

PRELIMINARY OFFICIAL STATEMENT DATED _____ 2025

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 2025A 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 2025A Bonds is exempt from State of California personal income tax. See the caption “TAX MATTERS” herein with respect to tax consequences relating to the Series 2025A Bonds, including with respect to the alternative minimum tax imposed on certain large corporations.

**§ _____
ATASCADERO FINANCING AUTHORITY
LEASE REVENUE BONDS, SERIES 2025A**

Dated: Date of Delivery

Due: May 1, as shown on inside cover

The Atascadero Financing Authority Lease Revenue Bonds, Series 2025A are payable from Base Rental Payments to be made by the City of Atascadero for the right to use certain real property pursuant to a Lease Agreement, dated as of October 1, 2025, by and between the City, as lessee, and the Atascadero Financing Authority, as lessor. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2025A BONDS.”

The Series 2025A Bonds are being issued to provide funds to (i) finance a portion of the costs of constructing certain capital improvement projects in the City, including the demolition of Fire Station No. 1, the reconstruction of Fire Station No. 1 and a new emergency operations center, the renovation of Fire Station No. 2, and the renovation of the Police Department headquarters building, and (ii) pay the costs incurred in connection with the issuance of the Series 2025A 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 2025A Bonds are being issued in fully registered book-entry only form, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company (DTC), New York, New York. Interest on the Series 2025A Bonds is payable semiannually on May 1 and November 1 of each year, commencing May 1, 2026. Purchasers will not receive certificates representing their interest in the Series 2025A 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 2025A Bonds will be paid by The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”) to DTC for subsequent disbursement to DTC Participants who are obligated to remit such payments to the Beneficial Owners of the Series 2025A Bonds. See “THE SERIES 2025A BONDS—Book-Entry Only System” herein.

The Series 2025A Bonds will be issued pursuant to an Indenture, dated as of October 1, 2025 (the “Indenture”) by and among the City, the Authority and the Trustee. The Series 2025A Bonds and any Additional Bonds issued pursuant to the Indenture are collectively referred to as the “Bonds.”

The Series 2025A Bonds are subject to optional, extraordinary and mandatory sinking fund redemption prior to maturity.* See “THE SERIES 2025A BONDS—Redemption.”

The Series 2025A 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 2025A 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 2025A 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 2025A Bonds. No assurance can be given as to whether the Authority will purchase a municipal bond insurance policy for the Series 2025A 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 2025A 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 Atascadero, and for the Underwriter by Kutak Rock LLP, Irvine, California. It is anticipated that the Series 2025A Bonds in definitive form will be available for delivery to DTC in New York, New York on or about _____, 2025.



Dated: _____, 2025

* Preliminary, subject to change.

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

MATURITY SCHEDULE

\$ _____^{*}
ATASCADERO FINANCING AUTHORITY
Lease Revenue Bonds, Series 2025A
Base CUSIP[†]: _____

<i>Maturity Date</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>	<i>Price</i>	<i>CUSIP[†]</i>
<i>(May 1)</i>					

\$ _____	_____ %	Term Bonds due April 1, 20__	Yield: _____	%	Price: _____	CUSIP [†] _____
\$ _____	_____ %	Term Bonds due April 1, 20__	Yield: _____	%	Price: _____	CUSIP [†] _____

^{*} Preliminary, subject to change.

[†] CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Copyright© 2025 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the Underwriter, the Authority or the City, or their agents or counsel, assume responsibility for the accuracy of such numbers.

No dealer, broker, salesperson or other person has been authorized by the City or the Authority to give any information or to make any representations in connection with the offer or sale of the Series 2025A 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 2025A Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers or Owners of the Series 2025A 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 2025A 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 ATASCADERO,” “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 2025A BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2025A BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE SERIES 2025A 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 2025A 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 2025A Bonds.

**CITY OF ATASCADERO
SAN LUIS OBISPO, CALIFORNIA**

**ATASCADERO FINANCING AUTHORITY GOVERNING BOARD AND CITY COUNCIL OF THE
CITY OF ATASCADERO**

Charles Bourbeau, *Chair/Mayor*
Mark Dariz, *Vice Chair/Mayor Pro Tem*
Susan Funk, *Board Member/Council Member*
Heather Newsom, *Board Member/Council Member*
Seth Peek, *Board Member/Council Member*

CITY / AUTHORITY OFFICIALS

James R. Lewis, *Executive Director/City Manager*
Jeri Rangel, *Treasurer/Administrative Services Director and City Treasurer*
Lara Christensen, *Secretary/City Clerk*
David Fleishman, *Authority Counsel/City Attorney*

BOND COUNSEL AND DISCLOSURE COUNSEL

Stradling Yocca Carlson & Rauth LLP
Newport Beach, California

MUNICIPAL ADVISOR

Urban Futures, Inc.
Walnut Creek, California

TRUSTEE

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

TABLE OF CONTENTS

Page

INTRODUCTION 1

THE SERIES 2025A BONDS 3

 General 3

 Registration, Transfers and Exchanges..... 4

 Redemption 4

 Book-Entry Only System 6

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2025A BONDS 7

 Pledge of Revenues 7

 Base Rental Payments 8

 Additional Rental Payments 8

 Abatement 9

 Substitution or Release of the Property 9

 Action on Default 11

 No Reserve Fund 11

 Additional Bonds..... 11

 Insurance 12

SOURCES AND USES OF FUNDS 12

BASE RENTAL PAYMENT SCHEDULE 13

THE PROJECT 13

THE PROPERTY 14

THE AUTHORITY 15

THE CITY OF ATASCADERO 15

 General 15

 City Council 15

 City Management 16

 Employee and Employee Relations 17

 Risk Management..... 17

CITY FINANCIAL INFORMATION..... 19

 Management Discussion and Analysis 19

 Accounting and Financial Reporting 19

 City Component Units and Discrete Component Units 21

 Financial Policies 21

 Budget Procedure, Current Budget and Historical Budget Information 24

 Comparative Change in Fund Balance of the City General Fund 2928

 Comparative General Fund Balance Sheets of the City 3029

 Tax Revenues By Source..... 3130

 Sales Taxes 3130

 Property Taxes..... 3332

 Transient Occupancy Tax (Hotel Visitor’s Tax) 3635

 Franchise Tax 3635

 Charges for Services..... 3736

 Licenses and Permits 3736

 Other Revenue Sources 3736

 Indebtedness 3736

 Retirement System 3736

 Other Post-Employment Benefits..... 4645

RISK FACTORS 4645

 General Considerations – Security for the Series 2025A Bonds 4645

 Abatements 4746

 No Reserve Fund 4847

Effect of Economy on Revenues	<u>4847</u>	
Natural Disasters	<u>4847</u>	
Hazardous Substances	<u>5251</u>	
Other Financial Matters	<u>5251</u>	
Substitution, Addition and Removal of Property; Additional Bonds	52	
Limited Recourse on Default; No Acceleration of Base Rental	<u>5352</u>	
Limitations on Remedies Available; Bankruptcy	53	
Possible Insufficiency of Insurance Proceeds.....	<u>5554</u>	
Loss of Tax Exemption	<u>5554</u>	
No Liability of Authority to the Owners	<u>5554</u>	
Dependence on State for Certain Revenues.....	<u>5554</u>	
Cybersecurity.....	<u>5655</u>	
CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS	<u>5655</u>	
Article XIII A of the State Constitution	<u>5655</u>	
Legislation Implementing Article XIII A	<u>5756</u>	
Article XIII B of the State Constitution.....	<u>5756</u>	
Articles XIII C and XIII D of the State Constitution.....	<u>5857</u>	
Proposition 62	<u>5958</u>	
Proposition 1A.....	<u>5958</u>	
Proposition 22	<u>6059</u>	
Proposition 26	<u>6059</u>	
Possible Future Initiatives	<u>6059</u>	
TAX MATTERS	<u>6160</u>	
CERTAIN LEGAL MATTERS	<u>6261</u>	
ABSENCE OF LITIGATION	<u>6362</u>	
UNDERWRITING	<u>6362</u>	
RATING	<u>6362</u>	
MUNICIPAL ADVISOR	<u>6362</u>	
CONTINUING DISCLOSURE.....	<u>6463</u>	
FINANCIAL STATEMENTS OF THE CITY	<u>6463</u>	
MISCELLANEOUS.....	<u>6463</u>	
APPENDIX A	ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING THE CITY OF ATASCADERO	A-1
APPENDIX B	SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS	B-1
APPENDIX C	AUDITED FINANCIAL STATEMENTS OF THE CITY FOR THE YEAR ENDED JUNE 30, 2024	C-1
APPENDIX D	PROPOSED FORM OF BOND COUNSEL OPINION	D-1
APPENDIX E	FORM OF CONTINUING DISCLOSURE CERTIFICATE.....	E-1
APPENDIX F	BOOK-ENTRY ONLY SYSTEM	F-1

CITY OF ATASCADERO REGIONAL LOCATION MAP



OFFICIAL STATEMENT

\$ _____ *

**ATASCADERO FINANCING AUTHORITY
LEASE REVENUE BONDS, SERIES 2025A**

INTRODUCTION

This Official Statement (which includes the cover page and the appendices hereto) (the “Official Statement”) provides certain information concerning the sale and delivery of \$ _____ * aggregate principal amount of Atascadero Financing Authority Lease Revenue Bonds, Series 2025A (the “Series 2025A Bonds”).

The net proceeds of the sale of the Series 2025A Bonds will be used to (i) finance all or a portion of the design, acquisition, construction and/or installation of certain capital improvement projects in the City, including the demolition of Fire Station No. 1, the reconstruction of Fire Station No. 1 and a new emergency operations center, the renovation of Fire Station No. 2, and the renovation of the Police Department headquarters building (collectively, the “Project”), and (ii) pay the costs incurred in connection with the issuance of the Series 2025A Bonds. See “THE PROJECT” herein for a further description of the Project.

The Series 2025A Bonds are equally and ratably payable from base rental payments (the “Base Rental Payments”) to be made by the City of Atascadero (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 October 1, 2025 (the “Lease Agreement”), between the City, as lessee, and the Atascadero Financing Authority (the “Authority”), as lessor.

The Series 2025A Bonds will be issued pursuant to an Indenture, dated as of October 1, 2025 (the “Indenture”), by and among the Authority, the City and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”). Pursuant to the Indenture, the Authority may issue additional bonds (the “Additional Bonds”) payable from the Base Rental Payments on a parity with the Series 2025A Bonds (the Series 2025A Bonds and any such Additional Bonds being collectively referred to as the “Bonds”). See the caption “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2025A BONDS—Additional Bonds.”

Pursuant to a Ground Lease, dated as of October 1, 2025 (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 October 1, 2025, 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 (defined below) and the City’s City Hall building and the parcel of land on which the City Hall is located. See the caption “THE PROPERTY.” The City has the right to release the City Hall site from the Ground Lease and the Lease Agreement upon completion of the Project. Additionally, the City has the right to substitute or release all or a portion of the Property subject to certain conditions precedent. See “SECURITY

* Preliminary, subject to change.

AND SOURCES OF PAYMENT FOR THE SERIES 2025A 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 2025A 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 2025A Bonds, Base Rental Payments (or a portion thereof) may be made during periods of abatement.

THE SERIES 2025A 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 2025A 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 2025A 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.

The Bank of New York Mellon Trust Company, N.A., Los Angeles, California, will act as Trustee with respect to the Series 2025A Bonds. The Series 2025A 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 Atascadero and by Stradling Yocca Carlson & Rauth LLP, Newport Beach, California, Disclosure Counsel. Certain legal matters will be passed upon for the Underwriter by Kutak Rock LLP, Irvine, California. The City’s financial statements for the fiscal year ended June 30, 2024 included as Appendix C hereto have been audited by Moss, Levy & Hartzheim LLP, Santa Maria, California (the “Auditor”). See APPENDIX C—“AUDITED

FINANCIAL STATEMENTS OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2024” 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 2025A 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 2025-26 and 2026-27 biennial budget is not intended to indicate future or continuing trends in the financial position or other affairs of the City. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily continue or be repeated in the future. See the captions “THE CITY OF ATASCADERO” 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 2025A Bonds included in this Official Statement, do not purport to be comprehensive or definitive, and such summaries, references and descriptions are qualified in their entirety 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 2025A BONDS

General

The Series 2025A Bonds shall be issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof. The Series 2025A 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 2025A Bonds will be paid semiannually on May 1 and November 1 (each, an “Interest Payment Date”) of each year, commencing May 1, 2026.

Interest on the Series 2025A Bonds will be payable from the Interest Payment Date next preceding the date of authentication thereof (a “Record Date”) unless (i) a Series 2025A 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 2025A 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 2025A 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 2025A 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 2025A 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 2025A 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 2025A Bonds will be subject to redemption as set forth herein.

Registration, Transfers and Exchanges

The Series 2025A 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 2025A 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 2025A Bonds. See “THE SERIES 2025A BONDS—Book-Entry Only System.”

Redemption*

Extraordinary Redemption from Net Proceeds. The Series 2025A 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 2025A Bonds to be redeemed, plus accrued interest thereon to the date of redemption, without premium.

Optional Redemption of Series 2025A Bonds. The Series 2025A Bonds maturing on or after May 1, 20__, are subject to optional redemption, in whole or in part, on any date on or after May 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 2025A Bonds to be redeemed, plus accrued interest thereon to the date of redemption, without premium.

Mandatory Sinking Fund Redemption. The Series 2025A Bonds with stated maturities on May 1, 20__ are subject to mandatory sinking fund redemption in part (by lot) on each May 1 on and after May 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 (May 1)</i>	<i>Principal Amount</i>
---	------------------------------------

(Maturity)

* Preliminary, subject to change.

The Series 2025A Bonds with stated maturities on May 1, 20__ are subject to mandatory sinking fund redemption in part (by lot) on each May 1 on and after May 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</i> <i>(May 1)</i>	<i>Principal</i> <i>Amount</i>
--	---

(Maturity)

The Series 2025A Bonds with stated maturities on May 1, 20__ are subject to mandatory sinking fund redemption in part (by lot) on each May 1 on and after May 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</i> <i>(May 1)</i>	<i>Principal</i> <i>Amount</i>
--	---

(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 with respect to any redemption of Bonds of a Series, among maturities of Bonds of such Series as directed in a Written Request of the Authority, and pro rata among Bonds of the same Series with the same maturity. For purposes of such selection, all Bonds will be deemed to be comprised of separate \$5,000 denominations and such separate denominations will be treated as separate Bonds which may be separately redeemed.

Notice of Redemption. Notice of redemption shall be given by the Trustee, not less than 20 nor more than 60 days prior to the redemption date (i) as to Series 2025A Bonds not registered in the name of a Securities Depository or its nominee, to the respective Owners of the Series 2025A Bonds designated for redemption at their addresses appearing on the Registration Books, (ii) as to Series 2025A Bonds registered in the name of a Securities Depository or its nominee, to such Securities Depository for such Series 2025A Bonds, and (iii) the Information Services. Notice of redemption to the Owners pursuant to (i) above shall be given by mail at their addresses appearing on the Registration Books, or any other method agreed upon by such Owner and the Trustee. Notice of redemption to the Securities Depositories pursuant to (ii) above and the Information Services pursuant to (iii) above shall be given by electronically secure means, or any other method agreed upon by such entities and the Trustee. Such notice will state the date of the notice, the redemption date, the redemption place and the Redemption Price and shall designate the CUSIP numbers, the Bond numbers and the maturity or maturities (except in the event of redemption of all of the Bonds of such maturity or maturities in whole) of the Bonds to be redeemed, and will require that such Bonds be then surrendered at the

principal corporate trust office of the Trustee for redemption at the Redemption Price, giving notice also that further interest on such Bonds will not accrue from and after the date fixed for redemption. Neither the failure to receive any notice so mailed, nor any defect in such notice, will affect the validity of the proceedings for the redemption of the Bonds or the cessation of accrual of interest thereon from and after the date fixed for redemption.

With respect to any notice of 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 2025A Bonds. The Series 2025A Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Series 2025A Bond will be issued for each maturity of the Series 2025A 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 2025A Bonds apply only during any period in which the Series 2025A Bonds are not subject to DTC's book-entry system. While the Series 2025A 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 2025A BONDS

Pledge of Revenues

The Series 2025A 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 ATASCADERO,” “CITY FINANCIAL INFORMATION” and “RISK FACTORS” for a description of such available funds and the potential risks associated with the availability of such funds to make Base Rental Payments. The City has covenanted in the Lease Agreement to take such action as may be necessary to include all Base Rental Payments and Additional Rental Payments due under the Lease Agreement as a separate line item in its biennial budgets and to make the necessary annual appropriations therefor.

The Authority, pursuant to the Assignment Agreement, will assign to the Trustee for the benefit of the Owners of the Series 2025A Bonds all of the Authority’s right, title and interest in and to the Ground Lease and the Lease Agreement, including, without limitation, its right to receive Base Rental Payments to be paid by the City under and pursuant to the Lease Agreement; provided that, the Authority will retain the rights to indemnification and to payment of reimbursement of its reasonable costs and expenses under the Lease Agreement. The City will pay Base Rental Payments directly to the Trustee, as assignee of the Authority. See “—Base Rental Payments” below. Pursuant to the Indenture, the Authority may issue Additional Bonds payable from the Base Rental Payments on a parity with the Series 2025A Bonds, subject to certain conditions precedent. See the caption “—Additional Bonds.”

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

THE SERIES 2025A 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 2025A 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 2025A Bonds.

Scheduled Base Rental Payments relating to the Series 2025A Bonds are set forth below under the caption “BASE RENTAL PAYMENT SCHEDULE.”

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

Additional Rental Payments

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

- (i) All taxes and assessments of any type or nature charged to the Authority or the City or affecting the Property or the respective interests or estates of the Authority or the City therein.
- (ii) All reasonable administrative costs of the Authority relating to the Property, salaries, wages, fees and expenses, compensation and indemnification of the Trustee payable by the Authority under the Indenture, fees of auditors, accountants, attorneys or engineers, and all other necessary and reasonable administrative costs of the Authority or charges required to be paid by it in order to maintain its existence or to comply with the terms of the Indenture or the Lease Agreement or to defend the Authority and its members, officers, agents and employees.
- (iii) Insurance premiums for all insurance required pursuant to the Lease Agreement.
- (iv) Any amounts with respect to the Lease Agreement or the Bonds required to be rebated to the federal government in accordance with section 148(f) of the Internal Revenue Code of 1986.
- (v) All other payments required to be paid by the City under the provisions of the Lease Agreement or the Indenture.

Amounts constituting Additional Rental Payments payable under the Lease Agreement will be paid by the City directly to the person or persons to whom such amounts are payable. The City will pay all such

amounts when due or at such later time as such amounts may be paid without penalty or, in any other case, within 60 days after notice in writing from the Trustee to the City stating the amount of Additional Rental Payments then due and payable and the purpose thereof.

Abatement

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

Notwithstanding the foregoing, to the extent that moneys are available for the payment of Rental Payments due under the Lease Agreement in any of the funds and accounts established under the Indenture (including as a result of the availability of insurance proceeds or amounts in certain funds and accounts pledged to the Series 2025A Bonds), such Rental Payments will not be abated as provided above but, rather, will be payable by the City as a special obligation payable solely from said funds and accounts.

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

Substitution or Release of the Property

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

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

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

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

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

(d) the City, the Authority and the Trustee execute, and the City causes to be recorded with the San Luis Obispo 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.

Release of City Hall Parcel After Completion of Project. Without regard to the requirements set forth above under the subcaption “—*General*,” the Authority may provide for release and deletion of the City Hall Parcel portion of the Property from the Property subject to the Lease Agreement, provided that the City shall satisfy certain conditions precedent to such release, including:

(a) delivery by the City of a certificate stating that the Project has been completed substantially in conformity with the plans and specifications for the Project and

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

Upon the satisfaction of such conditions, the Lease Agreement shall thereupon end as to the City Hall Parcel and shall thereupon continue as to the remaining portion of the Property, and the City Hall Parcel shall be released from the Lease Agreement and no longer form part of the Property under the Lease Agreement without further act or deed of the City, the Authority, or the Trustee, provided the Authority and the Trustee shall 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, Owners of the Series 2025A Bonds do not act alone and may not control such matters to the extent such matters are not supported by the requisite number of the Owners of all Series 2025A 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 2025A Bonds.

Additional Bonds

Pursuant to the Indenture, the Authority may issue Additional Bonds payable from the Base Rental Payments on parity with the Series 2025A 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 2025A Bonds are shown below.

Sources

Principal Amount of Series 2025A 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 2025A Bonds, assuming no redemption prior to maturity:

<i>Bond Year (Ending May 1)</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
-------------------------------------	------------------	-----------------	--------------

THE PROJECT

The Project consists of the design, construction, and rehabilitation of certain public capital improvements located on City-owned property and is intended to comprehensively address three aging City public safety facilities. As part of the Project, the City will replace the outdated and structurally deficient Fire Station No. 1 with a newly constructed, approximately 17,000-square-foot fire station. The new Fire Station No. 1 will also include an attached Emergency Operations Center. The Project further includes the renovation and modernization of Fire Station No. 2 to bring the facility into compliance with current safety standards, applicable codes, and operational requirements. In addition, the Project provides for improvements to the City’s Police Headquarters to enhance operational efficiency and align the facility with modern policing standards. These improvements are expected to include upgraded security systems, refreshed interior finishes, improvements to restrooms and locker rooms, and the construction of a new, detached dispatch building of approximately 1,112 square feet.

The Design-Build contract was awarded to F&H Construction with approximately \$21,924,235 allocated to Fire Station No. 1 and the Emergency Operation Center, approximately \$4,927,672 allocated to Fire Station No. 2 and approximately \$4,220,411 allocated to the Police Headquarters.

The Project is expected to be completed in three phases. Phase 1 will consist of design development and is anticipated to take place from Spring 2025 through Summer 2025. Phase 2 will include engineering and final design and is scheduled from Summer 2025 through the first quarter of 2026. Phase 3 will comprise the construction phase of the Project, which is expected to begin in Spring 2026 and continue through Fall 2027.

THE PROPERTY

The Property leased under the Ground Lease and the Lease Agreement will initially consist of the Parcels on which Fire Station 1, Fire Station 2, and the Police Headquarters are located (collectively, the “Project Site”) and the City’s City Hall building and the parcel of land on which the City Hall is situated.

The City expects to release City Hall from the Ground Lease and the Lease Agreement promptly upon completion of the Project. See the caption “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2025A BONDS—Substitution or Release of the Property—*Release of City Hall Parcel After Completion of Project.*” The Project is described above under the caption “THE PROJECT” and generally consists of the demolition and reconstruction of Fire Station 1 and renovation of Fire Station 2 and the City’s Police Department building.

When the reconstruction of Fire Station 1 and the new emergency operation center are completed, Fire Station 1 will consist of 17,742 square feet of a new fire station with apparatus bays, administrative offices, dormitories, a gym, kitchen and day room, locker rooms, and an emergency operations center with support spaces in a two-story building.

Fire Station 2 consists of 5,934 square feet of reconstructed fire station with apparatus bays, administrative offices, dormitories, a gym, kitchen and day room, and locker rooms, in a one-story building.

The Police Department building consists of 11,724 square feet of existing police headquarters station with renovated women’s and men’s locker and rest rooms in a one-story building, as well as 1,112 square feet of new communications center for emergency dispatch in a one-story building.

The City’s City Hall is located at 6500 Palma Avenue and was originally designed and constructed as a double-domed Italian Renaissance structure to be the centerpiece of the Atascadero Colony, a utopian planned community by Edward Gardner Lewis. The building was constructed between 1914 and 1918, was listed on the National Register of Historic Places (#77000336) beginning in 1977, and was made a California Registered Historical Landmark (#958) in 1984. City Hall is approximately 56,808 square feet, with five levels above grade and one level below grade. City Hall houses various departments including Administrative Services, the City Clerk, the City Manager’s Office, Community Development, Public Works, Fire Administration, and Information Technology. In addition, City Hall also hosts the Atascadero Historical Society, which operates a museum throughout the building.

City Hall was renovated following extensive damage caused by the 2003 San Simeon Earthquake. The San Simeon Earthquake was a 6.5 magnitude earthquake that caused slab on grade buckling, seven inches of differential foundation settlement, cracking and spalling in the reinforced concrete floors and stairs, and major cracking, spalling, permanent distortion and localized collapse of the unreinforced masonry walls in City Hall. The City worked carefully with the Federal Emergency Management Agency and the California Office of Emergency Services, along with the renovation team, in updating the building to current earthquake and building standards while maintaining the building’s historic nature and elements. The building’s foundation was reinforced with 248 micropiles that were drilled 80 feet deep into the bedrock below. A new structural concrete floor was built in the basement. Walls were reinforced to strengthen the structure with over a million tons of shotcrete and 80,000 pounds of rebar, essentially creating a new structure inside the old one. The upper floors and dome were retrofitted using steel and fiber-reinforced materials. All interior components along with architectural features were replaced, and the historical elements were reused to the extent possible. The building reopened on schedule in August 2013.

The current insured value of City Hall is approximately \$58.8 million.

The City and the Property are still located in a seismically active area. A major earthquake could cause considerable damage to the City and properties in the City, including the Property. See the caption

“RISK FACTORS- Natural Disasters.” The City has the right to substitute or release all or a portion of the Property subject to certain conditions precedent. Furthermore, the City has the right to release City Hall from the Ground Lease and the Lease Agreement promptly upon completion of the Project. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2025A BONDS – Substitution, or Release of the Property” and “THE PROJECT.”

THE AUTHORITY

The Authority was established pursuant to Article 1 (commencing with Section 6500) of Chapter 5 Division 7, Title 1 of the California Government Code and a Joint Exercise of Powers Agreement, dated as of July 22, 2025, by and between the City and the Atascadero Industrial Development Authority (the “Authority”). The governing board of the Authority is comprised of all of the individuals who currently are members of the City Council of the City. The Authority is qualified to assist in the financing of certain public improvements and to issue the Series 2025A Bonds pursuant to the provisions of Article 4 (commencing with Section 6584) of Chapter 5 of Division 7 of Title 1 of the California Government Code (the “Bond Law”). The Authority has no taxing power. The Authority and the City are each separate and distinct legal entities, and the debts and obligations of each such entity are not debts or obligations of the other entity.

THE CITY OF ATASCADERO

General

The City is located in San Luis Obispo County, California, 17 miles inland from the Pacific Ocean and midway between Los Angeles and San Francisco on Highway 101, about 220 miles from each city. The City encompasses an area of approximately 26.2 square miles. As of January 1, 2025, the City had an estimated population of 30,134 and was the third most populous city in the County and the 246th most populous city in the State. The City was incorporated as a general law city in 1979. For additional economic and demographic information regarding the City, see APPENDIX A — “ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING THE CITY OF ATASCADERO.”

City Council

The City is a general law city that operates under the council-manager form of municipal government. Four members of the City Council are elected by voters at-large to a four-year term. Elections are staggered so that only two 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. The regularly scheduled public meetings of the City Council are held 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, and 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 ATASCADERO
City Council

<i>Name</i>	<i>District</i>	<i>Term Expires</i>
Charles Bourbeau, Mayor	At-Large	December 2026
Mark Dariz, Mayor Pro Tem	At-Large	December 2028
Susan Funk, Councilmember	At-Large	December 2026
Heather Newsom, Councilmember	At-Large	December 2026
Seth Peek, Councilmember	At-Large	December 2028

Source: City of Atascadero.

City Management

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

The City’s current City Manager is James R. Lewis. Mr. Lewis began serving as the City Manager of the City in July 2023 and previously served over 10 years as the City Manager of the City of Pismo Beach where he completed notable capital projects, built an award-winning employee culture and strengthened the City’s finances. Prior to serving the City of Pismo Beach, Mr. Lewis served in the City for over nine years as the Assistant City Manager and President of the Office of Economic Development where he was responsible for economic development, human resources, labor relations, technology, organizational development, the creation of new revenues and operating efficiencies, and several special projects. Mr. Lewis holds a Master’s Degree in Public Administration from Syracuse University and a Bachelor of Science in Public Policy and Management from the University of Southern California.

City Treasurer and Administrative Services Director. The City Treasurer (the “City Treasurer”) is an elected official who serves a four-year term. The City Treasurer is responsible for ensuring that the City’s funds are invested in a manner consistent with the City’s Investment Policy and to achieve maximum safety, liquidity and yield. The City Treasurer’s investment activities are coordinated with the City’s Administrative Services Director to assure the ability of the City to meet its obligations.

The Administrative Services Director is appointed by the City Manager and is responsible for financial services of the City. The Administrative Services Director oversees a staff of seven employees. Together, the department coordinates the development of the annual budget and financial statements, oversees purchasing, processes accounts payable and payroll, performs general ledger fund accounting and reporting, and fulfills grant requirements and reporting.

Currently, the positions of Treasurer and Director of Administrative Services are both held by Jeri Rangel. Ms. Rangel has over 23 years of experience in local government finance. Ms. Rangel has served as the City’s Administrative Services Director since 2013 and was appointed City Treasurer by the City Council in December 2024, following the retirement of longtime Treasurer Gere Sibbach. Ms. Rangel is a Certified California Municipal Treasurer, a designation held by only 35 individuals statewide. Ms. Rangel is also an active member of the California Society of Municipal Finance Officers and the Government Finance Officers

Association. Ms. Rangel holds a Bachelor of Science in Accounting from California Polytechnic State University, San Luis Obispo.

Employee and Employee Relations

For Fiscal Year 2025-26, the City had 147 full-time authorized positions, of which 138 were filled as of July 1, 2025. The City also employed 38 part-time employees as of that date. In accordance with the provisions of California Government Code Section 3500, the City participates in labor negotiations with its employee associations. The result of the negotiations processes is memorialized in memoranda of understanding (each an “MOU”) reached between the City and the City employee associations. The table below lists the City’s three employee associations and the approximate membership as of June 27, 2025, as well as the unrepresented executive employees:

<i>Unit/Affiliation</i>	<i>Contract Expiration Date</i>	<i>Number of Members⁽¹⁾</i>
Atascadero Professional Firefighters Local 3600	June 30, 2027	19
Atascadero Police Association	June 30, 2027	40
Local 620 Service Employees International Union Atascadero Chapter	June 30, 2027	46
Non-Represented Professional and Management Workers and Confidential Employees	June 30, 2027	<u>33</u>
Total		138

⁽¹⁾ Represents filled positions as of June 27, 2025.
Source: City of Atascadero.

Risk Management

The City is a member of the California Joint Powers Insurance Authority (the “CJPIA”). The CJPIA is composed of 126 California public entities and is organized under a joint powers’ agreement pursuant to California Government Code §6500 et seq. The purpose of the CJPIA is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other lines of coverage. The CJPIA began covering claims of its members in 1978. Each member government has an elected official as its representative on the CJPIA’s Board of Directors. The CJPIA’s Board of Directors operates through a nine-member Executive Committee.

Each member pays an annual contribution at the beginning of the coverage period. The total funding requirement for primary self-insurance programs is based on an actuarial analysis. Costs are allocated to individual agencies based on payroll and claims history, relative to other members of the risk-sharing pool.

Primary Liability Program. Claims are pooled separately between police and general government exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$100,000 for each occurrence and is evaluated as a percentage of the pool’s total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$100,000 to \$500,000 for each occurrence and is evaluated as a percentage of the pool’s total incurred costs within the second layer. (4) Incurred costs from \$500,000 to \$50 million are distributed based on the outcome of cost allocation within the first and second loss layers.

The overall coverage limit for each member, including all layers of coverage, is \$50 million per occurrence. Subsidence losses also have a \$50 million per occurrence limit. The coverage structure is composed of a combination of pooled self-insurance, reinsurance, and excess insurance. Additional

information concerning the coverage structure is available on the CJPIA's website: <https://cjpia.org/coverage/risk-sharing-pools/>.

Primary Workers' Compensation Program. Claims are pooled separately between public safety (police and fire) and general government exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$75,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$75,000 to \$200,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs from \$200,000 to statutory limits are distributed based on the outcome of cost allocation within the first and second loss layers.

For 2023-24 the CJPIA's pooled retention is \$1 million per occurrence, with reinsurance to statutory limits under California Workers' Compensation Law. Employer's Liability losses are pooled among members to \$1 million. Coverage from \$1 million to \$5 million is purchased through reinsurance policies, and Employer's Liability losses from \$5 million to \$10 million are pooled among members.

The City also participates in the following coverage programs provided by the CJPIA:

Pollution Legal Liability Insurance. The City participates in the pollution legal liability insurance program which is available through the CJPIA. The policy covers sudden and gradual pollution of scheduled property, streets, and storm drains owned by the City. Coverage is on a claims-made basis. There is a \$250,000 deductible. The CJPIA has an aggregate limit of \$20 million.

Property Insurance. The City participates in the all-risk property protection program of the CJPIA. This insurance protection is underwritten by several insurance companies. City property is currently insured according to a schedule of covered property submitted by the City to the CJPIA. The City's property currently has all-risk property insurance protection in the amount of \$117,597,884. There is a \$10,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$2,500 deductible.

Crime Insurance. The City purchases crime insurance coverage in the amount of \$1,000,000 with a \$2,500 deductible. The fidelity coverage is provided through the CJPIA.

Special Event Tenant User Liability Insurance . The City further protects against liability damages by requiring tenant users of certain property to purchase low-cost tenant user liability insurance for certain activities on City property. The insurance premium is paid by the tenant user and is paid to the City according to a schedule. The City then pays for the insurance. The insurance is facilitated by the CJPIA.

During the past three Fiscal Years, none of the above programs of protection experienced settlements or judgments that exceeded pooled or insured coverage. There were also no significant reductions in pooled or insured liability coverage in Fiscal Year 2023-24.

The City is fully self-insured for unemployment claims.

For additional information about the City's insurance policies, see Note 12 to the City's audited financial statements for Fiscal Year 2023-24 attached hereto as Appendix C.

For more information with respect to the insurance requirements under the Lease Agreement, see the caption "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2025 BONDS—Insurance" in this Official Statement.

CITY FINANCIAL INFORMATION

Management Discussion and Analysis

The City has implemented a strategic approach to managing operational and capital expenditures, guided by its Comprehensive Financial Strategy and the City Council’s goal-setting workshops. See “— Financial Policies— *Comprehensive Fiscal Strategy*,” below. This approach is intended to effectively accommodate future growth while maintaining fiscal responsibility. The City has consistently produced timely audited financial statements, which have received unqualified (clean) audit opinions.

Atascadero has historically had a relatively affordable cost of living compared to neighboring jurisdictions and has experienced steady and sustainable growth in recent years.

Recent development in the City includes the completion of the Downtown Enhancement Project, which added over 100 new parking spaces, improved ADA accessibility, installed a fully signalized pedestrian crossing at East Mall and El Camino Real, and added more than 25 new street trees. In 2024, the City rehabilitated 5.65 miles of roadway, resurfaced 1.37 miles of roadway, and restriped 26.9 miles of roadway, demonstrating a strong commitment to infrastructure maintenance and improvement. The City’s budget focuses resource toward promoting smart and sustainable development in key areas, including the Home Depot Center, the Barrel Creek Project, the Del Rio Marketplace Project, the Del Rio Ranch Project, the Dove Creek Commercial Project, and the revitalization of the former Kmart property. To support local business growth, the City offers a low-interest loan program for new restaurants.

In November 2024, the City received nearly 71% voter approval for the renewal of its half cent Sales Tax Measure F-14, now known as Measure L-24. Additionally, the Central Coast Zoo, a City-owned facility, recently earned accreditation from the Association of Zoos and Aquariums, a distinction achieved by only 10% of zoos worldwide.

The City is actively developing its General Plan and Zoning Plan Updates, which will guide growth and development over the next 20 years, based on a projected moderate annual growth rate of less than 1%. The City’s Adopted 2025-27 Budget continues to prioritize public safety, focusing on staffing, equipment upgrades, and proactive emergency preparedness efforts.

Accounting and Financial Reporting

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

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

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

The City’s statement of activities presents information showing how the government’s net position changed during the most recent Fiscal Year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and

expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

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

The governmental activities include police, fire, parks, recreation, community development, public works, and general government activities. Property and sales taxes, user fees, interest income, franchise fees, and state and federal grants finance these activities. The business-type activities include wastewater and transit.

As required by accounting principles generally accepted in the United States of America, the City's financial statements represent the City (the primary government). The City previously had a component unit (the Community Redevelopment Agency of Atascadero) through January 31, 2012, for which the government was considered to be financially accountable. Effective February 1, 2012, Assembly Bill AB 1x26, as modified by the California Supreme Court, dissolved redevelopment agencies in California. All assets and liabilities were required to be transferred to the corresponding Successor Agency identified in each community. In Atascadero, the City became the Successor Agency and holds these assets and liabilities in a Private Purpose Trust. See Note 15 to the City's audited financial statements for further details on the Successor Agency. The City has no component units that require discrete presentation in accordance with GASB Statement No. 14, as amended by GASB Statements No. 39, No. 61, No. 80, and No. 90.

A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the City are divided into three categories of activities – governmental, proprietary, and private purpose trust funds.

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

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

The City maintains multiple individual governmental funds. Information for the General Fund is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances. The General Fund, the Local Transportation Fund, the Circulation System Fees Fund, and the 2010 Bond Debt Service Fund (now closed) are considered to be the major governmental funds. Data from the other nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data, including budgetary information, for each of these nonmajor governmental funds are provided in the combining financial statements under the supplementary information section.

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

Proprietary Funds provide the same type of information as the business-type activities in the government-wide financial statements, except that the Proprietary Funds provide greater detail. The City maintains two types of Proprietary Funds: Enterprise Funds and Internal Service Funds. The City's Enterprise Funds are the same as the business-type activities reported in the Government-wide Financial Statements: Transit and Wastewater. The City uses Internal Service Funds to report activities that provide supplies and services for the City's other programs and activities. The City's Internal Services Funds include the Technology Fund, the Building Maintenance and Replacement Fund, and the Vehicle and Equipment Replacement Fund. The Internal Service Funds are combined into one column within the Proprietary Funds statements and then are combined with governmental activities in the Government-wide Financial Statements.

Private Purpose Trust Funds are used to account for monies held on behalf of others in a fiduciary capacity. The City uses private purpose trust funds to account for the Successor Agency of the Former Community Redevelopment Agency of Atascadero, which was dissolved on February 1, 2012, pursuant to state law. All resources of the funds are used to support specified activities.

Net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by about \$235.5 million at the close of the most recent Fiscal Year.

For more information, see Note 1 to the City's audited financial statements for Fiscal Year 2023-24 attached to this Official Statement as Appendix C.

City Component Units and Discrete Component Units

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

The City's basic financial statements, attached to this Official Statement in Appendix C, present the financial activity of the City, which is the primary government. The reporting entity is the City of Atascadero. There are no component units included in the City's financial statements which meet the reporting entity definition criteria of GASB Statement No. 14, The Financial Reporting Entity, as amended by GASB Statement No. 39, GASB Statement No. 61, GASB Statement No. 80, and GASB Statement No. 90.

Financial Policies

General. The City Council has adopted a comprehensive set of financial management policies to provide for: (i) accounting and financial reporting policies; (ii) financial policies; (iii) general fund reserve policy; (iv) debt management policy; and (v) investment policy. A summary of certain of these City Council policies is set forth below.

Comprehensive Fiscal Strategy. The City first adopted a Comprehensive Financial Strategy in 1998, and since then, has consistently maintained a conservative outlook by putting aside reserves in good times and then using those reserves during down periods in order to achieve stable operations. By employing this cautious strategy in the past, the City has been able to remain fiscally stable during revenue fluctuations and increases in operational costs. The City has used reserves along with other fiscal strategies to foster the City's long-term financial viability.

The City uses a Seven-Year Financial Projection with the development of each budget cycle. This has allowed the City to anticipate future revenues and expenditures which has enabled informed decision-making to avoid shortfalls and foster stability. The Seven-Year Financial Projection reflects conservative estimates of revenues and expenditures, which in some years causes the projection to reflect lower revenues than expenditures, including in the current budget cycle. The Seven-Year Financial Projection also excludes Measure F-14 Sales Tax revenues, which if included in the Seven-Year Financial Projection, would cause revenues to exceed expenditures in the current budget cycle. The City excludes these Measure F-14 revenues in the Seven-Year Financial Projection for transparency to the community because these revenues are earmarked for road repairs; however, Measure F-14 revenues are General Fund revenues and may be used to pay general expenses of the City, including debt service on the Series 2025A Bonds.

General Fund Reserve Policy. The City maintains a Minimum Fund Balance Policy such that the City's General Fund balance shall not fall below 20% of General Fund expenditures, except in the case of natural or fiscal emergencies. In the event of natural or fiscal emergencies, the General Fund reserve level may fall below 20%; however, within six months of the declared emergency, the City Council shall adopt a long-term financial plan to bring the General Fund reserves up to 20%. As part of the biennial budget process, eleven key measurements of reserves should be analyzed to determine the prudent level of General Funds reserves for that two-year budget cycle including (i) state of the economy, (ii) the level of diversity in General Fund revenues, (iii) the stability of the revenue base, (iv) potential actions of state and federal agencies, (v) cash flow needs, (vi) costs of potential natural disasters and emergencies, (vii) asset replacement requirements, (viii) consistency desired in service levels, (ix) available opportunities, (x) needs of future commitments, and (xi) interest income earned on reserves. There is no upper limit on the amount of the General Fund Reserve.

The City ended Fiscal Year 2023-24 with a General Fund balance of \$21,228,656 (or approximately 53.7% of General Fund expenditures). The Fiscal Year 2025-27 adopted budget projects a General Fund balance of \$14,636,013 (or approximately 31.8% of adopted General Fund expenditures) at the end of Fiscal Year 2024-25. The reduction in the projected General Fund balance from the General Fund balance in Fiscal Year 2023-24 relates to anticipated increases in employee costs, operational increases, and planned capital projects, as well as carryover costs from prior fiscal years. The Fiscal Year 2025-27 biennial budget projects balances of \$14,696,410 and \$14,846,890 at the end of Fiscal Year 2025-26 and Fiscal Year 2026-27, respectively, representing approximately 37% and 35.8% of the adopted General Fund expenditures for the respective Fiscal Years.

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 the construction, acquisition, and rehabilitation of capital improvements and facilities, equipment and land to be owned and operated by the City, as well as management of other long-term obligations such as pension and other post-employment benefits obligations. Long-term debt financings are appropriate when the project to be financed is necessary to provide basic services, the project to be financed will provide benefit to constituents over multiple years, the total debt does not constitute an unreasonable burden to the City and its taxpayers and/or ratepayers, as applicable, and the debt is used to refinance outstanding debt in order to produce debt service savings or to realize the benefits of a debt restructuring. The Debt Management Policy also provides that short-term debt may be utilized to provide financing for the City's operational cash flows in order to maintain a steady and even cash flow balance and to finance short-lived capital projects; for example, the City may undertake lease-purchase financing for equipment.

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 enhancing the economic status of the City while protecting its pooled cash. 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 state municipal obligations in any of the other 49 states, in addition to California; commercial paper; diversified management companies, as defined by Section 53601(l) of the California Government Code; negotiable certificates of deposit issued by a nationally or state-chartered bank, a federal association, or a state licensed branch of a foreign bank; 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 City Treasurer. The City Treasurer is required to generate a monthly investment report and submit a quarterly investment report to the City which shall include the following elements; (i) face value, (ii) security description, (iii) coupon rate (iv) maturity date, (v) investment rating, (vi) investment type, (vii) purchase date, (viii) cost of security, (ix) yield-to-maturity, (x) estimated market value, (xi) amortized premium/discount, (xii) unrealized gain/loss, (xiii) listing of investment by maturity, (xiv) gains or losses on the sale of securities not held to maturity, (xv) bank failures, (xvi) investment ratings downgraded by Moody or S&P, (xvii) statement relating the report to the statement of investment policy, and (xviii) statement that there are sufficient funds to meet the next six months’ obligations.

At June 30, 2024, the City had an investment portfolio with a market value of \$85,167,597 and at June 30, 2025 the City had an investment portfolio with a market value of \$60,181,618. The following table presents a summary of the City’s investment portfolio as of such dates.

TABLE 1
CITY OF ATASCADERO
SUMMARY OF INVESTMENTS
(AS OF JUNE 30, 2024 AND JUNE 30, 2025)⁽¹⁾

<i>Investment Type</i>	<i>Market Value</i>	
	<i>As of June 30, 2024</i>	<i>As of June 30, 2025⁽²⁾</i>
U.S. Government Obligations	\$ 25,637,013	\$ 28,873,000
Supranational Securities	1,968,295	1,005,810
Municipal Bonds	8,695,629	8,430,663
Certificates of Deposits	18,387,654	15,630,647
Local Agency Investment	9,803,616	6,218,016
Investments Held by Fiscal Agents	20,675,390	23,482 ⁽³⁾
Total	\$ 85,167,597	\$ 60,181,618

(1) Investments measured at fair value.

(2) Unaudited

(3) Reflects the reduction in investments held in connection with bonded indebtedness due to the refunding of the former Atascadero Community Redevelopment Agency 2004 Tax Allocation Bonds and the Atascadero Public Financing Authority Lease Revenue Bonds, 2010 Series A in July 2024.

Source: City of Atascadero.

For additional information with respect to the City’s cash and investments, see Note 3 to the audited financial statements for Fiscal Year 2023-24 attached to this Official Statement as Appendix C.

Budget Procedure, Current Budget and Historical Budget Information

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

The City maintains budgetary controls to maintain the budget’s integrity and allow staff to function efficiently throughout the year. Budgetary control (which is the policy that expenditures may not exceed appropriations) is at the Department level within each fund with City Manager (or designee) authorization. Council has also given the City Manager (or designee) authority to increase both revenue estimates and appropriations within a fund when there is at least a one-to-one correlation. Transfers between funds or capital outlay accounts is typically brought to Council for approval. Amounts appropriated for each year in the operating budget lapse at the end of each Fiscal Year, unless carried forward through the encumbrance process.

Fiscal Year 2025-27 Adopted Budget. The City’s biennial operating budget for the 2025-27 period (the “2025-27 Budget”) was approved by the City Council on June 10, 2025. The 2025-27 Budget projects General Fund revenues and other sources in Fiscal Year 2025-26 to be approximately \$39.8 million, an increase of approximately 0.8% from Fiscal Year 2024-25 Budget, and approximately \$41.7 million in Fiscal Year 2026-27. The 2025-27 Budget projects General Fund expenditures in Fiscal Year 2025-26 to be approximately \$39.8 million, which represents a decrease of approximately 1.2% from Fiscal Year 2024-25 Budget, and appropriately \$41.5 million in Fiscal Year 2026-27.

The City’s three primary General Fund revenue sources are sales taxes, property taxes and transient occupancy taxes which collectively account for approximately 78% of the City’s General Fund revenues in the

2025-26 Budget. The 2025-27 Budget projected that property taxes, which has historically been the most stable of the major revenue sources, will grow at approximately 4.9% percent in Fiscal Year 2025-26 and 6.63% in Fiscal Year 2026-27. Bradley Burns Sales Tax revenues were projected to increase by approximately 4.35% and 3.95% in Fiscal Years 2025-26 and 2026-27, respectively. Sales Tax Measure D-20 revenues were projected to increase by approximately 1.2% and 3.6% in Fiscal Years 2025-26 and 2026-27, respectively. Sales Tax Measure F-14 revenues were projected to increase by 1.2% and 3.6% in Fiscal Years 2025-26 and 2026-27, respectively.

Capital Improvement Program. The City’s adopted Fiscal Years 2025-27 biennial capital project budget (the “2025-27 Capital Project Budget”) includes the City’s Capital Improvement Plan (the “CIP”), which consists of long-range (five year) capital projects approved by the City Council. Capital funds account for major construction, improvements, and repair projects. The City’s CIP projects are grouped into nine different categories: Road Improvement, Road Rehabilitation, Measure F-14 Road Rehabilitation, Bridge, Drainage, Facilities, Parks and Recreation, Wastewater and Other.

The following table sets forth the City’s projected Five- Year CIP expenditures by CIP category. Total CIP appropriations for the five years total \$176.4 million and appropriations for Fiscal Years 2025-26 and 2026-27 are approximately \$25.9 million and \$32.4 million, respectively. Costs of the Project are included in the following table. Other than the issuance of the Bonds to finance the Project, the City does not expect to issue new General Fund debt to finance any of the projects described in this paragraph and the following table.

The Wastewater category in Table 2 below includes the estimated costs for the Wastewater Reclamation Facility Retrofit and Secondary Treatment Process Improvement Project (the “Wastewater Project”). The Wastewater Project is mandated by state law and will modernize and expand the City’s wastewater treatment capacity to allow for future growth. Under current requirements, the Wastewater Project must be completed by January 2030. The City currently estimates that the Wastewater project will cost between \$100 million and \$130 million over the next five years. The City’s wastewater system is funded through user fees. Current fees are not projected to be adequate to pay the costs of the Wastewater Project. The City is investigating the availability of grants, other governmental funding sources, legislative relief, and contributions from partners to fund the cost of the Wastewater Project or modify the current legal requirements relating to the Wastewater Project. Additionally, the City is currently undergoing a rate study process to set future wastewater system fees and charges; the rate study will include assumptions regarding the funding needed for the Wastewater Project. While the City does not currently expect to use General Fund moneys for the Wastewater Project, if needed to comply with state law and provide required wastewater services the City could decide to use General Fund moneys for the Wastewater Project, potentially through an interfund loan to the wastewater system.

TABLE 2
CITY OF ATASCADERO
CAPITAL IMPROVEMENT PLAN
(FISCAL YEARS 2025-26 THROUGH 2029-30)

<i>Project Description</i>	<i>Fiscal Year 2025-26⁽⁴⁾</i>	<i>Fiscal Year 2026-27</i>	<i>Fiscal Years 2027-28 through 2029-30</i>	<i>Total</i>
Road Improvement ⁽¹⁾	\$ 1,840,100	\$ 1,500,000	\$ -	\$ 3,340,100
Road Rehabilitation ⁽²⁾	4,422,090	3,224,650	5,790,000	13,436,740
Measure F-14 Road Rehabilitation ⁽³⁾	2,790,000	3,025,000	11,780,000	17,595,000
Bridge ⁽²⁾	334,500	284,500	619,000	1,238,000
Drainage ⁽²⁾	175,000	75,000	300,000	550,000
Facilities ⁽⁴⁾⁽⁵⁾	12,320,000	19,000,000	2,930,000	34,250,000
Parks and Recreation ⁽⁶⁾	145,980	-	-	145,980
Wastewater ⁽²⁾⁽⁷⁾	3,907,500	5,017,500	96,647,500	105,572,500
Other ⁽²⁾	<u>15,000</u>	<u>240,220</u>	<u>15,000</u>	<u>270,220</u>
Total	\$ 25,950,170	\$ 32,366,870	\$ 118,081,500	\$ 176,398,540

⁽¹⁾ Payable from various funding sources, including General Fund expenditures in Fiscal Year 2025-26 of approximately \$330,100. Not expected to be paid from the General Fund after Fiscal Year 2025-26.

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

⁽³⁾ Payable from Measure F-14 sales tax.

⁽⁴⁾ Payable from Measure D-20 sales tax and other long term funding sources.

⁽⁵⁾ Includes the budgeted Project expenditures.

⁽⁶⁾ Payable from various funding sources, including General Fund expenditures in Fiscal Year 2025-26 of approximately \$45,980.

⁽⁷⁾ Includes the Wastewater Project.

Source: City of Atascadero.

Historical and Preliminary Budget Information. Table 3 presents the adopted General Fund budgets for Fiscal Years 2022-23 and 2023-24 and the audited results for Fiscal Years 2022-23 and 2023-24. Table 4 presents the adopted General Fund budget for Fiscal Years 2023-24, 2024-25, and 2025-26, with budgeted expenditures broken down by department and by type. The General Fund budget shown in Table 4 below does not reflect the application of GAAP and therefore differs in certain respects to the audited General Fund Statement of Revenues, Expenditures and Change in Fund Balance shown in Table 5 below.

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

	<i>Adopted Fiscal Year 2022-23 Budget</i>	<i>Audited Fiscal Year 2022-23 Results</i>	<i>Adopted Fiscal Year 2023-24 Budget</i>	<i>Audited Fiscal Year 2023-24 Results</i>
REVENUES				
Secured and unsecured property taxes	\$ 11,590,490	\$ 12,066,128	\$ 12,571,670	\$ 12,833,429
Taxes based on sales and use ⁽¹⁾	12,799,950	14,497,346	14,941,690	14,643,144
Transient occupancy tax ⁽²⁾	1,490,830	2,156,988	2,015,800	2,097,167
Franchise tax	1,255,480	1,381,290	1,440,230	1,491,046
Other taxes	368,620	394,276	405,840	370,634
Licenses and permits	700,550	1,088,633	910,210	990,213
Intergovernmental revenues:				
Motor vehicle in-lieu and related payments	22,710	31,551	31,870	38,021
American Rescue Plan Act Funds-COVID-19	-	3,597,290	--	--
Grants	-	485,149	666,780	335,605
Other governmental revenues	188,830	219,073	193,360	219,448
Charges for services:				
Public safety	469,340	640,911	475,020	810,065
Development	614,670	935,291	903,150	861,217
Recreation, parks, pavilion, and zoo	924,000	1,236,078	1,211,280	1,236,099
Other services	60,200	131,371	108,220	135,657
Fines and forfeitures	61,600	78,628	55,750	54,320
Use of money and property	83,740	513,543	418,640	891,877
Other revenues	<u>1,377,100</u>	<u>1,547,809</u>	<u>1,694,700</u>	<u>1,823,537</u>
Total revenues	\$ 32,008,110	\$ 41,001,355	\$ 38,044,210	\$ 38,831,479
EXPENDITURES				
Employee services	\$ 20,631,090	\$ 20,148,481	\$ 22,874,450	\$ 21,862,012
Operating supplies and services	7,983,780	7,720,263	9,936,670	8,478,618
Special purchases, projects, and community funding	912,680	8,911,604	3,730,880	3,893,096
Capital outlay	<u>\$ 4,108,970</u>	<u>\$ 4,134,346</u>	<u>\$ 8,298,100</u>	<u>\$ 4,845,762</u>
Total expenditures	\$ 33,636,520	\$ 40,914,694	\$ 44,840,100	\$ 39,079,488
Excess of revenues over (under) expenditures	\$ (1,628,410)	\$ 86,661	\$ (6,795,890)	\$ (248,009)
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 746,460	\$ 743,353	\$ 760,880	\$ 760,880
Transfers out ⁽³⁾	<u>-</u>	<u>(4,975,849)</u>	<u>-</u>	<u>(470,850)</u>
Total other financing sources and uses	\$ 746,460	\$ (4,232,496)	\$ 760,880	\$ 290,030
Excess of revenue and other sources over (under) expenditures and other uses	\$ (881,950)	\$ (4,145,835)	\$ (6,035,010)	\$ 42,021
Fund balance – July 1	\$ 11,631,110	\$ 25,332,470	\$ 20,121,150	\$ 21,186,635
Fund balance – June 30	\$ 10,749,160	\$ 21,186,635	\$ 14,086,140	\$ 21,228,656

(1) Includes Measure F-14 Sales Tax revenues, which are General Fund revenues; however, the City's practice is to earmark these revenues for road repairs.

(2) Transient Occupancy Taxes are included in "other taxes" in the City's audited financial statements for Fiscal Year 2022-23 and prior fiscal years.

(3) Transfers out include Gas Tax Fund transfers for streets maintenance and a one-time Local Transportation Fund transfer for the Downtown Infrastructure Enhancement Plan.

Source: City of Atascadero Audited Financial Statements for Fiscal Years 2022-23 through 2023-24 and Adopted Budget for 2023-25.

TABLE 4
CITY OF ATASCADERO
ADOPTED FISCAL YEAR 2023-25 AND FISCAL YEAR 2025-27 BIENNIAL BUDGETS
(BUDGETARY BASIS)

	<i>Adopted Fiscal Year 2024-25 Budget⁽¹⁾</i>	<i>Adopted Fiscal Year 2025-26 Budget⁽²⁾</i>	<i>Adopted Fiscal Year 2026-27 Budget⁽²⁾</i>
REVENUES			
Taxes	\$ 32,367,080	\$ 33,064,240	\$ 34,668,810
Permits and Fees	914,500	892,730	883,680
Revenues from Other Agencies	236,900	262,960	217,770
Charges for Services	2,729,440	2,641,010	2,760,720
Fines and Forfeitures	56,530	35,420	35,660
Revenue from Use of Money	372,890	319,270	357,010
Other Revenues	1,735,020	1,757,750	1,872,000
Transfers In	<u>783,700</u>	<u>843,450</u>	<u>851,800</u>
Total Revenues	\$ 39,196,060	\$ 39,816,830	\$ 41,647,450
EXPENSES			
Employee Services	\$ 23,756,230	\$ 25,071,910	\$ 26,327,690
Operations	10,072,830	9,895,040	10,290,280
Special Projects	545,500	74,700	54,000
Capital Outlay	<u>5,910,000</u>	<u>4,714,780</u>	<u>4,825,000</u>
Total Expenses	\$ 40,284,560	\$ 39,756,430	\$ 41,496,970
Net Income	\$ (1,088,500)	\$ 60,400	\$ 150,480
BEGINNING AVAILABLE			
BALANCE	<u>14,086,140</u>	<u>14,636,013</u>	<u>14,696,410</u>
ENDING AVAILABLE BALANCE⁽³⁾	<u>\$ 12,771,284</u>	<u>\$ 14,696,410</u>	<u>\$ 14,846,890</u>

(1) Based on the City's adopted Fiscal Year 2023-25 biennial budget. Includes operating budget and General Fund-funded capital improvements.

(2) Based on the City's adopted Fiscal Year 2025-27 Budget. Includes operating budget, and General Fund funded capital improvements.

(3) The year end fund balance for Fiscal Year 2024-25 is projected in the 2023-25 budget cycle, whereas the Fiscal Year 2025-26 and Fiscal Year 2026-27 figures are projected in the 2025-27 budget cycle. Accordingly the beginning balance for Fiscal Year 2025-26 is based on different assumptions than the Fiscal Year 2024-25 year end fund balance.

Source: City of Atascadero Adopted Fiscal Year 2023-25 and 2025-27 Biennial Budgets.

Comparative Change in Fund Balance of the City General Fund

The table below presents the City's audited General Fund Statement of Revenues, Expenditures and Change in Fund Balances for Fiscal Years 2019-20 through 2023-24.

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

	2019-20	2020-21	2021-22	2022-23	2023-24
REVENUES					
Secured and unsecured property taxes	\$ 10,341,744	\$ 10,792,509	\$ 11,213,632	\$ 12,066,128	\$ 12,833,429
Taxes based on sales and use ⁽¹⁾⁽³⁾	6,671,958	8,976,357	14,621,612	14,497,346	14,643,144
Transient Occupancy Tax ⁽²⁾	1,123,619	1,385,896	2,049,160	2,156,988	2,097,167
Franchise tax	1,146,994	1,232,615	1,301,298	1,381,290	1,491,046
Other taxes ⁽²⁾	333,635	433,722	454,656	394,276	370,634
Licenses and permits	614,507	754,420	787,086	1,088,633	990,213
Intergovernmental revenues:					
Motor vehicle in lieu	24,064	22,045	34,222	31,551	38,021
American Rescue Plan Act - COVID-19	--	--	3,597,290	3,597,290	--
Grants	275,882	155,648	385,671	485,149	335,605
Other governmental revenues	1,158,270	535,247	198,142	219,073	219,448
Charges for services:					
Public safety	452,054	1,676,188	924,146	640,911	810,065
Development	632,008	689,401	643,780	935,291	861,217
Recreation, parks, pavilion, and zoo	671,382	790,255	1,237,355	1,236,078	1,236,099
Other services	59,118	65,619	70,945	131,371	135,657
Fines and forfeitures	90,707	49,312	58,580	78,628	54,320
Use of money and property	541,061	106,561	(641,535)	513,543	891,877
Other revenues	1,227,680	1,384,715	1,554,784	1,547,809	1,823,537
Total Revenues	<u>\$ 25,364,683</u>	<u>\$ 29,050,510</u>	<u>\$ 38,490,824</u>	<u>\$ 41,001,355</u>	<u>\$ 38,831,479</u>
EXPENDITURES					
Current:					
General government	\$ 3,192,411	\$ 3,323,696	\$ 3,495,944	\$ 4,056,053	\$ 3,813,233
Public safety ⁽⁴⁾	12,671,195	13,669,630	15,393,654	23,001,555	19,840,323
Community development	2,015,838	2,299,859	2,659,600	3,586,285	3,917,515
Community, recreation and zoo services	2,174,300	1,996,596	2,516,081	3,020,056	3,356,030
Parks and open space	711,227	708,729	948,473	1,179,986	1,550,679
Public works	1,229,154	1,293,007	1,572,389	1,936,413	1,755,946
Capital outlay	<u>2,502,618</u>	<u>3,747,912</u>	<u>4,399,903</u>	<u>4,134,346</u>	<u>4,845,762</u>
Total Expenditures	<u>\$ 24,496,743</u>	<u>\$ 27,039,429</u>	<u>\$ 30,986,044</u>	<u>\$ 40,914,694</u>	<u>\$ 39,079,488</u>
Net Income	<u>\$ 867,940</u>	<u>\$ 2,011,081</u>	<u>\$ 7,504,780</u>	<u>\$ 86,661</u>	<u>\$ (248,009)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	\$ 690,450	\$ 698,950	\$ 703,570	\$ 743,353	\$ 760,880
Transfers out ⁽⁵⁾	<u>(221,426)</u>	<u>(255,067)</u>	<u>(212,033)</u>	<u>(4,975,849)</u>	<u>(470,850)</u>
Total Other Financing Sources (Uses)	<u>\$ 469,024</u>	<u>\$ 443,883</u>	<u>\$ 491,537</u>	<u>\$ (4,232,496)</u>	<u>\$ 290,030</u>
Net Change in Fund Balance	<u>\$ 1,336,964</u>	<u>\$ 2,454,964</u>	<u>\$ 7,996,317</u>	<u>\$ (4,145,835)</u>	<u>\$ 42,021</u>
Extraordinary gains/(losses)- Write-off of Redevelopment Loans	--	\$ (1,375,175)	--	--	--
Net change in fund balances	1,336,964	\$ 1,079,789	7,996,317	(4,145,835)	42,021
Fund Balance, Beginning of Year	\$ 14,919,400	\$ 16,256,364	\$ 17,336,153	\$ 25,332,470	\$ 21,186,635
Fund Balance, End of Year	<u>\$ 16,256,364</u>	<u>\$ 17,336,153</u>	<u>\$ 25,332,470</u>	<u>\$ 21,186,635</u>	<u>\$ 21,228,656</u>

(1) Sales Tax Measure D20 went into effect April 1, 2021.

(2) Transient Occupancy Taxes are included in "other taxes" in the City's audited financial statements for Fiscal Year 2022-23 and prior fiscal years.

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

(4) Increase in Fiscal Year 2022-23 reflects \$1.1 million in salaries due to raises and added staff members in Fire and Police, \$3.5 million transfer from the Fire Department budget to the Building Maintenance Fund for the Project, and \$3.05 million in contributions from Police and Fire to internal reserve funds for future replacement of public safety equipment and facilities.

(5) Transfers out include Gas Tax Fund transfers for streets maintenance and a one-time Local Transportation Fund transfer for the Downtown Infrastructure Enhancement Plan.

Source: City of Atascadero Audited Financial Statements for Fiscal Years 2019-20 through 2023-24.

Comparative General Fund Balance Sheets of the City

The table below presents the City's audited General Fund Balance Sheets for Fiscal Years 2019-20 through 2023-24.

TABLE 6
CITY OF ATASCADERO
GENERAL FUND BALANCE SHEETS
FIVE YEAR COMPARISON

	2019-20	2020-21	2021-22	2022-23	2023-24
Assets:					
Cash and investments	\$ 13,663,565	\$ 15,281,100	\$ 23,330,190	\$ 19,317,760	\$ 19,762,421
Restricted cash and investments:					
Certificates of deposit	85,473	85,473	85,473	85,473	--
Receivables:					
Federal distributions due ⁽¹⁾	437,567	113,661	3,622,717	536,991	69,092
Due from State of California	1,330,491	2,461,270	2,647,130	2,017,309	1,873,557
Due from County of San Luis Obispo	271,182	181,985	58,872	58,806	346,321
Accrued interest	36,174	38,542	78,405	142,353	111,834
Other receivables	348,058	719,305	1,075,453	1,076,396	1,448,937
Due from other funds	273,141	214,620	243,686	70,873	71,664
Deposits, prepaid items, and inventory	28,664	17,417	30,080	27,379	86,024
Advances receivable- Successor Agency ⁽²⁾	<u>1,375,175</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total Assets	\$ 17,849,490	\$ 19,113,373	\$ 31,172,006	\$ 23,333,340	\$ 23,769,850
Liabilities:					
Accounts payable	\$ 439,791	\$ 845,236	\$ 1,128,157	\$ 788,560	\$ 1,114,694
Accrued salaries and benefits	604,858	639,132	845,469	955,877	1,140,911
Unearned revenue	155,972	128,785	135,954	228,827	173,876
Deposits	71,739	82,416	62,079	75,915	73,518
Other payables	<u>73,354</u>	<u>81,651</u>	<u>70,587</u>	<u>97,526</u>	<u>38,195</u>
Total Liabilities	\$ 1,345,714	\$ 1,777,220	\$ 2,242,246	\$ 2,146,705	\$ 2,541,194
Deferred Inflows					
Deferred inflows related to CARES Act	\$ 247,412	\$ --	\$ --	\$ --	\$ --
Deferred inflows related to ARPA funding	<u>--</u>	<u>--</u>	<u>3,597,290</u>	<u>--</u>	<u>--</u>
Total Deferred Inflows	\$ 247,412	\$ --	\$ 3,597,290	\$ --	\$ --
Fund Balances:					
Nonspendable	\$ 1,489,312	\$ 102,890	\$ 115,553	\$ 112,852	\$ 86,024
Restricted	783,106	783,106	486,856	117,687	98,156
Unassigned	<u>13,983,946</u>	<u>16,450,157</u>	<u>24,730,061</u>	<u>20,956,096</u>	<u>21,044,476</u>
Total Fund Balances	\$ 16,256,364	\$ 17,336,153	\$ 25,332,470	\$ 21,186,635	\$ 21,228,656
Total liabilities and fund balances	\$ 17,849,490	\$ 19,113,373	\$ 31,172,006	\$ 23,333,340	\$ 23,769,850

⁽¹⁾ Fiscal Year 2021-22 includes \$3,597,290 in American Rescue Plan Act funding.

⁽²⁾ Reflects the balance of a loan made by the City to the former Community Redevelopment Agency of Atascadero which was written off in Fiscal Year 2020-21.

Source: City of Atascadero Audited Financial Statements for Fiscal Years 2019-20 through 2023-24.

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, Measure D-20 and F-14 sales taxes, cannabis taxes, transient occupancy taxes, and franchise taxes. The City’s total General Fund tax revenues by source for the five most recent Fiscal Years are set forth below.

TABLE 7
CITY OF ATASCADERO
GENERAL FUND TAX REVENUES BY SOURCE

<i>Revenue Category</i>	<i>2019-20</i>	<i>2020-21</i>	<i>2021-22</i>	<i>2022-23</i>	<i>2023-24</i>
Property taxes ⁽¹⁾	\$ 10,341,744	\$ 10,792,509	\$ 11,213,632	\$ 12,066,128	\$ 12,833,429
Sales taxes	4,188,715	4,728,862	5,169,751	4,964,533	4,887,550
Measure D-20 sales tax ⁽²⁾	--	1,415,443	6,239,847	6,354,899	6,507,108
Measure F-14 sales tax ⁽³⁾	2,483,243	2,832,052	3,212,014	3,177,914	3,248,486
Transient occupancy tax	1,123,619	1,385,896	2,049,160	2,156,988	2,097,167
Franchise tax	1,146,994	1,232,615	1,301,298	1,381,290	1,491,046
Business license tax	173,066	170,544	173,525	179,253	179,869
Property transfer tax	149,238	214,195	230,626	167,590	137,477
Cannabis business tax	11,331	48,983	50,505	47,433	53,288
Total taxes	\$ 19,617,950	\$ 22,821,099	\$ 29,640,358	\$ 30,496,028	\$ 31,435,420

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

⁽²⁾ General purpose one-cent transaction tax that became effective on April 1, 2021. See “Sales Taxes—*Measure D-20 Sales Tax*” below.

⁽³⁾ General purpose half-cent transaction tax that became effective on April 1, 2015. See “Sales Taxes—*Measure F-14 Sales Tax*” below.

Source: City of Atascadero.

Sales Taxes

General. During Fiscal Year 2023-24, sales tax receipts of approximately \$14.6 million provided the largest tax revenue source for the City, contributing approximately 37% of total General Fund revenues. General Fund sales tax revenues of approximately \$14.7 million are estimated to be received during Fiscal Year 2024-25. 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 7.25% sales tax rate established by the State Legislature plus the general purpose one-half cent tax approved by Measure F-14 (the “Measure F-14 Sales Tax”) and the general purpose one cent tax approved by Measure D-20 (the “Measure D-20 Sales Tax”) that voters of the City approved.

Over 2,800 businesses operate in the City. During the fourth quarter of Fiscal Year 2023-24, the top 25 businesses in the City generated approximately 55% of the City’s total sales tax revenues. The City’s sales tax base is diverse and comprised of the following categories: Fuel and Service Stations, Building and Construction, Restaurants and Hotels, Autos and Transportation, Food and Drugs, Business and Industry, General Consumer Goods, and State and County Pools.

The table below sets forth the top twenty-five sales tax producers as of June 30, 2024 in alphabetical order.

TABLE 8
CITY OF ATASCADERO
TOP 25 SALES TAX PRODUCERS
(AS OF JUNE 30, 2024)

7 Eleven	In N Out Burger
777 Auction Company	M & M Smoke Shop
Arco AM PM	Marv's Station
Atascadero 76	McDonald's
Atascadero Chevron	Miners Ace Hardware
Atascadero Shell	Shell
Circle K Union 76	Smart & Final
Dealers Choice	Taco Bell
El Camino Building Supply	Trailer Hitch
Fastrip Gasoline	Tyndall Tile Inc
Food 4 Less	Valley Speed & Marine
Hitching Post Shell	Vons
Home Depot	

Source: City of Atascadero.

Measure D-20 Sales Tax. In November 2020, Measure D-20 was approved by the voters of the City with 58.6% in favor of the measure. Measure D-20 imposes a general one cent transaction and use tax. The Measure D-20 Sales Tax was effective April 1, 2021, and provides funding for fire protection, paramedics, 911 emergency response, police, crime prevention and investigations, maintenance of parks, public facilities and infrastructure, graffiti removal, recreation, community services and other general city services. An annual report on Measure D-20 Sales Tax funds is reviewed, along with the City's annual financial audit, at a joint meeting of the Finance Committee and the Citizens Sales Tax Oversight Committee (the "CSTOC"). The voters of the City authorized the Measure D-20 Sales Tax to be collected until and unless repealed by the voters, and the revenues generated by the Measure D-20 Sales Tax are General Fund revenues. The City Council's practice has been to earmark a portion of Measure D-20 Sales Tax revenues for debt service in each annual budget.

During fiscal year 2023-24, Measure D-20 Sales Tax receipts of approximately \$6.5 million contributed approximately 16.4% of total General Fund Revenues. Measure D-20 Sales Tax revenues of approximately \$6.6 million are estimated to be received during fiscal year 2024-25.

Measure F-14 Sales Tax. In November 2014, Measure F-14 was approved by the voters of the City. Measure F-14 imposes a general one-half cent transaction and use tax. The Measure F-14 Sales Tax was effective April 1, 2015 and has a 12-year sunset clause. The companion measure, the Measure E-14 Sales Tax, included provisions for a nine-member Citizen Oversight Committee, an annual report, and that the Measure F-14 Sales Tax revenue be used primarily for the purpose of repairing and maintaining neighborhood roads and other roadways. In November 2024, Measure L-24 was approved by the voters of the City, passing with 70.68% voter approval. Measure L-24 extends the Measure F-14 Sales Tax. Measure F-14 Sales Tax revenues will be collected until it sunsets on March 31, 2027 and starting April 1, 2027, Measure L-24 Sales Tax revenues will be collected. The voters of the City authorized the Measure L-24 Sales Tax to be collected until and unless repealed by the voters. The revenues generated by the Measure L-24 Sales Tax are General Fund revenues that are primarily used for repairing and maintaining neighborhood roads.

During fiscal year 2023-24, Measure F-14 Sales Tax receipts of approximately \$3.2 million contributed approximately 8.2% of total General Fund Revenues. General Fund Measure F-14 Sales Tax revenues of approximately \$3.3 million are estimated to be received during fiscal year 2024-25.

Property Taxes

During Fiscal Year 2023-24, property tax receipts of approximately \$12.8 million provided the second largest tax revenue source of the City, contributing approximately 32.4% of total General Fund revenues. Property tax revenues of approximately \$13.4 million are estimated to be received during Fiscal Year 2024-25.

Many years ago, the Statewide Department of Motor Vehicle license fees (“VLF”) were reduced by approximately two-thirds. However, the State continued to remit to cities and counties the same amount that those local agencies would have received if the VLF had not been reduced, known as the “VLF backfill.” The State VLF backfill was phased out, and as of Fiscal Year 2011-12, all of the VLF is now received through an in-lieu payment from State property tax revenues referred to as property taxes in lieu of VLF.

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

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

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

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

The County of San Luis Obispo adopted the "Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds" provided for in Revenue and Taxation Code Sections 4701 - 4717,

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

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

The table below sets forth the secured and unsecured assessed valuations for property in the City for the Fiscal Years 2015-16 through 2025-26.

**TABLE 9
CITY OF ATASCADERO
TOTAL ASSESSED VALUATION BY LAND USE⁽¹⁾
FISCAL YEARS 2015-16 THROUGH 2025-26**

<i>Fiscal Year Ending June 30</i>	<i>Commercial Property</i>	<i>Industrial Property</i>	<i>Single-Family Residential</i>	<i>Condominium</i>	<i>Other Residential</i>	<i>Vacant</i>	<i>Other</i> ⁽²⁾	<i>Total</i>	<i>Change From Prior Year</i>
2016	\$333,211,684	\$15,103,112	\$2,380,493,008	\$127,980,057	\$274,035,795	\$143,959,673	\$42,396,344	\$3,317,179,673	5.92%
2017	341,148,761	15,195,721	2,547,560,018	140,850,289	296,413,770	131,872,419	41,886,797	3,514,927,775	5.96
2018	369,629,203	15,427,879	2,676,190,467	159,454,132	322,548,485	120,977,741	47,459,254	3,711,687,161	5.60
2019	398,265,933	15,891,715	2,832,641,818	175,827,215	335,283,602	118,983,407	49,804,775	3,926,698,465	5.79
2020	409,583,842	16,124,871	2,963,513,396	192,326,515	348,058,400	124,134,329	53,097,768	4,106,839,121	4.59
2021	427,221,056	16,655,500	3,090,335,252	199,077,971	366,867,338	135,779,178	53,384,374	4,289,320,669	4.44
2022	436,010,574	16,769,545	3,226,473,878	205,329,511	384,435,824	146,294,730	48,449,874	4,463,763,936	4.07
2023	477,866,711	17,022,567	3,456,846,934	220,793,952	397,629,531	131,541,869	50,678,848	4,752,380,412	6.47
2024	509,994,506	18,661,130	3,657,867,160	232,293,008	428,514,203	131,264,396	84,675,283	5,063,269,686	6.54
2025	550,221,238	19,228,828	3,833,838,787	239,790,547	456,015,676	121,706,899	83,844,572	5,304,646,547	4.77
2026	546,030,019	18,593,599	3,920,468,824	249,738,281	448,322,359	212,799,265	131,623,801	5,527,576,148	4.20

⁽¹⁾ Homeowner’s Exemption excluded.

⁽²⁾ Includes agricultural land uses.

Source: San Luis Obispo County Assessor (Urban Analytics, LLC)

The 10 largest property taxpayers in the City for Fiscal Year 2025-26 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 the following table has been obtained from third-party sources and is included for general information purposes only. The City has not verified the information in the following table and does not guarantee the accuracy of such information.

**TABLE 10
CITY OF ATASCADERO
LARGEST SECURED PROPERTY OWNERS BY TOTAL ASSESSED VALUATION
FISCAL YEAR 2026**

	<i>Property Owner</i>	<i>Total Assessed Valuation</i>	<i>Primary Land Use</i>	<i>% of Total⁽¹⁾</i>
1.	BORDEAUX HOUSE A CA LTD PTP	\$ 29,981,586	Other Residential	0.54%
2.	DAON PROPERTITES LLC	28,056,288	Commercial	0.51
3.	Z 3 LLC	25,825,519	Other	0.47
4.	NORTH COUNTY HOSPITALITY GROUP LLC	22,327,309	Commercial	0.40
5.	FPA SOUTHSIDE-WAIMANU LL ETAL	21,752,256	Condominiums	0.39
6.	ROSCHER ARNO A TRE ETAL	19,470,262	Commercial	0.35
7.	MIRA BUENA VISTA LLC	15,092,313	Other Residential	0.27
8.	RI-ATASCADERO LLC	14,856,912	Commercial	0.27
9.	MP ANNEX LLC	12,909,984	Other	0.23
10.	SHIVAAY INC ETAL	<u>11,891,897</u>	Commercial	0.22
	Totals	\$202,164,326		3.66%

⁽¹⁾ Based on Fiscal Year 2026 secured assessed valuation of \$5,527,576,148. Homeowner’s Exemption excluded. Source: San Luis Obispo County Assessor (Urban Analytics, LLC).

Transient Occupancy Tax (Hotel Visitor’s Tax)

During Fiscal Year 2023-24, transient occupancy tax receipts of approximately \$2.1 million contributed approximately 5.3% of total General Fund revenues. General Fund transient occupancy tax revenues of approximately \$2 million are estimated to be received during Fiscal Year 2024-25. The Transient Occupancy Tax charged to guests is currently 14%, of which 10% goes to the General Fund, 2.5% goes to the Atascadero Tourism Business Improvement District, and 1.5% goes to the San Luis Obispo County Tourism Improvement District. These rates reflect the recent increase of the Atascadero Tourism Business Improvement District portion from 2.0% to 2.5% that began January 9, 2025. The City’s transient occupancy tax does not expire.

Franchise Tax

Franchise taxes are collected for services provided within the City. During Fiscal Year 2023-24, franchise tax receipts of approximately \$1.5 million contributed approximately 3.8% of total General Fund Revenues. General Fund franchise tax revenues of approximately \$1.6 million are estimated to be received during Fiscal Year 2024-25. Typically, franchise taxes are collected from electric, natural gas, refuse, cable, and wastewater 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 2023-24, charges for services of approximately \$3 million contributed approximately 7.7% of total General Fund revenues. General Fund revenues from charges for services of approximately \$3.3 million are estimated to be received during Fiscal Year 2024-25. The City collects charges for services for various development fees, use of City facilities, park and recreation fees, public works services, and public safety services, among others.

Licenses and Permits

During Fiscal Year 2023-24, revenues from licenses and permits of approximately \$1 million contributed approximately 2.5% of total General Fund revenues. General Fund revenues from licenses and permits of approximately \$900,000 are estimated to be received during Fiscal Year 2024-25. Revenues from licenses and permits are comprised of various construction permits, encroachment permits, tree application fees and other development related permits.

Other Revenue Sources

Other Taxes and Charges. The City receives other General Fund revenues from other taxes and charges, including, but not limited to, business licenses, fines and forfeitures, and cannabis businesses. Revenues for Fiscal Year 2023-24 were approximately \$179,869 for business licenses, \$54,320 for fines and forfeitures, and \$53,288 for cannabis businesses, respectively.

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

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

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

Indebtedness

Long-Term Debt. The City's long-term obligations payable from the General Fund include certain subscription based IT arrangements ("SBITA"). Total debt service with respect to the City's SBITA is \$269,137 through Fiscal Year 2026-27. The Atascadero Public Financing Authority Lease Revenue Bonds, 2010 Series A, were defeased on July 16, 2024.

For additional information with respect to the City's outstanding long-term obligations, see Note 8 to the audited financial statements for Fiscal Year 2023-24 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. All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan) administered by the California Public Employees' Retirement System (CalPERS.) The Plan consists of individual rate plans (benefit tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool (all others). Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The City of Atascadero sponsors six rate plans (three miscellaneous and three safety). Benefit provisions under the Plan are established by State statute and City of Atascadero resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS' website at www.calpers.ca.gov.

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. The Plan consists of individual rate plans (benefit tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool (all others). ~~Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools.~~ Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under GASB 68 (as defined below). Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The City sponsors six rate plans (three miscellaneous and three safety). Benefit provisions under the Plan are established by State statute and a City resolution.

The required employer contribution rates for the Fiscal Year ended June 30, 2024 are 14.92% for Tier 1, 12.63% for Tier 2 and 8.00% for Tier 3 for miscellaneous employees and 27.11% for Tier 1, 22.83% for Tier 2 and 13.54% for Tier 3 for 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 a fixed percentage of their highest annual salary formula as determined by the benefit program they participate in. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2024, are summarized as follows:

	<i>Miscellaneous Plan</i>		
	Tier 1 Prior to July 1, 2012	Tier 2 On or after July 1, 2012	Tier 3 On or after January 1, 2013
Hire date			
Benefit formula	2.5% @ 55	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Retirement age	50-55	50-63	52-67
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.426% to 2.418%	1.0% to 2.5%
Required employee contribution rates	8.00%	7.00%	8.25%
Required employer contribution rates ⁽¹⁾	14.92%	12.63%	8.00%

⁽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>		
	Tier 1 Prior to July 1, 2012	Tier 2 On or after July 1, 2012	Tier 3 On or after January 1, 2013
Hire date			
Benefit formula	3.0% @ 50	3.0% @ 55	2.7% @ 57
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Retirement age	50	50-55	50-57
Monthly benefits, as a % of eligible compensation	3.0%	2.4% to 3.0%	2.0% to 2.7%
Required employee contribution rates	9.00%	9.00%	13.75%
Required employer contribution rates ⁽¹⁾	27.11%	22.83%	13.54%

⁽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>
Active members	90	55
Inactive employees or beneficiaries currently receiving benefits	132	88
Inactive employees entitled to but not yet receiving benefits	<u>156</u>	<u>85</u>
Total	378	228

Contributions. Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of the employees. The City's contributions to the Plan for the fiscal year ended June 30, 2024, were \$4,627,006. The City paid 100% of the required actuarially determined contributions for the fiscal year ending June 30, 2024, and therefore recorded no payables to the pension plan for the same period.

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

Beginning in fiscal year 2016 for pooled plans, CalPERS began collecting employer contributions for the Plan as a percentage of payroll for the normal cost portion and as a dollar amount for contributions toward the unfunded liability and side fund. According to CalPERS, this change was designed to improve long-term funding stability. The City of Atascadero’s required contribution for the unfunded liability and side fund was \$2,639,451 in fiscal year ended June 30, 2024.

For the year ended June 30, 2024, the City’s total required UAL contributions were \$1,009,625 for the Miscellaneous Plan and \$1,629,826 for the Safety Plan. Such amounts were paid by the City and represented approximately 2.6% and 4.2%, respectively, of General Fund expenditures. The City’s required UAL contributions in Fiscal Year 2024-25 were \$1,245,117 for the Miscellaneous Plan and \$1,960,995 for the Safety Plan, and the City has made such UAL payments. The City’s required UAL contributions in Fiscal Year 2025-26 were \$1,437,159 for the Miscellaneous Plans and \$1,838,197 for the Safety Plans, and the City has made such payments.

The tables below are derived from the City’s Annual Valuation Reports with valuation dates as of June 30, 2023 and delivered in June, 2024 (the “2024 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 2024 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 PEPRA or other lower cost benefit tiers.

The projections set forth below assume the investment return for Fiscal Year 2023-24 and beyond would be 6.8%. CalPERS announced a preliminary investment return of 11.6% for Fiscal Year 2024-25. As a result, the actual contribution requirements for the Fiscal Year 2025-26 and the following Fiscal 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 (Assumes 6.80% Return for Fiscal Year 2023-24 and Beyond)</i>				
	<i>2025-26</i>	<i>2026-27</i>	<i>2027-28</i>	<i>2028-29</i>	<i>2029-30</i>	<i>2030-31</i>
Normal Cost %	15.05%	15.1%	15.1%	15.1%	15.1%	15.1%
UAL Payment	\$ 1,439,413	\$ 1,542,000	\$ 1,625,000	\$ 1,804,000	\$ 1,845,000	\$ 1,881,000

* Illustrative only and based on the projected payroll shown.
Source: CalPERS Miscellaneous Plan of the City of Atascadero Annual Valuation Report as of June 30, 2023.

Miscellaneous Second Tier Plan

<i>Fiscal Year</i>	<i>Required Contribution</i>	<i>Projected Future Employer Contributions (Assumes 6.80% Return for Fiscal Year 2023-24 and Beyond)</i>				
	<i>2025-26</i>	<i>2026-27</i>	<i>2027-28</i>	<i>2028-29</i>	<i>2029-30</i>	<i>2030-31</i>
Normal Cost %	12.74%	12.7%	12.7%	12.7%	12.7%	12.7%
UAL Payment	\$ 8,354	\$ 8,500	\$ 8,500	\$ 8,600	\$ 8,700	\$ 8,700

* Illustrative only and based on the projected payroll shown.
Source: CalPERs Miscellaneous Second Tier Plan of the City of Atascadero Annual Valuation Report as of June 30, 2023.

PEPRA Miscellaneous Plan

<i>Fiscal Year</i>	<i>Required Contribution</i>	<i>Projected Future Employer Contributions (Assumes 6.80% Return for Fiscal Year 2023-24 and Beyond)</i>				
	<i>2025-26</i>	<i>2026-27</i>	<i>2027-28</i>	<i>2028-29</i>	<i>2029-30</i>	<i>2030-31</i>
Normal Cost %	8.27%	8.3%	8.3%	8.3%	8.3%	8.3%
UAL Payment	\$ 37,452	\$ 38,000	\$ 39,000	\$ 39,000	\$ 40,000	\$ 40,000

* Illustrative only and based on the projected payroll shown.
Source: CalPERs PEPRA Miscellaneous Plan of the City of Atascadero Annual Valuation Report as of June 30, 2023.

Safety Plan

<i>Fiscal Year</i>	<i>Required Contribution</i>	<i>Projected Future Employer Contributions (Assumes 6.80% Return for Fiscal Year 2023-24 and Beyond)</i>				
	<i>2025-26</i>	<i>2026-27</i>	<i>2027-28</i>	<i>2028-29</i>	<i>2029-30</i>	<i>2030-31</i>
Normal Cost %	27.38%	27.4%	27.4%	27.4%	27.4%	27.4%
UAL Payment	\$ 1,838,902	\$ 1,975,000	\$ 2,088,000	\$ 2,327,000	\$ 2,379,000	\$ 2,424,000

* Illustrative only and based on the projected payroll shown.
Source: CalPERs Safety Plan of the City of Atascadero Annual Valuation Report as of June 30, 2023.

Safety Fire Second Tier Plan

<i>Fiscal Year</i>	<i>Required Contribution</i>	<i>Projected Future Employer Contributions (Assumes 6.80% Return for Fiscal Year 2023-24 and Beyond)</i>				
	<i>2025-26</i>	<i>2026-27</i>	<i>2027-28</i>	<i>2028-29</i>	<i>2029-30</i>	<i>2030-31</i>
Normal Cost %	23.06%	23.1%	23.1%	23.1%	23.1%	23.1%
UAL Payment	\$ 4,018	\$ 4,100	\$ 4,100	\$ 4,200	\$ 4,300	\$ 4,300

* Illustrative only and based on the projected payroll shown.
Source: CalPERs Safety Fire Second Tier Plan of the City of Atascadero Annual Valuation Report as of June 30, 2023.

PEPRA Safety Fire Plan

<i>Fiscal Year</i>	<i>Required Contribution</i>	<i>Projected Future Employer Contributions (Assumes 6.80% Return for Fiscal Year 2023-24 and Beyond)</i>				
	<i>2025-26</i>	<i>2026-27</i>	<i>2027-28</i>	<i>2028-29</i>	<i>2029-30</i>	<i>2030-31</i>
Normal Cost %	13.99%	14.0%	14.0%	14.0%	14.0%	14.0%
UAL Payment	\$ 18,820	\$ 19,000	\$ 19,000	\$ 20,000	\$ 20,000	\$ 20,000

* Illustrative only and based on the projected payroll shown.
Source: CalPERs PEPRA Safety Fire Plan of the City of Atascadero Annual Valuation Report as of June 30, 2023.

Safety Police Second Tier Plan

<i>Fiscal Year</i>	<i>Required Contribution</i>	<i>Projected Future Employer Contributions (Assumes 6.80% Return for Fiscal Year 2023-24 and Beyond)</i>				
	<i>2025-26</i>	<i>2026-27</i>	<i>2027-28</i>	<i>2028-29</i>	<i>2029-30</i>	<i>2030-31</i>
Normal Cost %	23.06%	23.1%	23.1%	23.1%	23.1%	23.1%
UAL Payment	\$ 16,776	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000

* Illustrative only and based on the projected payroll shown.
Source: CalPERS Safety Police Second Tier Plan of the City of Atascadero Annual Valuation Report as of June 30, 2023.

PEPRA Safety Police Plan

<i>Fiscal Year</i>	<i>Required Contribution</i>	<i>Projected Future Employer Contributions (Assumes 6.80% Return for Fiscal Year 2023-24 and Beyond)</i>				
	<i>2025-26</i>	<i>2026-27</i>	<i>2027-28</i>	<i>2028-29</i>	<i>2029-30</i>	<i>2030-31</i>
Normal Cost %	13.99%	14.0%	14.0%	14.0%	14.0%	14.0%
UAL Payment	\$ 21,152	\$ 21,000	\$ 22,000	\$ 22,000	\$ 22,000	\$ 22,000

* Illustrative only and based on the projected payroll shown.
Source: CalPERS PEPRA Safety Police Plan of the City of Atascadero Annual Valuation Report as of June 30, 2023.

Net Pension Liability. The City’s net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2023, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022, rolled forward to June 30, 2023, using standard update procedures. The City’s proportion of the net pension liability was based on a projection of the City’s long-term share of contributions to the pension plan relative to other projected contributions of all participating employers, actuarially determined.

The City’s proportionate share of the net pension liability for the Plan as of measurement dates June 30, 2023, and 2022, was as follows:

Proportionate Percentage Share of Net Pension Liability

	Percentage Share of Plan		Change: Increase/(Decrease)
	June 30, 2024	June 30, 2023	
Measurement Date	6/30/2023	6/30/2022	
Percentage of Plan (PERFC)	0.30253%	0.30306%	(0.00053)%
Net Pension Liability			

Sensitivity of Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the City’s proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

1% Lower	5.90%
Net Pension Liability	\$55,870,591
Current Discount Rate	6.90%
Net Pension Liability	\$37,741,097
1% Higher	7.90%
Net Pension Liability	\$22,876,132

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 2023-24 attached hereto as Appendix C reflect the application of the GASB 68.

At June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions for the combined Plans from the following resources:

	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>
Differences between expected and actual experience	\$ 2,413,127	\$ (263,476)
Changes in assumptions	2,234,870	--
Net differences between projected and actual earnings on plan investments	5,566,297	--
Change in employer's proportion	82,243	(93,181)
Differences between the employer's contributions and the employer's proportionate share of contributions	605,755	(648,455)
Pension contributions subsequent to measurement date	<u>4,627,006</u>	<u>--</u>
Totals	<u>\$ 15,529,298</u>	<u>\$(1,005,112)</u>

The \$4,627,006 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, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense for the combined Plans as follows:

<i>Fiscal Year Ended June 30:</i>	<i>Deferred Outflows/(Inflows) of Resources</i>
2025	\$3,027,275
2026	2,168,598
2027	4,543,913
2028	157,394

Funded Status. The tables below are derived from the 2024 Reports and show the funded status of the City's defined benefit pension plan as of the valuation dates shown.

Miscellaneous Plan

<i>Valuation Date</i>	<i>Accrued Liability</i>	<i>Share of Pool's Market Value of Assets</i>	<i>Unfunded Accrued Liability</i>	<i>Funded Ratio</i>	<i>Annual Covered Payroll</i>
6/30/2019	\$45,680,551	\$32,793,827	\$12,886,724	71.8%	\$ 2,921,671
6/30/2020	47,623,430	33,749,959	13,873,471	70.9	2,978,634
6/30/2021	48,958,651	39,061,014	9,897,637	79.8	2,636,272
6/30/2022	51,989,459	36,102,331	15,887,128	69.4	2,717,391
6/30/2023	53,927,925	37,125,085	16,802,840	68.8	2,486,486

Source: CalPERs Miscellaneous Plan of the City of Atascadero Annual Valuation Report as of June 30, 2023.

Miscellaneous Second Tier Plan

<i>Valuation Date</i>	<i>Accrued Liability</i>	<i>Share of Pool's Market Value of Assets</i>	<i>Unfunded Accrued Liability</i>	<i>Funded Ratio</i>	<i>Annual Covered Payroll</i>
6/30/2019	\$284,488	\$257,153	\$27,335	90.4%	\$253,604
6/30/2020	370,812	330,840	39,972	89.2	312,221
6/30/2021	491,406	511,513	(20,107)	104.1	363,712
6/30/2022	645,451	572,049	73,402	88.6	381,420
6/30/2023	701,117	611,902	89,215	87.3	334,038

Source: CalPERs Miscellaneous Second Tier Plan of the City of Atascadero Annual Valuation Report as of June 30, 2023.

PEPRA Miscellaneous Plan

<i>Valuation Date</i>	<i>Accrued Liability</i>	<i>Share of Pool's Market Value of Assets</i>	<i>Unfunded Accrued Liability</i>	<i>Funded Ratio</i>	<i>Annual Covered Payroll</i>
6/30/2019	\$1,332,790	\$1,223,306	\$109,484	91.8%	\$2,099,011
6/30/2020	1,809,491	1,636,035	173,456	90.4	2,220,499
6/30/2021	2,441,841	2,576,394	(134,553)	105.5	2,320,955
6/30/2022	3,071,841	2,756,333	315,508	89.7	3,036,412
6/30/2023	3,854,601	3,451,989	402,612	89.6	3,474,765

Source: CalPERs PEPRA Miscellaneous Plan of the City of Atascadero Annual Valuation Report as of June 30, 2023.

Safety Plan

<i>Valuation Date</i>	<i>Accrued Liability</i>	<i>Share of Pool's Market Value of Assets</i>	<i>Unfunded Accrued Liability</i>	<i>Funded Ratio</i>	<i>Annual Covered Payroll</i>
6/30/2019	\$57,746,605	\$40,347,407	\$17,399,198	69.9%	\$2,842,932
6/30/2020	60,379,989	41,770,098	18,609,891	69.2	2,897,638
6/30/2021	65,455,090	51,929,292	13,525,798	79.3	2,356,859
6/30/2022	69,929,834	48,300,825	21,629,009	69.1	2,635,544
6/30/2023	72,961,473	50,272,882	22,688,591	68.9	2,534,600

Source: CalPERs Safety Plan of the City of Atascadero Annual Valuation Report as of June 30, 2023.

Safety Fire Second Tier Plan

<i>Valuation Date</i>	<i>Accrued Liability</i>	<i>Share of Pool's Market Value of Assets</i>	<i>Unfunded Accrued Liability</i>	<i>Funded Ratio</i>	<i>Annual Covered Payroll</i>
6/30/2019	\$ 79,973	\$ 77,999	\$ 1,974	97.5%	\$144,163
6/30/2020	136,304	129,733	6,571	95.2	158,693
6/30/2021	215,243	235,277	(20,034)	109.3	169,775
6/30/2022	304,524	274,593	29,931	90.2	187,846
6/30/2023	407,425	364,170	43,255	89.4	206,260

Source: CalPERs Safety Fire Second Tier Plan of the City of Atascadero Annual Valuation Report as of June 30, 2023.

PEPRA Safety Fire Plan

<i>Valuation Date</i>	<i>Accrued Liability</i>	<i>Share of Pool's Market Value of Assets</i>	<i>Unfunded Accrued Liability</i>	<i>Funded Ratio</i>	<i>Annual Covered Payroll</i>
6/30/2019	\$ 414,331	\$ 379,192	\$ 35,139	91.5%	\$405,036
6/30/2020	592,169	536,019	56,150	90.5	515,416
6/30/2021	870,079	913,383	(43,304)	105.0	779,650
6/30/2022	1,223,366	1,072,650	150,716	87.7	917,225
6/30/2023	1,635,453	1,433,953	201,500	87.7	993,996

Source: CalPERs PEPRA Safety Fire Plan of the City of Atascadero Annual Valuation Report as of June 30, 2023.

Safety Police Second Tier Plan

<i>Valuation Date</i>	<i>Accrued Liability</i>	<i>Share of Pool's Market Value of Assets</i>	<i>Unfunded Accrued Liability</i>	<i>Funded Ratio</i>	<i>Annual Covered Payroll</i>
6/30/2019	\$ 443,947	\$ 399,773	\$ 44,174	90.0%	\$265,840
6/30/2020	551,148	488,046	63,102	88.6	278,552
6/30/2021	729,139	744,083	(14,944)	102.0	438,163
6/30/2022	1,019,270	877,591	141,679	86.1	590,048
6/30/2023	1,259,641	1,080,815	178,826	85.8	442,135

Source: CalPERs Safety Police Second Tier Plan of the City of Atascadero Annual Valuation Report as of June 30, 2023.

PEPRA Safety Police Plan

<i>Valuation Date</i>	<i>Accrued Liability</i>	<i>Share of Pool's Market Value of Assets</i>	<i>Accrued Unfunded Liability</i>	<i>Funded Ratio</i>	<i>Annual Covered Payroll</i>
6/30/2019	\$ 499,570	\$ 444,918	\$ 54,652	89.1%	\$642,013
6/30/2020	678,974	597,362	81,612	88.0	813,999
6/30/2021	980,821	1,012,059	(31,238)	103.2	818,344
6/30/2022	1,346,968	1,170,925	176,043	86.9	1,223,319
6/30/2023	1,777,946	1,551,713	226,233	87.3	1,462,264

Source: CalPERS PEPRA Safety Police Plan of the City of Atascadero Annual Valuation Report as of June 30, 2023.

Defined Contribution Plan. The City offers a defined contribution plan, Nationwide Retirement Solutions, for those employees that are excluded from CalPERS membership due to part-time or elected status. The plan is approved as a FICA substitute. Members contribute 5% and the City contributes 2.5%. Total employee contributions for fiscal year 2023-24 were \$16,826, and total contributions from the City were \$8,413. Nationwide Retirement Solutions is the public employee plan subsidiary of Nationwide Financial Services, Inc. (NYSE: NFS).

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 9 to the City's audited financial statements for Fiscal Year 2023-24 attached hereto as Appendix C.

Other Post-Employment Benefits

Post-Retirement Health Benefits for Executive Management. City provides post-retirement health benefits for Executive Management (City Council, City Manager, Assistant City Manager, Deputy City Manager, and Department Heads). The City agreed to reimburse the retiree for retiree and/or retiree's dependent health (medical/dental/vision) insurance premiums, disability insurance, long-term health care or life insurance premiums up to a maximum of \$200 per month. The benefit is available upon retirement from CalPERS or other similar retirement program after age 50, and the employee must have served for eight years with the City. The benefit extends between the date of retirement and age 65. Four people received benefits in Fiscal Year 2023-24 and the City anticipates that approximately fifteen other people may become eligible for benefits under this program within the next decade. The City funds these benefits on a pay-as-you-go basis. The City made benefit payments of \$8,049 in Fiscal Year 2023-24, \$4,346 in Fiscal Year 2022-23, and \$7,357 in Fiscal Year 2021-22.

RISK FACTORS

The following factors, along with the other information in this Official Statement, should be considered by potential investors in evaluating the purchase of the Series 2025A 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 2025A 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 2025A Bonds

The Series 2025A 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 2025A 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 2025A 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 2025A Bonds, there could be insufficient funds to make payments to Owners in full. The Authority has not funded a reserve fund for the Series 2025A 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 2025A Bonds. Abatement, therefore, could have an uncertain and material adverse effect on the security for and payment of the Series 2025A 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 2025A 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 2025A 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 2025A 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 2025A Bonds.

Effect of Economy on Revenues

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

On January 16, 2025, Governor Gavin Newsom issued Executive Order N-10-25 (the "Governor's Order") which canceled penalties, costs and interest on overdue property taxes within certain zip codes affected by the Palisades Fire during calendar year 2025. The Governor's Order will likely cause some property owners in affected areas to pay their property taxes late. If a similar natural disaster occurred in the City, then the City would similarly face a delay in receipt of property tax revenues from properties in the City.

Natural Disasters

The occurrence of any natural disaster in the City, including, without limitation, fire, windstorm, agricultural pest infestation and disease, biological agents, human caused hazardous materials, drought, earthquake, landslide, mudslide, flood or the unexpected consequences of climate change, could have an adverse material impact on the economy within the City, its General Fund and the revenues available for the payment of Base Rental Payments. The County has a state-adopted all-hazards mitigation plan, which includes specific planning for emergencies such as earthquakes, floods, fires, winter storms, thunderstorms, hazard materials release, power outage, drought, civil unrest, dam failure and national security threats. Atascadero has an annex in the County plan that details specific local hazards for the City and mitigation planning efforts.

Earthquakes. Although no known faults have been identified within the City limits, as defined in the Alquist-Priolo Earthquake Fault Zone Act, the City is located 40 miles west of the San Andreas Fault. Additionally, all jurisdictions in California are subject to the effects of damaging earthquakes. The City is also located near the following major active fault zones: Rinconada, Jolon, Black Mountain, La Panza, Los Osos, Hosgri, and San Simeon. An earthquake along one of the faults in the vicinity, either known or unknown, could cause a number of casualties and extensive property damage, including to the Property. The effects of such an earthquake could be aggravated by aftershocks and secondary effects such as fires, landslides, liquefaction and other threats to public health, safety and welfare. The potential direct and indirect consequences of a major earthquake could easily exceed the resources of the City and could require a high

level of self-help, coordination and cooperation. The City is not required to, and does not, maintain earthquake insurance with respect to the Property.

The 2003 San Simeon Earthquake caused major damage to the City Hall and the surrounding areas. The San Simeon Earthquake was a 6.5 magnitude earthquake that caused damage to approximately 290 homes and 190 commercial structures in the County. San Luis Obispo County and Santa Barbara County were declared Federal Disaster Areas. The San Simeon Earthquake caused extensive damage to the City Hall as described under the caption "THE PROPERTY." Approximately nine months after the San Simeon Earthquake, another earthquake of magnitude 6.0 struck Parkfield, CA, which is approximately 43 miles from the City. Since the City is still located in a seismically active area, all infrastructure is susceptible to damage or failure in the event of a major earthquake, including, but not limited to roads, bridges and highway overpasses. Landslides would be intensified as a result of ground shaking, and could affect portions of the roadway system located in landslide potential areas. Seismic damage could also occur to utility infrastructure, including treated water and sewage pipelines, gas pipelines, and telephone and power lines.

A major earthquake could require significant emergency response and repair costs, while also reducing property values and sale tax revenues, thereby straining the City's General Fund. Additionally, damage to City Hall could render it unusable, triggering abatement of Base Rental Payments until repairs are completed.

Dam Failures. Atascadero is in the vicinity of two major dams: the Salinas Dam and Atascadero Lake Dam. The Salinas Dam holds approximately 22,320 acre-feet of water and the Atascadero Lake Dam has a capacity of 69 million gallons of water. The Salinas Dam is a concrete dam approximately 19 miles upstream from the City and the Atascadero Lake Dam is located in the City. The Division of Safety of Dams' (the "DSOD") dam breach maps for the Salinas Dam show an inundation area in the City within approximately 1,000 feet of the Salinas River. A break of the Salinas Dam could cause a maximum water surface elevation to be 840.9 feet in the City with a maximum flow rate of 220,610 cubic feet per second. It would take approximately two hours to reach the maximum water surface elevation if the Salinas Dam had a break. Additionally, a failure of the Atascadero Lake Dam could produce flooding averaging 2 feet deep and effect several hundred residents.

Dam failures have not occurred in the City to date but an earthquake or flood could cause dam failures to occur. The Rinconada fault passes within 5,000 feet of the Salinas Dam and hypothetical analyses demonstrate that a magnitude 7.4 earthquake from the fault would cause strong ground shaking that could cause a dam failure. A dam failure could cause structure damage to the Property. Additionally, a dam failure could cause economic strain in the City because properties damaged by the resulting floods could be reassessed at lower values until repaired or reconstructed, and businesses affected by the resulting floods would be unable to function, resulting in loss of sale tax revenue.

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

The County has faced significant wildfires that have become common occurrences. The most significant wildfires have occurred within Los Padres National Forest. These wildfire occurrences include a

1994 fire that burned 49,000 acres of forestland from the western point of the City, a 1996 fire that burned 106,000 acres of land in the Machesna Mountain Wilderness area, and a 2016 fire that burned approximately 46,000 acres in the Santa Lucia Range of the County. The most recent wildfire in the County is the Gifford Fire which began on August 1, 2025 and was located approximately 39 miles from the City. As of August 9, 2025, the Gifford Fire was 21% contained and had burned 113,648 acres. As of August 22, 2025, the Gifford Fire was 95% contained and had burned approximately 131,614 acres. 5 structures were destroyed and 3 civilians and 12 firefighters were injured.

Atascadero Fire & Emergency Services Department participates in State-wide mutual aid and has responded to many of these incidents. By participating in mutual aid, Fire & Emergency Services not only gains valuable experience but also ensures that when a fire occurs in Atascadero, mutual aid partners will respond to help. The recent Gifford Fire required the response of as many as seven Fire & Emergency Services personnel at one time. Some responded with fire apparatus, others responded as part of the management team, participating in the decisions necessary to keep the fire from spreading further in the County. Locally in Atascadero, 2025 has been a very busy fire season. Fire & Emergency Services has responded to numerous wildland fires, including fires of 41 acres, 19 acres and 13 acres, all of which threatened multiple homes. Fires have been kept minimal in size with no loss of homes due to fire preplanning efforts and a quick and effective response from the department and mutual aid partners.

On March 24, 2025, CAL Fire released an updated Fire Hazard Severity Zone (“FHSZ”) map for the Southern California region which evaluates “hazard,” being the likelihood and expected fire behavior over a 30 to 50-year period without considering mitigation measures such as home hardening, recent wildfire or fuel reduction efforts. On the other hand, “Risk” is the potential damage a fire can cause in an area under existing conditions, accounting for any modifications such as fuel reduction projects, defensible space, and ignition resistant building construction. Pursuant to Sections 4201-4204 of the California Public Resources Code, the State Fire Marshal is mandated to classify the state responsibility areas (the “SRAs”), where the state has financial responsibility for wildfire protection and prevention, into FHSZs. These zones are classified as either “Moderate,” “High”, or “Very High” and are based on statewide criteria and severity of fire hazard that is expected to prevail in those areas. Each zone embraces relatively homogeneous lands and is based on fuel loading, slope, fire weather, and other relevant factors present, including areas where winds have been identified as a major cause of wildfire spread. In areas designated as the local responsibility areas (the “LRAs”), where local agencies have financial responsibility for wildfire protection and prevention, local agencies must adopt a FHSZ map and all three FHSZ classes. The LRA map for Atascadero was adopted by City Council in May of 2025. For more information, see the CAL Fire website. While the City Hall itself is not in a FHSZ zone, the areas surrounding the City Hall within the City are designated as Moderate, High, and Very High FHSZ.

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

The City of Atascadero Fire & Emergency Services Department has a multi-faceted approach to wildfire prevention and community preparedness. Vegetation and Fuels management programs include annual community chipping days and enforcement of strict city-wide weed abatement. Fire & Emergency Services also works with the San Luis Obispo Fire Safe Council to secure grant funding for fuels removal, road-side brushing and shaded fuel breaks. The Fire Safe Council has committed to funding nearly \$1 million over the next five years for these fuel reduction projects. Community preparedness involves a strong public outreach campaign through social media, city website, highway billboards and city-wide mailers. The community is regularly informed about topics such as evacuation zones, evacuation notifications, home hardening, defensible space and other fire prevention information. Fire & Emergency Services provides City residents with in-person property consultations to advise them of defensible space, home hardening and landscape strategies to

minimize the impact of a wildland fire. These consultations have also resulted in entire neighborhoods working together to achieve the certification of being a National Fire Protection Association (NFPA) Firewise USA community.

Drought. The City's water supply is managed by the Atascadero Mutual Water Company (AMWC) and consists of active wells that pump from the Atascadero sub-basin of the Paso Robles Groundwater Basin and the Salinas River underflow. The Paso Robles Groundwater Basin has experienced decline in many areas. In 2013, the City faced the driest year in 100 years of rainfall records that Atascadero Mutual Water Company has maintained with similar conditions being experienced in 1991. As a result, the City declared Stage 2 water shortage conditions, leading to stricter policies on outdoor water use. The City approved the Nacimiento Water Project, which has helped decrease the constraint of the water supply but has caused water rates to increase gradually to pay for the cost of additional water sources. Extended drought conditions may increase AMWC's operating costs for water and utilities while constraining growth and development, reducing future revenues.

Flood Risk. The City experienced serious flood events during rain storms in the early months of 1969, 1993, 1995, 2001, and 2023. The floods from January and February 1969 were the most damaging to the City, causing the Salinas River to reach a discharge of over 28,000 cubic feet per second and reach a stage of 23.8 feet, approximately 5 feet above the flood stage. The City has participated in the National Flood Insurance Program since 1982.

When measuring the potential for floods in an area, FEMA prepares Flood Insurance Rate Maps (FIRMs) which divides sections into different Zones. Zone X consists of areas that have a .2% annual chance Flood Hazard, areas of 1% annual chance flood with average depth less than one foot or with drainage areas of less than one square miles, areas with future conditions 1% annual chance flood hazard, and areas with reduced flood risk due to levee. Zone D consist of areas with flood risk due to levee. The information last updated June 2024 indicates that City Hall, Fire Station 1, and the Police Department Headquarters are located in Zone X. Severe flooding could damage infrastructure, reduce taxable property value, and increase the City's operating and recovery costs. Flooding could also render the Property unusable, resulting in abatement of Base Rental Payments.

The City carries flood insurance for the Property.

Landslide. The City also faces challenges with landslides. Highway 1 west of the City closes nearly every winter due to Land Subsidence. Notably, during the winter of 1998, Caltrans closed Highway 1 for weeks due to heavy rain and subsequent slides. Additionally, in 2003, the San Simeon Earthquake caused numerous small land subsidence events within the northwestern portion of the City and along Route 41. The occurrence of sliding events increases during heavy rain fall when saturated soil fractures or weak spots give way. There are approximately 11 governmental/utility properties in areas with high risk of landslides and 14 in moderate risk of landslides. Landslides may damage public infrastructure and reduce access to parts of the City, increasing costs and reducing revenues. No portion of the Property is in an area designated as having a moderate or high risk of landslide or subsidence.

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 County prepared a Local Hazard Mitigation Plan (“LHMP”) dated October 2019, to help the City plan for natural disasters and hazard events. The County is currently preparing an update to the LHMP. 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. Climate change may exacerbate droughts, floods, and wildfires, increasing City costs and reducing sale tax revenues over time.

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 2025A 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 ATASCADERO—Risk Management.” However, there can be no assurance that specific losses will be covered by insurance or, if covered, that claims will be paid in full by the applicable insurers.

Hazardous Substances

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

Other Financial Matters

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

Substitution, Addition and Removal of Property; Additional Bonds

The Authority and the City may amend the Lease Agreement to substitute alternate real property for any portion of or add additional real property to the Property or to release a portion of the Property from the Lease Agreement, upon compliance with all of the conditions set forth in the Lease Agreement. After a substitution or release, the portion of the Property for which the substitution or release has been effected will be released from the leasehold encumbrance of the Lease Agreement. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2025A 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 2025A 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 2025A 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 2025A Bonds when due, and the Trustee is not empowered to sell the Property for the benefit of the Owners of the Series 2025A 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 2025A 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 2025A 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 2025A Bonds. In a bankruptcy case, the amount recovered by Owners of the Series 2025A 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 2025A 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 2025A Bonds.

The opinions of counsel, including Bond Counsel, delivered in connection with the issuance of the Series 2025A Bonds will be so qualified. Bankruptcy proceedings, or the exercising of powers by the federal or state government, if initiated, could subject the Owners to judicial discretion and interpretation of their rights in bankruptcy or otherwise and consequently may entail risks of delay, limitation, or modification of their rights.

Possible Insufficiency of Insurance Proceeds

The Lease Agreement obligates the City to keep in force various forms of insurance, subject to deductibles, for repair or replacement of the Property in the event of damage, destruction or title defects, subject to certain exceptions. The Authority and the City make no representation as to the ability of any insurer to fulfill its obligations under any insurance policy obtained pursuant to the Lease Agreement and no assurance can be given as to the adequacy of any such insurance to fund necessary repair or replacement or to pay principal and interest on the Series 2025A Bonds when due. In addition, certain risks, such as earthquakes, are not required to be insured under the Lease Agreement, and therefore, are not carried by the City. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2025A BONDS—Insurance.”

Loss of Tax Exemption

As discussed under the heading “TAX MATTERS,” the interest on the Series 2025A Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date of delivery of the Series 2025A 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 2025A 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 2025A 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, 2025, the Governor released his proposed State budget for fiscal year 2025-26 (the “Proposed 2025-26 State Budget”). The following is drawn from the Department of Finance (“DOF”) and Legislative Analyst’s Office (“LAO”) summaries of the Proposed 2025-26 State Budget. The 2025-26 State Budget projects total general fund revenues and transfers of \$226.7 billion and authorizes expenditures of \$233.6 billion. The State is projected to end fiscal year 2024-25 with total reserves of approximately \$35.9 billion, including \$18.3 billion in the State’s Budget Stabilization Account (the “BSA”). The State budget for fiscal year 2024-25 authorized BSA withdrawals of \$5.1 billion in fiscal year 2024-25 and \$7.1 billion in fiscal year 2025-26. The 2025-26 State Budget maintains the scheduled \$7.1 billion withdrawal for fiscal year 2025-26. For fiscal year 2025-26, the 2025-26 State Budget projects total general fund revenues and transfers of \$215.7 billion and authorizes expenditures of \$228.4 billion. The State is projected to end fiscal year 2025-26 with total reserves of approximately \$15.7 billion, including \$4.5 billion in the traditional general fund reserve and \$11.2 billion in the BSA.

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

Cybersecurity

The City, like many other public and private entities, relies on a large and complex technology environment to conduct its operations. As a recipient and provider of personal, private, or sensitive information, the City is a potential target for multiple cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. Entities or individuals may attempt to gain unauthorized access to the City's digital systems for the purposes of misappropriating assets and information or causing operational disruption and damage. The City employs a multi-level cyber protection approach that includes network firewalls, server- and workstation- level anti-virus software, anti-spam/malware software, email protection as well as intrusion protection. The City also conducts periodic cybersecurity training for City employees and carries cybersecurity insurance.

The City has successfully withstood two ransomware attacks—one in 2016 and one in 2019. In both cases, early detection enabled staff to quickly contain the threat. All affected files were fully restored from backups within hours, and no ransom was paid. Even though these two attacks were mitigated, 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.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

Principal of and interest on the Series 2025A 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 2025A 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 XIIIIC and XIIIID 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 XIIIIC and XIIIID 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 XIIIIC 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 XIIIID 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 XIIIID, 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 XIIIIC 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 more stable City revenues. The extent of such stability is unknown and would depend on future actions by the State. However, Proposition 1A could also result in decreased resources being available for State programs. This reduction, in turn, could affect actions taken by the State to resolve budget difficulties. Such actions could include increasing State taxes, decreasing spending on other State programs or other action, some of which could be adverse to the City.

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

Proposition 22

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

Proposition 26

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

Possible Future Initiatives

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

TAX MATTERS

In the opinion of Stradling Yocca Carlson & Rauth (the “Bond Counsel”), under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Series 2025A Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. However, it should be noted that with respect to applicable corporations as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended (the “Code”), generally certain corporations with more than \$1,000,000,000 of average annual adjusted financial statement income, interest (and original issue discount) with respect to the Series 2025A 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 2025A Bonds is exempt from State personal income tax.

Bond Counsel’s opinion as to the exclusion from gross income for federal income tax purposes of interest (and original issue discount) on the Series 2025A 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 2025A Bonds to assure that interest (and original issue discount) on the Series 2025A 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 2025A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2025A 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 2025A Bond (the first price at which a substantial amount of the Series 2025A Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity of such Series 2025A 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 2025A Bond. The amount of original issue discount that accrues to the Beneficial Owner of a Series 2025A Bond is excluded from the gross income of such Beneficial Owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals, and is exempt from State personal income tax.

The amount by which a Series 2025A Bond Owner’s original basis for determining loss on sale or exchange in the applicable Series 2025A 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 2025A Bond Owner’s basis in the applicable Series 2025A Bond (and the amount of tax-exempt interest received with respect to the Series 2025A 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 2025A Bond Owner realizing a taxable gain when a Series 2025A Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Series 2025A Bond to the Owner. Purchasers of the Series 2025A 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 2025A Bonds will be selected for audit by the IRS. It is also possible that the market value of the Series 2025A Bonds might be affected as a result of such an audit of the Series 2025A 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 2025A Bonds to the extent that it adversely affects the exclusion from gross income of interest (and original issue discount) on the Series 2025A Bonds or their market value.

SUBSEQUENT TO THE ISSUANCE OF THE SERIES 2025A 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 2025A BONDS, INCLUDING THE IMPOSITION OF ADDITIONAL FEDERAL INCOME OR STATE TAXES BEING IMPOSED ON OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE SERIES 2025A BONDS. THESE CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE SERIES 2025A BONDS. NO ASSURANCE CAN BE GIVEN THAT SUBSEQUENT TO THE ISSUANCE OF THE SERIES 2025A 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 2025A 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 2025A 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 2025A 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 2025A 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 2025A 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 2025A Bonds and the accrual or receipt of interest (and original issue discount) on the Series 2025A 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 2025A Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the Series 2025A Bonds. Should interest (and original issue discount) on the Series 2025A Bonds become includable in gross income for federal income tax purposes, the Series 2025A Bonds are not subject to early redemption and will remain outstanding until maturity or until redeemed in accordance with the Indenture.

Should interest (and original issue discount) on the Series 2025A Bonds become includable in gross income for federal income tax purposes, the Series 2025A 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 2025A Bonds and certain other legal matters are subject to the approving opinion of Stradling Yocca Carlson & Rauth LLP, Bond Counsel. Stradling Yocca Carlson & Rauth LLP is also acting as Disclosure Counsel for the City. A complete copy of the proposed form of Bond Counsel opinion is contained in Appendix D hereto. Bond and Disclosure Counsel will receive compensation from the City contingent upon the sale and delivery of the Series 2025A Bonds. From time to time, Bond and

Disclosure Counsel represents the Underwriter on matters unrelated to the Series 2025A Bonds. Certain legal matters will be passed upon for the Underwriter by Kutak Rock LLP. Counsel to the Underwriter will receive compensation contingent upon the issuance of the Series 2025A 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 2025A 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 2025A Bonds are being purchased by Piper Sandler & Company (the “Underwriter”). The Underwriter will purchase the Series 2025A Bonds from the Authority at an aggregate purchase price of \$ _____ (representing the principal amount of the Series 2025A Bonds, [plus/less] a [net] original issue [premium/discount] of \$ _____ and less an Underwriter’s discount of \$ _____)

The purchase agreement relating to the Series 2025A Bonds provides that the Underwriter will purchase all of the Series 2025A 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 2025A Bonds to certain dealers (including dealers depositing Series 2025A 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 2025A 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 2025A 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 2025A Bonds a proposed change in or withdrawal of any rating or to oppose any such proposed revision or withdrawal.

MUNICIPAL ADVISOR

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

CONTINUING DISCLOSURE

The City has covenanted for the benefit of the Owners of the Series 2025A Bonds to provide annually certain financial information and operating data relating to the Series 2025A Bonds and the City (the “Annual Report”), and to provide notices of the occurrence of certain enumerated events. For a complete listing of items of information which will be provided in each Annual Report and further description of the City’s undertaking with respect to the Annual Report and certain enumerated events, see APPENDIX E—“FORM OF CONTINUING DISCLOSURE CERTIFICATE.” The Annual Report is to be provided by the City not later than April 1 after the end of the City’s fiscal year, commencing with the report for fiscal year 2024-25. The Annual Report will be filed by the City with the Municipal Securities Rulemaking Board. These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12.

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

FINANCIAL STATEMENTS OF THE CITY

Included herein as Appendix C are the audited financial statements of the City for the year ended June 30, 2024, together with the report thereon dated January 11, 2025 of Moss, Levy & Hartzheim LLP, Santa Maria, 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 January 11, 2025.

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 Atascadero, 6500 Palma Avenue, Atascadero, California 93422.

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 2025A Bonds.

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

ATASCADERO FINANCING AUTHORITY

By: _____
Executive Director

CITY OF ATASCADERO

By: _____
City Manager

APPENDIX A

**ECONOMIC AND DEMOGRAPHIC INFORMATION
REGARDING THE CITY OF ATASCADERO**

Population

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

**POPULATION ESTIMATES
City of Atascadero,
County of San Luis Obispo and State of California
2021-2025**

<i>Year (January 1)</i>	<i>City of Atascadero</i>	<i>County of San Luis Obispo</i>	<i>State of California</i>
2021	30,631	279,100	39,369,530
2022	30,261	280,111	39,179,680
2023	30,326	280,206	39,228,444
2024	30,351	279,568	39,420,663
2025	30,134	279,337	39,529,101

Source: State of California, Department of Finance, E-4 Population Estimates for Cities, Counties, and the State, 2021-2025, with 2020 Census 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
2020 through 2024
City of Atascadero
(Dollars in Thousands)**

	<i>2020</i>	<i>2021</i>	<i>2022</i>	<i>2023</i>	<i>2024</i>
Valuation					
Residential	\$13,664	\$15,169	\$21,119	\$26,211	\$17,440
Non-Residential	<u>6,393</u>	<u>3,971</u>	<u>9,173</u>	<u>12,550</u>	<u>6,968</u>
Total	\$20,057	\$19,140	\$30,292	\$38,761	\$24,408

	<i>2020</i>	<i>2021</i>	<i>2022</i>	<i>2023</i>	<i>2024</i>
Units					
Single Family	61	64	74	50	39
Multiple Family	<u>0</u>	<u>12</u>	<u>4</u>	<u>76</u>	<u>16</u>
Total	61	76	78	126	55

Note: Totals may not sum due to rounding.

Source: Construction Industry Research Board.

BUILDING PERMITS AND VALUATIONS
2020 through 2024
San Luis Obispo County
(Dollars in Thousands)

	<i>2020</i>	<i>2021</i>	<i>2022</i>	<i>2023</i>	<i>2024</i>
Valuation					
Residential	\$297,569	\$315,644	\$336,138	\$183,938	\$326,622
Non-Residential	<u>78,776</u>	<u>93,262</u>	<u>98,957</u>	<u>202,541</u>	<u>115,310</u>
Total	\$376,345	\$408,906	\$435,095	\$386,479	\$441,932
Units					
Single Family	861	741	678	373	679
Multi Family	<u>79</u>	<u>288</u>	<u>401</u>	<u>217</u>	<u>177</u>
Total	940	1,029	1,079	590	856

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

Personal Income

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

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

The following table summarizes per capita personal income for the County, the State of California and the United States for the years 2019 through 2023. 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 San Luis Obispo, State of California, and United States
2019-2023

<i>Year</i>	<i>County of San Luis Obispo</i>	<i>California</i>	<i>United States</i>
2019	59,023	64,219	55,567
2020	63,129	70,098	59,123
2021	68,378	76,882	64,460
2022	68,364	76,941	66,244
2023	72,721	81,255	69,810

⁽¹⁾ Per capita personal income is the total personal income divided by the total midyear population estimates. All dollar estimates are in thousands of current dollars (not adjusted for inflation).
Source: U.S. 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
2020 through 2024
City of Atascadero, San Luis Obispo County, the State of California and the United States

<i>Year and Area</i>	<i>Labor Force</i>	<i>Employment</i>	<i>Unemployment</i>	<i>Unemployment Rate (%)⁽¹⁾</i>
<u>2020</u>				
City of Atascadero	14,600	13,500	1,100	7.4%
San Luis Obispo County	129,300	118,800	10,500	8.1
State of California	18,956,600	17,039,800	1,916,800	10.1
United States	160,742,000	147,795,000	12,947,000	8.1
<u>2021</u>				
City of Atascadero	14,900	14,100	700	4.9%
San Luis Obispo County	130,000	122,900	7,200	5.5
State of California	18,954,600	17,564,900	1,389,700	7.3
United States	161,204,000	152,581,000	8,623,000	5.3
<u>2022</u>				
City of Atascadero	14,800	14,400	400	2.9%
San Luis Obispo County	131,100	126,900	4,200	3.2
State of California	19,218,300	18,393,900	824,400	4.3
United States	164,287,000	158,291,000	5,996,000	3.6
<u>2023</u>				
City of Atascadero	15,000	14,500	500	3.1%
San Luis Obispo County	132,500	127,700	4,700	3.6
State of California	19,471,000	18,551,800	919,200	4.7
United States	167,116,000	161,037,000	6,080,000	3.6
<u>2024</u>				
City of Atascadero	132,300	126,900	126,900	4.1%
San Luis Obispo County	15,000	14,500	500	3.5
State of California	19,644,100	18,600,900	1,043,100	5.3
United States	168,106,000	161,346,000	6,761,000	4.0

Note: Data is not seasonally adjusted.

⁽¹⁾ The unemployment rate is computed from unrounded data.

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

Industry

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

INDUSTRY EMPLOYMENT & LABOR FORCE ANNUAL AVERAGES
San Luis Obispo-Paso Robles Metropolitan Statistical Area (MSA)
(San Luis Obispo County)
2020-2024⁽¹⁾

	2020	2021	2022	2023	2024
Farming	4,800	5,000	5,500	5,700	5,800
Mining, Logging and Construction	8,500	9,100	8,900	8,700	8,900
Manufacturing	7,300	7,900	8,200	8,500	8,400
Wholesale Trade	2,500	2,600	2,600	2,500	2,500
Retail Trade	12,900	13,500	13,700	13,500	13,400
Transportation, Warehousing and Utilities	3,700	3,700	3,800	3,900	4,000
Information	1,100	1,200	1,300	1,200	1,100
Financial Activities	3,800	3,900	4,000	3,800	3,700
Professional and Business Services	10,500	11,000	11,100	11,000	10,800
Private Education and Health Services	17,000	17,500	18,100	18,500	18,800
Leisure and Hospitality	15,400	17,400	19,500	19,900	19,900
Other Services	3,300	3,400	3,700	3,900	4,000
Government	23,500	23,200	23,400	23,200	22,500
Total:	116,320	121,421	125,822	126,323	125,824

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

Principal Employers

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

PRINCIPAL EMPLOYERS
2024
San Luis Obispo County

<i>Rank:</i>	<i>Employer</i>	<i>Employees</i>
1.	County of San Luis Obispo	2,959
2.	Cal Poly Corporation	2,650
3.	Department of State Hospitals – Atascadero	2,300
4.	California Men’s Colony	2,000
5.	California Polytechnic State University	1,912
6.	Lucia Mar Unified School District	1,823
7.	Pacific Gas and Electric Company	1,700
8.	Tenet Health Central Coast	1,425
9.	San Luis Coastal Unified School District	1,388
10.	Paso Robles Joint Unified School District	1,262

Source: Annual Comprehensive Financial Report County of San Luis Obispo, California, Fiscal Year Ended June 30, 2024.

Utilities

Water is supplied to the City by the Atascadero Mutual Water Company. Electricity is provided by either Central Coast Community Energy (3CE) or Pacific Gas and Electric Company (PG&E), while Southern California Gas Company (SoCalGas) provide natural gas. The Wastewater Division of the City maintains and operates a 1.40 million gallon per day (mgd) average daily flow wastewater treatment facility, over 66 miles of pipeline and 12 wastewater-pumping stations. The Division also supplies reclaimed water for irrigation use by the Chalk Mountain Golf Course.

Transportation

Transportation modes in the Atascadero area provide for close proximity to major markets and raw material locations. Products can be moved by rail, air and ground transportation.

Highway 101 bisects the City in a north/south route connecting northern and southern California. Highway 46 is located just north of Atascadero and provides an easy connection to Interstate 5 to the east or Highway 1 to the west. Highway 41 bisects the City in an east/west direction providing access to the coast.

The San Luis Obispo Airport is located 20 minutes south, supporting commercial and commuter air travel. The Paso Robles Airport is located 17 miles north and is developing into a transportation hub, offering local bus service and connections to the Regional Transit Authority. Rail service is easily accessible via both Union Pacific Railroad and Amtrak bus routes.

Atascadero Transit Center provides a central hub for bus services in the City and the San Luis Obispo Regional Transit Authority offers both demand response door-to-door service within City limits and efficient hourly fixed route bus service along the El Camino Real corridor including Adventist Health Twin Cities Hospital and medical facilities in nearby Templeton.

Education

Primary and high school education in the City is provided by the Atascadero Unified School District. Within the City limits, there are seven public elementary schools, one junior high school and two high schools. In addition, the school district maintains a fine arts academy and provides opportunities for alternative and continuing education in various settings.

Cuesta Community College, with an annual enrollment of more than 10,000 students, is 20 minutes from the City and provides a wide variety of vocational, technical and undergraduate preparation programs. The College's North County campus is only minutes from Atascadero.

California Polytechnic University at San Luis Obispo is located approximately 20 minutes from the City. The University provides Undergraduate and Graduate programs to more than 22,000 students annually.

APPENDIX B

SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS

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

[TO COME]

APPENDIX C

AUDITED FINANCIAL STATEMENTS OF THE CITY FOR THE YEAR ENDED JUNE 30, 2024

APPENDIX D

PROPOSED FORM OF BOND COUNSEL OPINION

[Closing Date]

Atascadero Financing Authority
Atascadero, California

Re: *Atascadero Financing Authority Lease Revenue Bonds, Series 2025A*

Ladies and Gentlemen:

We have acted as bond counsel to the Atascadero Financing Authority (the “Authority”) in connection with the issuance by the Authority of \$ _____ Lease Revenue Bonds, Series 2025A (the “Series 2025A 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 October 1, 2025 (the “Indenture”), by and among the Authority, the City of Atascadero (the “City”) and The Bank of New York Mellon Trust Company, N.A., as Trustee. The Series 2025A Bonds will be principally secured by Base Rental Payments to be made by the City pursuant to a Lease Agreement, dated as of October 1, 2025 (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 2025A 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 2025A 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 2025A 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 2025A 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 2025A Bonds are limited obligations of the Authority payable solely from the Base Rental Payments and other moneys pledged under the Indenture as provided in the Indenture, but are not a debt of the City, the State of California or any other political subdivision thereof within the meaning of any constitutional or statutory limitation, and, neither the faith and credit nor the taxing power of the City, the State of California, or any of its political subdivisions is pledged for the payment thereof. The Authority has no taxing power.

5. Under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals; however, it should be noted that with respect to applicable corporations as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended (the "Code"), interest (and original issue discount) with respect to the Bonds might be taken into account in determining adjusted financial statement income for purposes of computing the alternative minimum tax imposed on such corporations.

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

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

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

is sold by the owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the owner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

The opinions expressed in paragraphs (5) and (7) above as to the exclusion from gross income for federal income tax purposes of interest (and original issue discount) on the Series 2025A 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 2025A 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 2025A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2025A 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 2025A 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 2025A 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 2025A 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 2025A Bonds. We expressly disclaim any duty to advise the owners of the Series 2025A Bonds with respect to the matters contained in the Official Statement and any other offering material relating to the Series 2025A Bonds.

Respectfully submitted,

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate, dated as of October __, 2025 (the “Disclosure Certificate”) is executed and delivered by the City of Atascadero (the “City”) in connection with the issuance by the Atascadero Financing Authority (the “Authority”) of its Lease Revenue Bonds, Series 2025A (Public Safety Facilities Project) (the “Bonds”) pursuant to an Indenture dated as of October 1, 2025, by and among the City, the Authority, and The Bank of New York Mellon Trust Company, N.A., as Trustee (the “Trustee”).

Capitalized terms not defined herein shall have the meaning set forth in the Indenture. The City covenants and agrees as follows:

SECTION 1. Purpose of this Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the Owners and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule (as the foregoing capitalized terms are hereinafter defined).

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

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

“Dissemination Agent” shall mean Urban Futures, Inc. or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation. In the absence of such a designation, the City shall act as the Dissemination Agent.

“Financial Obligation” shall mean, for purposes of the Listed Events set out in Section 5(a)(10) and Section (5)(b)(8), a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term “Financial Obligation” shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

“Listed Events” shall mean any of the events listed in Section 5 of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (“EMMA”) website of the MSRB, currently located at <http://emma.msrb.org>.

“Official Statement” shall mean the Official Statement for the Bonds dated _____, 2025, as amended or supplemented.

“Participating Underwriter” shall mean the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent by written direction to such Dissemination Agent to, not later than April 1 after the end of the City’s fiscal year (which currently ends on June 30), commencing with the report due for the fiscal year ending June 30, 2025, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the City may be submitted separately from and later than the balance of the Annual Report if they are not available by the date required above for the filing of the Annual Report.

An Annual Report shall be provided at least annually notwithstanding any fiscal year longer than 12 calendar months. The City’s fiscal year is currently effective from July 1 to the immediately succeeding June 30 of the following year. The City will promptly notify the MSRB of a change in the fiscal year dates.

(b) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, the City shall provide the Annual Report to the Dissemination Agent (if the Dissemination Agent is not the City). If by fifteen (15) Business Days prior to the date specified in (a) for the Annual Report, the Dissemination Agent (if other than the City) has not received a copy of the Annual Report, the Dissemination Agent shall notify the City of such failure to receive the report. If the Dissemination Agent is other than the City, the City shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder. The Dissemination Agent may conclusively rely upon such certification of the City and shall have no duty or obligation to review such Annual Report.

(c) If the City fails to provide an Annual Report by the date required in subsection (a), the City shall or shall cause the Dissemination Agent to, in a timely manner, send a notice of such failure to file to the MSRB, in substantially the form attached as Exhibit A.

SECTION 4. Content of Annual Reports. The City’s Annual Report shall contain or include by reference the following:

(a) **Financial Statements.** The audited financial statements of the City for the most recent fiscal year of the City then ended. If the City prepares audited financial statements and if the audited financial statements are not available by the time the Annual Report is required to be filed, the Annual Report shall contain any unaudited financial statements of the City in a format similar to the financial statements, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available. Audited financial statements of the City shall be audited by such auditor as shall then be required or permitted by State law. Audited financial statements, if prepared by the City, shall be prepared in accordance with generally accepted accounting principles as prescribed for governmental units by the Governmental Accounting Standards Board; provided, however, that the City may from time to time, if required by federal or state legal requirements, modify the basis upon which its financial statements are prepared. In the event that the City shall modify the basis upon which its financial statements are prepared, the City shall provide a notice of such modification to the MSRB, including a reference to the specific federal or state law or regulation specifically describing the legal requirements for the change in accounting basis.

(b) **Financial and Operating Data.** Numerical and tabular information for the immediately preceding fiscal year in the following charts and tables:

1. Information of the type contained in Table 5 of the Official Statement (General Fund Statement of Revenues, Expenditures, and Change in Fund Balances);
2. Information of the type contained in Table 6 of the Official Statement (General Fund Balance Sheet);
3. Information of the type contained in Table 7 of the Official Statement (General Fund Tax Revenues by Source);
4. Information of the type contained in Table 9 of the Official Statement (Assessed Valuation); and
5. Information of the type contained in Table 10 of the Official Statement (Top Ten Principal Property Taxpayers).

Any or all of the items listed above may be included in, or by specific reference to, other documents, including the City's Annual Comprehensive Financial Reports, or official statements of debt issues of the City or related public entities, which have been submitted to the MSRB or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB. The City shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) The City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not later than ten business days after the occurrence of the event:

1. Principal and interest payment delinquencies;
2. Unscheduled draws on debt service reserves reflecting financial difficulties;
3. Unscheduled draws on credit enhancements reflecting financial difficulties;
4. Substitution of credit or liquidity providers, or their failure to perform;
5. Adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);
6. Tender offers;
7. Defeasances;
8. Rating changes;
9. Bankruptcy, insolvency, receivership or similar event of the obligated person; or
10. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law

in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) The City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material, in a timely manner not later than ten business days after the occurrence of the event:

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

2. Modifications to rights of Bond holders;

3. Bond calls;

4. Release, substitution, or sale of property securing repayment of the Bonds;

5. Non-payment related defaults;

6. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;

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

8. Incurrence of a Financial Obligation of the obligated person, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders.

(c) Whenever the City obtains knowledge of the occurrence of a Listed Event described in Section 5(b), the City shall determine if such event would be material under applicable federal securities laws.

(d) If the City learns of the occurrence of a Listed Event described in Section 5(a), or determines that knowledge of a Listed Event described in Section 5(b) would be material under applicable federal securities laws, the City shall within ten business days of occurrence file a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsections (b)(3) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to owners of affected Bonds pursuant to the Indenture.

SECTION 6. Format for Filings with MSRB. Any report or filing with the MSRB pursuant to this Disclosure Certificate must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB.

SECTION 7. Termination of Reporting Obligation. The City's obligations under this Disclosure Certificate shall terminate upon the legal defeasance or payment in full of all of the Bonds. If such termination occurs prior to the final maturity date of the Bonds, the City shall give notice of such termination in a filing with the MSRB.

SECTION 8. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the City pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be Urban Futures, Inc.

SECTION 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3, 4 or 5(a) or (b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Owners or Beneficial Owners of the Bonds.

SECTION 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future notice of occurrence of a Listed Event.

SECTION 11. Default. In the event of a failure of the City to comply with any provision of this Disclosure Certificate, any Owner or Beneficial Owner of Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture or an event of default under the Lease Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 12. Duties, Immunities and Liabilities of Dissemination Agent. A Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the City agrees to indemnify and save such Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, if any, the Participating Underwriter and the Owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

CITY OF ATASCADERO

By: _____
City Manager

ACKNOWLEDGED:

URBAN FUTURES, INC
as Dissemination Agent

By: _____
Authorized Signatory

EXHIBIT A

**NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD
OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: Atascadero Financing Authority

Name of Issue: Atascadero Financing Authority Lease Revenue Bonds, Series 2025A

Date of Issuance: _____, 2025

NOTICE IS HEREBY GIVEN that the City of Atascadero (the “City”) has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate, dated as of ____, 2025, executed by the City. The City anticipates that the Annual Report will be filed by _____.

Dated: _____

URBAN FUTURES, INC., as Dissemination Agent

By: _____
Name: _____
Title: _____

APPENDIX F**BOOK-ENTRY ONLY SYSTEM**

The information in this section concerning DTC and DTC's book-entry only system has been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the Series 2025A Bonds, payment of principal, premium, if any, accreted value and interest on the Series 2025A Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Series 2025A Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC.

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Series 2025A 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.