215	20,155	16,411	41,164	(285)	11,795
Intergovernmental			816,199			
Charges for services	558,832			731,249	98,647	
Licenses and permits	193,726					
<b>Total revenues</b>	<u>768,773</u>	<u>209,322</u>	<u>832,610</u>	<u>772,413</u>	<u>98,362</u>	<u>155,389</u>
<b>Expenditures:</b>						
<b>Current:</b>						
General government						
Public safety						
Streets		2,954	226,488	258,384	98,483	
Parking	615,587					
Parks and recreation						27,684
<b>Debt service:</b>						
Principal	25,378					
Interest	2,923					
Capital outlay			191,401	45,767	105,977	376,857
<b>Total expenditures</b>	<u>643,888</u>	<u>2,954</u>	<u>417,889</u>	<u>304,151</u>	<u>204,460</u>	<u>404,541</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>124,885</u>	<u>206,368</u>	<u>414,721</u>	<u>468,262</u>	<u>(106,098)</u>	<u>(249,152)</u>
<b>Other financing sources (uses):</b>						
Transfers in					37,296	
Transfers out	(18,218)					
<b>Total other financing sources (uses)</b>	<u>(18,218)</u>				<u>37,296</u>	
<b>Net change in fund balances</b>	106,667	206,368	414,721	468,262	(68,802)	(249,152)
<b>Fund balances, July 1</b>	<u>369,401</u>		<u>252,788</u>	<u>783,888</u>	<u>(25,854)</u>	<u>283,443</u>
<b>Fund balances, June 30</b>	<u>\$ 476,068</u>	<u>\$ 206,368</u>	<u>\$ 667,509</u>	<u>\$1,252,150</u>	<u>\$ (94,656)</u>	<u>\$ 34,291</u>

Measure B Streets	Measure C Wildfire Prevention	Supplemental Law Enforcement Services	Municipal Services	Housing Impact	Capital Project Fund		Totals
					Equipment Replacement Fund	Debt Service Fund	
\$	\$	\$	\$ 1,900,961	\$	\$	\$	\$ 1,900,961
						324,745	324,745
	1,673	11,336	84,952	62,099	68,555	39,706	332,761
49,067	546,605	195,056					373,776
				436,578			1,606,927
							1,825,306
							193,726
49,067	548,278	206,392	1,985,913	498,677	68,555	364,451	6,558,202
				80,650		22,030	\$ 102,680
	347,736	118,562	401,201				466,298
					266,382	392,000	987,510
49,067			1,365,212		128,157	199,636	202,559
						30,408	2,292,846
49,067	347,736	118,562	1,766,413	80,650	394,539	644,074	5,378,924
-	200,542	87,830	219,500	418,027	(325,984)	(279,623)	1,179,278
		(358)		(22,134)		297,425	334,721
						(23,823)	(64,533)
		(358)		(22,134)	-	273,602	270,188
-	200,542	87,472	219,500	395,893	(325,984)	(6,021)	1,449,466
	(3,510)	198,053	2,148,165	1,228,018	2,140,388	496,616	<b>7,871,396</b>
\$	\$ 197,032	\$ 285,525	\$ 2,367,665	\$ 1,623,911	\$ 1,814,404	\$ 490,595	\$ 9,320,862

**CITY OF MILL VALLEY**  
**Salary and Benefits Supplemental Summary**  
**Governmental Activities**  
**June 30, 2025**

	<u>Fiscal Year 2024-25</u>		<u>Fiscal Year 2023-24</u>	
	<u>Salaries &amp; Wages</u>	<u>Employee Benefits (1)</u>	<u>Salaries &amp; Wages</u>	<u>Employee Benefits (1)</u>
General Government	\$ 1,929,704	\$ 629,702	\$ 1,561,098	\$ 502,489
Planning and Building	1,706,007	475,805	1,433,460	464,907
Public Safety				
Police protection	3,765,745	1,405,781	3,660,412	1,334,808
Fire protection	87,905	55,899	346,114	173,954
Public Works				
Administration	1,133,525	318,893	1,045,301	288,939
Streets	391,809	299,546	406,123	289,224
Park Maintenance	623,775	390,693	567,516	306,950
Sanitary Sewers	355,156	119,867	355,573	128,356
Library	1,719,043	392,077	1,670,672	365,554
Parking	301,320	75,072	243,791	80,843
Recreation and Culture:				
Recreation Administration	505,597	284,882	518,857	143,775
Community Center	619,843	179,867	522,143	172,271
Aquatics and Fitness	938,442	189,417	763,023	200,743
Golf Course	-	-	-	-
Fee Programs	866,299	189,145	663,719	203,150
Govt. Buildings Maint.	157,952	93,408	165,523	88,107
Vehicle/Equip. Maint	199,075	99,927	217,653	95,208
	<u>\$ 15,301,197</u>	<u>\$ 5,199,980</u>	<u>\$ 14,140,979</u>	<u>\$ 4,839,277</u>

**OPEB - Retiree Medical Expense not allocated to Departments**

Retiree Medical Premiums Paid	\$ 1,115,809	\$ 1,077,259
Contributions to OPEB Funding Trust	100,000	167,865
<b>Total OPEB Expense</b>	<u>\$ 1,215,809</u>	<u>\$ 1,245,124</u>

**Total All Benefit Costs**

<u>\$ 6,415,789</u>	<u>\$ 6,084,402</u>
---------------------	---------------------

(1) Benefits Include:

CalPERS Pension Contributions	\$ 5,602,592	\$ 4,884,396
Contribution paid by Employees	\$ (42,238)	\$ (62,139)
Pension Obligation Bond Payments	319,576	308,504
Medical and Dental Premiums	2,561,794	2,399,357
Other (2)	(3,241,743)	(2,690,841)
<b>Total</b>	<u>\$ 5,199,980</u>	<u>\$ 4,839,277</u>

(2) Life & Disability Insurance premiums, Workers' Compensation, Deferred Compensation and Medicare/Social Security premiums.

NOTES:

(1) Benefits in FY 23/24 no longer include UAL.

## APPENDIX D

### PROPOSED FORM OF BOND COUNSEL OPINION

[Closing Date]

Mill Valley Public Financing Authority  
Mill Valley, California

Re: *Mill Valley Public Financing Authority Lease Revenue Bonds, Series 2026A*

Ladies and Gentlemen:

We have acted as bond counsel to the Mill Valley Public Financing Authority (the “Authority”) in connection with the issuance by the Authority of \$13,885,000 Lease Revenue Bonds, Series 2026A (the “Series 2026A 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, 2026 (the “Indenture”), by and among the Authority, the City of Mill Valley (the “City”) and The Bank of New York Mellon Trust Company, N.A., as Trustee. The Series 2026A Bonds will be principally secured by Base Rental Payments to be made by the City pursuant to a Lease Agreement, dated as of June 1, 2026 (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 Series 2026A 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 Series 2026A 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 Indenture, 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 Series 2026A Bonds.

2. The Indenture and the Lease have each been duly authorized and approved 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 and approved 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 Series 2026A 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 Series 2026A 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, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, 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; however, it should be noted that with respect to applicable corporations as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended (the "Code"), interest (and original issue discount) with respect to the Bonds might be taken into account in determining adjusted financial statement income for purposes of computing the alternative minimum tax imposed on such corporations.

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. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

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 Series 2026A Bonds are based upon certain representations of fact and certifications made by the City and others and are subject to the condition that the Authority and the City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Series 2026A 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 Series 2026A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2026A 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 Series 2026A Bonds.

Certain requirements and procedures contained or referred to in the Indenture, the Lease and the 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 the 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 Series 2026A 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 LLP.

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 Series 2026A 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 Series 2026A Bonds. We expressly disclaim any duty to advise the owners of the Series 2026A Bonds with respect to the matters contained in the Official Statement and any other offering material relating to the Series 2026A Bonds.

Respectfully submitted,

## APPENDIX E

### FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate, dated as of June 4, 2026 (the “Disclosure Certificate”) is executed and delivered by the City of Mill Valley (the “City”) in connection with the issuance by the Mill Valley Public Financing Authority (the “Authority”) of its Lease Revenue Bonds, Series 2026A (the “Bonds”) pursuant to an Indenture dated as of June 1, 2026, by and among the City, the Authority, and The Bank of New York Mellon Trust Company, N.A., as Trustee (the “Trustee”).

Capitalized terms not defined herein shall have the meaning set forth in the Indenture. The City covenants and agrees as follows:

SECTION 1. Purpose of this Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the Owners and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule (as the foregoing capitalized terms are hereinafter defined).

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

“Beneficial Owner” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Dissemination Agent” shall mean NBS, or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation. In the absence of such a designation, the City shall act as the Dissemination Agent.

“Financial Obligation” shall mean, for purposes of the Listed Events set out in Section 5(a)(10) and Section (5)(b)(8), a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term “Financial Obligation” shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

“Listed Events” shall mean any of the events listed in Section 5 of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (“EMMA”) website of the MSRB, currently located at <http://emma.msrb.org>.

“Official Statement” shall mean the Official Statement relating to the Bonds.

“Participating Underwriter” shall mean the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

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

SECTION 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent by written direction to such Dissemination Agent to, not later than April 1 after the end of the City’s fiscal year (which currently ends on June 30), commencing with the report due for the fiscal year ending June 30, 2026, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the City may be submitted separately from and later than the balance of the Annual Report if they are not available by the date required above for the filing of the Annual Report.

An Annual Report shall be provided at least annually notwithstanding any fiscal year longer than 12 calendar months. The City’s fiscal year is currently effective from July 1 to the immediately succeeding June 30 of the following year. The City will promptly notify the MSRB of a change in the fiscal year dates.

(b) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, the City shall provide the Annual Report to the Dissemination Agent (if the Dissemination Agent is not the City). If by fifteen (15) Business Days prior to the date specified in (a) for the Annual Report, the Dissemination Agent (if other than the City) has not received a copy of the Annual Report, the Dissemination Agent shall notify the City of such failure to receive the report. If the Dissemination Agent is other than the City, the City shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder. The Dissemination Agent may conclusively rely upon such certification of the City and shall have no duty or obligation to review such Annual Report.

(c) If the City fails to provide an Annual Report by the date required in subsection (a), the City shall or shall cause the Dissemination Agent to, in a timely manner, send a notice of such failure to file to the MSRB, in substantially the form attached as Exhibit A.

SECTION 4. Content of Annual Reports. The City’s Annual Report shall contain or include by reference the following:

(a) Financial Statements. The audited financial statements of the City for the most recent fiscal year of the City then ended. If the City prepares audited financial statements and if the audited financial statements are not available by the time the Annual Report is required to be filed, the Annual Report shall contain any unaudited financial statements of the City in a format similar to the financial statements, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available. Audited financial statements of the City shall be audited by such auditor as shall then be required or permitted by State law. Audited financial statements, if prepared by the City, shall be prepared in accordance with generally accepted accounting principles as prescribed for governmental units by the Governmental Accounting Standards Board; provided, however, that the City may from time to time, if required by federal or state legal requirements, modify the basis upon which its financial statements are prepared. In the event that the City shall modify the basis upon which its financial statements are prepared, the City shall provide a notice of such modification to the MSRB, including a reference to the specific federal or state law or regulation specifically describing the legal requirements for the change in accounting basis.

(b) Financial and Operating Data. Numerical and tabular information for the immediately preceding fiscal year in the following charts and tables:

1. Information of the type contained in Table 5 of the Official Statement (General Fund Statement of Revenues, Expenditures, and Change in Fund Balances);
2. Information of the type contained in Table 6 of the Official Statement (General Fund Balance Sheet);
3. Information of the type contained in Table 7 of the Official Statement (General Fund Tax Revenues by Source);
4. Information of the type contained in Table 9 of the Official Statement (Assessed Valuation); and
5. Information of the type contained in Table 11 of the Official Statement (Largest Secured Property Owners By Total Assessed Valuation).

Any or all of the items listed above may be included in, or by specific reference to, other documents, including the City's audited financial statements, or official statements of debt issues of the City or related public entities, which have been submitted to the MSRB or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB. The City shall clearly identify each such other document so included by reference.

#### SECTION 5. Reporting of Significant Events.

(a) The City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not later than ten business days after the occurrence of the event:

1. Principal and interest payment delinquencies;
2. Unscheduled draws on debt service reserves reflecting financial difficulties;
3. Unscheduled draws on credit enhancements reflecting financial difficulties;
4. Substitution of credit or liquidity providers, or their failure to perform;
5. Adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);
6. Tender offers;
7. Defeasances;
8. Rating changes;
9. Bankruptcy, insolvency, receivership or similar event of the obligated person; or
10. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law

in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) The City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material, in a timely manner not later than ten business days after the occurrence of the event:

1. Unless described in paragraph 5(a)(5), notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;

2. Modifications to rights of Bond holders;

3. Bond calls;

4. Release, substitution, or sale of property securing repayment of the Bonds;

5. Non-payment related defaults;

6. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;

7. Appointment of a successor or additional trustee or the change of name of a trustee; or

8. Incurrence of a Financial Obligation of the obligated person, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders.

(c) Whenever the City obtains knowledge of the occurrence of a Listed Event described in Section 5(b), the City shall determine if such event would be material under applicable federal securities laws.

(d) If the City learns of the occurrence of a Listed Event described in Section 5(a), or determines that knowledge of a Listed Event described in Section 5(b) would be material under applicable federal securities laws, the City shall within ten business days of occurrence file a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsections (b)(3) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to owners of affected Bonds pursuant to the Indenture.

**SECTION 6. Format for Filings with MSRB.** Any report or filing with the MSRB pursuant to this Disclosure Certificate must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB.

**SECTION 7. Termination of Reporting Obligation.** The City's obligations under this Disclosure Certificate shall terminate upon the legal defeasance or payment in full of all of the Bonds. If such termination occurs prior to the final maturity date of the Bonds, the City shall give notice of such termination in a filing with the MSRB.

SECTION 8. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the City pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be NBS.

SECTION 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3, 4 or 5(a) or (b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Owners or Beneficial Owners of the Bonds.

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

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

SECTION 12. Duties, Immunities and Liabilities of Dissemination Agent. A Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the City agrees to indemnify and save such Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

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

**CITY OF MILL VALLEY**

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

ACKNOWLEDGED:

**NBS**  
as Dissemination Agent

By: \_\_\_\_\_  
Authorized Signatory

**EXHIBIT A**

**NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD  
OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: Mill Valley Public Financing Authority

Name of Issue: Mill Valley Public Financing Authority Lease Revenue Bonds, Series 2026A

Date of Issuance: June 4, 2026

NOTICE IS HEREBY GIVEN that the City of Mill Valley (the “City”) has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate, dated as of June 4, 2026, executed by the City. The City anticipates that the Annual Report will be filed by \_\_\_\_\_.

Dated: \_\_\_\_\_

[DISSEMINATION AGENT]

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

## 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 2026A Bonds, payment of principal, premium, if any, accreted value and interest on the Series 2026A Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Series 2026A 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 2026A 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](http://www.dtcc.com) and [www.dtc.org](http://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.