

PRELIMINARY OFFICIAL STATEMENT DATED [____], 2025**NEW ISSUE - FULL BOOK-ENTRY****RATING: S&P: [__]
(See "RATING" herein)**

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel observes that interest on the Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. See "TAX MATTERS" herein.

[\$[PAR]]*
EUREKA PUBLIC FINANCING AUTHORITY
LEASE REVENUE BONDS (CITY FACILITIES),
SERIES 2025

Dated: Date of Delivery**Due: [May 1], as shown on the inside cover**

The Eureka Public Financing Authority Lease Revenue Bonds (City Facilities), Series 2025 (the "Bonds") are being issued by the Eureka Public Financing Authority (the "Authority") to provide funds to finance costs of the acquisition, design, engineering, construction, improvement, and installation of certain public capital facilities, consisting primarily of a new corporation yard and operations complex and improvements to the city hall and municipal auditorium facilities (the "Project"). See "THE PLAN OF FINANCE" herein.

Interest on the Bonds will be payable on [May 1 and November 1] of each year, commencing [November 1, 2025]. The Bonds will be issued as fully-registered bonds without coupons and will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). DTC will act as securities depository for the Bonds. Purchases of beneficial interests in the Bonds will be made in book-entry form through DTC participants and no physical delivery of the Bonds will be made to purchasers, except as otherwise described herein. Payment of principal, premium, if any, and interest will be made by U.S. Bank Trust Company, National Association, as trustee (the "Trustee"), to DTC which is obligated to remit such payments to its participants for subsequent disbursement to the Beneficial Owners of the Bonds. See Appendix F—"DTC DESCRIPTION" hereto. The Bonds will be issuable in denominations of \$5,000 or any integral multiple thereof.

The Bonds are being issued pursuant to an Indenture dated as of July 1, 2025 (the "Indenture") between the Authority and the Trustee. The Bonds shall be special obligations of the Authority, payable solely from the Lease Revenues and the other assets pledged under the Indenture. Neither the faith and credit nor the taxing power of the Authority, the City of Eureka (the "City") or the State of California (the "State"), or any political subdivision thereof, is pledged to the payment of the Bonds. Lease Revenues consist primarily of Base Rental Payments to be received by the Authority from the City pursuant to a Lease Agreement between the Authority, as lessor, and the City, as lessee. Such Base Rental Payments are calculated to be sufficient to pay the principal of and interest on the Bonds when due. Base Rental Payments are payable from any source of legally available funds in each year that the City has use and possession of the Leased Property.

[No debt service reserve fund will be established for the Bonds.]

The Bonds are subject to optional redemption and extraordinary redemption prior to maturity as more fully described herein. See "THE BONDS—Redemption" herein.

The Bonds are limited obligations of the Authority and are not secured by a legal or equitable pledge of, or charge or lien upon, any property of the Authority or any of its income or receipts, except the Lease Revenues. Neither the full faith and credit of the Authority, the City nor any member of the Authority is pledged for the payment of the principal of or interest on the Bonds or for the payment of Base Rental Payments. Neither the payment of the principal of or interest on the Bonds nor the obligation to make Base Rental Payments constitutes a debt, liability or obligation of the Authority, the City or any member of the Authority for which any such entity is obligated to levy or pledge any form of taxation or for which any such entity has levied or pledged any form of taxation. The Authority has no taxing power.

This cover page contains certain information for general 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 on the Bonds.

The Bonds are offered when, as and if issued, subject to the approval of validity of the Bonds and certain other legal matters by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, and subject to certain other conditions. Orrick, Herrington & Sutcliffe LLP has also served as Disclosure Counsel. Certain legal matters will be passed upon for the Authority

* Preliminary; subject to change.
4156-4007-1258.7

and for the City by Robert N. Black, Esq. Certain legal matters will be passed upon for Oppenheimer & Co. Inc. (the "Underwriter") by its counsel, Kutak Rock LLP. It is expected that the Bonds will be available for delivery through the DTC book-entry only system on or about July __, 2025.

[UNDERWRITER LOGO]

Date of Official Statement: _____.

[\$[PAR]]*
EUREKA PUBLIC FINANCING AUTHORITY
LEASE REVENUE BONDS (CITY FACILITIES),
SERIES 2025

MATURITY SCHEDULE*

Maturity Date ([November] 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP Number [†]
	\$				

\$ _____ * ____% Term Bond due [November] 1, 20__; Yield ____%; CUSIP[†] Suffix ____
 \$ _____ * ____% Term Bond due [November] 1, 20__; Yield ____%; CUSIP[†] Suffix ____

* 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 Authority, the City, the Underwriter or their agents or counsel assume responsibility for the accuracy of such numbers.

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements.” Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “budget” or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involves known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements 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 those forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based, change.

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 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.

No dealer, broker, salesperson or other person has been authorized by the Authority, the City or the Underwriter to give any information or to make any representations 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 any of the foregoing.

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of facts. The information set forth herein has been furnished by the Authority and the City and other sources as noted that the Authority and the City believe reliable. The information and expressions of opinion herein are subject to change without notice, and neither the 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 Authority and the City since the date hereof. This Official Statement, including any supplement or amendment thereto, is intended to be deposited with one or more nationally recognized municipal securities information repositories.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY THE BONDS, NOR SHALL THERE BE ANY SALE OF ANY OF THE BONDS, BY ANY PERSON IN ANY JURISDICTION IN WHICH, OR TO ANY PERSON TO WHOM, IT IS UNLAWFUL TO MAKE SUCH OFFER, SOLICITATION OR SALE. In making an investment decision, potential investors must rely on their own examination of the Authority and the City and the terms of the offering, including the merits and risks involved. The Bonds have not been registered or qualified under the securities laws of any state. These securities have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this Official Statement. Any representation to the contrary is a criminal offense.

The summaries and references to the Indenture, the Continuing Disclosure Certificate and statutes and other documents do not purport to be comprehensive or definitive and are qualified in their entireties by reference to each such document and statute. The Bonds have not been registered under the Securities

Act of 1933, as amended, in reliance upon exemptions from the registration requirements contained in such Acts.

The City maintains a website. Unless specifically indicated otherwise, the information presented in the website is not incorporated by reference as part of this Official Statement and should not be relied upon in making an investment decision with respect to the Bonds.

CITY OF EUREKA, CALIFORNIA

City Council

and

Eureka Public Financing Authority Governing Board

Kim Bergel, Mayor/Chairperson
Leslie Castellano, Council Member/Director
Kati Moulton, Council Member/Director
G. Mario Fernandez, Council Member/Director
Scott Bauer, Council Member/Director
Renee Contreras-DeLoach, Council Member/Director

City and Authority Staff

Miles Slattery, City Manager
Lane Millar, Finance Director/Treasurer

City Attorney and Authority Counsel

Robert N. Black, Esq.

Trustee

U.S. Bank Trust Company, National Association

Municipal Advisor

PFM Financial Advisors LLC

Bond Counsel

Orrick, Herrington & Sutcliffe LLP

Disclosure Counsel

Orrick, Herrington & Sutcliffe LLP

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OFFICIAL STATEMENT

[\$[PAR]]*
EUREKA PUBLIC FINANCING AUTHORITY
LEASE REVENUE BONDS (CITY FACILITIES),
SERIES 2025

INTRODUCTION

This Introduction is qualified in its entirety by reference to the more detailed information included and referred to elsewhere in this Official Statement. The offering of the Bonds to potential investors is made only by means of the entire Official Statement. Capitalized terms used in this Introduction and not otherwise defined herein shall have the respective meanings assigned to them elsewhere in this Official Statement.

Purpose

The purpose of this Official Statement, including the appendices hereto, is to furnish information regarding the issuance and sale by the Eureka Public Financing Authority (the “Authority”) of \$[PAR]* aggregate principal amount of its Lease Revenue Bonds (City Facilities), Series 2025 (the “Bonds”). The Bonds are being issued pursuant to the provisions of an Indenture dated as of July 1, 2025 (the “Indenture”), between the Authority and U.S. Bank Trust Company, National Association, as trustee thereunder (the “Trustee”). The Bonds will be issued in full conformity with the Constitution and laws of the State of California (the “State”), including the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 (commencing with Section 6584) of Chapter 5, Division 7, Title 1 of the California Government Code, as amended from time to time.

The primary purpose of issuing the Bonds is to finance costs of the acquisition, design, engineering, construction, improvement, and installation of certain public capital facilities, consisting primarily of a new corporation yard and operations complex and improvements to the city hall and municipal auditorium facilities (the “Project”). See “THE PLAN OF FINANCE” herein. Proceeds of the Bonds will also be used to pay costs incurred in connection with the issuance, sale and delivery of the Bonds.

Pursuant to a Ground Lease (the “Ground Lease”), between the City of Eureka (the “City”), as lessor and the Authority, as lessee, the City will lease to the Authority the real property and the improvements thereon (the “Leased Property”). Concurrently, the Authority will lease the Leased Property to the City pursuant to a Lease Agreement (the “Lease Agreement”), between the Authority, as lessor and the City, as lessee. See “THE LEASED PROPERTY” herein.

Sources of Payment for the Bonds

The Bonds shall be special obligations of the Authority, payable solely from the Lease Revenues (hereafter defined) and the other assets pledged under the Indenture. Neither the faith and credit nor the taxing power of the Authority, the City or the State, or any political subdivision thereof, is pledged to the payment of the Bonds. The Authority will assign to the Trustee all of the Lease Revenues and all of the

* Preliminary, subject to change.

rights of the Authority in the Lease Agreement, except for certain rights to indemnification set forth therein.

The Base Rental Payments (as further defined herein) are designed to be sufficient in both time and amount to pay, when due, the principal of and interest on the Bonds. The City has covenanted under the Lease Agreement to take such action as may be necessary to include all Rental Payments (as further defined herein) due thereunder as a separate line item in its annual budgets and to make necessary annual appropriations for all such Rental Payments. However, during any period in which, by reason of material damage to, or destruction or condemnation of, the Leased Property, or any defect in title to the Leased Property, there is substantial interference with the City's right to use and occupy any portion of the Leased Property, Rental Payments shall be abated proportionately. Such abatement shall 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 Leased Property, ending with the substantial completion of the work of repair or replacement of the Leased Property, or the portion thereof so damaged or destroyed. See "RISK FACTORS—Abatement" herein. The obligation of the City to make the Rental Payments, including the Base Rental Payments, does not constitute a debt of the City or of 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.

The City has assumed responsibility under the Lease Agreement for the operation, maintenance and repair of the Leased Property, and is required to maintain or cause to be maintained insurance on the Leased Property, including title insurance, fire and extended coverage, comprehensive public liability and property damage insurance, and rental income interruption insurance with respect to property damage risks in 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. See "SOURCES OF PAYMENT FOR THE BONDS" herein.

[No debt service reserve fund will be established for the Bonds.]

The Authority

The Authority was created by a Joint Exercise of Powers Agreement, dated as of November 1, 1988 between the City and the Successor Agency to the City of Eureka Redevelopment Agency. See "THE AUTHORITY" herein.

The City

For certain information concerning the City, including the City's current financial situation, see Appendix A—"AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2024" and Appendix B—"CITY FINANCIAL INFORMATION" hereto.

Summaries Not Definitive; Definitions

Brief descriptions of the Bonds, the Authority, the City, the Project and the Leased Property are included in this Official Statement, together with summaries of the Indenture, the Lease Agreement and the Ground Lease. Such descriptions do not purport to be comprehensive or definitive. All references herein to the Bonds, the Indenture, the Lease Agreement and the Ground Lease are qualified in their entirety by reference to the actual documents or with respect to the Bonds, the form of which is included

in the Indenture. Copies of all such documents are available for inspection at the corporate trust office of the Trustee.

Definitions of certain capitalized terms used in this Official Statement and not otherwise defined herein or in Appendix C hereto shall have the meanings set forth in the Indenture and the Lease Agreement. The summaries of and references contained herein to the Indenture, the Bonds, the Lease Agreement, Ground Lease, statutes and other documents do not purport to be comprehensive or definitive and are qualified by reference to each such document, instrument or statute.

Continuing Disclosure

The City has covenanted for the benefit of owners of the Bonds to provide certain financial information and operating data and to provide notices of the occurrence of certain enumerated events in order to assist Oppenheimer & Co. Inc. (the “Underwriter”) in complying with Securities Exchange Commission Rule 15c2-12(b)(5). See “CONTINUING DISCLOSURE” herein.

Other General Fund Obligations

The City has other obligations payable from its general fund and may enter into additional obligations payable from its general fund in the future. For additional detail, see Note 7 (“Long-Term Debt”) in Appendix A—“AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2024” hereto.

THE LEASED PROPERTY

General

The City will lease all of the Leased Property summarized below to the Authority pursuant to the Ground Lease, and the Authority will lease back all of the Leased Property to the City pursuant to the Lease Agreement. The Leased Property consists of certain essential City properties and the sites thereof. The Leased Property includes site development, landscaping, utilities, equipment, furnishings, improvements and appurtenant, and related facilities located on the real property, including any future improvements made to such Leased Property.

The City covenants that so long as the Leased Property is available for use and occupancy, the City will take such actions as may be necessary to include all Base Rental Payments and Additional Rental Payments with respect to each Leased Property asset in its annual budgets and to make the necessary annual appropriations therefor.

The value of each facility of the Leased Property is based upon estimates of value from sources the City believes to be reliable. The actual market value may differ materially from the estimated value listed below. The Authority has only a leasehold interest in the Leased Property and is not authorized to sell any such asset. The City represents and agrees in the Lease Agreement that the annual Base Rental Payments represent the fair rental value of the respective Leased Assets.

Description of Leased Property

Pursuant to the Lease Agreement, the City will sublease from the Authority the Leased Property, which consists of the facilities described below.

Municipal Auditorium. Municipal Auditorium is approximately 35,239 square feet, located at 1120 F Street. Municipal Auditorium was constructed in 1935 and has an insured value of approximately \$16,806,535. Municipal Auditorium is an indoor multipurpose arena capable of use for conventions, trade shows, concerts, sports and other events. The Municipal Auditorium was damaged by an earthquake in 2010 and has subsequently been seismically retrofitted, including wood-framed shearwalls, floor and roof diaphragm retrofits, structural steel eccentrically-braced frames, and structural connection improvements throughout.

Da' Yas Park. Da' Yas Park, formerly known as 20/30 Park, was established in 1952 and underwent significant construction and improvements from 2022 through 2025. Da' Yas Park includes an all-inclusive playground, amphitheater, multi-use sports courts (futsal, roller hockey, and basketball), parking and restrooms, fitness equipment, accessible pathways, open grass, and plazas. Da' Yas Park has an insured value of approximately \$5,000,000. In July 2025, the City estimates completed construction of improvements, totaling \$4,466,000 to Da' Yas Park. The improvements include a multi-sport court, various age play areas, accessible paths, a fitness station, a restroom building, and upgrades to the Jacob Haney ball field. A portion of the property within Da' Yas Park was conveyed to the City on the condition that the property be used solely for purposes of recreation. The City will covenant in the Lease Agreement to use and operate "Da' Yas Park", for so long as such property constitutes a portion of the Leased Property, solely for purposes of recreation.

City Hall. The City Hall is approximately 23,818 square feet, located at 531 K Street. The City Hall was constructed in 1959 and has an insured value of approximately \$11,110,542.

Police Station. Police Station is approximately 20,000 square feet, located at 604 C Street. The Police Station was constructed in 1987 and has an insured value of approximately \$11,586,296.

Fire Station #1. Fire Station #1 is approximately 17,666 square feet, located at 533 C Street. The Fire Station was constructed in 1974 and has an insured value of approximately \$5,462,974.

No other property of the City or the Authority will initially be subject to the Lease Agreement. Under the Lease Agreement and the Indenture, the City may change or substitute other capital facilities for the Leased Property subject to the provisions described therein. See Appendix C—"SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS—LEASE AGREEMENT—Amendments; Assignment and Subleasing; Substitution or Release—*Substitution and Release of Leased Property*" hereto.

Additions to the Leased Property, Substitution or Release of Leased Property

The City may amend the Lease Agreement to add additional real property to the Leased Property, substitute alternate real property for any portion of the Leased Property or to release a portion of the Leased Property from the Lease Agreement, upon completion of the conditions set forth in the Lease Agreement. In order to effect such release and substitution, the City is required to provide the Authority and the Trustee, among other things, (a) an ALTA policy of title insurance insuring the City's leasehold estate under the Lease Agreement in the Leased Property, subject only to Permitted Encumbrances in an amount which, together with the amount of title insurance applicable to the unreleased portion of the Leased Property, equals at least the aggregate principal amount of Bonds then outstanding, and (b) an opinion of bond counsel stating 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. A substitution or release of Leased Property under the Lease Agreement will not cause a reduction in, or abatement of, the Base Rental Payments due from the City.

THE PLAN OF FINANCE

The Project

The Bonds are being issued to provide net proceeds finance costs of the acquisition, design, engineering, construction, improvement, and installation of certain public capital facilities, consisting primarily of a new corporation yard and operations complex and improvements to the city hall and municipal auditorium facilities.

Corporation Yard

The City's existing corporation yard on West 14th Street has buildings that have been in use since the 1950s, largest building was built in 1980s. Buildings within the existing corporation yard have exceeded their useful life and one building sustained significant damage in the 2010 earthquake. Further, the current corporation yard site is in a Tsunami Hazard Zone, and in an area subject to liquefaction. No buildings meet current structural standards, and are subject to impacts from sea level rise. The current site does not have enough space for employees, has duplicative spaces, and does not have enough covered storage.

Over the past eight years, major work efforts have included site selection and acquisition, community outreach, environmental review, and preliminary design. The new site, known as the "Ops Complex" will serve as the City's new corporation yard. Full development will include operations building, warehouse, fleet maintenance shop, and surrounding amenities. Once fully developed, the corporation yard is expected be able to house 46 staff members that currently work out of the existing corporation yard field operations staff, including wastewater collections, water distribution, fleet maintenance, and street maintenance. The planned development of the new corporation yard features include high efficiency building design, parking for employees, visitors, and fleet parking, bulk soil de-watering facility, bulk materials storage, vehicle wash station, solid waste and recycling storage, a telecommunications tower and backup generator, solar panels and electric vehicle charging. Construction is anticipated to begin in mid-2025 with a completion date in late 2026. The City expects that approximately \$21 million of net proceeds of the Series 2025 Bonds will be applied to provide funds to finance costs of the design, engineering, construction, improvement, and installation of facilities to comprise the new corporation yard.

The City conducted a procurement process between May and August 2024 for General Contractor services as Construction Manager at Risk. The City Council awarded the contract to Swinerton Builders in September 2024 (the "General Contractor"). The General Contractor is conducting the bidding process for all sub-trades.

Between March and June 2025, the General Contractor received bids for site development, grading, stormwater, underground utilities, and building foundations ("Site Work"). The City and the General Contractor will enter a contract setting forth the guaranteed maximum price for all Site Work, which is estimated to be \$8,000,000. The City Council expects to award the contract for the Site Work in July 2025.

Between December 2025 and April 2026, the General Contractor will seek bids for all finished buildings, auxiliary structures, hard-scape, fencing, security, lighting, and landscaping ("Structural Work"). The City and the General Contractor will enter a contract setting forth the guaranteed maximum price for all Structural Work, which is estimated to be \$11,000,000. The City Council expects to award the contract for the Structural Work by spring of 2026.

City Hall and Municipal Auditorium Improvements

The City of Eureka is undertaking a project to modernize and improve the Eureka City Hall building. This effort is part of a broader initiative to ensure that City facilities remain functional, safe, and responsive to the needs of both the public and City staff. The scope of work includes replacement and upgrades to the curtain wall system, elevators, and HVAC system, as well as interior renovations to improve space utilization and overall functionality.

As the first step in this project, the City released a Request for Proposals (RFP), Bid #2025-3, in September 2024 to procure professional architectural and engineering design services. Following a competitive selection process, a contract was awarded in January 2025. To maintain continuity of operations, the City is considering a phased construction approach that would allow City staff to remain in the building during the improvement work.

In addition to the City Hall project, the City is planning improvements to the Municipal Auditorium, specifically focused on enhancing the west wing, which previously served as a schoolhouse. The goal of this project is to improve functionality and usability through updated space programming, assessment of space utilization, and interior design enhancements. These improvements will enable the City to add additional office space for staff, further supporting operational needs.

To initiate this work, the City released a Request for Proposals (RFP), Bid #2025-6, in March 2025 for professional design services and is currently reviewing responses from experienced architectural and engineering consultant teams.

ESTIMATED SOURCES AND USES OF PROCEEDS*

The proceeds of the sale of the Bonds are estimated to be applied as shown below:

Sources of Funds:

Principal Amount of Bonds	\$
[Plus/Less] [Net] Original Issue [Premium/Discount]	
Other Funds on Hand	
Total Sources	<hr/>
	\$

Uses of Funds:

Underwriter's Discount	
Deposit to Costs of Issuance Fund ⁽¹⁾	
Deposit to Project Fund	
Total Uses	<hr/>
	\$

⁽¹⁾ Costs of Issuance includes rating fees, legal fees, advisory fees, printing costs and other miscellaneous expenses.

THE BONDS

General

The Bonds shall be issued in fully registered form without coupons in Authorized Denominations, so long as no Bond shall have more than one maturity date. The Bonds shall be dated as of the Closing Date, shall mature on [November] 1 of each year, shall bear interest at the rates per annum (calculated on

* Preliminary, subject to change.

the basis of a 360-day year comprised of twelve 30-day months) and shall be in the principal amounts set forth on the inside cover page hereof.

The Bonds shall initially be issued as Book-Entry Bonds. Payment of principal of, and interest and premium, if any, on, any Book-Entry Bond registered in the name of the Nominee shall be made on the applicable payment date by wire transfer of New York clearing house or equivalent next day funds or by wire transfer of same day funds to the account of the Nominee. Such payments shall be made to the Nominee at the address that is, on the Record Date, shown for the Nominee in the Registration Books.

The Bonds shall be executed in the name and on behalf of the Authority with the manual or facsimile signature of an Authorized Representative of the Authority attested by the manual or facsimile signature of the Secretary of the Authority. The Bonds shall then be delivered to the Trustee for authentication by it. In case any of such officers of the Authority who shall have signed or attested any of the Bonds shall cease to be such officers before the Bonds so signed or attested shall have been authenticated or delivered by the Trustee, or issued by the Authority, such Bonds may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issue, shall be as binding upon the Authority as though those who signed and attested the same had continued to be such officers, and also any Bonds may be signed and attested on behalf of the Authority by such Persons as at the actual date of execution of such Bonds shall be the proper officers of the Authority although at the nominal date of such Bonds any such Person shall not have been such officer of the Authority. The Trustee shall keep or cause to be kept, at the Office of the Trustee, sufficient records for the registration and transfer of ownership of the Bonds, which shall be available for inspection and copying by the Authority and the City during regular business hours and upon reasonable notice; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such records, the ownership of the Bonds provided in the Indenture.

Interest on the Bonds shall be payable from the Interest Payment Date next preceding the date of authentication thereof unless (i) a Bond is authenticated on or before an Interest Payment Date and after the close of business on the preceding Record Date, in which event interest thereon shall be payable from such Interest Payment Date, (ii) a Bond is authenticated on or before the first Record Date, in which event interest thereon shall be payable from the Closing Date, or (iii) interest on any Bond is in default as of the date of authentication thereof, in which event interest thereon shall be payable from the date to which interest has previously been paid or duly provided for. Interest shall be paid in lawful money of the United States on each Interest Payment Date. Except as otherwise provided in the Letter of Representations, interest shall be paid by check of the Trustee mailed by first-class mail, postage prepaid, on each Interest Payment Date to the Owners of the Bonds at their respective addresses shown on the Registration Books as of the close of business on the preceding Record Date, or by wire transfer at the written request of an Owner of not less than \$1,000,000 aggregate principal amount of Bonds, which written request is received by the Trustee on or prior to the Record Date. Notwithstanding the foregoing, interest on any Bond that is not punctually paid or duly provided for on any Interest Payment Date shall, if and to the extent that amounts subsequently become available therefor, be paid on a payment date established by the Trustee to the Person in whose name the ownership of such Bond is registered on the Registration Books at the close of business on a special record date to be established by the Trustee for the payment of such defaulted interest, notice of which shall be given to such Owner not less than ten days prior to such special record date.

Redemption*

The Bonds are subject to optional redemption and extraordinary redemption as described below.

* Preliminary, subject to change.

Optional Redemption

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

Extraordinary Redemption

The Bonds shall be subject to redemption, in whole or in part, on any date, in Authorized Denominations, from and to the extent of any Net Proceeds received with respect to all or a portion of the Leased Property and deposited by the Trustee in the Redemption Fund in accordance with the provisions of the Indenture, at a Redemption Price equal to the principal amount thereof, plus accrued interest thereon to the date fixed for redemption, without premium. See “SOURCES OF PAYMENT FOR THE BONDS—Insurance” herein. See also Appendix C—“SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS—LEASE AGREEMENT—Rental Payments—Prepayment” hereto.

Mandatory Sinking Fund Redemption

The Bonds maturing [November] 1, 20__, shall be subject to mandatory sinking fund redemption, in part, on [May] 1 in each year, commencing [November] 1, 20__, at a Redemption Price equal to the principal amount thereof, plus accrued interest thereon to the date fixed for redemption, without premium, in the aggregate respective principal amounts in the respective years as follows:

Sinking Fund Redemption Date ([November] 1)	Principal Amount to be Redeemed
†	\$
† Maturity Date.	

If some but not all of the Bonds maturing on [November] 1, 20__, are extraordinarily redeemed, the principal amount of Bonds maturing on [November] 1, 20__, to be redeemed shall be reduced by the aggregate principal amount of the Bonds maturing on [November] 1, 20__, so extraordinarily redeemed, such reduction to be allocated among redemption dates as nearly as practicable on a pro rata basis, in amounts equal to Authorized Denominations, as determined by the Trustee, notice of which determination shall be given by the Trustee to the Authority and the City. If some but not all of the Bonds maturing on [November] 1, 20__, are optionally redeemed, the principal amount of Bonds maturing on [November] 1, 20__, to be redeemed shall be reduced by the aggregate principal amount of the Bonds maturing on [November] 1, 20__, so optionally redeemed, such reduction to be allocated among redemption dates in Authorized Denominations, as designated by the City in a Written Request of the City.

The Bonds maturing [November] 1, 20__ shall be subject to mandatory sinking fund redemption, in part, on [November] 1 in each year, commencing [November] 1, 20__, at a Redemption Price equal to the principal amount thereof, plus accrued interest thereon to the date fixed for redemption, without premium, in the aggregate respective principal amounts in the respective years as follows:

Sinking Fund Redemption Date ([November] 1)	Principal Amount to be Redeemed
---	------------------------------------

\$

†

† Maturity Date.

If some but not all of the Bonds maturing on [November] 1, 20__, are extraordinarily redeemed, the principal amount of Bonds maturing on [November] 1, 20__, to be redeemed shall be reduced by the aggregate principal amount of the Bonds maturing on [November] 1, 20__, so extraordinarily redeemed, such reduction to be allocated among redemption dates as nearly as practicable on a pro rata basis, in amounts equal to Authorized Denominations, as determined by the Trustee, notice of which determination shall be given by the Trustee to the Authority and the City. If some but not all of the Bonds maturing on [November] 1, 20__, are optionally redeemed, the principal amount of Bonds maturing on [November] 1, 20__, to be redeemed shall be reduced by the aggregate principal amount of the Bonds maturing on [November] 1, 20__, so optionally redeemed, such reduction to be allocated among redemption dates in Authorized Denominations, as designated by the City in a Written Request of the City.

Notice of Redemption

The Trustee on behalf and at the expense of the Authority shall mail (by first class mail) notice of any redemption to the respective Owners of any Bonds designated for redemption at their respective addresses appearing on the Registration Books at least 20 but not more than 60 days prior to the date fixed for redemption. Such notice shall state the date of the notice, the redemption date, the redemption place and the Redemption Price and shall designate the CUSIP numbers, if any, the Bond numbers, Series and the maturity or maturities of the Bonds to be redeemed (except in the event of redemption of all of the Bonds of such Series, maturity or maturities in whole), and shall require that such Bonds be then surrendered at the 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, shall 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 any optional redemption of Bonds of a Series, unless at the time such notice is given the Bonds to be redeemed shall be deemed to have been paid within the meaning of the Indenture, such notice shall state that such redemption is conditional upon receipt by the Trustee, on or prior to the date fixed for such redemption, of moneys that, together with other available amounts held by the Trustee, are sufficient to pay the Redemption Price of, and accrued interest on, the Bonds to be redeemed, and that if such moneys shall not have been so received said notice shall be of no force and effect and the Authority shall not be required to redeem such Bonds. In the event a notice of redemption of Bonds contains such a condition and such moneys are not so received, the redemption of Bonds as described in the conditional notice of redemption shall not be made and the Trustee shall, within a reasonable time after the date on which such redemption was to occur, give notice to the Persons and in the manner in which the notice of redemption was given, that such moneys were not so received and that there shall be no redemption of Bonds pursuant to such notice of redemption.

Effect of Redemption

Notice having been mailed, and moneys for the Redemption Price, and the interest to the applicable date fixed for redemption, having been set aside with the Trustee, the Bonds shall become due and payable on said date, and, upon presentation and surrender thereof at the Office of the Trustee, said Bonds shall 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, shall be held by the Trustee so as to be available therefor on such date, and, if notice of redemption thereof shall have been mailed as aforesaid and not canceled, then, from and after said date, interest on said Bonds shall cease to accrue and become payable. All moneys held by or on behalf of the Trustee for the redemption of Bonds shall 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 shall be canceled upon surrender thereof and destroyed.

SOURCES OF PAYMENT FOR THE BONDS

General

The Bonds shall be special obligations of the Authority, payable solely from the Lease Revenues and the other assets pledged therefor hereunder. 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 Bonds. The term "Lease Revenues" means all Base Rental Payments payable by the City pursuant to the Lease Agreement, including any prepayments thereof, any Net Proceeds and any amounts received by the Trustee as a result of or in connection with the Trustee's pursuit of remedies under the Lease Agreement upon a Lease Default Event.

Under the Indenture, the Authority assigns and transfers to the Trustee, irrevocably and absolutely, without recourse, for the benefit of the Owners, all of its right, title and interest in and to the Ground Lease and the Lease Agreement, including, without limitation, the right to receive Base Rental Payments and the right to exercise any remedies provided in the Lease Agreement in the event of a default by the City thereunder; provided, however, that the Trustee shall not be required to perform any of the substantive obligations of the Authority thereunder, and, provided, further that Authority shall retain the rights to indemnification, to give consents and approvals thereunder, and to payment or reimbursement of its reasonable costs and expenses under the Lease Agreement. The Trustee hereby accepts said assignment for the benefit of the Owners, subject to the provisions of the Indenture.

Subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein, in order 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, the Authority pledges to the Owners, and grants thereto a lien on and a security interest in, all of the Lease Revenues and any other amounts held in the Payment Fund. Said pledge shall constitute a first lien on and security interest in such assets, which shall immediately attach to such assets and be effective, binding and enforceable against the Authority, its successors, purchasers of any of such assets, creditors and all others asserting rights therein, to the extent set forth in, and in accordance with, the Indenture, irrespective of whether those parties have notice of the pledge of, lien on and security interest in such assets and without the need for any physical delivery, recordation, filing or further act.

The Bonds are special obligations of the Authority, payable, as provided in the Indenture, solely from Lease Revenues and the other assets pledged therefor thereunder. 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 Bonds. The Lease Revenues consist of all Base Rental Payments payable by the City pursuant to the Lease Agreement, including any prepayments thereof, any Net Proceeds and any amounts received by the Trustee as a result of or in connection with the Trustee's pursuit of remedies under the Lease Agreement upon a Lease Default Event.

Base Rental Payments

Rental Payments, consisting of Base Rental Payments and Additional Rental Payments, will be paid by the City to the Authority for and in consideration of the right to use and occupy the Leased Property and in consideration of the continued right to the quiet use and enjoyment thereof during each Rental Period for which such Rental Payments are to be paid. The Base Rental Payments shall be due and payable no later than the fifth Business Day next preceding each Interest Payment Date (the "Base Rental Deposit Date") on which such Base Rental Payment is due in an amount equal to the principal, if any, of and interest on the Bonds due and payable on such Interest Payment Date, including principal due and payable by reason of mandatory sinking fund redemption of the Bonds.

Additional Rental Payments

In addition to the Base Rental Payments, the Lease Agreement requires the City to pay, as Additional Rental Payments, such amounts as will be required for the following:

- (i) all taxes and assessments of any type or nature charged to the Authority or the City or affecting the Leased Property or the respective interests or estates of the Authority or the City therein;
- (ii) insurance premiums for all insurance required pursuant to Article V hereof; and
- (iii) all other payments not constituting Base Rental Payments required to be paid by the City pursuant to the provisions of this Lease Agreement.

Amounts constituting Additional Rental Payments payable hereunder shall be paid by the City directly to the person or persons to whom such amounts shall be payable. The City shall 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.

[No Debt Service Reserve Fund]

[No debt service reserve fund will be established for the Bonds.]

Insurance

General Liability Insurance. The Lease Agreement requires the City to maintain or cause to be maintained, throughout the term of the Lease Agreement, a standard comprehensive general liability insurance policy or policies in protection of the City, the Authority and their respective members, officers, agents and employees. Said policy or policies shall provide for indemnification of said parties against direct or contingent loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the use or ownership of the Leased Property. Said policy or policies shall provide

coverage in the minimum liability limits of \$1,000,000 for personal injury or death of each person and \$3,000,000 for personal injury or deaths of two or more persons in a single accident or event, and in a minimum amount of \$500,000 for damage to property (subject to a deductible clause of not to exceed \$100,000) resulting from a single accident or event. Such public liability and property damage insurance may, however, be in the form of a single limit policy in the amount of \$3,000,000 covering all such risks. Such liability insurance may be maintained as part of or in conjunction with any other liability insurance coverage carried or required to be carried by the City. The Net Proceeds of such liability insurance shall be applied toward extinguishment or satisfaction of the liability with respect to which the Net Proceeds of such insurance shall have been paid. The City's obligations to provide general liability insurance may be satisfied by self-insurance in accordance with the Lease Agreement. See Appendix C—"SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS—LEASE AGREEMENT—Insurance; Net Proceeds; Eminent Domain" hereto.

Casualty Insurance. The Lease Agreement requires the City to maintain or cause to be maintained casualty insurance insuring the Leased Property against fire, lightning and all other risks covered by an extended coverage endorsement (excluding earthquake and flood) to the full insurable value of the Leased Property, subject to a \$100,000 loss deductible provision. Full insurable value shall not be less than the aggregate principal amount of the Outstanding Bonds. The City's obligations under this subsection may be satisfied by self-insurance in accordance with the Lease Agreement.

Rental Interruption Insurance. The Lease Agreement requires the City to maintain rental interruption insurance to cover the Authority's loss, total or partial, of Base Rental Payments resulting from the loss, total or partial, of the use of any part of the Leased Property as a result of any of the hazards required to be covered by the casualty insurance policy in 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 Net Proceeds of such rental interruption insurance shall be applied to the payment of Rental Payments during the period in which, as a result of the damage or destruction to the Leased Property that resulted in the receipt of such Net Proceeds, there is substantial interference with the City's right to the use or occupancy of the Leased Property. The City's obligations to provide rental interruption insurance may not be satisfied by self-insurance.

The insurance required under the Lease Agreement other than self-insured as provided shall be provided by reputable insurance companies with claims paying abilities determined, in the reasonable opinion of the City's professionally qualified risk manager or an independent insurance consultant, to be adequate for the purposes of the Lease Agreement. All such policies shall contain a standard lessee clause in favor of the Trustee and the general liability insurance policies shall be endorsed to show the Trustee, as an additional insured. All such policies shall provide that the Trustee shall be given 30 days' notice of the expiration thereof, any intended cancellation thereof or any reduction in the coverage provided thereby. The Trustee shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss agreed to by the City.

Title Insurance. The Lease Agreement requires the City to provide, on the Closing Date, at its own expense, one or more CLTA or ALTA title insurance policies for the Leased Property, in the aggregate amount of not less than the aggregate principal amount of the Bonds. Said policy or policies shall insure (a) the fee interest of the City in the Leased Property (b) the Authority's ground leasehold estate in the Leased Property under the Ground Lease, and (c) the City's leasehold estate under the Lease Agreement in the Leased Property, subject only to Permitted Encumbrances; provided, however, that one or more of said estates may be insured through an endorsement to such policy or policies.

Damage or Destruction of the Leased Property

If the Leased Property or any portion thereof is damaged or destroyed, the City will, within 30 days of the occurrence of the event of damage or destruction, notify the Trustee in writing of the City's determination as to whether or not such damage or destruction will result in a substantial interference with the City's right to the use or occupancy of the Leased Property and an abatement in whole or in part of Rental Payments pursuant to the Lease Agreement. If the City determines that such damage or destruction will not result in a substantial interference with the City's right to the use or occupancy of the Leased Property and an abatement in whole or in part of Rental Payments pursuant to the Lease Agreement, the City shall, as expeditiously as possible, continuously and diligently prosecute or cause to be prosecuted the repair or replacement thereof.

If the City determines that such damage or destruction will result in a substantial interference with the City's right to the use or occupancy of the Leased Property and an abatement in whole or in part of Rental Payments pursuant to the Lease Agreement, then the City shall (i) apply sufficient funds from the Net Proceeds of any insurance (other than Net Proceeds of rental interruption insurance), including the proceeds of any self-insurance, received on account of such damage or destruction and other legally available funds to the repair or replacement of the Leased Property or the portions thereof that have been damaged or destroyed to the condition that existed prior to such damage or destruction, provided that, within 40 days of the occurrence of the event of damage or destruction, the City delivers to the Trustee a Written Certificate of the City (A) certifying that the City has sufficient funds to so complete such repair or replacement of the Leased Property or such portions thereof and identifying such funds and the location thereof, and (B) stating that such funds will not be used for any other purpose until such repair or replacement is completed, (ii) within 60 days of the occurrence of the event of damage or destruction, cause alternate real property to be substituted for all or a portion of the Leased Property pursuant to the Lease Agreement, or (iii) within 60 days of the occurrence of the event of damage or destruction, deliver sufficient funds from such Net Proceeds and other legally available funds to the Trustee for the application to the extraordinary redemption (A) of all of the Outstanding Bonds, or (B) of such portion of the Outstanding Bonds as shall result in (I) the annual fair rental value of the Leased Property after such damage or destruction, and after any repairs or replacements made as a result of such damage or destruction, as certified in a Written Certificate of the City delivered to the Trustee, being at least equal to 105% of the maximum amount of the principal (including principal due and payable by reason of mandatory sinking fund redemption of such Bonds) of and interest on the Bonds coming due in the then current Rental Period or any subsequent Rental Period, and (II) the fair replacement value of the Leased Property after such damage or destruction, and after any repairs or replacements made as a result of such damage or destruction, as certified in a Written Certificate of the City delivered to the Trustee, being at least equal to the aggregate principal amount of the Bonds then Outstanding. See "RISK FACTORS—Abatement" herein and Appendix C—"SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS—THE LEASE AGREEMENT—Insurance; Net Proceeds; Eminent Domain—*Damage or Destruction.*"

Remedies Upon Default

If the City defaults under the Lease Agreement, the Authority may enforce its remedies thereunder. In general, remedies under the Lease Agreement include the right (i) to maintain such Lease Agreement in full force and effect and receive all rent from the City as it becomes due or re-enter and re-let the Leased Property, or (ii) to terminate such Lease Agreement and the City's right of possession and recover damages recoverable at law. The Indenture provides that any Holder of the Bonds may by legal action compel the Authority to carry out its duties under the Lease Agreement, including maintaining and enforcing its rights under the Lease Agreement. See Appendix C—"SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS—INDENTURE" hereto. An abatement of rental

in accordance with the terms of the Lease Agreement due to damage, destruction or eminent domain is not an event of default under the Lease Agreement and none of the foregoing remedies is available. See “RISK FACTORS—Abatement” herein.

The Bonds are not subject to acceleration under any circumstances or for any reason, including without limitation upon the occurrence and continuance of an Event of Default under the Indenture. See “RISK FACTORS—No Acceleration Upon Default” herein.

RISK FACTORS

The following factors, along with the other information in this Official Statement, should be considered by potential investors in evaluating purchase of the 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 Bonds. In addition, the order in which the following factors are presented is not intended to reflect the relative importance of any such risks.

Economic and Tourism Factors

Eureka and the north coast of California are tourist destinations, and the City’s economy is directly affected by the number of visitors to the City. Numerous factors, many of which are beyond the control of the City, could have an adverse impact on the number of visitors to the City, including but not limited to, the national economy and levels of tourism, terrorist attacks, natural disasters, competition from other vacation and convention center destinations, sales taxes, energy costs and airline fares.

No Pledge of Revenues or Lien on Assets of the City

The Base Rental Payments are not secured by any pledge of or lien on taxes or other revenue of the City, but are payable from all funds lawfully available to the City. The City has the capacity to enter into other obligations which may constitute additional charges against its revenues. In the event the City’s revenue sources are less than its total obligations, the City could choose to fund other obligations before making Base Rental Payments. The same result could occur if, because of State constitutional limits on expenditures, the City is not permitted to appropriate and spend all of its available revenues.

The obligation of the City to pay the Base Rental Payments does not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. The obligation of the City to pay Base Rental Payments and additional payments does not constitute a debt of the City, the State or any of its political subdivisions, and does not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction.

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 make Base Rental Payments from any source of legally available funds (subject to certain exceptions and conditions), and the City has covenanted in the Lease Agreement to take such action as may be necessary to include all Base Rental Payments in its annual budgets and annually to appropriate amounts necessary to make such Base Rental Payments. The City is also liable for other obligations payable from any source of legally available funds. See “—Additional Obligations of the City” below, Appendix A—“AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2024” and Appendix B— “CITY FINANCIAL INFORMATION” hereto.

Additional Obligations of the City

The City has certain obligations payable from its general fund, including but not limited to debt obligations, pension obligations, lease obligations and other obligations related to post employment retirement benefits as well as certain other liabilities (the “General Fund”). See Appendix A—“AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2024” hereto. The Lease Agreement does not prohibit the City from incurring additional lease and other obligations payable from the City’s General Fund. In that regard, the City may, from time to time, incur various General Fund obligations to finance public improvements, which may also include lease obligations payable from its General Fund. To the extent such additional obligations are incurred by the City, the funds available to make Base Rental Payments may be decreased.

Abatement

The Base Rental Payments due under the Lease Agreement shall be abated proportionately during any period in which by reason of any damage or destruction (other than by eminent domain) there is substantial interference with the use and occupancy by the City of the Leased Property by the City, in the proportion in which the initial cost of that portion of the Leased Property rendered unusable bears to the initial cost of the whole of the Leased Property. Such abatement shall commence with such damage or destruction and end when use and occupancy or possession is restored. The Base Rental Payments due under the Lease Agreement shall also be abated during any period in which by reason of eminent domain there is substantial interference with the use and occupancy by the City of the Leased Property by the City.

It is not possible to predict the circumstances under which such an 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, at the time of such abatement, the value of the Leased Property may be substantially higher or lower than its value at the time of issuance of the Bonds. Such a circumstance could have an effect on the amount of rental abated under the Lease Agreement and could have a material adverse effect on the security for and payment of the Bonds.

If damage, destruction or eminent domain proceedings with respect to the Leased Property results in abatement of the Base Rental Payments related to such Leased 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), eminent domain proceeds, if any, and moneys available in the Payment Fund are insufficient to make all payments of principal of and interest on the Bonds during the period that the Leased 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 Holders of the Bonds for nonpayment under such circumstances.

Risk of Uninsured Loss

The City covenants under the Lease Agreement to maintain certain insurance policies on the Leased Property. See “SOURCES OF PAYMENT FOR THE BONDS” herein. These insurance policies do not cover all types of risk. For example, the City is not required to maintain earthquake or flood insurance. The Leased Property could be damaged or destroyed due to an earthquake or other casualty for which the Leased Property is uninsured. Additionally, a portion of the Leased Property could be the subject of an eminent domain proceeding. Under these circumstances, an abatement of Base Rental Payments could occur and could continue indefinitely. Moreover, there can be no assurance that the providers of the City’s liability and rental interruption insurance, among others, will in all events be able or willing to make payments under the respective policies for such loss should a claim be made under

such policies. There can also be no assurances that amounts received as proceeds from insurance of the Leased Property will be sufficient to redeem the Bonds.

Under the Lease Agreement, the City may obtain certain types of casualty insurance which provide for such a deductible as the City deems adequate and prudent. Should the City be unable to meet such deductible expenses, the availability of General Fund revenues to make Base Rental Payments will be correspondingly affected.

Limited Recourse on Default

If the City defaults on its obligations to make Base Rental Payments with respect to the Leased Property, the Trustee, as assignee of the Authority, may (subject to the restrictions described in the Lease Agreement) retain the Lease Agreement and hold the City liable for all Base Rental Payments on an annual basis and will have the right to re-enter and re-let the Leased Property. In the event such re-letting occurs, the City would be liable for any resulting deficiency in Base Rental Payments. Alternatively, the Trustee may terminate the Lease Agreement with respect to the Leased Property and proceed against the City to recover damages pursuant to the Lease Agreement. However, the Trustee may not sell or foreclose the Leased Property to obtain money for payment of the principal of or interest on the Bonds in the event of a default. See also “—No Acceleration Upon Default” below.

Due to the specialized nature of the Leased Property, no assurance can be given that the Trustee will be able to re-let any portion of the Leased Property so as to provide rental income sufficient to make principal and interest payments with respect to the Bonds in a timely manner, and the Trustee is not empowered to sell the Leased Property for the benefit of the Owners of the Bonds. In addition, due to the governmental function of the Leased Property, it is not certain whether a court would permit the exercise of the remedies of repossession and re-letting with respect thereto. Any suit for money damages would be subject to limitations on legal remedies against public agencies in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest.

No Acceleration Upon Default

If the City defaults on its obligations to make Base Rental Payments, the Trustee may have limited ability to re-let the Leased Property so as to preserve the tax exempt nature of the interest on the Bonds. In the event of default, there is no remedy of acceleration of any Base Rental Payments which have not come due and payable in accordance with the Lease Agreement. The City will continue to be liable for lease payments as they become due and payable in accordance with the Lease Agreement if the Trustee does not terminate the Lease Agreement, and the Trustee is required to seek a separate judgment each year for that year’s defaulted Base Rental Payments. Any such 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 or property needed to serve the public welfare and interest.

Bankruptcy

The City and the Authority are considered “municipalities” and therefore are not subject to the involuntary procedures of the United States Bankruptcy Code (the “Bankruptcy Code”). However, pursuant to Chapter 9 of the Bankruptcy Code, the City or the Authority may seek voluntary protection from its creditors for purposes of adjusting its debts. A City or Authority bankruptcy petition could have a material adverse effect on the payment of the Bonds. The following paragraphs present a discussion of certain potential consequences surrounding a potential City or Authority bankruptcy. It is not intended to be an exhaustive discussion of all potential adverse consequences or potential outcomes.

In the event the City were to become a debtor under the Bankruptcy Code, the City would be entitled to all of the protective provisions of the Bankruptcy Code as applicable in a Chapter 9 proceeding. Among the adverse effects of such a bankruptcy might be: (1) the application of the automatic stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the City or the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the City; (2) the avoidance of preferential transfers occurring during the relevant period prior to the filing of a bankruptcy petition; (3) the existence of unsecured or court-approved secured debt which may have a priority of payment superior to that of Holders of the Bonds; and (4) the possibility of the adoption of a plan for the adjustment of the City's debt (a "Plan") without the consent of the Trustee or the Holders of the Bonds, which Plan may restructure, delay, compromise or reduce the amount of any claim of the Holders if the bankruptcy court finds that the Plan is fair and equitable.

In addition, if the Lease Agreement were considered a true lease under the Bankruptcy Code, the City could either reject the Lease Agreement or assume the Lease Agreement despite any provision of the Lease Agreement which makes the bankruptcy or insolvency of the City an event of default thereunder. In the event the City rejects the Lease Agreement, the Trustee, on behalf of the Holders of the Bonds, would have a pre-petition claim that may be limited under the Bankruptcy Code and treated in a manner under a Plan over the objections of the Trustee or the Holders of the Bonds. Moreover, such rejection would terminate the Lease Agreement and the City's obligation to make payments thereunder. If the Lease Agreement were instead considered a secured financing transaction under the Bankruptcy Code, it is possible that the Holders would have a secured claim for the value of the leasehold interest (as determined by the bankruptcy court) and an unsecured claim for any balance. The legal status of the Lease Agreement under the Bankruptcy Code is uncertain as there is currently no binding legal authority on the proper treatment of lease-leaseback transactions such as the one securing the Bonds.

The Authority is a public agency and, like the City, is not subject to the involuntary procedures of the Bankruptcy Code. The Authority may also seek voluntary protection under Chapter 9 of the Bankruptcy Code. In the event the Authority were to become a debtor under the Bankruptcy Code, the Authority would be entitled to all of the protective provisions of the Bankruptcy Code as applicable in a Chapter 9 proceeding. Such a bankruptcy could adversely affect the payments under the Indenture. Among the adverse effects might be: (1) the application of the automatic stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the Authority or the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the Authority; (2) the avoidance of preferential transfers occurring during the relevant period prior to the filing of a bankruptcy petition; (3) the existence of unsecured or court-approved secured debt which may have priority of payment superior to that of the Holders of the Bonds; and (4) the possibility of the adoption of a plan for the adjustment of the Authority's debt without the consent of the Trustee or all of the Holders of the Bonds, which plan may restructure, delay, compromise or reduce the amount of any claim of the Holders if the bankruptcy court finds that the plan is fair and equitable.

Bankruptcies in the City of Stockton, the City of San Bernardino and the City of Detroit have brought scrutiny to municipal securities. A variety of events including, but not limited to, additional rulings adverse to the interests of bond owners in the City of San Bernardino, the City of Stockton and the City of Detroit bankruptcy cases or additional municipal bankruptcies, could prevent or materially adversely affect the rights of Owners to receive payments on the Bonds in the event the City files for bankruptcy. Accordingly, in the event of bankruptcy, it is likely that Owners may not recover their principal and interest.

Risk of Tax Audit; Loss of Tax Exemption

The Internal Revenue Service (the “IRS”) has an ongoing program of examining tax-exempt obligations to determine whether, in the view of the IRS, interest on such obligations is properly excluded from gross income for federal income tax purposes. It is possible that the Bonds or other tax-exempt obligations of the City may be selected for examination under such program. There is no assurance that an IRS examination of the Bonds or other tax-exempt obligations of the City will not adversely affect the market value of the Bonds. See “TAX MATTERS” herein.

As discussed under the caption “TAX MATTERS,” in order to maintain the exclusion from gross income for federal income tax purposes of the interest on the Bonds, the City has covenanted in the Lease Agreement not to take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of interest on the Bonds under Section 103 of the Internal Revenue Code of 1986 (the “Code”). Interest on the Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the Bonds were issued, as a result of acts or omissions of the City or the Authority in violation of the Code. Should such an event of taxability occur, the Bonds are not subject to early redemption and will remain outstanding to maturity or until prepaid under the optional redemption provisions of the Indenture.

Limited Secondary Market

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

Hazardous Substances

The existence or discovery of hazardous materials may limit the beneficial use of the Leased Property. In general, the owners and lessees of the Leased Property may be required by law to remedy conditions of such parcel relating to the release or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as “CERCLA” or the “Superfund Act,” is the most well-known and widely applicable of these laws, but State laws with regard to hazardous substances are also similarly stringent. Under many of these laws, the owner or lessee is obligated to remedy a hazardous substance condition on the property whether or not the owner or lessee had anything to do with creating or handling the hazardous substance.

Further, it is possible that the beneficial use of the Leased Property may be limited in the future resulting from the current existence on the Leased Property of a substance currently classified as hazardous but which has not been released or the release of which is not presently threatened, or may arise in the future resulting from the current existence on the Leased Property of a substance not presently classified as hazardous but which may in the future be so classified. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method in which it is handled. All of these possibilities could significantly limit the beneficial use of the Leased Property.

The City is unaware of the existence of hazardous substances on the Leased Property site which would materially interfere with the beneficial use thereof.

Cyber Security

The City, like other public and private entities, relies on a large and complex technology environment to conduct its operations, and consequently faces the threat of cybersecurity incidents. Such incidents can result from unintentional events, or from deliberate attacks by unauthorized entities or individuals attempting to gain access to the City's information technology systems to misappropriate assets or information or to cause operational disruption and damage. The City and its departments face cyber threats from time to time, including but not limited to hacking, viruses, malware, phishing, distributed denial-of-service, and other attacks on computers, networks, and systems. The City has not experienced a major cyber breach that resulted in a financial loss. The City currently purchases cyber insurance coverage.

The City uses Microsoft Defender for Business for managed detection and response. Managed detection and response provide monitoring of City networks, endpoints, and cloud environments to help detect, respond, and recover from cyber-attacks as follows. Detection includes broad visibility into the City's technology stack, 24/7 monitoring, and identification of advanced threats. Response includes investigations of suspicious activity, log retention for additional investigations that may be needed, and timely response to security incidents. Recovery from cyber-attacks includes guided remediation to validate the threat has been neutralized, root cause analysis, and recommendations to enhance the City's multi-layered security posture.

In addition, the City contracts with Knowbe4 for managed security awareness training for all employees. Training consists of regular focused micro-training to prepare employees, measure their understanding, and create a culture of security for the City and its departments.

Natural Disasters

The obligation to pay Base Rental Payments may be adversely affected if the Leased Property is damaged or destroyed by natural disasters such as earthquake, flood, or wildfire. While the City currently maintains both earthquake insurance and flood insurance over City-owned facilities city-wide, which includes the Leased Property (currently, an earthquake and flood limit of \$20 million per occurrence over a pool of insurable City property), there can be no assurance that any such proceeds will be sufficient to cover any or all claims, and the City has no obligation to continue either form of insurance through the remainder of the term of the Lease Agreement. Damage or destruction to the Leased Property caused by earthquake or flood could result in abatement of Base Rental Payments. Pursuant to and under the circumstances described in the Lease Agreement, the City is required to maintain or is permitted to self-insure for casualty, workers' compensation, and standard comprehensive public entity liability. However, no assurance can be given that such insurance or self-insurance at the time of any casualty or loss will be adequate to cover any claims that might arise.

The City may not self-insure for loss of use and occupancy of any portion of the Leased Property (rental or business interruption insurance). See "SOURCES OF PAYMENT FOR THE BONDS – Insurance" and APPENDIX C – "DEFINITIONS AND SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – LEASE AGREEMENT – Insurance."

Seismic Factors. Generally, seismic activity occurs on a regular basis in the State. Periodically, the magnitude of a single seismic event can cause significant ground shaking and potential damage to property located at or near the center of such seismic activity. The Leased Property is located in a seismically active area of northern California. Significant ground shaking as a result of a local or regional earthquake is likely to occur during the term of the Lease Agreement. There are no mapped faults within

City limits, and the properties in question are not in areas mapped as having the potential for landslides or liquefaction.

As recently as December 5, 2024, an earthquake registering 7.0 on the Richter scale occurred with an epicenter approximately 80 miles southwest of the City. Though a tsunami warning was initially issued after the earthquake, it was soon canceled. No major damage was reported. On January 9, 2010, a magnitude 6.5 earthquake occurred approximately 33 miles west of the City, resulting in structural damage to older Victorian houses, loss of power to 28,000 customers within the County, and major damage to the Old Town Bar and Grill building, Eureka High School, Eureka Municipal Auditorium and Bayshore Mall, totaling an estimated \$21.8 to \$43 million in losses.

Though the City currently maintains earthquake insurance, the City is not obligated under the Lease Agreement to maintain earthquake insurance on the Leased Property. In the event of damage or destruction to the Leased Property caused by perils for which the City does not provide insurance and is not required to provide insurance under the Lease Agreement, the City is not obligated to repair, replace, or reconstruct the Leased Property. If an earthquake were to cause serious damage to the Leased Property during any period when such facilities were not insured for earthquake damage, or if the proceeds of any earthquake insurance were insufficient to replace or repair the damaged Leased Property, the City would be limited to its General Fund, reserves, and emergency grants, if any, in seeking to make appropriate repairs. Pending such repairs, the City's obligation to make Base Rental Payments would be subject to abatement and rental interruption insurance proceeds likely would not cover losses caused by earthquakes. The City will not be obligated to repair or restore the Leased Property in the event of uninsured damage caused by an earthquake. See "RISK FACTORS – Abatement."

Wildfire. No part of the City is located in an area classified as a "High" or "Very High Fire Hazard Severity Zone" by the California Department of Forestry and Fire Protection. Currently, fire hazard severity is a function of fuel conditions, historic climate, and topography. The fact that an area is in a low hazard designation does not mean it cannot experience a damaging fire; it means only that the probability is reduced, generally because the number of days a year that the area has "fire weather" is less. The City is substantially developed as a highly urbanized coastal city. Like other areas of Northern California, greenbelt areas in the City can season to become dry vegetation which may combine with swift moving winds and result in fast moving fires. Southern and eastern regions of the County of Humboldt have experienced significant fires, though, the areas that have burned exist far from City limits. The areas surrounding the City of Eureka are considered "Moderate" by the Fire Hazard Severity Zone maps. The Humboldt Bay Fire Joint Powers Authority serves the greater Eureka area.

Flooding. Portions of the City are located in zones classified as AE by the Federal Emergency Management Agency, which identifies areas that represent a 1% annual chance of flooding or 100-year floodplain. These areas are considered high risk. The Leased Properties are not in high risk areas and instead are in areas mapped Zone X (Areas of Minimal Flood Hazard). Furthermore, the Lease Properties are outside of the tsunami hazard evacuation area mapped by the California Geological Survey and the California Governor's Office of Emergency Services, and well above the area potentially subject to sea level rise under the worst-case scenario California Ocean Protection Council sea level rise projections for 2100 for Humboldt Bay.

The City is not obligated under the Lease Agreement to maintain flood insurance on the Leased Property. The occurrence of flooding to the Leased Property could result in an abatement of Base Rental Payments and could have an adverse effect on the ability of the City to make timely Base Rental Payments.

Events of Force Majeure. Operation of the Leased Property may also be at risk from other events of force majeure, such as damaging storms, extreme drought, explosions, strikes, sabotage, riots and spills of hazardous substances, among other events. The City cannot predict what force majeure events may occur in the future. For additional information regarding the required insurance coverages under the Lease Agreement, See Appendix C—“SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS.”

Climate Change Issues

The City is exposed to several types of coastal hazards: tsunamis from a Cascadia subduction event, sea level rise projections of up to 7.3 feet by 2100, and 100-year floods, storm surge, and wave run-up. The City faces a range of exposures to sea level rise by 2050 (0.7 to 1.9 feet) and 2100 (1.8 to 7.3 feet) based on low versus high emission scenarios. In December 2016, the City adopted its Sea Level Rise Adaptation Planning Report, to identify high priority assets which are vulnerable and at risk from sea level rise. The Sea Level Rise Adaptation Planning Report developed adaptation goals, strategies and measures for high priority assets, planning horizons or targeted water elevations, and specific geographic areas. The City has been actively planning for sea level rise since 2016, when the City secured a grant from the Ocean Protection Council and produced a detailed Sea Level Rise Vulnerability and Risk Assessment, and the results informed an Adaptation Planning Report. A detailed vulnerability assessment of the City’s Elk River Wastewater Treatment Plant (“WWTP”) and collection system was then performed in 2019, which informed a draft Climate Readiness Plan and Schedule for the WWTP. In March of 2022, a Sea Level Rise Vulnerability and Capital Improvement Program (“CIP”) Adaptation Plan (the “Adaptation Plan”) was prepared, providing a similarly detailed vulnerability assessment and adaptation plan for all City-owned assets and infrastructure (sewer, storm drain, water supply, roads, trail, etc.) between Elk River Slough and Eureka Slough. The City is incorporating the probability of sea level rise and associated coastal hazards into the CIP planning process to ensure public investments in City-owned assets and infrastructure take advantage of opportunities to increase asset/infrastructure resilience to the effects of sea level rise, and where possible to also help build adaptive capacity for other coastal assets and resources. In 2024, the City secured over \$1 million in grant funding from the State Coastal Conservancy to build on the CIP adaptation work completed in 2022, including preparation of conceptual designs and environmental review for four priority sea level rise adaptation projects on City-owned lands. The City is proactively implementing projects to address the needs identified in the Adaptation Plan. For example, the City is currently working with FEMA for final approval of funding of the for the construction of the Eureka Flood Reduction & Sea Level Rise Resiliency Project, which is designed to increase the capacity and resilience of the City’s stormwater drainage system, including upsizing stormwater facilities, installing flap gates within the system and on bay outfalls, and adding rain gardens and other low-impact-development features upstream of storm drain improvements.

In addition to risk from sea level rise, the City is susceptible to tsunami and seiche hazards. A tsunami is a sea wave generated by a submarine earthquake, landslide, or volcanic eruption. A seiche is another form of earthquake– or landslide-induced wave or oscillation that can be generated in an enclosed body of water such as a lagoon or harbor. The Leased Property is not located within the tsunami run-up zone nor particularly subject to seiche hazards.

Dependence on State for Certain Revenues

Approximately 56% of the City’s revenues are collected and disbursed by the State (such as sales tax) or allocated in accordance with State law (most importantly, property taxes). As a result, 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.

Information about the State budget is regularly available at various State-maintained websites. Text of proposed and adopted budgets may be found at the website of the Department of Finance, www.dof.ca.gov, under the heading "California Budget." An impartial analysis of the budget is posted by the Office of the Legislative Analyst at www.lao.ca.gov. In addition, various State of California official statements, many of which contain a summary of the current and past State budgets, may be found at the website of the State Treasurer, www.treasurer.ca.gov. The information referred to is prepared by the respective State agency maintaining each website, and neither the Authority nor the City takes responsibility for the continued accuracy of these internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.

Changes in Law

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

City Pension Benefit Liability

Many factors influence the amount of the City's pension benefit liability, including, without limitation, inflationary factors, changes in statutory provisions of applicable law, changes in the levels of benefits provided or in the contribution rate of the City, increases or decreases in the number of covered employees, changes in actuarial assumptions or methods and differences between actual and anticipated investment experience of the California Public Employees' Retirement System ("CalPERS"). Any of these factors could give rise to additional liability of the City to CalPERS as a result of which the City would be obligated to make additional payments to CalPERS over the amortization schedule for full funding of the City's obligations to CalPERS. In 2017, CalPERS made some significant policy changes to address unfunded liabilities systemwide. These policy changes significantly increased required pension contributions for member agencies. The City expects its pension benefit liability to increase in future years as a result of general market conditions which have significantly impacted CalPERS investments, resulting in a -7.5% return in Fiscal Year 2021-22. See also Appendix B Appendix A— "CITY FINANCIAL INFORMATION— Employee Retirement Plan – Local Employees' Retirement System (LERS)" herein.

The City of Eureka intends to utilize the option to adjust the amortization schedule under the provisions available through CalPERS. These adjustments may include implementing a "Fresh Start" of the amortization schedule, which can significantly stabilize the City's future pension contribution requirements. The City is currently working with CalPERS to initiate this Fresh Start, either independently or in conjunction with an Additional Discretionary Payment (ADP).

No Liability of Authority to the Owners

Except as expressly provided in the Indenture, the Authority shall not have any obligation or liability to the Owners of the 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.

CERTAIN LIMITATIONS ON TAXES AND APPROPRIATIONS

While the Lease Agreement does not obligate the City to impose any new taxes or increase any existing taxes to pay Base Rental Payments, limitations on the City's ability to impose taxes or appropriate funds could adversely affect the City's ability to raise and spend revenues. In such event, City funds which would otherwise be available absent such limitation might not be available to make Base Rental Payments. The following is a description of certain legal limitations related to the City's ability to impose taxes or appropriate funds.

Article XIII A of the State Constitution

Section 1(a) of Article XIII A of the State Constitution limits the maximum ad valorem tax on real property to 1% of full cash value (as defined in Section 2 of Article XIII A), to be collected by counties and apportioned according to law. Section 1(b) of Article XIII A provides that the 1% limitation does not apply to ad valorem taxes to pay interest or redemption charges on (1) indebtedness approved by the voters prior to July 1, 1978 or (2) any bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast by the voters voting on the proposition. Section 2 of 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." The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or to reflect a reduction in the consumer price index or comparable data for the area under taxing jurisdiction or reduced in the event of declining property value caused by substantial damage, destruction or other factors. Legislation enacted by the State Legislature to implement Article XIII A provides that notwithstanding any other law, local agencies may not levy any ad valorem property tax except to pay debt service on indebtedness approved by the voters as described above.

The voters of the State subsequently approved various measures which further amended Article XIII A. One such amendment generally provides that the purchase or transfer of (i) real property between spouses or (ii) the principal residence and the first \$1,000,000 of the full cash value of other real property between parents and children, do not constitute a "purchase" or "change of ownership" triggering reassessment under Article XIII A. This amendment could serve to reduce the property tax revenues of the City. Other amendments permitted the State Legislature to allow persons over 55 or "severely disabled homeowners" who sell their residence and buy or build another of equal or lesser value within two years in the same city, to transfer the old residence's assessed value to the new residence.

In the November 1990 election, the voters approved an amendment of Article XIII A to permit the State Legislature to exclude from the definition of "new construction" seismic retrofitting improvements or improvements utilizing earthquake hazard mitigation technologies constructed or installed in existing buildings after November 6, 1990.

Article XIII A has also 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, provided 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. County assessors may "recapture" the reduced assessed valuation of such property up to its pre-decline value, depending on the county assessor's measurement of the value subsequently restored to such property.

Article XIII B of the State Constitution

Article XIII B of the State Constitution limits the annual appropriations of the State and of any city, county, school district, authority or other political subdivision of the State to the level of appropriations for the prior Fiscal Year, as adjusted for changes in the cost of living, population and services for which the fiscal responsibility is shifted to or from the governmental entity. The “base year” for establishing this appropriations limit is the 1978-79 fiscal year, and the limit is adjusted annually to reflect changes in population, consumer prices and certain increases or decreases in the cost of services provided by the applicable public agency.

Appropriations of an entity of local government subject to Article XIII B generally include authorizations to expend during a Fiscal Year the proceeds of taxes levied by or for the entity and the proceeds of State subventions, exclusive of certain State subventions, refunds of taxes, and benefit payments from retirement, unemployment insurance and disability insurance funds. “Proceeds of taxes” include, but are not limited to, all tax revenues, most State subventions and the proceeds to the local governmental entity from (1) regulatory licenses, user charges, and user fees (to the extent that such proceeds exceed the cost reasonably borne by such entity) and (2) the investment of tax revenues. Article XIII B provides that if a governmental entity’s revenues in any year exceed the amounts permitted to be spent, the excess must be returned by revising tax rates or fee schedules over the subsequent two years.

Article XIII B does not limit the appropriation of moneys to pay debt service on indebtedness existing or authorized as of January 1, 1979, or for bonded indebtedness approved thereafter by a vote of the electors of the issuing entity at an election held for that purpose. Furthermore, in 1990, Article XIII B was amended to exclude from the appropriations limit “all qualified capital outlay projects, as defined by the Legislature” from proceeds of taxes. The Legislature has defined “qualified capital outlay project” to mean a fixed asset (including land and construction) with a useful life of 10 or more years and a value which equals or exceeds \$100,000. As a result of this amendment, the appropriations to pay the lease payments on the City’s long-term General Fund lease obligations (including the Base Rental Payments) are generally excluded from the City’s appropriations limit.

Articles XIII C and XIII D of the State Constitution

On November 5, 1996, the voters of the State approved Proposition 218, known as the “Right to Vote on Taxes Act.” Proposition 218 adds Articles XIII C and XIII D to the California Constitution and contains a number of interrelated provisions affecting the ability of the City to levy and collect both existing and future taxes, assessments, fees and charges.

Article XIII C requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the City require a majority vote and taxes for specific purposes, even if deposited in the City’s General Fund, require a two-thirds vote. Further, any general purpose tax which the City imposed, extended or increased without voter approval after December 31, 1994 may continue to be imposed only if approved by a majority vote in an election held within two years after November 5, 1996. The voter approval requirements of Article XIII C reduce the flexibility of the City to raise revenues for the General Fund, and no assurance can be given that the City will be able to impose, extend or increase such taxes in the future to meet increased expenditure needs.

Article XIII D also adds several provisions making it generally more difficult for local agencies to levy and maintain fees, charges, and assessments for municipal services and programs. These provisions include, among other things, (i) a prohibition against assessments which exceed the reasonable cost of the proportional special benefit conferred on a parcel, (ii) a requirement that assessments must confer a

“special benefit,” as defined in Article XIID, over and above any general benefits conferred, (iii) a majority protest procedure for assessments which involves the mailing of notice and a ballot to the record owner of each affected parcel, a public hearing and the tabulation of ballots weighted according to the proportional financial obligation of the affected party, and (iv) a prohibition against fees and charges which are used for general governmental services, including police, fire or library services, where the service is available to the public at large in substantially the same manner as it is to property owners.

Article XIID conditions the imposition or increase of any “fee” or “charge” upon there being no written majority protest after a required public hearing and, for fees and charges other than for sewer, water or refuse collection services, voter approval. Article XIID defines “fee” or “charge” to mean levies (other than ad valorem or special taxes or assessments) imposed by a local government upon a parcel or upon a person as an incident of the ownership or tenancy of real property, including a user fee or charge for a “property-related service.” One of the requirements of Article XIID is that before a property related fee or charge may be imposed or increased, a public hearing upon the proposed fee or charge must be held and mailed notice sent to the record owner of each identified parcel of land upon which the fee or charge is proposed for imposition. In the public hearing, if written protests of the proposed fee or charge are presented by a majority of the owners of affected identified parcel(s), an agency may not impose the fee or charge.

Article XIIC also removes limitations on the initiative power in matters of reducing or repealing local taxes, assessments, fees or charges. 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. If such repeal or reduction occurs, the City’s operations could be adversely affected.

The City believes its fees, charges, assessments and taxes are in compliance with Articles XIIC and XIID.

Proposition 22

In November 2010, the voters of the State adopted Proposition 22 (“Proposition 22”), which prohibits the State, even during a period of severe fiscal hardship, from delaying the distribution of tax revenues for transportation, redevelopment, or local government projects and services and prohibits fuel tax revenues from being loaned for cash-flow or budget balancing purposes to the State general fund or any other State fund. It further prevents the State from temporarily shifting property taxes from cities, counties and special districts to schools and community college districts through the Education Revenue Augmentation Fund, a shift that resulted in diversion of City property taxes periodically since Fiscal Year 1992-93 until the passage of Proposition 22.

Proposition 26

On November 2, 2010, the voters of the State approved Proposition 26 (“Proposition 26”), which revises certain provisions of Articles XIII A and XIIC of the California Constitution. Proposition 26 re-categorizes many State and local fees as taxes, requires local governments to obtain two-thirds voter approval for taxes levied by local governments, and requires the State to obtain the approval of two-thirds of both houses of the State Legislature to approve State laws that increase taxes. Furthermore, pursuant to Proposition 26, any increase in a fee beyond the amount needed to provide the specific service or benefit is deemed to be a tax and the approval thereof will require a two-thirds vote. In addition, for State-imposed charges, any tax or fee adopted after January 1, 2010, with a majority vote which would have required a two-thirds vote if Proposition 26 were effective at the time of such adoption is repealed as of November 2011 absent the re-adoption by the requisite two-thirds vote.

Proposition 26 amends Article XIII C of the State Constitution to state that a “tax” means a levy, charge or exaction of any kind imposed by a local government, except: (1) 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; (2) 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; (3) 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; (4) a charge imposed for entrance to or use of local government property or the purchase, rental, or lease of local government property; (5) 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, including late payment fees, fees imposed under administrative citation ordinances, parking violations, etc.; (6) a charge imposed as a condition of property development; or (7) assessments and property related fees imposed in accordance with the provisions of Article XIII D. Fees, charges and payments that are made pursuant to a voluntary contract that are not “imposed by a local government” are not considered taxes and are not covered by Proposition 26.

Proposition 26 applies to any levy, charge or exaction imposed, increased, or extended by local government on or after November 3, 2010. Accordingly, fees adopted prior to that date are not subject to the measure until they are increased or extended or if it is determined that an exemption applies.

If the local government specifies how the funds from a proposed local tax are to be used, the approval will be subject to a two-thirds voter requirement. If the local government does not specify how the funds from a proposed local tax are to be used, the approval will be subject to a 50% voter requirement. Proposed local government fees that are not subject to Proposition 26 are subject to the approval of a majority of the governing body. In general, proposed property charges will be subject to a majority vote of approval by the governing body although certain proposed property charges will also require approval by a majority of property owners.

Proposition 62

A statutory initiative (“Proposition 62”) was adopted by the voters of the State at the November 4, 1986 General Election which (1) requires that any tax for general governmental purposes imposed by local governmental entities be approved by resolution or ordinance adopted by two-thirds vote of the governmental agency’s legislative body and by a majority of the electorate of the governmental entity, (2) requires that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local governmental entity be approved by a two-thirds vote of the voters within that jurisdiction, (3) restricts the use of revenues from a special tax to the purposes or for the service for which the special tax was imposed, (4) prohibits the imposition of ad valorem taxes on real property by local governmental entities except as permitted by Article XIII A, (5) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities and (6) requires that any tax imposed by a local governmental entity on or after March 1, 1985 be ratified by a majority vote of the electorate within two years of the adoption of the initiative or be terminated by November 15, 1988.

Following its adoption by the voters, various provisions of Proposition 62 were declared unconstitutional at the appellate court level. On September 28, 1995, however, the California Supreme Court, in *Santa Clara City Local Transportation Authority v. Guardino*, upheld the constitutionality of the portion of Proposition 62 requiring a two-thirds vote in order for a local government or district to impose a special tax, and, by implication, upheld a parallel provision requiring a majority vote in order for a local

governmental or district to impose any general tax. The *Santa Clara* decision did not address the question of whether or not it should be applied retroactively.

In response to the *Santa Clara* decision, the California Legislature adopted Assembly Bill 1362, which provided that the *Santa Clara* decision should apply only prospectively to any tax that was imposed or increased by an ordinance or resolution adopted after December 14, 1995. Assembly Bill 1362 was vetoed by the Governor, hence the application of the *Santa Clara* decision on a retroactive basis remains unclear.

Proposition 62, as an initiative statute, does not have the same level of authority as a constitutional initiative, but is analogous to legislation adopted by the State Legislature, except that it may be amended only by a vote of the State's electorate. However, Proposition 218, as a constitutional amendment and supersedes many of the provisions of Proposition 62.

The City does not believe that it imposes any tax or fee which is subject to the provisions of Proposition 62.

Unitary Leased Property

AB 454 (Chapter 921, Statutes of 1987) provides that revenues derived from most utility property assessed by the State Board of Equalization ("Unitary Leased Property"), commencing with the fiscal year ended June 30, 1989, will be based on a uniform rate within each county and allocated as follows: (a) each jurisdiction will receive up to 102% of its prior year State assessed revenue; and (b) if county wide revenues generated from Unitary Leased Property are less than the previous year's revenues or greater than 102% of the previous year's revenues, each jurisdiction will share the burden of the shortfall or excess revenues by a specified formula. This provision applies to all Unitary Leased Property except railroads, whose valuation will continue to be allocated to individual tax rate areas.

The provisions of AB 454 do not constitute an elimination of the assessment of any State assessed properties nor a revision of the methods of assessing utilities by the State Board of Equalization. Generally, AB 454 allows valuation growth or decline of Unitary Leased Property to be shared by all jurisdictions in a county.

Future Initiatives

Articles XIII A, XIII B, XIII C and XIII D and Propositions 22, 26, and 62 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 the City's revenues or the City's ability to expend revenues. The City cannot predict whether any proposed or introduced measures will be adopted and, if adopted, cannot predict the effect of such measures on the City's revenues.

THE AUTHORITY

The Authority was created by a Joint Exercise of Powers Agreement, dated as of November 1, 1988 between the City and the Successor Agency to the City of Eureka Redevelopment Agency (the "Successor Agency"). The agreement was entered into pursuant to the provisions of Articles 1, 2 and 4, Chapter 5, Division 7, Title 1 of the California Government Code (the "Joint Powers Act"). The Authority is empowered to assist in financing projects and certain public improvements, such as the design, acquisition and construction of additions, betterments and improvements to the City's infrastructure. Under the Joint Powers Act, the Authority has the power to issue revenue bonds to assist in the financing of public capital improvements. The Authority has no financial liability to the Owners of

the Bonds with respect to the payment the Base Rental Payments by the City or with respect to the performance by the City of the other agreements and covenants it is required to perform.

The Authority functions as an independent entity and its policies are determined by its Governing Board, which is comprised of the members of the City Council. The Authority has no employees and all staff work is done by the City staff or by consultants to the Authority. The Finance Director of the City has been designated as Treasurer of the Authority. The Treasurer of the Authority has charge of, handles, and has access to any property of the Authority, has custody of all the money of the Authority from whatever source, and is required to perform the other functions of Treasurer of the Authority as set forth in the Act.

The Authority, the City and the Successor Agency are each separate and distinct legal entities, and the debts and obligations of any one such entity are not debts or obligations of the other entity.

THE BONDS ARE SPECIAL OBLIGATIONS OF THE AUTHORITY, PAYABLE, AS PROVIDED IN THE INDENTURE, SOLELY FROM LEASE REVENUES AND THE OTHER ASSETS PLEDGED THEREFOR THEREUNDER. 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 BONDS. THE AUTHORITY HAS NO TAXING POWER. NEITHER THE PAYMENT OF THE PRINCIPAL OF NOR INTEREST ON THE BONDS CONSTITUTES A DEBT, LIABILITY OR OBLIGATION OF THE CITY OR CSCDA.

THE CITY

The City of Eureka was incorporated as a town on April 18, 1856, under a special act of the legislature, reincorporated as a city on February 19, 1874, and incorporated under a Freeholder's Charter on February 8, 1895. The City has been declared a State Historic Site because of its significance in the development of California. The City operates under a Charter City Council Manager form of government and provides the following services as authorized by its charter: public safety (police and fire), streets and highways, public improvements, land use, building and housing standards, culture recreation programs, parks and recreation areas, utilities, public transit, and administrative and fiscal services. The City of Eureka is located along Humboldt Bay (California's second largest deep-water port), on the Northern California coast, 287 miles north of San Francisco, and 450 miles south of Portland, Oregon. Eureka is also the county seat for the County of Humboldt. The City has an approximate population of 25,734 and its boundaries encompass approximately 9.5 square miles. The City utilizes an annual budget process. The City's fiscal year for budgeting and accounting purposes runs from July 1 to June 30. On June 18, 2024, the City adopted its operating and capital budget for Fiscal Year 2024-25, as required by the City Charter. Although the Fiscal Year 2024-25 budget included a small use of reserves, it represented a balanced budget. The Fiscal Year 2024-25 budget is comprised of all City funds, including the General Fund, special revenue funds, and enterprise funds. Each fund accounts for distinct and uniquely funded operations.

Over the past five years, the City's General Fund has experienced significant increases in both revenues and expenditures. The most notable revenue enhancement was the implementation of a 1.25% sales tax, known as "Measure H," which replaced the previous 0.50% sales tax, "Measure Q." Measure H was approved by voters with a 66.4% majority and does not include a sunset provision.

The additional revenue generated by Measure H has allowed the City to make substantial investments in street infrastructure. Prior to Fiscal Year 2021-22, the City primarily relied on State allocations from the Highway User Tax Account (HUTA) and the Road Maintenance and Rehabilitation

Account (RMRA) to fund the operations of the Public Works Streets Division. Historically, these funding sources were insufficient to support significant street and road improvements. With the implementation of Measure H, the General Fund now supports the operational expenses of the Streets Division and has committed to an annual contribution of \$2,500,000 (pursuant to City Policy #2.68) for road improvements identified in the City’s Capital Improvement Program. This dedicated funding, combined with State allocations, has facilitated substantial improvements to the City's infrastructure.

Measure H has also contributed to a notable improvement in the City's General Fund balance. At the end of Fiscal Year 2019-20, total General Fund expenditures were approximately \$34.5 million, with an ending fund balance of \$2.8 million, representing 8% of total expenditures. By the end of Fiscal Year 2022-23, total General Fund expenditures had increased to \$43 million, while the ending fund balance had grown to slightly over \$11 million, or 26% of total expenditures. In Fiscal Year 2023-2024, the ending fund balance stayed consistent with Fiscal Year 2023-2024 at approximately \$11 million, while General Fund expenditures were approximately \$46 million.

In addition to the General Fund, the City’s major proprietary funds include the Water and Wastewater Funds. These enterprise funds are primarily supported by rate revenues from customers within the City limits, as well as a small number of customers in unincorporated areas. The City also has agreements with the Humboldt Community Services District (HCSD) to provide wastewater treatment services and a portion of its wholesale water supply.

On December 19, 2022, the Eureka City Council approved a schedule of five annual increases to water and sewer rates, with the final scheduled adjustment taking effect on June 30, 2027. The City anticipates conducting a new rate study at the end of Fiscal Year 2025-26, with the intention of proposing additional rate adjustments to begin on July 1, 2028.

Overall, the City's financial position has improved significantly in recent years. The passage of Measure H has resulted in substantial revenue growth, enabling critical infrastructure improvements, strengthening the General Fund balance, and enhancing the City’s ability to recruit and retain personnel.

Extracting timber and the processing of wood byproducts, along with agriculture, fishing, tourism, and government have historically been the pillars of the local economy. Humboldt County is part of the region commonly referred to as the "Emerald Triangle" and has historically been a major producer of cannabis for both legal and illicit markets. In November 2016, California voters approved the Adult Use of Marijuana Act (Proposition 64), which legalized the recreational use of cannabis. The legalization of cannabis in California, as well as in neighboring states, has significantly expanded the number of operators across the West Coast. This increased competition and oversupply have adversely affected the local cannabis industry, leading to a decline in associated tax revenues for many government entities in the region.

See “THE CITY” and APPENDIX A – “THE CITY OF EUREKA: ECONOMIC, DEMOGRAPHIC AND FINANCIAL INFORMATION.”

CITY FINANCIAL INFORMATION

The City will covenant to annually budget and appropriate sufficient funds to make all Base Rental Payments due under the Lease Agreement. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS.” For further information concerning the financial condition of the City, see APPENDIX A – “THE CITY OF EUREKA, DEMOGRAPHIC AND FINANCIAL INFORMATION” and APPENDIX B – “CITY OF EUREKA ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2024.”

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel observes that, interest on the Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual, or receipt of interest on, the Bonds. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix D.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each beneficial owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes and exempt from State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Beneficial owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of beneficial owners who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) (“Premium Bonds”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a beneficial owner’s basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such beneficial owner. Beneficial owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The Authority and the City have made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or

any other matters coming to Bond Counsel's attention after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Bonds may otherwise affect a beneficial owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the beneficial owner or the beneficial owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the IRS or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Authority or the City, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Authority and the City have covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Authority, the City or the beneficial owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures, beneficial owners would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Authority or the City legitimately disagrees may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the Authority, the City or the beneficial owners to incur significant expense.

Payments on the Bonds generally will be subject to U.S. information reporting and possibly to "backup withholding." Under Section 3406 of the Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate beneficial owner of Bonds may be subject to backup withholding with respect to "reportable payments," which include interest paid on the Bonds and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the Bonds. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number ("TIN") to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a "notified payee underreporting" described in Section 3406(c) of the Code or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to

withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against a beneficial owner's federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain beneficial owners (including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. The failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.

CERTAIN LEGAL MATTERS

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority. A complete copy of the proposed form of Bond Counsel opinion is contained in Appendix D hereto. Certain matters will be passed upon for the Authority and for the City by Robert N. Black, Esq. Certain legal matters will be passed upon for the Underwriter by Kutak Rock LLP, Underwriter's Counsel. Orrick, Herrington & Sutcliffe LLP has also served as Disclosure Counsel. Orrick, Herrington & Sutcliffe LLP, Bond Counsel and Disclosure Counsel, undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement.

MUNICIPAL ADVISOR

The City has retained PFM Financial Advisors LLC, of San Francisco, California, as municipal advisor (the "Municipal Advisor") in connection with the issuance of the Bonds. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. The Municipal Advisor is an independent financial advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

LITIGATION

There is no action, suit, or proceeding known by the Authority or the City to be pending or threatened at the present time restraining or enjoining the delivery of the Bonds or in any way contesting or affecting the validity of the Bonds, the Indenture, the Lease Agreement, the Ground Lease or any proceedings of the Authority or the City taken with respect to the execution or delivery thereof.

CONTINUING DISCLOSURE

The City has covenanted for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the City by not later than nine months after the end of the City's fiscal year (which is currently June 30) in each year commencing with the report for the fiscal year ended June 30, 2025 (the "Annual Report") and to provide notices of the occurrence of certain enumerated events. The Annual Report and event notices will be filed by the City with the Municipal Securities Rulemaking Board. These covenants have been made in order to assist the Underwriters in complying with Securities Exchange Commission Rule 15c2-12(b)(5) (the "Rule"). The specific nature of the information to be contained in the Annual Report or the notices of material events by the City is set forth in Appendix E—"FORM OF CONTINUING DISCLOSURE CERTIFICATE."

The City, on behalf of itself and the Successor Agency, did not timely file certain annual reports and audited financial statements for the fiscal years ended June 30, 2024, June 30, 2023, June 30, 2022, June 30, 2021, and June 30, 2020 as required by the applicable continuing disclosure undertakings. Corrective filings have since been made with respect to all outstanding bonds. In addition, to ensure future compliance with continuing disclosure undertakings, the City has engaged Digital Assurance Certification, L.L.C. to serve as the disclosure disseminating agent.

RATING

S&P Global Ratings has assigned the rating of “__” to the Bonds. Certain information was supplied by the Authority and the City to the rating agency to be considered in evaluating the Bonds. Such rating express only the view of the rating agency and is not a recommendation to buy, sell or hold the Bonds. There is no assurance that such rating will continue for any given period of time or that it will not be reduced or withdrawn entirely by the rating agency if in its judgment circumstances so warrant. The Authority, the City and the Trustee undertake no responsibility to oppose any such revision or withdrawal. Any such downward revision or withdrawal may have an adverse effect on the market price of the Bonds.

UNDERWRITING

The Bonds were purchased by Oppenheimer & Co. Inc. (the “Underwriter”). The Underwriter has agreed to purchase the Bonds at a purchase price of \$_____ (calculated as the principal amount of the Bonds, plus a net original issue premium of \$_____ and less an Underwriter’s discount of \$_____). The initial public offering prices set forth on the cover page may be changed by the Underwriter. The Underwriter may offer and sell the Bonds to certain dealers and others at prices lower than the public offering prices set forth on the inside cover page hereof.

MISCELLANEOUS

The purpose of this Official Statement is to supply information to prospective buyers of the Bonds. Quotations from and summaries and explanations of the Bonds and of statutes and other documents contained in this Official Statement do not purport to be complete, and reference should be made to the Bonds and such statutes and other documents for full and complete statements of their provisions.

The preparation and distribution of this Official Statement have been authorized by the Authority and the City.

EUREKA PUBLIC FINANCING AUTHORITY

By: _____
Chairperson

CITY OF EUREKA

By: _____
City Manager

APPENDIX A

THE CITY OF EUREKA: ECONOMIC, DEMOGRAPHIC, AND FINANCIAL INFORMATION

This Appendix A includes certain financial and demographic information with respect to the City as well as demographic information with respect to the County of Humboldt and the State of California. The Series 2025 Bonds are payable solely from Base Rental Payments to be made by the City. The County of Humboldt and the State of California have no obligation to make any payments with respect to the Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" herein for a description of the security for the Series 2024 Bonds.

General

The City of Eureka is located along Humboldt Bay on the Northern California Coast, 287 miles north of San Francisco and 450 miles south of Portland, Oregon. Eureka is also the County Seat for the County of Humboldt. Humboldt Bay is California's second largest deepwater port. The City is situated 43 feet above sea level on a level plain which surrounds Humboldt Bay. Most of the remainder of the region is mountainous. City limits cover approximately 9.5 square miles.

The City is a Charter City, with the present Charter adopted February 8, 1895, and amended over time by vote of the electorate. A five-member City Council governs the City, each elected by ward (each ward shall elect one member), and an at-large elected Mayor, each of whom, including the Mayor, have the right to vote on all questions coming before the City Council. The Council members serve staggered four-year terms. The current Mayor will continue in office for five years and until his or her successor is elected and qualified following the November 2026 election, with an election of Mayor to be held each fourth year thereafter. General Municipal Elections for the election of officers and for such other purposes as the City Council may prescribe are held in the City on the first Tuesday after the first Monday in November in each even-numbered year.

The City employs a City Manager, appointed by the full City Council. The City provides police protection, fire protection, animal control, emergency medical aid, building safety regulation and inspection, street lighting, beautification, sanitation, land use planning and zoning, housing and community services, maintenance and improvement of streets and related structures, traffic safety maintenance and improvement and a full range of recreational and cultural programs for citizen participation. The City owns and operates water and wastewater systems, a waterfront/harbor, parking, and a golf course as enterprise operations of the City. The City contracts with a private company for collection of refuse.

The following table presents population statistics for the City for the past five years and as of January 1.

TABLE 1
CITY OF EUREKA
POPULATION
FOR CALENDAR YEARS 2020 THROUGH 2024

Year (as of January 1)	City of Eureka
2020	26,972
2021	26,974
2022	26,519
2023	26,283
2024	26,073

Source: State Department of Finance

Personal Income

The following table shows the per capita personal income for the City, the County, the State of California, and the United States for the past ten years.

TABLE 2
PER CAPITA PERSONAL INCOME
CITY OF EUREKA, EUREKA COUNTY, THE STATE OF CALIFORNIA, AND THE UNITED STATES
2014 THROUGH 2023

Year	City of Eureka	Humboldt County	State of California	United States
2014	\$ 21,151	\$ 23,516	\$ 29,906	\$ 28,555
2015	21,291	23,367	30,318	28,930
2016	22,645	24,038	31,458	29,829
2017	23,749	25,208	33,128	31,177
2018	26,044	26,747	35,021	32,621
2019	28,788	28,769	36,955	34,103
2020	28,518	29,584	38,576	35,384
2021	29,642	31,044	42,396	37,638
2022	33,270	33,988	46,661	41,261
2023	37,226	36,082	47,977	43,289

Note: Per capita personal income is the total personal income divided by the total mid-year population estimates of the U.S. Bureau of the Census. All dollar estimates are in current dollars (not adjusted for inflation).
Source: U.S. Census Bureau, American Community Survey (5-Year Estimates).

Employment

As of April 2025, the overall number of persons employed within the City was 12,100. Unemployment in the City was 4.4% as of April 2025 as compared with the County level of unemployment of 4.8% and the State of California level of unemployment of 5.0%. The following table presents annual labor force, employment and unemployment data for the City, the County of Humboldt, and the State for the years 2019 through 2023.

TABLE 3
CITY OF EUREKA, COUNTY OF HUMBOLDT
AND STATE OF CALIFORNIA
LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
YEARLY AVERAGE FOR CALENDAR YEARS 2019 THROUGH 2024

Year and Area	Civilian Labor Force	Employment	Unemployment	Unemployment Rate
2019				
State of California	19,420,100	18,621,900	798,200	4.1%
County of Humboldt	61,100	58,800	2,300	3.7%
City of Eureka	12,800	12,400	400	3.5%
2020				
State of California	18,956,600	17,039,800	1,916,800	10.1%
County of Humboldt	58,700	53,600	5,100	8.7%
City of Eureka	12,300	11,300	1,100	8.6%
2021				
State of California	18,954,600	17,564,900	1,389,700	7.3%
County of Humboldt	57,700	54,000	3,700	6.4%
City of Eureka	12,200	11,400	700	6.0%
2022				
State of California	19,218,300	18,393,900	824,400	4.3%
County of Humboldt	58,100	55,700	2,400	4.1%
City of Eureka	12,100	11,700	400	3.5%
2023				
State of California	19,471,000	18,551,800	919,200	4.7%
County of Humboldt	59,200	56,500	2,700	4.6%
City of Eureka	12,300	11,700	500	4.2%
2024				
State of California	19,644,100	18,600,900	1,043,100	5.3%
County of Humboldt	60,200	57,100	3,100	5.2%
City of Eureka	12,500	11,900	600	4.9%

Source: California Employment Development Department

Major Employers

The following table provides a listing of principal employers headquartered or located in Humboldt County, for which the City serves as the county-seat, and their employment employer size class.

TABLE 4
TEN LARGEST EMPLOYERS – HUMBOLDT COUNTY
AS OF JUNE 30, 2024

Employer	Location	Industry	Employer Size Class
County Humboldt Dept Health	Eureka	Government Offices-County	1000-4999
Providence St Joseph Hospital	Eureka	Hospitals	1000-4999
Costco Wholesale	Eureka	Wholesale Clubs	100-249
Danco Group	Arcata	Construction Companies	100-249
Eureka High School	Eureka	Schools	100-249
Humboldt County Dept-Health	Eureka	Clinics	100-249
Humboldt County Mental Health	Eureka	Hospitals	100-249
Humboldt County Sheriff Dept	Eureka	Emergency Calls	100-249
North Coast Co-Op	Arcata	Grocers-Wholesale	100-249
Pacific Seafood Co	Eureka	Prepared Fish & Seafood Products	100-249

Sources: State of California Employment Development Department.

Commercial Activity

Commercial activity is an important contributor to the City of Eureka's economy. The following table estimates the City's commercial activity between calendar years 2020 and 2024.

TABLE 5
CITY OF EUREKA
TAXABLE TRANSACTIONS BY TYPE OF BUSINESS
FOR CALENDAR YEARS 2020 THROUGH 2024
(\$000s)

Business	2020	2021	2022	2023	2024
Retail and Food Services					
Motor Vehicle and Parts Dealers	\$178,980	\$199,529	\$180,606	\$169,119	\$168,884
Home Furnishings & Appliance Stores	33,559	35,911	31,768	27,675	24,916
Building Material & Garden Equipment & Supplies Dealers	70,023	74,209	65,188	59,883	55,677
Food and Beverage Stores	41,639	42,863	42,102	42,623	41,919
Gasoline Stations	47,429	61,744	72,807	71,551	60,512
Clothing & Clothing Accessories Stores	34,496	45,352	37,995	36,821	37,190
General Merchandise Stores	188,581	212,188	204,892	201,214	198,274
Food Services and Drinking Places	67,888	89,965	92,969	94,021	94,527
Other Retail Group	88,783	104,664	92,878	86,084	81,694
Total Retail and Food Services	\$751,379	\$866,426	\$821,208	\$788,993	\$763,596
All Other Outlets	128,963	133,956	139,769	148,871	157,186
Total All Outlets	\$880,343	\$1,000,382	\$960,977	\$937,864	\$920,781

Note: Numbers may not sum due to rounding.

Source: California Department of Tax and Fee Administration

As discussed herein, the Base Rental Payments will be payable from any funds lawfully available to the City, which funds are generally those on deposit in the City’s General Fund. The City has not pledged such funds nor limited its ability to use such funds for other purposes. See APPENDIX A – “THE CITY OF EUREKA: ECONOMIC, DEMOGRAPHIC AND FINANCIAL INFORMATION – Outstanding Indebtedness.”

Assessed Valuation, Property Tax Levies and Collections

The table below sets forth a ten-year history of the City’s assessed valuation. Real and personal property categories include both secured and unsecured property. Total assessed value has grown by an average annual rate of approximately 2.31% over this ten-year period.

TABLE 6
CITY OF EUREKA
ASSESSED VALUATIONS OF REAL AND PERSONAL PROPERTY

Fiscal Year	Secured Property	Unsecured Property	Taxable Assessed Value
2016	\$2,019,528,143	\$162,357,948	\$2,181,886,091
2017	\$2,130,322,701	\$161,719,162	\$2,292,041,863
2018	\$2,215,817,098	\$164,962,115	\$2,380,779,213
2019	\$2,308,291,543	\$171,240,456	\$2,479,531,999
2020	\$2,427,953,627	\$176,411,647	\$2,604,365,274
2021	\$2,484,384,448	\$176,770,554	\$2,661,155,002
2022	\$2,585,396,294	\$190,386,973	\$2,775,783,267
2023	\$2,745,939,484	\$202,688,343	\$2,948,627,827
2024	\$2,912,970,768	\$207,309,774	\$3,120,280,542
2025	\$2,065,278,132	\$168,110,358	\$2,233,388,490

(1) In 1978 the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an “inflation factor” (limited to a maximum increase of 2%). With few exceptions, property is only reassessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

(2) Exempt values are not included in total.

Sources: California Municipal Statistics, Inc.

Eureka County assesses properties and it bills, collects, and distributes property taxes to all taxing entities, including the City. Under State law, known as the Teeter Plan (as described below), the County remits the entire amount levied and handles all delinquencies, retaining interest and penalties. Generally, the Teeter Plan provides for a tax distribution procedure in which secured roll taxes are distributed to taxing agencies within the County on the basis of the tax levy, rather than on the basis of actual tax collections. The County has established a Teeter Plan and may determine to discontinue the plan at its discretion, whereupon taxing entities, such as the City, would be paid as taxes are collected. The distribution of secured tax revenues to the City is subject to the County's Teeter Plan, pursuant to which the County has elected to provide local agencies and taxing areas with full tax and assessment levies instead of actual tax and assessment collections.

In 1949, the California Legislature enacted an alternative method for the distribution of secured property taxes to local agencies. This method, known as the Teeter Plan, is now set forth in Sections 4701-4717 of the California Revenue and Taxation Code. Upon adoption and implementation of the Teeter Plan by a county board of supervisors, local agencies for which the county acts as "bank" and certain other public agencies and taxing areas located in the county receive annually the full amount of their share of property taxes on the secured roll, including delinquent property taxes which have yet to be collected. While a county benefits from the penalties associated with these delinquent taxes when they are paid, the Teeter Plan provides participating local agencies with stable cash flow and the elimination of collection risk.

To implement a Teeter Plan, the board of supervisors of a county generally must elect to do so by July 15 of the fiscal year in which it is to apply. Once adopted, a county's Teeter Plan will remain in effect in perpetuity unless the board of supervisors orders its discontinuance or unless prior to the commencement of a fiscal year a petition for discontinuance is received and joined in by resolutions of the governing bodies of not less than two-thirds of the participating districts in the county. An electing county may, however, opt to discontinue the Teeter Plan with respect to any levying agency in the county if the board of supervisors, by action taken not later than July 15 of a fiscal year, elects to discontinue the procedure with respect to such levying agency and the rate of secured tax delinquencies in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured roll by that agency. To date, the County has not discontinued the Teeter Plan with respect to any levying agency.

If any tax or assessment which was distributed to a Teeter Plan participant is subsequently changed by correction, cancellation or refund, a pro rata adjustment for the amount of the change is made on the records of the treasurer and auditor of the county. Such adjustment for a decrease in the tax or assessment is treated by the County as an interest-free offset against future advances of tax levies under the Teeter Plan.

To the extent that the County's Teeter Plan continues in existence and is carried out as adopted, the County's Teeter Plan may help protect the Owners of the Bonds from the risk of delinquencies in the payment of property taxes allocable to the City.

Principal Property Tax Payers

A table of the ten largest property tax payers in the City as of June 30, 2024, is set forth below, by order of assessed valuation.

TABLE 7

**CITY OF EUREKA
PRINCIPAL PROPERTY TAX PAYERS (2024-25)**

Taxpayer	Primary Land Use	Taxable Net Assessed Value	Percent of Total Taxable Net Assessed Value
Bay Shore Mall LP	Shopping Center	\$34,099,105	1.17%
Sarti Rohnert Park LLC	Hotel	24,055,998	0.83
Target Corporation	Commercial Store	19,316,173	0.66
The Price Company	Commercial Store	16,493,568	0.57
Ronald J. Harris Trust	Self Storage	16,417,470	0.56
Schmidbauer Lumber Inc.	Industrial	15,671,504	0.54
Red House Fandango LLC	Brewery	14,405,148	0.49
Cue II, III & IV LLC	Commercial Properties	13,459,753	0.46
Humboldt Partners	Office Building	12,010,356	0.41
Coast Central Credit Union	Credit Union/Bank	10,866,218	0.37
Total		\$176,795,293	4.90%

Source: California Municipal Statistics, Inc.

City Budget Process

The budget of the City is a detailed operating plan which identifies estimated costs and activities in relation to estimated revenues. The Charter requires that not later than the last day of the fiscal year, June 30, the City Council shall adopt a budget for the ensuing fiscal year, failing which the last fiscal year allotments shall be effective until the budget is adopted. Initially, the City Manager submits to the City Council a proposed annual operating and capital improvement project budget for the fiscal year commencing the following July 1. A series of budget study sessions are then conducted to obtain taxpayer comments. Finally, the budget is legally adopted by resolution following a public hearing.

From the effective date of the budget, the amounts stated therein as proposed expenditures become appropriations to the applicable governmental funds. The City Council may amend the budget by motion during the fiscal year. The level of budgetary control is at the fund/department level. The City Manager may transfer appropriations within the same fund/department without approval from the City Council. All other transfers require City Council approval.

All annual appropriations lapse at the end of the fiscal year to the extent they have not been expended or encumbered. For the actual GAAP basis financial statements, encumbered appropriations are not reported as expenditures, but are reported as a reservation of fund balance available for subsequent year expenditures based on the encumbered appropriation authority carried over to the next fiscal year. Project-length financial plans are adopted for capital and other projects. Appropriations for these projects are included in the annual appropriated budgets for each of the applicable funds. Unspent project amounts are included in the annual budgets of subsequent years until project completion.

Sources of General Fund Revenues

The table below details the principal sources of the City’s General Fund tax revenues. Subsequent tables summarize certain General Fund financial data of the City, and have been prepared from the City’s audited financial statements and General Fund budget information. Reference is made to APPENDIX B – “CITY OF EUREKA ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2024.”

TABLE 8
CITY OF EUREKA
GENERAL FUND TAX REVENUES BY SOURCE
LAST SIX FISCAL YEARS
(\$000s)

Source	2019	2020	2021	2022	2023	2024
Taxes	\$22,719,947	\$22,151,029	\$26,521,827	\$34,526,598	\$33,594,513	\$33,583,044
Licenses, Permits and Fees	1,446,905	1,467,340	1,478,768	1,502,201	1,596,395	1,684,630
Fines and Penalties	77,411	95,298	101,173	49,685	42,426	41,695
Intergovernmental	2,800,295	2,893,973	3,848,036	3,718,148	4,961,144	5,841,384
Charges for Services	5,114,871	4,377,951	4,094,657	6,554,625	7,546,336	7,887,867
Use of Money and Property	-	-	-	-	23,143	190,757
Other Revenues ⁽¹⁾	756,006	325,747	812,381	954,421	472,352	696,506
Total	32,915,435	\$31,311,338	\$36,856,842	\$47,305,678	\$48,236,309	\$49,925,883

(1) Other Taxes include the following or portions of the following sources: Utility Users Tax, Real Leased Property Transfer Tax, Business License Tax, Transportation Tax, and Cannabis Tax. Only half of the City’s Utility Users tax (with total collections estimated to be \$15,402,886 in Fiscal Year 2023-24) is reported in the General Fund; the other half is reported in the Streets Fund (a special revenue fund to account for receipt and expenditure of streets-committed utility users’ tax for street maintenance and operating costs). The unused amount in the Streets Fund at the end of the year is transferred to the Streets Capital Improvements Fund for future capital projects. The Cannabis Tax commenced in Fiscal Year 2017-18 following State ballot measure to legalize cannabis production and retail.

Source: City of Eureka.

Transient Occupancy Tax

As described herein, TOT revenues are very sensitive to changing conditions that affect travel and were significantly impacted by the COVID-19 pandemic. Following significant growth in Fiscal Year 2020-21 and 2021-22, the City assumes more moderate growth for Fiscal Years 2024-25 and the coming fiscal years. See “Fiscal Year 2024-25 General Fund Budget Overview.”

Recent Financial Performance

The tables below summarize certain General Fund financial data of the City, and have been prepared from the City’s audited financial statements and General Fund budget information. Reference is made to APPENDIX B – “CITY OF EUREKA ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2024.”

TABLE 9

**CITY OF EUREKA
GENERAL FUND BALANCE SHEET**

	2020-21	2021-22	2022-23	2022-23	2023-24
ASSETS					
Cash And Investments	-	-	\$1,398,662	\$6,819,589	\$3,945,512
Accounts Receivable	\$5,709,993	\$7,592,002	15,116,273	8,922,989	7,968,474
Interest Receivable	-	-	-	35,250	8,073
Lease Receivable	-	-	-	-	-
Prepaid Items	1,629	112,361	8,864	40,017	62,009
Notes and Loans Receivable	-	-	-	-	-
Due from Other Funds	-	4,209,161	188,935	3,624,445	2,458,956
Inventory	-	-	-	24,339	41,407
Land Held for Resale	-	-	-	-	-
Total Assets	\$5,711,622	\$11,913,524	\$16,712,734	\$19,466,629	\$14,484,431
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities					
Accounts Payable	\$1,062,034	\$2,691,854	\$924,512	\$510,908	\$442,562
Due to Other Funds	788,932	-	-	-	-
Deposits Payable	136,003	408,458	397,209	407,999	406,710
Payroll and Related Liabilities	497,314	669,486	610,499	794,977	935,429
Unearned Revenue	-	-	-	-	-
Total Liabilities	\$2,484,283	\$3,769,798	\$1,932,220	\$1,713,884	\$1,784,701
Deferred Inflows of Resources:					
Lease	-	-	-	-	-
Unavailable Revenues	\$429,683	\$415,051	\$4,865,776	\$6,546,953	\$1,329,086
Total Deferred Inflows of Resources	\$429,683	\$415,051	\$4,865,776	\$6,546,953	\$1,329,086
Fund Balances:					
Nonspendable					
Prepaid Items	\$1,629	\$112,361	\$8,864	\$40,017	\$62,009
Inventory	-	-	-	24,339	41,407
Restricted					
Assigned	-	-	4,049,089	10,190,772	8,754,951
Unassigned	2,796,027	7,616,314	5,856,785	950,664	2,512,277
Total Fund Balances	\$2,797,656	\$7,728,675	\$9,914,738	\$11,205,792	\$11,370,644
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$5,711,622	\$11,913,524	\$16,712,734	\$19,466,629	\$14,484,431

This statement is a summary statement only. The City's Annual Comprehensive Financial Report, including the notes to the Audited Financial Statements, are an integral part of and necessary to a complete understanding of this summary table. See APPENDIX B – "CITY OF EUREKA ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2024."

Source: City of Eureka Annual Comprehensive Financial Report, Fiscal Year ended June 30, 2024.

TABLE 10

CITY OF EUREKA
GENERAL FUND STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE

	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>
REVENUES:					
Taxes	\$ 22,151,029	\$ 26,521,827	\$ 34,526,598	\$ 33,594,513	\$ 33,583,044
Licenses, Permits and Fees	1,467,340	1,478,768	1,502,201	1,596,395	1,684,630
Fines and Penalties	95,298	101,173	49,685	42,426	41,695
Intergovernmental	2,893,973	3,848,036	3,718,148	4,961,144	5,841,384
Charges for Services	4,377,951	4,094,657	6,554,625	7,546,336	7,887,867
Use of Money and Leased Property	-	-	-	23,143	190,757
Other Revenues	325,747	812,381	954,421	472,352	696,506
Total Revenues	\$ 31,311,338	\$ 36,856,842	\$ 47,305,678	\$ 48,236,309	\$ 49,925,883
Expenditures:					
Current:					
General Government	\$ 4,524,562	\$ 4,711,424	\$ 5,814,645	\$ 6,989,064	\$ 7,494,790
Public Safety	21,071,275	20,485,070	21,869,330	23,679,996	25,109,820
Public Works	1,284,990	1,123,572	2,167,070	2,247,572	2,193,166
Community Development	1,743,317	1,108,783	1,300,369	1,466,002	1,390,783
Culture and Recreation	4,203,844	4,067,997	5,504,797	6,247,257	5,768,720
Capital Outlay	1,454,941	1,043,446	797,959	2,235,919	4,189,255
Debt Service:					
Principal Payments	125,701	408,722	141,501	145,788	150,205
Interest and Fiscal Charges	37,973	82,453	17,944	13,657	9,238
Total Expenditures	\$ 34,446,603	\$ 33,031,467	\$ 37,613,615	\$ 43,025,255	\$ 46,305,977
Excess of Revenues Over (Under)					
Expenditures	\$ (3,135,265)	\$ 3,825,375	\$ 9,692,063	\$ 5,211,054	\$ 3,619,906
Other Financing Sources (Uses):					
Transfers In	-	774	-	-	-
Transfers Out	(9,722)	-	(7,506,000)	(3,920,000)	(3,455,054)
Gain on sales of capital assets	-	375,280	-	-	-
Proceeds from capital leases	-	729,590	-	-	-
Total Other Financing Sources (Uses)	\$ (9,722)	\$ 1,105,644	\$ (7,506,000)	\$ (3,920,000)	\$ (3,455,054)
Net Change In Fund Balances	\$ (3,144,987)	\$ 4,931,019	\$ 2,186,063	\$ 1,291,054	\$ 164,852
Fund Balances:					
Beginning of Year	\$ 5,942,643	\$ 2,797,656	\$ 7,728,675	\$ 9,914,738	\$ 11,205,792
End of Year	\$ 2,797,656	\$ 7,728,675	\$ 9,914,738	\$ 11,205,792	\$ 11,370,644

This statement is a summary statement only. The City's Annual Comprehensive Financial Report, including the notes to the Audited Financial Statements, are an integral part of and necessary to a complete understanding of this summary table. See APPENDIX B – "CITY OF EUREKA ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2024."

Source: City of Eureka Annual Comprehensive Financial Report, Fiscal Year ended June 30, 2024.

General Fund Capital Project Funds

The City has a General Fund capital program for road infrastructure and city owned facilities. City policies dedicate annual Measure H funds to roads and facilities in the amount of \$2,000,000 and \$1,000,000, respectively. Road and facility improvement projects are identified in the City's Capital Improvement Program. For more information on Measure H, see the "THE CITY" in the front part of this Official Statement and "Fiscal Year 2022-23 General Fund Overview" below.

Fiscal Year 2022-23 General Fund Overview

Prior to COVID-19, the City had been facing deteriorating financial conditions. Despite reserves slightly above policy recommended balances, the General Fund was only able to maintain services levels because of chronic vacancies. These reserves were strategically leveraged in Fiscal Year 2019-20 in response to the California Stay at Home Order that resulted in a significant revenue decline. In Fiscal Year 2020-21, due to anticipated drop in sales tax revenues, the General Fund reduced budgeted expenditures by approximately 15% through staff reductions and a temporary decrease in cost allocations from the City's Internal Service Funds. This helped minimize the service delivery impacts to the public. By the end of Fiscal Year 2020-21, despite the disruptions from the on-going pandemic, Sales Tax revenues reached record highs and ultimately increased the General Fund's balance from \$2.8 million to \$7.7 million.

In November of 2020, the Eureka voters approved Measure H, a permanent 1.25% sales tax, replacing Measure Q, a .50% sales tax. Since taking effect on July 1, 2021, Measure H has increased service levels across many City departments in the General Fund. The majority of these increases have been directed towards public safety and street improvements.

In Fiscal Year 2021-22, the General Fund ended the year with \$9.7 million in excess revenues. The majority of the additional revenue, \$5.7 million, was transferred out of the General Fund to eliminate negative cash balances in a numerous special revenue and enterprise funds that had accumulated in prior years. The remaining \$1.8 million was used for capital improvement projects. The funds that received the one-time transfer from the General Fund have remained financially sound.

In June 2023, the City adopted Policy #2.67, the Unrestricted Fund Balance Policy, to formally establish guidelines for maintaining the unrestricted fund balance in the General Fund. Prior to this, the City followed the Government Finance Officers Association's recommendation of maintaining a minimum unrestricted fund balance equivalent to two months of regular General Fund operating expenditures but had not adopted a formal policy. With the fund balance projected to exceed three months of operating expenditures by the end of Fiscal Year 2022-23, the Eureka City Council approved staff's recommendation to establish a three-month target, as reflected in the new policy.

As of June 30, 2023, the General Fund's revenues increased by 2% from Fiscal Year 2021-22 to Fiscal Year 2022-23 for a total of \$48.23 million and expenditures increased by 14.4% for a total of \$43 million. Additionally, \$3.75 million was transferred to the General CIP fund for street, park and facilities improvements and \$0.17 million was transferred to as subsidies to the harbor fund. Finally, the General Fund's balance increased by \$1.3 million for a total of \$11.2 million in Fiscal Year 2022-23.

The General Fund budget for Fiscal Year 2023-24 was adopted in June 2023, with a balanced budget. General Fund reserves are projected to remain relatively flat in the future, but maintained above policy levels. During the course of each Fiscal Year, the City Council is provided quarterly financial updates. The budget is amended and revised during the mid-year budget process by the City Council.

Additional information can be found in the financial statements included as APPENDIX B – “CITY OF EUREKA ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2024” and information under the section entitled Required Supplementary Information.

Fiscal Year 2023-24 General Fund Overview

After several years of growth in various City departments and divisions, service levels stabilized in in Fiscal Year 2023–24. Measure H significantly increased revenues between Fiscal Year 2020–21 and Fiscal Year 2021–22, and expenditures were adjusted incrementally to prevent overextension.

In November of 2023, City Council approved the purchase of approximately 5.61 acres of land from the Ocean View Cemetery for the development of the Eureka Operations Complex for \$1.4 million. The cost of the land was funded by projected excess revenues in the General Fund.

Beginning in early 2024, City staff negotiated new Memorandums of Understanding (MOUs) with the Eureka Police Officers' Association and Teamsters Local 137. Additionally, the City Council approved salary and benefit increases for all unrepresented employees. All three agreements will take effect on July 1, 2024, and remain in place through June 30, 2027. Employees will receive cost-of-living adjustments of 5%, 3%, and 3%, applied at the beginning of each fiscal year.

As of June 30, 2024, the General Fund’s revenues increased by 3.5% for a total of \$49.93 million and expenditures increased by 7.63% for a total of \$46.31 million. Additionally, \$3.25 million was transferred to the General CIP fund for street and facilities improvements and \$0.21 million was transferred to as subsidies to the Harbor fund. Finally, the General Fund’s fund balance increased by \$164,852 for a total of \$11,370,644.

The General Fund budget for Fiscal Year 2024-25 was adopted in June of 2024, with a projected deficit of \$1.1 million. General Fund reserves are of many tools being used to balance the budget. New personnel, focused on mental health services, have been included in the budget to assist with public safety services. Funding for the new service is still pending and additional outside sources are expected to fully fund these services in the future. During the course of each Fiscal Year, the City Council is provided quarterly financial updates. The budget is amended and revised during the mid-year budget process by the City Council.

Additional information can be found in the financial statements included as APPENDIX B – “CITY OF EUREKA ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2024” and information under the section entitled Required Supplementary Information.

Fiscal Year 2024-25 General Fund Budget Overview

As a full-service City that provides a broad range of services to the local community and that is also charged with maintaining infrastructure for public safety, recreation, and other critical functions, balancing the City’s annual operating and capital budget has become increasingly challenging given the slow growth of tax revenues in comparison to substantial increases in expenses related to staffing, services, contracts, insurance, and many others.

Although property tax revenues continue to be increasing, given the reduced volume of property-related transactions in the City, the rate of increases have softened. Very modest growth in sales tax, transient occupancy tax (TOT) and all other tax revenues are projected to grow in Fiscal Year 2024-25

and Fiscal Year 2025-26, but at a very low rate and much lower than the annual increases in the cost of continuing to provide the same level of services to the community.

In response to long-standing challenges related to homelessness and mental health, the City has implemented new services aimed at addressing these complex issues. Funding for these efforts has come from a combination of external sources and the General Fund. However, the City has recently secured a new funding stream that will eliminate the need for current and future General Fund contributions.

Beginning in early 2024, the City started receiving payments from various opioid-related settlements. Over the next decade, the City anticipates receiving millions of dollars through these settlements. These funds may be used to support services for individuals experiencing homelessness and mental health challenges.

Additionally, in March 2025, the City was awarded a \$600,000 grant through the State Transportation Improvement Program. This grant will reimburse expenses related to roadway and non-motorized transportation improvements completed under the annual Pavement Rehabilitation Project and will reduce the required contribution from the General Fund.

Despite slower growth in tax revenues, cost savings in both operations and capital improvements during the fiscal year are expected to result in a balanced budget, with minimal or no impact on General Fund reserves.

TABLE 11
CITY OF EUREKA
GENERAL FUND ADOPTED BUDGETS

	Fiscal Year 2020-21	Fiscal Year 2021-22	Fiscal Year 2022-23	Fiscal Year 2023-24	Fiscal Year 2024-25
REVENUES:					
Taxes	\$22,898,634	\$34,306,681	\$34,149,673	\$33,621,807	\$33,203,413
Licenses, Permits and Fees	1,462,800	1,451,500	1,470,000	1,590,000	1,680,000
Fines and Penalties	126,500	55,000	77,492	77,500	7,500
Intergovernmental	3,575,192	3,580,645	6,139,583	3,646,543	3,621,376
Charges for Services	4,086,453	5,928,223	6,754,512	7,192,093	8,257,775
Other Revenues	225,328	360,209	375,549	332,586	586,085
Total Revenues	\$32,404,907	\$45,682,258	\$48,966,809	\$46,460,529	\$47,426,148
EXPENDITURES:					
Current:					
General Government	\$4,627,815	\$5,612,318	\$6,580,935	\$7,016,239	\$5,986,096
Public Safety	19,471,122	21,427,089	23,775,088	25,425,219	26,409,187
Public Works	1,280,704	2,265,166	2,363,828	2,357,644	2,343,739
Community Development	1,091,594	1,316,161	1,475,834	1,355,267	1,463,065
Culture and Recreation	3,976,192	5,563,592	6,524,802	5,873,283	7,544,601
Capital Outlay	589,328	435,238	2,884,611	1,481,986	773,989
Debt Service:					
Principal Payments	408,722	141,501	145,788	150,205	150,205
Interest and Fiscal Charges	82,454	17,945	13,658	13,658	13,658
Total Expenditures⁽²⁾	\$31,527,931	\$36,779,010	\$43,764,544	\$43,673,501	\$44,684,539
REVENUES OVER (UNDER) EXPENDITURES	\$876,976	\$8,903,248	\$5,202,265	\$2,787,028	\$2,741,609
OTHER FINANCING SOURCES (USES): ⁽³⁾					
Transfers In	\$331,730	\$0	\$0	\$0	\$0
Transfers Out	0	(8,317,189)	(3,646,007)	(3,455,054)	(3,175,000)
Total Other Financing Sources (Uses)	\$331,730	(\$8,317,189)	(\$3,646,007)	(\$3,455,054)	(\$3,175,000)
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$1,208,706	\$586,059	\$1,556,258	(\$668,026)	(\$433,391)
FUND BALANCES:					
Beginning of Year	\$2,797,656	\$7,728,675	\$9,914,738	\$11,205,792	\$11,370,644
End of Year	\$4,006,362	\$8,314,734	\$11,470,996	\$10,537,766	\$10,937,253

Source: City of Eureka

Outstanding Long Term Indebtedness

The City does not currently have any long term indebtedness payable from its general fund. The City has certain indebtedness and obligations payable from its funds and revenues as described in Note 7 to the financial statements of the City included in APPENDIX B – “CITY OF EUREKA ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2024”

Risk Management

The City is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in a public entity risk pool for workers’ compensation, general liability and property insurance coverage. During fiscal years 2022-23 and 2023-24, there were no significant reductions in insurance coverage.

The City is an associate member of the California Intergovernmental Risk Authority (CIRA), a public entity pool comprised of fifty-seven members, including California cities/towns and special districts. CIRA is organized under a Joint Powers Agreement pursuant to the California Government Code. The purpose of CIRA is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage and provide risk management services. The City of Eureka participates in the following CIRA programs:

General Liability Insurance – Annual premiums are paid by the member cities and are adjusted retrospectively to cover costs. The City of Eureka self-insures for the first \$100,000 of each loss and pays 100% of all losses incurred under \$100,000. The City does not share or pay for losses of other cities under a range of between \$5,000 to \$25,000, depending on the entity’s deductible amount. Participating cities then share in the next \$5,000 to \$25,000 to \$1,000,000 per loss occurrence. Specific coverage includes comprehensive and general automotive liability, personal injury, contractual liability, professional liability, and certain other coverages. CIRA is a member of PRISM, which provides CIRA with an additional \$39,000,000 liability insurance coverage over and above CIRA retention level of \$1,000,000.

Worker’s Compensation – Periodic deposits are paid by member cities and are adjusted retrospectively to cover costs. The City of Eureka is self-insured for the first \$50,000 of each loss and pays 100% of all losses incurred under \$50,000. The City does not share or pay for losses of other cities under \$5,000. Losses of \$5,000 to \$500,000 are prorated among all participating cities. Losses in excess of \$500,000 are covered by excess insurance purchased by participating cities, as part of the pool, to State statutory limits.

Property Insurance – The City participates in CIRA’s property insurance program. The annual deposits paid by participating member cities are based upon deductibility levels and are not subject to retroactive adjustments. The City of Eureka has a deductible level of \$25,000 and a coverage limit of declared value.

Set forth in the table below is a summary of the financial statements of CIRA as of and for the year ended June 30, 2024.

TABLE 12

**CIRA
Summary of Financial Statements
Fiscal Year 2023-24**

	Amount
Total Assets	\$91,609,051
Total Deferred Outflows	1,415,965
Total Liabilities	61,999,475
Total Deferred Inflows	446,281
 Total Net Position	 \$30,559,260
 Total Revenues	 \$54,895,825
Total Expenses	51,310,598
Increase in Net Position	\$3,585,227

Source: California Intergovernmental Risk Authority Financial Statements for the year ended June 30, 2024.

The City maintains the following programs for exposure to losses which are not covered by CIRA:

General Liability Insurance – Losses incurred after February 28, 1993, are covered by CIRA, as described in CIRA programs section. For losses incurred prior to March 1, 1993, the City accrues its share of general liability based on an analysis of past experience.

The City self-insures for \$25,000 per occurrence.

The City’s excess coverage is \$500,000 per occurrence with \$5,000,000 annual general aggregate coverage on the primary policy. The total excess liability provides \$40,000,000 coverage per occurrence or in the aggregate annually.

Worker’s Compensation Insurance – Losses incurred after February 28, 1993, are covered by CIRA, as described in Paragraph A above. For losses incurred prior to March 1, 1993, the City accrued workers’ compensation liability based on an actuarial evaluation of claims, which was accomplished during the year ended June 30, 1996. The City self-insures claims up to \$90,000 during the first payment year following the date of the accident, \$50,000 during the second payment year, and \$40,000 during the third and each subsequent payment year following the date of the accident resulting in injury. Excess worker’s compensation insurance coverage is maintained with a limit of \$2,000,000 to protect against catastrophic losses. Group Health and Benefits – On August 1, 2002 the City terminated a self-insured group health and benefit program for its employees and eligible dependents. The self-insured group health and benefits “tail” claims were paid through June 30, 2003. City employees choose from a number of benefit plans (dental, health, vision, life insurance, long-term disability, 125 plan medical and/or dependent care) available to them through the City using the monthly fringe benefit contribution from the City. Each plan requires an employee deductible amount and pays benefit percentages that vary

depending on plan carrier. See Note 8 in APPENDIX B – “CITY OF EUREKA ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2024.”

Employees and Labor Relations

As of June 30, 2024, the City had approximately 273 full time equivalent employees. The following table provides a list of employee organizations in the City and their membership.

TABLE 13
CITY OF EUREKA
EMPLOYEE ORGANIZATIONS

<u>Organization</u>	<u>Number of Employees Represented</u>	<u>Current Contract Expires</u>	<u>Next Wage Reopening Occurs</u>	<u>Scheduled Wage Increase</u>	<u>Percentage Increase</u>
Eureka Police Officers’ Association	64.7	June 30, 2027	January 1, 2027	July 1, 2025 and July 1, 2026	3% on each scheduled wage increase date. Employees with at least 5 years and employees with at least 10 years of continuous service receive an additional retention base salary increase of 1% and 2%, respectively.
Teamsters Local 137	133.6	June 30, 2027	January 1, 2027	July 1, 2025 and July 1, 2026	3% on each scheduled wage increase date. Employees with at least 5 years, employees with at least 10 years and employees with at least 15 years of continuous service receive an additional retention base salary increase of 2%, 4% and 6%, respectively.

Source: City of Eureka Finance Department

The Humboldt Bay Fire Joint Powers Authority (JPA), comprised of the City of Eureka and the Humboldt No. 1 Fire Protection District—each appointing two board members to oversee its operations—has one employee organization, Humboldt Bay Firefighters Local #652. The City of Eureka Finance Director also serves as the Finance Director for the JPA and participates in labor negotiations alongside the Fire Chief and an outside negotiator. These negotiations are currently underway, as the existing memorandum of understanding is set to expire on June 30, 2025.

Employee Pension Benefits

All qualified permanent and probationary employees are eligible to participate in one of the City’s separate Safety (police), PEPRA Safety (police), and Miscellaneous (all other) plans (employer defined benefit pension plans), each administered by the California Public Employees Retirement System

("CalPERS"), a multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of California.

The plans are part of the Public Agency portion of CalPERS. A menu of benefit provisions as well as other requirements are established by State statutes within the Public Employees' Retirement Law. The City selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance. CalPERS issues separate comprehensive annual financial reports. Copies of CalPERS annual financial reports may be obtained from their executive office: 400 Q Street, Sacramento, CA 95814 or on their website: www.calpers.ca.gov. The CalPERS website also contains CalPERS' most recent actuarial valuation reports and other information concerning benefits and other matters. Neither the City nor the Authority can 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. The information on such website is not incorporated herein by such reference or otherwise.

CalPERS provides retirement and disability benefits, annual cost-of living adjustments, and death benefits to plan members and beneficiaries. CalPERS also provides death and disability benefits. CalPERS provides actuarial services on pension plans for state, school, and public agency employers and uses periodic actuarial valuations to disclose funded status and determine employer contribution requirements.

See also APPENDIX B – "CITY OF EUREKA ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2024."

One of the most significant changes to the state and local financial landscape is the Public Employees' Pension Reform Act ("PEPRA") of 2013. PEPRA was designed to reduce pension costs of virtually all public employers in the long term, with new employees hired after December 31, 2012 enrolled in a plan with substantially lower benefits. In addition, new employees are required to pay at least 50% of the pension costs. PEPRA created mandatory benefits tiers for new employees who have not worked for another CalPERS agency hired beginning January 1, 2013 ranging from 2.0% at age 50 to a maximum of 2.7% at age 57 for police safety and fire safety employees and 1.1% at age 50 to a maximum of 2.4% at age 62 for miscellaneous employees. In accordance with PEPRA, the Miscellaneous and Safety (Police and Fire) "Classic" plans were closed to new entrants as of January 1, 2013.

The City has three separate pension plans with CalPERS: a Miscellaneous Plan; a Safety Police Plan; and a PEPRA Safety Police Plan. CalPERS provides retirement and disability benefits, annual cost-of living adjustments, and death benefits to plan members and beneficiaries.

PEPRA (i) increases the retirement age for new State, school, and city and local agency employees depending on job function, (ii) caps the annual CalPERS pension benefit payout, (iii) addresses numerous abuses of the system, and (iv) requires State, school, and certain city and local agency employees to pay at least half of the costs of their CalPERS pension benefits. PEPRA applies to all public employers except the University of California, charter cities and charter counties (except to the extent they contract with CalPERS). Among other things, PEPRA also enacted pension spiking reform for new and existing employees, required three-year averaging of final compensation for new employees, and provided employers with new authority to negotiate cost-sharing agreements with current employees. PEPRA also contained limitations on the use of retired annuitants, generally requiring that an annuitant have a six-month break in service prior to returning to work.

The California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS's annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

CalPERS employs an amortization and smoothing policy that will pay for all gains and losses over a fixed 30-year period with the increases or decreases in the rate spread directly over a 5-year period. Prior to this change, CalPERS employed an amortization and smoothing policy that spread investment returns over a 15-year period with experience gains and losses paid for over a rolling 30-year period. After this policy change, CalPERS commenced an amortization and smoothing policy that pays for all gains and losses amortized over a 20-year period with a five-year ramp-up and five-year ramp-down period.

CalPERS' projected employer contribution rates for the City's Miscellaneous Plan, Safety Police Plan and PEPRSA Safety Police Plan are provided by actuarial reports delivered to the City, which reports establish liability and funding requirements. The latest actuarial valuation of the plans are dated July 2023. There is a two-year lag between the Valuation Date and the Contribution Fiscal Year. The assets, liabilities and funded status of the plans are measured as of the valuation date (most recently June 30, 2023). The employer contribution rate determined by the valuation is for the fiscal year beginning two years after the valuation date (the City's Fiscal Year 2024-25). This two-year lag is necessary due to the amount of time needed to extract and test the membership and financial data, and due to the need to provide public agencies with their employer contribution rates well in advance of the start of the fiscal year. The required contribution for the fiscal year ended June 30, 2025, was determined as part of the CalPERS actuarial valuation as of June 30, 2023 (the "2023 Valuation") using the entry age actuarial cost method. Actuarial valuations of the Public Employees Retirement Fund ("PERF") are performed annually.

The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. City contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contributions requirements are classified as plan member contributions. Contributions to fund the plans are comprised of two components: Normal Cost, expressed as a percentage of total active payroll; and Amortization of the Unfunded Accrued Liability (UAL), expressed as a dollar amount. The City made contributions to the Miscellaneous and Safety (police) during the fiscal year ended June 30, 2024, of \$4,822,758 and \$2,798,581, respectively. The City's annual UAL payment completed in July 2024 was \$5,740,047, of which the City made contributions to the Miscellaneous, Safety (police), and PEPRSA Safety (police) of \$3,576,328, \$2,163,719, and \$0, respectively.

The tables below show CalPERS projected employer contribution rates for the City's Miscellaneous Plan, Safety Police Plan, and PEPRSA Safety Police Plan (before cost sharing) for the six years from Fiscal Year 2024-25 through Fiscal Year 2029-30. The projections assume that all CalPERS actuarial assumptions will be realized and that no further changes to assumptions, contributions, benefits, or funding will occur during the projection period. In particular, the investment return is assumed to be 6.80% per year, net of investment and administrative expenses. The projected normal cost percentages below reflect that the normal cost is expected to continue to decline over time as new employee members as defined by PEPRSA are hired into lower cost benefit tiers and "classic" plan employees retire. Future contribution requirements may differ significantly from those shown below. The actual long-term cost of the plan will depend on the actual benefits and expenses paid and the actual investment experience of the fund.

TABLE 14

**CITY OF EUREKA MISCELLANEOUS PLAN
PROJECTED FUTURE PENSION CONTRIBUTION RATES
FISCAL YEARS 2025 THROUGH 2031**

Fiscal Year Ended (June 30)	Normal Cost Contribution Rate	UAL Payment	Total as a % of Projected Payroll
2025	10.10%	\$3,878,802	46.15%
2026	9.8%	\$4,040,961	42.67%
2027	9.7%	\$4,202,000	42.9%
2028	9.6%	\$4,407,000	43.5%
2029	9.5%	\$4,739,000	44.9%
2030	9.3%	\$4,859,000	44.7%
2031	9.2%	\$4,969,000	44.4%

Source: 2023 Valuation and City of Eureka Finance Department.

TABLE 15

**CITY OF EUREKA SAFETY POLICE PLAN
PROJECTED FUTURE PENSION CONTRIBUTION RATES
FISCAL YEARS 2025 THROUGH 2031**

Fiscal Year Ended (June 30)	Normal Cost Contribution Rate	UAL Payment
2025	27.84%	\$1,835,615
2026	27.88%	\$2,082,439
2027	27.9%	\$2,227,000
2028	27.9%	\$2,348,000
2029	27.9%	\$2,558,000
2030	27.9%	\$2,615,000
2031	27.9%	\$2,666,000

Source: 2023 Valuation and City of Eureka Finance Department.

TABLE 16

**CITY OF EUREKA PEPRA SAFETY POLICE PLAN
PROJECTED FUTURE PENSION CONTRIBUTION RATES
FISCAL YEARS 2025 THROUGH 2031**

Fiscal Year Ended (June 30)	Normal Cost Contribution Rate	UAL Payment
2025	14.72%	\$14,161
2026	14.96%	\$29,512
2027	15.0%	\$40,000
2028	15.0%	\$50,000
2029	15.0%	\$60,000
2030	15.0%	\$60,000
2031	15.0%	\$60,000

Source: 2023 Valuation and City of Eureka Finance Department.

Annual pension expenses are projected to continue to rise and represent a significant amount of the City’s operating budget. Generally, based on current CalPERS assumptions, the pension funded status is 64.3%, or 7.1% below the Public Employees’ Retirement Fund (PERF).

As reported in the 2023 Valuation, the funding history below shows the recent history of the actuarial accrued liability, the market value of assets, the funded ratio and the annual covered payroll for the Miscellaneous Plan, Safety Police Plan, and PEPRA Safety Police Plan.

TABLE 17

**CITY OF EUREKA MISCELLANEOUS PLAN
FUNDED STATUS
FISCAL YEARS 2020 THROUGH 2023**

PERS Valuation Fiscal Year Ended (June 30)	Accrued Liability	Market Value of Assets (MVA)	Unfunded Accrued Liability	Funded Ratio	Applicable Annual Covered Payroll
2020	\$111,342,019	\$69,462,781	\$41,879,238	62.4%	\$8,699,729
2021	\$116,925,695	\$82,929,106	\$33,996,589	70.9%	\$8,598,152
2022	\$119,312,151	\$74,620,760	\$44,691,391	62.5%	\$9,904,513
2023	\$123,661,315	\$77,442,860	\$46,218,455	62.6%	\$11,317,863

Source: 2023 Valuation and City of Eureka Finance Department.

TABLE 18

**CITY OF EUREKA SAFETY POLICE PLAN
FUNDED STATUS
FISCAL YEARS 2020 THROUGH 2023**

PERS Valuation Fiscal Year Ended (June 30)	Accrued Liability	Market Value of Assets (MVA)	Unfunded Accrued Liability	Funded Ratio	Applicable Annual Covered Payroll
2020	\$63,511,668	\$42,146,876	\$21,364,792	66.4%	\$2,246,658
2021	\$67,416,007	\$51,073,054	\$16,342,953	75.8%	\$2,040,676
2022	\$72,228,290	\$48,028,466	\$24,199,824	66.5%	\$1,446,763
2023	\$73,525,424	\$48,551,171	\$24,974,253	66.0%	\$1,267,833

Source: 2023 Valuation and City of Eureka Finance Department.

TABLE 19

**CITY OF EUREKA PEPPRA SAFETY POLICE PLAN
FUNDED STATUS
FISCAL YEARS 2019 THROUGH 2023**

PERS Valuation Fiscal Year Ended (June 30)	Accrued Liability	Share of Pool's Market Value of Assets (MVA)	Unfunded Accrued Liability	Funded Ratio	Applicable Annual Covered Payroll
2019	\$1,542,847	\$1,388,321	\$154,526	90.0%	\$1,330,416
2020	\$2,005,777	\$1,784,552	\$221,225	89.0%	\$1,553,079
2021	\$2,774,254	\$2,840,360	(\$66,106)	102.4%	\$1,552,549
2022	\$3,009,833	\$2,598,319	\$441,514	86.3%	\$1,362,428
2023	\$3,901,901	\$3,364,187	\$537,714	86.2%	\$1,871,407

Source: 2023 Valuation and City of Eureka Finance Department.

See also Note 10 to the general purpose financial statements of the City included in APPENDIX B – “CITY OF EUREKA ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2024” and the tables therein within the section entitled “Required Supplementary Information.”

The Amortization of UAL cost component is expressed as a dollar amount and invoiced on a monthly basis. There is an option to prepay this amount during July of each fiscal year. The Normal Cost component is expressed as a percentage of active payroll with employer and employee contributions payable as part of the regular payroll reporting process. The determination of both components requires complex actuarial calculations. The calculations are based on a set of actuarial assumptions which can be divided into two categories: demographic assumptions (e.g., mortality rates, retirement rates, employment termination rates, disability rates); and economic assumptions (e.g., future investment earnings, inflation, salary growth rates). These assumptions reflect CalPERS’ best estimate of future experience of the plan and are long term in nature. CalPERS reviews all actuarial assumptions by conducting in-depth experience studies every four years, with the most recent experience study completed in 2021.

Actual gains or losses as well as changes in actuarial assumptions or methods are amortized using a 5-year ramp up, phasing in the impact of unanticipated changes in UAL over a 5-year period and attempting to minimize employer cost volatility from year to year. This method phases in the impact of the change in UAL over a 5-year period in order to reduce employer cost volatility from year to year. As a result of this methodology, dramatic changes in the required employer contributions in any one year are less likely. However, required contributions can change gradually and significantly over the next five years. In years when there is a large investment loss, the relatively small amortization payments during the ramp up period could result in contributions that are less than interest on the UAL (*i.e.* negative amortization) while the contribution impact of the increase in the UAL is phased in.

The standard actuarial practice at CalPERS is to recognize mandated legislative benefit changes in the first annual valuation following the effective date of the legislation. Voluntary benefit changes by plan amendment are generally included in the first valuation that is prepared after the amendment becomes effective, even if the valuation date is prior to the effective date of the amendment.

Reporting obligations under the Governmental Accounting Standards Board (“GASB”) Statement No. 68 (including as amended by Statement No. 71, “GASB 68”) commenced with financial statements for the fiscal year ended June 30, 2015. The City implemented this Statement in the fiscal year ending June 30, 2015. Under GASB 68, an employer reports the net pension liability, pension expense and deferred outflows/deferred inflows of resources related to pensions in its financial statements as part of its financial position. See APPENDIX B – “CITY OF EUREKA ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2024.”

Safety Retirement Pension Plan. In addition to the CalPERS expense described above, the City provides an additional single-employer defined benefit pension plan. The Safety Retirement Plan was established to account for the accumulation of resources to be used for retirement benefits for those police and fire employees hired between May 1937 and May 1965, and who were disabled due to job related injuries. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 68.

As of June 30, 2024 measurement date, a total of 775 retirees (or beneficiaries) are receiving benefits from the Safety Retirement Pension Trust Fund. For the year ended June 30, 2024, the City recognized a total liability of \$120,753,042. As of June 30, 2024, for the Safety Retirement Plan, the City has \$989,101 reported as deferred outflows of resources related to employer benefit payments made subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ended June 30, 2024.

Deferred Compensation Plan. The City offers two deferred compensation plans for regular employees and one for hourly employees created in accordance with Internal Revenue Code Section 457. Under the terms of these plans, employees may defer amounts of income up to a maximum of \$17,500 per year or 100% of includable compensation, whichever is less. Amounts so deferred may be withdrawn or directed for future payment at separation of employment. Effective January 1, 1999, Federal legislation (Small Business Job Protection Act of 1996) requires the Section 457 plan assets to be placed in trust for the exclusive use of the plan participants and their beneficiaries. The City’s deferred compensation administrator qualifies as the plan trustee to meet Federal requirements and plan assets are no longer reflected in the City’s basic financial statements.

See Note 11 to the financial statements of the City included in APPENDIX B – “CITY OF EUREKA ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2024.”

Employee Retirement Plan – Local Employees’ Retirement System (LERS)

The City is the administrator of the Fire and Police Pension Benefits Plan, a single-employer public employee retirement system (“LERS”) originally established by the City in accordance with the City charter and state statutes for the benefit of its employees. This plan was formally terminated June 30, 1984, when its only remaining participants were retired members and employees who did not elect to be covered by the state public employees’ retirement system at August 24, 1969. The last active member retired in 1988.

LERS is included as part of the primary government of the City and is included in the City’s financial statements as a fiduciary fund. As of June 30, 2024, LERS membership consisted of five police and fire retirees and beneficiaries currently receiving benefits. Under LERS, after twenty-five years or more of service, in the aggregate, or upon reaching the age of sixty-five years, each covered employee was entitled to receive a yearly pension, in semi-monthly installments, equal to one-half the amount of salary attached to the rank which he/she may have held in the Fire or Police Department. Any employee who had not worked the full period of twenty-five years before reaching the age of sixty-five was entitled to have the amount of pension prorated according to the number of years worked in proportion to the period of twenty-five years of active service required for the pension provision.

For the fiscal year ended June 30, 2024, the City paid \$164,808 for retiree benefits under LERS. As of June 30, 2024, the City’s net pension liability under LERS was calculated to be \$1,734,906. For additional information relating to LERS, including the actuarial assumptions made in calculating the City’s net pension liability as of June 30, 2024, see Note 10 in APPENDIX B – “CITY OF EUREKA ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2024.”

Investment of Funds; City’s Pooled Operating Investment Fund

The City of Eureka manages its investment portfolio in accordance with Investment Policy No. 2.70, which is guided by the “prudent investor” standard as defined in California Government Code Section 53600.3. This standard requires that investments be made with care, skill, prudence, and diligence, considering the prevailing circumstances. The City’s policy prioritizes safety, liquidity, and yield, in that order. As of the most recent reporting period, April of 2025, the City maintains a total investment balance of approximately \$14 million. This includes \$8,547,112 invested in U.S. Treasury securities through Raymond James, \$4,713,941 in a money market account with Tri Counties Bank, and \$752,116 in the State of California’s Local Agency Investment Fund (LAIF). All investments are made in compliance with the City’s policy and applicable state law, and are structured to meet liquidity needs while preserving capital and achieving a reasonable return.

Utilities

Gas and electricity are provided within the City by Pacific Gas and Electric. Spectrum supplies telephone service. The City contracts with Recology Humboldt County for collection of refuse. The City owns and operates water and wastewater systems and provides water and sewer services to ratepayers.

Transportation

Highways. U.S. Route 101 is the major north and south highway, which connects Eureka to the rest of the North Coast region. The highway connects to Oregon, located approximately 100 miles to the north, and San Francisco, over 250 miles to the south. The highway follows city streets through the City, with flow and cross-traffic controlled by traffic signals. Highway 101 enters Eureka from the south as

Broadway. As it reaches the downtown area, it splits into a one-way couplet composed of 4th Street and 5th Street. On the northern side of the City, northbound and southbound rejoin at the Northeast side before this major becomes an expressway (to Arcata and points beyond) as double bridges cross the Eureka Slough (mouth of the Freshwater Creek).

State Route 255 is an alternate route of U.S. 101 between Eureka and the nearby city of Arcata, running along the western shore of Humboldt Bay. It begins in the downtown area at U.S. 101 and proceeds up R Street towards the Samoa Bridge and the community of Samoa.

State Route 299 (formerly U.S. Route 299) connects to U.S. Route 101 at the northern end of Arcata. Route 299 begins at that point and extends easterly to serve as the major traffic artery to the east for Eureka.

Airports. Eureka's full service airport is the Arcata-Eureka Airport located 15 miles (24 km) north in McKinleyville. Murray Field and Eureka Municipal Airports, are general aviation airports for private and charter air service, and are both located adjacent to Humboldt Bay, either at the edge of Eureka or just outside the city limits. Ten miles southeast of Eureka, Kneeland Airport, also a general aviation airport, at 2,737 ft (834.2 m) elevation, provides an option for pilots choosing to land when the prevalent marine layer is affecting airports nearer sea level.

Port. The Humboldt Bay Harbor, Recreation, & Conservation District manages the resources of Humboldt Bay and its environs, including the deep water port. The port is located directly west of the City and is serviced across the bay in the community of Samoa. In addition to two deep water channel docks for large ships, several modern small craft marinas are available for private use, with a total capacity of more than 400 boats.

Bus Service. Public bus transportation services within Eureka are provided by the Eureka Transit Service. The Redwood Transit System provides bus transportation through Eureka and connects to major towns and places outside the City, including educational institutions. Dial-A-Ride service is available through an application process.

Amtrak provides Thruway Bus service to Eureka at its unstaffed bus stop. The bus service connects passengers from the northernmost coastal train station in Martinez, California, and continues to southern Oregon.

Greyhound provides bus service to San Francisco from Eureka. Tickets not purchased online may also be purchased at the nearest full-service station in Arcata, California.

Economic Development

Offshore Wind Energy. The development of offshore wind energy off the coast of Eureka represents a significant opportunity for long-term economic growth in Humboldt County. The Humboldt Wind Energy Area (WEA), located approximately 20 miles offshore and covering over 132,000 acres, was designated by the Bureau of Ocean Energy Management (BOEM) for wind energy development. In 2022, BOEM conducted California's first offshore wind lease auction, awarding two lease areas within the Humboldt WEA to RWE Offshore Wind Holdings, LLC and California North Floating, LLC, a subsidiary of Copenhagen Infrastructure Partners. These developments support both federal and state renewable energy goals, including the federal target of 30 gigawatts (GW) of offshore wind by 2030 and over 110 GW by 2050, as well as California's goals of 5 GW by 2030 and 25 GW by 2045.

To meet these ambitious goals, significant investment in port infrastructure will be required statewide. The Humboldt Bay Harbor, Recreation and Conservation District is actively advancing plans to meet this need through the development of the Humboldt Bay Offshore Wind Heavy Lift Multipurpose Marine Terminal. This project is designed to serve as a key staging and deployment site for offshore wind components, including the manufacturing, assembly, and transport of floating wind platforms.

The Harbor District has secured substantial funding to move this project forward. Since 2020, the District has received support from multiple grant programs totaling over \$446 million. Early-phase planning and design work was supported by the Humboldt County Headwaters Fund and the State Lands Commission. In 2022, the California Energy Commission awarded \$10.45 million for design, permitting, and matching funds. In 2023, a Maritime Administration Port Infrastructure Development Program (MARAD PIDP) grant of \$8.67 million was awarded to support permitting and a bay-wide master plan. Most recently, in 2024, the District was awarded a \$426.7 million INFRA Grant from the U.S. Department of Transportation to fund the final design and construction of the terminal. Planned infrastructure includes a 40-acre upland staging area, a 1,200-foot wharf, on-site utilities, access roads, and a large vessel berth.

Together, the offshore wind leases and the port development project position Eureka and Humboldt County as a hub for clean energy innovation on the West Coast. In addition to helping achieve state and national renewable energy targets, this initiative is expected to generate substantial local economic benefits—supporting job creation, attracting private investment, and building a regional supply chain centered around the offshore wind industry.

Telecommunications Infrastructure. Humboldt County is becoming a key location for global telecommunications infrastructure, supported by major investments in subsea fiber-optic connectivity. In 2020, the Humboldt Bay Harbor, Recreation and Conservation District entered into a lease agreement with RTI Infrastructure to allow the landing of up to four trans-Pacific fiber-optic cables at the former pulp mill site on the Samoa Peninsula. The site, referred to as Marine Terminal II, repurposes an existing ocean outfall pipe to accommodate cable landings and is positioned to serve as a critical link in international data transmission networks.

One of the primary projects includes the Echo subsea cable, developed by Google, which will provide a direct fiber-optic connection between Eureka, California and Southeast Asia, including landing points in Guam, Indonesia, and Singapore. The Echo cable is designed to deliver high-speed, low-latency connectivity to support growing global demand for cloud services and digital infrastructure.

This infrastructure investment is expected to generate long-term economic benefits for the region. Plans are underway for a data center development, just north of Eureka, in Arcata by EdgeConnex, a national data center provider, which will serve as a terminal for the fiber-optic lines. This project complements broader efforts, such as the Digital 299 initiative, which aims to expand broadband access from the coast inland along the Highway 299 corridor. These developments are anticipated to improve digital access for local communities, attract further private investment, and support job creation in technology and related sectors.

Education

Institutions of higher learning include the College of the Redwoods, located on the south edge of the Greater Eureka Area and California State Polytechnic University, Humboldt (“CPH”), located just eight miles (13 km) north in Arcata. College of the Redwoods manages a downtown satellite campus to augment offerings of the 270-acre (1.1 km²) campus located south of the city. In 2005, Cal Poly

Humboldt made public its plans to bring the campus to Eureka and in the spring 2007 opened of the HSU Humboldt Bay Aquatic Center, a \$4.5 million aquatic facility, on Humboldt Bay in Old Town Eureka. The R/V North Wind, CPH's new oceanographic research boat, is docked at Woodley Island, Eureka.

Eureka City Schools, the largest school district in the region, administers the public schools of the city. Eureka High School receives all students from city grammar schools as well as all those from nearby unincorporated communities. Specific Schools within the city limits include: Alice Birney Elementary, Grant Elementary, Lafayette Elementary, Washington Elementary, Zane Middle School, Eureka High School, Humboldt Bay High School, Winship Campus (including Zoe Barnum High School and the Eureka Adult School), and Winzler Children's Center. The District offices are located in the remodeled Marshall School, which also contains the Marshall Family Resource Center, a sight designed to offer programs in support of parents and families.

Offices of the administration of the Superintendent of Humboldt County Schools are located in the rebuilt/repurposed Franklin Elementary School site in the city of Eureka. Humboldt County Schools Office of Education (HCSOE) administers the Glen Paul Center in Eureka, which specializes in the education of children with special education needs, from ages 3–22.

Arts and Culture

Eureka is one of California's historic landmarks. The California State Historical Marker, #477, designating Eureka, is located in Old Town, one of the nation's best preserved original Victorian era commercial districts. The city was voted as the #1 best small art town in John Villani's book "The 100 Best Small Art Towns In America." Eureka has resumed hosting the region's largest monthly cultural and arts event, "Arts Alive!" on the first Saturday of each month. The downtown Eureka area is also decorated with many murals, many of which were created as part of the Eureka Art Fest. Every summer, from June through August, the Eureka Friday Night Markets feature hundreds of local makers, artisans, farmers, and chefs—bringing the community together to support small businesses and highlight the diversity and creativity that make Eureka and Humboldt County unique.

Theater offerings include year-round productions from several various theater groups including the North Coast Repertory Theatre, and the Eureka Theatre. Various events occur throughout the year at the Redwood Acres Fairgrounds. Art organizations include the Eureka Cultural Arts District, Humboldt Arts Council and the Morris Graves Museum of Art, Redwood Art Association, The Ink People, and the Eureka Arts and Culture Commission. As a regional center, the city offers lodging, restaurants and shopping areas, including dozens of specialty shops in its historic 19th Century Old Town commercial district as well as the only large shopping mall in the region.

APPENDIX B

**AUDITED FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDED JUNE 30, 2024**

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS

Certain provisions of the Lease Agreement, the Ground Lease and the Indenture, not previously discussed in this Official Statement, are summarized below. These summaries do not purport to be complete or definitive and are qualified in their entirety by reference to the full terms of the documents.

APPENDIX D

PROPOSED FORM OF BOND COUNSEL OPINION

Upon issuance of the Bonds, Orrick, Herrington & Sutcliffe LLP, Bond Counsel, proposes to render its final approving opinion with respect to the Bonds in substantially the following form:

[Closing Date]

Eureka Public Financing Authority
Eureka, California

Eureka Public Financing Authority
Lease Revenue Bonds (City Facilities), Series 2025
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Eureka Public Financing Authority (the “Authority”) in connection with issuance of \$_____ aggregate principal amount of Eureka Public Financing Authority Lease Revenue Bonds (City Facilities), Series 2025 (the “Bonds”), issued pursuant to an Indenture, dated as of _____ 1, 2025 (the “Indenture”), by and among the Authority, the City of Eureka (the “City”) and U.S. Bank Trust Company, National Association, as trustee (the “Trustee”). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed the Indenture, the Lease Agreement, the Ground Lease, the Tax Certificate, opinions of counsel to the Authority, the City, the Trustee and others, certificates of the Authority, the City, the Trustee and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after original delivery of the Bonds on the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after original delivery of the Bonds on the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures provided to us and the due and legal execution and delivery of each such document by each party thereto other than the Authority and the City and that each such document constitutes a valid and binding agreement of such party. We have assumed, without undertaking to verify, 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 second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture, the Lease Agreement, the Ground Lease and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross

income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Indenture, the Lease Agreement, the Ground Lease and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against governmental entities such as the Authority and the City in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the real or personal property described in or as subject to the lien of the Lease Agreement, the Ground Lease or the Indenture or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such property. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no view with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute the valid and binding special obligations of the Authority.
2. The Indenture has been duly executed and delivered by, and constitutes the valid and binding agreement of, the Authority and the City. The Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Lease Revenues and the other assets pledged therefor under the Indenture, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.
3. The Ground Lease and the Lease Agreement have been duly executed and delivered by, and constitute the valid and binding agreements of, the City and the Authority.
4. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. Interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. We observe that interest on the Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this “Disclosure Certificate”) is executed and delivered by the City of Eureka (the “City”), on behalf of itself and the Eureka Public Financing Authority (the “Authority”), in connection with the issuance of the Authority’s Lease Revenue Bonds (City Facilities), Series 2025 (the “Bonds”). The Bonds are being issued under an Indenture dated as of July 1, 2025 (the “Indenture”) between the Authority and U.S. Bank Trust Company, National Association, as trustee (the “Trustee”). The City covenants and agrees, on behalf of itself and the Authority, as follows:

SECTION 1. *Purpose of the Disclosure Certificate.* This Disclosure Certificate is being executed and delivered by the City for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5) (the “Rule”).

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:

“Annual Report” means any Annual Report provided by the City under, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Dissemination Agent” means Digital Assurance Certification, L.L.C. or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

“Financial Obligation” means, 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.

“Fiscal Year” means any twelve-month period beginning on July 1 in any year and extending to the next succeeding June 30, both dates inclusive, or any other 12-month period selected and designated by the City.

“Listed Events” means any of the events listed in Section 5(a) hereof.

“MSRB” means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule.

“Official Statement” means the final official statement dated _____, 2025, prepared with respect to the Bonds.

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

“Report Date” means [March 31] of each year.

“Rule” means 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 to, not later than the Report Date, commencing [March 31, 2026], with the report for Fiscal Year 2023-2024, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Report Date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If by 15 business days prior to the Report Date the Dissemination Agent (if other than the City) has not received a copy of the Annual Report, the Dissemination Agent shall contact the City to determine if the City is in compliance with the previous sentence. 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 Certificate; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report, and later than the Report Date if not available by the Report Date. If the City’s Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(a). 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 the City under the Indenture.

(b) If the City does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Report Date, the City shall provide (or cause the Dissemination Agent to provide) to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A.

(c) With respect to each Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the City, file a report with the City certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

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

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

(b) To the extent not contained in the audited financial statements filed under the preceding clause (a), the Annual Report shall contain information showing:

(i) information concerning the actual revenues, expenditures and beginning and ending fund balances relating to the General Fund of the City for the most recent completed Fiscal Year;

(ii) information showing the aggregate principal amount of long-term bonds, leases and other obligations of the City which are payable out of the General Fund of the City, as of the close of the most recent completed Fiscal Year;

(iii) information concerning the assessed valuation of properties within the City for the most recent completed Fiscal Year;

(iv) information showing the total secured property tax levy and actual amounts collected for the most recent completed Fiscal Year;

(v) with respect to the top 10 property taxpayers in the City, information showing the identity of each such taxpayer, and the total assessed valuation of properties owned by each such taxpayer.

(vi) information concerning the sales and use tax revenue collected by the City for the most recently completed Fiscal Year;

(vii) information concerning the transient occupancy tax revenue collected by the City for the most recently completed Fiscal Year;

(viii) a statement on whether the County of Humboldt used the Teeter Plan to assess and collect tax during the most recently completed Fiscal Year; and

(x) information concerning parking fund revenues and operating expenses.

(c) In addition to any of the information expressly required to be provided under paragraphs (a) and (b) of this Section, the City shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. 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 Listed 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. Issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);
6. Tender offers;
7. Defeasances;
8. Rating changes; or
9. Bankruptcy, insolvency, receivership or similar event of the obligated person.

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.

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.

(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 Section 5(a)(5), adverse tax opinions or other material 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; or
7. Appointment of a successor or additional trustee or the change of name of a trustee.

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 (a)(7) or (b)(3) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Indenture.

SECTION 6. *Identifying Information for Filings with the MSRB.* All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 7. *Termination of Reporting Obligation.* The City's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(a).

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 Agent, with or without appointing a successor Dissemination Agent.

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(a), 4 or 5, 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 type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of holders, or (ii) does not, in the opinion of the Trustee or nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended under the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the

reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the City to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be filed in the same manner as for a Listed Event under Section 5(a).

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 Annual Report or 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 Annual Report or 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 Annual Report or 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 holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, 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.* The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the City agrees to indemnify and save the 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, the Participating Underwriter and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Dated as of July 1, 2025

CITY OF EUREKA

By: _____
Finance Director

DIGITAL ASSURANCE CERTIFICATION, L.L.C.

By: _____
Authorized Representative

CONTINUING DISCLOSURE EXHIBIT A

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

Name of Issuer: EUREKA PUBLIC FINANCING AUTHORITY
Name of Obligated Person: CITY OF EUREKA
Name of Bond Issue: EUREKA PUBLIC FINANCING AUTHORITY
Lease Revenue Bonds (City Facilities), Series 2025
Date of Issuance: July __, 2025

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by Section 4 of the Continuing Disclosure Certificate of the Issuer, dated the Date of Issuance. The Issuer anticipates that the Annual Report will be filed by _____.

Dated: _____

CITY OF EUREKA

By _____ [to be signed only if filed]

APPENDIX F

DTC DESCRIPTION

The description that follows of the procedures and recordkeeping with respect to beneficial ownership interests in the Bonds, payment of principal of, premium, if any, and interest on the Bonds to Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interests in the Bonds, and other related transactions by and between DTC, Participants and Beneficial Owners, is based on information furnished by DTC which the City and the Authority believe to be reliable, but the City and the Authority do not take responsibility for the completeness or accuracy thereof. The City and the Authority cannot and do not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners either (a) payments of principal, premium, if any, and interest with respect to the Bonds or (b) certificates representing ownership interests in or other confirmation of ownership interests in the Bonds, or that they will so do on a timely basis or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Official Statement. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company (“DTC”), will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond will be issued for each maturity (and each yield in the case of bifurcated maturities) of the Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com; provided that nothing contained in such website is incorporated into this Official Statement.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their

purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City and 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

The City and 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, bond certificates will be printed and delivered to DTC.

NEITHER THE CITY, THE AUTHORITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS WITH RESPECT TO THE PAYMENTS OR THE PROVIDING OF NOTICE TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS OR THE SELECTION OF Bonds FOR REDEMPTION.

DTC (or a successor securities depository) may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the City and the Authority. The City and the Authority, in their sole discretion and without the consent of any other person, may terminate the services of DTC (or a successor securities depository) with respect to the Bonds. The City and the Authority undertake no obligation to investigate matters that would enable the City and the Authority to make such a determination. In the event that the book-entry system is discontinued as described above, the requirements of the Indenture will apply.

THE CITY, THE AUTHORITY AND THE UNDERWRITERS CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC, THE PARTICIPANTS OR OTHERS WILL DISTRIBUTE PAYMENTS OF PRINCIPAL, INTEREST OR PREMIUM, IF ANY, WITH RESPECT TO THE Bonds PAID TO DTC OR ITS NOMINEE AS THE REGISTERED OWNER, OR WILL DISTRIBUTE ANY REDEMPTION NOTICES OR OTHER NOTICES, TO THE BENEFICIAL OWNERS, OR THAT THEY WILL DO SO ON A TIMELY BASIS OR WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT. THE CITY, THE AUTHORITY AND THE UNDERWRITERS ARE NOT RESPONSIBLE OR LIABLE FOR THE FAILURE OF DTC OR ANY PARTICIPANT TO MAKE ANY PAYMENT OR GIVE ANY NOTICE TO A BENEFICIAL OWNER WITH RESPECT TO THE Bonds OR AN ERROR OR DELAY RELATING THERETO.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City and the Authority deem reliable, but the City and the Authority take no responsibility for the accuracy thereof.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the City, the Authority or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Bonds are required to be printed and delivered as described in the Indenture.

The City and the Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bonds will be printed and delivered as described in the Indenture and payment of interest to each Owner who owns of record \$1,000,000 or more in aggregate principal amount of Bonds may be made to such Owner by wire transfer to such wire address within the United States that such Owner may request in writing for all Interest Payment Dates following the 15th day after the Trustee's receipt of such request.