PRELIMINARY OFFICIAL STATEMENT DATED FEBRUARY __, 2021

NEW ISSUE—BOOK-ENTRY ONLY **RATING: See the caption "RATING"**

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, 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 on the Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended, but is exempt from State of California personal income tax. See the caption "TAX MATTERS."

$_________*
CITY OF CHULA VISTA
SERIES 2021 TAXABLE PENSION OBLIGATION BONDS

Dated: Date of Delivery **Due: June 1, as shown on the inside front cover page**

The City of Chula Vista (the "**City**") is issuing its $_______* aggregate principal amount of Series 2021 Taxable Pension Obligation Bonds (the "**Bonds**"), pursuant to a Trust Agreement, dated as of February 1, 2021, by and between the City and Wilmington Trust, National Association, as trustee, and pursuant to Articles 10 and 11 (commencing with Section 53570) of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code. The Bonds are being issued: (i) to pay all or a portion of the City's currently unamortized, unfunded accrued actuarial liability to the California Public Employees Retirement System with respect to the City's defined benefit retirement plans for City employees; and (ii) to pay costs of issuance of the Bonds. See the caption "PLAN OF REFINANCING."

The Bonds will be delivered in fully registered form only, and when delivered will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("**DTC**"). See the caption "THE BONDS—General." So long as Cede & Co. is the registered owner of the Bonds, references herein to the owners of the Bonds mean Cede & Co. and do not mean the Beneficial Owners of the Bonds.

Interest on the Bonds is payable semiannually on June 1 and December 1 of each year, commencing December 1, 2021, through the maturity date of such Bonds. The Bonds will be issued in denominations of integral multiples of $5,000. The Bonds will be issued in such principal amounts, and will bear interest at the rates, payable on the dates as shown on the inside front cover page of this Official Statement. The City has not funded a reserve fund in connection with the issuance of the Bonds.

The Bonds are subject to optional and mandatory sinking fund redemption prior to maturity as described under the caption "THE BONDS."

THE OBLIGATIONS OF THE CITY UNDER THE BONDS, INCLUDING THE OBLIGATION TO MAKE ALL PAYMENTS OF THE INTEREST ON AND THE PRINCIPAL OF THE BONDS WHEN DUE OR UPON PRIOR REDEMPTION, ARE ABSOLUTE AND UNCONDITIONAL, WITHOUT ANY RIGHT OF SET-OFF OR COUNTERCLAIM. THE BONDS DO NOT CONSTITUTE AN OBLIGATION OF THE CITY FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. SEE THE CAPTION "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS."

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR 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.

MATURITY SCHEDULE
(See inside front cover page)

The Bonds are offered when, as and if issued and received by the Underwriter, subject to the approval of the valid, legal and binding nature of the Bonds by Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, and certain other conditions. Certain matters will be passed upon for the City by the City Attorney, and by Stradling Yocca Carlson & Rauth, a Professional Corporation, as Disclosure Counsel, for the Underwriter by its counsel, Kutak Rock LLP, Irvine, California, and for the Trustee by its counsel. It is anticipated that the Bonds will be available for delivery through the facilities of The Depository Trust Company on or about ______, 2021.

[STIFEL]

Dated: ______, 2021

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* *Preliminary, subject to change.*

MATURITY SCHEDULE

$________*
CITY OF CHULA VISTA
SERIES 2021 TAXABLE PENSION OBLIGATION BONDS

BASE CUSIP†: _____

Maturity (June 1)	***Principal Amount***	***Interest Rate***	***Yield***	***Price***	***CUSIP†***
	$	%	%		

$_________ _____% Term Bond due June 1, 20__; Yield _____; Price _____%; CUSIP†: _______

$_________ _____% Term Bond due June 1, 20__; Yield _____; Price _____%; CUSIP†: _______

* *Preliminary, subject to change.*

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CITY OF CHULA VISTA
COUNTY OF SAN DIEGO, CALIFORNIA

CITY COUNCIL

Mary Casillas Salas, *Mayor*
John McCann, *Councilmember*
Jill Galvez, *Councilmember*
Stephen Padilla, *Councilmember*
Andrea Cardenas, *Councilmember*

CITY OFFICIALS

Maria Kachadoorian, *City Manager*
Kelley Bacon, *Deputy City Manager*
Kelly Broughton, *Deputy City Manager*
Eric Crockett, *Deputy City Manager*
David Bilby, *Director of Finance/Treasurer*
Tiffany Allen, *Director of Development Services*
Glen Googins, City Attorney
Kerry K. Bigelow, *City Clerk*

BOND COUNSEL AND DISCLOSURE COUNSEL

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

TRUSTEE

Wilmington Trust, National Association.
Costa Mesa, California

MUNICIPAL ADVISOR

NHA Advisors LLC
San Rafael, California.

No dealer, broker, salesperson or other person has been authorized by the City to give any information or to make any representations in connection with the offer or sale of the 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. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

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

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

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

This Official Statement and the information that is 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 any other parties that are described herein since the date hereof. These securities may not be sold, nor may an offer to buy them be accepted, prior to the time that the Official Statement is delivered in final form. This Official Statement is being submitted in connection with the sale of the 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 which are 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 under the captions "THE CITY" and "CITY FINANCIAL INFORMATION" and in Appendix B. As described under the caption "THE CITY—COVID-19 Outbreak" the COVID-19 pandemic is expected to materially adversely impact the City's financial condition. Historical information set forth in the Official Statement is not intended to be predictive of future results.

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

THE 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 Bonds.

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$_______[*]
CITY OF CHULA VISTA
SERIES 2021 TAXABLE PENSION OBLIGATION BONDS

INTRODUCTION

*This Introduction contains only a brief summary of certain of the terms of the Bonds being offered and a brief description of the Official Statement. All statements contained in this Introduction are qualified in their entirety by reference to the entire Official Statement. References to, and summaries of, provisions of the Constitution and laws of the State of California (the "**State**") and any documents referred to herein do not purport to be complete, and such references are qualified in their entirety by the complete documents. This Official Statement speaks only as of its date, and the information contained herein is subject to change.*

General

This Official Statement provides certain information concerning the issuance, sale and delivery of the City of Chula Vista Series 2021 Taxable Pension Obligation Bonds (the "**Bonds**"), in the aggregate principal amount of $_______[*]. The Bonds are being issued pursuant to the Trust Agreement, dated as of February1, 2021 (the "**Trust Agreement**"), by and between the City of Chula Vista (the "**City**") and Wilmington Trust, National Association, Costa Mesa, California, as trustee (the "**Trustee**"). For definitions of certain words and terms which are used herein but not otherwise defined, see Appendix C.

The Bonds are being issued: (i) to pay all or a portion of the City's currently unamortized, unfunded accrued actuarial liability (the "**Pension Liability**") to the California Public Employees' Retirement System ("**CalPERS**") with respect to the City's defined benefit retirement plans for City employees; and (ii) to pay costs of issuance of the Bonds. See the caption "PLAN OF REFINANCING."

The obligation of the City to make all payments of interest on and principal of the Bonds when due, are absolute and unconditional, without any right of set-off or counterclaim. The Bonds are not limited as to payment to any special source of funds of the City.

THE BONDS DO NOT CONSTITUTE AN OBLIGATION OF THE CITY FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE BONDS NOR THE OBLIGATION OF THE CITY TO MAKE PAYMENTS ON THE BONDS CONSTITUTES AN INDEBTEDNESS OF THE CITY, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

The Bonds

The City is a member of CalPERS, an agent multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California (the "**State**"), including the City. As such, the City is obligated by the Public Employees' Retirement Law, constituting Part 3 of Division 5 of Title 2 of the California Government Code (the "**Retirement Law**"), and the contract, dated October 1, 1948 (as amended, the "**CalPERS Contract**"), by and between the City Council of the City (the "**City Council**") and the Board of Administration of CalPERS, to: (a) make contributions to CalPERS to fund pension benefits for certain City employees, (b) amortize the unfunded accrued actuarial liability with respect to such pension benefits, and (c) appropriate funds for such purposes.

---

[*] *Preliminary, subject to change.*

The City is authorized pursuant to Articles 10 and 11 (commencing with Section 53570) of Chapter 3 of Division 2 of Title 5 of the California Government Code (the "**Refunding Bond Law**"), to issue bonds for the purpose of refunding obligations evidenced by the CalPERS Contract. The Bonds are authorized and issued pursuant to the Trust Agreement and a resolution adopted by the City Council on September 15, 2020 (the "**Resolution**"). The proceeds of the sale of the Bonds (exclusive of amounts applied to pay costs of issuance) will be used to refund all or a portion of the City's obligations evidenced by the CalPERS Contract, representing the Pension Liability with respect to certain pension benefits under the Retirement Law.

Validation

On September 22, 2020, the City filed a complaint in the Superior Court of the State of California for the County of San Diego (the "**Court**") in a matter entitled *City of Chula Vista v. All Persons Interested et al*. (Case No. 37-2020-00033365-CU-MC-CTL) (the "**Validation Petition**"). The City filed the Validation Petition in order to seek judicial validation of the issuance of the Bonds and any future bonds issued to refund the Bonds. On December 10, 2020, the Court entered a default judgment (the "**Validation Judgment**") in favor of the City with respect to the Validation Petition. See the caption "VALIDATION."

Continuing Disclosure

The City has covenanted for the benefit of the Holders of the Bonds to provide, or to cause to be provided, to the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System certain annual financial information and operating data and, in a timely manner, notice of certain enumerated events. These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time ("**Rule 15c2-12**"). See the caption "CONTINUING DISCLOSURE" and Appendix E for a description of the specific nature of the annual report and notices of enumerated events.

Miscellaneous

The information and expressions of opinion herein speak only as of their date and are subject to change without notice. Neither the delivery of this Official Statement nor any sale made hereunder nor any future use of this Official Statement will, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof.

Included herein are brief summaries of the Trust Agreement and certain documents and reports, which summaries 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. See Appendix C. 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 City and the purchasers or Holders of the Bonds. Copies of the documents are on file and available for inspection at the corporate trust office of the Trustee in Costa Mesa, California. All capitalized terms used in this Official Statement and not otherwise defined have the meanings given to such terms in the Trust Agreement.

THE BONDS

General

The Bonds will be issued in fully registered form only and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("**DTC**"). DTC will act as Securities Depository for the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only, in the denominations hereinafter set forth. Principal, premium, if any, and interest on the Bonds will be payable by the Trustee to DTC, which is obligated in turn to remit such principal and interest to DTC Participants for subsequent disbursement to Beneficial Owners of the Bonds. See Appendix F.

The Bonds will be dated the date of delivery, mature on the dates and in the principal amounts and bear interest at the rates set forth on the inside front cover page of this Official Statement. The Bonds will be delivered in denominations equal to $5,000 or any integral multiple thereof. Interest on the Bonds will be payable on each June 1 and December 1, commencing December 1, 2021 (each, an "**Interest Payment Date**").

Interest on each Bond of each maturity will be payable at the respective per annum rates set forth in inside cover herein and will be payable on each Interest Payment Date until maturity or earlier redemption, computed using a year of 360 days comprised of twelve 30 day months. Interest on each Bond will accrue from the Interest Payment Date for the Bonds next preceding the date of authentication and delivery thereof, unless (i) such date of authentication is an Interest Payment Date in which event interest will be payable from such date of authentication; (ii) it is authenticated after a Record Date and before the close of business on the immediately following Interest Payment Date, in which event interest thereon will be payable from such Interest Payment Date; or (iii) it is authenticated prior to the close of business on the first Record Date, in which event interest thereon will be payable from the Closing Date; provided, however, that if at the time of authentication of any Bond interest thereon is in default, interest thereon will be payable from the Interest Payment Date to which interest has previously been paid or made available for payment or, if no interest has been paid or made available for payment, from the Closing Date.

Principal, premium, if any, and interest on the Bonds will be payable in currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts. Payments of interest on any of the Bonds will be made on each Interest Payment Date by check of the Trustee sent by Mail, or by wire transfer to any Holder of $1,000,000 or more of Bonds, to the account specified by such Holder in a written request delivered to the Trustee on or prior to the Record Date for such Interest Payment Date, to the Holder thereof on the Record Date; provided, however, that payments of defaulted interest will be payable to the person in whose name such Bond is registered at the close of business on a special record date fixed therefor by the Trustee which will not be more than 15 days and not less than ten days prior to the date of the proposed payment of defaulted interest. Payment of the principal of the Bonds upon redemption or maturity will be made upon presentation and surrender of each such Bond, at the Principal Office of the Trustee.

Optional Redemption of the Bonds

The Bonds maturing on or after June 1, 20__ may be redeemed at the option of the City from any source of funds on any date on or after June 1, 20__ in whole or in part from such maturities as are selected by the City and by lot within a maturity at a redemption price equal to the principal amount to be redeemed, together with accrued interest to the date of redemption, without premium. In the event of an optional redemption of the Bonds, the City will provide the Trustee with a revised sinking fund schedule giving effect to the optional redemption so completed.

Make-Whole Optional Redemption of the Bonds

The Bonds will be subject to optional redemption, in whole or in part, on any date before June 1, 20__ and prior to their maturity, at the option of the City, from any source of available funds, at a redemption price equal to the greater of the following:

(1) 100% of the principal amount of the Bonds to be redeemed; or

(2) the sum of the present value of the remaining scheduled payments of principal and interest on the Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such Bonds are to be redeemed, discounted to the date on which such Bonds are

to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate plus __ basis points;

plus, in each case, accrued interest on the Bonds to be redeemed to the date fixed for redemption.

"Treasury Rate" means, with respect to any redemption date for a particular Bond pursuant to the Trust Agreement, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available on a date selected by the City that is at least two Business Days prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to the maturity date of the Bond to be redeemed; provided, however, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

At least two Business Days prior to the date fixed for redemption pursuant to the foregoing section, the City will provide to the Trustee written confirmation of the redemption price.

Mandatory Sinking Fund Redemption of the Bonds

The Bonds maturing June 1, 20__ (the "**20__ Term Bonds**") are subject to mandatory sinking fund redemption at a redemption price equal to the principal amount thereof, plus accrued interest to the redemption date, without premium. The 20__ Term Bonds will be so redeemed on the following dates and in the following amounts:

Redemption Date (June 1)	***Principal Amount***
	$
*	

* Final maturity.

The Bonds maturing June 1, 20__ (the "**20__ Term Bonds**") are subject to mandatory sinking fund redemption at a redemption price equal to the principal amount thereof, plus accrued interest to the redemption date, without premium. The 20__ Term Bonds will be so redeemed on the following dates and in the following amounts:

Redemption Date (June 1)	***Principal Amount***
	$
*	

* Final maturity.

On or before each April 15 next preceding any mandatory sinking fund redemption date, the Trustee will proceed to select for redemption pro-rata from all Term Bonds subject to mandatory sinking fund redemption at that time, an aggregate principal amount of such Term Bonds equal to the amount for such year as set forth in the table above and will call such Term Bonds or portions thereof for redemption and give notice of such redemption in accordance with the terms of the Trust Agreement. At the option of the City, to be exercised by delivery of a written certificate to the Trustee on or before April 1 next preceding any mandatory sinking fund redemption date, it may: (a) deliver to the Trustee for cancellation Term Bonds or portions thereof (in the amount of an Authorized Denomination) of the stated maturity subject to such redemption; or (b) specify a principal amount of such Term Bonds or portions thereof (in the amount of an Authorized Denomination) which prior to said date have been purchased or redeemed (otherwise than under the mandatory sinking fund redemption provisions of the Trust Agreement) and cancelled by the Trustee at the request of the City and not theretofore applied as a credit against any mandatory sinking fund redemption requirement. Each such Term Bonds or portion thereof so delivered or previously redeemed will be credited by the Trustee at 100% of the principal amount of the Term Bonds so delivered to the Trustee by the City against the obligation of the City on such mandatory sinking fund redemption date.

Notice of Redemption

Notice of redemption will be given by the Trustee, not less than 30 nor more than 60 days prior to the redemption date: (i) in the case of Bonds not registered in the name of a Securities Depository or its nominee, to the respective Holders of the Bonds designated for redemption at their addresses appearing on the registration books of the Trustee; (ii) in the case of Bonds registered in the name of a Securities Depository or its nominee, to such Securities Depository for such Bonds; and (iii) to the Information Services. Notice of redemption to the Holders pursuant to clause (i) above will be given by mail at their addresses appearing on the registration books of the Trustee, or any other method agreed upon by such Holder and the Trustee. Notice of redemption to the Securities Depositories pursuant to clause (ii) above and the Information Services pursuant to clause (iii) above will be given by electronically secure means, or any other method agreed upon by such entities and the Trustee.

Each notice of redemption will state the Bonds or designated portions thereof to be redeemed, the date of redemption, the place of redemption, the redemption price, the CUSIP number (if any) of the Bonds to be redeemed, the distinctive numbers of the Bonds of such maturity to be redeemed, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed, the original issue date, the interest rate and the stated maturity date of each Bond to be redeemed in whole or part. Each such notice will also state that on said date there will become due and payable on each of the Bonds to be redeemed the redemption price, and redemption premium, if any, thereof, and that from and after such redemption date interest thereon will cease to accrue.

Failure to give the notices described above or any defect therein will not in any manner affect the redemption of any Bonds. Any notice sent as provided in the Trust Agreement will be conclusively presumed to have been given whether or not actually received by the addressee.

The City has the right to rescind any notice of redemption previously sent pursuant to the Trust Agreement. Any such notice of rescission will be sent in the same manner as the notice of redemption. Neither the City nor the Trustee will incur any liability, to Bond Owners, DTC, or otherwise, as a result of a rescission of a notice of redemption.

SECURITY AND SOURCE OF PAYMENT FOR THE BONDS

Bond Payments

The City will provide for payment of principal or redemption price of and interest on the Bonds from any source of legally available funds of the City. If any Bonds are Outstanding, the City will, no later than three Business Days preceding each Interest Payment Date, beginning December 1, 2021, deliver funds to the Trustee for deposit to the Revenue Fund in an aggregate amount equal to the principal (if applicable) and interest payments coming due with respect to the Bonds on such Interest Payment Date (less amounts on deposit in the Revenue Fund).

The obligations of the City under the Bonds, including the obligation to make all payments of principal, premium, if any, and interest when due, are absolute and unconditional, without any right of set-off or counterclaim.

The Bonds are obligations of the City payable from any lawfully available funds, are not limited as to payment to any special source of funds of the City, and is subject to appropriation in accordance with the Trust Agreement. The Bonds do not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation.

Revenue Fund

There has been created pursuant to the Trust Agreement a Fund to be held by the Trustee designated as the "City of Chula Vista Series 2021 Taxable Pension Obligation Bonds Revenue Fund" (the "**Revenue Fund**"). There has been created in the Revenue Fund two separate Accounts designated the "**Bond Interest Account**" and the "**Bond Principal Account**."

All amounts received by the Trustee from the City in respect of interest payments on the Bonds will be deposited in the Bond Interest Account and will be disbursed to the applicable Bondholders to pay interest on the Bonds. All amounts held at any time in the Bond Interest Account will be held for the security and payment of interest on the Bonds pursuant to the Trust Agreement. If at any time funds on deposit in the Bond Interest Account are insufficient to provide for the payment of such interest, the City will promptly deposit funds to such Account to cure such deficiency. On June 2 of each year beginning in 2021, so long as no Event of Default has occurred and is continuing, the Trustee will transfer all amounts on deposit in the Bond Interest Account to the Revenue Fund to be used for any lawful purpose.

All amounts received by the Trustee from the City in respect of principal payments on the Bonds will be deposited in the Bond Principal Account and all amounts in the Bond Principal Account will be disbursed to pay principal on the Bonds pursuant to the Trust Agreement. If at any time funds on deposit in the Bond Principal Account are insufficient to provide for the payment of such principal, the City will promptly deposit funds to such Account to cure such deficiency.

The moneys in such Fund and Accounts will be held by the Trustee in trust and applied as provided in the Trust Agreement and, pending such application, will be subject to a lien and charge in favor of the holders of the Bonds issued and Outstanding under the Trust Agreement and for the further security of such holders until paid out or transferred as provided in the Trust Agreement.

Limited Obligations

THE BONDS ARE GENERAL OBLIGATIONS OF THE CITY PAYABLE FROM ANY LAWFULLY AVAILABLE FUNDS OF THE CITY AND ARE NOT LIMITED AS TO PAYMENT TO ANY SPECIAL SOURCE OF FUNDS OF THE CITY. THE BONDS DO NOT CONSTITUTE AN OBLIGATION OF THE CITY FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE BONDS NOR THE OBLIGATION OF THE CITY TO MAKE PAYMENTS WITH RESPECT TO THE BONDS CONSTITUTES AN INDEBTEDNESS OF THE CITY, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

Additional Bonds

From time to time, the City may enter into: (a) one or more other trust agreements or indentures; and/or (b) one or more agreements supplementing and/or amending the Trust Agreement, for the purpose of providing for the issuance of Additional Bonds: (i) to refund the Bonds; or (ii) to refund any Pension Liability under the CalPERS Contract arising subsequent to the issuance of the Bonds or any other obligations due to CalPERS. Such Additional Bonds may be issued solely on a parity with the Bonds.

No Reserve Fund

The City has not funded a reserve fund in connection with the issuance of the Bonds.

CITY PENSION PLANS

The following information is primarily derived from the City's most recent CalPERS Annual Valuation Reports as of June 30, 2019, dated July 2020, which have been produced by CalPERS, its staff, independent accountants, and actuaries. 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. Neither the City nor the Underwriter has independently verified such information and neither makes any representations nor expresses any opinion as to the accuracy of the information that has been provided by CalPERS.

General

The City participates in a Miscellaneous Plan and a Safety Plan to fund pension benefits for employees. The City's pension plans are administered by CalPERS. CalPERS administers an agent multiple-employer public employee defined benefit pension plan for all of the City's full-time and certain part-time employees. CalPERS provides retirement, disability and death benefits to plan members and beneficiaries and acts as a common investment and administrative agent for participating public entities within the State, including the City. CalPERS plan benefit provisions and all other requirements are established by State statute and the City Council.

City employees are subject to different benefit levels based on their hire date. Current benefit provisions for City employees are set forth below.

City of Chula Vista
CalPERS Pension Plans – Summary of Benefit Provisions

Miscellaneous Plan

	Tier 1*	***Tier 2***	***PEPRA***
Hire date	Prior to April 22, 2011	New Member on or after April 22, 2011 but prior to January 1, 2013	New Member on or after January 1, 2013
Benefit formula	3% @ 60	2.0% @ 60	2.0% @ 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Retirement age	50	50	52
Monthly benefits, as a % of eligible compensation	2.0% to 3.0%	1.092% to 2.418%	1.0% to 2.5%
Required employee contribution rates	8.0%	7.0%	6.75%
Required employer contribution rates	31.545%	31.545%	12.757%

Safety Fire Plan

	Tier 1*	***Tier 2***	***PEPRA***
Hire date	Prior to April 22, 2011	New Member on or after April 22, 2011 but prior to January 1, 2013	New Member on or after January 1, 2013
Benefit formula	3% @ 50	3% @55	2.7% @ 57
Benefit vesting formula	5 years of service	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Retirement age	50	50	50
Monthly benefits, as a % of eligible compensation	3.00%	2.4% to 3.0%	2.0% to 2.7%
Required employee contribution rates	9.0%	9.0%	12.25%
Required employer contribution rates	35.570%	35.570%	24.095%

Safety Police Plan

	Tier 1*	***Tier 2***	***PEPRA***
Hire date	Prior to April 22, 2011	New Member on or after April 22, 2011 but prior to January 1, 2013	New Member on or after January 1, 2013
Benefit formula	3% @ 50	3% @55	2.7% @ 57
Benefit vesting formula	5 years of service	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Retirement age	50	50	50
Monthly benefits, as a % of eligible compensation	3.00%	2.4% to 3.0%	2.0% to 2.7%
Required employee contribution rates	9.0%	9.0%	12.25%
Required employer contribution rates	35.570%	35.570%	24.095%

* Closed to new entrants.
Source: City.

California Public Employees' Pension Reform Act of 2013 (PEPRA)

California Public Employees' Pension Reform Act of 2013 ("**PEPRA**"), which was signed by the State Governor on September 12, 2012, establishes a new pension benefits for employees who were hired on and after January 1, 2013, who were not previously CalPERS members or have left employment with a CalPERS agency for more than 6 months. Employees hired prior to January 1, 2013 and have remained under continuous employment with a CalPERS agency are considered "Classic" employees.

PEPRA adjusted the benefit formulas, required employee contribution, calculation of benefits and maximum pay, as well as other benefits. PEPRA employees receive the following benefit formulas: (i) 2.0% at age 62 formula for Miscellaneous employees; and (ii) 2.7% at age 57 for Safety employees. Employees are required to pay at least 50% of the total (annual) normal cost rate, and are required to make the full amount of required employee contributions themselves under PEPRA. Benefits for such employees are calculated on the highest average annual compensation over a consecutive 36-month period. Retroactive benefits increases are also prohibited, as are contribution holidays, and purchases of additional non-qualified service credit.

PEPRA also capped pensionable income as noted below. Maximum amounts are set annually, subject to adjustment in accord with the Consumer Price Index.

City of Chula Vista
CalPERS Pension Compensation Limits for
Calendar Year 2021 (Classic and PEPRA members)

	Classic	***PEPRA***
Maximum Pensionable Income	$290,000	$153,671

The Maximum Pensionable income for PEPRA members employed at agencies that participate in Social Security is $128,059.
Source: CalPERS Payroll Circular Letter dated January 6, 2021.

Additional employee contributions, limits on pensionable compensation and higher retirement ages for new members as a result of the passage of PEPRA are expected to reduce the City's unfunded pension lability and potentially reduce City contribution levels in the long term.

Annual CalPERS Contributions

The City is required to contribute the actuarially determined amounts necessary to fund benefits for its members. Employer contribution rates for all public employers are determined on an annual basis by the CalPERS actuary and are effective on the July 1 following notice of a change in the rate. Total plan contributions are determined through the CalPERS annual actuarial valuation process. 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. 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 is a fixed dollar annual payment, billed monthly. The City's pension cost contributions to CalPERS fluctuate each year. Many assumptions are used to estimate the ultimate liability and the contributions that will be required to meet those obligations.

Normal Costs

The employer normal cost contributions are based on a percentage of payroll. Actual Normal Cost Contributions are based on the Employer Contribution Rate for each Benefit Plan and the actual payroll for employees covered under each respective plan.

City of Chula Vista
Normal Cost Contribution as a Percentage of Payroll

Fiscal Year 2020-21	*Miscellaneous Plan*	*Safety Plan*
Total Normal Cost Rate	20.142%	31.579%
Employee Contribution Rate(1)	7.559%	9.836%
Employer Contribution Rate(2)	12.583%	21.743%
Projected Payroll	$47,157,728	$ 42,462,277
Employer Required Contribution	$19,903,222	$ 19,945,131

(1) For classic members, this is the percentage specified in the Public Employees' Retirement Law, net of any reduction from the use of a modified formula or other factors. For PEPRA members, the member contribution rate is based on 50 percent of the normal costs. A development of PEPRA member contribution rates can be found in the "Liabilities and Contributions" section of each respective actuarial report. Employee cost sharing is not shown in the actuarial reports.

(2) The Employer Normal Cost is a blended rate for all benefit groups in the plan. For a breakout of normal cost by benefit group, see "Normal Cost by Benefit Group" in the "Liabilities and Contributions" section of each respective actuarial report.

Source: CalPERS Annual Valuation Reports as of June 30, 2019, dated July 2020.

On December 21, 2016, the CalPERS Board of Administration voted to lower its discount rate from the current rate of 7.50% to 7.00%. The reduction of the discount rate resulted in an increase of approximately 1% to 3% to the normal cost rate as a percentage of payroll for most retirement plans over the past few years. The projected normal cost rates in the future are projected to decline over time as new employees are hired into PEPRA or other lower cost benefit tiers.

The table below provides the projected employer contribution rates for the next six (6) fiscal years. The projection assumes that all actuarial assumptions will be realized and that no further changes to assumptions, contributions, benefits, or funding will occur during the projection period. Actual contribution rates will change based on realized investment returns, changes to CalPERS' assumptions and City payroll, among other things.

City of Chula Vista
Projected Employer Contributions

	2021-22	*2022-23*	*2023-24*	*2024-25*	*2025-26*	*2026-27*
Miscellaneous	11.79%	11.5%	11.2%	10.8%	10.5%	10.2%
Safety	21.20	20.5	20.2	19.8	19.4	19.0

Source: CalPERS Annual Valuation Reports as of June 30, 2019, dated July 2020.

Unfunded Accrued Liability Payments

CalPERS has notified the City as to the amount of the Pension Liability based on the June 30, 2019 actuarial valuation, which is the most recent actuarial valuation performed by CalPERS for the City's Miscellaneous Plan and Safety Plan. The actuarial report for the Miscellaneous Plan incorporates the Tier 1, Tier 2 and PEPRA plan for Miscellaneous employees. The actuarial report for the Safety Plan incorporates the Tier 1, Tier 2 and PEPRA plan for Fire and Police Sworn Officers.

City of Chula Vista
Unfunded Accrued Liability of CalPERS Pension Plans
As of June 30, 2019

	Miscellaneous Plan	*Safety Plan*	*Combined*
Entry Age Normal Accrued Liability	$ 583,905,485	$ 553,733,020	$1,137,638,505
Market Value of Assets (MVA)	393,407,213	389,966,131	783,373,344
Unfunded Accrued Liability (UAL)	**$ 190,498,272**	**$ 163,766,889**	**$ 354,265,161**
Percentage of Accrued Liability Funded	67.4%	70.4%	68.9%

Source: CalPERS Annual Valuation Reports as of June 30, 2019, dated July 2020.

There is a two-year lag between the valuation date and the start of the contribution fiscal year. The unfunded accrued liability ("**UAL**") was determined in the June 30, 2019 actuarial valuation, but the corresponding UAL Payments commence two years after the valuation date in Fiscal Year 2021-22. This two-year lag is necessary due to the amount of time needed to extract and test the membership and financial data, and the need to provide public agencies with their required employer contribution well in advance of the start of the fiscal year.

The projected UAL for Fiscal Year 2021-22 for the Miscellaneous Plan is equal to $189,860,387 and $166,659,705 for the Safety Plan, resulting in a combined total of $356,520,092, as of June 30, 2021.

The UAL is comprised of a series of amortization bases. The Miscellaneous Plan currently has 28 amortization bases and the Safety Plan currently has 25 amortization bases. Each amortization base has as stated balance/(credit), amortization period, and discount and escalation rate, which results in an individual amortization schedule.

The amortization schedule below shows the minimum annual UAL payment contributions required according to CalPERS's current amortization policy as of June 30, 2018 based on information provided to the City by CalPERS in July 2020 and does not reflect the issuance of the Bonds.

June 30,	***Miscellaneous***	***Safety***	***Combined***
2022	$ 15,471,416	$ 11,865,939	$ 27,337,355
2023	16,509,619	13,204,470	29,714,089
2024	17,090,774	14,037,085	31,127,859
2025	17,912,142	14,891,353	32,803,495
2026	17,535,351	15,355,708	32,891,059
2027	18,096,588	15,782,865	33,879,453
2028	18,580,782	16,221,763	34,802,545
2029	19,078,286	16,672,735	35,751,021
2030	19,589,478	17,136,106	36,725,584
2031	19,640,896	17,496,576	37,137,472
2032	18,863,532	17,071,425	35,934,957
2033	18,536,657	16,871,951	35,408,608
2034	16,998,820	15,747,361	32,746,181
2035	16,365,345	15,265,284	31,630,629
2036	15,493,005	14,389,036	29,882,041
2037	13,910,963	12,829,515	26,740,478
2038	13,119,851	11,888,315	25,008,166
2039	12,275,077	10,885,511	23,160,588
2040	11,680,879	10,704,209	22,385,088
2041	11,264,454	10,308,602	21,573,056
2042	8,912,861	8,793,140	17,706,001
2043	8,523,893	8,554,582	17,078,475
2044	1,187,517	7,937,266	9,124,783
2045	--	1,183,851	1,183,851
Total Payments on UAL	$346,638,186	$315,094,648	$ 661,732,834
UAL Balance as of June 30, 2021	$189,860,387	$ 166,659,705	$ 356,520,092

Source: CalPERS Annual Valuation Reports as of June 30, 2019, dated July 2020.

Potential Impacts on Future Required Contributions

The CalPERS Board of Administration has adjusted and may in the future further adjust certain assumptions used in the CalPERS actuarial valuations, which adjustments may increase the City's required contributions to CalPERS in future years. Accordingly, the City cannot provide any assurances that the City's required contributions to CalPERS in future years will not significantly increase (or otherwise vary) from any past or current projected levels of contributions. The City has commissioned Bartel Associates, LLC, San Mateo, California (the "**Actuarial Consultant**") to analyze the impacts of potential future CalPERS underperformance.

Change in Assumptions/Discount Rate. On December 21, 2016, the CalPERS Board of Administration voted to lower its discount rate from the current rate of 7.50% to 7.00% over a three-year period. The change was reflected in the June 30, 2016 actuarial report, which lowered the discount rate from 7.50% to 7.375%; in the June 30, 2017 actuarial report, which lowered the discount rate from 7.375% to 7.25%; and in the June 30, 2017 actuarial report, which lowered the discount rate from 7.25% to 7.00%. CalPERS has not announced any plans to reduce the discount further at this time.

Investment Performance. CalPERS earnings reports for Fiscal Years 2009 through 2020 report investment gains of approximately (24.0)%, 13.3%, 21.7%, 0.1%, 13.2%, 18.4%, 2.4%, 0.6%, 11.2%, 8.6%, 6.7% and 4.7%, respectively. The CalPERS Fiscal Year 2019-20 investment gain of 4.7% was not included as an amortization base in the most recent CalPERS valuation report and thus is not reflected in the calculation of UAL provided in such CalPERS valuation report. Future earnings performance may increase or decrease future contribution rates for plan participants, including the City.

COVID-19. It is possible that CalPERS' earnings will be reduced in Fiscal Year 2020-21 as a result of stock market volatility in the wake of the COVID-19 outbreak, which could increase future contribution rates for plan participants, including the City. See the captions "THE CITY—COVID-19 Outbreak" and "RISK FACTORS—Impacts and Potential Impacts of COVID-19 on the City."

The CalPERS website contains the most recent actuarial valuation reports for the City's Miscellaneous Plan and Safety Plan and other information that concerns benefits and other matters. The comprehensive annual financial reports of CalPERS are also available on CalPERS' Internet website at www.calpers.ca.gov. The textual reference to such Internet website is provided for convenience only. None of the information on such Internet website is incorporated by reference herein. Neither the City nor the Underwriter guarantees the accuracy of such information.

*The following information has been derived primarily from the City's Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2019 (the "**CAFR**"). This information has been produced by CalPERS, its independent accountants and its actuaries, for the purposes of GASB 68 (as such term is defined below) reporting. The financial figures reported in the CAFR are different from the CalPERS actuarial reports. No attempt has been made to reconcile the difference between the pension figures used for GASB 68 reporting requirements and the information provided in the most recent June 30, 2019 CalPERS actuarial report.*

GASB 68 Pension Information Providing in the Audited Financial Statements

Accounting and financial reporting by state and local government employers for defined benefit pension plans is governed by Governmental Accounting Standards Board ("**GASB**") Statement No. 68 ("**GASB 68**"). GASB 68 governs the accounting treatment of defined benefit pension plans, including how expenses and liabilities are calculated and reported by state and local government employers in their financial statements.

GASB 68 includes the following components: (i) unfunded pension liabilities are included on the employer's balance sheet; (ii) pension expense incorporates rapid recognition of actuarial experience and investment returns and is not based on the employer's actual contribution amounts; (iii) lower actuarial discount rates are required to be used for underfunded plans in certain cases for purposes of the financial statements; (iv) closed amortization periods for unfunded liabilities are required to be used for certain purposes of the financial statements; and (v) the difference between expected and actual investment returns will be recognized over a closed five-year smoothing period. GASB 68 affects the City's accounting and reporting requirements, but it does not change the City's pension plan funding obligations.

For the Fiscal Year ended June 30, 2019, the City's Miscellaneous Plan had a total net pension liability of approximately $175,009,406 (measured as of June 30, 2018) and the City's Safety Plan had a total net pension liability of approximately $146,510,925 (measured as of June 30, 2018). The net pension liability is the difference between the total pension liability and the fair market value of pension assets. The City's total pension assets include funds that are held by CalPERS, and its net pension asset or liability is based on such amounts. The City notes that its net pension liability could increase in the future as a result of losses in CalPERS' portfolio resulting from stock market declines in the wake of the COVID-19 outbreak. See the captions "THE CITY—COVID-19 Outbreak" and "RISK FACTORS—Impacts and Potential Impacts of COVID-19 on the City."

For Fiscal Years 2017-18, 2018-9 and 2019-20, the City incurred Miscellaneous Plan pension expenses of $26,098,593, $18,566,244 and $18,920,142, respectively, and Safety Plan pension expenses of $23,488,807, $26,594,625 and $33,216,631, respectively.

A summary of principal assumptions and methods used to determine the total pension liability for Fiscal Year 2019-20 is shown below.

City of Chula Vista
Actuarial Assumptions for CalPERS Pension Plans

	Miscellaneous	*Safety*
Valuation Date	June 30, 2018	June 30, 2018
Measurement Date	June 30, 2019	June 30, 2019
Actuarial Cost Method	Entry Age Normal in Accordance with the Requirements of GASB 68	
Actuarial Assumptions:		
Discount Rate	7.15%	7.15%
Inflation	2.50%	2.50%
Salary Increases	Varies by Entry Age and Service	
Mortality[1]	Derived using CalPERS' Membership Data for all Funds	
Post Retirement Benefit Increase	Contract COLA up to 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter	

[1] The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

Source: City.

Changes in the net pension liability for the City's pension plans in the most recent Fiscal Year for which information is available were as follows:

City of Chula Vista
Changes in CalPERS Pension Plans Net Pension Liability

Miscellaneous Plan

	Increase (Decrease)		
	Total Pension Liability	***Plan Fiduciary Net Position***	***Net Pension Liability (Asset)***
Balance at June 30, 2018 (Valuation Date)	**$ 551,128,616**	**$ 376,119,210**	**$ 175,009,406**
Changes during the year:			
Service Cost	$ 8,696,267	$ -	$ 8,696,267
Interest on the Total Pension Liability	38,721,727	-	38,721,727
Differences between Expected and Actual Experience	(413,302)	-	(413,302)
Contributions - Employer	-	16,244,599	(16,244,599)
Contributions - Employees	-	3,592,996	(3,592,996)
Net Investment Income	-	24,600,973	(24,600,973)
Benefit Payments, including Refunds of Employee Contributions	(27,001,672)	(27,001,672)	-
Administrative Expense	-	(268,407)	268,407
Other Miscellaneous Income/(Expense)	-	874	874
Net Changes	20,003,020	17,169,363	(2,833,657)
Balance at June 30, 2019 (Measurement Date)	**$ 571,131,636**	**$ 393,288,573**	**$ 177,843,063**

Source: City.

City of Chula Vista
Changes in CalPERS Pension Plans Net Pension Liability

Public Safety Plan

	Increase (Decrease)		
	Total Pension Liability	***Plan Fiduciary Net Position***	***Net Pension Liability (Asset)***
Balance at June 30, 2018 (Valuation Date)	**$ 515,913,050**	**$ 369,402,125**	**$ 146,510,925**
Changes during the year:			
Service Cost	$ 12,267,031	$ -	$ 12,267,031
Interest on the Total Pension Liability	36,853,969	-	36,853,969
Differences between Expected and Actual Experience	4,868,911	-	4,868,911
Contributions - Employer	-	15,445,861	(15,445,861)
Contributions - Employees	-	3,966,723	(3,966,723)
Net Investment Income	-	24,248,349	(24,248,349)
Benefit Payments, including Refunds of Employee Contributions	(22,950,693)	(22,950,693)	-
Administrative Expense	-	(263,613)	263,613
Other Miscellaneous Income/(Expense)	-	858	(858)
Net Changes	31,039,218	20,447,485	(10,591,733)
Balance at June 30, 2019 (Measurement Date)	**$546,952,268**	**$ 389,849,610**	**$ 157,102,658**

Source: City.

The table below presents the net pension liability of the City's pension plans, calculated using the discount rate applicable to Fiscal Year 2019-20 (7.15%), as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.15%) or 1 percentage point higher (8.15%) than the Fiscal Year 2019-20 rate:

City of Chula Vista
Sensitivity of the CalPERS Pension Plans Net Pension Liability to
Changes in the Discount Rate

	Miscellaneous	***Safety***
1% Decrease	6.15%	6.15%
Net Pension Liability	$252,306,217	$ 235,591,565
Current Discount Rate	7.15%	7.15%
Net Pension Liability	$177,843,063	$ 157,102,568
1% Increase	8.15%	8.15%
Net Pension Liability	$116,203,887	$ 93,054,105

Source: City.

The City is currently unable to quantify the effect of the COVID-19 outbreak on its pension obligations in the future given how rapidly the outbreak is evolving, and no assurance can be provided that such expenses will not increase as in the future a result of the COVID-19 outbreak or other factors. See the captions "THE CITY—COVID-19 Outbreak" and "RISK FACTORS—Impacts and Potential Impacts of COVID-19 on the City."

For additional information relating to the City's pension plans, see Note 11 to the City's audited financial statements set forth in Appendix A and CalPERS' Internet website at www.calpers.ca.gov for CalPERS' most recent actuarial valuation reports and other information that concerns benefits and other matters.

Defined Contribution Pension Plan

The City provides pension plan benefits for all of its part-time employees through a defined contribution plan (Public Agency Retirement Plan). In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The plan is administered by Public Agency Retirement Services. All part-time employees are eligible to participate from the date of employment. Federal legislation requires contributions of at least 7.5% to a retirement plan, and City Council resolved to match the employees' contributions of 3.75%. The City's contributions for each employee (and interest earned by the accounts) are fully vested immediately.

For the year ended June 30, 2020, the City's total hourly payroll and covered payroll for the Public Agency Retirement Plan was $2,320,880. The City made employer contributions of $87,034, and employees contributed $87,034 (both calculated at 3.75% of current covered payroll).

City Pension Reserve Fund Policy

On November 3, 2020, the City Council adopted a Pension and OPEB Reserve Policy (the "**Pension Reserve Policy**"). The City developed the Pension Reserve Policy in response to large annual pension cost increases as a result of current and retired employees living longer, lower than anticipated investment returns by CalPERS over the last several years, and CalPERS policies adopted that require all cities to payback all unfunded pension liability over the next thirty years for existing unfunded liability and over twenty years for any new unfunded liability. The Pension Reserve Policy formalizes a funding mechanism for the establishment of a Pension Reserve Fund (the "**PRF**") to be used at the City's discretion to help offset future pension cost increases.

Under the Pension Reserve Policy, after the City satisfies its policy of maintaining a 15% General Fund Operating Reserve, 75% of all future actual revenues in excess of expenses for a given Fiscal Year ("Surplus Funds") are to be transferred to the PRF and the remaining 25% of such surplus is allocated to the City's Economic Contingency Reserve and Catastrophic Event Reserve. If the General Fund Operating Reserve, the Economic Contingency Reserve and the Catastrophic Event Reserve are fully funded at their respected stated policy percentages, 100% of Surplus Funds will be transferred to the PRF until it reaches 15% of General Fund Expenses (excluding Measure A and Measure P amounts). Ongoing Surplus Funds are determined upon the close of the Fiscal Year if revenues exceed actual expenditures of the General Fund.

If pension obligation bonds, like the Bonds, are issued, the Pension Reserve Policy requires the City to budget a minimum of 75% of the net annual savings (determined at issuance of the bonds and without adjusting annually for new unfunded liability or change in actuarial assumptions) for the first 10 Fiscal Years following the issuance of such pension obligation bonds to be transferred to the PRF on an annual basis. Upon the issuance of pension obligation bonds, the PRF will be converted to an Internal Revenue Service Section 115 Trust, and upon full funding of PRF at 15% of General Fund Expenses (excluding Measure A and Measure P amounts), all Surplus Funds will be allocated 50% to an OPEB Reserve Fund and 50% to a POB Bond Call Fund. Upon 75% funding of outstanding Other Post-Employment Benefits ("**OPEB**") liability is achieved, all remaining Surplus Funds will be deposited into the POB Bond Call Fund.

In the event of economic hardship, or other unanticipated fiscal emergency, the City Council may make an emergency declaration to reduce the annual transfer to the PRF, only if all funds in the City's Emergency Reserve and Economic Contingency Reserve have been depleted.

Funds in the PRF may be used towards: (i) the repayment of future CalPERS unfunded liability in part or whole; (ii) the issuance of debt for the purposes of refinancing or issuing pension obligation bonds or other similar debt instruments; (ii) establishment of an OPEB reserve fund; (iv) to pay off any outstanding City pensions; or (iv) any other unanticipated pension related cost or charge.

PLAN OF REFINANCING

On December 10, 2020, the Court entered the Validation Judgment to the effect, among other things, that: (i) the Trust Agreement is a valid, legal and binding obligation of the City and the approval thereof was in conformity with applicable provisions of law; and (ii) the City has the authority under State law to provide for the refunding of its Pension Liability and its normal annual contributions for the current fiscal year by issuing the Bonds and applying the proceeds of the Bonds to the retirement of its Pension Liability and payment of its current year normal annual contributions. On January 12, 2021, the Validation Judgment became binding and conclusive in accordance with State law. See the caption "VALIDATION."

The Bonds are being issued to finance a portion of the rolled forward Pension Liability as of June 30, 2019 as projected by CalPERS. Upon the issuance of the Bonds, the City will pay $________* to CalPERS for deposit to the CalPERS Payment Fund.

With this deposit, the City will not be required to make any further payments to CalPERS with respect to the portion of the Pension Liability refinanced by the Bonds. It is possible that CalPERS will determine at a future date that an additional Pension Liability exists if actual pension plan experience differs from the current actuarial estimates. The City will continue to make payments towards the remaining Pension Liability. The City may choose to pay such remaining or additional Pension Liability consistent with current procedures, or the City could choose to issue Additional Bonds at some time in the future and apply the proceeds to pay the remaining Pension Liability.

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds to be received from the sale of the Bonds are estimated to be applied as set forth below.

Sources(1)	
Principal Amount of Bonds	$____________
Total Sources	**$**
Uses(1)	
Funding of Pension Liability(2)	$
Costs of Issuance(3)	____________
Total Uses	**$**

(1) Amounts rounded to the nearest dollar. Totals may not add due to rounding.
(2) Deposit to CalPERS Payment Fund. See the caption "PLAN OF REFINANCING."
(3) Includes Underwriter's discount, fees of rating agencies, Municipal Advisor, Bond Counsel, Disclosure Counsel and Trustee, printing costs and other costs of issuance.

* *Preliminary, subject to change.*

ANNUAL DEBT SERVICE REQUIREMENTS

The following table sets forth scheduled debt service on the Bonds, assuming no optional redemptions prior to maturity.

City of Chula Vista
Debt Service Schedule

Year Ending June 1*	***Principal****	***Interest***	***Total***
2022	$	$	$
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
Total	$	$	$

* *Preliminary, subject to change.*
Source: Underwriter.

THE CITY

General

The City is located in the County of San Diego (the "**County**") with its western border adjacent to San Diego Bay, 8 miles south of downtown San Diego and 7 miles north of the Mexican border. The City encompasses approximately 51 square miles and has an estimated 2020 population of 272,202.

The City was incorporated as a general law city on March 17, 1911, and operates under the council/manager form of government. It became a charter city in 1949. The City is governed by a five-member council consisting of four members elected by geographic district and a Mayor, elected at large. The City Attorney is also elected at large. The positions of City Manager and City Clerk are filled by appointments by the City Council.

Municipal services provided include police, fire, parks and recreation, libraries, planning & building, housing programs, street and drainage construction and maintenance, and sewer services.

Government and Administration

The City had approximately 1,151.75 full time equivalent authorized employees as of June 30, 2020. City employees are represented by five employee associations, which represented approximately 1,007.25 employees as of June 30, 2020. Relations between the City and the employee bargaining units are governed by memoranda of understanding, four of which expire on June 30, 2021 and a fifth which expires on December 31, 2021. A total of approximately 144.50 management and confidential employees are exempt from collective bargaining. Salaries for exempt employees are set by the City Council. The City has never experienced a strike, slowdown or work stoppage.

The City Council members and the expiration dates of their respective terms are as follows:

Name	***Office***	***Term Expires***
Mary Casillas Salas	Mayor	November 2022
John McCann	Councilmember	November 2022
Jill Galvez	Councilmember	November 2022
Stephen Padilla	Councilmember	November 2024
Andrea Cardenas	Councilmember	November 2024

The City Council employs a City Manager to carry out its policies, to serve as executive officer of the City and to supervise the work of other City administrators. The names and backgrounds of the City Manager and the Director of Finance/Treasurer are set forth below.

Maria Kachadoorian was appointed City Manager in June 2020 after serving as Assistant City Manager. Ms. Kachadoorian is the first woman and first Latina to serve as City Manager. Ms. Kachadoorian began her career at the County of San Diego and has worked at the City since 1998 where she started in the Finance Department, advancing to Finance Director, before becoming Deputy City Manager, Assistant City Manager, and then City Manager. Ms. Kachadoorian earned a Bachelor of Science Degree with an emphasis in Accounting and a Master's Degree in Public Administration from San Diego State University and is also a Certified Public Accountant.

David Bilby has served as the Director of Finance/Treasurer since October 2015 and previously served as City's Finance Manager. Before joining the City, Mr. Bilby served as the Finance Manager for the City of Lake Elsinore. Mr. Bilby has over 15 years of professional experience in the area of public finance and has a been involved in a wide variety of public finance projects as an agency Director of Finance, Finance manager, Purchasing & Debt Manager and financial analyst. Mr. Bilby is a Certified Public Finance Officer and has a Bachelor of Arts from San Diego State University and a Master of Science in Finance from San Diego State University.

Risk Management

Workers' Compensation. The City is self-insured for the first $1,000,000 per occurrence for workers' compensation liabilities. Excess workers' compensation coverage is obtained through participation in the CSAC Excess Insurance Authority's (the "**CSAC-EIA**", renamed **"PRISM"** effective January 1, 2020) Excess Workers' Compensation Program. As of June 30, 2019, there are 174 member entities participating in the program that offers per occurrence coverage up to $5,000,000 through pooled resources and from $5,000,000 to statutory limits via group purchased excess insurance policies, including excess coverage, a total $100 million.

Property Coverage. The City carries insurance coverage for property damage through PRISM. The PRISM property damage coverage includes $25 million per occurrence all risk coverage, with an all risk deductible of $10,000, with a deductible of $100,000 for vehicles valued over $100,000. Flood coverage sub-limit $200 million shared limit, $125,000 self-insured retention per occurrence.

Public Liability. The City maintains a $500,000 self-insured retention and purchases excess coverage from PRISM to $25,000,000 along with the additional Optional Excess Liability of $25,000,000 for a total of $50,000,000.

Crime Coverage. The City maintains crime coverage of $10 million per occurrence, with $5 million excess coverage and a $2,500 deductible per occurrence.

Cyber Liability. The City insures to $12 million with an aggregate limit for all member agencies of $70 million, and a $50,000 deductible per claim.

Pollution Liability. The City is covered to $10 million with a $10 million aggregate limit applicable to its 3 year policy term. The pollution policy's self-insured retention is $75,000 per pollution condition.

Claims have not exceeded the City's insurance coverage in any of the last three years.

The Trust Agreement does not require the City to maintain insurance coverage in any particular amount or with respect to any particular risks. No assurance can be given as to the adequacy of the insurance that is maintained now or in the future by the City to fund necessary repairs or replacement of any portion of City facilities. Significant damage to City facilities or liability imposed upon the City could negatively affect City operations and finances. See the caption "RISK FACTORS—Natural Disasters."

COVID-19 Outbreak

The spread of the novel strain of coronavirus called SARS-CoV-2, which causes the disease known as COVID-19 ("**COVID-19**"), and local, state and federal actions in response to COVID-19, are having a significant impact on the City's operations and finances. In response to the increasing number of cases of COVID-19 infections and fatalities, health officials and experts have recommended, and some governments have mandated, a variety of responses ranging from travel bans and social distancing practices to complete shut-downs of certain services and facilities. The World Health Organization has declared the COVID-19 outbreak to be a pandemic and on March 4, 2020, as part of the State's response to address the outbreak, the Governor declared a state of emergency. On March 13, 2020, the President declared a national emergency, freeing up funding for federal assistance to state and local governments. On March 19, 2020, the Governor issued Executive Order N-33-20, a mandatory Statewide stay-at-home order applicable to all non-essential services. The County issued a "stay-at-home" emergency order on March 29, 2020 which required closures of certain businesses including restaurants, bars, and gyms across the County. The State has implemented a four stage reopening plan for cities and counties depending on certain metrics related to COVID-19. Similarly, the City Council passed Resolution No. 2020-065 on March 17, 2020 to declare a local emergency due to the COVID-19 outbreak. The County's most recent public health order, effective October 10, 2020, requires all persons to remain in their homes or at their place of residence, except for employees or customers traveling to and from essential businesses or reopened businesses, or to participate in individual or family outdoor activities.

On March 27, 2020, the President signed the $2.2 trillion Coronavirus Aid, Relief, and Economic Stabilization Act (the "**CARES Act**") which provides, among other measures, $150 billion in financial assistance to states, tribal governments and local governments to provide emergency assistance to those most significantly impacted by COVID-19. Under the CARES Act, local governments are eligible for reimbursement of certain costs which are expended to address the impacts of the pandemic, although the City cannot predict what State and/or federal funding or other relief it will ultimately receive. Any funds received by the City under the CARES Act are not available for payment of debt service on the Bonds and cannot be used to backfill City revenue losses related to COVID-19.

On April 23, the City required anyone visiting an essential business to wear a face covering. On April 28, the City formed a new task force to help implement strategies to reduce the spread of the virus.

On May 4, 2020, the Governor issued Executive Order N-60-20 to allow reopening of lower-risk businesses and spaces as part of Stage Two of a four-stage reopening plan (the "California Resilience Roadmap"), and then to allow the reopening of high-risk businesses and spaces as part of Stage Three of such plan. As a result of the regression of COVID-19 indicators, on July 13, 2020, the Governor issued another order requiring all counties within the State to close indoor operations in certain sectors, including dine-in restaurants, wineries and tasting rooms, movie theatres, family entertainment centers, zoos and museums and cardrooms. The Governor's July 13, 2020 order also required certain counties (including the County) to shut down additional industries and activities, including gyms and fitness centers, places of worship and cultural ceremonies (such as weddings and funerals), offices for non-critical infrastructure sectors, personal care services (such as nail salons, body waxing and tattoo parlors) and shopping malls. On August 28, 2020, the State released further guidance (referred to as the "Blueprint for a Safer Economy") regarding re-opening certain types of businesses based on a county-by-county approach where each county is assigned a tier based on COVID-19 case rates within each county.

On December 3, 2020, the Governor announced the Regional Stay Home Order, which divides the State into five separate regions and provides that upon the occurrence of certain enumerated events relating to regional hospital capacity, the order will go into effect on a region-by-region basis. The City is within the Southern California region, and effective December 6, 2020 the Regional Stay Home Order was in effect within the Southern California region. In regions where the Regional Stay Home Order is in effect, the order instructs Californians to stay at home as much as possible and to stop mixing between households that can lead to COVID-19 spread, provides that certain businesses may remain open with modifications and limitations on capacity, and that all operations in certain enumerated sectors (such as hair salons, personal care services, museums, zoos and aquariums, and live audience sports) must be closed. Once triggered, the Regional Stay Home Order will remain in place in a given region for at least three weeks and will be lifted upon the occurrence of certain enumerated events relating to regional hospital capacity. On January 25, 2020, the California Department of Public Health ended the Regional Stay Home Order, citing that the four-week intensive care unit ("ICU") capacity projections for the regions that were impacted by the Regional Stay Home Order were above the 15% ICU capacity that allows regions to exit the order. Counties within the State remain subject to the Blueprint for a Safer Economy framework and the related restrictions. San Diego County was in the "Widespread/Purple" tier as of January 25, 2020. For counties in the "Widespread/Purple" tier under the Blueprint for a Safer Economy, certain non-essential indoor businesses are required to remain closed and certain businesses may open with modifications, such as limitations on capacity.

The effects of the COVID-19 outbreak and governmental actions responsive to it are altering the behavior of businesses and people in a manner that is having significant negative impacts on global and local economies. In addition, financial markets in the United States and globally have experienced significant volatility attributed to COVID-19 concerns. Volatility in the financial markets has impacted CalPERS' earnings, which could result in a significant increase in the City's unfunded pension liability and future pension costs, commencing in Fiscal Year 2022-23. See the caption "CITY PENSION PLANS." The outbreak has resulted in increased pressure on State finances, as budgetary resources are directed towards containing the pandemic and tax revenues sharply decline. Identified cases of COVID-19 and deaths attributable to the COVID-19 outbreak are continuing to increase throughout the United States, including the City. The COVID-19 outbreak is expected to result in material declines in major General Fund revenues, including in sales taxes, business license taxes and fees and transient occupancy taxes.

In addition, the Governor extended the deadline to file and pay spring 2020 property taxes for residential and certain commercial property owners, and first quarter 2020 sales and use tax returns by 90 days for all but the very largest taxpayers. As a result of the extended deadline to file sales and use tax returns, it is estimated that up to 361,000 California businesses with less than $5 million in taxable annual sales will be allowed to defer up to $50,000 in sales tax and enter into 12-month payment plans at zero interest. These actions will result in delays in the receipt by the City of its portion of the payments. See the captions "CITY FINANCIAL INFORMATION—Property Taxes" and "CITY FINANCIAL INFORMATION—Sales Taxes."

Other potential impacts to the City associated with the COVID-19 outbreak include, but are not limited to, increasing costs and challenges to the public health system in and around the City, cancellations of public events and disruption of the regional and local economy with corresponding decreases in the City's revenues, including transient occupancy tax revenue, sales tax revenue and other revenues, and potential declines in property values.

In an effort to limit large gatherings of employees, certain City personnel are telecommuting or working from alternate locations. In addition, on-site personnel are wearing masks and practicing social distancing while working. As permitted by applicable orders by the Governor regarding COVID-19, City Council meetings are being conducted telephonically instead of in-person, with full opportunity for the public to participate telephonically. The City does not expect its operations to be materially affected by such actions. However, there can be no assurance that absences of employees or City leadership due to COVID-19 will not adversely impact City operations.

The government mandated shutdowns of many of the City's local businesses in response to the COVID-19 pandemic had a significant impact on both sales tax and transient occupancy tax. Gross sales tax receipts for the period beginning on April 1, 2020 through June 30 2020 were down roughly $1.6 million or 18% from the same period during the prior year. While hotel occupancy during this period declined, the actual transient occupancy tax revenue for the first nine months of the Fiscal Year 2019-20 exceeded projections. Property tax, Vehicle License Fees, and investment earnings exceeded budget projections allowing the City to balance its Fiscal Year 2019-20 budget despite the COVID-19 related challenges. The City did mitigate the impacts by reducing hourly staffing citywide, primarily in the parks and recreation and library departments as result of closures. CARES Act revenues received from the County also helped to offset the costs related to the COVID-19 expenditures. See the caption "CITY FINANCIAL INFORMATION—General Economic Condition and Outlook of the City."

The COVID-19 outbreak is ongoing, and the duration and severity of the outbreak and the economic and other actions that may be taken by governmental authorities to contain the outbreak or to treat its impact are uncertain. The ultimate long-term impact of COVID-19 on the operations and finances of the City is unknown at this time. Notwithstanding the foregoing, the City does not currently believe that the COVID-19 outbreak will materially adversely affect its ability to pay debt service on the Bonds. See the captions "CITY FINANCIAL INFORMATION—General Economic Condition and Outlook of the City" and "RISK FACTORS—Impacts and Potential Impacts of COVID-19 on the City."

CITY FINANCIAL INFORMATION

Accounting and Financial Reporting

The basic financial statements of the City are prepared in conformity with accounting principles generally accepted in the United States ("**GAAP**") as applied to governmental agencies. GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained in accordance with legal and managerial requirements.

The Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of governmental and business-type activities for the City accompanied by a total column. Fiduciary activities of the City are not included in these statements. These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and deferred outflows as well as liabilities and deferred inflows, with the difference reported as net position are presented in the Statement of Net Position. The Statement of Net Position also presents capital assets including infrastructure assets as well as long-term liabilities. Statement of Activities presents changes in Net Position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Certain types of transactions are reported as program revenues for the City in three categories: (i) charges for services, (ii) operating grants and contributions and (iii) capital grants and contributions.

All governmental funds, such as the City's General Fund (the "**General Fund**"), are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balances. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Revenues become available when received in cash, except for revenue which is subject to accrual and are recognized when due by the City. Generally 60 days after year-end for primary revenue sources (i.e. property tax, sales tax, intergovernmental revenues and other taxes). Revenue recognition for grants is up to one year. Expenditures are recorded in the accounting period in which the related fund liability is incurred. Unavailable revenues arise when potential revenues do not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues arise when the government receives cash before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met or when the government has legal claim to the resources, unavailable and unearned revenue is removed from the balance sheet and recognized as revenue.

See the caption "—City Financial Statements" for a discussion of the City's audited financial statements for Fiscal Year 2018-19.

The General Fund is the primary operating fund of the City. It is used to account for all revenues and expenditures that are not required to be accounted for in another fund. The tables below set forth certain historical and current Fiscal Year budget information for the General Fund. Information on the remaining governmental funds of the City as of June 30, 2019, is set forth in Appendix A.

General Economic Condition and Outlook of the City

Fiscal Policies. The City has adopted several policies that form the framework within which the City's operating budget is formulated and serve as a basis for resource allocation decisions. These policies may be changed by future actions of the City Council. These policies are summarized below:

General. The City's financial assets will be managed in a sound and prudent manner in order to ensure the continued viability of the organization. A comprehensive operating budget for all City funds will be developed annually and presented to the City Council for approval. The purpose of the annual budget will be to (1) identify the community needs for essential services, (2) identify the programs and specific activities required to provide these essential services, (3) establish the program policies and goals that define the nature and level of program services required, (4) identify alternatives for improving the delivery of program services, (5) identify the resources required to fund identified programs and activities, and enable accomplishment of program objectives and (6) set standards to facilitate the measurement and evaluation of program performance.

The annual operating budget will be balanced whereby planned expenditures do not exceed anticipated revenues. Recurring revenues will fund recurring expenditures. One time revenues will be used for capital reserve, augmentation, or other non-recurring expenditures.

Accounting systems will be maintained in accordance with Generally Accepted Accounting Principles. Investment policy and practice will be in accordance with State statues that emphasize safety and liquidity over yield, including quarterly status reports to the City Council. City operations will be managed and budgets prepared with the goal of maintaining an available fund balance in the General Fund of no less than fifteen percent of the General Fund operating budget. General Fund status reports reflecting comparisons of actual and projected performance with budget allocations for both revenue and expenditure s will be presented to the City Council on a quarterly basis.

Reserves. The City will target to maintain a minimum "Operating Reserve" equal to 15% of the operating budget to address extraordinary needs of an emergency nature, an "Economic Contingency Reserve" of 5% of the operating budget to mitigate service impacts during a significant downturn in the economy, a "Catastrophic Event Reserve" of 3% of operating budget to fund unanticipated expenses related to a major natural disaster in the City and Pension and OPEB reserves to help offset rising pension and OPEB costs. The funding and fund balance maintenance policies for the respective reserves described below may be modified in the future by action of the City Council of the City.

<u>General Fund Operating Reserve</u>. The General Fund Operating Reserve represents unrestricted resources available for appropriations by the City Council to address extraordinary needs of an emergency nature.

The City aims to maintain the General Fund Operating Reserve at a level that is not less than 15% of the annual operating budget. This level of reserve represents approximately 1.8 months of General Fund operating expenditures. The reserves may be used to provide temporary financing for unanticipated extraordinary needs of an emergency nature, such as major storm drain repairs, litigation or settlement costs or an unexpected liability created by Federal or State legislative action.

If funds are appropriated from the operating reserve due to unanticipated needs, the City's policy recommends that the funds should be replenished in the budget process during the subsequent fiscal year to maintain the minimum reserve balance. If the magnitude of the event caused the General Fund Operating Reserve to be deeply reduced, the City Manager and Finance Director are required to provide the City Council with a plan to incrementally replenish the reserve to the minimum 15% level. Authorized use of the General Fund Operating Reserve requires approval by four/fifths vote of the City Council. As of June 30, 2020, the General Fund Operating Reserve was funded at $25,060,537.

<u>Economic Contingency Reserve</u>. The Economic Contingency Reserve represents monies set aside to mitigate service impacts during a significant downturn in the economy which impacts City revenues such as sales tax, property tax, business license tax and other, similar taxes.

Pursuant to City policy, the City is required to maintain General Fund Economic Contingency Reserve levels of no less than 5% of the annual operating budget to provide for unexpected financial impacts related to a significant economic slowdown.

Funds can only be appropriated from the Economic Contingency Reserve after the City Manager and the Finance Director have prepared an analysis providing sufficient evidence that the remaining reserves are adequate to offset potential downturns in revenue sources and provide sufficient cash balance for the daily financial needs of the City for the remainder of the fiscal year. Once the analysis has been presented to the City Council, action to appropriate from the reserves requires a declaration that a fiscal emergency or extraordinary need exists through an affirmative vote by 4/5ths of the City Council.

If the Economic Contingency Reserve drops below the minimum reserve level, the City Manager and Finance Director are required to develop a plan to replenish the reserve. Such plan will be included in the adoption of the City's annual operating budget and long-term financial plan. As of June 30, 2020, the Economic Contingency Reserve was funded at $8,353,512.

Catastrophic Reserve. The Catastrophic Event Reserve represents monies set aside to fund unanticipated expenses related to a major natural disaster in the City.

A reserve level of 3% of the General Fund operating budget is targeted to be maintained as a Catastrophic Event Reserve. These funds are associated with the City's Disaster Preparedness Program. The City is susceptible to earthquakes, fires, floods and terrorist threats. In the event that the City Council proclaims a local emergency, the Catastrophic Event Reserves can be utilized to fund recovery costs until reimbursements from Federal and/or State agencies can be recovered.

Authorized use of the Catastrophic Event Reserve requires a Proclamation of a Local Emergency by the City Council or Director of Emergency Services. In addition, authorized use of the Catastrophic Event Reserves requires approval by four/fifths vote of the City Council.

Each reserve is calculated using the following year's adopted General Fund budgeted operating expenditures. Reserves are evaluated annually in conjunction with the development of the City's 10 year financial forecast and annual operating budget process. There is no maximum reserve level as any additional reserves would provide a greater level of fiscal security. As of June 30, 2020, the Catastrophic Event Reserve was funded at $2,729,347.

Pension and OPEB Reserve Reserves. In addition, the City has established a Pension Reserve Fund and an OPEB Reserve Fund, which are to be funded as described under the caption "CITY PENSION PLANS – City Pension Reserve Fund Policy."

Revenues. The City will endeavor to maintain a diversified and stable revenue base in order to minimize the impact to programs from short-term economic fluctuations. Revenue projections will be maintained for the current year and four future fiscal ears, and estimates will be based on a conservative, analytical and objective process. In order to maintain flexibility, except as required by law or funding source, the City will avoid earmarking any restricted revenues for specific purpose or program. The City has established user fees to best ensure that those who use a proprietary service pay for that service in proportion to the benefits received. With few exceptions, such as those services provided for low-income residents, fees have been set to enable the City to recover the full cost of providing these services.

User fees will be reviewed and updated on an ongoing basis to ensure that program costs continue to be recovered and that the fees reflect changes in levels of service delivery. The City will recover the cost of new facilities and infrastructure necessitated by new development consistent with State law and City's Growth management Programs. Development Impact Fees will be closely monitored and updated to ensure that they are maintained at a level adequate to recover costs.

When considering new development alternatives, the City will attempt to determine the fiscal impact of proposed projects, annexations, etc. and ensure that mechanisms are put in place to provide funding for any projected negative impacts on City operations.

Expenditures. Budgetary control will be exercised at the Department/category level, meaning that each department is authorized to spend up to the total amount appropriated for that department within the expenditure categories of Personnel Costs, Supplies & Services, Other Charges, Utilities and Capital. Transfers of appropriations between expenditure categories of up to $15,000 may be approved by the City Manager. Transfers of appropriations between expenditure categories in excess of $15,000, between departments and transfers from Capital Improvement Program projects require City Council approval.

Appropriations, other than for capital projects, remaining unspent at the end of any fiscal year will be cancelled and returned to Available Fund Balance, with the exception of any appropriations encumbered as the result of a valid purchase order or as approved for a specific project or purpose by the City Council or the City Manager. Appropriations for capital projects will necessarily be carried over from year to year until the project is deemed to be complete.

The City will establish and maintain equipment replacement and facility maintenance funds as deemed necessary to ensure that monies are set aside and available to fund ongoing replacement needs.

The City will attempt to compensate non-safety employees at rates above the middle of the labor market as measured by the median rate for similar jurisdictions.

Capital Improvement Program. Major capital projects will be included in a Capital Improvement Program (the "**CIP**") Budget reflecting a five-year period. The CIP budget will be updated annually and presented to City Council for approval. Resources will be formally appropriated for the various projects on an annual basis in accordance with the five-year plan.

City Debt Policy and Debt Management. The City will consider the use of debt financing primarily for CIP when the projects useful life will exceed the term of the financing and when resources are identified sufficient to fund the debt service requirements. Some exceptions to this CIP driven focus are the issuance of debt such as pension obligation bonds, where financial benefits are significantly greater than the costs and where the benefits are determined to be a financially prudent option, and short-term instruments such as tax and revenue anticipation notes, which are to be used for prudent cash management purposes. Bonded debt should not be issued for projects with minimal public benefit or support, or to finance normal operating expenses.

If a department has any project which is expected to use debt financing, the department director is responsible for expeditiously providing the Finance Department with reasonable cost estimates, including specific revenue accounts that will provide payment for the debt service. This will allow the Finance Department to do an analysis of the project's potential impact on the City's debt capacity and limitations.

Debt capacity and affordability will be determined by conducting various analyses prior to the issuance of bonds. The City will attempt to limit the total amount of annual debt service payments payable by the General Fund to no more than 10% of estimated General Fund revenues. The City will strive to minimize borrowing costs by seeking the highest credit rating possible, maintaining transparency and excellent communications with credit rating agencies regarding the City's financial condition and purchasing bond insurance or taking action to upgrade the City's current credit rating.

In addition to externally financed debt, the City utilizes inter-fund loans whenever possible to reduce borrowing costs or provide for shorter term loans. When interest is charged on internal loans, it is done at the same rate the City earns from its pooled investments.

Summary of General Fund Results and Budgets.

For Fiscal Year 2019-20 the General Fund reported $202.2 million in revenues and $216.1 million in expenditures, resulting in an operating deficit in the amount of $13.8 million. After accounting for net other financing sources of $7.5 million, the fund balance for the General Fund decreased by approximately $6.3 million.

Total fund balance as of June 30, 2020 was $112.5 million, composed of $131.9 million in assets offset with $13.0 million in liabilities and $6.4 million in deferred inflows of resources. Total fund balance included approximately $9.3 million of nonspendable, which represents that portion of fund balance that is not available for appropriation. Committed fund balance totaled approximately $11.1 million, including approximately $2.7 million committed to the catastrophic events contingency and approximately $8.4 million committed for economic contingency. This portion of fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council and remains binding unless removed in the same manner. Assigned fund balance, totaling approximately $66.5 million, represents that portion of a fund balance that includes amounts that are constrained by the government's intent to be used for specific purposes, but that are neither restricted nor committed. The City Council has delegated its authority to assign fund balance amounts to the City's Director of Finance. The final component of total fund balance is unassigned fund balance. Totaling approximately $25.6 million, this is the portion of fund balance that is available for appropriation for any purpose.

For Fiscal Year 2018-19 the General Fund reported $188.1 million in revenues and $184.9 million in expenditures, resulting in revenues over expenditures in the amount of $3.2 million. After accounting for net other financing sources of $7.5 million, the fund balance for the General Fund increased by $10.7 million primarily due to the increase in sales tax related to Measure A that went into effect that fiscal year.

Total fund balance as of June 30, 2019 was $118.9 million, composed of $136.0 million in assets offset with $8.5 million in liabilities and $8.6 million in deferred inflows of resources. Total fund balance included $7.6 million of nonspendable, which represents that portion of fund balance that is not available for appropriation. Committed fund balance totaled $46.4 million, including $39.1 million committed to various capital projects and $7.3 million committed for economic contingency. This portion of fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council and remains binding unless removed in the same manner. Assigned fund balance, totaling $41.5 million, represents that portion of a fund balance that includes amounts that are constrained by the government's intent to be used for specific purposes, but that are neither restricted nor committed. The City Council has delegated its authority to assign fund balance amounts to the City's Director of Finance. The final component of total fund balance is unassigned fund balance. Totaling $23.4 million, this is the portion of fund balance that is available for appropriation for any purpose.

The Fiscal Year 2020-21 adopted General Fund revenue budget is $206.7 million. This reflects an increase of $9.7 million or 4.9% when compared to Fiscal Year 2019-20 Adopted Budget revenues. General Fund revenues provide funding for essential City services, including police, fire, library services, and park and recreation programs. Property taxes account for 18.2% of the General Fund Revenue Budget. This revenue saw an increase of $1.2 million or 3.3% over the Fiscal Year 2019-20 Adopted Budget. The City's other major revenue sources (excluding Measure A and Measure P Sales Tax revenue) account for 40% of the General Fund Revenue Budget and total $83.2 million of the budget. The Fiscal Year 2020-21 Adopted Budget reflects positive growth in its revenue source, albeit a slower rate than previous years. The City has identified several one-time resources to remain balanced with the adopted expenditure budget.

Measure A is a half-cent sales tax to fund public safety staffing and services. Measure A took effect on October 1, 2018 and brought the City's tax rate to 8.75%. The Fiscal Year 2020-21 Adopted Budget includes an estimated $20.2 million in sales tax revenues.

Measure P is a temporary 10-year half-cent sales tax to fund high priority infrastructure needs. Collection of the sales tax began on April 1, 2017. The Fiscal Year 2020-21 Adopted Budget includes an estimated $20 million in Measure sales tax revenues.

On August 4, 2020, the City Council voted to amend the Fiscal Year 2020-21 Adopted Budget due to the impact of the COVID-19 pandemic. The City reduced the Fiscal Year 2020-21 Adopted Budget by approximately $4 million. The reduction was achieved primarily by reducing personnel staffing costs citywide, primarily in the parks and recreation and library departments as result of facility closures. As of January 11, City revenue projections reflect a corresponding decrease of $4 million, which the City has primarily attributed to decreases in the receipt of sales tax and utility user tax revenues.

See the caption "—Budget Procedure, Current Budget and Historical Budget Information" for additional information relating to the adopted budget for Fiscal Year 2021.

Budget Procedure, Current Budget and Historical Budget Information

General. The City's budget is created in conjunction with the City Council, City staff and City residents. The budget process includes the submittal of each department's budget request for the next fiscal year, a detailed review of each department's proposed budget by the City Manager, and a final City Manager recommended budget transmitted to the City Council for its review prior to the required date of adoption. Once transmitted to the City Council, the proposed budget is made available for public inspection. A public hearing is published in a newspaper of general circulation. The Council accepted the Fiscal Year 2020-21 proposed operating budget and adopted the budget on June 9, 2020.

The adoption of the budget is accomplished by the approval of a Budget Resolution. The legal level of budgetary control is at the department level. Any budget modification, which would result in an appropriation increase, requires the approval of the City Council. The City Manager and the Finance Director are jointly authorized to transfer appropriations up to $15,000 within a departmental budget. Any appropriation transfers between departments or greater than $15,000 require City Council approval.

All appropriations which are not obligated, encumbered or expended at the end of the Fiscal Year lapse and become a part of the unreserved fund balance which may be appropriated for the next Fiscal Year.

As set forth in the City Charter, at any meeting after the adoption of the budget, the City Council may amend or supplement the budget by motion adopted by affirmative votes of at least four members. Throughout the year, the Finance Department provides the City Council with quarterly financial status reports comparing expenditure and revenue projections to budgeted amounts, highlighting any variances and recommending corrective actions as necessary.

COVID-19. The Fiscal Year 2020-21 budget was prepared prior to the COVID-19 pandemic. As a result of the COVID-19 pandemic, job losses, business closures and related financial impacts will reduce revenues. In August 2020, the City Council reduced the Fiscal Year 2020-21 adopted by approximately $4 million by making reductions to the appropriations of each department within the City.

Budget History. Set forth in Table 1 below are the General Fund budgets for Fiscal Years 2017-18 through 2020-21, and the audited General Fund results for Fiscal Years 2017-18 through 2019-20. During the course of each fiscal year, the budget is amended and revised as necessary by the City Council; budgeted amounts shown below reflect such amendments and revisions in certain fiscal years.

Table 1
City of Chula Vista
General Fund Budgets and Results

	Adopted Fiscal Year 2017-18 Budget	*Audited Fiscal Year 2017-18 Results*	*Adopted Fiscal Year 2018-19 Budget*	*Audited Fiscal Year 2018-19 Results*	*Adopted Fiscal Year 2019-20 Budget*	*Actual Fiscal Year 2019-20 Results*	*Adopted Fiscal Year 2020-21 Budget*
Budgetary Fund Balance, July 1	$ 41,848,965	$ 41,848,965	$ 108,203,516	$ 108,203,516	$ 118,874,437	$ 118,874,437	$ 116,584,007
Resources (Inflows):							
Taxes	131,364,886	130,862,050	153,411,411	154,495,385	159,427,422	161,997,109	164,810,081
Licenses and Permits	1,524,632	1,576,396	2,148,132	2,337,085	1,711,925	1,807,155	1,680,159
Intergovernmental	3,290,021	3,941,041	3,469,792	3,585,674	5,295,334	5,755,417	4,550,567
Charges for Services	4,141,305	4,622,136	5,764,569	6,149,075	6,789,648	7,413,674	8,113,383
Use of Money and Property	2,941,615	3,772,878	2,953,166	5,735,304	3,101,227	7,140,335	2,969,116
Fines and Forfeitures	1,075,423	1,332,011	1,241,423	1,464,302	1,267,439	1,019,931	1,230,253
Contributions	1,722,781	2,176,096	1,924,141	698,921	2,158,003	2,894,189	2,768,003
Developer Participation	1,004,664	1,619,577	1,049,664	1,507,738	1,281,991	1,342,678	1,817,337
Miscellaneous	11,901,399	13,545,617	12,875,062	12,149,569	12,622,134	12,901,238	8,593,183
Transfers In	31,216,519	9,626,425	49,245,902	10,956,957	13,268,744	11,737,890	13,599,696
Capital Leases	1,229,470	2,598,124	--	759,697	--	1,023,800	--
Bonds Issued	61,355,000	61,355,000	--	--	--	--	--
Bond Premium	10,009,000	10,008,509	--	--	--	--	--
Amounts Available for Appropriations	$ 304,598,680	$ 288,884,825	$ 342,286,778	$ 308,043,223	$ 326,318,304	$ 333,907,853	$ 326,715,785
Charges to Appropriation (Outflow)							
Current							
City Council	$ 1,539,410	$ 1,541,041	$ 1,626,561	$ 1,500,786	$ 1,563,927	$ 1,455,282	$ 1,625,016
City Clerk	1,065,170	1,007,638	1,048,694	995,590	1,184,049	1,067,283	1,023,234
City Attorney	2,828,213	2,774,203	3,208,839	2,592,388	3,290,295	3,115,052	3,334,408
Administration	2,107,225	2,114,907	2,216,056	2,035,972	2,512,725	2,409,482	2,565,311
Information Technology	3,628,297	3,610,391	3,840,194	3,410,775	3,859,920	3,944,406	3,901,104
Human Resources	2,313,875	2,440,167	2,899,632	2,278,068	3,177,692	2,727,205	2,777,848
Finance	6,669,530	5,941,341	12,431,650	4,893,947	5,930,524	5,484,619	11,780,704
Non-departmental	5,120,061	3,293,165	6,878,564	4,600,378	2,690,032	5,380,660	2,395,166
Board and Commissions	21,732	16,028	27,783	10,453	11,428	4,923	133,911
Police	51,786,798	52,184,649	58,427,861	56,915,187	65,436,387	63,599,984	66,493,086
Fire	32,579,850	32,381,469	37,494,767	34,088,281	40,467,412	39,503,846	41,793,559
Animal Care Facility	2,522,965	2,464,961	2,976,306	2,939,951	2,854,962	2,807,913	2,841,013
Economic Development	2,024,086	2,016,328	2,136,750	2,169,274	2,148,063	2,134,004	1,929,793
Development Services	2,685,065	2,684,110	2,900,096	2,585,695	2,857,455	2,699,629	2,790,135
Parks and Recreation	4,350,329	4,276,366	11,335,051	11,208,237	11,331,446	10,690,362	11,096,352
Public Works	9,598,758	8,384,667	12,026,492	7,576,105	8,677,274	8,605,681	12,146,128
Engineering	18,520,608	18,362,659	8,729,142	11,514,900	11,966,401	11,959,075	9,701,449
Library	3,919,934	3,923,691	4,182,419	3,910,273	4,101,587	3,537,102	4,013,586
Capital Outlay[(2)]	79,589,847	16,257,420	70,013,034	21,163,706	72,498,497	35,291,568	3,674,630
Debt Service:							
Principal Retirement	6,264,660	6,026,625	5,973,239	5,744,050	6,352,238	6,442,184	6,651,275
Interest and Fiscal Charges	3,093,426	3,039,982	2,968,388	2,855,721	2,681,750	2,618,773	2,382,463
Transfers out	27,413,293	5,939,501	5,776,715	4,179,049	7,882,680	5,274,643	9,185,435
Total Charges to Appropriations	$ 269,643,132	$ 180,681,309	$ 259,117,783	$ 189,168,786	$ 263,476,744	$ 221,383,676	$ 204,235,606
Budgetary Fund Balance, June 30[(1)]	$ 34,955,548	$ 108,203,516	$ 83,168,995	$ 118,874,437	$ 62,841,560	$ 112,524,177	$ 122,480,179

(1) The City allocated the proceeds of the 2017 Lease Revenues Bonds to various capital improvement projects beginning in Fiscal Year 2017-18. The projects are multi-year projects and the unspent of the appropriation for a project is carried over to the following Fiscal Year's budget until each project has been completed based on the City's ten-year expenditure plan that expires in Fiscal Year 2016-27. The Capital Outlay appropriation in the City's annual budget is typically greater than the actual expenses due to the life cycle of each individual project within the City's ten-year expenditure plan.

(2) Increase in Budgetary Fund Balance, June 30 for Audited Fiscal Year 2017-18 Results compared to Budgetary Fund Balance, July 1 for Audited Fiscal Year 2017-18 Results primarily due to issuance of 2017 Lease Revenue Bonds and related bond premium.

Sources: Adopted budgets of the City for Fiscal Years 2017-18 through 2020-21; audited financial statements of the City for Fiscal Years 2017-18 and 2018-19; City for Fiscal Year 2019-20 actual results.

Change in Fund Balance of the City General Fund

Set forth in Table 2 below are the City's audited General Fund statements of revenues, expenditures and changes in fund balance for Fiscal Years 2015-16 through 2018-19 and the City's estimated General Fund statement of revenues, expenditures and changes in fund balance for Fiscal Year 2019-20 based on available information to date.

Table 2
City of Chula Vista
General Fund Statement of Revenues, Expenditures and Changes in Fund Balances

	Fiscal Year Ended June 30,				
	2016	***2017***	***2018***	***2019***	***2020***
Revenues					
Taxes[1]	$107,731,873	$113,405,092	$130,862,050	$154,495,385	$161,997,109
Licenses and Permits	1,301,243	1,266,885	1,576,396	2,337,085	1,807,155
Intergovernmental	2,530,464	1,936,757	3,941,041	3,585,674	5,755,417
Charges for Services	9,264,462	10,317,929	4,622,136	6,149,075	7,413,674
Use of Money and Property	2,879,878	2,607,245	3,772,878	5,735,304	7,140,335
Fines and Forfeitures	1,249,457	1,123,010	1,332,011	1,464,302	1,019,931
Contributions	--	--	2,176,096	698,921	2,894,189
Developer Participation	--	--	1,619,577	1,507,738	1,342,678
Miscellaneous	11,988,931	19,616,239	13,345,617	12,149,569	12,901,238
Total Revenues	**$136,946,308**	**$150,273,157**	**$163,447,802**	**$188,123,053**	**$202,271,726**
Expenditures					
Current					
General Government	$ 24,518,792	$ 28,166,394	$ 22,738,881	$ 22,318,357	$ 25,588,912
Public Safety	76,138,983	78,927,809	87,031,079	93,943,419	105,911,743
Community Development	--	1,904,761	4,700,438	4,754,969	4,833,633
Parks and Recreation	4,057,799	4,243,609	4,276,366	11,208,237	10,690,362
Public Works	28,139,011	30,693,625	26,747,366	19,091,005	20,564,756
Library	3,689,475	3,868,100	3,923,691	3,910,273	3,537,102
Capital Outlay	2,235,590	2,438,848	16,257,4720	21,163,706	35,921,568
Debt Service:					
Principal Retirement	--	--	6,026,625	5,744,050	6,442,184
Interest and Fiscal Charges	--	--	--3,039,982	--2,855,721	2,618,773
Total Expenditures	**$138,779,650**	**$150,243,146**	**$174,741,808**	**$184,989,737**	**$216,109,033**
Excess (Deficiency) of Revenues Over (Under) Expenditures	$ (1,833,342)	$ 30,011	$ (11,294,006)	$ 3,133,316	$ (13,837,307)
Other Financing Sources (Uses)					
Transfers In	$ 9,036,494	$ 10,166,928	$ 9,626,425	$ 10,956,957	$ 11,737,890
Transfers Out	(6,335,351)	(7,025,684)	(5,939,501)	(4,179,049)	(5,274,643)
Capital Leases[2]	377,487	1,285,053	2,598,124	759,697	1,023,800
Issuance of Bonds	--	--	61,355,000	--	
Bond Premium	--	--	10,008,509	--	--
Total Other Financing Sources (Uses)	**$ 3,078,630**	**$ 4,426,297**	**$ 77,648,557**	**$ 7,537,605**	**$ 7,487,047**
Net Change in Fund Balances	$ 1,245,288	$ 4,456,308	$ 66,354,551	$ 10,670,291	$ (6,350,000)
Fund Balances – Beginning of Year, as previously reported	$ 36,122,025	$ 37,392,657	$ 41,848,965	$108,203,516	$118,874,437
Restatements	25,344	--	--	--	
Fund Balances Beginning of Year, as restated	36,147,369	37,392,657	41,858,965	108,203,516	118,874,437
Fund Balances – End of Year	**$ 37,392,657**	**$ 41,848,965**	**$108,203,516**	**$118,874,437**	**$112,524,177**

(1) See the caption "—Tax Revenues of the City" for a breakdown of tax revenues for the past five Fiscal Years.
(2) See the caption "—Other Indebtedness—General Fund-Supported Obligations—*Capital Lease Obligations*."
Source: Audited financial statements of the City for Fiscal Years 2015-16 through 2018-19; City for Fiscal Year 2019-20.

General Fund Balance Sheets of the City

Set forth in Table 3 below are the City's audited General Fund balance sheets for Fiscal Years for Fiscal Years 2015-16 through 2019-20.

Table 3
City of Chula Vista
General Fund Balance Sheet Summary

	Fiscal Year Ended June 30,				
	2016	***2017***	***2018***	***2019***	***2020***
Assets:					
Pooled Cash and Investments	$ 16,094,309	$ 11,628,059	$ 19,576,151	$53,771,019	$80,201,961
Receivables:					
Accounts	2,631,053	6,622,844	4,587,268	4,630,748	4,054,802
Taxes	12,995,472	13,761,094	11,910,183	16,871,985	17,507,420
Accrued Interest	--	--	475,155	489,052	143,328
Deferred Loans	62,884	61,564	56,250	--	--
Allowance for Uncollectible Loans	(62,884)	(61,564)	--	--	--
Prepaid Costs	38,788	44,248	337,663	211,005	182,846
Due from other Governments	614,891	547,086	221,948	391,246	1,851,077
Due from other Funds	3,832,041	8,229,776	15,666,391	9,888,632	3,497,892
Advances to other Funds	1,488,267	1,489,995	1,491,970	1,528,748	--
Restricted Assets:					
Cash and Investments	--	--	--	--	--
Cash and Investments with fiscal agents	--	--	56,672,411	38,298,041	15,365,506
Due from Successor Agency of Chula Vista RDA	9,885,147	9,885,147	9,885,147	9,885,147	9,107,753
Total Assets	$ 47,579,968	$ 52,208,249	$120,880,537	$135,965,623	$131,912,585
Liabilities, Deferred Inflows of Resources, and Fund Balances:					
Liabilities:					
Accounts Payable	$ 2,315,153	$ 3,056,156	$ 3,395,458	$ 5,267,656	$ 7,717,119
Accrued Liabilities	3,193,649	2,310,625	2,746,239	3,237,105	4,233,502
Unearned Revenues	--	147,891	--	--	--
Retentions Payable	1,089	1,089	--	--	1,055,400
Deposits Payable	--	--	--	--	--
Due to Other Funds	--	--	--	--	--
Advances from Other Funds	--	--	--	--	--
Total Liabilities	$ 5,509,891	$ 5,515,761	$ 6,141,697	$ 8,504,761	$13,006,021
Deferred Inflows of Resources:					
Unavailable Revenues	$ 4,677,420	$ 4,843,523	$ 6,535,324	$ 8,586,425	$ 6,382,387
Total Deferred Inflows of Resources	$ 4,677,420	$ 4,843,523	$ 6,535,324	$ 8,586,425	$ 6,382,387
Fund Balances					
Nonspendable:					
Prepaid Costs	$ 38,788	$ 44,248	$ 337,663	$ 211,005	$ 182,846
Due from Successor Agency of Chula Vista RDA	5,834,630	5,834,630	5,846,717	5,838,333	9,107,753
Advances to other Funds	1,488,267	1,489,995	1,491,970	1,528,748	--
Committed to:					
Capital Projects	2,072,436	1,775,607	60,011,407	39,087,009	--
Debt Service	--	--	--	--	--
Economic Contingency	3,600,000	3,600,000	3,804,371	7,283,745	8,353,512
San Diego Authority for Freeway Emergency	664,659	557,993	332,151	--	--
Legal Counsel	46,050	5,000	--	--	--

Catastrophic events contingency	--	--	--	--	2,729,347
Assigned to:					
General Government	1,677,574	4,927,704	2,087,743	6,410,034	248,633
Public Safety	1,181,062	1,034,275	107,133	132,278	31,192
Parks and Recreation	170,661	73,895	75,482	14,297	9,741
Public Works	836,035	237,560	81,272	46,241	24,124
Community Development	--	--	45,000	--	--
Capital Projects	--	--	--	--	17,620,493
Library	185	8,000	7,289	--	--
Public Liability	1,909,942	996,606	277,013	573,157	1,012,313
Measure P Sales Tax	--	1,248,299	9,185,942	23,067,521	25,216,344
City Jail	--	--	--	--	384,889
Measure A Sales Tax	--	--	--	11,303,210	21,966,331
Unassigned	17,872,368	20,015,153	24,512,363	23,378,859	25,636,659
Total Fund Balances	$ 37,392,657	$ 41,848,965	$108,203,516	$118,874,437	$112,524,177
Total Liabilities and Fund Balances	$ 47,579,968	$ 52,208,249	$120,880,537	$135,965,623	$131,912,585

Source: Audited financial statements of the City for Fiscal Years 2015-16 through 2019-20.

Tax Revenues of the City

A summary of taxes and certain fees received by the City in the last five Fiscal Years and budgeted in the current Fiscal Year is set forth in Table 4 below. Certain general taxes currently imposed by the City are affected by various State Constitutional provisions. See the caption "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS."

Table 4
City of Chula Vista
General Fund Major Tax Revenues and Fees by Source

	Fiscal Year Ended June 30,					
	2016	***2017***	***2018***	***2019***	***2020***	***2021***(1)
Property Tax	$ 30,220,180	$ 32,513,443	$ 35,451,464	$ 37,617,612	$ 38,168,135	$ 37,544,258
Property Tax in Lieu of VLF(2)	18,934,656	19,965,909	21,061,385	22,224,361	23,558,103	23,591,939
Sales Tax	33,317,380	33,449,707	39,380,274	39,083,182	34,511,235	35,927,684
Measure P Sales Tax	--	3,906,919	18,161,109	20,016,492	20,253,786	20,020,000
Measure A Sales Tax	--	--	--	14,088,106	20,189,564	20,020,000
Franchise Fees	11,709,977	11,515,851	11,750,192	12,121,018	12,619,252	12,404,935
Utility Users Tax	5,844,248	5,786,326	5,563,291	4,882,704	4,064,893	5,233,423
Business License Taxes	1,538,595	1,558,888	1,532,647	1,478,894	1,437,501	1,755,339
Transient Occupancy Tax	3,827,244	3,650,442	4,104,886	4,298,261	4,142,337	4,926,832
Real Property Transfer Taxes	1,357,573	1,057,611	1,340,086	1,385,614	1,183,539	1,300,000
TOTAL	$ 106,749,853	$ 113,405,096	$ 138,345,335	$ 157,196,244	$ 160,128,345	$ 162,824,410

(1) Reflects budgeted Fiscal Year 2020-21 amounts.
(2) For comparison purposes, these amounts are included in "Taxes" for all years.
Source: Audited financial statements of the City for Fiscal Years 2015-16 through [2018-19; City for Fiscal Years] 2019-20 and 2020-21.

Property Taxes

For Fiscal Year 2019-20, property tax receipts of $38,168,135 provided the largest tax revenue source for the City in Fiscal Year 2019-20. Property taxes contributed approximately 23.8% of General Fund tax and fee revenues and approximately 18.9% of total General Fund revenues in Fiscal Year 2019-20. Fiscal Year 2018-19 property tax receipts of $37,617,612 provided the second-largest tax revenue source for the City in Fiscal Year 2018-19. Property taxes contributed approximately 23.9% of General Fund tax and fee revenues and approximately 20.0% of total General Fund revenues in Fiscal Year 2018-19. The City's Fiscal Year 2020-

21 Budget reflects property tax receipts of $37,544,258, which represents a decrease of approximately 1.6% compared the amount of property tax receipts received by the City for Fiscal Year 2019-20.

Property in the State 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 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 exclusive means of compelling the payment of delinquent taxes with respect to secured property is the sale of the property securing the taxes for the amount of taxes that are delinquent. The taxing authority has three methods of collecting unsecured personal property taxes: (1) filing a civil action against the taxpayer; (2) obtaining a judgment lien on certain property of the taxpayer from the county clerk or county recorder; and (3) seizing and selling personal property, improvements or possessory interests belonging or taxable to the assessee.

A 10% 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 1.5% per month on the amount delinquent. 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 10% penalty also applies to the delinquent taxes or property on the unsecured roll, and further, an additional penalty of 1.5% per month accrues with respect to such taxes beginning on the varying dates related to the tax billing date.

In an attempt to mitigate the effects of the COVID-19 pandemic on State property taxpayers, on May 6, 2020, the Governor signed Executive Order N-61-20 ("**Order N-61-20**"). Under Order N-61-20, certain provisions of the State Revenue and Taxation Code are suspended until May 6, 2021, to the extent that they require a tax collector to impose penalties, costs or interest for the failure to pay secured or unsecured property taxes, or to pay a supplemental bill, before the date that such taxes become delinquent. Such penalties, costs and interest will be cancelled under the conditions provided for in Order N-61-20, including if the property is residential real property occupied by the taxpayer or the real property qualifies as a small business under certain State laws, the taxes were not delinquent prior to March 4, 2020, the taxpayer files a claim for relief with the tax collector and the taxpayer demonstrates economic hardship or other circumstances that have arisen due to the COVID-19 pandemic or due to a local, state, or federal governmental response thereto. The City did not experience a decrease in property tax receipts due to Order N-61-20. However, no assurance can be given that such order will not affect Fiscal Year 2020-21 property tax results. See the captions "THE CITY—COVID-19 Outbreak" and "RISK FACTORS—Impacts and Potential Impacts of COVID-19 on the City."

State law also provides for the supplemental assignment and taxation of property as of the occurrence of a change in ownership or completion of new construction. 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.

For a number of years, the State Legislature shifted property taxes from cities, counties and special districts to the Educational Revenue Augmentation Fund ("**ERAF**"). In Fiscal Years 1993 and 1994, in response to serious budgetary shortfalls, the State Legislature and administration permanently redirected over $3 billion of property taxes from cities, counties, and special districts to schools and community college districts pursuant to ERAF shifts. The Fiscal Year 2005 State Budget included an additional $1.3 billion shift of property taxes from certain local agencies, including the City, in Fiscal Years 2005 and 2006.

On November 2, 2010, State voters approved Proposition 22, which: (i) prohibits the State of California from shifting or delaying the distribution of funds from special districts to schools and community colleges; (ii) eliminates the authority to shift property taxes temporarily during a severe financial hardship of the State; and (iii) restricts the State's authority to use fuel tax revenues to pay debt service on transportation bonds, to borrow or change the distribution of fuel tax revenues or to use vehicle license fee revenues to reimburse local governments for state-mandated costs.

Despite the passage of Proposition 22, there can be no assurance that 1% *ad valorem* property tax revenues which the City currently expects to receive will not be temporarily shifted from the City or reduced pursuant to State legislation enacted in the future. If the property tax formula is permanently changed in the future, it could have a material adverse effect on the receipt of its share of 1% property tax revenues by the City.

Set forth in the table below are the secured and unsecured assessed valuations for property in the City for the Fiscal Years 2017 through 2021.

Table 5
City of Chula Vista
Assessed Valuation History (Dollars in Thousands)

Fiscal Year	***Secured Value***	***Unsecured Value***	***Total Assessed Value***
2016-17	$25,328,410,138	$447,654,371	$25,776,074,509
2017-18	26,640,897,032	465,373,283	27,106,270,315
2018-19	29,390,231,110	592,221,286	29,982,452,396
2019-20	31,185,048,225	602,642,833	31,787,691,058
2020-21	33,136,962,193	641,452,322	33,778,414,515

Source: San Diego County Auditor Controller.

An extended recession caused by the COVID-19 outbreak could impact assessed values with the City and result in decreased property tax revenues. See the captions "THE CITY—COVID-19 Outbreak" and "RISK FACTORS—Impacts and Potential Impacts of COVID-19 on the City."

The California Redevelopment Law (Part 1 of Division 24 of the Health and Safety Code of the State) authorized the redevelopment agency of any city or county to receive an allocation of tax revenues resulting from increases in assessed values of properties within designated project areas (the "**Incremental Value**") occurring after the year the project area was formed. In effect, local taxing authorities, such as the City, realized tax revenue sonly on the assessed value of such property at the time the redevelopment project was created for the duration of such redevelopment project. Although Assembly Bill No. 26 ("**AB X126**"), enacted on June 29, 2011 as Chapter 5 of the Statutes of 2011, statutorily dissolved redevelopment agencies continue to be paid from property taxes derived from Incremental Value until enforceable obligation are paid in full in accordance with Parts 1.8 (commencing with Section 34161) and 1.85 (commencing with Section 34170) of Division 24 of the California Health and Safety Code (as such statutory provisions may be amended from time to time, the "**Dissolution Act**").

The City has formed several redevelopment projects prior to the State's enactment of the Dissolution Act. Set forth in Table 6 below are the total assessed valuations and redevelopment agency incremental values for the Fiscal Years 2016-17 through 2020-21.

Table 6
City of Chula Vista
Assessed Valuation History (Dollars in Thousands)

Fiscal Year	*Total Assessed Value*[(1)]	*Redevelopment Agency Incremental Value*	*Net Value*	*Percent Change*
2016-17	$25,776,074,509	$(1,354,453,404)	$24,421,621,105	N/A%
2017-18	27,351,591,591	(1,508,723,549)	25,842,286,042	5.82
2018-19	28,863,884,798	(1,680,449,154)	27,183,435,644	5.19
2019-20	30,596,088,455	(1,777,172,955)	28,818,915,500	6.02
2020-21	32,404,145,562	(1,889,443,047)	30,514,702,515	5.88

(1) Includes redevelopment incremental valuation
Source: Audited financial statements of the City for Fiscal Years 2015-16 through 2018-19; City for Fiscal Years 2019-20 and 2020-21.

In the first year after redevelopment agencies were statutorily dissolved, the Dissolution Act established a process for determining the liquid assets that redevelopment agencies should have shifted to their successor agencies when they were dissolved, and the amount that should be available for remittance by the successor agencies to their respective county auditor-controller for distribution to affected taxing entities within the project areas of the former redevelopment agencies. This determination process is commonly known as the "due diligence review proves" and was required to be completed through the final step (review by the State Department of Finance) by November 9, 2012 with respect to affordable housing funds and by April 1, 2013 with respect to non-housing funds. Generally, redevelopment agencies were required to remit to their respective county auditor-controller the amount of unobligated balances determined by the State Department of Finance. In turn, such remitted unobligated balances were distributed to taxing entities within the applicable redevelopment project area (including the City with respect to its redevelopment projects) in proportion to such taxing entity's share of property tax revenues in the tax rate area for the applicable fiscal year.

The Dissolution Act also provides for proceeds of the sale of land owned by redevelopment agencies at the time of their statutory dissolution to be remitted to the applicable county auditor-controller for distribution to the affected taxing entities within the applicable redevelopment project area (including the City with respect to its redevelopment projects) in proportion to such taxing entity's share of property tax revenues in the tax rate area for the applicable fiscal year.

Further, under the Dissolution Act, taxing entities with jurisdictions within a redevelopment project, such as the City, are to receive distributions (in proportion to such taxing entity's share of property tax revenues in the tax rate area for the applicable fiscal year) of residual amounts of property taxes attributable to Incremental Value of such redevelopment projects on each June 1 and January 2, after payment of: (i) tax sharing obligations established previously pursuant to the Community Redevelopment Law, (ii) enforceable obligations of the successor agency to the former redevelopment agency, and (iii) an administrative cost allowance to such successor agency. As enforceable obligations of the former redevelopment agency and its successor agency are paid and retired, residual amounts of property tax revenues attributable to redevelopment project area Incremental Value are expected to increase over time.

Set forth in Table 6 below are property tax collections (including amounts that do not constitute General Fund money) and delinquencies in the City as of June 30 for Fiscal Years 2015-16 through 2019-20. The County has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale

Proceeds (known as the "**Teeter Plan**"), as provided for in Section 4701 *et seq*. of the Revenue and Taxation Code of the State (under which the County pays the City 100% of property taxes due to the City regardless of actual collections). The County bills and collects property taxes and remits them to the City according to a payment schedule established by the County. The City does not participate in the Teeter Plan. As a result, the County apportions to the City only secured property taxes actually collected, including penalties and interest paid on delinquent installments of property taxes.

Table 7
City of Chula Vista
Property Tax Levies and Collections

Fiscal Year Ended June 30	*Taxes Levied for the Fiscal Year*[(1)]	*Collections within the Fiscal Year of Levy*	*Percent of Levy Collected within the Fiscal Year of Levy*	*Collections in Subsequent Years*[(2)]	*Total Collections to Date*	*Percent of Levy Collected to Date*
2016	$29,083,269	$28,800,156	99.03%	$68,973	$28,869,128	99.26%
2017	30,632,668	30,388,650	99.20	49,984	30,438,634	99.37
2018	32,518,946	32,206,343	99.04	58,329	32,264,672	99.22
2019	34,198,598	33,877,270	99.06	6,562	33,883,832	99.08
2020	36,202,585	35,677,358	98.55	80,701	35,758,059	98.77

(1) Levy amounts do not include supplemental taxes
(2) Collection amounts represent delinquencies collected for all prior years during the current tax year. Total delinquent collections are reduced by any funds processed from prior year tax collections
Source: Audited financial statements of the City for Fiscal Years 2015-16 through 2018-19; City for Fiscal Year 2019-20.

The 10 largest secured and unsecured taxpayers in the City as shown on the Fiscal Year 2019-20 tax roll, the assessed valuation and the percentage of the City's total property tax revenues attributable to each are set forth in Table 8 below. **[UPDATE FOR FISCAL YEAR 2020-21]**

Table 8
City of Chula Vista
Principal Property Taxpayers

Rank	*Property Owner*	*Fiscal Year 2019-20 Assessed Valuation*	*% of Total*
1.	Rohr Inc.	$ 248,261,089	0.81%
2.	GGP Otay Ranch LP	205,718,700	0.67
3.	John Hancock Life Insurance Co.	152,798,189	0.50
4.	Sharp Chula Vista Medical Center	143,048,962	0.47
5.	Regulo Place Apts Investors L	118,036,342	0.39
6.	Otay Land CO LLC	113,640,525	0.37
7.	Brisa Acquisitions LLC	100,316,854	0.33
8.	NM Pulse LLC	99,382,747	0.32
9.	Vista Pacific Villas LP	99,044,746	0.32
10.	BREFMCA LLC	82,543,665	0.27
TOTAL		$ 1,362,791,819	4.45%

Sources: MuniServices, LLC; County of San Diego Property Tax Services PT base Tab Taxable Assessed Value for Fiscal Year [2019-20]

Sales Taxes

Sales Fiscal Year 2019-20 sales tax receipts of $34,511,235 provided the second largest tax revenue source for the City in Fiscal Year 2019-20. Sales taxes contributed approximately 21.6% of General Fund tax and fee revenues and approximately 17.1% of total General Fund revenues in Fiscal Year 2019-20. Sales Fiscal Year 2018-19 sales tax receipts of $39,083,182 provided the largest tax revenue source for the City in Fiscal Year 2018-19. Sales taxes contributed approximately 24.9% of General Fund tax and fee revenues and approximately 20.8% of total General Fund revenues in Fiscal Year 2018-19. The City's Fiscal Year 2020-21 Budget reflects the receipt of $35,927,684 in sales tax revenues in Fiscal Year 2020-21, an increase of approximately $1.4 million (4.1%) from amount of sales tax revenues received in Fiscal Year 2019-20. Such amounts do not include Measure A or Measure P sales tax receipts.

A sales tax is imposed on retail sales or consumption of personal property and collected and distributed by the State Board of Equalization (the "**SBE**"). The basic sales tax rate is established by the State Legislature, and local overrides may be approved by voters. The current sales tax rate in the City is 8.75%, which includes the 0.5% Measure A Sales Tax which took effect on October 1, 2018 and does not sunset and the 10-year temporary 0.5% Measure P Sales Tax which took effect on April 1, 2017. See the caption "—General Economic Condition and Outlook of the City—Fiscal Policies." In Fiscal Year 2019-20, the City received $20,189,564 of Measure A Sales Tax receipts and $20,253,786 of Measure P Sales Tax receipts. The City's Fiscal Year 2020-21 Budget estimates that the Measure P Sales Tax will produce approximately $20,020,000 in revenues and the Measure A Sales Tax will produce approximately $20,020,000 in revenues.

Both Measure A and Measure P were approved by the voters as "general purpose taxes," which gives the City the discretion to spend the revenues for any lawful purpose; however, the City has dedicated the proceeds of such sales tax measures to specific purposes. The City has dedicated the proceeds of the Measure A sales tax to addressing public safety (police and fire departments) critical needs. The City has dedicated the proceeds of the Measure P sales tax to funding high priority deferred maintenance items such as infrastructure, fleet replacement, technology and other capital equipment. Measure A will remain in place unless and until it is repealed by voters. Measure P is scheduled to terminate in March 2027. For both Measure A and Measure P, the City has established separate funds to monitor and track the usage and balance of such sales tax revenues. The General Fund serves as a pass-through conduit for the funds established for Measure A and Measure P, respectively, with the full amount of Measure A and Measure P receipts being transferred out of the General Fund to the Measure A or Measure P fund, as applicable. In addition, the City has established citizen oversight committees for each of Measure A and Measure P to promote transparency in the use of such funds.

Additional information relating to sales tax receipts by the City is set forth in Appendix B.

As discussed under the caption "THE CITY—COVID-19 Outbreak," the Governor extended the deadline to file and pay first quarter sales and use tax returns by 90 days for all but the very largest taxpayers, and up to 361,000 California businesses with less than $5 million in taxable annual sales will be allowed to defer up to $50,000 in sales tax and enter into 12-month payment plans at zero interest. The extension will result in a delay in the receipt by the City of its portion of sales tax payments.

Other Taxes and Other Revenues

Fiscal Year 2019-20 revenues from transient occupancy taxes, property transfer taxes, franchise fees, utility user taxes and business license taxes totaled $23,447,522. Such amount collectively provided approximately 14.6% of General Fund tax and fee revenues and 11.6% of total General Fund revenues during Fiscal Year 2019-20. Fiscal Year 2018-19 revenues from transient occupancy taxes, property transfer taxes, franchise fees, utility user taxes and business license taxes totaled $24,166,491. Such amount collectively provided approximately 15.4% of General Fund tax and fee revenues and 12.8% of total General Fund revenues during Fiscal Year 2019.

Transient occupancy taxes, which are levied on all hotel, motel and campsite operators providing lodging in the City, are currently imposed at the rate of 10%.

The utility users tax is imposed within the City limits on all users of natural gas at a rate of $0.00919 per therm, electricity at rate of $0.00250 per kilowatt and telecommunication services at the rate of 4.75% of gross receipts. Proceeds of the utility users tax are used to fund activities funded by the General Fund. The utility users tax does not have a sunset provision.

The City's Fiscal Year 2020-21 budget reflects the receipt of approximately $25,620,529 in transient occupancy taxes, property transfer taxes, franchise fees, utility user taxes and business license taxes in Fiscal Year 2020-21, an increase of approximately $2,173,077 (9.3%) from the amount received in Fiscal Year 2019-20.

State of California Motor Vehicle In-Lieu Payments

The State imposes a Vehicle License Fee (the "**VLF**"), which is the portion of the fees paid in lieu of personal property taxes on a vehicle. The VLF is based on vehicle value and declines as the vehicle ages. Prior to the adoption of the Fiscal Year 2004-05 State Budget, the VLF was 2% of the value of a vehicle. Through legislation in prior Fiscal Years, the State enacted VLF reductions under which the State was required to "backfill" local governments for their revenue losses resulting from the lowered fee.

The Fiscal Year 2004-05 State Budget permanently reduced the VLF from 2% to 0.65% of the value of a vehicle and deleted the requirement for backfill payments, providing instead that the amount of the backfill requirement will be met by an increase in the property tax allocation to cities and counties. See the caption "STATE OF CALIFORNIA BUDGET INFORMATION." The City receives a portion of VLF collected state-wide. The total VLF budgeted for Fiscal Year 2020-21 is approximately $23.7 million.

VLF revenues for the last five Fiscal Years, all of which were distributed from property tax receipts, are shown in the below table.

Table 9
City of Chula Vista
State of California Motor Vehicle In-Lieu Payments

	Fiscal Year Ended June 30,				
Source	***2016***	***2017***	***2018***	***2019***	***2020***
Motor Vehicle In-Lieu Payments	$18,934,656	$19,965,909	$21,061,385	$22,224,361	$23,558,103

Source: City.

Chula Vista Bayfront Development Project

The San Diego Unified Port District (the "Port District") and the City have worked cooperatively for some years in furtherance of a Chula Vista Bayfront Master Plan (the "CVBMP") to address the development/redevelopment of the Chula Vista Bayfront (the "Bayfront") located in western Chula Vista along the southern portion of the San Diego Bay, on land primarily owned by the Port District. The first major proposed development is an approximate 1,600-room resort hotel and 630,000 square foot conference center project (collectively, the "RHCC"). An additional 1,250 hotel rooms and 1,500 condominiums are also proposed, but the City cannot guarantee when or if both of these additional planned projects will be constructed.

The City, RIDA CHULA VISTA, LLC., a Delaware limited liability company ("RIDA"), and the Port District entered into a Disposition and Development Agreement, dated May 7, 2018 (the "DDA"), to address resources to be committed among the City, the Port District and RIDA to fund the costs of the RHCC project. The plan is for RIDA to finance the cost of the resort hotel and a portion of the cost of the convention center and for the City and the Port District to contribute revenues to finance the remainder of the cost of the convention center and other public infrastructure necessary for the RHCC project (together with the convention center, the “Public Facilities”). Taken together, the Public Facilities are anticipated to cost approximately $341 million. Certain of the Public Facilities will be funded on a pay-as-you-go basis from Port District, City and other public agencies’ contributions. Under the DDA in order to assist in the financing of the remaining cost of the Public Facilities, the City committed to use certain existing revenues relating to the CVBMP area and all of the new revenue to be generated in the Bayfront from a variety of sources including (a) new transient occupancy tax (“TOT”) applicable to the RHCC and existing TOT applicable to an RV Park (the “RV Park”); (b) new sales taxes derived from the RHCC and RV Park; (c) new special tax revenues generated within a Community Facilities District formed to include the RHCC, the RV Park and a hotel located within the CVBMP area; (d) new property tax increment revenues derived from the RHCC; and (e) certain existing annual revenues paid to the City by the Port for police, fire and medical services under an existing contract (together the “City Bayfront Revenues”). The Port District also committed certain revenues under the DDA to assist in the financing of the Public Facilities.

In furtherance of the RHCC project, the Port District and the City established the Chula Vista Bayfront Facilities Financing Authority (the “Authority”), a joint exercise of powers entity, pursuant to a Joint Exercise of Power Agreement, dated as of May 1, 2014, by and between the City and the Port District, as amended and restated by the Amended and Restated Joint Exercise of Powers Agreement, dated and effective as of July 25, 2019, by and between the City, and the Port District. The City also established the Bayfront Project Special Tax Financing District (the “Bayfront District”) which will levy and collect special taxes from the RHCC hotel and other properties included in the Bayfront area, including, but not limited to, the RV Park and Hotel. As currently proposed, the Authority is expected to issue bonds in the range of $360 to $375 million to fund a portion of the costs of construction of the convention center and certain of the other Public Facilities, and the costs to issue the bonds, establish a reserve fund for the bonds and capitalize interest on the bonds. However, the City makes no guarantee as to the amount of bonds that will be issued and the cost of the Public Facilities that will be funded.

If issued, the Authority’s bonds are expected to be secured by certain lease payments made by the City, certain annual payments made by the Port District and special taxes collected by the Bayfront District. RIDA, the Port District, the Authority and the City are in the process of negotiating the terms of the proposed Authority bond issue including the City’s lease of the convention center (the “City Lease”), a support agreement between the Port District and the Authority, a loan agreement between the Bayfront District and the Authority, and other ancillary documents to accomplish the financing. If the City Lease is executed as currently proposed, the annual lease payments due from the City would commence following the completion of the convention center. The lease payments would be payable from the City’s General Fund, but in amounts not greater than the annual City Bayfront Revenues collected up to the maximum annual lease payment amount set forth in the City Lease. The maximum annual lease payment is currently projected to be approximately $36 million. As currently proposed, the City will not be obligated under the City Lease to contribute revenues in excess of the City Bayfront Revenues collected annually. The City will covenant in the Continuing Disclosure Agreement to provide information on any change in the proposed sources of funding of the City Lease.

If the RHCC project is completed and put into operation, the City expects that the development may create additional General Fund costs for fire and emergency medical services. At this time, the City projects that additional revenues generated by the RHCC project will be sufficient to offset any additional costs for services consequent the completion of the RHCC project or the CVBMP. These are preliminary projections and additional analysis will be conducted as the CVBMP continues to develop. No assurance can be given as to whether the revenues generated by the RHCC project will be sufficient to offset any additional General Fund costs.

Other Indebtedness

General Fund-Supported Obligations. The obligations set forth in Table 10 below are payable from the District's general revenues. The City may issue other obligations payable from its general revenues at any time. See the caption "RISK FACTORS—City Obligations."

Table 10
City of Chula Vista
Summary of General Fund-Supported Obligations

Obligation	***Outstanding Amount***[(1)]	***Year of Maturity***
2014 Refunding Certificates of Participation	$ 35,735,000.00	2032
2015 Refunding Certificates of Participation	6,775,000.00	2034
2016 Refunding Certificates of Participation	8,600,000.00	2036
2016 Lease Revenue Refunding Bonds	20,430,000.00	2033
2017 Lease Revenue Bonds	44,870,000.00	2027
2017 Lease Revenue Bonds, Series A (New Clean		2049
Renewable Energy Bonds – Federally Taxable)	12,045,000.00	
2017 Lease Revenue Bonds, Series B (Tax-Exempt)		2029
Taxable QECB Lease/Purchase Agreement.	980,000.00	--
California Energy Commission Loans/SDG&E On-Bill Financing	881,815.54	--
Capital Lease Obligations	1,339,900.71	--
TOTAL	$ 156,846,547.25	

(1) As of June 30, 2020.
Source: City.

Each of the obligations that are summarized in the above table is described in further detail below.

2014 Refunding Certificates of Participation. In February 2014, the City issued the Chula Vista Financing Authority (the "**Authority**") issued $45,920,000 in 2014 Certificates of Participation (the "**2014 Certificates of Participation**") to refinance the City's outstanding 2002 Certificates of Participation (Police Facility Project). The source of repayment of the certificates is the lease payments to be made by the City to the Authority. Interest is payable semiannually on April 1 and October 1 of each year, commencing on October 1, 2014. The certificates mature in 2032 and principal is payable on October 1 each year, commencing on October 1, 2014. As of June 30, 2020, the outstanding balance is $35,735,000.

2015 Refunding Certificates of Participation. In August 2015, the Authority issued $34,330,000 in 2015 Certificates of Participation to refinance the City's outstanding 2004 Certificates of Participation (Civic Center Project Phase) (the "**2004 Certificates of Participation**") and a portion of the 2006 Certificates of Participation (Civic Center Project Phase II) (the "**2006 Certificates Participation**" and, together with the 2004 Certificates, the "**Certificates of Participation**"), fund a reserve fund, and pays the costs incurred in connection with the execution and delivery of the certificates. The source of repayment for the Certificates of Participation is the lease payments to be made by the City to the Authority. Interest is payable semi-annually on March 1 and September 1 of each year, commencing March 1, 2016. The certificates mature in 2034 and principal is payable on March 1 each year, commencing March 1, 2016. As of June 30, 2020, the outstanding balance is $26,775,000.

2016 Refunding Certificates of Participation. In July 2016, the Authority issued $8,600,000 in 2016 Certificates of Participation (the "**2016 Certificates of Participation**") to current refund all of the City's outstanding 2006 Certificates of Participation (Civic Center Project – Phase 2), to satisfy the reserve requirement with respect to the 2016 Certificates of Participation and to pay the costs of issuance of the 2016 Certificates of Participation. The source of repayment of the certificates is the lease payments to be made by the City to the Authority. Interest is payable semi-annually on March 1 and September 1 of each year, commencing March 1, 2017. The certificates mature in 2036 and principal is payable on March 1 each year, commencing March 1, 2027. As of June 30, 2020, the outstanding balance is $8,600,000.

2016 Lease Revenue Refunding Bonds. In July 2016, the Authority issued $25,885,000 in 2016 Lease Revenue Refunding Bonds (the "**2016 Bonds**") to refinance an existing loan by advance refunding the City's 2010 Certificates of Participation (Capital Facilities Refunding Projects) and to pay the cost of issuance of the 2016 Bonds. The source of repayment for the certificates is the lease payments to be made by the City to the Authority. Interest is payable semi-annually on November 1 and May 1 of each year, commencing November 1, 2016. The certificates mature in 2033 and principal is payable on May 1 each year, commencing may 1, 2017. As of June 30, 2020, the outstanding balance is $20,430,000.

2017 Lease Revenue Bonds. In June 2017, the Authority issued $61,355,000 in 2017 Lease Revenue Bonds (the "**2017 Bonds**") to finance infrastructure, facilities and equipment and to pay the costs of issuance of the 2017 Bonds. Interest is payable semi-annually on November 1 and May 1 of each year, commencing November 1, 2017. The bonds mature in 2027 and principal is payable on May 1 each year, commencing May 1, 2018. As of June 30, 2020, the outstanding balance is $44,870,000.

2017 Lease Revenue Bonds, Series A (New Clean Renewable Energy Bonds – Federally Taxable). In December 2017, the Authority issued $12,045,000 in 2017 Lease Revenue Bonds, Series A (New Clean Renewable Energy Bonds – Federally Taxable) (the "**2017 Federally Taxable Bonds**"), to finance photovoltaic energy systems at various City facilities, to capitalize interest on the 2017 Federally Taxable Bonds and to pay the costs of issuance of the 2017 Federally Taxable Bonds. Interest is payable semi-annually on December 1 and June 1 of each year, commencing June 1, 2018. The bonds mature in 2049 and principal is payable on December 1 each year, commencing December 1, 2021. As of June 30, 2020, the outstanding balance is $12,045,000.

2017 Lease Revenue Bonds, Series B (Tax-Exempt). In December 2017, the Authority issued $1,085,000 in 2017 Lease Revenue Bonds, Series B (Tax-Exempt) (the "**2017 Tax-Exempt Bonds**"), to finance photovoltaic energy systems at various City facilities, to capitalize interest on the 2017 Tax-Exempt Bonds and to pay the costs of issuance of the 2017 Tax-Exempt Bonds. Interest is payable semi-annually on December 1 and June 1 of each year, commencing June 1, 2018. The bonds mature in 2029 and principal is payable on December 1 each year, commencing December 1, 2019. As of June 30, 2020, the outstanding balance is $980,000.

Taxable QECB Lease/Purchase Agreement. On December 31, 2012 the City entered into a lease purchase agreement with a private party to purchase certain energy conservation equipment. The lease/purchase agreement would bridge the financial gap between the Municipal Street Listing Retrofit Project capital costs and the available rebates for the energy conservation equipment. As of June 30, 2020 the outstanding balance is $881,815.

California Energy Commission Loans/SDG&E On-Bill Financing. On September 25, 2007, the City Council approved Resolution 2007-241 authorizing the City's participation in the California Energy Commission and the SDG&E On-Bill Financing Program. The loans would bridge the financial gap between energy conservation project capital costs and the available rebates for energy conservation equipment. As of June 30, 2020, the outstanding balance is $1,340,831.

Capital Lease Obligations. The City has entered into the following capital lease obligations:

- *Solar Energy Financing.* On July 23, 2013 the City Council approved Resolution 2013-49 authorizing the City to utilize a $2,121,500 Tax-Exempt Facility Lease

Purchase Agreement with Banc America. The lease is payable through 2031 and bears interest at the rate of 3.95% per annum. As of June 30, 2020, the lease was outstanding in the aggregate principal amount of $1,165,149.

- *Osh Kosh Capital*. On October 1, 2013 the City Council approved Resolution 2013-204 authorizing the City to enter into a seven-year lease purchase agreement with Osh Kosh Capital for the acquisition of a fire engine at a price of $578,224. The lease is payable through 2021. As of June 30, 2020 the lease was outstanding in the aggregate principal amount of $89,400.

- *PNC Equipment Lease*. In November 2015, the City entered into a capital lease with PNC Equipment Finance for the acquisition of two fire engines. The lease is payable through 2026 and bears interest at the rate of 3.20% per annum. As of June 30, 2020 the lease was outstanding in the aggregate principal amount of $819,000.

- *JP Morgan Equipment Lease*. In August 2016, the City entered into a capital lease agreement with JP Morgan Chase Bank, N.A. for the acquisition of a fire engine. The lease is payable through 2027. As of June 30, 2020 the lease was outstanding in the aggregate principal amount of $887,679.

- *Motorola Solutions CAD Equipment Lease*. In July 2017, the City entered into a capital lease agreement with Motorola Solutions, Inc. for the acquisition of a PSA System. The lease is payable through 2027 and bears interest at the rate of 3.23% per annum. As of June 30, 2020 the lease was outstanding in the aggregate principal amount of $1,051,500.

- *Mail Folding Machine Lease*. In January 2018, the City entered into a capital lease agreement with Mail Finance, Inc. for the acquisition of a mail folding machine. The lease is payable through 2021. As of June 30, 2020 the lease was outstanding in the aggregate principal amount of $10,832.

- *BCI Capital Vehicle Leases*. In March 2019, the City entered into two capital lease agreements with BCI Capital, Inc. for the acquisition of 26 vehicles. The lease is payable through 2021. As of June 30, 2020 the lease was outstanding in the aggregate principal amount of $284,886.

- *JP Morgan Equipment Lease (Pierce Arrow XT)*. In September 2018, the City entered into a capital lease agreement with JP Morgan Chase Bank, N.A. for the acquisition of a fire engine. The lease is payable through 2029. As of June 30, 2020, the lease was outstanding in the aggregate principal amount of $659,871.

- *DELL MDC Lease*. In October 2019, the city entered into a capital lease agreement with DELL Financial Services for the acquisition of mobile data computers. The lease is payable through 2023. As of June 30, 2020, the lease was outstanding in the aggregate principal amount of $220,624.

See Note 6 to the City's audited financial statements set forth in Appendix A for further information with respect to General Fund-supported obligations.

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

City Investment Policy

General. The City's Investment Policy and Guidelines (the "**Investment Policy**") is intended to provide guidelines for the prudent investment of the City's cash balances, and outline policies to assist in maximizing the efficiency of the City's cash management system, while meeting daily cash flow demands of the City. The City's investment practices and policies are based upon State law and prudent money management and the Investment Policy applies to all financial assets of the City. Investments are made in the following order of priority (i) safety; (ii) liquidity and (iii) return on investments. Safety of principal is the foremost objective of the investment program. Investments of the City are undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio. The City's investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements which might be reasonably anticipated and to maintain compliance with any indenture agreement, as applicable. The City's investment portfolio is designed with the objective of attaining market-average rate of return throughout budgetary and economic cycles (market interest rates), within the Investment Policy's risk parameters and the City's cash flow needs.

Under the City's Investment Policy and in accordance with California Government Code Section 53600, *et. seq*., the City may invest in the following types of investments subject to certain limitations on maturity and amount:

Bankers' Acceptances, Negotiable Certificates of Deposits, Commercial Paper, State and Local Agency Bonds, U.S. Treasury Obligations, U.S. Agency Securities, Repurchase Agreements, Reverse-Purchase Agreements, Medium-Term Corporate Notes, Non-Negotiable Certificates of Deposits, State Obligations, Money Market Funds, County Treasurer's Pooled Money Fund, Local Agency Investment Funds (LAIF), Shares of Beneficial Interest Issued by a Joint Powers Authority, Asset Backed Securities (ABS), Supranationals, Placement Service Deposits and Collateralized Bank Deposits.

Summary of Investments. A summary of the City's investments as of September 30, 2020, is set forth in the below table. General Fund investments (based on market values) were equal to approximately $390,266,531 million of the total investment portfolio as of September 30, 2020.

Table 11
City of Chula Vista
Summary of Investments as of September 30, 2020[(1)]

Investments	
Asset-Backed Security	$ 5,457,928.08
Certificate of Deposit	41,958,356.95
Commercial Paper	0.00
Corporate Notes	108,790,907.11
Federal Agency	57,346,057.94
U.S. Treasury Note	6,532,390.00
Municipal Bonds	56,445,183.00
Supranational	7,157,100.00
Pooled Investments	99,832,046.32
Total	$ 390,266,530.79

(1) Reflects market values. Totals may not add due to rounding.
Source: City.

See Note 2 in Appendix A for further information with respect to City investments.

Other Post-Employment Benefits

OPEB Benefit Plan. The City provides a Retiree Healthcare Plan, a single employer defined plan, which allows eligible retirees to purchase healthcare coverage under the City's medical plan. Retirees pay 100% of the premiums. Retirees not eligible for Medicare pay the same healthcare premiums as active employees, even though retiree's healthcare costs are greater than that of active employees. This results in an implied subsidy of retiree's healthcare costs by the City. In Fiscal Year 2011-12, the City entered into an agreement with various bargaining groups eliminating the subsidized retiree health care rates for employees hired under the Second Tier CalPERS Retirement Plan. The City subsequently established a third tier for employee benefits – employees hired in this tier are not eligible for this benefit.

Employees in the Tier 1 Plan are eligible for retiree health benefits if they retire from the City on or after age 50 (unless disabled) and are eligible for the PERS pension. The benefits are available only to employees who retired from the City. Membership of the plan consisted of the following at June 30, 2019, the valuation date:

Active	493
Inactive employees or beneficiaries currently receiving benefit payments	228
Inactive employees entitled to but not yet receiving benefit payments	-
Total	721

The information above does not reflect eligible retirees that are in the process of enrolling in the healthcare plan.

The City offers an implied subsidy benefit paid from the City's General Fund. The City's contribution is based on pay-as-you-go. Tier 1 Plan retirees pay 100% of their individual (subsidized) premium. Retirees under Tier 2 and Tier 3 will pay 100% of the unsubsidized (unblended) health care premiums.

The City's net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019. The total OPEB liability in the June 30, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Table 12
City of Chula Vista
Actuarial Assumptions for OPEB Benefit Plan

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Contribution Policy	No pre-funding.
Discount Rate	2.45%
Inflation	0.75%
Salary Increases	2.75%
	Merit – CalPERS 1995-2015 Experience Study
Healthcare Cost Trend Rates	7.00% in first year, trending down to 4.17% over 55 years
Mortality Rate	Mortality Rate projected fully generational with Scale MP-17
Mortality, Retirement, Disability Terminations	CalPERS 1997-2015 Experience Study

Source: Audited financial statements of the City for Fiscal Year 2019-20.

Changes in the net liability for the City's OPEB Benefit plan for Fiscal Year 2019-20 were as follows.

Table 13
City of Chula Vista
Changes in OPEB Benefit Plan Liability

	Increase (Decrease Total OPEB Liability
Balance at June 30, 2018	$ 15,938,213
Changes Recognized for the Measurement Period:	
Service Cost	$ 921,271
Interest	516,371
Differences between actual and expected experience	5,786,481
Changes in assumptions	2,640,687
Implicit rate subsidy fulfilled	(724,009)
Net Changes	$ 9,140,801
Balance at June 30, 2020 (Measurement Date)	$ 15,938,213

Source: Audited financial statements of the City for Fiscal Year 2019-20.

Table 13 below presents the net liability of the City's OPEB Benefit plan, calculated using the discount rate applicable to Fiscal Year 2019-20 (2.45%), as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.45 percent) or 1-percentage- point higher (3.45 percent) than the current discount rate:

Table 14
City of Chula Vista
Sensitivity of the OPEB Benefit Plan Net Liability to Changes in the Discount Rate

Current Discount Rate - 1% (1.45%)	*Current Discount Rate (2.45%)*	*Current Discount Rate + 1% (3.45%)*
$26,358,483	$25,079,014	$22,681,301

Source: Audited financial statements of the City for Fiscal Year 2019-20.

Future changes in funding policies and assumptions, including those related to assumed rates of investment return and healthcare cost inflation, could trigger increases in the City's annual required OPEB Benefit plan contributions, and such increases could be material to the finances of the City. No assurance can be provided that such expenses will not increase significantly in the future. The City does not expect that any increased funding of OPEB Benefits will have a material adverse effect on the ability of the City to pay the Bonds.

For additional information relating to the City's OPEB Benefit plan, see Note 9 to the City's audited financial statements set forth in Appendix A.

City Financial Statements

A copy of the most recent audited financial statements of the City (the "**Financial Statements**") for the Fiscal Year ended [June 30, 2019], prepared by Lance, Soll & Lunghard, LLP, Brea, California (the "**Auditor**"), are included as Appendix A to this Official Statement. The Auditor's letter dated March 25, 2020 is set forth therein. The Financial Statements are public documents and are included within this Official

Statement without the prior approval of the Auditor. Accordingly, the Auditor has not performed any post-audit analysis of the financial condition of the City, nor has the Auditor reviewed or audited this Official Statement.

Certain financial information that is set forth in this Official Statement is derived from the Financial Statements and the City's audited financial statements for prior years (excluding certain non-cash items and after certain other adjustments) and is qualified in its entirety by reference to such statements, including the notes thereto. The Auditor has not reviewed or audited such financial information or any other portion of this Official Statement.

In the Financial Statements, data relating to governmental funds such as the General Fund focus on current financial resources. Under the current financial resources measurement focus, only current assets and current liabilities are generally included on the City's balance sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances (which is set forth under the caption "—Change in Fund Balance of the City General Fund"), presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balances. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Revenues become available when received in cash, except for revenue which is subject to accrual and are recognized when due by the City. Generally, 60 days after year-end for primary revenue sources (i.e. property tax, sales tax, intergovernmental revenues and other taxes). Revenue recognition for grants is up to one year. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

STATE OF CALIFORNIA BUDGET INFORMATION

General

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

Budget for Fiscal Year 2020-21

On January 10, 2020, prior to the COVID-19 outbreak, the Governor released his proposed State budget for Fiscal Year 2020-21. On May 14, 2020, the Governor released the May Revision to the Proposed 2020-21 State Budget (the "**May Revision**"). The May Revision noted that the COVID-19 pandemic and resulting recession has changed the State's fiscal landscape dramatically. Unemployment claims have surged, with increased unemployment claims of 4.4 million from mid-March to May 9, 2020. Job losses have occurred in nearly every sector of the economy and personal income is projected to decline by 9% in 2020.

Following record economic expansion, the United States economy entered into a recession in March 2020, causing an immediate negative impact on State revenues, with all three of the State's major revenue sources showing significant declines relative to the Governor's original budget forecast. From Fiscal Years 2018-19 through 2020-21, the May Revision baseline revenue estimate decreased by over $43 billion, before accounting for transfers. The changes in the three largest State tax sources are:

- Personal income tax revenues, which were revised downward by $32.6 billion (including $6.9 billion less in Fiscal Year 2019-20 and $26.3 billion less in Fiscal Year 2020-21) due to a decline in all income sources, but particularly wages, proprietorship income and capital gains;

- Sales and use tax receipts, which were revised downward by almost $10 billion ($2.2 billion less in Fiscal Year 2019-20 and $7.7 billion less in Fiscal Year 2020-21) due mainly to lower consumption and investment by business; and

- Corporate tax revenues, which were revised downward by over $5 billion based on a significant drop in corporate profits.

On June 29, 2020, the Governor signed into law the State budget for Fiscal Year 2020-21 (the "**2020-21 Budget**"). The following information is drawn from summaries of the 2020-21 Budget prepared by the DOF and the LAO.

The 2020-21 Budget acknowledges that the rapid onset of COVID-19 has had an immediate and severe impact on the State's economy. The ensuing recession has caused significant job losses, precipitous drops in family and business income and has exacerbated income inequality. The May Revision forecast included a peak unemployment rate of 24.5% in the second quarter of 2020 and a decline in personal income of nearly 9%. The 2020-21 Budget reports that the official unemployment rate exceeded 16% in both April and May 2020.

The 2020-21 Budget includes a number of measures intended to address a projected deficit of $54.3 billion and occasioned principally by declines in the State's three main tax revenues (personal income, sales and use and corporate, as discussed above). The measures included in the 2020-21 Budget, and described below, are intended to close this deficit and set aside $2.6 billion in the State's traditional State General Fund reserve, including $716 million for the State to respond to the changing conditions of the COVID-19 pandemic:

- *Drawdown of Reserves* – The 2020-21 Budget draws down $8.8 billion in total State reserves, including $7.8 billion from the Budget Stabilization Account ("**BSA**"), $450 million from the Safety Net Reserve and all money in the Public School System Stabilization Account.

- *Reductions and Deferrals* – The 2020-21 Budget includes $11.1 billion in reductions and deferrals The reductions and deferrals include $6.6 billion in deferred spending on education, $970 million in funding for the California State University and University of California systems, $2.8 billion in State employee compensation and $150 million for courts, as well as funding for various other State programs. The reductions and deferrals also include $250 million for county programs to backfill anticipated revenue losses.

- *Federal Funds* – The 2020-21 Budget relies on $10.1 billion in federal funds, $8.1 billion of which has already been received. This relief includes recent Congressional approval for a temporary increase in the federal government's share of Medicaid costs, a portion of the State's Coronavirus Relief Fund allocation pursuant to the CARES Act and federal funds provided for childcare programs.

- *Borrowing/Transfers/Deferrals* – The 2020-21 Budget relies on $9.3 billion in special fund borrowing and transfers, as well as deferrals to K-14 education spending. Approximately $900 million of special fund borrowing is associated with reductions to State employee compensation.

- *Increased Revenues* – The 2020-21 Budget temporarily suspends for three years net operating loss tax deductions for medium and large businesses and limits business tax credits, with an estimated increase in tax revenues of $4.3 billion in Fiscal Year 2020-21.

- *Cancelled Expansions, Updated Assumptions and Other Measures* – The 2020-21 Budget includes an additional $10.6 billion of measures, including cancelling multiple programmatic expansions, anticipated governmental efficiencies, higher ongoing revenues above the forecast included in the May Revision and lower health and human services caseload costs than assumed by the May Revision.

For Fiscal Year 2019-20, the 2020-21 Budget projects total State General Fund revenues and transfers of $137.6 billion and authorizes expenditures of $146.9 billion. The State is projected to end Fiscal Year 2019-20 with total available State General Fund reserves of $17 billion, including $16.1 billion in the BSA and $900 million in the Safety Net Reserve Fund.

For Fiscal Year 2020-21, the 2020-21 Budget projects total State General Fund revenues and transfers of $137.7 billion and authorizes expenditures of $133.9 billion. The State is projected to end Fiscal Year 2020-21 with total available State General Fund reserves of $11.4 billion, including $2.6 billion in the traditional State General Fund reserve (of which $716 million is earmarked for COVID-19-related responses), $8.3 billion in the BSA and $450 million in the Safety Net Reserve Fund.

As a result of the projected reduction of State revenues occasioned by the COVID-19 pandemic, the 2020-21 Budget estimates that the Proposition 98 minimum funding guarantee for Fiscal Year 2020-21 is $70.1 billion, approximately $10 billion below the revised prior-year funding level. For K-12 school districts, this results in per-pupil spending in Fiscal Year 2020-21 of $10,654, a reduction of $1,339 from the prior year.

For additional information regarding the 2020-21 Budget, see the DOF and LAO websites. The information presented on such websites is not incorporated herein by reference.

Proposed Budget for Fiscal Year 2021-22

On January 8, 2021, the Governor released his proposed State budget for Fiscal Year 2021-22 (the "Proposed 2021-22 Budget"). The information below is drawn from the DOF's summary of the Proposed 2021-22 Budget.

The Proposed 2021-22 Budget indicates that, since the adoption of the 2020-21 Budget, the administration's economic forecast and revenue projections have significantly improved, driven in large part by a rebound in the stock market and an attendant growth in capital gains tax revenues. However, the Proposed 2021-22 Budget acknowledges that the risks to the revenue forecast remain higher than usual, and economic inequality has intensified since the beginning of the COVID-19 pandemic. The Proposed 2021-22 Budget acknowledges that the State is currently in the midst of a second and more serious wave of COVID-19 infections, but that federally-approved COVID-19 vaccines are arriving to assist the recovery from the pandemic.

The Proposed 2021-22 Budget indicates that the revenue forecast was finalized prior to the passage of the most recent federal stimulus bill. Of the almost $900 billion in federal funding that was approved, the Proposed 2021-22 Budget identifies approximately $106 billion allocable to the State, including $42.4 billion in direct assistance to individuals and families (including $38.3 billion in unemployment benefits and direct payments), $2.2 billion for COVID-19 testing, tracing and vaccine distribution, $700 million for health and mental health services, $50.1 billion in business and transportation support, and $10.1 billion for education. The Governor's May Revision to the Proposed 2021-22 Budget will include a revised revenue forecast that will reflect this federal assistance. The Proposed 2021-22 Budget also acknowledges that further federal relief will be critical to assisting individuals and businesses to survive and recover from the pandemic.

For Fiscal Year 2020-21, the Proposed Fiscal Year 2021-22 Budget projects total general fund revenues and transfers of $168.1 billion and expenditures of $156 billion. The State is projected to end Fiscal Year 2020-21 with total available general fund reserves of approximately $22.7 billion, including $9 billion in the traditional State reserve, $12.5 billion in the BSA and $450 million in the Safety Net Reserve Fund. For Fiscal Year 2021-22, the Proposed 2021-22 Budget projects total general fund revenues and transfers of $170.6 billion and authorizes expenditures of $164.5 billion. The State is projected to end Fiscal Year 2021-22 with total available general fund reserves of approximately $22 billion, including $2.9 billion in the traditional general fund reserve, $15.6 billion in the BSA and $450 million in the Safety Net Reserve Fund.

For additional information regarding the Proposed 2020-21 Budget, see the DOF and LAO websites. The information presented on such websites is not incorporated herein by reference.

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

There can be no assurance that additional legislation will not be enacted in the future to implement provisions relating to the State budget, address the COVID-19 outbreak or otherwise that may affect the City or its General Fund revenues.

Potential Impact of State Financial Condition on the City

Currently, the COVID-19 pandemic is materially adversely impacting the financial condition of the State and the waning of the infection crisis is expected to be followed by the onset of a recession and significant increases in unfunded liabilities of the two main retirement systems managed by State entities, CalPERS and the California State Teachers' Retirement System. The State also has a significant unfunded liability with respect to other post-employment benefits.

Current and future State budgets will be significantly affected by the COVID-19 pandemic and other factors over which the City has no control. The City cannot determine what actions will be taken in the future by the State Legislature and the Governor to deal with the COVID-19 pandemic, any coming recession and resulting changing State revenues and expenditures. There can be no assurance that, as a result of the COVID-19 pandemic or otherwise, the State will not significantly reduce revenues to local governments (including the City) or shift financial responsibility for programs to local governments as part of its efforts to address State financial conditions. Although the State is not a significant source of City revenues, there can be no assurance that State actions to respond to the COVID-19 pandemic will not materially adversely affect the financial condition of the City.

Future State Budgets

No prediction can be made by the City as to whether the State will continue to encounter budgetary problems in future years, and if it were to do so, 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 final outcome of future State budget negotiations, the impact that such budgets will have on City 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. There can be no assurance that actions taken by the State to address its financial condition will not materially adversely affect the financial condition of the City. Current and future State budgets will be affected by national and State economic conditions and other factors, including the current COVID-19 pandemic and associated economic downturn, over which the City has no control.

RISK FACTORS

Prospective purchasers of the Bonds should carefully consider all possible factors that may affect the ability of the City to pay principal of and interest on the Bonds. The Bonds may not be a suitable investment for all prospective purchasers.

The following factors, along with the other information in this Official Statement, should be considered by potential investors in evaluating the purchase of the Bonds. However, the following does not purport to be an exhaustive listing of risks and other considerations which may be relevant to an investment in the Bonds and there can be no assurance that other risk factors will not become material in the future. In addition, the order in which the following factors are presented is not intended to reflect the relative importance of any such risks.

City Obligations

The City has other obligations payable from its General Fund and other lawfully available funds of the City, including but not limited to debt obligations, lease obligations and certain other liabilities. The Trust Agreement does not prohibit the County from incurring additional debt, lease or other obligations payable from the City's General Fund and other lawfully available funds in the future (including Additional Bonds to finance Pension Liability), which may reduce City moneys available to pay the Bonds.

In addition, although the Bonds are payable from all lawfully available funds of the City, the City has no obligation to levy taxes in order to raise sufficient revenues to pay the Bonds. See the caption "CITY FINANCIAL INFORMATION—Other Indebtedness" for a description of the City's current obligations.

Certain Risks Associated with Sales Tax and Other Local Tax Revenues

For the past several Fiscal Years, sales tax revenues have been a significant source of General Fund revenues to the City.

Sales and use tax revenues are based upon the gross receipts of retail sales of tangible goods and products by retailers with taxable transactions in the City, which could be impacted by a variety of factors. For example, in times of economic recession, the gross receipts of retailers often decline, and such a decline would cause the sales tax revenues received by the City to decline. An economic recession would also be expected to affect hotel occupancy within the City, and consequently, the City's receipt of transient occupancy taxes. See the caption "THE CITY—COVID-19 Outbreak," "CITY FINANCIAL INFORMATION—Sales Taxes" and "CITY FINANCIAL INFORMATION—Other Taxes and Other Revenues."

In addition, changes or amendments in the laws applicable to the City's receipt of sales tax revenues or other local taxes, whether implemented by State legislative action or voter initiative, including any initiative by City voters under Article XIIIC of the California Constitution to repeal either the Measure A Sales Tax or Measure P Sales Tax, could have an adverse effect on sales tax revenues received by the City. See the caption "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS."

Finally, many categories of transactions are exempt from the Statewide sales tax, and additional categories could be added in the future. Currently, most sales of food products for human consumption are exempt; this exemption, however, does not apply to liquor or to restaurant meals. The rate of sales tax levied on taxable transactions in the City or the fee charged by the State Board of Equalization for administering the City's sales tax could also be changed.

Assessed Value of Taxable Property

Property taxes are a significant source of the City's General Fund revenues. Natural and economic forces can affect the assessed value of taxable property within the City. The City is located in a seismically active region, and damage from an earthquake in or near the area could cause extensive damage to taxable property. Other natural or manmade disasters, such as flood, fire, wildfire, ongoing drought, toxic dumping, erosion or acts of terrorism, could cause a reduction in the assessed value of taxable property within the City. See the captions "—Natural Disasters" and "—Hazardous Substances."

In addition, economic and market forces, such as a downturn in the regional economy, could affect assessed values, particularly as these forces might reverberate in the residential housing and commercial property markets as has been experienced in the past. In addition, the total assessed value can be reduced through the reclassification of taxable property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes).

Reductions in the market values of taxable property may cause property owners to appeal assessed values and may also be associated with an increase in delinquency rates for property taxes. Section 2(b) of Article XIIIA of the State Constitution and Section 51 of the State Revenue and Taxation Code, which were adopted pursuant to Proposition 8, which was adopted in 1978, require the County assessor to annually enroll either a property's adjusted base year value (the "**Proposition 13 Value**") or its current market value, whichever is less. When the current market value replaces the higher Proposition 13 Value on the assessor's roll, such lower value is referred to as the "**Proposition 8 Value**."

Although the annual increase for a Proposition 13 Value is limited to no more than 2%, the same restriction does not apply to a Proposition 8 Value. The Proposition 8 Value of a property is reviewed annually as of January 1; the current market value must be enrolled as long as the Proposition 8 Value falls below the Proposition 13 Value. Thus, any subsequent increase or decrease in market value is enrolled regardless of any percentage increase or decrease. Only when a current Proposition 8 Value exceeds the Proposition 13 Value attributable to a piece of property (adjusted for inflation) does a county assessor reinstate the Proposition 13 Value.

Decreases in the assessed value of taxable property within the City resulting from a natural disaster or other calamity, economic recession, reclassification by ownership or use or as a result of the implementation of Proposition 8 all may have an adverse impact on property tax collections by the City, and consequently, the General Fund revenues that are available to make debt service payments on the Bonds.

Increasing Retirement-Related Costs

The City is required to make contributions to CalPERS and to the OPEB Benefit plan for City employees and retirees. Such obligations are a significant financial obligation of the City and could increase in the future. Actual contribution rates will depend on a variety of factors, including but not limited to actual investment returns and future changes to benefits or actuarial assumptions. The City notes that pension contributions in future years may increase as a result of losses in CalPERS' portfolio resulting from stock market declines in the wake of the COVID-19 outbreak. See the captions "THE CITY—COVID-19 Outbreak" and "RISK FACTORS—Impacts and Potential Impacts of COVID-19 on the City." There can be no assurances that actual increases in required contributions will not be higher than the amounts which are currently projected by the City. See the captions "CITY PENSION PLANS—Potential Impacts of Future Required Contributions" and "CITY FINANCIAL INFORMATION—Other Post-Employment Benefits."

Dependence on State for Certain Revenues

A number of the City's revenues are collected and dispersed by the State (such as sales taxes and the VLF) 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, including as a result of the COVID-19 outbreak that is discussed under the captions "THE CITY—COVID-19 Outbreak" and "RISK FACTORS—Impacts and Potential Impacts of COVID-19 on the City," 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 caption "STATE OF CALIFORNIA BUDGET INFORMATION."

No Reserve Fund

The City has not funded a reserve fund in connection with the issuance of the Bonds.

Litigation

The City may be or become a party to litigation that has an impact on the General Fund. Although the City maintains certain insurance policies that provide liability coverage under certain circumstances and with respect to certain types of incidents (as discussed under the caption "THE CITY—Risk Management"), the City cannot predict what types of liabilities may arise in the future. See the caption "LITIGATION."

Natural Disasters

The occurrence of any natural disaster in the City, including, without limitation, earthquake, wildfire, drought, high winds, landslide or flood, which results in significant damage within the City or otherwise significantly impacts the economy of the City could materially adversely affect the financial condition of the City. See the caption "THE CITY—Risk Management."

The City is located in a seismically active region and could be impacted by a major earthquake originating from the numerous faults in the area. Traces of the potentially active La Nacion fault zone are known to cross the City in a generally north-south direction within the central portion of the City. The nearest active faults are the Rose Canyon fault located approximately 14 miles northwest of the City, and the Coronado Bank fault, located approximately 30 miles from the City. Other active faults in the region are located more than 60 miles from the City. Seismic hazards encompass potential surface rupture, ground shaking, liquefaction and landslides.

Strong vibrations due to earthquakes can cause liquefaction of certain soil types. Areas of the City in close proximity to San Diego Bay and the Sweetwater and Otay River Valley have shallow groundwater tables and poorly consolidated granular sediments potentially subject to seismically-induced liquefaction. A portion of the City is also subject to landslides in the event of an earthquake.

A major earthquake could cause widespread destruction and significant loss of life in a populated area such as the City. If an earthquake were to substantially damage or destroy taxable property within the City, a reduction in taxable values of property in the City and a reduction in revenues available to the General Fund would likely occur. The City carries no earthquake insurance on City facilities.

Portions of the City are located in a 100-year flood plain. Portions of the City are located along the Pacific Ocean and the City could be subject to the impacts from tsunamis in the event of an earthquake off-shore. If either a flood or a tsunami were to substantially damage or destroy taxable property within the City, a reduction in taxable values of property in the City and a reduction in revenues available to the General Fund would likely occur. The City carries no flood insurance on City facilities.

The State, including the City, is periodically subject to wildfires. The last major wildfire in the vicinity of the City was the Harris Fire in October 2007. During the Harris Fire, as a precaution, the City established emergency shelters; however, no significant damage was sustained to property within the City.

When wildfires scorch land, they destroy all vegetation on mountains and hillsides. As a result, when heavy rain falls in the winter, there is nothing to stop the rain from penetrating directly into the soil. In addition, waxy compounds in plants and soil that are released during fires create a natural barrier in the soil that prevents rain water from seeping deep into the ground. The result is erosion, mudslides, and excess water running off the hillsides often causing flash flooding.

In January 2017 the City was affected by severe wind, rainstorm and flooding which resulted in property damage to facilities owned by the City.

The occurrence of natural disasters in the City could result in substantial damage to the City which, in turn, could substantially affect the City's economy and reduce General Fund revenues, which could affect the payment of the principal of and interest on the Bonds. In particular, if a natural disaster were to result in reduced assessed valuations of property within the City, the amount of property tax revenues could be reduced. See the caption "CITY FINANCIAL INFORMATION—Property Taxes."

The City maintains commercial general liability, fire, lightning and special extended coverage insurance. See the caption "THE CITY—Risk Management." However, there can be no assurance that specific losses will be covered by insurance or, if covered, that claims will be paid in full by the applicable insurers.

Climate Change

The State has historically been susceptible to wildfires and hydrologic variability. As greenhouse gas emissions continue to accumulate in the atmosphere as a result of economic activity, climate change is expected to intensify, increasing the frequency, severity and timing of extreme weather events such as coastal storm surges, drought, wildfires, floods and heat waves, and raising sea levels.

Since 2000, the City has been implementing a "Climate Action Plan" to address the threat of climate change impacts to the local community. The most recent plan is the 2017 Climate Action Plan ("CAP") which was adopted by City Council on September 26, 2017, includes new goals and policies to strengthen the City's climate action efforts. Implementing the CAP facilitates achieving numerous community co-benefits such as utility savings, better air quality, reduced traffic congestion, local economic development, and improved quality of life. The CAP brings together City's climate plan efforts including the original Carbon Dioxide Reduction Plan (2000), the mitigation plan (2008) and the adaptation plan (2011). The City regularly conducts greenhouse gas emission inventories to help guiding the execution of the CAP as well as to monitor and evaluate the progress.

The future fiscal impact of climate change on the City is difficult to predict, but it could be significant and it could have a material adverse effect on the General Fund by requiring greater expenditures to counteract the effects of climate change or by changing the operations and activities of City residents and business establishments.

Hazardous Substances

The discovery of any hazardous substance that would limit the beneficial use of a property within the City could result in a reduction in the assessed value of affected parcels. 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 Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or the "Superfund Act," is the most well-known and widely applicable of these laws, but California laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner (or operator) is obligated to remedy a hazardous substance condition of property whether or not the owner or operator had anything to do with creating or handling the hazardous substance. The effect, therefore, should any substantial amount of property within the City be affected by a hazardous substance, would be to reduce the marketability and value of the property by the costs of, and any liability incurred by, remedying the condition, since a purchaser, upon becoming an owner, will become obligated to remedy the condition just as is the seller. Such reduction could adversely impact the property tax revenues received by the City, which could significantly and adversely affect the operations and finances of the City and the City's ability to pay the Bonds. See the caption "—Assessed Valued of Taxable Property."

The City has not independently verified, but is not aware of, the presence of any hazardous substances in the City except in connection with everyday business activities such as gas stations and dry cleaning establishments. Hazardous substance liabilities may arise in the future with respect to any of the property in the City resulting from the existence, currently, of a substance presently classified as hazardous but which has not been released or the release of which is not presently threatened, or may arise in the future resulting from the existence, currently, on the parcel of a substance not presently classified as hazardous but which may in the future be so classified. Additionally, such liabilities may arise from the method of handling such substance. These possibilities could significantly affect the value of a parcel.

Cybersecurity

Municipal agencies, like other business entities, face significant risks relating to the use and application of computer software and hardware. Recently, there have been significant cybersecurity incidents affecting municipal agencies, including a freeze affecting computer systems of the City of Atlanta, an attack on the City of Baltimore's 911 system, an attack on the Colorado Department of Transportation's computers and an attack that resulted in the temporary closure of the Port of Los Angeles' largest terminal.

The City recently deployed an all new, highly segmented network infrastructure which employs a multi-level network security protection scheme that includes network firewalls, server- and personal computer-level advanced malware/anti-virus software, endpoint security, email protection as well as next generation intrusion protection and domain name system filtering software. The City retains the services of a professional network maintenance company to ensure updates/patches to the network address known vulnerabilities. To date, the City has not experienced an attack on its computer operating systems. There can be no assurance that a future attack or attempted attack would not result in disruption of City operations, particularly given that employee access of City computer systems from home in light of the COVID-19 pandemic may increase the risks of intrusion by third parties.

Limitation on Sources of Revenues

Although the Bonds are payable from all lawfully available funds of the City, the City has no obligation to levy taxes, assessments, fees or charges in order to raise sufficient revenues to pay the Bonds. In the event that the City were to choose to do so, the State Constitution contains significant limitations and imposes significant procedural requirements which affect the City's ability to increase City revenues. See the caption "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS."

In addition, under the State Constitution, voters of the State have the ability to initiate legislation and require a public vote on legislation passed by the State Legislature through the powers of initiative and referendum, respectively. The City is unable to predict whether any such initiatives or referenda might be submitted to or approved by the voters, the nature of such initiatives or referenda or their potential impact on the City and its operations.

Impacts and Potential Impacts of COVID-19 on the City

An outbreak of disease or similar public health threat, such as the COVID-19 outbreak, or fear of such an event, could have an adverse impact on the City's financial condition and operating results. The outbreak of COVID-19 has had an adverse effect on, among other things, the world economy, global supply chain, international travel and a number of travel-related industries. The outbreak has also negatively affected travel, commerce, asset values and financial markets globally, and is widely expected to continue to negatively affect economic output worldwide and within the State and the City. Unemployment in the United States has dramatically increased as a result of the outbreak. Federal and state governments (including California) have enacted legislation and have taken executive actions designed to mitigate the negative public health and economic impacts of the outbreak.

The outbreak has resulted in temporary closing of businesses, universities, and schools throughout California. The County issued a "stay-at-home" emergency order on March 29, 2020 which required closures of certain businesses including restaurants, bars, and gyms across the County. The State has implemented a four stage reopening plan for cities and counties depending on certain metrics related to COVID-19. Similarly, the City Council passed Resolution No. 2020-065 on March 17, 2020 to declare a local emergency due to the COVID-19 outbreak.

On May 4, 2020, the Governor issued Executive Order N-60-20 to allow reopening of lower-risk businesses and spaces as part of Stage Two of a four-stage reopening plan (the "California Resilience Roadmap"), and then to allow the reopening of high-risk businesses and spaces as part of Stage Three of such plan. As a result of the regression of COVID-19 indicators, on July 13, 2020, the Governor issued another order requiring all counties within the State to close indoor operations in certain sectors, including dine-in restaurants, wineries and tasting rooms, movie theatres, family entertainment centers, zoos and museums and cardrooms. The Governor's July 13, 2020 order also required certain counties (including the County) to shut down additional industries and activities, including gyms and fitness centers, places of worship and cultural ceremonies (such as weddings and funerals), offices for non-critical infrastructure sectors, personal care services (such as nail salons, body waxing and tattoo parlors) and shopping malls. On August 28, 2020, the State released further guidance regarding re-opening certain types of businesses based on a county-by-county approach where each county is assigned a tier based on COVID-19 case rates within such county. Based on the assessment from the State, San Diego County is in the "Widespread" tier as of January 12, 2021. For counties in the "Widespread" tier, curfews limiting gatherings at night are in place, certain non-essential indoor businesses are required to remain closed and certain businesses may open with modifications, such as limitations on capacity.

On December 3, 2020, the Governor announced the Regional Stay Home Order, which divides the State into five separate regions and provides that upon the occurrence of certain enumerated events relating to regional hospital capacity, the order will go into effect on a region-by-region basis. The City is within the Southern California region, and effective December 6, 2020 the Regional Stay Home Order was in effect within the Southern California region and remains in effect as January 12, 2021. In regions where the Regional Stay Home Order is in effect, the order instructs Californians to stay at home as much as possible and to stop mixing between households that can lead to COVID-19 spread, provides that certain businesses may remain open with modifications and limitations on capacity, and that all operations in certain enumerated sectors (such as hair salons, personal care services, museums, zoos and aquariums, and live audience sports) must be closed. Once triggered, the Regional Stay Home Order will remain in place in a given region for at least three weeks and will be lifted upon the occurrence of certain enumerated events relating to regional hospital capacity.

The spread of COVID-19 and the collateral effects on the local economy has resulted in reduced revenues to the City's General Fund in the fourth quarter of Fiscal Year 2019-20 and the City expects such declines to continue into Fiscal Year 2020-21. See the caption "THE CITY—COVID-19 Outbreak."

There are many variables that will continue to contribute to the economic impact of the COVID-19 outbreak and the recovery therefrom, including the length of time social distancing measures are in place, the effectiveness of State and Federal governments' relief programs and the timing for the containment and treatment of COVID-19.

Notwithstanding the foregoing, the City does not currently believe that the COVID-19 outbreak will materially adversely affect its ability to pay debt service on the Bonds. See the caption "CITY FINANCIAL INFORMATION—General Economic Condition and Outlook of the City."

Economy of City and State

A deterioration in the level of economic activity in the City, the State or the United States, including as a result of the COVID-19 outbreak that is discussed under the caption "THE CITY—COVID-19 Outbreak," could have a material adverse effect on the City's general revenues and on the ability of the City to pay principal of and interest on the Bonds. See the caption "STATE OF CALIFORNIA BUDGET INFORMATION" for information about the State's economy and State budget.

Limitation on Remedies; Bankruptcy

General. The enforcement of any remedies that are provided for in the Trust Agreement could prove both expensive and time consuming. The rights and remedies that are provided in the Trust Agreement may be limited by and are subject to: (i) the limitations on legal remedies against cities in the State, including State Constitutional limits on expenditures and limitations on the enforcement of judgments against funds that are needed to serve the public welfare and interest; (ii) federal bankruptcy laws, as now or later enacted, as discussed in detail under the caption "—Bankruptcy" below; (iii) applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or later in effect; (iv) equity principles which may limit the specific enforcement under State law of certain remedies; (v) the exercise by the United States of America of the powers delegated to it by the Constitution; and (vi) the reasonable and necessary exercise, in certain exceptional situations, of the police powers that are inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the Owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation or modification of their rights.

The legal opinions that will be delivered concurrently with the delivery of the Bonds will be qualified, as to the enforceability of the Bonds, the Trust Agreement and other related documents, by bankruptcy, insolvency, reorganization, moratorium, arrangement, fraudulent conveyance and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against cities in the State.

Failure by the City to pay principal of or interest on the Bonds or failure to observe and perform any other terms, covenants or conditions of the Trust Agreement for a period of 60 days after written notice of such failure and request that it be remedied has been given to the City by the Trustee, constitute events of default under the Trust Agreement and permit the Trustee to pursue the remedies that are described in the Trust Agreement. In the event of a default, there is no right under any circumstances to accelerate payment of the Bonds or otherwise declare any Bonds that are not then in default to be immediately due and payable.

Any suit for money damages against the City would be subject to limitations on legal remedies against cities in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest.

Bankruptcy. Enforceability of the rights and remedies of the Owners of the Bonds, and the obligations incurred by the City, may become subject to the provisions of Title 11 of the United States Code (the "**Bankruptcy Code**") and applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting the enforcement of creditors' rights generally, now or later in effect, equity 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, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose and the limitations on remedies against cities in the State. Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the Owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation or modification of their rights. Under Chapter 9 of the Bankruptcy Code, which governs the bankruptcy proceedings for public agencies such as the City, involuntary petitions are not permitted. If the City were to file a petition under Chapter 9 of the Bankruptcy Code, the Owners of the Bonds and the Trustee could be prohibited from taking any steps to enforce their rights under the Trust Agreement or from taking any steps to collect amounts due from the City on the Bonds.

In particular, if the City were to become a debtor under the Bankruptcy Code, the City would be entitled to all of the protective provisions of the Bankruptcy Code as applicable in a Chapter 9 case. Among the adverse effects of such a bankruptcy might be: (i) the application of the automatic stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the City or the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the City, and which could prevent the Trustee from making payments from funds in its possession; (ii) the avoidance of preferential transfers occurring during the relevant period prior to the filing of a bankruptcy petition; (iii) the existence of unsecured or secured debt which may have a priority of payment that is superior to that of Owners of the Bonds; and (iv) the possibility of the adoption of a plan (an "**Adjustment Plan**") for the adjustment of the City's various obligations over the objections of the Trustee or all of the Owners of the Bonds and without their consent, which Adjustment Plan may restructure, delay, compromise or reduce the amount of any claim of the Owners if the Bankruptcy Court finds that such Adjustment Plan is "fair and equitable" and in the best interests of creditors.

The Bonds are not secured by any property other than the funds that the City has actually deposited with the Trustee. If the City is in bankruptcy, it may not be obligated to make any further deposits with the Trustee, it may not be obligated to make any further allocations to the Bonds and it may not be obligated to turn over to the Trustee any moneys that have been allocated to the Bonds in the City treasury. As a result, the Bonds would likely be treated as unsecured obligations of the City in the bankruptcy case. Under such circumstances, the Owners of the Bonds could suffer substantial losses.

The Adjustment Plans approved by the bankruptcy courts in connection with the bankruptcies of the Cities of Stockton and San Bernardino, among others, resulted in significant reductions in the amounts payable by such city under pension obligation bonds that were substantially identical or similar to the Bonds. Specifically, in the Stockton bankruptcy, the court held that CalPERS was an unsecured creditor of the city with a claim on parity with those of other unsecured creditors. Additionally, in the San Bernardino bankruptcy, the court held that in the event of a municipal bankruptcy, payments on pension obligation bonds, such as the Bonds, were unsecured obligations and not entitled to the same priority of payments made to CalPERS. The City can provide no assurances about the outcome of the bankruptcy cases of other municipalities or the nature of any Adjustment Plan if it were to file for bankruptcy.

The City may be able, without the consent and over the objection of the Trustee or the Owners of the Bonds, to alter the priority, interest rate, payment terms, maturity dates, payment sources, covenants and other terms or provisions of the Trust Agreement and the Bonds, as long as the bankruptcy court determines that the alterations are fair and equitable.

There may be delays in payments on the Bonds while the court considers any of these issues. There may be other possible effects of a bankruptcy of the City that could result in delays or reductions in payments on the Bonds, or result in losses to the Owners of the Bonds. Regardless of any specific adverse determinations in a City bankruptcy proceeding, the fact that a City bankruptcy proceeding has occurred could have an adverse effect on the liquidity and value of the Bonds.

Limitation on Trustee's Obligations

The Trustee has no obligation to advance its own funds to pursue any remedies. As a consequence, the Trustee's willingness and ability to pursue any of the remedies provided in the Trust Agreement may be dependent upon the availability of funds from an interested party. There can be no assurance that the Trustee will be willing and able to perform its duties under the Trust Agreement.

Limited Secondary Market

Investment in the Bonds poses certain economic risks which may not be appropriate for certain investors, and only persons with substantial financial resources who understand the risks of investment in the Bonds should consider such investment. There can be no guarantee that there will be a secondary market for purchase or sale of the Bonds or, if a secondary market exists, that the Bonds can or could be sold for any particular price.

Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing in connection with a particular issue is suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon the then prevailing circumstances. Such prices could be substantially different from the original purchase price.

In addition, the City will enter into a continuing disclosure undertaking pursuant to Rule 15c2-12 in connection with the issuance of the Bonds. Any material failure to comply with such undertaking and Rule 15c2-12 in the future may adversely affect the liquidity of the affected Bonds and their market price in the secondary market. See the caption "CONTINUING DISCLOSURE."

Changes in Law

There can be no assurance that the electorate of the State will not adopt additional initiatives or that the State Legislature will not enact legislation that will amend the laws or the Constitution of the State in a manner that results in a reduction of General Fund revenues of the City and consequently, has an adverse effect on the security for the Bonds.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

Article XIIIA of the State Constitution

On June 6, 1978, State voters approved an amendment (commonly known as both Proposition 13 and the Jarvis-Gann Initiative) to the State Constitution. The amendment, which added Article XIIIA to the State Constitution, among other things affects the valuation of real property for the purpose of taxation in that it defines the full cash property 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 newly constructed, or when a change in ownership has occurred after the 1975 assessment." The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or a reduction in the consumer price index or comparable local data at a rate not to exceed 2% per year, or reduced in the event of declining property value caused by damage, destruction or other factors including a general economic downturn. The amendment further limits the amount of any *ad valorem* tax on real property to 1% of the full cash value, except that additional taxes may be levied to pay debt service on indebtedness approved by the voters prior to December 1, 1978 and bonded indebtedness for the acquisition or improvement of real property approved on or after December 1, 1978 by two-thirds of the votes cast by the voters voting on the proposition (55% in the case of certain school facilities). Property taxes that are subject to Proposition 13 are a significant source of the City's General Fund revenues. See the caption "CITY FINANCIAL INFORMATION—Property Taxes."

Legislation enacted by the State Legislature to implement Article XIIIA provides that all taxable property is shown at full assessed value as described above. Tax rates for voter approved bonded indebtedness are also applied to 100% of assessed value.

Future assessed valuation growth allowed under Article XIIIA (for new construction, change of ownership or 2% annual value growth) is allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and school districts share the growth of "base" revenue from the tax rate area. Each year's growth allocation becomes part of each agency's allocation the following year. Article XIIIA effectively prohibits the levying of any other *ad valorem* property tax above the 1% limit except for taxes to support indebtedness approved by the voters as described above.

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

Proposition 19

On November 3, 2020, State voters approved Proposition 19, a legislatively referred constitutional amendment ("Proposition 19"), which amends Article XIIIA to: (i) expand special rules that give property tax savings to homeowners that are over the age of 55, severely disabled, or whose property has been impacted by wildfire or natural disaster, when they buy a different home; (ii) narrow existing special rules for inherited properties; and (iii) dedicate most of the potential new State revenue generated from Proposition 19 toward fire protection.

The City cannot make any assurance as to what effect Proposition 19 will have on City revenues or the assessed valuation of real property located within the City.

Article XIIIB of the State Constitution

On November 6, 1979, State voters approved an initiative entitled "Limitation on Government Appropriations," which added Article XIIIB to the State Constitution. Under Article XIIIB, State and local government entities have an annual "appropriations limit" which limits the ability to spend certain moneys which are called "appropriations subject to limitation" (consisting of tax revenues and investment proceeds thereof, certain State subventions and regulatory license fees, user charges and user fees to the extent that the proceeds thereof exceed the costs of providing such services, together called "proceeds of taxes," and certain other funds) in an amount higher than the "appropriations limit." Article XIIIB does not affect the appropriation of moneys which are excluded from the definition of "appropriations limit," including debt service on indebtedness existing or authorized as of October 1, 1979 or bonded indebtedness subsequently approved by the voters. In general terms, the "appropriations limit" is to be based on certain 1978-79 expenditures and is to be adjusted annually to reflect changes in the consumer price index, population and services provided by these entities. Among other provisions of Article XIIIB, if those entities' revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years. Increases in appropriations by a governmental entity are permitted: (i) if financial responsibility for providing services is transferred to a governmental entity; or (ii) for emergencies so long as the appropriations limits for the three years following the emergency are reduced accordingly to prevent any aggregate increase above the Constitutional limit. Decreases are required where responsibility for providing services is transferred from the government entity.

Article XIIIB permits any government entity to change the appropriations limit by vote of the electorate in conformity with statutory and Constitutional voting requirements, but any such voter-approved change can only be effective for a maximum of four years.

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

Proposition 62

On November 4, 1986, State voters approved an initiative ("**Proposition 62**") which: (a) requires that any tax for general governmental purposes imposed by local governmental entities be approved by resolution or ordinance adopted by two-thirds vote of the governmental agency's legislative body and by a majority of the electorate of the governmental entity; (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 within the jurisdiction; (c) restricts the use of revenues from a special tax to the purposes or for the service for which the special tax is imposed; (d) prohibits the imposition of *ad valorem* taxes on real property by local governmental entities except as permitted by Article XIIIA; (e) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities; and (f) requires that any tax that is imposed by a local governmental entity on or after August 1, 1985 be ratified by a majority vote of the electorate within two years of the adoption of the initiative or be terminated by November 15, 1988. The requirements imposed by Proposition 62 were upheld by the State Supreme Court in *Santa Clara County Local Transportation Authority v. Guardino*, 11 Cal.4th 220 (1995).

Following the *Guardino* decision upholding Proposition 62, several actions were filed challenging taxes imposed by public agencies since the adoption of Proposition 62. In 2001, the State Supreme Court released its decision in one of these cases, *Howard Jarvis Taxpayers Association v. City of La Habra, et al*., 25 Cal.4th 809 (2001). In *La Habra*, the court held that a public agency's continued imposition and collection of a tax is an ongoing violation upon which the statute of limitations period begins anew with each collection. The court also held that, unless another statute or constitutional rule provided differently, the statute of limitations for challenges to taxes subject to Proposition 62 is three years. Accordingly, a challenge to a tax subject to Proposition 62 may only be made for those taxes received within three years of the date the action is brought.

The City believes that all of the taxes that the City currently collects comply with the requirements of Proposition 62. However, the requirements of Proposition 62 are largely subsumed by the requirements of Proposition 218 for the imposition of any taxes or the effecting of any tax increases after November 5, 1996. See the caption "—Proposition 218" below.

Proposition 218

On November 5, 1996, State voters approved Proposition 218, an initiative measure entitled the "Right to Vote on Taxes Act." Proposition 218 added Articles XIIIC and XIIID to the State Constitution, imposing certain vote requirements and other limitations on the imposition of new or increased taxes, assessments (meaning any levy or charge upon real property for a special benefit conferred upon the real property) and property-related fees and charges. Proposition 218 states that all taxes which are imposed by local governments are deemed to be either general taxes or special taxes. Special purpose districts, including school districts, have no power to levy general taxes. No local government may impose, extend or increase any general tax unless and until such tax is submitted to the electorate and approved by a majority vote. No local government may impose, extend or increase any special tax unless and until such tax is submitted to the electorate and approved by a two-thirds vote.

Proposition 218 also provides that no tax, assessment, fee or charge may be assessed by any agency upon any parcel of property or upon any person as an incident of property ownership except: (a) the *ad valorem* property tax imposed pursuant to Articles XIII and XIIIA of the State Constitution; (b) any special tax receiving a two-thirds vote pursuant to the State Constitution; and (c) assessments, fees and charges for property-related services as provided in Proposition 218. Proposition 218 then goes on to add voter requirements for assessments and fees and charges imposed as an incident of property ownership, other than fees and charges for sewer, water, and refuse collection services. In addition, all assessments and fees and charges imposed as an incident of property ownership, including sewer, water and refuse collection services, are subjected to various additional procedures, such as hearings and stricter and more individualized benefit requirements and findings. The effect of such provisions is to increase the difficulty a local agency will have in imposing, increasing or extending such assessments, fees and charges.

In the case of assessments, fees and charges, in most instances, in the event that the City is unable to collect revenues relating to specific programs as a consequence of Proposition 218, the City will curtail such services rather than use amounts in the General Fund to finance such programs. However, no assurance can be given that the City may or will be able to reduce or eliminate such services to avoid new costs for the City General Fund in the event that the assessments, fees or charges which presently finance them are reduced or repealed.

Proposition 218 also extends the initiative power to reducing or repealing any local taxes, assessments, fees and 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 is not limited to property-related taxes or other charges, 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 which reduces or repeals local taxes, assessments, fees or charges that currently are deposited into the City's General Fund.

Although a portion of the City's General Fund revenues are derived from general taxes purported to be governed by Proposition 218, as discussed under the caption "CITY FINANCIAL INFORMATION," the City believes that all of such taxes were imposed in accordance with the requirements of Proposition 218.

Unitary Property

Some amount of property tax revenue of the City is derived from utility property which is considered part of a utility system with components located in many taxing jurisdictions ("**unitary property**"). Under the State Constitution, such property is assessed by the SBE as part of a "going concern" rather than as individual pieces of real or personal property. State-assessed unitary and certain other property is allocated to the counties by the SBE, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the City) according to a statutory formula that is generally based on the distribution of taxes in the prior year.

Proposition 1A

As part of former Governor Schwarzenegger's agreement with local jurisdictions, Senate Constitutional Amendment No. 4 was enacted by the State Legislature and subsequently approved by the voters as Proposition 1A ("**Proposition 1A**") at the November 2, 2004 general election. Proposition 1A amended the State Constitution to, among other things, reduce the State Legislature's authority over local government revenue sources by placing restrictions on the State's access to local governments' property, sales, and VLF revenues as of November 3, 2004. Beginning with Fiscal Year 2008-09, the State was entitled to borrow up to 8% of local property tax revenues, but only if the Governor proclaimed that such action was necessary due to a severe State fiscal hardship and two-thirds of both houses of the State Legislature approved the borrowing. The amount borrowed was required to be paid back within three years with interest. The State also was not 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 could not reduce the local sales tax rate or restrict the authority of local governments to impose or change the distribution of the Statewide local sales tax.

The Fiscal Year 2009-10 State budget included a Proposition 1A diversion of $1.935 billion in local property tax revenues from cities, counties, and special districts to the State to offset State General Fund spending. Such diverted revenues were required to be repaid, with interest, by no later than June 30, 2013. Many provisions of Proposition 1A were superseded by Proposition 22. See the caption "—Proposition 22."

Proposition 22

On November 2, 2010, State voters approved Proposition 22, which eliminates the State's ability to borrow or shift local revenues and certain State revenues that fund transportation programs. It restricts the State's authority over a broad range of tax revenues, including property taxes allocated to cities (including the City), counties and special districts, the VLF, State excise taxes on gasoline and diesel fuel, the State sales tax on diesel fuel and the former State sales tax on gasoline. It also makes a number of significant other changes, including restricting the State's ability to use motor vehicle fuel tax revenues to pay debt service on voter-approved transportation bonds. Proposition 22 superseded certain provisions of Proposition 1A. See the captions "—Proposition 1A" and "CITY FINANCIAL INFORMATION—Property Taxes."

Proposition 26

On November 2, 2010, State voters approved Proposition 26. Proposition 26 amended Article XIIIC of the State Constitution to expand the definition of "tax" to include "any levy, charge, or exaction of any kind imposed by a local government" except the following: (a) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (b) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (c) a charge imposed for the reasonable regulatory costs of a local government for issuing licenses and permits, performing investigations, inspections and audits, enforcing agricultural marketing orders and the administrative enforcement and adjudication thereof; (d) a charge imposed for entrance to or use of local government property, or the purchase, rental or lease of local government property; (e) a fine, penalty or other monetary charge imposed by the judicial branch of government or a local government as a result of a violation of law; (f) a charge imposed as a condition of property development; and (g) assessments and property-related fees imposed in accordance with the provisions of Article XIIID. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity. The City does not believe that Proposition 26 will adversely affect its General Fund revenues.

Future Initiatives

Articles XIIIA and XIIIB and Propositions 62, 218, 1A, 22 and 26 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. The limitations imposed upon the City by these provisions hinder the City's ability to raise revenues through taxes or otherwise and may therefore prevent the City from meeting increased expenditure requirements. From time to time other initiative measures could be adopted, further affecting the City's current revenues or its ability to raise and expend revenues. Any such future initiatives could have a material adverse effect on the City's financial condition.

TAX MATTERS

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California ("**Bond Counsel**"), under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest on the Bonds is *not* excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "**Code**"), but is exempt from State of California personal income tax.

With certain exceptions, the difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of the same maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Bond (to the extent the redemption price at maturity is greater than the issue price) constitutes original issue discount. Original issue discount accrues under a constant yield method. The amount of original issue discount deemed received by the Beneficial Owner of a Bond will increase the Beneficial Owner's basis in the Bond. Beneficial Owners of the Bonds should consult their own tax advisors with respect to taking into account any original issue discount on the Bonds.

The amount by which a Bond Beneficial 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 the Beneficial Owner of a Bond may elect to amortize under Section 171 of the Code; such amortizable bond premium reduces the Bond Beneficial Owner's basis in the applicable Bond (and the amount of taxable interest received with respect to the Bonds), and is deductible for federal income tax purposes. The basis reduction as a result of the amortization of bond premium may result in a Bond Beneficial Owner realizing a taxable gain when a Bond is sold by the Beneficial Owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Beneficial Owner. The Beneficial Owners of the Bonds that have a basis in the Bonds that is greater than the principal amount of the Bonds should consult their own tax advisors with respect to whether or not they should elect such premium under Section 171 of the Code.

In the event of a legal defeasance of the Bonds, such Bonds might be treated as retired and "reissued" for federal tax purposes as of the date of the defeasance, potentially resulting in recognition of taxable gain or loss to the applicable Beneficial Owner generally equal to the difference between the amount deemed realized from the deemed prepayment and reissuance and the Beneficial Owner's adjusted tax basis in such Bond.

The tax discussion set forth above is included for general information only and may not be applicable depending upon a Bond Owner's particular situation. The ownership and disposal of the Bonds and the accrual or receipt of interest on the Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. BEFORE PURCHASING ANY OF THE BONDS, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR INDEPENDENT TAX ADVISORS WITH RESPECT TO THE TAX CONSEQUENCES RELATING TO THE BONDS AND THE TAXPAYER'S PARTICULAR CIRCUMSTANCES.

A copy of the proposed form of opinion of Bond Counsel with respect to the Bonds is set forth in Appendix D.

VALIDATION

On September 22, 2020, the City, acting pursuant to the provisions of Section 860 *et seq*. of the California Code of Civil Procedure, filed the Validation Petition in the Court seeking judicial validation of the transactions relating to the CalPERS Contract and the Bonds and certain other matters. On December 10, 2020, the court entered the Validation Judgment to the effect, among other things that: (i) the Trust Agreement will be a valid, legal and binding obligation of the City and the approval thereof was in conformity with applicable provisions of law; and (ii) the City has the authority under State law to provide for the refunding of its Pension Liability by issuing the Bonds and applying the proceeds of the Bonds to the retirement of its Pension Liability. Pursuant to Section 870 of the California Code of Civil Procedure, the last day to timely file a notice of appeal to the Validation Judgment was January 11, 2021. On January 11, 2021, the judgment became binding and conclusive in accordance with State law. The City is unaware of any threatened challenge to the Validation Judgment. In issuing its approving opinion, Bond Counsel will rely, among other things, upon the Validation Judgment.

CERTAIN LEGAL MATTERS

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Bond Counsel. A complete copy of the proposed form of Bond Counsel opinion is set forth in Appendix D. Certain additional matters will be passed upon by Stradling Yocca Carlson & Rauth, a Professional Corporation, as Disclosure Counsel to the City. Certain legal matters will be passed upon for the City by its City Attorney, for the Underwriter by its counsel, Kutak Rock, LLP, and for the Trustee by its counsel. Bond Counsel has not undertaken any responsibility to the owners of the Bonds for the accuracy, completeness or fairness of this Official Statement or other offering materials relating to the Bonds, and expresses no opinion relating thereto.

Bond Counsel and Disclosure Counsel will receive compensation from the City contingent upon the sale and delivery of the Bonds. From time to time, Bond Counsel represents the Underwriter on matters unrelated to the Bonds. Counsel to the Underwriter will receive compensation contingent upon the issuance of the Bonds.

LITIGATION

To the best knowledge of the City there is no action, suit or proceeding known to be pending or threatened, restraining or enjoining the execution and delivery or the issuance of the Bonds or the execution and delivery of the Trust Agreement, or in any way contesting or affecting the validity of any of the foregoing or any proceedings of the City taken with respect to any of the foregoing.

There are a number of lawsuits and claims pending against the City. In the opinion of the City Attorney, such other lawsuits and claims which are presently pending will not have a material adverse effect on the ability of the City to pay the principal of and interest on the Bonds.

RATING

The City expects that S&P Global Ratings, a Standard & Poor's Financial Services LLC business ("**S&P**") will assign the Bonds the rating of "AA" (stable).

A rating is not a recommendation to buy, sell or hold securities. Future events, including the impacts of the COVID-19 pandemic that is described under the caption "THE CITY—COVID-19 Outbreak," could have an adverse impact on the rating of the Bonds, and there is no assurance that any credit rating that is given to the Bonds will be maintained for any period of time or that a rating may not be qualified, downgraded, lowered or withdrawn entirely by S&P if, in the judgment of S&P, circumstances so warrant, nor can there be any assurance that the criteria required to achieve the rating on the Bonds will not change during the period that the Bonds remain outstanding.

Any qualification, downward revision, lowering or withdrawal of the ratings on the Bonds may have an adverse effect on the market price of the Bonds. Such ratings reflect only the current views of S&P (which could change at any time), and an explanation of the significance of such ratings may be obtained from S&P. Generally, S&P bases its ratings on information and materials furnished to them (which may include information and material from the City that is not included in this Official Statement) and on investigations, studies and assumptions by S&P.

The City has covenanted in the Continuing Disclosure Certificate to file notices of any rating changes on the Bonds with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System. See the caption "CONTINUING DISCLOSURE" and Appendix E. Notwithstanding such covenant, information relating to rating changes on the Bonds may be publicly available from S&P prior to such information being provided to the City and prior to the date by which the City is obligated to file a notice of rating change. Purchasers of the Bonds are directed to S&P and its website and official media outlets for the most current ratings with respect to the Bonds after the initial issuance of the Bonds.

CONTINUING DISCLOSURE

The City has covenanted in a Continuing Disclosure Certificate, dated the date of issuance of the Bonds (the "**Continuing Disclosure Certificate**"), for the benefit of the Owners and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the City by not later than March 31 in each year (the "**Annual Report**"), and to provide notices of the occurrence of certain enumerated events. The Annual Report and the notices of enumerated events will be filed by the City with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("**EMMA**") System. The specific nature of the information to be contained in the Annual Report and the notice of enumerated events is set forth in Appendix E. These covenants have been made in order to assist the Underwriter in complying with Section (b)(5) of Rule 15c2-12.

The City and certain other entities related to the City, including the former Redevelopment Agency of the City of Chula Vista ("Former Agency"), various community facilities districts and joint powers authorities (together, the "City Entities"), have entered into previous undertakings pursuant to the Rule. Within the last five years, the City and certain of the City Entities have failed to comply with their respective prior undertakings in the following respects: (i) pursuant to the undertakings for certain of the community facilities districts, such community facilities districts were sixty days late in filing the City's audited financial statements for Fiscal Year 2019; and (ii) with respect to the annual report for the 2016 Certificates of Participation, the annual report was timely filed on EMMA under the applicable base CUSIP number but not linked to all of the individual CUSIP numbers for the 2016 Certificates of Participation.

UNDERWRITING

The Bonds are being purchased by Stifel, Nicolaus & Company, Incorporated (the "**Underwriter**"), pursuant to a purchase agreement, dated the date hereof, by and between the City and the Underwriter. The Underwriter will purchase the Bonds from the City at an aggregate purchase price of $__________, representing the principal amount of the Bonds less $__________ of Underwriter's discount.

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

MUNICIPAL ADVISOR

The City has retained NHA Advisors LLC, San Rafael, California (the "**Municipal Advisor**") as its municipal advisor in connection with the sale of the Bonds. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume any responsibility for the accuracy, completeness or fairness of the information contained herein.

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

MISCELLANEOUS

The foregoing and subsequent summaries or descriptions of provisions of the Bonds and the Trust Agreement and all references to other materials not purporting to be quoted in full are only brief outlines of some of the provisions thereof. Reference is made to said documents for full and complete statements of the provisions of such documents. The appendices attached hereto are a part of this Official Statement. Copies of the Trust Agreement, in reasonable quantities, may be obtained during the offering period from the Underwriter and thereafter upon request to the principal corporate trust office of the Trustee. Any statements made in this Official Statement involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

The execution and delivery of this Official Statement has been duly authorized by the City. This Official Statement is not to be construed as a contract or an agreement between the City and the purchasers or owners of any of the Bonds.

CITY OF CHULA VISTA

By:____
City Manager

APPENDIX A

AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

APPENDIX B

ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING THE CITY OF CHULA VISTA

*This Appendix sets forth general information about the City of Chula Vista (the "**City**") including information with respect to its finances. The following information concerning the, the County of San Diego (the "**County**") and the State of California (the "**State**") is included only for general background purposes. It is not intended to suggest that the Bonds are payable from any source other than the moneys that are described herein.*

Most of the information in this Appendix is dated prior to the onset of the COVID-19 pandemic, which has had a significant adverse impact on the nation, State and local economy, including, but not limited to, a dramatic increase in unemployment levels. See the captions "THE CITY—COVID-19 Outbreak" and "RISK FACTORS—Impacts and Potential Impacts of COVID-19 on the City."

General Information

The City is located in the County of San Diego (the "**County**") with its western border adjacent to San Diego Bay, 8 miles south of downtown San Diego and 7 miles north of the Mexican border. The city encompasses approximately 51 square miles has an estimated 2020 population of 272,202.

The City was incorporated in 1911 and functions under a City Charter with a Council/Manager form of government. The City is governed by a four-member Council and a Mayor, who serves four-year overlapping terms, and, in addition to the City Attorney, is elected on a citywide basis.

The City Council appoints the City Manager and the City Clerk. Municipal services provided include police, fire, parks and recreation, libraries, planning & building, housing programs, street and drainage construction and maintenance, and sewer services.

Population

The City has an estimated current population of 272,202. The table below sets forth recent total population information for the City, the County of Los Angeles and the State of California (the "**State**").

Table B-1
City of Chula Vista, County of San Diego and State of California
Population

January 1	*City of Chula Vista*	*County of San Diego*	*State of California*
2015	261,928	3,265,038	38,870,150
2016	263,278	3,285,150	39,131,307
2017	265,673	3,306,889	39,398,702
2018	268,406	3,326,318	39,586,646
2019	271,032	3,340,312	39,695,376
2020	272,202	3,343,355	39,782,870

Source: State of California, Department of Finance, E-4 Population Estimates for Cities, Counties and State, 2011-2020, with 2010 Census Counts.

Employment and Industry

The table below summarizes recent civilian labor force, civilian employment and civilian unemployment figures in the City, the County, the State and the United States.

Table B-2
City of Chula Vista, County of San Diego, State of California and United States
Labor Force, Employment and Unemployment Yearly Average

Year and Area	***Civilian Labor Force***	***Civilian Employment***[1]	***Civilian Unemployment***[2]	***Civilian Unemployment Rate***[3]
2015				
Chula Vista	120,700	112,800	7,900	6.5%
San Diego County	1,548,600	1,468,100	80,500	5.2
California	18,828,800	17,660,700	1,168,100	6.2
United States	157,130,000	148,834,000	8,296,000	5.3
2016				
Chula Vista	120,600	114,400	6,200	5.2%
San Diego County	1,563,000	1,489,100	73,9000	4.7
California	19,021,200	17,980,100	1,041,100	5.5
United States	159,187,000	151,436,000	7,751,000	4.9
2017				
Chula Vista	122,00	116,700	5,400	4.4%
San Diego County	1,572,800	1,509,600	63,200	4.0
California	19,176,400	18,257,100	919,300	4.8
United States	160,381,000	153,861,000	6,520,000	4.1
2018				
Chula Vista	122,900	118,400	4,500	3.7%
San Diego County	1,581,500	1,528,100	53,500	3.4
California	19,280,800	18,460,700	820,100	4.3
United States	162,075,000	155,761,000	6,314,000	3.9
2019				
Chula Vista	123,600	119,300	4,300	3.5%
San Diego County	1,590,600	1,539,900	50,700	3.2
California	19,411,600	18,627,400	784,200	4.0
United States	163,539,000	157,538,000	6,001,000	3.7

(1) Includes persons involved in labor-management trade disputes.
(2) Includes all persons without jobs who are actively seeking work.
(3) The unemployment rate is computed from unrounded data; therefore, it may differ from rates computed from rounded figures in this table.

Source: California Employment Development Department, March 2019 Benchmark; U.S. Department of Labor, Bureau of Labor Statistics.

The table below sets forth recent industry employment and labor force for the San Diego-Carlsbad MSA Metropolitan Statistical Area (the "**MSA**"). Annual industry employment information is not compiled by sector for the City.

Table B-3
San Diego-Carlsbad MSA
Industry Employment and Labor Force
Annual Average

Type of Employment	***2015***	***2016***	***2017***	***2018***	***2019***
Total Farm	9,100	8,900	8,700	9,300	9,600
Total Nonfarm	1,384,800	1,422,600	1,452,200	1,482,200	1,503,900
Total Private	1,148,700	1,180,300	1,205,900	1,234,100	1,254,200
Goods Producing	176,800	185,000	189,200	196,400	199,500
Mining and Logging	300	300	300	400	400
Construction	69,900	76,300	79,500	83,700	84,000
Manufacturing	106,600	108,400	109,400	112,300	115,100
Durable Goods	80,300	81,200	81,500	83,700	86,000
Nondurable Goods	26,300	27,200	27,900	28,600	29,000
Service Providing	1,208,000	1,237,600	1,263,000	1,285,800	1,304,400
Private Service Producing	971,900	995,400	1,016,700	1,037,700	1,054,800
Trade, Transportation and Utilities	219,300	220,900	224,700	225,100	224,000
Wholesale Trade	44,100	43,700	43,800	43,800	44,200
Retail Trade	146,800	147,500	149,000	148,000	145,400
Transportation, Warehousing and Utilities	28,400	29,700	32,000	33,300	34,400
Information	23,400	23,200	23,400	23,600	23,500
Financial Activities	71,400	73,000	74,600	76,000	76,400
Professional and Business Services	229,500	234,700	239,000	248,900	256,600
Educational and Health Services	192,700	198,700	204,300	208,900	216,000
Leisure and Hospitality	182,400	190,400	195,600	199,600	202,400
Other Services	53,200	54,400	55,000	55,500	55,800
Government	236,200	242,200	246,300	248,100	249,600
Total, All Industries	1,393,900	1,431,500	1,460,900	1,491,400	1,513,500

Note: The "Total All Industries" data is not directly comparable to the employment data found herein.
Source: State of California, Employment Development Department, Labor Market Information Division, San Diego-Carlsbad MSA Industry Employment & Labor Force - by Annual Average, March 2019 Benchmark.

Major Employers

The table below sets forth the principal employers in the City as of June 30, 2020.

Table B-4
City of Chula Vista
Principal Employers

Employer	*Number of Employees*	*Percent of Total Employment*
Chula Vista Elementary School District	3,592	5.43%
Sweetwater Union High School District	3,550	5.37
Sharp Chula Vista Medical Center	2,295	3.47
Southwestern Community College	2,096	3.17
Rohr Inc./Goodrich Aerospace	1,808	2.74
Wal-Mart	1,323	2.00
City of Chula Vista	1,139	1.72
Scripps Mercy Hospital Chula Vista	1,073	1.62
Costco	738	1.12
Aquatica	610	0.92

Source: City of Chula Vista.

Commercial Activity

The table below presents taxable sales for the years 2016 through 2020 for the City.

Table B-5
City of Chula Vista
Total Taxable Transactions and Number of Sales Permits[(1)]

Year	*Retail and Food Permits*	*Retail and Food Taxable Transactions*	*Total Permits*	*Total Outlets Taxable Transactions*
2016	2,976	2,457,307,337	4,896	2,752,844,391
2017	3,055	2,527,879,249	5,055	2,842,456,846
2018	3,132	2,635,083,037	5,296	2,979,611,488
2019	3,187	2,696,570,948	5,443	3,039,148,903
2020	3,203	1,060,390,760	5,545	1,193,291,730

(1) Reflects latest information available.
Source: Taxable Sales in California, California Department of Tax and Fee Administration for 2016-2020.

Table B-6
City of Chula Vista
Taxable Retail Sales[1]

Type of Business	*2016*	*2017*	*2018*	*2019*	*2020*
Motor Vehicle & Parts Dealers	$ 289,976.5	$ 275,710.1	$ 266,277.0	$ 268,852.9	$ 106,325.6
Home Furnishings & Appliance Stores	185,601.3	183,032.6	189,345.6	177,838.2	57,075.3
Building Materials & Garden Equipment & Supplies	127,186.5	135,178.8	137,896.2	137,841.7	86,082.5
Food & Beverage Stores	136,341.0	142,055.4	149,341.1	156,487.1	85,469.0
Gasoline Stations	261,730.1	288,650.0	333,338.2	322,283.0	108,470.5
Clothing & Clothing Accessories Stores	161,262.0	170,901.9	188,824.2	205,650.2	51,963.0
General Merchandise Stores	638,803.7	667,344.7	705,117.0	747,404.7	290,188.1
Food Services & Drinking Places	413,304.6	431,660.7	443,169.0	467,723.7	185,331.1
Other Retail Group	243,101.1	233,345.0	221,774.7	212,489.5	89,486.1
Retail Stores Totals	$ 2,457,306.8	$ 2,527,879.2	$ 2,635,083.0	$ 2,696,571.0	$ 1,060,391.1
All Other Outlets	295,537.0	314,577.6	344,528.5	342,578.0	132,901.2
Total All Outlets	$ 2,752,843.8	$ 2,842,456.8	$ 2,979,611.5	$ 3,039,149.0	$ 1,193,292.3

(1) Reflects latest information available.
(2) Dollar amounts are in thousands.
Source: California State Board of Equalization.

Building Activity

The table below summarizes recent building activity in the City, reflecting the latest available information.

Table B-7
City of Chula Vista
Building Permit Valuations
(in thousands of dollars)

Type	*2015*	*2016*	*2017*	*2018*	*2019*
Valuation ($000's)					
Residential:	$ 143,176,844	$ 171,212,179	$ 308,353,176	$ 420,786,954	$ 192,926,249
Non-Residential:	61,066,094	86,935,326	183,332,244	83,069,145	69,882,180
Total Valuation:	$ 204,242,938	$258,147,505	$ 491,685,420	$ 503,856,099	$ 262,808,429
New Housing Units:					
Single Family	100	81	521	560	268
Multi Family	617	964	550	1181	557
Total Units:	717	1045	1071	1741	825

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

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT

The following is a summary of certain provisions of the Trust Agreement that are not described elsewhere. This summary does not purport to be comprehensive and reference should be made to the applicable document for a full and complete statement of the provisions thereof.

APPENDIX D

FORM OF BOND COUNSEL OPINION

[Closing Date]

City Council
City of Chula Vista
Chula Vista, California

Re: $__________ City of Chula Vista Series 2021 Taxable Pension Obligation Bonds

Ladies and Gentlemen:

We have examined certified copies of proceedings of the City of Chula Vista (the "City") relative to the issuance and sale by the City of its Series 2021 Taxable Pension Obligation Bonds in the aggregate principal amount of $__________ (the "Bonds"), and such other information and documents as we consider necessary to render this opinion.

The Bonds have been issued pursuant to the authority contained in Articles 10 and 11 of Chapter 3 of Division 2 of Title 5 of the Government Code of the State of California, as now in effect and as it may from time to time hereafter be amended or supplemented, and the Trust Agreement, dated as of ______ 1, 2021 (the "Trust Agreement"), by and between the City and Wilmington Trust, National Association as trustee (the "Trustee").

The Bonds have been issued for the purpose of refunding the City's obligations to the California Public Employees Retirement System ("CalPERS") evidenced by the contract between the Board of Administration of CalPERS and the City Council of the City, effective October 1, 1948, as such contract has been amended from time to time, to pay unamortized, unfunded accrued liability with respect to pension benefits under the Public Employees' Retirement Law, constituting Part 3 of Division 5 of Title 2 of the California Government Code.

In such connection, we have reviewed the Trust Agreement, certificates of the City, the Trustee, and others, opinions of City Attorney and counsel to the Trustee, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein. In rendering this opinion, we have relied upon certain representations of fact and certifications made by the City, the initial purchasers of the Bonds and others. We have not undertaken to verify through independent investigation the accuracy of the representations and certifications relied upon by us.

The opinions expressed herein are based upon our analysis and interpretation of existing statutes, regulations, rulings and judicial decisions, including the default judgment entered on December 10, 2020 by the Superior Court of the County of San Diego in the action entitled *City of Chula Vista v. All Persons Interested et al*. Case No. 37-2020-00033365-CU-MC-CTL, and cover certain matters that are not directly addressed by such authorities. The opinions that are expressed herein 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 any such actions or events are taken or do occur. Our engagement as to the Bonds terminates as of the date of issuance of the Bonds.

The Bonds are dated the date hereof, and mature on the dates and bear interest at the rates per annum set forth in the Trust Agreement. The Bonds are registered bonds in the forms set forth in the Trust

Agreement, redeemable in the amounts, at the times and in the manner provided for in the Trust Agreement. All terms which are not defined herein have the meanings ascribed to those terms in the Trust Agreement.

Based upon our examination of all of the foregoing, and in reliance thereon and on all matters of fact as we deem relevant under the circumstances, and upon consideration of applicable laws, we are of the opinion that:

1. The Trust Agreement has been duly authorized, executed and delivered by the City and, assuming due authorization, execution and delivery by the Trustee, constitutes the valid and binding obligation of the City enforceable in accordance with its terms.

2. The Bonds have been duly authorized and issued by the City and are valid and binding obligations of the City enforceable in accordance with their terms. The Bonds do not constitute a debt of the City, the State of California or any political subdivision thereof within the meaning of any constitutional or statutory debt limit or restriction, and do not constitute an obligation for which the City, the State of California or any political subdivision thereof is obligated to levy or pledge any form of taxation or for which the City, the State of California or any political subdivision thereof has levied or pledged any form of taxation.

3. Upon issuance and authentication of the Bonds in accordance with the Trust Agreement, the Bonds will be entitled to the benefits of the Trust Agreement.

4. Interest on the Bonds is exempt from State of California personal income tax.

The opinions that are expressed herein 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 any such actions or events are taken or do occur. Our engagement with respect to the Bonds terminates on the date of their issuance. The Trust Agreement permits certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. Other than expressly stated herein, we express no other opinion regarding tax consequences with respect to the Bonds.

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

The opinions that are expressed herein are based upon our analysis and interpretation 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 rights and obligations under the Trust Agreement and the Bonds are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State; provided, however, that we express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum or waiver provisions contained in the Bonds or the Trust Agreement.

We express no opinion herein as to the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds and expressly disclaim any duty to advise the Owners of the Bonds with respect to matters contained in the Official Statement.

Respectfully submitted,

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

Upon issuance of the Bonds, the City proposes to enter into a Continuing Disclosure Certificate in substantially the following form:

This Continuing Disclosure Certificate (the "**Disclosure Certificate**") is executed and delivered by the City of Chula Vista (the "**City**") in connection with the issuance by the City of its $_____ Series 2021 Taxable Pension Obligation Bonds (the "**Bonds**"). The Bonds are being issued pursuant to a Trust Agreement, dated as of February1, 2021 (the "**Trust Agreement**"), by and between the City and Wilmington Trust, National Association, as trustee (the "**Trustee**"). The City covenants and agrees as follows:

1. Purpose of this Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule.

2. Definitions. In addition to the definitions that are set forth in the Trust Agreement, which apply to any capitalized term that is used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

Annual Report. The term "Annual Report" means any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

Beneficial Owner. The term "Beneficial Owner" means any person which: (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries); or (b) is treated as the owner of any Bonds for federal income tax purposes.

EMMA. The term "EMMA" means the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System for municipal securities disclosures, maintained on the Internet at http://emma.msrb.org/.

Financial Obligation. The term "Financial Obligation" means a: (A) debt obligation; (B) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (C) guarantee of (A) or (B). The term "Financial Obligation" does not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

Fiscal Year. The term "Fiscal Year" means the one-year period ending on the last day of June of each year.

Holder. The term "Holder" means a registered owner of the Bonds.

Listed Events. The term "Listed Events" means any of the events listed in Sections 5(a) and (b) of this Disclosure Certificate.

Official Statement. The term "Official Statement" means the Official Statement dated _______, 2021 relating to the Bonds.

Participating Underwriter. The term "Participating Underwriter" means any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

Rule. The term "Rule" means Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

3. Provision of Annual Reports.

(a) The City shall provide not later than March 31 of each year (commencing March 31, 2022 with the Fiscal Year 2019-20 Annual Report) to EMMA an Annual Report relating to the immediately preceding Fiscal Year which is consistent with the requirements of Section 4 of this Disclosure Certificate, which Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate.

(b) If the City is unable to provide to EMMA an Annual Report by the date required in subsection (a), the City shall send in a timely manner to EMMA a notice in the manner prescribed by the Municipal Securities Rulemaking Board.

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

(a) Audited financial statements of the City for the prior Fiscal Year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the City's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they come available.

(b) To the extent not included in the audited financial statements provided pursuant to the foregoing Section 4(a), the Annual Report shall contain the following information:

(i) Total property assessed values within the City, which may be in the form of Table 5 set forth under the caption "CITY FINANCIAL INFORMATION—Property Taxes" in the Official Statement;

(ii) Property tax levies and collections, which may be in the form of Table 7 set forth under the caption "CITY FINANCIAL INFORMATION—Property Taxes" in the Official Statement;

(iii) Top ten secured taxpayers within the City, which may be in the form of Table 8 set forth under the caption "CITY FINANCIAL INFORMATION—Property Taxes" in the Official Statement; and

(iv) Summary of General Fund-Supported Obligations, which may be in the form of Table 10 set forth under the caption "CITY FINANCIAL INFORMATION—Other Indebtedness."

The items described above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which have been submitted to EMMA; provided, that if any document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board; and provided further, that the City shall clearly identify each such document so included by reference.

5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the 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 more than ten (10) Business Days after the event:

1. principal and interest payment delinquencies;

2. unscheduled draws on debt service reserves reflecting financial difficulties;

3. unscheduled draws on credit enhancements reflecting financial difficulties;

4. substitution of credit or liquidity providers, or their failure to perform;

5. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability or Notices of Proposed Issue (IRS Form 5701 TEB);

6. tender offers;

7. defeasances;

8. ratings changes;

9. bankruptcy, insolvency, receivership or similar proceedings. 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; and

10. default, event of acceleration, termination event, modification of terms or other similar events under the terms of a Financial Obligation of the City, any of which reflect financial difficulties.

(b) Pursuant to the provisions of this Section 5, 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 more than ten (10) Business Days after occurrence:

1. unless described in Section 5(a)(5), other notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other events affecting the tax status of the Bonds;

2. modifications to the rights of Bond holders;

3. 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 the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;

7. appointment of a successor or additional trustee or the change of the name of a trustee; and

8. incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect security holders, if material.

(c) If the City determines that knowledge of the occurrence of a Listed Event under Section 5(b) would be material under applicable federal securities laws, the City shall file a notice of such occurrence with EMMA in a timely manner not more than ten (10) Business Days after the event.

6. Termination of Obligation. The City's obligations under this Disclosure Certificate with respect to the Bonds shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If any such termination occurs prior to the final maturity of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

7. 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, if the City has received an opinion of counsel knowledgeable in federal securities laws to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

8. 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 not thereby have any obligation under this Disclosure Certificate to update such information or include it in any future notice of occurrence of a Listed Event.

9. Default. In the event of a failure of the City to comply with any provision of this Disclosure Certificate, any Holders or Beneficial Owners of at least 50% aggregate principal amount of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the 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 Trust 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.

No Holder or Beneficial Owner of the Bonds may institute such action, suit or proceeding to compel performance unless they shall have first delivered to the City satisfactory written evidence of their status as such, and a written notice of and request to cure such failure, and the City shall have refused to comply therewith within a reasonable time.

10. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Dated: ___________, 2021

CITY OF CHULA VISTA

By: ______________________________

Its: City Manager

APPENDIX F

BOOK-ENTRY SYSTEM

The information in this section concerning DTC and DTC's book-entry only system has been obtained from sources that the City and the Underwriter believe to be reliable, but none of the City or the Underwriter takes any responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, premium, if any, accreted value, if any, and interest on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC.

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

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

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual

Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

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

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

A Bond Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Trustee, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Trustee. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Trustee's DTC account. DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the City or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered.

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

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