

PRELIMINARY OFFICIAL STATEMENT DATED APRIL __, 2024

NEW ISSUE—BOOK-ENTRY ONLY

RATING: S&P: “_____”
(See “RATING” herein)

In the opinion of Stradling Yocca Carlson & Rauth LLP, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described in this Official Statement, interest (and original issue discount) on the Series 2024A Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest (and original issue discount) on the Series 2024A Bonds is exempt from State of California personal income tax. See the caption “TAX MATTERS” with respect to tax consequences relating to the Series 2024A Bonds, including with respect to the alternative minimum tax imposed on certain large corporations for tax years beginning after December 31, 2022.

\$140,000,000*

**GARDEN GROVE PUBLIC FINANCING AUTHORITY
LEASE REVENUE BONDS, SERIES 2024A**

Dated: Date of Delivery

Due: April 1, as shown on inside cover

The Garden Grove Public Financing Authority Lease Revenue Bonds, Series 2024A (the “Series 2024A Bonds”) are payable from base rental payments (the “Base Rental Payments”) to be made by the City of Garden Grove (the “City”) for the right to use certain real property (the “Property”) pursuant to a Lease Agreement, dated as of June 1, 2024 (the “Lease Agreement”), by and between the City, as lessee, and the Garden Grove Public Financing Authority (the “Authority”), as lessor. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2024A BONDS.”

The Series 2024A Bonds are being issued to provide funds to (i) finance a portion of the costs of constructing a new public safety facility, parking structure, park improvements, demolition of the existing police headquarters building, and certain other related capital improvements, and (ii) pay the costs incurred in connection with the issuance of the Series 2024A Bonds. See “THE PROJECT.” The City has covenanted under the Lease Agreement to make all Base Rental Payments provided for therein, to include all such payments as a separate line item in its biennial budgets, and to make all the necessary annual appropriations for such Base Rental Payments. The City’s obligation to make Base Rental Payments is subject to abatement during any period in which, by reason of material damage to, or destruction or condemnation of, the Property, or any defects in title to the Property, there is substantial interference with the City’s right to use and occupy any portion of the Property. See “RISK FACTORS—Abatements.”

The Series 2024A Bonds are being issued in fully registered book-entry only form, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). Interest on the Series 2024A Bonds is payable semiannually on April 1 and October 1 of each year, commencing October 1, 2024. Purchasers will not receive certificates representing their interest in the Series 2024A Bonds. Individual purchases will be in principal amounts of \$5,000 or integral multiples thereof. Principal of and interest and premium, if any, on the Series 2024A Bonds will be paid by U.S. Bank Trust Company, National Association, as trustee (the “Trustee”) to DTC for subsequent disbursement to DTC Participants who are obligated to remit such payments to the Beneficial Owners of the Series 2024A Bonds. See “THE SERIES 2024A BONDS—Book-Entry Only System” herein.

The Series 2024A Bonds will be issued pursuant to an Indenture, dated as of June 1, 2024 (the “Indenture”) by and among the City, the Authority and the Trustee. The Series 2024A Bonds and any additional bonds issued pursuant to the Indenture (“Additional Bonds”) are collectively referred to as the “Bonds.”

The Series 2024A Bonds are subject to optional, extraordinary and mandatory sinking fund redemption prior to maturity. See “THE SERIES 2024A BONDS—Redemption.”

The Series 2024A Bonds are special obligations of the Authority, payable solely from Base Rental Payments and the other assets pledged therefor under the Indenture. Neither the faith and credit nor the taxing power of the Authority, the City or the State of California, or any political subdivision thereof, is pledged to the payment of the Series 2024A Bonds.

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

The Authority has applied for a municipal bond insurance policy with respect to the Series 2024A Bonds. If a municipal bond insurance policy is obtained, the municipal bond insurance policy would guarantee the scheduled payment of principal of and interest on all or a portion of the Series 2024A Bonds. No assurance can be given as to whether the Authority will purchase a municipal bond insurance policy for the Series 2024A Bonds.

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

The Series 2024A Bonds will be offered when, as and if issued and received by the Underwriter, subject to the approval as to their validity by Stradling Yocca Carlson & Rauth LLP, Newport Beach, California, Bond Counsel. Stradling Yocca Carlson & Rauth LLP, Newport Beach, California, is also acting as Disclosure Counsel to the City and the Authority. Certain legal matters will be passed upon for the City and the Authority by the City Attorney of the City of Garden Grove, and for the Underwriter by Anzel Galvan LLP, San Francisco, California. It is anticipated that the Series 2024A Bonds in definitive form will be available for delivery to DTC in New York, New York on or about June __, 2024.

STIFEL

Dated: May __, 2024

* Preliminary, subject to change.

MATURITY SCHEDULE

\$140,000,000*
GARDEN GROVE PUBLIC FINANCING AUTHORITY
Lease Revenue Bonds, Series 2024A
Base CUSIP[†]: 365273

<i>Maturity Date</i> <i>(April 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>	<i>Price</i>	<i>CUSIP[†]</i>
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\$ _____ % Term Bonds due April 1, 20__ Yield: _____% Price: _____ CUSIP[†] _____
\$ _____ % Term Bonds due April 1, 2054 Yield: _____% Price: _____ CUSIP[†] _____

* Preliminary, subject to change.

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No dealer, broker, salesperson or other person has been authorized by the City or the Authority to give any information or to make any representations in connection with the offer or sale of the Series 2024A Bonds other than those contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by the City or the Authority. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Series 2024A Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers or Owners of the Series 2024A Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact.

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

This Official Statement and the information contained herein are subject to completion or amendment without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or the Authority or any other parties described herein since the date hereof. These securities may not be sold nor may an offer to buy be accepted prior to the time the Official Statement is delivered in final form. This Official Statement is being submitted in connection with the sale of the Series 2024A Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the City. All summaries of documents and laws are made subject to the provisions thereof and do not purport to be complete statements of any or all such provisions.

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “project,” “budget,” “intend” or similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information under the captions “THE CITY OF GARDEN GROVE,” “CITY FINANCIAL INFORMATION” and “RISK FACTORS.”

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

IN CONNECTION WITH THE OFFERING OF THE SERIES 2024A BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2024A BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE SERIES 2024A BONDS TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICE STATED ON THE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICE MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

THE SERIES 2024A BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT AND HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

The City maintains a website; however, information presented there is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the Series 2024A Bonds.

**CITY OF GARDEN GROVE
ORANGE COUNTY, CALIFORNIA**

**GARDEN GROVE PUBLIC FINANCING AUTHORITY GOVERNING BOARD AND CITY
COUNCIL OF THE CITY OF GARDEN GROVE**

Steve Jones, *Chair/Mayor*
Cindy Ngoc Tran, *Vice Chair/Mayor Pro Tem*
George S. Brietigam III, *Board Member/Council Member*
John R. O'Neill, *Board Member/Council Member*
Joe DoVinh, *Board Member/Council Member*
Stephanie Klopfenstein, *Board Member/Council Member*
Kim B. Nguyen-Penaloza, *Board Member/Council Member*

CITY / AUTHORITY OFFICIALS

Lisa L. Kim, *City Manager/Executive Director*
Patricia Song, *Finance Director/Treasurer*
Teresa Pomeroy, CMC, *City Clerk/Secretary*

BOND COUNSEL AND DISCLOSURE COUNSEL

Stradling Yocca Carlson & Rauth LLP
Newport Beach, California

MUNICIPAL ADVISOR

Fieldman, Rolapp & Associates, Inc.
Irvine, California

TRUSTEE

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

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OFFICIAL STATEMENT

\$140,000,000*

GARDEN GROVE PUBLIC FINANCING AUTHORITY LEASE REVENUE BONDS, SERIES 2024A

INTRODUCTION

This Official Statement (which includes the cover page and the appendices hereto) (the “Official Statement”) provides certain information concerning the sale and delivery of \$140,000,000* aggregate principal amount of Garden Grove Public Financing Authority Lease Revenue Bonds, Series 2024A (the “Series 2024A Bonds”).

The net proceeds of the sale of the Series 2024A Bonds will be used to (i) finance a portion of the costs of constructing a new public safety facility, parking structure, park improvements, demolition of the existing police headquarters building, and certain other related capital improvements (collectively, the “Project”), and (ii) pay the costs incurred in connection with the issuance of the Series 2024A Bonds. See “THE PROJECT” herein for a further description of the Project.

The Series 2024A Bonds are equally and ratably payable from base rental payments (the “Base Rental Payments”) to be made by the City of Garden Grove (the “City”) for the right to use certain real property (collectively, the “Property” and described further under the caption “THE PROPERTY”) pursuant to a Lease Agreement, dated as of June 1, 2024 (the “Lease Agreement”), between the City, as lessee, and the Garden Grove Public Financing Authority (the “Authority”), as lessor.

The Series 2024A Bonds will be issued pursuant to an Indenture, dated as of June 1, 2024 (the “Indenture”), by and among the Authority, the City and U.S. Bank Trust Company, National Association, as trustee (the “Trustee”). Pursuant to the Indenture, the Authority may issue additional bonds (the “Additional Bonds”) payable from the Base Rental Payments on a parity with the Series 2024A Bonds (the Series 2024A Bonds and any such Additional Bonds being collectively referred to as the “Bonds”). See the caption “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2024A BONDS—Additional Bonds.”

Pursuant to a Ground Lease, dated as of June 1, 2024 (the “Ground Lease”), by and between the City and the Authority, the City has leased the Property to the Authority. The Authority has subleased the Property to the City under the Lease Agreement. The Lease Agreement obligates the City to make Base Rental Payments to the Authority.

The Trustee and the Authority have entered into an Assignment Agreement, dated as of June 1, 2024, pursuant to which the Authority has assigned to the Trustee for the benefit of the Bond Owners substantially all of the Authority’s right, title and interest in and to the Ground Lease and the Lease Agreement, including its right to receive the Base Rental Payments due under the Lease Agreement and to enforce any remedies in the event of a default by the City.

The Property leased under the Ground Lease and the Lease Agreement will initially consist of the Project Site and the Release Property (as such terms are defined under the captions “THE PROJECT” and “THE PROPERTY”). The Project Site generally consists of the site of construction of the new public safety facility and parking structure described under the caption “THE PROJECT.” The Release Property consists of numerous other City-owned properties, including City Hall, Community Meeting Center, Senior Center, Municipal Services Center/Public Works Yard, City Administrative Office Building, and Garden Grove Park (including the Garden Grove Sports and Recreation Center (Gymnasium) and Atlantis Play Center), as well as the property on which Phase 2 of the Project is located (specifically, the existing police headquarters building, which will be

* Preliminary, subject to change.

demolished and replaced with the reconfigured Civic Center Park). See the captions “THE PROPERTY” and “THE PROJECT—The Project and the Project Site.” The Release Property is included in the Property during the period of construction of Phase 1 of the Project (the PSF and Parking Structure, defined below) to provide sufficient fair rental value to support the City’s payment of Rental Payments under the Lease Agreement. Upon completion of Phase 1 of the Project, which generally consists of the construction of the public safety facility and parking structure, the Lease Agreement provides that the City may release the Release Property from the Property such that the Project Site (including the completed public safety facility and parking structure) constitutes the entire Property upon completion of the Project and the satisfaction of certain requirements under the Lease Agreement. The City also has the right to substitute or release all or a portion of the Property subject to certain conditions precedent. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2024A BONDS—Substitution, Addition and Removal of Property.”

The City will covenant under the Lease Agreement to take such action as may be necessary to include all Rental Payments, which are comprised of Base Rental Payments and Additional Rental Payments (which include taxes and assessments affecting the Property, administrative costs of the Authority relating to the Property, fees and expenses of the Trustee and other amounts payable under the Lease Agreement), due under the Lease Agreement as a separate line item in its biennial budgets and to make the necessary annual appropriations therefor, subject to abatement as described herein.

Base Rental Payments are subject to complete or partial abatement in the event and to the extent that there is substantial interference with the City’s right to use and occupy the Property or any portion thereof. See “RISK FACTORS—Abatements.” Abatement of Base Rental Payments under the Lease Agreement, to the extent that payment is not made from alternative sources as set forth below, would result in all Bond Owners receiving less than the full amount of principal of and interest on the Series 2024A Bonds. To the extent that proceeds of insurance are available or moneys are available in certain funds and accounts pledged as security for the Series 2024A Bonds, Base Rental Payments (or a portion thereof) may be made during periods of abatement.

THE SERIES 2024A BONDS ARE SPECIAL OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY FROM BASE RENTAL PAYMENTS AND THE OTHER ASSETS PLEDGED THEREFOR UNDER THE INDENTURE. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE AUTHORITY, THE CITY OR THE STATE OF CALIFORNIA (THE “STATE”), OR ANY POLITICAL SUBDIVISION THEREOF, IS PLEDGED TO THE PAYMENT OF THE SERIES 2024A BONDS. THE AUTHORITY HAS NO TAXING POWER.

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

The Authority is not funding a debt service reserve fund for the Series 2024A Bonds.

The City has agreed to provide, or cause to be provided, to the Municipal Securities Rulemaking Board for purposes of Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission (“Rule 15c2-12”) certain annual financial information and operating data and, in a timely manner, notice of certain listed events. These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12. See “CONTINUING DISCLOSURE” herein for a description of the Authority’s and the City’s compliance with its prior continuing disclosure undertakings pursuant to Rule 15c2-12 and APPENDIX—E “FORM OF CONTINUING DISCLOSURE CERTIFICATE” for a description of the specific nature of the annual report and notices of listed events and the terms of the disclosure undertaking pursuant to which such reports are to be made.

U.S. Bank Trust Company, National Association, Los Angeles, California, will act as Trustee with respect to the Series 2024A Bonds. The Series 2024A Bonds will be issued subject to the approval as to their legality by Stradling Yocca Carlson & Rauth LLP, Newport Beach, California, Bond Counsel. Certain legal matters will be passed upon for the City and the Authority by the City Attorney of the City of Garden Grove and by Stradling Yocca Carlson & Rauth LLP, Newport Beach, California, Disclosure Counsel. Certain legal matters will be passed upon for the Underwriter by Anzel Galvan LLP, San Francisco, California. The City's financial statements for the fiscal year ended June 30, 2023 included as Appendix C hereto have been audited by Davis Farr LLP, Irvine, California (the "Auditor"). See APPENDIX C—"AUDITED FINANCIAL STATEMENTS OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2023" herein. The City's financial statements are public documents and are included within this Official Statement without the prior approval of the Auditor. Accordingly, the Auditor has not performed any post-audit review of the financial condition of the City and also has not performed any procedures relating to this Official Statement.

Certain events could affect the ability of the City to make the Base Rental Payments when due. See "RISK FACTORS" for a discussion of certain factors that should be considered, in addition to other matters set forth herein, in evaluating an investment in the Series 2024A Bonds.

The presentation of information, including tables of receipt of revenues, is intended to show recent historical information and, except for a budget discussion for the 2023-25 biennial period and the City's periodic five-year forecast, is not intended to indicate future or continuing trends in the financial position or other affairs of the City. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily continue or be repeated in the future. See the captions "THE CITY OF GARDEN GROVE" and "CITY FINANCIAL INFORMATION" for financial and operating information related to the City.

The summaries or references to the Indenture, the Lease Agreement, the Ground Lease, the Assignment Agreement and other documents, agreements and statutes referred to herein, and the description of the Series 2024A Bonds included in this Official Statement, do not purport to be comprehensive or definitive, and such summaries, references and descriptions are qualified in their entireties by reference to each such document or statute. All capitalized terms used in this Official Statement (unless otherwise defined herein) which are defined in the Indenture or the Lease Agreement shall have the meanings set forth therein. See APPENDIX B—"SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS."

THE SERIES 2024A BONDS

General

The Series 2024A Bonds shall be issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof. The Series 2024A Bonds will be dated as of and bear interest (calculated on the basis of a 360-day year comprised of twelve 30-day months) from the dated date thereof at the rates set forth on the inside cover page hereof. Interest on the Series 2024A Bonds will be paid semiannually on April 1 and October 1 (each, an "Interest Payment Date") of each year, commencing October 1, 2024.

Interest on the Series 2024A Bonds will be payable from the Interest Payment Date next preceding the date of authentication thereof (a "Record Date") unless (i) a Series 2024A Bond is authenticated on or before an Interest Payment Date and after the close of business on the preceding Record Date, in which event it will bear interest from such Interest Payment Date, (ii) a Series 2024A Bond is authenticated on or before the first Record Date, in which event interest thereon will be payable from the dated date thereof, or (iii) interest on any Series 2024A Bond is in default as of the date of authentication thereof, in which event interest thereon will be payable from the date to which interest has been paid in full, payable on each Interest Payment Date. Interest will be paid in lawful money of the United States on each Interest Payment Date to the Persons in whose names the ownership of the Series 2024A Bonds is registered on the Registration Books at the close of business on the immediately preceding Record Date, except as provided below. Interest will be paid by check of the Trustee

mailed by first class mail, postage prepaid, on each Interest Payment Date to the Series 2024A Bond Owners at their respective addresses shown on the Registration Books as of the close of business on the preceding Record Date.

The principal and premium, if any, of the Series 2024A Bonds will be payable in lawful money of the United States of America upon presentation and surrender thereof upon maturity or earlier redemption at the Office of the Trustee. The Series 2024A Bonds will be subject to redemption as set forth herein.

Registration, Transfers and Exchanges

The Series 2024A Bonds will be issued as fully registered bonds, registered in the name of Cede & Co. as nominee of DTC, and will be available to actual purchasers of the Series 2024A Bonds (the “Beneficial Owners”) in the denominations set forth above, under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants (as defined in Appendix F) as described herein. Beneficial Owners will not be entitled to receive physical delivery of the Series 2024A Bonds. See “THE SERIES 2024A BONDS—Book-Entry Only System.”

Redemption*

Extraordinary Redemption from Net Proceeds. The Series 2024A Bonds are subject to redemption, in whole or in part, on any date, in denominations of \$5,000 or any integral multiple thereof, from and to the extent of any Net Insurance Proceeds received with respect to all or a portion of the Property, deposited by the Trustee in the Redemption Fund pursuant to the Indenture, at a Redemption Price equal to the principal amount of the Series 2024A Bonds to be redeemed, plus accrued interest thereon to the date of redemption, without premium.

Optional Redemption of Series 2024A Bonds. The Series 2024A Bonds maturing on or after April 1, 20__, are subject to optional redemption, in whole or in part, on any date on or after April 1, 20__, in denominations of \$5,000 or any integral multiple thereof, from and to the extent of prepaid Base Rental Payments paid pursuant to the Lease, at a Redemption Price equal to the principal amount of the Series 2024A Bonds to be redeemed, plus accrued interest thereon to the date of redemption, without premium.

Mandatory Sinking Fund Redemption. The Series 2024A Bonds with stated maturities on April 1, 20__ are subject to mandatory sinking fund redemption in part (by lot) on each April 1 on and after April 1, 20__, in integral multiples of \$5,000 at a Redemption Price equal to the principal amount thereof plus accrued interest to the date fixed for redemption, without premium, in accordance with the following schedule:

<i>Redemption Date (April 1)</i>	<i>Principal Amount</i>
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** Final Maturity.

The Series 2024A Bonds with stated maturities on April 1, 20__ are subject to mandatory sinking fund redemption in part (by lot) on each April 1 on and after April 1, 20__, in integral multiples of \$5,000 at a

* Preliminary, subject to change.

Redemption Price equal to the principal amount thereof plus accrued interest to the date fixed for redemption, without premium, in accordance with the following schedule:

<i>Redemption Date (April 1)</i>	<i>Principal Amount</i>
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** Final Maturity.

The Series 2024A Bonds with stated maturities on April 1, 20__ are subject to mandatory sinking fund redemption in part (by lot) on each April 1 on and after April 1, 20__, in integral multiples of \$5,000 at a Redemption Price equal to the principal amount thereof plus accrued interest to the date fixed for redemption, without premium, in accordance with the following schedule:

<i>Redemption Date (April 1)</i>	<i>Principal Amount</i>
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** Final Maturity.

In the event of a partial optional redemption or extraordinary mandatory redemption of any of the Term Bonds, the City will provide the Trustee with a revised mandatory sinking fund schedule giving effect to the redemption so completed.

Selection of Bonds for Redemption. Whenever provision is made in the Indenture for the redemption of less than all of the Bonds, the Trustee shall select the Bonds to be redeemed from all Bonds not previously called for redemption (a) with respect to any optional redemption of Bonds of a Series, among maturities of Bonds of such Series as directed in a Written Request of the Authority, (b) with respect to any redemption from and to the extent of any insurance proceeds or condemnation award received with respect to all or a portion of the Property and the corresponding provision of any Supplemental Indenture pursuant to which Additional Bonds are issued, among maturities of all Series of Bonds on a pro rata basis as nearly as practicable, and (c) with respect to any other redemption of Additional Bonds, among maturities as provided in the Supplemental Indenture pursuant to which such Additional Bonds are issued, and by lot among Bonds of the same Series with the same maturity in any manner which the Trustee in its sole discretion deems appropriate and fair. For purposes of such selection, all Bonds will be deemed to be comprised of separate \$5,000 denominations and such separate denominations will be treated as separate Bonds which may be separately redeemed.

Notice of Redemption. So long as the Bonds are held in book-entry form, notices of redemption will be mailed by the Trustee only to DTC and not to any Beneficial Owners. The Trustee on behalf and at the expense of the Authority will mail (by first class mail) notice of any redemption to the respective Owners of any Bonds designated for redemption at their respective addresses appearing on the Registration Books, to the Securities Depositories and to one or more Information Services, at least 20 but not more than 60 days prior to

the date fixed for redemption. Such notice will state the date of the notice, the redemption date, the redemption place and the Redemption Price and shall designate the CUSIP numbers, the Bond numbers and the maturity or maturities (except in the event of redemption of all of the Bonds of such maturity or maturities in whole) of the Bonds to be redeemed, and will require that such Bonds be then surrendered at the principal corporate trust office of the Trustee for redemption at the Redemption Price, giving notice also that further interest on such Bonds will not accrue from and after the date fixed for redemption. Neither the failure to receive any notice so mailed, nor any defect in such notice, will affect the validity of the proceedings for the redemption of the Bonds or the cessation of accrual of interest thereon from and after the date fixed for redemption.

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

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

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

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

Book-Entry Only System

General. DTC will act as securities depository for the Series 2024A Bonds. The Series 2024A Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Series 2024A Bond will be issued for each maturity of the Series 2024A Bonds, each in the initial aggregate principal amount of such maturity, and will be deposited with DTC. See APPENDIX F—“BOOK-ENTRY ONLY SYSTEM.”

Transfer and Exchange of Bonds. The following provisions regarding the exchange and transfer of the Series 2024A Bonds apply only during any period in which the Series 2024A Bonds are not subject to DTC's book-entry system. While the Series 2024A Bonds are subject to DTC's book-entry system, their exchange and transfer will be effected through DTC and the Participants and will be subject to the procedures, rules and requirements established by DTC.

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

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

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

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2024A BONDS

Pledge of Revenues

The Series 2024A Bonds are equally and ratably payable from and secured by Base Rental Payments and certain amounts on deposit in certain funds and accounts established under the Indenture. Base Rental Payments will be paid by the City from any and all legally available funds. See the captions “THE CITY OF GARDEN GROVE,” “CITY FINANCIAL INFORMATION” and “RISK FACTORS” for a description of such available funds and the potential risks associated with the availability of such funds to make Base Rental Payments. The City has covenanted in the Lease Agreement to take such action as may be necessary to include all Base Rental Payments and Additional Rental Payments due under the Lease Agreement as a separate line item in its biennial budgets and to make the necessary annual appropriations therefor.

The Authority, pursuant to the Assignment Agreement, will assign to the Trustee for the benefit of the Series 2024A Bond Owners all of the Authority’s right, title and interest in and to the Ground Lease and the Lease Agreement, including, without limitation, its right to receive Base Rental Payments to be paid by the City under and pursuant to the Lease Agreement; provided that, the Authority will retain the rights to indemnification and to payment of reimbursement of its reasonable costs and expenses under the Lease Agreement. The City will pay Base Rental Payments directly to the Trustee, as assignee of the Authority. See “—Base Rental Payments” below. Pursuant to the Indenture, the Authority may issue Additional Bonds payable from the Base Rental Payments on a parity with the Series 2024A Bonds, subject to certain conditions precedent. See the captions “THE PROJECT” and “—Additional Bonds.”

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

THE SERIES 2024A BONDS ARE SPECIAL OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY FROM BASE RENTAL PAYMENTS AND THE OTHER ASSETS PLEDGED THEREFOR UNDER THE INDENTURE. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE AUTHORITY, THE CITY OR THE STATE, OR ANY POLITICAL SUBDIVISION THEREOF, IS

PLEGGED TO THE PAYMENT OF THE SERIES 2024A BONDS. THE AUTHORITY HAS NO TAXING POWER.

Base Rental Payments

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

Pursuant to the Indenture, on the Business Day immediately preceding each Interest Payment Date and on the Business Day immediately preceding each Principal Payment Date, the Trustee will transfer amounts in the Base Rental Payment Fund as are necessary to the Interest Fund and the Principal Fund to provide for the payment of the interest on and principal of the Series 2024A Bonds.

Scheduled Base Rental Payments relating to the Series 2024A Bonds are set forth below under the caption “BASE RENTAL PAYMENT SCHEDULE.”

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

Additional Rental Payments

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

- (i) All taxes and assessments of any type or nature charged to the Authority or the City or affecting the Property or the respective interests or estates of the Authority or the City therein.
- (ii) All reasonable administrative costs of the Authority relating to the Property including, but without limiting the generality of the foregoing, salaries, wages, fees and expenses, compensation and indemnification of the Trustee payable by the Authority under the Indenture, fees of auditors, accountants, attorneys or engineers, and all other necessary and reasonable administrative costs of the Authority or charges required to be paid by it in order to maintain its existence or to comply with the terms of the Indenture or the Lease Agreement or to defend the Authority and its members, officers, agents and employees.
- (iii) Insurance premiums for all insurance required pursuant to the Lease Agreement.
- (iv) Any amounts with respect to the Lease Agreement or the Bonds required to be rebated to the federal government in accordance with section 148(f) of the Internal Revenue Code of 1986.
- (v) All other payments required to be paid by the City under the provisions of the Lease Agreement or the Indenture.

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

Abatement

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

Notwithstanding the foregoing, to the extent that moneys are available for the payment of Rental Payments due under the Lease Agreement in any of the funds and accounts established under the Indenture (including as a result of the availability of insurance proceeds or amounts in certain funds and accounts pledged to the Series 2024A Bonds), such Rental Payments will not be abated as provided above but, rather, will be payable by the City as a special obligation payable solely from said funds and accounts.

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

Substitution or Release of the Property

General. The Authority and the City may amend the Lease Agreement to substitute alternate real property for any portion of the Property or to release a portion of the Property from the Lease Agreement, upon compliance with all of the conditions set forth in the Lease Agreement and described below. After a substitution or release, the portion of the Property for which the substitution or release has been effected will be released from the leasehold encumbrance of the Lease Agreement.

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

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

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

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

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

(e) the City shall have provided notice of such substitution to each rating agency then rating the Bonds;

(f) no event of default has occurred and is continuing under the Lease Agreement;

(g) the City gives, or causes to be given, any notice of the occurrence of such substitution required to be given pursuant to the Continuing Disclosure Certificate;

(h) the City certifies to the Trustee that the City has a current need for the substituted real property; and

(i) the City certifies to the Trustee that any substitution will not cause the City to violate any of its covenants, representations and warranties made in the Lease Agreement.

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

Release of Release Property After Completion of Project. Without regard to the requirements of the Lease Agreement described above under the caption "*—General,*" the City may provide for release and deletion of the Release Property (as defined under the caption THE PROPERTY—The Release Property") from the Property such that the Project Site constitutes the entire Property, provided that the City satisfies conditions (i) through (iii) described below:

(i) The City files with the Authority and the Trustee a copy of a Lease Supplement which deletes the Release Property from the Lease Agreement (and, at the election of the City, from the Ground Lease);

(ii) The City delivers certificate to the Trustee pursuant to the Lease Agreement stating that Phase 1 of the Project has been substantially completed substantially in conformity with the plans and specifications for the Project and is available for occupancy; and

(iii) no event of default has occurred and is continuing under the Lease Agreement.

Upon the satisfaction of all such conditions under the Lease Agreement, the Lease Agreement will end as to the Released Portion and continue as to the Project Site, and the Release Property will be released from the Lease Agreement and no longer form part of the Property thereunder without further act or deed of the City, the

Authority, or the Trustee, provided the Authority and the Trustee execute any such instruments evidencing such release as may be reasonably requested by the City from time to time. The City will not be entitled to any reduction, diminution, extension or other modification of the Base Rental Payments whatsoever as a result of such deletion.

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

Action on Default

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

For purposes of certain actions of Bond Owners under the Indenture and the Lease Agreement, such as certain consents and amendments and the direction of remedies following default, Series 2024A Bond Owners do not act alone and may not control such matters to the extent such matters are not supported by the requisite number of the Owners of all Series 2024A Bonds and Additional Bonds, if any.

For a description of the events of default and permitted remedies of the Trustee (as assignee of the Authority) contained in the Lease Agreement and the Indenture, see APPENDIX B—“SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS—THE LEASE AGREEMENT—Defaults and Remedies” and “—THE INDENTURE—Default and Limitations of Liability.”

No Reserve Fund

The Authority has not funded a debt service reserve fund for the Series 2024A Bonds.

Additional Bonds

Pursuant to the Indenture, the Authority may issue Additional Bonds payable from the Base Rental Payments on parity with the Series 2024A Bonds upon satisfaction of certain conditions, including, but not limited to, the following:

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

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

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

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

Insurance

The Lease Agreement requires the City to maintain or cause to be maintained fire, lightning and special extended coverage insurance (which includes coverage for vandalism and malicious mischief, but need not include coverage for earthquake damage) on all improvements constituting any part of the Property in an amount equal to the greater of 100% of the replacement cost of such improvements or 100% of the outstanding principal amount of the Bonds. All insurance required to be maintained pursuant to the Lease Agreement may be subject to a deductible in an amount not to exceed \$500,000.

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

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

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

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

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

SOURCES AND USES OF FUNDS

The sources and uses of funds with respect to the Series 2024A Bonds are shown below.

Sources

Principal Amount of Series 2024A Bonds
Original Issue Premium/(Discount)
Total Sources

Uses

Project Fund
Costs of Issuance⁽¹⁾
Total Uses

⁽¹⁾ Includes legal, municipal advisory, rating agency, printing fees, underwriter's discount, premiums for the bond insurance policy, if applicable, and other miscellaneous costs of issuance.

BASE RENTAL PAYMENT SCHEDULE

Following is the annual schedule of Base Rental Payments due with respect to the Series 2024A Bonds, assuming no redemption prior to maturity:

<i>Bond Year</i> <i>(Ending April 1)</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
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THE PROJECT

The Project and the Project Site

The Project consists of the design and construction of certain public capital improvements to be located on City-owned property located at Acacia Parkway, east of Euclid Street, in the City, including an approximately 100,000 square foot public safety facility (the "PSF"), a four-level parking structure that will provide

approximately 350 parking spaces (the “Parking Structure”), and a reconfigured 2.8-acre Civic Center Park, as well as the demolition of the existing police headquarters building located at 11301 Acacia Parkway.

The new PSF will replace the existing police headquarters building and include additional capacity to support anticipated expansion to 2039 projected staffing levels. It will consolidate the following functions: Police Administration and Administrative Services, Records, Evidence and Property, Communications, Investigations, Community Policing, SWAT, memorials for fallen officers, shared training amenities, and a larger temporary holding area. The new facility will be an “Essential Services” building providing 911 dispatch and other important public safety services, along with an Emergency Operations Center and modern server room. The facility has been designed to achieve a LEED Silver sustainability designation.

The Parking Structure is intended to accommodate secured police fleet vehicle parking, staff personal vehicles, and some public parking. It is anticipated that the Parking Structure will accommodate approximately 350 vehicles, with the ultimate distribution of secure and non-secure parking to be determined during the design process.

Community feedback on the re-envisioned Civic Center Park is still in progress. Current design objectives focus on a green space that is safe and welcoming. The City intends for the new park facilities to provide flexibility for activation that is suitable for a wide range of uses and community amenities. The Civic Center Park will be designed to connect the existing and new park areas and will provide walking paths, shade trees, a memorial grove, and public art.

The project will proceed in two phases. Phase 1 includes design and construction of the new PSF and Parking Structure. The current schedule anticipates Phase 1 will be completed in the first quarter of 2026. The PSF is expected to be occupied by May 2026. When the new PSF is occupied, Phase 2 will start with the demolition of the existing police headquarters building then construction of the new re-envisioned Civic Center Park.

As discussed under the caption “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2024A BONDS— Substitution or Release of the Property— Release of Release Property After Completion of Project,” upon completion of Phase 1, the City will be entitled to release the Release Property, including the existing police headquarters building, which will be demolished and replaced with the reconfigured Civic Center Park as Phase 2 of the Project, from the Property leased under the Ground Lease and the Lease Agreement. The City-owned fire station located adjacent to the existing police headquarters is operated by the Orange County Fire Authority and will remain in place.

Construction of the Project

The City has entered into a Project Agreement dated as of April 1, 2024 (the “Project Agreement”), with Edgemoor Garden Grove Civic Center Partners, LLC, a Maryland limited liability company (“Edgemoor”), pursuant to which Edgemoor has agreed to develop the Project at the Project Site. Edgemoor’s parent company is Edgemoor Infrastructure & Real Estate, which provides design, finance, build, and maintenance services to public and private entities throughout the country. Completed projects in California include UC San Francisco’s Sandler Neuroscience Center and the City of Long Beach City Hall and Library.”

Pursuant to the Project Agreement, Edgemoor is required to enter into a Design/Build Agreement with Clark Construction Group, LLC (the “Design Builder”) pursuant to which the Design Builder will complete the design of, and construct, the Project. The Project designers are AC Martin and Roth Sheppard.

Clark Construction Group is the largest privately-held construction firm in the United States, with active projects in 105 cities and approximately \$1.8 billion in annual revenue from government, military and public safety projects.

In the Lease Agreement, the City agrees that substantial completion and occupancy of Phase 1 of the Project will occur on or prior to May 2026 and substantial completion of Phase 2 of the Project will occur on or prior to May 2027, subject to excused delays pursuant to standard City procedures (each, a “Completion Date”). The Project Agreement provides that, if Edgemoor fails to achieve substantial completion of the PSF and Parking Structure or the Civic Center Park by the respective Completion Date, after taking into account the effect any permitted extension, Edgemoor will pay to the City \$10,000 per day for the PSF and Parking Structure with a maximum amount of \$3,000,000 and, following substantial completion of the PSF and Parking Structure, \$1,000 per day for the Civic Center Park with a maximum amount of \$300,000 (such sums each, a “Delay Credit”), commencing in each case on the applicable date for substantial completion as set out in the Master Project Schedule and continuing on a daily basis until substantial completion of such Project component. The City agrees in the Lease Agreement that if and to the extent each Phase of the Project is not completed on or before each Completion Date, the City will seek and enforce Edgemoor’s obligation under the Project Agreement to pay Delay Credits (as defined in the Project Agreement) to the City.

The Project Agreement provides that Edgemoor, or the Design Builder (defined in the Project Agreement) on behalf of Edgemoor, will provide a performance bond and payment bond, each of which is sized to 100% of the Guaranteed Maximum Price under the design build agreement entered into between Edgemoor and the Design-Builder relating to the Project. Upon substantial completion of the PSF and Parking Structure and satisfaction of the waiver and release in requirements in the Project Agreement, Edgemoor may cause the amount of the performance bond and payment bond to be reduced to the value of the design and construction work for Civic Center Park.

See APPENDIX B—“SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS—THE LEASE AGREEMENT—ACQUISITION, CONSTRUCTION AND IMPROVEMENT OF THE PROJECT.”

A variety of factors outside the control of the City could cause completion of the Project to be delayed. Until Phase 1 of the Project is completed, the City will not be permitted to release the Release Property under the summary process described under the caption “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2024A BONDS—Substitution or Release of the Property—*Release of Release Property After Completion of Project*” (although the City will be entitled to release or substitute the Property at any time, subject to the conditions described under the caption “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2024A BONDS—Substitution or Release of the Property—*General*”). The City cannot provide any assurance other than as described above that the Project will be completed on time or on budget.

Plan of Finance

Pursuant to the Project Agreement, Edgemoor has agreed to design, construct, and deliver the Project to the City for a guaranteed maximum price (“GMP”) of \$152 million, consisting of a GMP of \$140 million for the PSF and Parking Structure and \$12 million for demolition of the existing police headquarters building and construction of Civic Center Park. The City expects to use the net proceeds of the Series 2024A Bonds to pay the anticipated cost of the Project. Cost overruns, if any, for which the City is responsible under the Project Agreement will be paid by the City from available cash.

THE PROPERTY

General

The Property leased under the Ground Lease and the Lease Agreement will initially consist of the Project Site and the Release Property, each as described further below. The City has the right to substitute or release all or a portion of the Property subject to certain conditions precedent. Furthermore, the City expects to release the Release Property from the Ground Lease and the Lease Agreement promptly upon completion of Phase 1 of the Project. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2024A BONDS—Substitution, or Release of the Property” and “THE PROJECT.”

The Release Property

The Release Property consists of the properties listed in the following table and described in more detail below.

<i>Facility</i>	<i>Location and Use</i>	<i>Approx. Building Square Footage</i>	<i>Approx. Land Square Footage</i>	<i>Estimated Building Value⁽¹⁾</i>	<i>Estimated Land Value⁽²⁾</i>
City Hall	11222 Acacia Parkway	42,849	26,582	\$14,881,718	\$ 2,100,000
Existing Police Headquarters	11301 Acacia Parkway	39,300	367,646 ⁽³⁾	10,183,709	25,236,215 ⁽⁴⁾
Community Meeting Center	11300 Stanford Avenue	20,945	- ⁽⁵⁾	5,658,644	- ⁽⁵⁾
Senior Center	11300 Stanford Avenue	10,406	- ⁽⁵⁾	2,903,606	- ⁽⁵⁾
Municipal Services Center/Public Works Yard	13802 Newhope Street	58,600	411,283	6,844,086	28,700,000
City Administrative Office Building	11277 Garden Grove Blvd.	31,310 ⁽⁶⁾	80,148	6,079,240 ⁽⁷⁾	6,400,000
Garden Grove Park, including Sports and Recreation Center (Gymnasium) and Atlantis Play Center	9301 Westminster Blvd; 13641 Deodara; 13630 Atlantis Way	<u>15,925</u>	<u>1,568,160</u>	<u>5,747,929</u>	<u>94,089,600</u>
Total		198,374	2,453,819	\$46,551,003	\$ 156,525,815

- (1) Building value is the value listed on the City's current Statement of Values for purposes of the City's property insurance policy.
- (2) Land values are estimated by the City. For properties with a commercial or residential zoning designation, the City estimated the land value based on recent appraisals or land transactions for properties in the City with similar zoning designations. For properties with an open space zoning designation, the City estimated the land value as if the property had the same zoning designation as property adjacent to the subject parcel.
- (3) Includes the land on which the Community Meeting Center and Senior Center are located.
- (4) Includes the value of the land on which the Community Meeting Center and Senior Center are located.
- (5) Land square footage and land value included in figures provided for Existing Police Headquarters.
- (6) Total square footage includes approximately 7,500 square feet of office space leased to OC Mental Health Assn. and Clark Construction Group. See footnote 7.
- (7) Estimated building value has been reduced by 24%, to exclude value associated with an existing lease by the City to the OC Mental Health Assn. with respect to approximately 5,500 square feet of office space and a lease to be entered into with Clark Construction Group during construction of the Project, for approximately 2,000 square feet of office space, as described below.
- Source: The City.

The City's City Hall is a three story building, located at 11222 Acacia Parkway, was constructed in 1978 and houses the City Manager's office and the City's Community Development, Community Services, Economic Development, Finance, Human Resources, and Information Technology Departments.

The City's Existing Police Headquarters is located at 11301 Acacia Parkway, across Acacia Parkway from the City Hall building. The Existing Police Headquarters was constructed in 1971 and will be demolished as part of Phase 2 of the Project, after the new PSF is constructed and the Police operations have been moved to the new facility.

The City's Community Meeting Center and Senior Center are located on Stanford Avenue, north of the Existing Police Headquarters. These buildings were built in 1977 and are used by the City to provide various community activities and programming.

The Municipal Services Center/Public Works Yard, located at 13802 Newhope Street, consists of a large 411,283 square foot parcel of property improved with 11 buildings. The facilities at the Municipal Services Center/Public Works Yard site include offices used by the City's Public Works, Water, Sewer, and Sanitation Departments, a 16,000 square foot warehouse, and a service station for City-owned vehicles. The buildings were constructed in 1962. The Municipal Services Center/Public Works Yard is located in an area designated by FEMA as Flood Zone A, which indicates a 1% annual chance of flooding and a 26% chance of flooding over a 30-year period. The City carries flood insurance as part of its property insurance coverage, but is not required to maintain flood insurance coverage under the Lease Agreement. Monitoring wells are located on the Municipal Services Center/Public Works Yard site to monitor a plume of groundwater contamination not associated with operations of the Municipal Services Center/Public Works Yard.

The City Administrative Office Building, located at 11277 Garden Grove Blvd., is a two story building built in 1980 which houses the Garden Grove Housing Authority, the City's computer lab, overflow Police operations, and Garden Grove Channel 3 operations (a cable channel that now also produces videos for the City's YouTube channel, including videos of City Council meetings and other City events). The City purchased the City Administrative Office Building in 2022, subject to a third party lease (the "OC Mental Health Assn. Lease"). The OC Mental Health Assn. Lease relates to approximately 5,500 square feet of the total 31,310 square foot building and currently expires in 2026. The City may choose to extend the OC Mental Health Assn. Lease. The City also expects to lease approximately 2,000 square feet of office space to Clark Construction Group during the construction period for the Project (the "Clark Construction Group Lease"). The OC Mental Health Assn. Lease and the Clark Construction Group Lease are "Permitted Encumbrances" under the Lease Agreement and therefore the office space subject to these leases is not included in the Property leased by the Authority to the City under the Lease Agreement. The building value for the City Administrative Office Building set forth in the table above has been reduced pro-rata based on the square footage of the premises subject to the OC Mental Health Assn. Lease and the Clark Construction Group Lease.

Garden Grove Park is an approximately 36 acre city park located at 9301 Westminster Boulevard. The Garden Grove Sports and Recreation Center and Atlantis Play Center are also located at Garden Grove Park. The Sports and Recreation Center, located at 13641 Deodara, is an approximately 15,925 square foot gymnasium built in 2005. The Atlantis Play Center is a children's park, playground, and water park/splash pad located at 13630 Atlantis Way. The City acquired Garden Grove Park from the United States of America in 1959 pursuant to a quitclaim deed which reserves to the federal government the right, during the existence of any national emergency declared by the President or Congress, to the full, unrestricted possession, control and use of the premises (or a portion thereof); provided that the federal government must pay "fair rental" for the portion of the premises so used. The quitclaim deed does not provide a method for calculating the fair rental to be paid by the federal government in the event this property is used by the federal government as permitted by the quitclaim deed. In the event the federal government were to exercise this right, which it has not done in the past, the City's obligation to pay Base Rental Payments would be abated in part, as provided under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Abatement." In such case, the Lease Agreement requires rental payments received by the City from the federal government to be applied in the same manner as insurance and condemnation proceeds.

The Project Site

The Project Site consists of approximately 4.12 acres and is currently improved with a parking lot and a grassy park and pond. The Project Site is the future location of Phase 1 of the Project, consisting of the PSF and an approximately 350-space, four-level Parking Structure. Upon substantial completion and occupancy of Phase 1 of the Project, the City is permitted by the Lease Agreement to delete and release the Release Property from the Lease Agreement; at that time, the Project Site, including the PSF and Parking Structure, will constitute the entire Property under the Lease Agreement.

For more information regarding the Project Site, see the caption "THE PROJECT." Furthermore, the Lease Agreement provides that the Authority may provide for release and deletion of the Release Property from

the Property such that the Project Site constitutes the entire Property upon completion of the Project and the satisfaction of certain requirements under the Lease Agreement. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2024A BONDS—Substitution, Addition and Removal of Property.”

THE AUTHORITY

The Authority was established pursuant to the provisions of Articles 1, 2 and 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the “Act”) and a Joint Exercise of Powers Agreement dated as of June 22, 1993 (as amended, the “JPA Agreement”), between the City and the Garden Grove Agency for Community Development. By an Amendment No. 1 to the JPA Agreement dated as of March 28, 2006, the Garden Grove Sanitary District became a member of the Authority and by an Amendment No. 2 to the JPA Agreement dated November 1, 2020, the Successor Agency to the Garden Grove Agency for Community Development, as successor to the Garden Grove Agency for Community Development, was removed as a member of the Authority. The City Council of the City is appointed as the Governing Board of the Authority and the Authority is administered by the City’s staff. Under the Joint Exercise of Powers Agreement and Article 4 of the Act, the Authority is authorized to assist in the financing of public capital improvements. The Authority has acted as a conduit issuer for the City for a variety of financings.

THE CITY OF GARDEN GROVE

General

The City is located in central Orange County, California, approximately twenty-five miles southeast of downtown Los Angeles, and encompasses an area of approximately 17.8 square miles. As of January 1, 2023, the City had an estimated population of 171,183 and was the fifth largest city in the County and the 30th largest City in the State. The community of Garden Grove was founded in 1874 and the City was incorporated as a general law city on June 18, 1956. At the present time, the City is essentially built out. For additional economic and demographic information regarding the City, see APPENDIX A — “ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING THE CITY OF GARDEN GROVE.”

City Council

The City is a general law city that operates under the council-manager form of government. Six members of the City Council are elected by voters within their respective districts to a four-year term, and are limited to two consecutive terms. Elections for these six districts are staggered so that only three seats are elected during a single election cycle. However, during every election cycle, the Mayor is elected by the voters of the City at-large for a two-year term, with a limit of four consecutive two-year terms. The regularly scheduled public meetings of the City Council are currently on the second and fourth Tuesday of the month.

The City Council is responsible for, among other things, establishing local law and policies through the enactment of ordinances and resolutions, adopting the City budget, appointing members to advisory municipal commissions and activities. Members of the City Council also serve from time to time on regional committees and boards whose policies may affect the City. The City Council appoints the City Manager, who heads the executive branch of the government, implements City Council directives and policies, and manages the administrative and operational functions through the various departmental heads. The City Council also appoints the City Attorney.

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

CITY OF GARDEN GROVE
City Council

<i>Name</i>	<i>District</i>	<i>Term Expires</i>
Steve Jones, Mayor	At-Large	November 2024
Cindy Ngoc Tran, Mayor Pro Term	3	November 2026
George S. Brietigam III, Council Member	1	November 2026
John R. O’Neill, Council Member	2	November 2024
Joe DoVinh, Council Member	4	November 2026
Stephanie Klopfenstein, Council Member	5	November 2024
Kim B. Nguyen-Penalosa, Council Member	6	November 2024

Source: City of Garden Grove.

City Management

A summary of certain City executive staff are described below.

City Manager. The City Manager has the responsibility for hiring the City’s department directors and for administering the City’s programs in accordance with the policies adopted by the City Council. The mission of the City Manager’s Office is to assist the City Council in establishing community goals and policies and provide leadership and direction in the administration of all City Departments and services.

The City Manager’s office includes legislative support, policy implementation, budget development, strategic planning, liaison, and ombudsman services to community constituencies and legal service functions of the City. Additionally, the City Manager’s office manages the City Council meeting agenda, elections, and public records. The office also monitors and responds to federal and state legislative issues, and represents the City’s interests throughout the region and beyond. The City Clerk function is structured within the City Manager’s office.

The City’s current City Manager is Lisa L. Kim. Ms. Kim began serving as the City Manager of the City in March 2023, and joined the City in April 2016 as the Community and Economic Development Director. Since 2019 and until her appointment as City Manager, Ms. Kim carried out dual roles as Assistant City Manager while overseeing the Office of Economic Development, Planning Services, and the Building and Safety Division. Ms. Kim holds a Master’s Degree in Public Administration from the University of Massachusetts Global, a member of the Chapman University System; and a Bachelor of Science in Urban and Regional Planning from California State Polytechnic University, Pomona.

Finance Director. The Finance Director of the City assumes the full management responsibilities for all Finance Department services and activities, including finance, budgeting, treasury, accounting, purchasing, payroll, revenues, risk management, and customer service.

The City’s current Finance Director is Patricia Song. Ms. Song began serving as the Finance Director of the City in April 2019. Prior to joining the City, Ms. Song served as the Manager of Fiscal Services for the City of Irvine, California. Ms. Song holds Master of Business Administration degrees in both accounting and in management information systems from California State University, San Bernardino and is also a certified public accountant.

Employee and Employee Relations

For fiscal year 2023-24, the City has approximately 569 full-time authorized positions, of which approximately 520 are filled. The City also employs approximately 143 part-time employees. In accordance with the provisions of California Government Code Section 3500, the City participates in labor negotiations with

its employee associations. The result of the negotiations processes is memorialized in memoranda of understanding (each an “MOU”) reached between the City and the City employee associations. The table below lists the City’s four employee associations and the approximate membership as of February 2, 2024, as well as the unrepresented executive employees:

<i>Unit/Affiliation</i>	<i>Contract Expiration Date</i>	<i>Number of Members⁽²⁾</i>
Orange County Employee’s Association, Garden Grove Chapter	June 30, 2025	169
Orange County Employee’s Association, Garden Grove Employee’s League	June 30, 2025	86
Garden Grove Police Association	June 30, 2025	166
Garden Grove Police Management Association	June 30, 2025	10
Unrepresented Management ⁽¹⁾	N/A	<u>89</u>
Total		520

⁽¹⁾ Represents the City’s central and middle management employees, which are not represented by any bargaining unit.

⁽²⁾ Represents filled positions.

Source: City of Garden Grove.

Risk Management

For more information with respect to the insurance requirements under the Lease Agreement, see the caption “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2024 BONDS—Insurance” in this Official Statement.

The City utilizes a program to self-insure for workers’ compensation liability for the first \$1,000,000, per occurrence, for injury or occupational illness to City employees pursuant to State law. The City contracts with a third party who administers the program and acts as the representative of the City in claims hearings and litigation. Excess coverage is placed with a joint powers authority for losses from \$1,000,000 up to the statutory limit per occurrence. This self-insurance program is accounted for in the Workers’ Compensation internal service fund in the City’s audited financial statements. There is an estimated liability of \$37,481,873 for workers’ claims outstanding including claims incurred but not reported on June 30, 2023, which has been included as liabilities in the Workers’ Compensation internal service fund in the City’s audited financial statements for the fiscal year ended June 30, 2023.

The City also has a self-insured program for its tort and civil liabilities. The City is self-insured for the first \$2,000,000 per occurrence. Excess liability insurance is carried thereafter to \$33,000,000 per occurrence with commercial insurers. Claims administration and adjusting services are provided by contract with a third-party administrator specializing in public entity liability. Representation in matters of litigation is performed through the retaining of outside law firms and is supervised by the City Attorney. The City’s self-insurance program is accounted for in the Risk Management internal service fund in the City’s audited financial statements.

The City estimates a general liability for claims outstanding, including claims incurred but not reported, on June 30, 2023, in the amount of \$6,860,038 which has been included as liabilities in the Risk Management internal service fund in the City’s audited financial statements for the fiscal year ended June 30, 2023.

The City is a defendant in various lawsuits. Attempts are made to settle these cases or proceed to trial as recommended by the City’s attorneys. The City believes that it has meritorious defenses to the allegations contained in the cases. However, the City has accrued and reserved reasonable amounts based on the actuarial analysis and attorney recommendations to cover the potential losses to the extent the exposures are deemed probable and estimable.

Settled claims have not exceeded any of the City's coverage amounts in any of the last three fiscal years and there were no reductions in the City's insurance coverage during the year ended June 30, 2023. For additional information about the City insurance policies, see Note 11 to the City's audited financial statements for fiscal year 2022-23 attached hereto as Appendix C.

CITY FINANCIAL INFORMATION

Accounting and Financial Reporting

The City maintains its accounting records in accordance with Generally Accepted Accounting Principles ("GAAP") and the standards established by the Governmental Accounting Standards Board ("GASB").

The City's government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; (2) operating grants and contributions that are restricted to meeting the operational requirement of a particular function or segment; and (3) capital grants and contributions that are restricted to meeting the capital requirement of a particular function or segment and other miscellaneous revenues that directly benefit a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and the fiduciary fund. Major governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the government-wide financial statements. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Grant funds received before the revenue recognition criteria have been met are reported as unearned revenues.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as in accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes, franchise taxes, licenses, revenues from other agencies and interest associated with the current fiscal year are all considered to be susceptible to accrual and so have been recognized as revenues of the

current fiscal year. All other revenue items are considered to be measurable and available only when cash is received by the government.

The General Fund is the City's primary operating fund and accounts for all financial resources of the general government, except those required to be accounted for in other funds. The City also reports four other major funds, a Navigation Center special revenue fund, a Water Utility enterprise fund, a Sewage Collection enterprise fund and a Housing Authority enterprise fund. The City also reports nonmajor governmental and proprietary funds consisting of the various special revenue, capital project, and enterprise funds, as well as internal service funds (which account for workers' compensation, fleet management, employee benefits, information systems, warehouse operations, telephone system, risk management, communication replacement, and building and structure rehabilitation services provided to City departments on a cost reimbursement basis) and a private-purpose trust fund which accounts for the fiduciary responsibilities of the Successor Agency to the Garden Grove Agency for Community Development. For more information regarding the other governmental and proprietary funds of the City, see Note A.3 to the City's audited financial statements for fiscal year 2022-23 attached to this Official Statement as Appendix C.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's enterprise funds and various governmental funds. Elimination of these charges would distort the direct costs and program revenues reported for the function concerned.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services, or privileges provided; (2) fines, forfeitures and penalties; (3) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function; and (4) other miscellaneous revenues that directly benefit a particular function and do not fit into any other category. General revenues include all taxes, investment income, and gain on sale of assets.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds and internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Because the General Fund is the City's primary operating fund and accounts for all financial resources of the general government, except those required to be accounted for in other funds, the City expects to pay Base Rental Payments from amounts in the General Fund. Tables 3 and 4 below set forth certain historical and current fiscal year budget information for the General Fund. Tables 5 and 6 show the audited five-year trend of the General Fund's revenues and expenditures and balance sheet. Information on the other governmental funds of the City as of June 30, 2023 is set forth in Appendix C.

City Component Units and Discrete Component Units

General. GAAP requires that the City's financial statements present the City (the primary government) and its component units. Component units generally are legally separate entities for which a primary government is financially accountable. Financial accountability ordinarily involves meeting both of the following criteria: the primary government is accountable for the potential component unit (e.g. the primary government appoints the voting majority of its board) and the primary government is able to impose its will upon the potential

component unit, or there is a possibility that the potential component unit may provide specific financial benefits or impose specific financial burdens on the primary government.

The following entities are considered component units and are included in the City's reporting entity for purposes of the City's financial statements because of the significance of their operational or financial relationships with the City.

Garden Grove Housing Authority. The Garden Grove Housing Authority (the "Housing Authority") was established in October 1975, pursuant to the provisions of the Housing and Community Development Act of 1974 and is reported as an enterprise fund as if it were part of the primary government because the governing board is comprised of the City Council, although acting in a different capacity, and two Housing Authority tenants. The Housing Authority governing board approves the Housing Authority budget and the City provides staffing.

Garden Grove Sanitary District. The Garden Grove Sanitary District (the "Sanitary District") began its operations in 1924 as a special district operating under the authority of the State of California. The Health and Safety Code of California (the Sanitary District Act of 1923) is the governing law. The Garden Grove Sanitary District provides the City, a portion of the City of Santa Ana and unincorporated County areas with sewer maintenance services including cleaning of sewage collection line and inspection of sewage lines built within the Sanitary District by developers. The City has an agreement with Republic Services to provide an exclusive franchise for Solid Waste Handling Services for residents and commercial establishments within the Sanitary District. The Sanitary District became a subsidiary district and component unit of the City on May 30, 1997. The Sanitary District is reported as two enterprise funds, the Sewage Collection enterprise fund and Solid Waste Disposal enterprise fund as if it were part of the primary government because the City Council, although acting in a different capacity, is the governing board. City Council members approve the Sanitary District budget and the City provides staffing.

Garden Grove Public Financing Authority. The Authority's financial data and transactions are included within enterprise funds for purposes of the City's financial statements. The Authority is administered by the Board who are the members of the City Council and the Mayor. Council members approve the Authority budget and the City provides staffing. For more information regarding the Authority, see the caption "THE AUTHORITY."

Financial Policies

General. The City Council has adopted a comprehensive set of financial management policies to provide for: (i) budget policies and guidelines; (ii) revenue guidelines; (iii) debt management policy; (iv) General Fund reserve policy; (v) pension funding policy; (vi) investment policy; (vii) purchasing policies; (viii) infrastructure funding policy; (ix) capital asset renewal and replacement reserves policy; (x) enterprise fund business principles; and (xi) financial practices and guidelines. A summary of certain of these City Council policies is set forth below.

General Fund Reserve Policy. The City Council has adopted a General Fund Reserve Policy, which provides for three categories of reserves of the City's committed fund balance to be set aside to address unforeseen emergencies or disasters, significant changes in the economic environment, and key initiatives including economic development, infrastructure and capital projects: a Catastrophic Reserve, a Stability Reserve and a Designated Revenues Reserve. The Catastrophic Reserve, if and when funded, is to be used to mitigate costs associated with public emergencies, such as natural disasters or other unforeseen catastrophic events, and are not to be used to meet operational shortfalls or to fund new programs or personnel. The Stability Reserve is maintained to mitigate financial risks associated with unexpected revenue shortfalls due to changes in the economic environment. The Stability Reserve may be used if authorized by a two-thirds vote of the City Council. Finally, the City Council may designate to the Designated Revenues Reserve certain one-time revenue generated from non-operating activities outside the City's normal operations, including but not limited to proceeds from

sale of City property, settlement, contribution, or one-time project and/or transaction. Funds in the Designated Revenues Reserve may be appropriated by a two-thirds vote of the City Council at the request of the City Manager. Funds in the Designated Revenues Reserve not appropriated at fiscal year-end are reported as Committed Fund Balance.

The City maintains a minimum level of 16.7% (or two months) of budgeted operating revenues adopted for the same fiscal year, with a goal of reaching 30% over time. This target reserve level does not include the amount set aside for Designated Revenues Reserve (i.e. one time revenues). The 30% target reserve level is allocated first to the Stability Reserve (the first 16.7%) and then to the Catastrophic Reserve (up to 13.3%).

The City ended fiscal year 2022-23 with \$25,700,000 (or approximately 16.4% of adopted General Fund revenues) in the Stability Reserve, and the City's fiscal year 2023-2025 biennial budget projects balances of \$27,928,000 and \$28,660,000 at the end of fiscal year 2023-24 and fiscal year 2024-25, representing approximately 16.7% of the adopted General Fund revenue for the respective fiscal years. The City is not currently funding the Catastrophic Reserve.

Five-Year Plan. The Garden Grove Municipal Code requires the City Manager to prepare and submit to the City Council a proposed five-year plan for the City. The five-year plan includes the five-year forecasts and their allocation with regard to resources, i.e., financial, physical, managerial, and technical. The City develops a five-year capital improvement plan, which is incorporated as part of the biennial budget adoption process. Additionally, a long-range General Fund forecast is presented to the City Council periodically. The most recent five-year forecast on the City's General Fund was presented to the City Council in January 2024. Under the base scenario, the City projected that both revenues and expenditures would increase each year through fiscal year 2027-28, with revenues exceeding expenditures in each such fiscal year. The City's revenues and expenses fluctuate from year to year, and no assurance can be provided that the assumptions on which the five-year plan are based will be realized. See Table 5 and Table 7 for a five-year history of the City's revenues and expenditures and a five year history of the City's tax revenues broken down by source, respectively.

Pension Funding Policy. The City has adopted a Pension Funding Policy for the purpose of establishing a systematic and disciplined method to accumulate resources to be used towards funding pension liability and future benefit payments, and to provide reasonable assurance that the cost of pension benefits will be funded in an equitable and sustainable manner. In implementation of the Pension Funding Policy, the City established a Section 115 Trust; as of January 31, 2024, the trust carried a market value of approximately \$4.3 million. See the caption “—Retirement System—*Section 115 Pension Trust.*” The City may consider the issuance of pension obligation bonds to refinance all or a portion of the City's unfunded pension liability in the future. See the caption “—Retirement System—*Pension Obligation Bonds.*”

Debt Management Policy. The City has adopted a debt management policy (the “Debt Management Policy”) in compliance with California Government Code Section 8855. The Debt Management Policy generally provides that long-term debt may be issued to finance or refinance the construction, acquisition, and rehabilitation of capital improvements and facilities, equipment, and land to be owned and/or operated by the City and that the City will primarily consider the use of debt financing for capital improvement projects when the project's useful life will equal or exceed the term of the financing or otherwise comply with federal tax law requirements, and when resources are identified sufficient to fund the debt service requirements. The Debt Management Policy also generally provides that short-term financing, such as tax and revenue anticipation notes, may be considered for prudent cash management purposes and conduit financing and as an interim source of funding in anticipation of long-term borrowing. The Debt Management Policy also includes a policy implementing disclosure procedures in compliance with federal securities laws. The City's Debt Management Policy is reviewed by City staff periodically to ensure compliance with State and Federal laws.

Infrastructure Funding Policy. The City has adopted an Infrastructure Funding Policy, which sets a framework for policy standards and provides direction to systematically address the infrastructure deficit. It calls out several critical fiscal and asset planning or management practices to be developed over the next few

years, including a Capital Replacement Reserves Policy, asset management plans for each major infrastructure type, and a comprehensive infrastructure plan.

Capital Asset Renewal and Replacement Reserves Policy. The City adopted a Capital Asset Renewal and Replacement Reserves Policy to ensure adequate funding for the renewal and replacement of the City's capital assets to protect the public investment and achieve the assets' maximum useful life. The Policy is intended to promote proactive financial management by increasing awareness of the ongoing need for capital replacement and encouraging long-term capital planning. Initial funding of \$3.0 million was made at the end of fiscal year 2022-23. The City established a Building and Structure Rehabilitation internal service fund in the adopted fiscal years 2023-2025 biennial budget, and \$600,000 per year internal service charges was programmed in the budget.

Investment Policy. The City invests its funds in accordance with the City's investment policy (the "Investment Policy"). In accordance with Section 53600 *et seq.* of the California Government Code, investments and cash management are the responsibility of the City Treasurer. The City's Investment Policy sets forth the policies and procedures applicable to the investment of City funds and designates eligible investments. The Investment Policy sets forth a stated objective, among others, of ensuring the safety of invested funds by limiting credit and market risks. Funds are invested in the following order of priority:

- Safety;
- Liquidity; and
- Yield.

Eligible investments are generally limited to: bankers acceptances; bonds issued by the City; bonds, notes or other evidence of indebtedness of any local agency within California, or state warrants, or Treasury Notes or Bonds of California; bonds, notes or other evidence of indebtedness in any of the other 49 states, in addition to California; commercial paper; discount notes or notes issued by agencies of the Federal Government; diversified management companies, as defined by Section 53601(l) of the California Government Code; medium-term notes issued by corporations; mortgage-backed pass-through securities, collateralized mortgage obligations and asset-backed securities; negotiable certificates of deposit issued by a nationally or state-chartered bank, a federal association, or a state licensed branch of a foreign owned bank (insured by Federal Government); repurchase agreements; supranationals; State of California Local Agency Investment Fund or other local government investment pools established by public entities; and United States Treasury Notes, Bonds, Bills, or other certificates of indebtedness backed by the United States Government. In many cases, the eligible investments are subject to certain maximum maturity and ratings requirements, as well as certain maximum portfolio limitations for any particular category of eligible investments. Subject to certain constraints set forth in the Investment Policy, the authority to direct the City's investments is delegated to the Finance Director. The Finance Director is required to file a monthly investment report with the City Council which provides a clear picture of the status of current investments, including comments on the fixed income markets and economic conditions, discussions regarding restrictions on percentages of investments by category, possible changes in the portfolio structure and significant changes to investment strategies.

At June 30, 2023, the City had an investment portfolio with a market value of \$435,755,837 and at January 31, 2024 the City had an investment portfolio with a market value of \$403,849,487. The City used approximately \$20,828,075 from its investment portfolio to defease the Garden Grove Public Financing Authority Lease Revenue Bonds, Series 2015A in December 2023. See Note 17 to the City's audited financial statements for fiscal year 2022-23 attached hereto as Appendix C for additional details. The following table presents a summary of the City's investment portfolio as of such dates.

TABLE 1
CITY OF GARDEN GROVE
SUMMARY OF INVESTMENTS
(AS OF JUNE 30, 2023 AND February 29, 2024)

<i>Investment Type</i>	<i>Market Value</i>	
	<i>As of June 30, 2023</i>	<i>As of February 29, 2024</i>
U.S. Treasury	\$ 47,990,922	\$ 79,132,100
U.S. Agency Securities	110,907,476	110,328,287
Money Market Funds	232,929	4,060,420
Commercial Paper	27,180,556	19,289,888
Corporate Bonds	71,065,408	55,179,428
Municipal Bonds	46,900,800	45,654,291
Supranationals	17,997,277	18,438,193
Local Agency Investment Fund	98,736,470	42,156,865
Restricted cash and investments		
Investment Pool (PARS) ⁽¹⁾	3,218,497	4,388,055
Held by fiscal agent		
Money Market Funds	11,525,502	14,944,380
Total	\$ 435,755,937	\$ 393,571,907

⁽¹⁾ PARS funds are in a Section 115 trust available only for pension costs. See the caption “—Retirement System—*Section 115 Pension Trust.*”

Source: City of Garden Grove.

For additional information with respect to the City’s cash and investments, see Note C.1 to the audited financial statements for fiscal year 2022-23 attached to the Official Statement as Appendix C.

Budget Procedure, Current Budget and Historical Budget Information

Budget Procedure. The City Council adopts a biennial budget for all City funds for each biennium, which begins on July 1 of each odd-numbered year. Annual appropriations are approved by the Council for each year of the biennial budget period. The City Council has the legal authority to amend the budget at any time during the fiscal year. The City presents a mid-cycle budget update to the City Council in June of the first fiscal year of the biennial budget. The City maintains budgetary controls to ensure compliance with legal provisions embodied in the appropriated budget approved by the City Council. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) for the City’s operating budget is at the fund level. The City Council may amend the budget to increase or decrease appropriations or move appropriations between funds. The City Manager is authorized to transfer appropriations within a fund between various programs and/or departments.

Fiscal Year 2023-25 Adopted Budget. The City’s biennial budget for the 2023-25 period (the “2023-25 Budget”) was approved by the City Council on June 13, 2023 and presented a balanced budget for both fiscal years. The 2023-25 Budget projects General Fund revenues in fiscal year 2023-24 to be approximately \$167.2 million, a decrease of approximately 6.4% from fiscal year 2022-23 audited amounts, and approximately \$171.6 million in fiscal year 2024-25. The 2023-25 Budget also includes one-time funding amounts from fiscal year 2022-23 surpluses of approximately \$1.6 million in fiscal year 2023-24 and \$2.6 million in fiscal year 2024-25. The 2023-25 Budget projects General Fund expenditures in fiscal year 2023-24 to be approximately \$168.9 million, which represents an increase of approximately 5.9% from fiscal year 2022-23 audited amounts, and appropriately \$174.3 million in fiscal year 2024-25.

The City's three primary General Fund revenue sources are property taxes, sales taxes and hotel visitor's taxes, which collectively account for approximately 87% of the City's General Fund revenues in the 2023-25 Budget. The 2023-25 Budget projects that property taxes will grow at approximately 4.7% percent in fiscal year 2023-24 and 3.2% in fiscal year 2024-25. Sales tax receipts are projected to increase by approximately 0.1% and 2.0% in fiscal years 2023-24 and 2024-25, respectively. While hotel visitor's tax revenues were budgeted at a lower level compared to the audited fiscal year 2022-23 amounts, based on the first seven months of actual data for fiscal year 2023-24, hotel visitor's tax receipts are projected to continue to generate revenue at the fiscal year 2022-23 level, which would result in an approximately \$3.0 million budget surplus in fiscal years 2023-24 and 2024-25 in each year. Notable increases in budget expenditures in the 2023-24 Budget include the addition of 17 full-time positions; contractual funding for Be Well, which provides mobile mental health services; flood channel repair and improvements; funding to supplemental building, code enforcement and planning services; funding for economic development and engineering; construction and grant development; replacement of critical police equipment; enhancements to the City's public facilities and infrastructure; several information technology upgrades/enhancements; continuation of the City's Pavement Management Plan acceleration program; traffic and parking enforcement; additional funding for trees and flood control maintenance; and resources for the Sidewalk, Curb and Gutter Cleanup program.

Because certain of the City's General Fund revenues, such as sales taxes and hotel visitors tax revenues, can be unpredictable, the City uses prior year budgeted revenues (instead of actual revenues) to budget the revenues for its next biennial budget. For the fiscal years presented in Tables 3, 4, and 5, this approach resulted in budgeted revenue shortfalls and actual revenue surpluses. Budgeted revenues are derived from City estimates, with the exception of sales taxes which are estimated by a consultant retained by the City for this purpose.

Capital Improvement Program. The City's adopted 2023-2025 biennial budget includes the City's Capital Improvement Plan (the "CIP"), which consists of long-range (five year) capital projects approved by the City Council. Capital funds account for the acquisition, construction, maintenance, and rehabilitation of fixed assets or capital projects, such as land, buildings, streets, curbs, gutters, sidewalks, drainage, water/sewer systems, and equipment. The City's CIP projects are grouped into seven different categories: Street Improvements, Traffic Improvements, Park Improvements, Community & Economic Development Improvements, Facility Improvements, Water Improvements, and Sewer Improvements. The following table sets forth the City's projected Five-Year CIP expenditures by CIP category. Total CIP appropriations for the five years total \$172.9 million and appropriations for fiscal years 2023-24 and 2024-25 are approximately \$67.7 million and \$30.2 million, respectively. The City does not expect to issue new debt to finance any of the projects described in this paragraph and the following table.

The table below does not include any costs of the Project because such amounts were not included in the CIP; however, the City's adopted 2023-25 biennial budget includes approximately \$18.1 million from the General Fund to be budgeted towards a portion of the costs of the Project (all or a portion of which will be reimbursed using proceeds of the Series 2024A Bonds). The Project is expected to be included in the Capital Improvement Program as part of the mid-cycle budget update. See the caption "THE PROJECT—Plan of Finance."

**TABLE 2
CITY OF GARDEN GROVE
CAPITAL IMPROVEMENT PLAN
(FISCAL YEARS 2023-24 THROUGH 2027-28)**

<i>Project Description</i>	<i>Fiscal Year 2023-24⁽⁴⁾</i>	<i>Fiscal Year 2024-25</i>	<i>Fiscal Years 2025-26 through 2027-28</i>	<i>Total</i>
Street Improvements ⁽¹⁾	\$27,347,522	\$10,620,059	\$ 28,410,735	\$ 66,378,316
Traffic Improvements ⁽²⁾	1,286,500	1,050,000	1,500,000	3,836,500
Park Improvements ⁽²⁾	4,075,000	745,000	1,795,000	6,615,000
Community and Economic Development Improvements ⁽³⁾	8,234,867	55,000	165,000	8,454,867
Facility Improvements ⁽²⁾	300,000	--	--	300,000
Water Improvements ⁽²⁾	15,786,407	10,205,000	25,884,000	51,875,407
Sewer Improvements ⁽²⁾	<u>10,709,216</u>	<u>7,500,000</u>	<u>17,260,000</u>	<u>35,469,216</u>
Total	\$67,739,512	\$30,175,059	\$ 75,014,735	\$ 172,929,306

⁽¹⁾ Payable from various funding sources, including General Fund expenditures for fiscal years 2023-24, 2024-25, and 2025-26 through 2027-28 of approximately \$7.4 million, \$420,000, and \$702,000, respectively.

⁽²⁾ Not expected to be paid from the General Fund.

⁽³⁾ Payable from various funding sources, including General Fund expenditures in fiscal year 2023-24 of approximately \$1.0 million. Not expected to be paid from the General Fund after fiscal year 2023-24.

⁽⁴⁾ As of March 31, 2024, the City has expended approximately \$27 million on projects included in the CIP for the current Fiscal Year.

Source: City of Garden Grove.

Historical and Preliminary Budget Information. Set forth in Tables 3 presents the adopted General Fund budgets for fiscal years 2021-22 and 2022-23 and the audited results for fiscal years 2021-22 and 2022-23. Table 4 presents the adopted General Fund budget for fiscal years 2023-24 and 2024-25, with budgeted expenditures broken down by department and by type. The General Fund budgets and actuals shown in Tables 3 and 4 below do not reflect the application of GAAP and therefore differ in certain respects to the audited General Fund Statement of Revenues, Expenditures and Change in Fund Balance shown in Table 5 below.

TABLE 3
CITY OF GARDEN GROVE
GENERAL FUND BUDGETS TO ACTUAL COMPARISONS (ON A BUDGETARY BASIS)

	<i>Adopted Fiscal Year 2021-22 Budget</i>	<i>Audited Fiscal Year 2021-22 Results</i>	<i>Adopted Fiscal Year 2022-23 Budget</i>	<i>Audited Fiscal Year 2022-23 Results</i>
REVENUES				
Taxes	\$ 115,783,000	\$ 147,355,942	\$ 142,174,000	\$ 159,930,340
Licenses and permits	3,225,000	2,704,550	3,200,000	3,072,537
Fines, forfeits and penalties	2,300,000	1,859,264	1,800,000	2,305,388
Investment earnings	1,152,684	(4,217,678)	1,421,358	709,999
Charges for current services	5,877,401	7,670,580	4,482,036	7,724,342
From other agencies ⁽¹⁾	27,000,000	24,654,556	--	2,797,420
Other revenues	<u>--</u>	<u>3,367,097</u>	<u>3,565,704</u>	<u>2,069,957</u>
Total revenues	\$ 155,338,085	\$ 183,394,311	\$ 156,643,098	\$ 178,609,983
EXPENDITURES				
Current				
Fire	\$ 30,158,332	\$ 26,975,339	\$ 31,880,332	\$ 30,933,358
Police	70,385,534	68,181,105	76,397,366	72,454,478
Traffic Safety	2,709,761	2,708,284	3,036,178	2,788,572
Public right of way ⁽²⁾	25,663,584	6,781,007	8,259,291	11,102,502
Community buildings ⁽²⁾	21,748,677	3,713,197	4,602,787	5,304,408
Community services	5,025,860	4,805,877	5,435,391	5,304,575
Economic development	1,003,112	1,778,841	1,543,391	1,756,237
Parks and greenbelts	1,623,917	1,601,155	1,796,988	1,427,596
Community planning and development	7,692,738	7,136,889	19,011,305	17,793,188
Municipal support	9,282,729	8,856,198	9,178,641	9,898,298
Debt Service ⁽³⁾				
Principal retirement	515,000	541,101	540,000	579,320
Interest	<u>1,092,317</u>	<u>1,093,121</u>	<u>1,063,920</u>	<u>1,150,820</u>
Total expenditures	\$ 176,901,561	\$ 134,172,114	\$ 162,745,876	\$ 159,462,352
Excess (deficiency) of revenues over (under) expenditures ⁽²⁾	\$ (21,563,476)	\$ 49,222,197	\$ (6,102,778)	\$ 19,147,631
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 1,386,749	\$ 1,443,302	--	\$ 4,719,612
Transfers out	(1,542,282)	(831,837)	--	(9,092,262)
Proceeds of leases	--	--	--	277,888
Proceeds from sale of capital assets	<u>--</u>	<u>--</u>	<u>--</u>	<u>5,989,694</u>
Total other financing sources (uses)	\$ (155,536)	\$ 611,465	--	\$ 1,894,932
Net Change in fund balance	\$ (21,719,012)	\$ 49,833,662	\$ (6,102,778)	\$ 21,042,563
Fund balance, beginning of year	\$ 112,431,637	\$ 112,431,637	\$ 162,265,299	\$ 162,265,299
Fund balance, end of year	\$ 90,712,625	\$ 162,265,299	\$ 156,192,521	\$ 183,307,862

⁽¹⁾ Includes amounts received by the City from the State and Local Fiscal Relief Fund as part of the American Rescue Plan Act.

⁽²⁾ The budgeted deficiency of revenues under expenditures for fiscal years 2021-22 and 2022-23 results from inclusion of one-time capital projects as previously appropriated and carried over in the City's adopted fiscal year 2021-22 and 2022-23 biennial budgets.

⁽³⁾ Includes debt service with respect to the 2015 Lease Revenue Bonds, which were defeased in December 2023. See the caption "—Indebtedness."

Source: City of Garden Grove Audited Financial Statements for fiscal years 2021-22 and 2022-23.

TABLE 4
CITY OF GARDEN GROVE
ADOPTED FISCAL YEAR 2023-25 BIENNIAL BUDGET (ON A BUDGETARY BASIS)⁽¹⁾

	<i>Adopted Fiscal Year 2023-24 Budget</i>	<i>Adopted Fiscal Year 2024-25 Budget</i>
REVENUES		
Taxes	\$ 151,347,800	\$ 155,370,000
Licenses and permits	2,497,400	2,520,100
Fines, forfeits and penalties	1,924,500	2,045,900
Investment earnings	1,488,700	1,554,700
Charges for current services	7,105,000	7,171,000
From other agencies	--	--
Other revenues ⁽²⁾	<u>4,522,200</u>	<u>5,613,700</u>
Total revenues	\$ 168,885,600	\$ 174,275,400
EXPENDITURES BY DEPARTMENT		
Fire	\$ 31,759,700	\$ 32,966,400
Police	80,552,400	84,531,600
City Administration	4,222,400	4,392,600
City Attorney	1,022,600	1,073,800
Community Development ⁽³⁾	6,447,400	6,845,800
Economic Development & Housing ⁽³⁾	6,926,400	6,926,400
Community Services	6,833,200	7,092,200
Finance	4,118,800	4,294,400
Human Resources	2,303,500	2,352,900
Information Technology	833,000	852,600
Public Works	21,621,200	20,902,500
Non Departmental	<u>2,245,000</u>	<u>2,246,700</u>
Total expenditures by department	\$ 168,885,600	\$ 174,275,400
EXPENDITURES BY TYPE		
Salaries & Wages	\$ 106,304,600	\$ 112,148,200
Contractual Services	41,835,100	42,571,300
Commodities	2,478,100	2,410,000
Internal Service Funds/Debt ⁽⁴⁾	15,562,300	16,251,800
Capital	1,764,900	--
General Fund Transfers	<u>940,600</u>	<u>894,100</u>
Total expenditures by type	\$ 168,885,600	\$ 174,275,400

⁽¹⁾ Based on the City's adopted fiscal year 2023-25 biennial budget. Department Budgets include operating budget, internal service funds and capital improvement.

⁽²⁾ For fiscal years 2023-24 and 2024-25, includes fiscal year 2022-23 surplus in the amount of \$1,648,000 and \$2,652,000, respectively, to fund one-time expenditures.

⁽³⁾ Comm. & Econ Development was restructured into two separate departments starting in fiscal year 2023-24.

⁽⁴⁾ Does not include debt service on the Series 2024A Bonds.

Source: City of Garden Grove Adopted Fiscal Year 2023-25 Biennial Budget.

Comparative Change in Fund Balance of the City General Fund

The table below presents the City's audited General Fund Statement of Revenues, Expenditures and Change in Fund Balance for fiscal years 2018-19 through 2022-23.

TABLE 5
CITY OF GARDEN GROVE GENERAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES

	2018-19	2019-20	2020-21	2021-22	2022-23
REVENUES					
Taxes ⁽¹⁾	\$ 110,241,920	\$ 116,998,382	\$ 116,343,879	\$ 147,355,942	\$ 159,930,340
Licenses and permits	2,565,448	2,576,315	2,371,876	2,704,550	3,072,537
Fines, forfeits and penalties	1,644,738	2,192,274	2,120,682	1,859,264	2,305,388
Investment earnings (loss)	3,415,620	4,983,917	19,190	(4,217,678)	709,999
Charges for current services	7,922,150	6,850,280	7,938,035	7,670,580	7,724,342
From other agencies ⁽²⁾	207,216	2,199,652	27,210,933	24,654,556	2,797,420
Other revenue	<u>3,841,818</u>	<u>4,326,611</u>	<u>2,427,898</u>	<u>3,367,097</u>	<u>2,069,957</u>
Total revenues	\$ 129,838,910	\$ 140,127,431	\$ 158,432,493	\$ 183,394,311	\$ 178,609,983
EXPENDITURES					
Current ⁽³⁾					
Fire	\$ 24,308,795	\$ 27,974,934	\$ 28,470,151	\$ 26,975,339	\$ 30,933,358
Police	55,016,027	63,561,473	65,733,881	68,181,105	72,454,478
Traffic Safety	2,174,167	2,444,723	2,702,044	2,708,284	2,788,572
Public right of way	4,868,558	5,425,625	4,741,813	6,781,007	11,102,502
Community buildings	5,853,353	2,780,717	3,163,726	3,713,197	4,273,408
Community services	2,734,079	4,334,159	3,867,459	4,805,877	5,304,575
Economic development	884,492	1,146,165	2,236,894	1,778,841	1,756,237
Parks and greenbelts	1,200,071	1,335,268	1,348,492	1,601,155	1,427,596
Community planning and development ⁽⁴⁾	5,789,426	6,055,605	6,440,473	7,136,889	17,793,188
Municipal support	8,210,024	8,220,207	8,572,019	8,856,198	9,898,298
Debt Service ⁽⁵⁾					
Principal retirement	579,874	495,034	493,697	541,101	579,320
Interest	<u>1,064,018</u>	<u>1,136,795</u>	<u>1,111,907</u>	<u>1,093,121</u>	<u>1,150,820</u>
Total Expenditures	\$ 112,682,884	\$ 124,910,705	\$ 128,882,556	\$ 134,172,114	\$ 159,462,352
Excess (deficiency) of revenues over (under) expenditures	\$ 17,156,026	\$ 15,216,726	\$ 29,549,937	\$ 49,222,197	\$ 19,147,631
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	--	\$ 873,620	--	--	\$ 5,989,694
Proceeds of leases	--	--	--	--	277,888
Transfers in	\$ 848,117	3,576,491	\$ 948,996	\$ 1,443,302	4,719,612
Transfers out ⁽⁶⁾	<u>(554,862)</u>	<u>(4,454,092)</u>	<u>(397,369)</u>	<u>(831,837)</u>	<u>(9,092,262)</u>
Total other financing sources (uses)	\$ 293,255	\$ (3,981)	\$ 551,627	\$ 611,465	\$ 1,894,932
Net change in fund balances	\$ 17,449,281	\$ 15,212,745	\$ 30,101,564	\$ 49,833,662	\$ 21,042,563
Fund balance, beginning of year	\$ 49,668,047	\$ 67,117,328	\$ 82,330,073	\$ 112,431,637	\$ 162,265,299
Fund balance, end of year	\$ 67,117,328	\$ 82,330,073	\$ 112,431,637	\$ 162,265,299	\$ 183,307,862

(1) See Table 7 and the caption "Tax Revenues By Source."

(2) Includes a total of \$48.4 million received by the City across fiscal years 2020-21 and 2021-22 from the State and Local Fiscal Relief Fund as part of the American Rescue Plan Act.

(3) Prior to fiscal year 2020-21, the capital outlay associated with each category of expenditures was reported separately in the City's audited financial statements. The capital outlay associated with each category of expenditures for such years has been consolidated into the current expenditures shown.

(4) Increase in fiscal year 2022-23 due to approximately \$8.5 million being used for the acquisition of the Central Cities Navigation Center.

(5) Includes debt service with respect to the 2015 Lease Revenue Bonds, which were defeased in December 2023. See the caption "Indebtedness."

(6) In fiscal year 2022-23, includes transfers out of approximately \$3.3 million to the Navigation Center Fund, approximately \$2.0 million to the Worker's Compensation internal service fund, and approximately \$3.0 million to the newly established Building and Structure Rehabilitation internal service fund.

Source: City of Garden Grove Audited Financial Statements for fiscal years 2018-19 through 2022-23.

Comparative General Fund Balance Sheets of the City

The table below presents the City's audited General Fund Balance Sheets for fiscal years 2018-19 through 2022-23.

TABLE 6
CITY OF GARDEN GROVE
GENERAL FUND BALANCE SHEETS
FIVE YEAR COMPARISON

	2018-19	2019-20	2020-21	2021-22	2022-23
ASSETS					
Cash and cash investments	\$ 51,565,414	\$ 67,308,538	\$ 92,107,943	\$ 138,234,243	\$ 151,276,764
Cash and cash investments with fiscal agents	78	--	46	42	1,012
Cash and investments with pension trust	--	661,578	1,634,947	2,129,403	3,218,497
Taxes receivable	10,438,847	9,029,964	12,623,639	14,534,466	13,895,720
Accounts receivable	2,203,820	1,897,631	648,446	1,421,326	797,197
Interest receivable	437,287	578,263	367,618	82,054	405,395
Intergovernmental receivable	--	--	1,331,197	1,470,406	1,280,576
Intercity loans receivable, net ⁽¹⁾	12,792,825	12,101,948	11,382,206	10,632,394	15,401,256
Due from other funds	--	7,500	--	244,990	20,000
Deposits and prepaid items	21,505	40,510	89,964	85,215	3,330,323
Notes Receivable, net	2,296,356	2,311,570	2,353,227	2,393,824	2,866,840
Leases receivable	--	--	--	2,587,837	4,039,468
Land held for resale	--	<u>2,300,000</u>	<u>2,300,000</u>	<u>2,300,000</u>	<u>2,300,000</u>
Total assets	\$ 79,756,132	\$ 96,237,502	\$ 124,839,233	\$ 176,116,200	\$ 198,833,048
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
<u>Liabilities:</u>					
Accounts payable	\$ 1,537,525	\$ 1,320,877	\$ 1,630,452	\$ 2,433,646	\$ 2,644,936
Accrued liabilities	2,118,367	1,918,665	1,942,676	1,624,685	1,886,182
Refundable deposits	3,558,787	3,577,916	2,687,217	3,406,875	3,399,054
Intercity loan payable ⁽¹⁾	2,590,532	2,553,273	2,509,289	2,435,745	2,353,050
Unearned Revenue	--	617,600	--	-	--
Due to other funds	<u>1,538,097</u>	<u>1,982,515</u>	<u>2,115,021</u>	<u>71,587</u>	<u>72,399</u>
Total liabilities	\$ 11,343,308	\$ 11,970,846	\$ 10,884,655	\$ 9,972,538	\$ 10,355,621
<u>Deferred inflows of resources:</u>					
Unavailable revenue	\$ 1,295,496	\$ 1,936,583	\$ 1,522,941	\$ 1,310,659	\$ 1,251,636
Lease related	--	--	--	<u>2,567,704</u>	<u>3,917,929</u>
Total deferred inflows	\$ 1,295,496	\$ 1,936,583	\$ 1,522,941	\$ 3,878,363	\$ 5,169,565
<u>Fund balances:</u>					
Non-spendable:					
Intercity loan ⁽¹⁾	\$ 12,792,825	\$ 12,101,948	\$ 8,872,917	\$ 8,196,649	\$ 13,048,206
Prepaid items	21,505	40,510	89,964	85,215	3,330,323
Land held for resale	--	2,300,000	2,300,000	2,300,000	2,300,000
Restricted:					
Public safety	90,596	90,596	90,596	35,426	37,884
Fire protection	--	--	280	55,170	56,670
Public right of way	280	280	280	280	280
Community planning and development	3,469,026	4,038,776	4,038,775	4,260,938	4,841,256
Community services	176,535	176,535	176,535	176,535	191,941
Municipal support and services	56,758	56,758	47,566	47,566	40,885
Pension trust	--	661,578	1,634,947	1,634,947	2,129,403
Committed					
Stability reserve	--	22,500,000	22,500,000	22,500,000	25,700,000
Assigned					
Post-employment benefits	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Building improvements	1,300,000	1,300,000	1,300,000	1,300,000	1,300,000
Property tax lawsuit	--	500,000	--	--	--
General plan	261,619	357,236	428,622	428,622	576,200
Unassigned	<u>47,448,184</u>	<u>37,205,856</u>	<u>69,951,435</u>	<u>120,243,951</u>	<u>128,754,814</u>
Total fund balances	\$ 67,117,328	\$ 82,330,073	\$ 112,431,637	\$ 162,265,299	\$ 183,307,862
Total liabilities, deferred inflows of resources, and fund balances	\$ 79,756,132	\$ 96,237,502	\$ 124,839,233	\$ 176,116,200	\$ 198,833,048

⁽¹⁾ Represents various interfund loans between the City's General Fund and other City funds. For more information with respect to such intercity loans, see Note C.2 in the City's audited financial statements for fiscal year 2022-23 attached to this Official Statement as Appendix C.

Source: City of Garden Grove Audited Financial Statements for fiscal years 2018-19 through 2022-23.

Tax Revenues By Source

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

TABLE 7
CITY OF GARDEN GROVE
GENERAL FUND TAX REVENUES BY SOURCE

<i>Revenue Category</i>	<i>2018-19</i>	<i>2019-20</i>	<i>2020-21</i>	<i>2021-22</i>	<i>2022-23</i>
Property Tax ⁽¹⁾	\$ 49,352,438	\$ 50,421,674	\$ 55,217,475	\$ 59,773,289	\$ 66,649,173
Sales and Use Tax	29,371,450	43,122,113	48,400,853	58,770,201	59,309,080
Transient Occupancy Tax ⁽²⁾	26,285,458	18,277,467	7,598,813	23,421,081	28,075,056
Franchise Tax	2,404,867	2,332,753	2,331,476	2,538,622	2,863,122
Business License Tax	<u>2,827,707</u>	<u>2,844,375</u>	<u>2,795,262</u>	<u>2,852,749</u>	<u>3,033,909</u>
Total	\$ 110,241,920	\$ 116,998,382	\$ 116,343,879	\$ 147,355,942	\$ 159,930,340

⁽¹⁾ Inclusive of property taxes in lieu of Department of Motor Vehicles license fees. See “—Property Taxes” below.

⁽²⁾ Transient Occupancy Tax (Hotel Visitor’s Tax) was negatively affected in fiscal years 2019-20 and 2020-21 by the federal and state measures imposed to address the COVID-19 pandemic.

Source: City of Garden Grove.

Property Taxes

During fiscal year 2022-23, property tax receipts of approximately \$66.6 million provided the largest tax revenue source of the City, contributing approximately 37.3% of total General Fund revenues. General Fund property tax revenues of approximately \$60.9 million are budgeted to be received during fiscal year 2023-24. Several years ago, the Statewide Department of Motor Vehicles license fees (“VLF”) were reduced by approximately two-thirds. However, the State continued to remit to cities and counties the same amount that those local agencies would have received if the VLF had not been reduced, known as the “VLF backfill.” The State VLF backfill was phased out, and as of Fiscal Year 2011-12, all of the VLF is now received through an in-lieu payment from State property tax revenues referred to as Property Taxes in lieu of VLF.

In California, property which is subject to *ad valorem* taxes is classified as “secured” or “unsecured.” The secured classification includes property on which any property tax levied by a county becomes a lien on that property. A tax levied on unsecured property does not become a lien against the taxed unsecured property, but may become a lien on certain other property owned by the taxpayer. Every tax which becomes a lien on secured property has priority over all other liens, arising pursuant to State Law, on the secured property, regardless of the time of the creation of other liens. The valuation of property is determined as of January 1 each year, and installments of taxes levied upon secured property are due November 1 and February 1 and become delinquent on the following December 10 and April 10, respectively. Taxes on unsecured property are due July 1, and become delinquent August 31.

Secured and unsecured properties are entered separately on the assessment roll maintained by the county assessor. The method of collecting delinquent taxes is substantially different for the two classifications of property. The exclusive means of enforcing the payment of delinquent taxes with respect to property on the secured roll is the sale of the property securing the taxes of the State for the amount of taxes that are delinquent. The taxing authority has four methods of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the county clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the County Recorder’s Office in order to obtain a lien on certain property of the taxpayer, and (4) seizure and sale of personal property, improvement or possessory interest belonging or taxable to the assessee.

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

Legislation enacted in 1984 (Section 75 *et seq.* of the Revenue and Taxation Code of the State of California), provides for the supplemental assignment and taxation of property as of the occurrence of a change in ownership or completion of new construction. Previously, statutes enabled the assessment of such changes only as of the next tax lien date following the change and thus delayed the realization of increased property taxes from the new assessment for up to 14 months. Collection of taxes based on supplemental assessments occurs throughout the year. Taxes due are prorated according to the amount of time remaining in the tax year, with the exception of tax bills dated January 1 through May 31, which are calculated on the basis of the remainder of the current fiscal year and the full 12 months of the next fiscal year.

In the past, the State Legislature has shifted property taxes from cities, counties and special districts to the Educational Revenue Augmentation Fund. The term “ERAF” is often used as a shorthand reference for this shift of property taxes. In 1992-93 and 1993-94, in response to serious budgetary shortfalls, the State Legislature and administration permanently redirected over \$3 billion of property taxes from cities, counties, and special districts to schools and community college districts. The 2004-05 State budget included an additional \$1.3 billion shift of property taxes from certain local agencies, including the City, to occur in fiscal years 2004-05 and 2005-06. See “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS—Proposition 1A” and “—Proposition 22” for a description of certain limitations on the State’s authority over local government revenue sources.

The table below sets forth the secured and unsecured assessed valuations for property in the City for the fiscal years 2014-15 through 2023-24. Values shown in the following table exclude the incremental assessed value of property within the redevelopment project areas established in the City above the base year assessed value of such properties (i.e. the assessed value of the property at the time the redevelopment project areas were established). For fiscal years 2021-22, 2022-23, and 2023-24, the incremental assessed value of the property within the former redevelopment project areas was \$4,806,413, \$5,110,810, and \$5,111,324, respectively. The City receives a share of the residual property taxes generated by such incremental assessed value, after property taxes are allocated to the Successor Agency to pay its enforceable obligations (sometimes referred to as “residual property tax revenue”). The amount of residual property tax revenue received from the City fluctuates from year to year. In fiscal year 2021-22 the City received approximately \$3.9 million in residual property tax revenue, and in fiscal year 2022-23 the City received approximately \$5.9 million in residual property tax revenue.

**TABLE 8
CITY OF GARDEN GROVE
ASSESSED VALUATION
FISCAL YEARS 2013-14 THROUGH 2023-24
(in thousands)**

<i>Fiscal Year</i>	<i>Secured</i>	<i>Unsecured</i>	<i>Taxable Assessed Value⁽¹⁾</i>	<i>Total Direct Tax Rate</i>
2014-15	\$10,538,784	\$356,435	\$10,895,219	1.145%
2015-16	10,568,876	234,280	10,803,156	1.151
2016-17	12,226,724	364,776	12,591,500	1.150
2017-18	12,873,943	335,785	13,209,728	1.189
2018-19	12,373,687	263,636	12,637,323	1.183
2019-20	13,000,870	232,485	13,233,355	1.184
2020-21	14,167,631	252,597	14,420,228	1.185
2021-22	15,071,294	278,284	15,349,578	1.094
2022-23	16,030,786	364,320	16,395,106	1.178
2023-24	16,032,715	364,320	16,397,035	1.179

⁽¹⁾ Excludes incremental assessed value of property located in redevelopment project areas.

Source: City of Garden Grove Audited Financial Statements for fiscal years 2014-15 through 2022-23; the City of Garden Grove for fiscal year 2023-24.

The County operates under a statutory program entitled Alternate Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the “Teeter Plan”). Under the Teeter Plan local taxing entities receive 100% of their tax levies net of delinquencies, but do not receive interest or penalties on delinquent taxes collected by the County. The City’s share of the *ad valorem* property tax levy is included in the County’s Teeter Plan. As a result, the City currently receives 100% of such levy and is not impacted by delinquencies in payment. However, the County may choose to discontinue the Teeter Plan at any time.

The 10 largest property taxpayers in the City for fiscal year 2023-24 based on total assessed valuation, the land use and the percentage of the City’s total assessed value attributable to each are shown in the below table. The information in Table 9 has been obtained from third-party sources and is included for general information purposes only. The City has not verified the information in Table 9 and does not guarantee the accuracy of such information.

The largest property taxpayer in the City, GWGG LLC, is the owner of the Great Wolf Lodge, a 603-room family-style hotel with a 121,000 square foot indoor water park (exclusively for use by hotel guests) located in the City on Harbor Boulevard, north of Garden Grove Boulevard, approximately three miles from the Disneyland Resort. The second largest property taxpayer in the City, Investel Harbor Resorts LLC, is the owner of the Hyatt Regency Orange County, a 653-room hotel located at the corner of Harbor Boulevard and Chapman Avenue in the City, approximately one mile from the Disneyland Resort. As reflected in the following table, both of these property taxpayers have assessment appeals pending with respect to these properties.

**TABLE 9
CITY OF GARDEN GROVE
TOP TEN PRINCIPAL PROPERTY TAXPAYERS
2023-24 ASSESSED VALUATION**

	<i>Property Owner</i>	<i>Secured</i>	<i>Unsecured</i>	<i>Total</i>	<i>% of Total⁽¹⁾</i>	<i>Primary Use</i>
1.	GWGG LLC ⁽²⁾	\$ 250,494,041	--	\$ 250,494,041	1.16%	Commercial
2.	Investel Harbor Resorts LLC ⁽²⁾	136,199,694	\$ 9,821,119	146,020,813	0.68	Commercial
3.	House Foods Holding USA INC	36,245,400	71,095,989	107,341,389	0.50	Unsecured
4.	Landmark Hotel LLC	87,693,395	5,224,982	92,918,377	0.43	Commercial
5.	Rexford Industrial Realty LP	82,783,568	--	82,783,568	0.38	Industrial
6.	New Age Brookhurst LLC	81,862,665	162,909	82,025,474	0.38	Residential
7.	Christ Catholic Cathedral	57,805,296	12,680,979	70,486,275	0.33	Commercial
8.	Khanna Enterprises Limited ⁽²⁾	60,150,533	2,911,300	63,061,833	0.29	Commercial
9.	SPS Technologies LLC	2,865,051	59,246,857	62,111,908	0.29	Unsecured
10.	TNA Distributions LLC	<u>61,518,043</u>	<u>--</u>	<u>61,518,043</u>	0.28	Residential
	Totals	\$ 857,617,686	\$ 161,144,135	\$ 1,018,761,821	4.71%	

⁽¹⁾ 2023-24 Local Assessed Valuation (secured and unsecured): \$21,629,090,674 (including incremental value in the redevelopment project areas).

⁽²⁾ Has pending assessment appeals.

Source: City of Garden Grove.

Sales Taxes

General. During fiscal year 2022-23, sales tax receipts of approximately \$59.3 million provided the second largest tax revenue source for the City, contributing approximately 33.2% of total General Fund revenues. General Fund sales tax revenues of approximately \$60.3 million are budgeted to be received during fiscal year 2023-24. A sales tax is imposed on retail sales or consumption of personal property. The basic sales tax rate is established by the State Legislature, and local overrides may be approved by voters. The current total sales tax rate in the City is 8.75%, which includes the 7.75% sales tax rate established by the State Legislature and the 1% transactions and use tax imposed by the City’s Measure O.

Measure O was approved by the voters of the City on November 6, 2018, and imposes a one percent transaction and use tax within the City. The Measure O transaction and use tax is essentially the same as the sales tax except that it is only subject to transactions delivered to customers within the City (i.e. point-of-destination) whereas sales tax applies to transactions originating within the City (i.e. point-of-sale). The voters authorized the Measure O sales tax to be collected indefinitely, and the revenues generated by the Measure O sales tax are General Fund revenues.

The City is home to over 4,600 businesses, and the top 25 businesses generated approximately 49.8% of the City’s total sales tax revenues in fiscal year 2022-23. The City’s sales tax base is diverse and comprised of the following categories: Autos and Transportation, Restaurants and Hotels, State and County Pools (internet sales), General Consumer Goods, Fuel and Service Stations, Building and Construction, Business and Industry (manufacturing and business-to-business sells), and Food and Drugs.

The table below sets forth the top twenty-five sales tax producers as of the third quarter of calendar year 2023 in alphabetical order.

**TABLE 10
CITY OF GARDEN GROVE
TOP 25 SALES TAX PRODUCERS
(AS OF SEPTEMBER 30, 2023)**

Arco	My Goods Market
Arco AM PM	Quantum Auto Sales
California Fuels & Lubricants	Reece Plumbing
Compass Group USA	Rexel
Costco	Ross
Galaxy Harbor	Shell
Garden Grove Hyundai	Simpson Chevrolet
Garden Grove Kia	STG Auto Group
Garden Grove Nissan	Target
Great Wolf Lodge Southern California	Toyota Place
Home Depot	Volkswagen of Garden Grove
Marshalls	Walmart Supercenter
McDonalds	

Source: City of Garden Grove.

Sales Tax Abatement Agreements. The City has entered into several tax abatement agreements for the purpose of attracting and retaining businesses within the City.

In 2016, the City approved an Amended and Restated Operating Covenant Agreement with California Fuels and Lubricants for business retention purposes pursuant to Senate Bill 562. The Amended Agreement provides for economic development assistance in the form of varying revenue sharing ratios of the amount of sales tax revenue generated in excess of \$200,000 annually for a period of 20 years. For fiscal year 2022-23, California Fuels and Lubricants received assistance payments of \$775,493.

In 2017, the City entered into an agreement with Garden Grove Automotive, Inc (“GGA”) regarding the acquisition and operation by GGA of an existing Kia car dealership. Subject to the contingency that GGA fulfills the covenants of the agreement and generates enough sales tax revenue during the fiscal year, the City has agreed to pay GGA an amount equal to 35% of the sales tax revenue in excess of \$150,000. The amount paid in fiscal year 2022-23 was \$37,500.

Transient Occupancy Tax (Hotel Visitor’s Tax)

During fiscal year 2022-23, hotel visitor’s tax receipts of approximately \$28.1 million provided the third largest tax revenue source for the City, contributing approximately 15.7% of total General Fund revenues. General Fund hotel visitor’s tax revenues of approximately \$25.0 million are budgeted to be received during fiscal year 2023-24. While hotel visitor’s tax was budgeted at a lower level compared to the audited fiscal year 2022-23 amounts, based on the first seven months of actual data for fiscal year 2023-24, hotel visitor’s tax receipts are expected to remain strong and continue to generate revenue at the fiscal year 2022-23 level. The City applies a 14.5% hotel visitor’s tax on the cost of hotel or other lodging stays of less than 30 days. The City’s hotel visitor’s tax was originally approved by the voters in 2002 at a rate of 13% and in 2012 the voters of the City approved increasing the rate to the current rate of 14.5%. The City’s hotel visitor’s tax does not expire and the revenues collected are General Fund revenues.

Twenty-six hotels operate in the City, including a Hyatt Regency, Marriott, Great Wolf Lodge (hotel and water park), Embassy Suites, and Delta Hotels by Marriott. Eleven of the City’s hotels are located within one mile of the Disneyland Resort, which includes the Disneyland and California Adventure theme parks.

Hotel Visitor's Tax Abatement Agreement. In 2010, the Successor Agency entered into an agreement with Garden Grove MXD, LLC for the construction of the Great Wolf Lodge. The performance-based assistance began in fiscal year 2015-16 and is based on the City's hotel visitor's tax rate. If the hotel visitor's tax rate charged by the City impacts an agreed upon transient occupancy tax rate differential with a neighboring City, an amount will be rebated to the developer equal to the total room revenue multiplied by that transient occupancy tax differential. The amount of hotel visitor's tax rebated to Garden Grove MXD, LLC for the fiscal year 2022-23 was \$764,600.66. This amount is an approved enforceable obligation of the Successor Agency and is not expected to be paid from the General Fund.

Business Operation Tax

Business Licenses are a non-regulatory tax. Any person or entity that is physically present in the City of Garden Grove conducting business activity needs a Business License from the City. During fiscal year 2022-23, business operation tax receipts of approximately \$3.0 million contributed approximately 1.7% of total General Fund Revenues. General Fund business operation tax revenues of approximately \$2.8 million are budgeted to be received during fiscal year 2023-24. As of December 31, 2023, total revenues from Business License tax exceeded \$1.8 million.

Franchise Taxes

Franchise taxes are collected for services provided within the City. During fiscal year 2022-23, franchise tax receipts of approximately \$3.0 million contributed approximately 1.7% of total General Fund Revenues. General Fund franchise tax revenues of approximately \$2.3 million are budgeted to be received during fiscal year 2023-24. Franchise taxes are collected for services provided within the City. Typically, franchise taxes are collected from electric, natural gas, refuse, cable, and telephone service providers and based on consumer use. Franchise tax revenues are expected to be impacted by changes in gas and electric pricing along with changes in weather patterns. While residential population may be slightly increasing, the cable franchise tax is estimated to decline due to the increasing prevalence of alternative entertainment options, including satellite television and online streaming service subscriptions.

Charges for Services

During fiscal year 2022-23, charges for services of approximately \$7.7 million contributed approximately 4.3% of total General Fund revenues. General Fund revenues from charges for services of approximately \$7.1 million are budgeted to be received during fiscal year 2023-24. The City collects charges for services for various building inspection fees, use of City facilities, non-resident ambulance reimbursement, and overhead charges to other funds.

Licenses and Permits

During fiscal year 2022-23, revenues from licenses and permits of approximately \$3.1 million contributed approximately 1.7% of total General Fund revenues. General Fund revenues from licenses and permits of approximately \$2.5 million are budgeted to be received during fiscal year 2023-24. Revenues from licenses and permits are comprised of various building permits, animal license permits and fees and other development related permits.

Fines and Forfeitures

During fiscal year 2022-23, revenues from fines and forfeitures of approximately \$2.3 million contributed approximately 1.3% of total General Fund revenues. General Fund revenues from fines and forfeitures of approximately \$2.0 million are budgeted to be received during fiscal year 2023-24. Revenues from fines and forfeitures consists of traffic fines, parking citations, water violations and code enforcement citations.

Other Revenue Sources

Intergovernmental. The City receives other General Fund revenue from other government agencies, principally from the State and Federal governments. These revenues include monies called subventions, as well as grants for specific projects, and reimbursements related to State mandated activities or disaster/emergency declarations. These revenues can fluctuate from year-to-year for on-going programs and activities.

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

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

Indebtedness

Long-Term Debt. The City's long-term obligations payable from the General Fund currently consist of two building leases, two equipment leases, nine vehicle leases and various subscription-based information technology arrangements with various vendors with an aggregate total lease liability as of June 30, 2023 of \$704,350.

The City has also issued various series of bonds payable from the City's Water Utility Enterprise Fund, Sewage Collection Fund, or from the Successor Agency's funds, and not payable from the General Fund.

On December 5, 2023, the Garden Grove Public Financing Authority Lease Revenue Bonds, Series 2015A (the "2015 Lease Revenue Bonds") were fully defeased. The 2015 Lease Revenue Bonds were originally issued in 2015 in the aggregate principal amount of \$24,790,000 and as of June 30, 2023 had a balance of \$20,715,000.

For additional information with respect to the City's outstanding long-term obligations, see Note C.9 to the audited financial statements for fiscal year 2022-23 attached to the Official Statement as Appendix C.

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

Retirement System

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

The annual comprehensive financial reports of CalPERS are available on its Internet website at www.calpers.ca.gov. The CalPERS website also contains CalPERS' most recent actuarial valuation reports and other information concerning benefits and other matters. Such information is not incorporated by reference herein. The City cannot guarantee the accuracy of such information. Actuarial assessments are "forward-looking" statements that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or be changed in the future. Actuarial assessments will change with the future experience of the pension plans.

Plan Description. The City's defined benefit pension plans, the Miscellaneous Plan of the City of Garden Grove (the "Miscellaneous Plan") and the Safety Plan of the City of Garden Grove (the "Safety Plan"), provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members

and beneficiaries. The Miscellaneous Plan and the Safety Plan are part of the Public Agency portion of the California Public Employees Retirement System (“CalPERS”), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State. A menu of benefit provisions as well as other requirements are established by State statutes within the Public Employees’ Retirement Law. The City selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance. CalPERS issues a separate Annual Comprehensive Financial Report. Copies of CalPERS’ annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

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

Each employee contributes toward his or her retirement based upon the retirement formula. Under PEPRA, the mandated employee contribution rate is one half of the normal cost as determined annually by CalPERS for the City when the actuarial valuation of the plans are performed. Active PEPRA plan members in the Miscellaneous Plan are required to contribute 6.75% of reportable earnings for a 2.0% at 62 retirement plan. Active PEPRA plan members in the Safety Plan are required to contribute 12.75% of reportable earnings for a 2.7% at 57 retirement plan. Active “Classic” plan members in the Miscellaneous Plan are required to contribute 8.00% of reportable earnings for a 2.5% at 55 retirement plan. Active “Classic” plan members in the Safety Plan of the City are required to contribute 9.00% of reportable earnings for a 3.0% at 50 retirement plan.

The City entered into an agreement with the Orange County Fire Authority (“OCFA”) on April 9, 2019 for OCFA to provide fire and emergency medical services to the City starting on August 16, 2019. Therefore, the Safety Plan includes the pension liability for the fire employees through April 2019 and OCFA has taken over responsibility for the employer’s share of pension costs for these employees going forward.

The required employer contribution rates for fiscal year ended June 30, 2023 under PEPRA are the same as the employer contribution rates for existing miscellaneous employees and public safety employees.

Benefits provided. CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

The Plans’ provisions and benefits in effect at June 30, 2023, are summarized as follows:

	<i>Miscellaneous Plan</i>	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date	2.5% @ 55	2.0% @ 62
Benefit formula	5 years of service	5 years of service
Benefit vesting schedule	Monthly for life	Monthly for life
Benefit payments	50-55	52-67
Retirement age	2.0% to 2.5%	1.0% to 2.5%
Monthly benefits, as a % of eligible compensation	8.00%	6.75%
Required employee contribution rates	43.55%	43.55%
Required employer contribution rates ⁽¹⁾		

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

	<i>Safety Plan</i>	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date	3.0% @ 50	2.7% @ 57
Benefit formula	5 years of service	5 years of service
Benefit vesting schedule	Monthly for life	Monthly for life
Benefit payments	50	50-57
Retirement age	3.00%	2.0% to 2.7%
Monthly benefits, as a % of eligible compensation	9.00%	12.75%
Required employee contribution rates	97.53%	97.53%
Required employer contribution rates ⁽¹⁾		

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

Employees Covered. As of the June 30, 2022 actuarial valuation date, the following employees were covered by the benefit terms for each plan:

<i>Description</i>	<i>Miscellaneous</i>	<i>Safety</i>
Inactive employees or beneficiaries currently receiving benefits	708	512
Inactive employees entitled to but not yet receiving benefits	495	156
Active employees	<u>386</u>	<u>172</u>
Total	1,589	839

Contributions. Section 20814(c) of the California Public Employee’s Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS’ annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount necessary to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contributions requirements are classified as plan member contributions.

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 Payment is a fixed dollar annual payment, billed monthly.

Beginning with fiscal year 2017-18 CalPERS began collecting employer contributions toward the plan's unfunded liability as dollar amounts instead of the prior method of a contribution rate. According to CalPERS, this change was to address potential funding issues that could arise from a declining payroll or reduction in the number of active members in the plan. Funding the unfunded liability as a percentage of payroll could lead to the underfunding of the plans. Due to stakeholder feedback regarding internal needs for total contributions expressed as an estimated percentage of payroll, the CalPERS reports include such results in the contribution projection set forth in the tables below. CalPERS indicates that these results are provided for information purposes only and contributions toward the unfunded liability will continue to be collected as set dollar amounts.

For the year ended June 30, 2023, the City's total required contributions were \$13,424,666 for the Miscellaneous Plan and \$21,548,966 for the Safety Plan. Such amounts were paid by the City and represented approximately 8.4% and 13.5%, respectively, of General Fund expenditures. The City's required contributions in fiscal year 2023-24 are \$13,835,656 for the Miscellaneous Plan and \$23,176,095 for the Safety Plan, and the City has budgeted to make such payments. However, the City allocates a portion of such pension costs to other City funds (i.e. the City's Water Utility, Sewer Utility, and Housing Authority funds) as appropriate.

The tables below are derived from the City of Garden Grove Annual Valuation Reports with valuation dates as of June 30, 2022 and delivered in July 2023 (the "2023 Reports") and show the required and projected employer contributions for the next six fiscal years. Projected results reflect the adopted changes to the discount rates described in the 2023 Report. Such projections also assume that all actuarial assumptions will be realized and that no further changes to assumptions, contributions, benefits, or funding will occur during the projection period. The projected normal cost percentages in the projections below does not reflect that the normal cost will decline over the time as new employees are hired into PEPPRA or other lower cost benefit tiers.

The foregoing projections assumed the investment return for fiscal year 2022-23 would be 6.80% and beyond. CalPERS announced an investment return of 5.80% for fiscal year 2022-23. As a result, the actual contribution requirements for the fiscal years 2024-25 and the following years shown below can be expected to differ from such projections. No assurance can be provided that the City's CalPERS plan expenses will not increase significantly in the future.

Miscellaneous Plan

<i>Fiscal Year</i>	<i>Required Contribution</i>	<i>Projected Future Employer Contributions</i> <i>(Assumes 6.80% Return for Fiscal Year 2022-23 and Beyond)</i>				
		<i>2024-25</i>	<i>2025-26</i>	<i>2026-27</i>	<i>2027-28</i>	<i>2028-29</i>
Normal Cost %	11.93%	11.6%	11.3%	11.0%	10.7%	10.5%
UAL Payment	\$ 11,185,848	\$ 10,227,000	\$ 10,496,000	\$ 11,092,000	\$ 12,398,000	\$ 12,672,000
Total as a % of Payroll*	45.50%	41.4%	41.1%	41.6%	44.0%	43.6%
Projected Payroll	\$ 33,316,292	\$ 34,249,148	\$ 35,208,124	\$ 36,193,952	\$37,207,382	\$ 38,249,189

* Illustrative only and based on the projected payroll shown.

Source: CalPERS Miscellaneous Plan of the City of Garden Grove Annual Valuation Report as of June 30, 2022.

Safety Plan

<i>Fiscal Year</i>	<i>Required Contribution</i>	<i>Projected Future Employer Contributions</i> <i>(Assumes 6.80% Return for Fiscal Year 2022-23 and Beyond)</i>				
		<i>2024-25</i>	<i>2025-26</i>	<i>2026-27</i>	<i>2027-28</i>	<i>2028-29</i>
Normal Cost %	24.62%	23.9%	23.2%	22.6%	22.0%	21.4%
UAL Payment	\$ 19,722,288	\$ 20,990,000	\$ 21,808,000	\$ 22,847,000	\$ 24,922,000	\$ 25,471,000
Total as a % of Payroll*	103.55%	105.6%	105.8%	106.7%	111.3%	110.1%
Projected Payroll	\$ 24,988,207	\$ 25,687,876	\$ 26,407,137	\$ 27,146,537	\$ 27,906,639	\$ 28,688,026

* Illustrative only and based on the projected payroll shown.

Source: CalPERS Safety Plan of the City of Garden Grove Annual Valuation Report as of June 30, 2022.

Net Pension Liability. The City's net pension liability is measured as the total pension liability, less the pension plan's fiduciary net position. The City's June 30, 2021 valuation was rolled forward to determine the June 30, 2022 total pension liability, based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Actuarial Cost Method
Actuarial Assumptions	
Discount Rate	6.90%
Inflation	2.30%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table ⁽¹⁾	Derived using CalPERS' membership data for all funds
Post Retirement Benefit Increase	The lesser of contract COLA up to 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.30% thereafter

⁽¹⁾ The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study for the period from 2001 to 2019. Pre-retirement and Post-retirement mortality rates include generational mortality improvement using 80% of Scale MP- 2020 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from November 2021 that can be found on the CalPERS website.

The following table shows the changes in net pension liability recognized over the measurement period.

Miscellaneous Plan

	<i>Increase (Decreases)</i>		
	<i>Total Pension Liability (a)</i>	<i>Plan Fiduciary Net Position (b)</i>	<i>Plan Net Pension Liability (c)=(a)-(b)</i>
Balance at June 30, 2021	\$ 357,065,376	\$ 291,752,153	\$ 65,313,223
Changes in the year:			
Service cost	6,003,691	--	6,003,691
Interest on the total pension liability	24,841,644	--	24,841,644
Changes in assumptions	11,834,221	--	11,834,221
Difference between actual and expected experience	(2,812,686)	--	(2,812,686)
Contribution - employer	--	12,360,011	(12,360,011)
Contribution - employee	--	2,371,491	(2,371,491)
Net Investment income	--	(22,166,332)	22,166,332
Benefit payments, including refunds of employee contributions	(18,129,856)	(18,129,856)	---
Administrative expense	--	(181,744)	181,744
Net changes	<u>21,737,014</u>	<u>(25,746,430)</u>	<u>47,483,444</u>
Balance at June 30, 2022	\$ 378,802,390	\$ 266,005,723	\$ 112,796,667

Safety Plan

	<i>Increase (Decreases)</i>		
	<i>Total Pension Liability (a)</i>	<i>Plan Fiduciary Net Position (b)</i>	<i>Plan Net Pension Liability (c)=(a)-(b)</i>
Balance at June 30, 2021	\$ 586,839,978	\$ 434,809,261	\$ 152,030,717
Changes in the year:			
Service cost	7,909,848	--	7,909,848
Interest on the total pension liability	40,930,945	--	40,930,945
Changes in assumptions	21,051,324	--	21,051,324
Difference between actual and expected experience	(2,239,626)	--	(2,239,626)
Contribution - employer	--	19,491,065	(14,491,065)
Contribution - employee	--	2,837,409	(2,837,409)
Net Investment income	--	(32,867,582)	32,867,582
Benefit payments, including refunds of employee contributions	(32,808,974)	(32,808,974)	--
Administrative expense	--	(270,860)	270,860
Net changes	<u>34,843,517</u>	<u>(43,618,942)</u>	<u>78,462,459</u>
Balance at June 30, 2022	\$ 621,683,495	\$ 391,190,319	\$ 230,493,176

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of each Plan, calculated using the discount rate for each Plan, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate:

	<i>Miscellaneous Plan</i>	<i>Safety Plan</i>
1% Lower	5.90%	5.90%
Net Pension Liability	\$164,346,822	\$316,300,449
Current Discount Rate	6.90%	6.90%
Net Pension Liability	\$112,796,667	\$230,493,176
1% Higher	7.90%	7.90%
Net Pension Liability	\$70,406,942	\$160,647,196

The Net Pension Liabilities for the City's pension plans have been primarily liquidated by funding from the General, Water, Sewage Collection and Housing Authority funds based on their proportionate personnel costs of the year.

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports and can be obtained on the CalPERS website.

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions. On June 25, 2012, the Governmental Accounting Standards Board approved GASB Statement No. 68 ("GASB 68") with respect to pension accounting and financial reporting standards for state and local governments and pension plans. GASB 68 states that, for pensions within the scope of the statement, a cost-sharing employer that does not have a special funding situation is required to recognize a net pension liability, deferred outflows of resources, deferred inflows of resources related to pensions, and pension expense based on its proportionate share of the net pension liability for benefits provided through the pension plan. While the accounting standard changed financial statement reporting requirements, they do not impact funding policies of the pension systems. The audited financial statements of the City for fiscal year 2022-23 attached hereto as Appendix C reflect the application of the GASB 68.

At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Miscellaneous Plan

	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>
Pension contributions subsequent to measurement date	\$ 13,424,666	--
Changes in assumptions	7,451,176	--
Differences between expected and actual experiences	263,080	\$ (1,770,950)
Net difference between projected and actual earnings on pension plan investments	<u>13,454,069</u>	<u>--</u>
Totals	\$ 34,592,991	\$ (1,770,950)

Safety Plan

	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>
Pension contributions subsequent to measurement date	\$ 21,548,966	--
Changes in assumptions	12,630,794	--
Differences between expected and actual experiences	56,003	\$ (1,458,969)
Net difference between projected and actual earnings on pension plan investments	<u>19,576,841</u>	<u>--</u>
Totals	\$ 53,812,604	\$ (1,458,969)

The \$13,424,666 and \$21,548,966 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

	<u><i>Miscellaneous Plan</i></u>	<u><i>Safety Plan</i></u>
<i>Measurement Period Ended June 30:</i>	<i>Deferred Outflows/(Inflows) of Resources, Net</i>	<i>Deferred Outflows/(Inflows) of Resources, Net</i>
2023	\$5,760,977	\$10,566,056
2024	4,259,548	6,504,715
2025	944,995	1,238,789
2026	8,431,855	12,495,109

Funded Status. The tables below are derived from the 2023 Reports and show the funded status of the City's defined benefit pension plan as of the valuation dates shown.

Safety Plan

<i>Valuation Date</i>	<i>Accrued Liability</i>	<i>Market Value of Assets</i>	<i>Unfunded Liability</i>	<i>Funded Ratio</i>	<i>Annual Covered Payroll</i>
6/30/2018	\$326,674,105	\$225,361,716	\$101,312,389	69.0%	\$29,535,056
6/30/2019	339,022,359	234,901,507	104,120,852	69.3	27,675,839
6/30/2020	351,307,306	240,644,136	110,663,170	68.5	28,899,920
6/30/2021	370,636,803	291,734,343	78,902,460	78.7	29,934,218
6/30/2022	385,872,623	265,999,237	119,873,386	68.9	30,667,425

Source: CalPERS Miscellaneous Plan of the City of Garden Grove Annual Valuation Report as of June 30, 2022.

Miscellaneous Plan

<i>Valuation Date</i>	<i>Accrued Liability</i>	<i>Market Value of Assets</i>	<i>Unfunded Liability</i>	<i>Funded Ratio</i>	<i>Annual Covered Payroll</i>
6/30/2018	\$546,234,958	\$348,316,850	\$197,918,108	63.8%	\$28,869,602
6/30/2019	565,114,729	359,902,546	205,212,183	63.7	27,215,867
6/30/2020	581,960,501	363,308,360	218,652,141	62.4	21,181,792
6/30/2021	613,243,226	434,782,371	178,460,855	70.9	22,180,469
6/30/2022	639,254,589	391,180,653	248,073,936	61.2	23,001,478

Source: CalPERS Safety Plan of the City of Garden Grove Annual Valuation Report as of June 30, 2022.

Section 115 Pension Trust. The City Council adopted a Pension Funding Policy in 2019. Accordingly, an Internal Revenue Service Section 115 Trust was established to prefund pension obligations. The trust is a tax-exempt irrevocable trust, trust assets are to be used exclusive for payment of pension liabilities. Assets held in the trust are reported as restricted cash investments in the General Fund. The City has consistently funded the Section 115 Trust on an annual basis since fiscal year 2019-20. As of January 31, 2024, the Section 115 Trust carries a market value of \$4,309,613.

For additional information with respect to the City’s retirement plans, including with respect to the long-term expected rate of return, discount rate, amortization of deferred outflows and deferred inflows of resources, and recognition of gains and losses, see Note C.12 to the City’s audited financial statements for fiscal year 2022-23 attached hereto as Appendix C.

Pension Obligation Bonds. In 2022, the City Council authorized the issuance of pension obligation bonds to refinance all or a portion of the City’s unfunded pension liability. The City has not yet issued pension obligation bonds but the City expects to monitor market conditions and may consider the issuance of such bonds to refinance all or a portion of the City’s unfunded pension liability if and when the City determines that such issuance will provide a financial benefit to the City.

Other Post-Employment Benefits

Plan Description. The City administers an Other Post-Employment Benefit (“OPEB”) plan which is subject to changes based on the discretion of the Council. The City provides an agent multiple-employer defined benefit healthcare plan to retirees through CalPERS under the California Public Employees Medical and Hospital Care Act (“PEMHCA”), commonly referred to as “PERS Health.”

Employees Covered. Employees are eligible for retiree health benefits if they retire from the City on or after age 50 (unless disabled) and are eligible to begin drawing a CalPERS pension. The benefits are available only to employees who retire from the City.

As of the June 30, 2023 actuarial valuation, the following current and former employees were covered by the City OPEB plan:

Inactive Employees Receiving Benefit Payments	288
Inactive Employees Entitled to But Not Yet Receiving Benefit Payments	--
Participating Active Employees	<u>567</u>
Total Number of Participants	855

Source: City of Garden Grove Actuarial Study of Retiree Health Liabilities Under GASB 74/75, prepared by Total Compensation Systems, Inc., dated March 7, 2024.

Contributions. The contributions for the City’s OPEB benefits are based on pay-as-you-go financing requirements. The contribution requirements of OPEB plan members and the City are established and may be amended by the City Council. The City must agree to make a defined monthly payment towards the cost of each retiree’s coverage. The City’s contribution rates were \$151 and \$149 per month for each retiree for the calendar years ended 2023 and 2022, respectively. For the fiscal year ended June 30, 2023, the City contributed \$517,951 to the OPEB plan.

Actuarial Methods and Assumptions Used to Determine Total OPEB Liability. The City’s total OPEB liability as shown in the City’s audited financial statements for fiscal year 2022-23 was determined by an actuarial valuation dated June 30, 2021, based on various actuarial methods and assumptions. For additional information with respect to actuarial methods and assumptions used to determine the total OPEB liability, see Note C.13 to the City’s audited financial statements for fiscal year 2022-23 attached hereto as Appendix C.

Costs for Retiree Coverage. Retiree liabilities are based on actual retiree premium plus an implicit rate subsidy of 78.3% of non-Medicare medical premium. Liabilities for active participants are based on the first year costs shown below, which include the implicit rate subsidy. Subsequent years’ costs are based on first year costs adjusted for trend and limited by any City contribution caps.

<i>Participant Type</i>	<i>Future Retirees Pre-65</i>	<i>Future Retirees Post-65</i>
Fire Fighters	PEMHCA Minimum: \$1,752 Implicit Subsidy: \$13,982	\$1,752
Police Officers	PEMHCA Minimum: \$1,752 Implicit Subsidy: \$13,982	\$1,752
Miscellaneous Employees	PEMHCA Minimum: \$1,752 Implicit Subsidy: \$9,375	\$1,752

Source: City of Garden Grove Audited Financial Statements for fiscal year 2022-23.

The participation rates per the actuarial report for all employee types for the group that is less than age 65 (Non-Medicare) and for the group that is more than age 65 (Medicare) is 70%.

GASB Statement No. 75. In June 2015, GASB issued Statement No. 75, which became effective for fiscal years beginning after June 15, 2017. The primary objective of Statement No. 75 is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (i.e. OPEB). Statement No. 75 is also intended to improve information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. Statement No. 75 results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all

postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

More specifically, Statement No. 75 requires the liability of employers to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position. Statement No. 75 requires the recognition of the total OPEB liability in the Statement of Net Position.

Total OPEB Liability. If actuarial assumptions are borne out by experience, the City will fully accrue retiree benefits by expensing an amount each year that equals the service cost. If no accruals had taken place in the past, there would be a shortfall of many years' accruals, accumulated interest and forfeitures for terminated or deceased employees. This shortfall is called the Total OPEB Liability ("TOL"). The TOL is calculated as the Actuarial Present Value of Projected Benefit Payments minus the present value of future service costs.

The changes in the OPEB liability for the City in the fiscal year ending June 30, 2023 are as follows:

	<u><i>Increase (Decrease)</i></u>
	<i>Total OPEB Liability</i>
Balance at June 30, 2022	\$48,708,347
Changes recognized for the measurement period:	
Service cost	2,250,612
Interest on the total OPEB liability	1,056,801
Employer Contributions as Benefits	(1,815,415)
Experience (Gains)/Losses	14
Assumption Changes	(8,394,004)
Net Changes	<u>(6,901,992)</u>
Balance at June 30, 2023	<u>\$41,806,355</u>

Sensitivity of OPEB Liability to Changes in the Discount. The following presents the OPEB liability with a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2022:

<i>Discount Rate 1% Lower</i>	<i>Valuation Discount Rate</i>	<i>Discount Rate 1% Higher</i>
(2.54%)	(3.54%)	(4.54%)
\$47,774,707	\$41,806,355	\$37,576,368

The following presents the OPEB liability of the City if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2022:

<i>Trend Rate 1% Lower</i>	<i>Valuation Trend Rate</i>	<i>Trend Rate 1% Higher</i>
(3.00%)	(4.00%)	(5.00%)
\$35,717,597	\$41,086,355	\$49,090,207

For additional information with respect to the City's OPEB plan, including with respect to actuarial methods and assumptions used to determine the total OPEB liability, recognition of deferred outflows and inflows of resources and OPEB expense and deferred outflow/inflow of resources to OPEB, see Note C.13 to the audited financial statements for fiscal year 2022-23 attached hereto as Appendix C.

RISK FACTORS

The following factors, along with the other information in this Official Statement, should be considered by potential investors in evaluating the purchase of the Series 2024A Bonds. However, they do not purport to be an exhaustive listing of risks and other considerations which may be relevant to an investment in the Series 2024A Bonds. In addition, the order in which the following factors are presented is not intended to reflect the relative importance of any such risks.

General Considerations – Security for the Series 2024A Bonds

The Series 2024A Bonds are special obligations of the Authority, payable solely from Base Rental Payments and the other assets pledged therefor under the Indenture. Neither the faith and credit nor the taxing power of the Authority, the City or the State, or any political subdivision thereof, is pledged to the payment of the Series 2024A Bonds. The Authority has no taxing power.

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

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

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

Abatements

In the event of substantial interference with the City’s right to use and occupy any portion of the Property by reason of damage to, or destruction or condemnation of the Property, or any defects in title to the Property, Base Rental Payments will be subject to abatement. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2024A BONDS—Abatement.” In the event that a portion of the Property, if damaged or destroyed by an insured casualty, could not be replaced during the period of time in which proceeds of the City’s rental interruption insurance will be available in lieu of Base Rental Payments, plus the period for which funds are available from the funds and accounts established under the Indenture, or in the event that casualty insurance proceeds are insufficient to provide for complete repair or replacement of such portion of the Property or redemption of the Series 2024A Bonds, there could be insufficient funds to make payments to Owners in full. The Authority has not funded a reserve fund for the Series 2024A Bonds.

It is not always possible to predict the circumstances under which abatement of rental may occur. In addition, there is no statute, case or other law specifying how such an abatement of rental should be measured. For example, it is not clear whether fair rental value is established as of commencement of the lease or at the time of the abatement. If the latter, it may be that the value of the Property is substantially higher or lower than its value at the time of the execution and delivery of the Series 2024A Bonds. Abatement, therefore, could have an uncertain and material adverse effect on the security for and payment of the Series 2024A Bonds.

The City is required under the Lease Agreement to maintain property insurance and rental interruption insurance with respect to the Property, as well as a policy of title insurance (which is obtained at Closing). See the caption “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2024 BONDS—Insurance.” If damage, destruction, title defect or eminent domain proceedings with respect to the Property results in abatement of the Base Rental Payments related to such Property and if such abated Base Rental Payments, if any, together with moneys from rental interruption or use and occupancy insurance (in the event of any insured loss due to damage or destruction), and eminent domain proceeds, if any, are insufficient to make all payments of principal and interest with respect to the Series 2024A Bonds during the period that the Property is being replaced, repaired or reconstructed, then all or a portion of such payments of principal and interest may not be made. Under the Lease Agreement and the Indenture, no remedy is available to the Series 2024A Bond Owners for nonpayment under such circumstances.

Any such abatement will continue for the period commencing with the date of interference resulting from such damage, destruction, condemnation or title defect and, with respect to damage to or destruction of the Property, ending with the substantial completion of the work of repair or replacement of the Property, or the portion thereof so damaged or destroyed; and the term of the Lease Agreement will be extended as provided in the Lease Agreement, up to a maximum of ten years beyond the stated termination date of the Lease Agreement.

No Reserve Fund

The Authority has not funded a debt service reserve fund for the Series 2024A Bonds.

Effect of Economy on Revenues

The City relies heavily on property tax, sales tax, and transient occupancy (hotel) tax revenues. These revenues can be negatively affected by economic downturns in various ways. Property taxes are directly linked to the assessed value of property in the City and an economic recession affecting real estate markets can cause a significant decline in the City’s property tax revenues. Similarly, a recession could cause a reduction in consumer spending and travel, which would have a material adverse impact on the City’s sales tax and transient occupancy tax revenues. The “stay at home” orders imposed by federal, state, and local governments in response to the COVID-19 pandemic had a material adverse impact on the City’s transient occupancy tax revenues in fiscal year 2020-21, as shown in Table 7. The City can provide no assurance that economic factors affecting the City, the State, or the nation will not cause a reduction in the City’s General Fund tax revenues and a material adverse effect on the City’s ability to pay Base Rental Payments.

Natural Disasters

The occurrence of any natural disaster in the City, including, without limitation, fire, windstorm, drought, earthquake, landslide, mudslide, flood or a rise in sea levels as result of climate change, could have an adverse material impact on the economy within the City, its General Fund and the revenues available for the payment of Base Rental Payments. The City has a state-adopted all-hazards plan, which includes specific planning for emergencies such as earthquakes, floods, fires, winter storms, thunderstorms, hazard materials release, power outage, drought, civil unrest, dam failure and national security threats.

The PSF is being designed to meet the standards of a California Category IV Essential Services facility (as defined by the Seismic Safety Act). Category IV essential services buildings are designed to remain operational even in adverse conditions such as earthquakes or fire.

Earthquakes. Although no known active or potentially active faults, as defined in the Alquist-Priolo Earthquake Fault Zone Act, cross the Property and the Property is not located in an Alquist-Priolo Earthquake Study Zone, all jurisdictions in California are subject to the effects of damaging earthquakes. An earthquake along one of the faults in the vicinity, either known or unknown, could cause a number of casualties and extensive property damage, including to the Property. The effects of such an earthquake could be aggravated by aftershocks and secondary effects such as fires, landslides, liquefaction and other threats to public health, safety and welfare. The potential direct and indirect consequences of a major earthquake could easily exceed the resources of the City and could require a high level of self-help, coordination and cooperation. The City is not required to, and does not, maintain earthquake insurance with respect to the Property.

Wildfires. The State is periodically subject to wildfires. 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. According to the Safety Element of the City's General Plan, given the City's urban terrain and lack of open space, the threat of a wildfire directly impacting the City is diminished but an urban fire during a period of high winds could lead to an urban conflagration. The existence of several petroleum and hazardous materials facilities within the City also contribute to the fire threat. Additionally, fires outside the City can impact residents as smoke and air pollution from wildfires can be a severe health hazard, especially for more vulnerable health impaired populations.

Flood Risk. Most of the City is subject to minimal flood risk, and is located in a low risk flood zone. In the City, the flood zone areas are designated by the Federal Emergency Management Agency ("FEMA") as Flood Zone A or Flood Zone X. Flood Zone A is designated as the high risk, Special Flood Hazard Area (SFHA), inundated by a 100-year floodplain. Flood Zone X designates areas of a 500-year flood; areas of 100-year flood with average depths of less than 1-foot or with drainage less than 1-square mile; and areas protected by levees from a 100-year flood. The City's Municipal Services Center/Public Works Yard is located in Flood Zone A. No other portion of the Property is located within Flood Zone A.

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

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

The City prepared a Local Hazard Mitigation Plan ("LHMP") dated February 2020, to help the City plan for natural disasters and hazard events. The LHMP indicates that the City is vulnerable to numerous hazards, including dam failures, floods, earthquakes, drought, and other severe weather events. Climate change can exacerbate these hazards. While the impacts of climate change may be mitigated by the City's past and future investment in adaptation strategies, the City can give no assurance about the net effects of those strategies and whether the City will be required to take additional adaptive mitigation measures.

The occurrence of natural disasters in the City could result in substantial damage to the City and the Property which, in turn, could substantially reduce General Fund revenues and affect the ability of the City to make Base Rental Payments or cause an abatement in Base Rental Payments. Reduced ability to pay Base Rental Payments could affect the payment of the principal of and interest on the Series 2024A Bonds. The City maintains liability insurance and property casualty insurance (for losses other than from seismic events) for the Premises. See the caption “THE CITY OF GARDEN GROVE—Risk Management.” However, there can be no assurance that specific losses will be covered by insurance or, if covered, that claims will be paid in full by the applicable insurers.

Hazardous Substances

An additional environmental condition that may result in the reduction in the assessed value of property, and therefore property tax revenue available to make Base Rental Payments, would be the discovery of a hazardous substance that would limit the beneficial use of taxable property within the City. In general, the owners and operators of a property may be required by law to remedy conditions of the property relating to releases or threatened releases of hazardous substances. The owner or operator may be required to remedy a hazardous substance condition of property whether or not the owner or operator has anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the property within the City be affected by a hazardous substance, could be to reduce the marketability and value of the property by the costs of remedying the condition. With the exception of the groundwater plume located beneath the Municipal Services Center/Public Works Yard property described under the caption “THE PROPERTY—The Release Property,” the City is not aware of any hazardous substances located on the Property.

Other Financial Matters

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

Substitution, Addition and Removal of Property; Additional Bonds

The Authority and the City may amend the Lease Agreement to substitute alternate real property for any portion of or add additional real property to the Property or to release a portion of the Property from the Lease Agreement, upon compliance with all of the conditions set forth in the Lease Agreement. After a substitution or release, the portion of the Property for which the substitution or release has been effected will be released from the leasehold encumbrance of the Lease Agreement. In particular, following completion of Phase I of the Project, the City may release the Release Property from the Ground Lease and the Lease Agreement, subject to certain conditions. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2024A BONDS—Substitution or Release of the Property.” Moreover, the Authority may issue Additional Bonds secured by Base Rental Payments which are increased from current levels. See the caption “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2024A BONDS—Additional Bonds.”

Although the Lease Agreement requires, among other things, that the Property, as constituted after such substitution or release, have an annual fair rental value at least equal to the maximum Base Rental Payments payable by the City in any Rental Period, it does not require that such Property have an annual fair rental value equal to the annual fair rental value of the Property at the time of substitution or release. Thus, a portion of the Property could be replaced with less valuable real property or could be released altogether. Such a replacement or release could have an adverse impact on the security for the Series 2024A Bonds, particularly if an event requiring abatement of Base Rental Payments were to occur subsequent to such substitution or release. See APPENDIX B—“SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS—THE LEASE AGREEMENT—No Consequential Damages; Use of the Property; Substitution or Release.”

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

Limited Recourse on Default; No Acceleration of Base Rental

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

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

Alternatively, the Authority or the Trustee may terminate the Lease Agreement, retake possession of the Property and proceed against the City to recover damages pursuant to the Lease Agreement. Due to the specialized nature of the Property or any property substituted therefor pursuant to the Lease Agreement and the restrictions on its use, no assurance can be given that the Trustee will be able to re-let the Property so as to provide rental income sufficient to make all payments of principal of, interest and premium, if any, on the Series 2024A Bonds when due, and the Trustee is not empowered to sell the Property for the benefit of the Owners of the Series 2024A Bonds. Any suit for money damages would be subject to limitations on legal remedies against cities in California, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2024A BONDS” and APPENDIX B—“SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—THE LEASE AGREEMENT—Defaults and Remedies.”

Limitations on Remedies Available; Bankruptcy

The enforceability of the rights and remedies of the Owners and the obligations of the City may become subject to the following: the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors’ rights generally, now or hereafter in effect; usual equitable principles which may limit the specific enforcement under state law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State of California and its governmental bodies in the interest of servicing a significant and legitimate public purpose.

Under Chapter 9 of the United States Bankruptcy Code (Title 11, United States Code) (the “Bankruptcy Code”), which governs bankruptcy proceedings of public entities such as the City, no involuntary bankruptcy

petition may be filed against a public entity. However, upon satisfaction of certain prerequisite conditions, a voluntary bankruptcy petition may be filed by the City. The filing of a bankruptcy petition results in a stay against enforcement of remedies under agreements to which the bankrupt entity is a party. A bankruptcy filing by the City could thus limit remedies under the Lease Agreement. A bankruptcy debtor may choose to assume or reject executory contracts and leases, such as the Lease Agreement. In the event of rejection of a lease by debtor lessee, the leased property is returned to the lessor and the lessor has a claim for a limited amount of the resulting damages.

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

Bankruptcy proceedings would subject the Owners of the Series 2024A Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently entail risks of delay, limitation, or modification of their rights with respect to the Series 2024A Bonds. In a bankruptcy case, the amount recovered by Owners of the Series 2024A Bonds could be affected by whether the Lease Agreement is determined to be a "true lease" or a loan or other financing arrangement (a "financing lease"), and the Owners' recovery could be reduced in either case. If the Lease Agreement is determined by the bankruptcy court to constitute a "true lease" (rather than a financing lease), the City could choose not to perform under the Lease Agreement by rejecting it and the claim of the Owners could be substantially limited pursuant to Section 365 of the Bankruptcy Code to a fraction of the scheduled amount of Base Rental Payments, and that reduced claim amount could be impaired as an unsecured claim under a plan of adjustment. If a bankruptcy court were to treat the Lease Agreement as a financing lease then, under a plan of adjustment, the priority, payment terms, collateral, payment dates, payment sources, covenants and other terms or provisions of the Lease Agreement and the Series 2024A Bonds may be altered. Such a plan could be confirmed even over the objections of the Trustee and the Owners, and without their consent. For example, the amount of the Base Rental Payments from the City might be substantially reduced because of the power of the bankruptcy court under the Bankruptcy Code to adjust secured claims to the value of their collateral, which, as described above, could be limited to the Base Rental Payments held by the Trustee. In addition, there can be a substantial disparity in treatment based on the nature of the Property. Whether the Lease Agreement is characterized by the bankruptcy court as a true lease or a financing lease, either scenario could result in the Owners not receiving the full amount of the principal and interest due on the Series 2024A Bonds.

The opinions of counsel, including Bond Counsel, delivered in connection with the issuance of the Series 2024A Bonds will be so qualified. Bankruptcy proceedings, or the exercising of powers by the federal or state government, if initiated, could subject the Owners to judicial discretion and interpretation of their rights in bankruptcy or otherwise and consequently may entail risks of delay, limitation, or modification of their rights.

Possible Insufficiency of Insurance Proceeds

The Lease Agreement obligates the City to keep in force various forms of insurance, subject to deductibles, for repair or replacement of the Property in the event of damage, destruction or title defects, subject to certain exceptions. The Authority and the City make no representation as to the ability of any insurer to fulfill its obligations under any insurance policy obtained pursuant to the Lease Agreement and no assurance can be given as to the adequacy of any such insurance to fund necessary repair or replacement or to pay principal of and interest on the Series 2024A Bonds when due. In addition, certain risks, such as earthquakes and floods, are not required to be insured under the Lease Agreement, and therefore, are not carried by the City. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2024A BONDS—Insurance."

Loss of Tax Exemption

As discussed under the heading “TAX MATTERS,” the interest on the Series 2024A Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date of delivery of the Series 2024A Bonds, as a result of acts or omissions of the Authority or the City in violation of its covenants in the Indenture and the Lease Agreement. Should such an event of taxability occur, the Series 2024A Bonds would not be subject to a special redemption and would remain Outstanding until maturity or until redeemed under the redemption provisions contained in the Indenture.

No Liability of Authority to the Owners

Except as expressly provided in the Indenture, the Authority will not have any obligation or liability to the Owners of the Series 2024A Bonds with respect to the payment when due of the Base Rental Payments by the City, or with respect to the performance by the City of other agreements and covenants required to be performed by it contained in the Lease Agreement or the Indenture, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained in the Indenture.

Dependence on State for Certain Revenues

On January 10, 2024, the Governor released his proposed State budget for fiscal year 2024-25 (the “Proposed 2024-25 State Budget”). The following is drawn from the Department of Finance (“DOF”) and Legislative Analyst’s Office (“LAO”) summaries of the Proposed 2024-25 State Budget. The Proposed 2024-25 State Budget reports that the State is facing a budgetary shortfall in 2024 of approximately \$37.9 billion. The shortfall is rooted in two separate but related developments that have occurred over the past two fiscal years—a substantial decline in the stock market that drove down revenues and an unprecedented delay in critical income tax collections. The Proposed 2024-25 State Budget indicates that, typically, the bulk of cash data relating to the prior tax year is available by April, leading to a revised May budget informed by actual cash collections. In calendar year 2023, due to federal and state income tax deadline delays resulting from several winter storms, the majority of the State’s revenues did not arrive until October and November. As a result, the corrections that would have been necessary to account for the decline in State revenues that would have normally come as part of last year’s May revision are instead being made in the Proposed 2024-25 State Budget.

The Proposed 2024-25 State Budget also includes multiyear projections of revenues and spending. Under the administration’s projections, the State faces operating deficits in 2025-26 through 2027-28 of \$37 billion, \$30 billion and \$28 billion, respectively. The LAO notes that although these deficits are smaller than the one projected for 2024-25, the State will have fewer options—such as one-time spending and draws on reserves—which could necessitate ongoing spending cuts or revenue increases.

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

A number of the City’s revenues are collected and dispersed by the State (such as sales taxes and 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, 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.

Cybersecurity

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

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

Principal of and interest on the Series 2024A Bonds are payable from Base Rental Payments made from the City's General Fund. See the caption "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2024A BONDS." Articles XIII A, XIII B, XIII C and XIII D of the State Constitution, Propositions 62, 111, 218, 1A and 22, and certain other provisions of law discussed below are included in this Official Statement to describe the potential effect of these Constitutional and statutory measures on the ability of the City to levy taxes and spend tax proceeds for operating and other purposes.

Article XIII A of the State Constitution

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

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

Legislation Implementing Article XIII A

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

Increases in assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the 2% annual adjustment are allocated among the various jurisdictions in the "taxing area"

based upon their respective “situs.” Any such allocation made to a local agency continues as part of its allocation in future years.

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

Article XIII B of the State Constitution

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

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

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

The City’s appropriations have never exceeded the limitation on appropriations under Article XIII B.

Articles XIII C and XIII D of the State Constitution

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

Article XIII C requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the City require a majority vote and taxes for specific purposes, even if deposited in the City’s General Fund, require a two-thirds vote. The voter approval requirements of Proposition 218 reduce the flexibility of the City to raise revenues for the General Fund, and no

assurance can be given that the City will be able to impose, extend or increase such taxes in the future to meet increased expenditure needs.

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

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

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

Proposition 62

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

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

Proposition 1A

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

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

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

Proposition 22

On November 2, 2010, the voters of the State approved Proposition 22, known as "The Local Taxpayer, Public Safety, and Transportation Protection Act" ("Proposition 22"). Proposition 22, among other things, broadens the restrictions established by Proposition 1A. While Proposition 1A permits the State to appropriate or borrow local property tax revenues on a temporary basis during times of severe financial hardship, Proposition 22 amends Article XIII of the State Constitution to prohibit the State from appropriating or borrowing local property tax revenues under any circumstances. The State can no longer borrow local property tax revenues on a temporary basis even during times of severe financial hardship. Proposition 22 also prohibits the State from appropriating or borrowing proceeds derived from any tax levied by a local government solely for the local government's purposes. Furthermore, Proposition 22 restricts the State's ability to redirect redevelopment agency property tax revenues to school districts and other local governments and limits uses of certain other

funds although this provision no longer has any meaningful impact given the statewide dissolution of redevelopment agencies. Proposition 22 is intended to stabilize local government revenue sources by restricting the State government’s control over local revenues. The City cannot predict whether Proposition 22 will have a beneficial effect on the City’s financial condition

Proposition 26

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

Possible Future Initiatives

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

Initiative Measure Qualified for November 2024 Ballot – Taxpayer Protection and Government Accountability Act. A ballot initiative known as the “Taxpayer Protection and Government Accountability Act” (“Initiative 1935”) received the required number of signatures to appear on the November 5, 2024 Statewide ballot. If approved by a majority of voters casting a ballot at the November 5, 2024 Statewide election, Initiative 1935 would make numerous significant changes to Articles XIII, XIII A, XIIC and XIID of the California Constitution to further limit the authority of local governments, and electors via the initiative process, to adopt and impose taxes and fees. The full text of Initiative 1935 may be viewed at the website of the California Attorney General.

Among other things, Initiative 1935 would amend the definition “tax” in Article XIIC to include “every levy, charge, or exaction of any kind imposed by a local law that is not an exempt charge.” Initiative 1935 defines “exempt charge” to mean a “reasonable charge 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 actual costs [as opposed to the reasonable costs] of providing the service or product to the payor.” “Exempt charges” also encompass existing exceptions from the definition of “tax” added to Article XIIC by Proposition 26, including property-related fees imposed in accordance with Article XIID (see “—Articles XIIC and XIID of the California Constitution – Proposition 218,” above). “Actual costs” is defined as “the minimum amount necessary to reimburse the government for the cost of providing the service or product ... less all other sources of revenue including, but not limited to taxes, other exempt charges, grants, and state or federal funds received

to provide such service or product.” Initiative 1935 further provides that the local government adopting an exempt charge would bear the burden of proving by clear and convincing evidence (as opposed to a preponderance of the evidence) that: (a) a levy, charge or exaction is an exempt charge and not a tax; and (b) the amount of the exempt charge is reasonable and that the amount charged does not exceed the actual cost of providing the service or product to the payor. Initiative 1935 would also amend Article XIIC to provide that no local law, whether proposed by the governing body or by an elector, may impose any special tax unless and until that tax is submitted to the electorate and approved by a two-thirds vote. The full definitions of the terms referenced above, along with the full text of Initiative 1935, may be viewed at the website of the California Attorney General.

Initiative 1935 is retroactive, and provides that any tax or exempt charge adopted after January 1, 2022 but prior to the effective date of Initiative 1935, which was not adopted in compliance with the requirements thereof, would be void 12 months after the effective date of Initiative 1935, unless the tax or exempt charge is reenacted in compliance with the provisions of Initiative 1935.

The City cannot predict whether Initiative 1935 will be approved at the November 5, 2024 Statewide election. If Initiative 1935 is approved, the City cannot provide any assurances that it will not have a material adverse effect on the City’s ability to adopt or increase rates, fees, and charges for the various services provided by the City.

TAX MATTERS

In the opinion of Stradling Yocca Carlson & Rauth LLP, Newport Beach, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Series 2024A Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. However, it should be noted that for tax years beginning after December 31, 2022, with respect to applicable corporations as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended (the “Code”), generally certain corporations with more than \$1,000,000,000 of average annual adjusted financial statement income, interest (and original issue discount) with respect to the Series 2024A Bonds might be taken into account in determining adjusted financial statement income for purposes of computing the alternative minimum tax imposed by Section 55 of the Code on such corporations. In the further opinion of Bond Counsel, interest (and original issue discount) on the Series 2024A Bonds is exempt from State of California personal income tax.

Bond Counsel’s opinion as to the exclusion from gross income for federal income tax purposes of interest (and original issue discount) on the Series 2024A Bonds is based upon certain representations of fact and certifications made by the Authority and others and is subject to the condition that the Authority comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Series 2024A Bonds to assure that interest (and original issue discount) on the Series 2024A Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) on the Series 2024A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2024A Bonds. The Authority has covenanted to comply with all such requirements.

In the opinion of Bond Counsel, the difference between the issue price of a Series 2024A Bond (the first price at which a substantial amount of the Series 2024A Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity of such Series 2024A Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Beneficial Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Beneficial Owner will increase the Beneficial Owner’s basis in the applicable Series 2024A Bond. The amount of original issue discount that accrues to the Beneficial Owner of a Series 2024A Bond is excluded

from the gross income of such Beneficial Owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals, and is exempt from State of California personal income tax.

The amount by which a Series 2024A Bond Owner's original basis for determining loss on sale or exchange in the applicable Series 2024A Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which must be amortized under Section 171 of the Code; such amortizable bond premium reduces the Series 2024A Bond Owner's basis in the applicable Series 2024A Bond (and the amount of tax-exempt interest received with respect to the Series 2024A Bonds), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of bond premium may result in a Series 2024A Bond Owner realizing a taxable gain when a Series 2024A Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Series 2024A Bond to the Owner. Purchasers of the Series 2024A Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

The IRS has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Series 2024A Bonds will be selected for audit by the IRS. It is also possible that the market value of the Series 2024A Bonds might be affected as a result of such an audit of the Series 2024A Bonds (or by an audit of similar municipal obligations). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the Series 2024A Bonds to the extent that it adversely affects the exclusion from gross income of interest (and original issue discount) on the Series 2024A Bonds or their market value.

SUBSEQUENT TO THE ISSUANCE OF THE SERIES 2024A BONDS THERE MIGHT BE FEDERAL, STATE OR LOCAL STATUTORY CHANGES (OR JUDICIAL OR REGULATORY CHANGES TO OR INTERPRETATIONS OF FEDERAL, STATE OR LOCAL LAW) THAT AFFECT THE FEDERAL, STATE OR LOCAL TAX TREATMENT OF THE SERIES 2024A BONDS, INCLUDING THE IMPOSITION OF ADDITIONAL FEDERAL INCOME OR STATE TAXES ON OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE SERIES 2024A BONDS. THESE CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE SERIES 2024A BONDS. NO ASSURANCE CAN BE GIVEN THAT SUBSEQUENT TO THE ISSUANCE OF THE SERIES 2024A BONDS STATUTORY CHANGES WILL NOT BE INTRODUCED OR ENACTED OR JUDICIAL OR REGULATORY INTERPRETATIONS WILL NOT OCCUR HAVING THE EFFECTS DESCRIBED ABOVE. BEFORE PURCHASING ANY OF THE SERIES 2024A BONDS, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING POSSIBLE STATUTORY CHANGES OR JUDICIAL OR REGULATORY CHANGES OR INTERPRETATIONS, AND THEIR COLLATERAL TAX CONSEQUENCES RELATING TO THE SERIES 2024A BONDS.

Bond Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Indenture and the Tax Certificate relating to the Series 2024A Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on the exclusion from gross income of interest (and original issue discount) for federal income tax purposes with respect to any Series 2024A Bond if any such action is taken or omitted based upon the advice of counsel other than Stradling Yocca Carlson & Rauth LLP.

Although Bond Counsel has rendered an opinion that interest (and original issue discount) on the Series 2024A Bonds is excluded from gross income for federal income tax purposes provided that the Authority continues to comply with certain requirements of the Code, the ownership of the Series 2024A Bonds and the accrual or receipt of interest (and original issue discount) on the Series 2024A Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences.

Accordingly, before purchasing any of Series 2024A Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the Series 2024A Bonds.

Should interest (and original issue discount) on the Series 2024A Bonds become includable in gross income for federal income tax purposes, the Series 2024A Bonds are not subject to early redemption and will remain outstanding until maturity or until redeemed in accordance with the Indenture.

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

CERTAIN LEGAL MATTERS

The validity of the Series 2024A Bonds and certain other legal matters are subject to the approving opinion of Stradling Yocca Carlson & Rauth LLP, Bond Counsel. Stradling Yocca Carlson & Rauth LLP is also acting as Disclosure Counsel for the City and represented the City in connection with negotiation of the Project Agreement. A complete copy of the proposed form of Bond Counsel opinion is contained in Appendix D hereto. Bond and Disclosure Counsel will receive compensation from the City contingent upon the sale and delivery of the Series 2024A Bonds. From time to time, Bond and Disclosure Counsel represents the Underwriter on matters unrelated to the Series 2024A Bonds. Certain legal matters will be passed upon for the Underwriter by Anzel Galvan LLP. Counsel to the Underwriter will receive compensation contingent upon the issuance of the Series 2024A Bonds.

ABSENCE OF LITIGATION

To the best knowledge of the City and the Authority, there is no action, suit or proceeding pending or threatened either restraining or enjoining the execution or delivery of the Series 2024A Bonds, the Lease Agreement, the Ground Lease or the Indenture, or in any way contesting or affecting the validity of the foregoing or any proceedings of the Authority or the City taken with respect to any of the foregoing.

UNDERWRITING

The Series 2024A Bonds are being purchased by Stifel, Nicolaus & Company, Incorporated (the "Underwriter"). The Underwriter will purchase the Series 2024A Bonds from the Authority at an aggregate purchase price of \$_____ (representing the principal amount of the Series 2024A Bonds, [plus/less] a [net] original issue [premium/discount] of \$_____ and less an Underwriter's discount of \$_____)

The purchase agreement relating to the Series 2024A Bonds provides that the Underwriter will purchase all of the Series 2024A Bonds if any are purchased. The obligation to make such purchase is subject to certain terms and conditions set forth in such purchase agreement, the approval of certain legal matters by counsel and certain other conditions.

The initial offering prices that are stated on the inside front cover page of this Official Statement may be changed from time to time by the Underwriter. The Underwriter may offer and sell the Series 2024A Bonds to certain dealers (including dealers depositing Series 2024A Bonds into investment trusts), dealer banks, banks acting as agent and others at prices lower than said public offering prices.

RATING

S&P Global Ratings, a Standard & Poor's Financial Services LLC business ("S&P") has assigned an issuer credit rating of "_____" with a stable outlook to the Series 2024A Bonds. Such rating reflects only the views of S&P and any desired explanation of the significance of such rating should be obtained from the rating agency furnishing the same. Generally, a rating agency bases its ratings on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by

the rating agency, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Series 2024A Bonds. None of the Authority, the City, or the Underwriter has undertaken any responsibility either to bring to the attention of the owners of the Series 2024A Bonds a proposed change in or withdrawal of any rating or to oppose any such proposed revision or withdrawal.

MUNICIPAL ADVISOR

Fieldman, Rolapp & Associates, Inc. has acted as municipal advisor (the “Municipal Advisor”) to the Authority and City in conjunction with the issuance of the Series 2024A Bonds. The Municipal Advisor has assisted in matters related to the planning, structuring, execution, and delivery of the Series 2024A Bonds. The Municipal Advisor will receive compensation contingent upon the sale and delivery of the Series 2024A Bonds. The Municipal Advisor has not audited, authenticated, or otherwise independently verified the information set forth in this Official Statement, or any other related information available, with respect to accuracy and completeness of disclosure of such information. Because of this limited participation, the Municipal Advisor makes no guaranty, warranty, or other representation with respect to the accuracy or completeness of this Official Statement, or any other matter related to this Official Statement.

CONTINUING DISCLOSURE

The City has covenanted for the benefit of the Owners of the Series 2024A Bonds to provide annually certain financial information and operating data relating to the Series 2024A Bonds and the City (the “Annual Report”), and to provide notices of the occurrence of certain enumerated events. For a complete listing of items of information which will be provided in each Annual Report and further description of the City’s undertaking with respect to the Annual Report and certain enumerated events, see APPENDIX E—“FORM OF CONTINUING DISCLOSURE CERTIFICATE.” The Annual Report is to be provided by the City not later than March 31 after the end of the City’s fiscal year, commencing with the report for fiscal year 2023-24. The Annual Report will be filed by the City with the Municipal Securities Rulemaking Board. These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12.

[Within the last five years, the City and its related entities have not failed to timely file all required information pursuant to its existing continuing disclosure undertakings pursuant to Rule 15c2-12.] ***[TO BE UPDATED BASED ON UNDERWRITER REVIEW]***

FINANCIAL STATEMENTS OF THE CITY

Included herein as Appendix C are the audited financial statements of the City for the year ended June 30, 2023, together with the report thereon dated December 22, 2023 of Davis Farr LLP, Irvine, California, certified public accountants (the “Auditor”). Such audited financial statements have been included herein in reliance upon the report of the Auditor. The City’s financial statements are public documents and are included within this Official Statement without the prior approval of the Auditor. Accordingly, the Auditor has not performed any post-audit review of the financial condition of the City and also has not performed any procedures relating to this Official Statement. The Auditor has not undertaken to update the audited financial statements of the City or its report, and no opinion is expressed by the Auditor with respect to any event subsequent to its report dated December 22, 2023.

MISCELLANEOUS

References are made herein to certain documents and reports which are brief summaries thereof which do not purport to be complete or definitive and reference is made to such documents and reports for full and complete statements of the contents thereof. Copies of the Indenture, the Lease Agreement, the Ground Lease and other documents are available, upon request, and upon payment to the City of a charge for copying, mailing

and handling, from the City Clerk at the City of Garden Grove, 11222 Acacia Parkway, Garden Grove, California 92840.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Authority or the City and the purchasers or Owners of any of the Series 2024A Bonds.

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

**GARDEN GROVE PUBLIC FINANCING
AUTHORITY**

By: _____
Executive Director

CITY OF GARDEN GROVE

By: _____
City Manager

APPENDIX A

**ECONOMIC AND DEMOGRAPHIC INFORMATION
REGARDING THE CITY OF GARDEN GROVE**

Population

The following table summarizes population estimates for the City of Garden Grove, the County and the State from 2019 through 2023.

**POPULATION ESTIMATES
City of Garden Grove,
County of Orange and State of California
2019-2023⁽¹⁾**

<i>Year (January 1)</i>	<i>City of Garden Grove</i>	<i>County of Orange</i>	<i>State of California</i>
2019	174,038	3,185,378	39,605,361
2020	173,457	3,180,491	39,648,938
2021	171,464	3,167,783	39,286,510
2022	171,195	3,151,946	39,078,674
2023	171,183	3,137,164	38,940,231

⁽¹⁾ January 1 data.

Source: California State Department of Finance, Demographic Research Unit., *E-4 Population Estimates for Cities, Counties, and the State, 2010-2020, with 2010 Census Benchmark, and E-4 Population Estimates for Cities, Counties, and the State, 2020-2023, with 2020 Benchmark.*

Building Activity

The annual building permit valuations and number of permits for new dwelling units issued for the past five years of data currently available for the City and County are shown in the following tables.

**BUILDING PERMITS AND VALUATIONS
2018 through 2022
City of Garden Grove
(Dollars in Thousands)**

	<i>2018</i>	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>
Valuation					
Residential	\$38,211	\$38,850	\$30,099	\$ 40,626	\$34,665
Non-Residential	<u>55,454</u>	<u>37,332</u>	<u>18,850</u>	<u>19,786</u>	<u>52,230</u>
Total	\$93,665	\$76,182	\$48,949	\$60,412	\$86,895
Units					
Single Family	157	219	208	264	269
Multiple Family	<u>51</u>	<u>406</u>	<u>4</u>	<u>2</u>	<u>0</u>
Total	208	625	212	266	269

Note: Totals may not sum due to rounding.

Source: Construction Industry Research Board.

BUILDING PERMITS AND VALUATIONS
2018 through 2022
Orange County
(Dollars in Thousands)

	<i>2018</i>	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>
Valuation					
Residential	\$3,188,601	\$2,750,619	\$1,870,958	\$2,393,961	\$2,214,772
Non-Residential	<u>2,090,029</u>	<u>3,532,285</u>	<u>1,984,321</u>	<u>1,825,076</u>	<u>1,825,076</u>
Total	\$5,278,630	\$6,282,904	\$3,855,279	\$4,219,037	\$4,039,848
Units					
Single Family	5,097	3,975	3,125	3,292	2,929
Multi Family	<u>5,197</u>	<u>4,130</u>	<u>7,169</u>	<u>4,382</u>	<u>3,405</u>
Total	10,294	8,105	10,294	7,674	6,334

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

Personal Income

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

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

The following table summarizes per capita personal income for the City, the County, the State of California and the United States for the years 2013 through 2022. This measure of income is calculated as the personal income of the residents of the area divided by the resident population of the area.

PER CAPITA PERSONAL INCOME⁽¹⁾
County of Orange, State of California, and United States
2013-2022

<i>Year</i>	<i>County of Orange</i>	<i>California</i>	<i>United States</i>
2013	\$53,545	\$48,076	\$44,401
2014	55,461	50,619	46,287
2015	59,242	53,817	48,060
2016	61,188	55,863	48,971
2017	63,513	58,214	51,004
2018	66,058	60,984	53,309
2019	69,590	64,174	55,547
2020	75,572	70,061	59,153
2021	81,567	76,991	64,430
2022	83,553	77,036	65,470

⁽¹⁾ Per capita personal income is the total personal income divided by the total mid-year population estimates of the U.S. Bureau of the Census. All dollar estimates are in current dollars (not adjusted for inflation).
Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Employment

The following table summarizes the labor force, employment and unemployment figures for the past five years of data currently available for the City, the County, the State and the United States.

CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
2018 through 2022⁽¹⁾
City of Garden Grove, Orange County, the State of California and the United States

<i>Year and Area</i>	<i>Labor Force</i>	<i>Employment⁽²⁾</i>	<i>Unemployment</i>	<i>Unemployment Rate (%)⁽³⁾</i>
<u>2018</u>				
City of Garden Grove	81,600	78,900	2,700	3.3%
Orange County	1,616,100	1,568,300	47,900	3.0
State of California	19,289,500	18,469,900	819,600	4.2
United States	162,075,000	155,761,000	6,314,000	3.9
<u>2019</u>				
City of Garden Grove	81,300	78,800	2,500	3.1%
Orange County	1,616,800	1,571,300	45,500	2.8
State of California	19,413,200	18,617,900	795,300	4.1
United States	163,539,000	157,538,000	6,001,000	3.7
<u>2020</u>				
City of Garden Grove	81,300	71,700	9,600	11.9%
Orange County	1,566,900	1,427,000	139,900	8.9
State of California	18,971,600	17,047,600	1,924,000	10.1
United States	160,742,000	147,795,000	12,947,000	8.1
<u>2021</u>				
City of Garden Grove	79,700	73,700	6,000	7.5%
Orange County	1,560,700	1,467,300	93,400	6.0
State of California	18,973,400	17,586,300	1,387,100	7.3
United States	161,204,000	152,581,000	8,623,000	5.3
<u>2022</u>				
City of Garden Grove	80,200	77,400	2,800	3.5%
Orange County	1,590,900	1,540,600	50,300	3.2
State of California	19,252,000	18,440,900	811,100	4.2
United States	164,287,000	158,291,000	5,996,000	3.6

Note: Data is not seasonally adjusted.

(1) Annual averages, unless otherwise specified.

(2) Includes persons involved in labor-management trade disputes.

(3) The unemployment rate is computed from unrounded data; therefore, it may differ from rates computed from rounded figures in this table.

Source: U.S. Department of Labor – Bureau of Labor Statistics, California Employment Development Department. March 2022 Benchmark.

Industry

The County is included in the Anaheim-Santa Ana-Irvine Metropolitan District (the “MD”). The distribution of employment in the MD is presented in the following table for the past five calendar years. These

figures are multi county-wide statistics and may not necessarily accurately reflect employment trends in the County.

INDUSTRY EMPLOYMENT & LABOR FORCE ANNUAL AVERAGES
Anaheim-Santa Ana-Irvine Metropolitan Division
(Orange County)
2018-2022⁽¹⁾

	2018	2019	2020	2021	2022
Farming	2,000	1,900	1,900	2,000	1,600
Mining and Logging	500	500	400	400	300
Construction	105,900	106,100	101,300	102,200	106,500
Manufacturing	160,800	160,100	150,100	149,800	155,400
Wholesale Trade	79,800	79,400	79,400	75,600	76,900
Retail Trade	152,600	150,500	137,600	143,400	146,000
Transportation, Warehousing and Utilities	29,200	29,500	29,600	31,100	33,700
Information	26,700	26,000	24,100	24,000	24,800
Financial Activities	118,700	117,600	115,900	117,100	114,100
Professional and Business Services	317,300	328,400	309,200	321,700	332,500
Education and Health Services	225,200	233,100	225,800	237,300	249,500
Leisure and Hospitality	222,600	227,700	161,800	180,400	217,700
Other Services	51,400	52,000	44,100	47,500	52,700
Government	161,200	162,500	156,100	155,700	160,200
Total:	1,653,800	1,675,300	1,532,700	1,587,900	1,671,500

Note: The "Total, All Industries" data is not directly comparable to the employment data found herein.

⁽¹⁾ Employment is reported by place of work; it does not include persons involved in labor-management disputes. Figures are rounded to the nearest hundred. Columns may not add to totals due to rounding.

Source: State of California, Employment Development Department, *Industry Employment & Labor Force by Annual Average, March 2021 Benchmark*.

Principal Employers

The following tables list the principal employers located in the City and the County for the periods shown below.

MAJOR EMPLOYERS
City of Garden Grove
2023

Rank	Name of Business	Employees	Percent of Total City Employment
1.	Great Wolf Lodge Southern California	700	0.83%
2.	Air Industries Company	625	0.74
3.	Garden Grove Hospital Medical Center	516	0.61
4.	Hyatt Regency Orange County	424	0.50
5.	GKN Aerospace Transparency Systems Inc	409	0.49
6.	Safran Cabin Inc	350	0.42
7.	Costco #126	323	0.38
8.	Full Clip	310	0.37
9.	Walmart #4171	272	0.32
10.	Saint Gobain Performance Plastics Corp.	226	0.27

Source: City of Garden Grove Annual Comprehensive Financial Report for the year ending June 30, 2023.

**PRINCIPAL EMPLOYERS
2023
Orange County**

<i>Rank:</i>	<i>Employer</i>	<i>Employees</i>
1.	Walt Disney Co.	25,000
2.	University of California, Irvine	22,253
3.	County of Orange	18,035
4.	St. Joseph Health System	12,062
5.	Boeing Co.	6,890
6.	Kaiser Permanente	6,040
7.	Bank of America Corp.	6,000
8.	Walmart Inc.	6,000
9.	MemorialCare	5,635
10.	Target Corp.	5,400

Source: County of Orange, Annual Comprehensive Financial Report for Fiscal Year Ended June 30, 2023.

Education

K-12 public instruction in the City is provided by the Garden Grove Unified School District, which is the third largest school district in Orange County. The City includes 70 elementary schools, 48 Intermediate schools, 10 High schools, 8 Special education schools, 2 Adult education schools and one technical education school.

APPENDIX B
SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS

APPENDIX C

AUDITED FINANCIAL STATEMENTS OF THE CITY FOR THE YEAR ENDED JUNE 30, 2023

APPENDIX D

PROPOSED FORM OF BOND COUNSEL OPINION

[Closing Date]

Garden Grove Public Financing Authority
Garden Grove, California

Re: *Garden Grove Public Financing Authority Lease Revenue Bonds, Series 2024A*

Ladies and Gentlemen:

We have acted as bond counsel to the Garden Grove (the “Authority”) in connection with the issuance by the Authority of \$_____ Lease Revenue Bonds, Series 2024A (the “Series 2024A Bonds”), pursuant to the provisions of Article 4 (commencing with Section 6584) of Chapter 5 of Division 7 of Title 1 of the California Government Code (the “Bond Law”), and pursuant to an Indenture, dated as of June 1, 2024 (the “Indenture”), by and among the Authority, the City of Garden Grove (the “City”) and U.S. Bank Trust Company, National Association, as Trustee. The Series 2024A Bonds will be principally secured by lease payments to be made by the City pursuant to a Lease Agreement, dated as of June 1, 2024 (the “Lease”), by and between the Authority and the City. We have examined the law and such certified proceedings and other documents, agreements, opinions and matters as we deem necessary to render this opinion. This opinion is based on current statutory and constitutional law and published court decisions as of the date hereof. Capitalized terms used herein and not otherwise defined shall have the meaning ascribed thereto in the Indenture.

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

We have assumed the genuineness of all documents and signatures presented to us, the authenticity of documents submitted as originals and the conformity to originals of documents submitted as copies. We have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions referred to in the preceding paragraphs of this opinion. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture, the Lease and the Ground Lease. We call attention to the fact that the rights and obligations under the Series 2024A Bonds, the Indenture, the Lease, the Ground Lease, the Assignment Agreement and the Tax Certificate may be limited by bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors’ rights, by the application of equitable principles and the exercise of judicial discretion in appropriate cases and by the limitations on legal remedies against cities and public agencies in the State of California.

We express no opinion herein with respect to any indemnification, contribution, choice of law, choice of forum, penalty or waiver provisions contained in the Series 2024A Bonds, the Indenture, the Lease, the Ground Lease or the Assignment Agreement; nor do we express any opinion with respect to the state or quality of title to any of the real or personal property described in the Indenture, the Lease or the Ground Lease, or the accuracy or sufficiency of the description contained therein, or the remedies available to enforce liens on, any such property contained therein.

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

1. The Authority is a joint exercise of powers authority duly organized and validly existing under the laws of the State of California with the full power to enter into the Indenture and the Lease, to perform the agreements on its part contained therein and to issue the Series 2024A Bonds.

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

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

4. The Series 2024A Bonds have been duly and validly authorized by the Authority and are legal, valid and binding limited obligations of the Authority, enforceable in accordance with their terms and the terms of the Indenture. The Series 2024A Bonds are limited obligations of the Authority payable solely from the Base Rental Payments and other moneys pledged under the Indenture as provided in the Indenture, but are not a debt of the City, the State of California or any other political subdivision thereof within the meaning of any constitutional or statutory limitation, and, neither the faith and credit nor the taxing power of the City, the State of California, or any of its political subdivisions is pledged for the payment thereof. The Authority has no taxing power.

5. Under existing statutes, regulations, rulings and judicial decisions, interest (and original issue discount) on the Series 2024A Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals; however, for tax years beginning after December 31, 2022, with respect to applicable corporations as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended (the "Code"), interest (and original issue discount) with respect to the Series 2024A Bonds might be taken into account in determining adjusted financial statement income for purposes of computing the alternative minimum tax imposed on such corporations.

6. Interest (and original issue discount) on the Series 2024A Bonds is exempt from personal income taxes imposed in the State of California.

7. The difference between the issue price of a Series 2024A Bond (the first price at which a substantial amount of the Series 2024A Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Series 2024A Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Series 2024A Bond Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Series 2024A Bond Owner will increase the Series 2024A Bond Owner's basis in the applicable Series 2024A Bond. Original issue discount that accrues to the Series 2024A Bond Owner is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals (as described in paragraph 5 above) and is exempt from State of California personal income tax.

8. The amount by which a Series 2024A Bond Owner's original basis for determining loss on sale or exchange in the applicable Bond (generally the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Series 2024A Bond premium which must be amortized under Section 171 of the Code; such amortizable Series 2024A Bond premium reduces the Series 2024A Bond Owner's basis in the applicable Series 2024A Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Series 2024A Bond premium may result in a Series 2024A Bond Owner realizing a taxable gain when a Series 2024A Bond is sold

by the owner for an amount equal to or less (under certain circumstances) than the original cost of the Series 2024A Bond to the owner.

The opinions expressed in paragraphs (5) and (7) above as to the exclusion from gross income for federal income tax purposes of interest (and original issue discount) on the Series 2024A Bonds are subject to the condition that the Authority and the City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Series 2024A Bonds to assure that such interest (and original issue discount) will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) on the Series 2024A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2024A Bonds. The Authority and the City have covenanted to comply with all such requirements. Except as set forth in paragraphs (5), (6), (7) and (8) above, we express no opinion as to any tax consequences related to the Series 2024A Bonds.

Certain requirements and procedures contained or referred to in the Indenture, the Lease and Tax Certificate may be changed, and certain actions may be taken, under the circumstances and subject to the terms and conditions set forth in the Indenture, the Lease and Tax Certificate, upon the advice or with the approving opinion of counsel nationally recognized in the area of tax-exempt obligations. We express no opinion as to the effect on the exclusion of interest on the Series 2024A Bonds from gross income for federal income tax purposes on and after the date on which any such change occurs or action is taken upon the advice or approval of counsel other than Stradling Yocca Carlson & Rauth LLP.

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

The opinions expressed herein are based upon an analysis of existing statutes, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. We call attention to the fact that the foregoing opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether such actions or events are taken (or not taken) or do occur (or do not occur). Our engagement with respect to the Series 2024A Bonds terminates upon their issuance, and we disclaim any obligation to update the matters set forth herein.

We express no opinion herein as to the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Series 2024A Bonds. We expressly disclaim any duty to advise the owners of the Series 2024A Bonds with respect to the matters contained in the Official Statement and any other offering material relating to the Series 2024A Bonds.

Respectfully submitted,

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

APPENDIX F

BOOK-ENTRY ONLY SYSTEM

The information in this section concerning DTC and DTC's book-entry only system has been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the Series 2024A Bonds, payment of principal, premium, if any, accreted value and interest on the Series 2024A Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Series 2024A Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC.

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Series 2024A Bonds (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each maturity of the Securities in the aggregate principal amount of such maturity, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

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

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

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

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

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

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

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

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

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

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

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