

## **SUPPLEMENT TO OFFICIAL STATEMENT**

**\$3,970,000**

**Town of Moraga**

**2023 Refunding Certificates of Participation  
(Infrastructure Improvement Projects)  
(Bank Qualified)**

The Official Statement as originally posted for the above-referenced certificates showed a typographical error for the 2032 certificate principal. The bond amount was originally listed as \$504,000; the correct amount is \$505,000. The corrected Maturity Schedule is as follows:

<b>Maturity Date (May 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Yield</b>	<b>Price</b>	<b>CUSIP<sup>†</sup> (Base: 616417)</b>
2025	\$360,000	5.00%	2.620%	103.152%	BQ3
2026	380,000	5.00	2.510	105.664	BR1
2027	395,000	5.00	2.400	108.338	BS9
2028	415,000	5.00	2.350	110.914	BT7
2029	440,000	5.00	2.340	113.319	BU4
2030	460,000	5.00	2.350	115.563	BV2
2031	485,000	5.00	2.360	117.734	BW0
2032	505,000	5.00	2.380	119.749	BX8
2033	530,000	5.00	2.380	121.861	BY6

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Original Official Statement date: December 12, 2023.

This Supplement dated: December 22, 2023

**END OF SUPPLEMENT**

**NEW ISSUE – BOOK-ENTRY ONLY**

**RATING (S&P): “AA+”**  
**Issuer Credit Rating: “AAA”**  
**See “RATINGS”**

*In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Special Counsel, subject, however to certain qualifications described herein, under existing law, the portion of the Base Rental Payments designated as and comprising interest and received by the owners of the Certificates is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax, and the Certificates are “qualified tax-exempt obligations” within the meaning of section 265(b)(3) of the Internal Revenue Code of 1986, as amended. The portion of the Base Rental Payments designated as and comprising interest and received by the owners of the Certificates may be subject to the corporate alternative minimum tax. In the further opinion of Special Counsel, such interest is exempt from California personal income taxes. See “TAX MATTERS.”*

**\$3,970,000**

**Town of Moraga**  
**2023 Refunding Certificates of Participation**  
**(Infrastructure Improvement Projects)**  
**(Bank Qualified)**

**Dated: Date of Delivery**

**Due: May 1, as shown on the inside cover**

The captioned certificates of participation (the “Certificates”) are being executed and delivered in book-entry form, and when delivered, will be registered in the name of Cede & Co. as nominee of The Depository Trust Company (“DTC”), which will act as securities depository of the Certificates. Individual purchases of interests in the Certificates may be made in denominations of \$5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their interest in the Certificates purchased. Principal and interest with respect to the Certificates are payable directly to DTC by Wilmington Trust, National Association, as trustee (the “Trustee”). Principal is payable on the dates shown on the inside cover, and interest, at the rates shown on the inside cover, is payable each May 1 and November 1, commencing May 1, 2024. Upon receipt of payments of principal and interest, DTC is in turn obligated to remit such principal and interest to DTC Participants for subsequent disbursement to purchasers of the Certificates, as described herein. See “THE CERTIFICATES – General” and “APPENDIX F – Book-Entry Only System.”

The Certificates evidence and represent proportionate undivided interests of the Owners thereof in the Base Rental Payments (which include principal and interest components) to be made by the Town of Moraga, California (the “Town”) for the right to the use of certain real property and improvements described herein (the “Leased Facilities”) pursuant to a Facility Lease, dated as of December 1, 2023 (the “Facility Lease”), by and between the Town, as lessee, and the Public Property Financing Corporation of California, a California non-profit public benefit corporation (the “Corporation”), as lessor. The Certificates are being executed and delivered to provide funds to (i) refinance improvements previously made to certain of the Town’s infrastructure, as described herein, and (ii) pay certain costs incurred in connection with the execution and delivery of the Certificates. See “REFUNDING PLAN.”

The Town has covenanted to make the Base Rental Payments for the Leased Facilities as provided for in the Facility Lease, to include all such Base Rental Payments in each of its budgets and to make the necessary annual appropriations for all such Base Rental Payments, subject to abatement as described in this Official Statement. **The obligation of the Town to make the Base Rental Payments does not constitute a debt of the Town or the State of California or of any political subdivision thereof within the meaning of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the Town or the State of California is obligated to levy or pledge any form of taxation or for which the Town or the State of California has levied or pledged any form of taxation.**

The Certificates are not subject to prepayment prior to maturity, except from funds received by the Town as net proceeds of casualty insurance or eminent domain proceeds. See “THE CERTIFICATES – Prepayment.”

The Town is not funding a debt service reserve fund for the Certificates. See “THE CERTIFICATES – No Reserve Fund.”

This cover page and the inside cover page, contain information for reference only. Investors must read the entire Official Statement to obtain information essential in making an informed investment decision. See “RISK FACTORS” for a discussion of factors that should be considered, in addition to the other matters set forth herein, in evaluating the investment quality of the Certificates.

*The Certificates will be sold and awarded pursuant to a competitive bidding process to be held on December 12, 2023\*, subject to change or cancellation, as set forth in the Official Notice of Sale with respect to the Certificates. The Certificates are offered, when, as and if executed and delivered and accepted by the Underwriter, subject to approval as to legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Special Counsel. Jones Hall, A Professional Law Corporation, is also serving as Disclosure Counsel to the Town. In addition, certain legal matters will be passed upon for the Town by the Town Attorney. It is anticipated that the Certificates in definitive form will be available for delivery to DTC on or about December 22, 2023.*

The date of this Official Statement is: December 12, 2023.

## MATURITY SCHEDULE

**\$3,970,000**  
**Town of Moraga**  
**2023 Refunding Certificates of Participation**  
**(Infrastructure Improvement Projects)**

<b>Maturity Date (May 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Yield</b>	<b>Price</b>	<b>CUSIP<sup>†</sup> (Base: 616417)</b>
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2033	530,000	5.00	2.380	121.861	BY6

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## GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

**No Offering May Be Made Except by this Official Statement.** No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations with respect to the Certificates other than as contained in this Official Statement, and if given or made, such other information or representation must not be relied upon as having been authorized.

**No Unlawful Offers or Solicitations.** This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

**Effective Date.** This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Certificates will, under any circumstances, create any implication that there has been no change in the affairs of the Town or any other parties described in this Official Statement.

**Use of this Official Statement.** This Official Statement is submitted in connection with the sale of the Certificates referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not a contract with the purchasers of the Certificates.

**Preparation of this Official Statement.** The information contained in this Official Statement has been obtained from sources that are believed to be reliable, but this information is not guaranteed as to accuracy or completeness.

**Underwriter's Statement.** 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.

**Document References and Summaries.** All references to and summaries of the Facility Lease, Trust Agreement or other documents contained in this Official Statement are subject to the provisions of those documents and do not purport to be complete statements of those documents.

**Certificates are Exempt from Securities Laws Registration.** The issuance and sale of the Certificates have not been registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, in reliance upon exemptions for the issuance and sale of municipal securities provided under Section 3(a)(2) of the Securities Act of 1933 and Section 3(a)(12) of the Securities Exchange Act of 1934.

**Stabilization of Prices.** In connection with this offering, the Underwriter may over-allot or effect transactions which stabilize or maintain the market price of the Certificates at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Certificates to certain dealers and others at prices lower than the public offering prices set forth on the inside cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

**Estimates and Projections.** Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE TOWN 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 OCCUR.

**Town Website.** The Town maintains a website. However, the information presented there is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the Certificates.

**TOWN OF MORAGA**  
**(Contra Costa County, California)**

**TOWN COUNCIL MEMBERS**

Renata Sos, *Mayor*  
Teresa Onoda, *Vice Mayor*  
Kerry Hillis, *Council Member*  
David Shapiro, *Council Member*  
Steve Woehleke, *Council Member*

**TOWN STAFF**

Scott Mitnick, *Town Manager*  
Lisa Malek-Zadeh, *Interim Administrative Services Director*  
Amy Heavener, *Town Clerk/Assistant to the Town Manager*  
Michelle Marchetta Kenyon of Burke, Williams & Sorensen, LLP, *Town Attorney*

**SPECIAL SERVICES**

**Municipal Advisor**

Kosmont Financial Services  
*Manhattan Beach, California*

**Special Counsel and Disclosure Counsel**

Jones Hall, A Professional Law Corporation  
*San Francisco, California*

**Verification Agent**

Robert Thomas, CPA  
*Minneapolis, Minnesota*

**Trustee**

Wilmington Trust, National Association  
*Costa Mesa, California*

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- APPENDIX E - Form of Continuing Disclosure Certificate
- APPENDIX F - Book-Entry Only System

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## OFFICIAL STATEMENT

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**\$3,970,000**  
**Town of Moraga**  
**2023 Refunding Certificates of Participation**  
**(Infrastructure Improvement Projects)**  
**(Bank Qualified)**

### INTRODUCTION

This Official Statement, including the cover page, the inside cover page, and attached Appendices (the “**Official Statement**”), provides certain information concerning the execution, sale and delivery by the Town of Moraga, California (the “**Town**”), of the captioned certificates of participation (the “**Certificates**”).

All capitalized terms used in this Official Statement and not otherwise defined have the meanings set forth in the Trust Agreement and the Facility Lease (as defined below). See “APPENDIX A – Summary of Certain Provisions of Principal Legal Documents.”

**Purpose.** The Certificates are being executed and delivered to provide funds to (i) refinance improvements previously made to certain of the Town’s infrastructure, as described herein, and (ii) pay certain costs incurred in connection with the execution and delivery of the Certificates. See “REFUNDING PLAN.”

**Terms of Certificates.** Interest will accrue on the principal components of each Certificate at the applicable interest rate set forth on the inside cover page of this Official Statement from the date of delivery of that Certificate until its date of maturity. Interest with respect to the Certificates is payable on each November 1 and May 1, commencing May 1, 2024. The Certificates will be delivered as fully registered Certificates without coupons in the denomination of \$5,000 or any integral multiple of \$5,000, except that no Certificate may have principal maturing in more than one year. See “THE CERTIFICATES.”

**The Town.** The Town is located in Contra Costa County (the “**County**”), in the State of California (the “**State**”), approximately 22 miles east of San Francisco. The Town encompasses an area of approximately 9.5 square miles and has a population of approximately 17,000. The Town is predominantly residential in nature with clusters of community-serving retail and commercial spaces. The Town is home to Saint Mary’s College, a prestigious private Catholic university of about 2,800 graduate and undergraduate students. Residents also enjoy award-winning public schools, as well as convenient access to diverse employment options throughout the San Francisco Bay Area. For additional demographic information on the Town and the County, see APPENDIX B.

**Security for the Certificates.** The Certificates are payable from Revenues, which consist primarily of base rental payments (“**Base Rental Payments**”) to be made by the Town under the Facility Lease (the “**Facility Lease**”), dated as of December 1, 2023, between the Town and Public Property Financing Corporation of California, a California non-profit public benefit corporation (the “**Corporation**”), and amounts in the funds and accounts established by the Trust

Agreement, dated as of December 1, 2023 (the “**Trust Agreement**”), among the Town, the Corporation and Wilmington Trust, National Association, as trustee (the “**Trustee**”) (except amounts deposited in the Rebate Fund), including all investment earnings on any moneys held in such funds or accounts.

Pursuant to the Trust Agreement, the Corporation has assigned certain of its rights, title and interest in and to the Facility Lease and the Site Lease, dated as of December 1, 2023 (the “**Site Lease**”), between the Town and the Corporation, including its right to receive and collect the Base Rental Payments and to enforce payment of amounts due under the Facility Lease upon default of the Town, to the Trustee for the benefit of the owners of the Certificates.

Under the Facility Lease, the Town is required to pay to the Trustee the Base Rental Payments for the use and occupancy of the Leased Facilities. In addition, the Town is required to make certain Additional Payments. The Base Rental Payments are pledged towards the payment of principal and interest with respect to the Certificates and are calculated to be sufficient to permit the Trustee to pay all debt service with respect to the Certificates when due.

For additional details, see “SECURITY FOR THE CERTIFICATES.”

**No Reserve Fund.** The Town is not funding a debt service reserve fund for the Certificates. See “THE CERTIFICATES – No Reserve Fund.”

**Abatement.** Base Rental Payments are subject to abatement during any period in which, by reason of damage or destruction or other event there is substantial interference with the use and occupancy of the Leased Facilities or a portion thereof by the Town. To the extent that the total rental value of the remaining portion of the Leased Facilities is greater than or equal to the rental payments payable under the Facility Lease, the Base Rental Payments will not be abated. See “SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Abatement” and “RISK FACTORS – Abatement.”

Under the Facility Lease, the Town is required to maintain rental interruption insurance covering at least two years of Base Rental Payments and insurance against damage and destruction of the Leased Facilities. Any net insurance proceeds and condemnation awards will be applied to repair or replace the Leased Facilities.

The Town has covenanted in the Facility Lease to take such action as may be necessary to include and maintain all Base Rental Payments due under the Facility Lease in its annual budget, and to make the necessary annual appropriations for all such payments, so long as the Leased Facilities are available for the Town’s use.

**Prepayment.** The Certificates are not subject to prepayment prior to maturity, except from funds received by the Town as net proceeds of casualty insurance or eminent domain proceeds. See “THE CERTIFICATES – Prepayment.”

**Base Rental Payments Are Not Debt.** *The obligation of the Town to make the Base Rental Payments does not constitute a debt of the Town or 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 Town or the State is obligated to levy or pledge any form of taxation or for which the Town or the State has levied or pledged any form of taxation.*

## REFUNDING PLAN

### General

In August 2013, to finance capital improvement projects, the Town caused the execution and delivery of \$7,720,000 original principal amount of Town of Moraga 2013 Certificates of Participation (Infrastructure Improvement Projects) (the "**2013 Certificates**"). The 2013 Certificates are currently outstanding in the principal amount of \$4,650,000 and are subject to prepayment, at the option of the Town, on any date at a prepayment price equal to the principal amount of the 2013 Certificates to be prepaid, plus accrued interest thereon to the date of prepayment, without premium.

The Town is causing the execution and delivery of the Certificates to generate funds to prepay, in full, the 2013 Certificates, and to pay for costs of issuing the Certificates. It is anticipated that the 2013 Certificates will be prepaid on or about January 22, 2023 (the "**Prepayment Date**"), and prior to such time, shall be held by Wilmington Trust, National Association, as trustee for the 2013 Certificates, in a refunding fund irrevocably pledged to the repayment of the 2013 Certificates (the "**Refunding Fund**"). *Amounts on deposit in the Refunding Fund are not available to pay debt service on the Certificates.*

Robert Thomas, CPA, Minneapolis, Minnesota, independent accountants, upon delivery of the Certificates, will deliver one or more reports on the mathematical accuracy of certain computations contained in schedules provided to them which were prepared by the Town relating to the sufficiency of moneys and securities deposited into the Refunding Fund to pay, when due, the prepayment price of the 2013 Certificates on the Prepayment Date.

### Sources and Uses of Funds

The following table sets forth the estimated sources and uses of funds related to the Certificates:

#### Sources of Funds:

Par Amount of Certificates	\$3,970,000.00
Plus Original Issue Premium	542,897.65
Funds on Hand related to 2013 Certificates	348,261.78
Total Sources	<hr/> \$4,861,159.43

#### Uses of Funds:

Deposit to Refunding Escrow	\$4,718,850.83
Costs of Issuance <sup>(1)</sup>	142,308.60
Total Uses	<hr/> \$4,861,159.43

(1) Includes all costs related to the execution and delivery of the Certificates, including Underwriter's discount, municipal advisor fees, special counsel and disclosure counsel fees, rating agency, trustee and printing fees, and other miscellaneous fees and costs.

## THE LEASED FACILITIES

***Initial Leased Facilities.*** The Leased Facilities initially consist of a portion of the Moraga Commons Park located at 1425 St. Mary's Road in the Town. The park comprises a total of approximately 41 acres within two County Assessor's parcels; however, the Leased Facilities encompass only the primary 19.372-acre parcel (APN 256-110-057) that forms the core of the park and includes most of the park's structural improvements. The Town has estimated the value of the Leased Facilities to be at least equal to the par amount of the Certificates.

Moraga Commons Park is the Town's centerpiece park and is located in the heart of the Town. The park includes a band shell with concession stand, bathrooms, picnic areas, a toddler tot lot, playground water amenities, bocce ball courts, a skateboard park, sand volleyball courts, a basketball half court and open space. The park is home to annual free outdoor concerts on Thursday nights throughout the summer, the Town's annual July 4th celebration and other community events. Recreation opportunities are enhanced by its location accessible to the Lafayette-Moraga regional trail, a 7.65 mile linear park which connects the Las Trampas Ridge to the Oakland Hills, the Town and the nearby city of Lafayette, with hiking, biking and equestrian use.

***Substitution and Release of Leased Facilities.*** Under the Facility Lease, the Town may elect to substitute other real property or improvements or release a portion of the real property or improvements constituting the Leased Facilities, provided that the Town meets certain conditions, including providing a certificate from an independent real estate appraiser selected by the Town setting forth his or her findings that the Leased Facilities, as constituted following such substitution or release has a fair rental value which is equal to or greater than the principal amount of the Base Rental Payments required to be paid during the then-remaining term of the Facility Lease and that the Leased Facilities after the substitution or release have a useful life at least equal to the remaining term of the Facility Lease.

## BASE RENTAL PAYMENT SCHEDULE

Set forth below is the semiannual Base Rental Payment schedule under the Facility Lease, which corresponds to the scheduled principal and interest payments with respect to the Certificates, assuming no extraordinary prepayment.

<b>Certificate Payment Date</b>	<b>Principal Component</b>	<b>Interest Component</b>	<b>Total Payment Due</b>
5/1/24	--	\$71,129	\$71,129
11/1/24	--	99,250	99,250
5/1/25	\$360,000	99,250	459,250
11/1/25	--	90,250	90,250
5/1/26	380,000	90,250	470,250
11/1/26	--	80,750	80,750
5/1/27	395,000	80,750	475,750
11/1/27	--	70,875	70,875
5/1/28	415,000	70,875	485,875
11/1/28	--	60,500	60,500
5/1/29	440,000	60,500	500,500
11/1/29	--	49,500	49,500
5/1/30	460,000	49,500	509,500
11/1/30	--	38,000	38,000
5/1/31	485,000	38,000	523,000
11/1/31	--	25,875	25,875
5/1/32	505,000	25,875	530,875
11/1/32	--	13,250	13,250
5/1/33	<u>530,000</u>	<u>13,250</u>	<u>543,250</u>
TOTAL	\$3,970,000	\$1,127,629	\$5,097,629

Source: Underwriter.

## THE CERTIFICATES

### General

The Certificates are authorized by, and are being executed and delivered pursuant to the Trust Agreement, applicable laws, and the Constitution of the State.

The Certificates will be executed and delivered as fully registered Certificates without coupons for each maturity and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“**DTC**”). DTC will act as securities depository of the Certificates. Individual purchases may be made in book-entry form only, in denominations of \$5,000 and integral multiples thereof. Purchasers will not receive certificates representing their interest in the Certificates purchased. Principal and interest are payable by the Trustee to DTC, which will in turn remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Certificates as described herein. See “APPENDIX F – BOOK-ENTRY ONLY SYSTEM.”

The Certificates will be executed and delivered in the principal amounts, will be dated the date of delivery thereof to the Underwriter, and will represent the accrual of interest at the rates and mature on the dates and in the amounts, set forth on the inside cover page of this Official Statement. Interest is payable semiannually on May 1 and November 1 of each year, commencing May 1, 2024 (each an “**Interest Payment Date**”), calculated on the basis of a 360-day year comprised of twelve 30-day months. The Certificates will represent the accrual of interest from the Interest Payment Date next preceding the date of execution thereof, unless such date of execution is during the period from the 16th day of the month next preceding an Interest Payment Date to and including such Interest Payment Date, in which event they will represent the accrual of interest from such Interest Payment Date, or unless such date of execution is on or before the 15th day of the month next preceding the first Interest Payment Date, in which event they will represent the accrual of interest from their dated date; provided, however, that if at the time of execution a Certificate is in default, such Certificate will represent the accrual of interest from the Interest Payment Date to which interest had previously been paid.

Payment of interest with respect to the Certificates due on or before the maturity or prior prepayment of such Certificates will be made to the person whose name appears on the Certificate registration books of the Trustee as the registered owner thereof, as of the close of business of the 15th day of the month next preceding the Interest Payment Date (the “**Record Date**”), whether or not such day is a Business Day, such interest to be paid by check mailed on each Interest Payment Date by first-class mail to such registered owner at his address as it appears on such books, or, upon written request received by the Trustee prior to the 15th day of the month preceding an Interest Payment Date, of an Owner of at least \$1,000,000 in aggregate principal amount of the Certificates, by wire transfer in immediately available funds to an account within the United States designated by such Owner.

Principal of and prepayment premium, if any, with respect to the Certificates will be payable upon the surrender thereof at maturity or the earlier prepayment thereof at the Corporate Trust Office of the Trustee, as further provided in the Trust Agreement. Principal of, prepayment premiums, if any, and interest with respect to the Certificates will be paid in lawful money of the United States of America.

### Prepayment

***Extraordinary Prepayment.*** The Certificates are subject to extraordinary prepayment on any date prior to their respective stated maturities, in whole or in part (by lot within each stated

maturity) in integral multiples of \$5,000, at a prepayment price equal to the principal amount thereof, without premium, plus accrued but unpaid interest to the prepayment date from net insurance proceeds or condemnation awards not used to repair or replace the Leased Facilities or portions thereof which have been materially damaged, destroyed or taken in eminent domain proceedings.

**No Optional Prepayment.** Except as described above with respect to an extraordinary prepayment, the Certificates are not subject to prepayment at the option of the Town prior to maturity.

**Notice of Prepayment.** So long as the Certificates are held in book-entry form, notices of prepayment will be mailed only to DTC as the registered owner of the Certificates and not to purchasers of beneficial ownership interests in the Certificates. See Appendix F — “BOOK-ENTRY ONLY SYSTEM”.

Notice of prepayment shall be mailed by first-class mail by the Trustee, on behalf of and at the expense of the Town, not less than 20 nor more than 60 days prior to the prepayment date to (i) the respective Owners of Certificates designated for prepayment at their addresses appearing on the certificate registration books of the Trustee, (ii) the Securities Depositories (as defined in the Trust Agreement) and (iii) one or more Information Services (as defined in the Trust Agreement) selected by the Town. Notice of prepayment to the Securities Depositories and the Information Services will be given by registered mail or overnight delivery or facsimile transmission. Each notice of prepayment shall state the date of such notice, the prepayment price, if any, the CUSIP number (if any) of the maturity or maturities, and, if less than all of any such maturity is to be prepaid, the distinctive certificate numbers of the Certificates of such maturity to be prepaid and, in the case of Certificates to be prepaid in part only, the respective portions of the principal amount with respect thereto to be prepaid. Each such notice shall also state that on such date there will become due and payable with respect to each of the Certificates the prepayment price, thereof, together with interest accrued with respect thereto the prepayment date, and that from and after such prepayment date interest with respect thereto shall cease to accrue, and shall require that such Certificates be then surrendered at the address of the Trustee specified in the prepayment notice. Failure to receive such notice shall not invalidate any of the proceedings taken in connection with such prepayment. See “APPENDIX F – BOOK-ENTRY ONLY SYSTEM.”

The Town may, at its option, prior to the date of mailing any notice of prepayment, rescind and cancel such notice of prepayment.

**Effect of Prepayment.** If notice of prepayment has been given in accordance with the Trust Agreement and money for the prepayment is on deposit with the Trustee, then from and after the prepayment date interest with respect to the Certificates will cease to accrue, and the Owners of such Certificates will have no rights in respect of such Certificates except to receive payment of the prepayment price from the Trustee.

## **SECURITY FOR THE CERTIFICATES**

### **General**

The Certificates are payable from and are secured by a pledge of Revenues which consist of all Base Rental Payments and other payments paid by or for the benefit of the Town and received by the Trustee pursuant to the Facility Lease and the Trust Agreement, except Additional

Payments, together with all interest income earned on amounts held under the Trust Agreement (other than amounts in the Rebate Fund). Certain of the rights, title and interest of the Corporation under the Facility Lease and under the Site Lease will be assigned to the Trustee pursuant to the Trust Agreement, for the benefit of the Owners, including, without limitation, the Corporation's right to receive Base Rental Payments under the Facility Lease. The Trustee, pursuant to the Trust Agreement, will receive Base Rental Payments for the benefit of the Owners.

The Town is required under the Facility Lease to budget for and appropriate semi-annual Base Rental Payments from legally available funds. The Base Rental Payments are designed to be sufficient to pay principal and interest with respect to the Certificates as and when due.

The Base Rental Payments are payable 15 days prior to each applicable Interest Payment Date of the Certificates (i.e., March 15 and September 15). Base Rental Payments will be abated in the event of any damage or destruction or other event (other than by condemnation) which causes substantial interference with the use and occupancy of the Leased Facilities by the Town, if and to the extent that the fair rental value of the remaining portion of the Leased Facilities is less than the remaining Base Rental Payments. The Town is certifying as to the fair rental value of the Leased Facilities as of the date of execution and delivery of the Certificates. See "RISK FACTORS – Abatement" herein.

Additional Payments due from the Town under the Facility Lease, which are not pledged to repay the Certificates, include amounts sufficient to pay all fees, costs and expenses and all administrative costs of the Town related to the Leased Facilities, including, without limitation, salaries and wages of employees, all expenses, compensation and indemnification of the Trustee payable by the Town under the Trust Agreement or to be paid by the Town in order to maintain its existence or to comply with the terms of the Certificates or of the Trust Agreement. The Town is also responsible for the repair and maintenance of the Leased Facilities required as a result of ordinary wear and tear and want of care on the part of the Town during the term of the Facility Lease.

The Town has covenanted in the Facility Lease to take such action as may be necessary to include all Base Rental Payments and Additional Payments due under the Facility Lease in its annual budget, and to annually appropriate semi-annual Base Rental Payments from lawfully available funds, as long as the Leased Facilities with a fair rental value sufficient to support Base Rental Payments under the Facility Lease are available for the Town's use.

In the event the Town defaults under the Facility Lease, the Facility Lease and the Trust Agreement provide that the Trustee may, with or without terminating the Facility Lease, re-let the Leased Facilities for the account of the Town. In the event the Trustee re-lets the Leased Facilities without terminating the Facility Lease, the Trustee may hold the Town liable for semi-annual payments of any cumulative net deficiency in Base Rental Payments or Additional Payments under the Facility Lease. In lieu of the foregoing, so long as the Trustee does not terminate the Facility Lease or the Town's right to possession of the Leased Facilities, the Trustee may sue to recover Base Rental Payments as they become due. The Trustee may not accelerate the Town's obligation to make Base Rental Payments. See "RISK FACTORS – Limited Recourse on Default."

The obligation of the Town to make Base Rental Payments under the Facility Lease does not constitute an obligation to levy or a pledge of any form of taxation. Neither the Certificates nor the obligation of the Town to make Base Rental Payments or additional rental payments, as provided by the Facility Lease, constitutes an indebtedness of the Town, the State or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction. The Town shall be obligated to make Base Rental Payments subject to the terms of

the Facility Lease, and neither the Town nor any of its officers shall incur any liability or any other obligation with respect to the execution and delivery of the Certificates.

### **No Reserve Fund**

The Town is not funding a debt service reserve fund for the Certificates.

### **Insurance**

The Facility Lease provides that the Town will maintain rental interruption insurance throughout the term of the Facility Lease so that, in the event Base Rental Payments are abated under the Facility Lease, moneys will be available in an amount sufficient to pay Base Rental Payments under the Facility Lease for the period of at least two years.

The Facility Lease requires the Town to maintain insurance on the Leased Facilities against loss or damage to the Leased Facilities resulting from fire and lightning, vandalism and malicious mischief, sprinkler system leakage and such other perils ordinarily covered by such insurance. In addition, the Facility Lease requires that earthquake insurance be obtained to the extent that the premium for such insurance is available at a commercially reasonable cost. The Town does not expect to purchase earthquake insurance as it is not available at commercially reasonable costs at this time. The Facility Lease further requires that the Town maintain standard comprehensive general liability insurance in the amounts provided in the Facility Lease against all direct or contingent loss or liability for damages for personal injury, death or property damage occasioned by reason of operation of the Leased Facilities. With respect to the casualty, general liability insurance and workers' compensation insurance, the Town has elected to provide a self-insurance method or plan to provide the insurance coverage described above. See "THE TOWN — Insurance."

The Facility Lease provides that, at the time of execution and delivery of the Certificates, the Town will obtain a CLTA title insurance policy on the Leased Facilities, including both leaseholder's and owner's coverage, in an amount equal to the aggregate principal amount of the Certificates. See "APPENDIX A – SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS – The Facility Lease."

## **THE CORPORATION**

The Corporation is a California non-profit public benefit corporation. It assists California local agencies with their financing needs.

## **THE TOWN**

### **General**

The Town is located in the County, approximately 22 miles east of San Francisco. The Town encompasses an area of approximately 9.5 square miles and has a population of approximately 17,000. The Town is predominantly residential in nature with clusters of community-serving retail and commercial spaces. The Town is home to Saint Mary's College, a prestigious private Catholic university of about 2,800 graduate and undergraduate students. Residents also enjoy award-winning public schools, as well as convenient access to diverse employment options throughout the San Francisco Bay Area.

The Town provides the following public services to its residents: police, planning, engineering/public works, parks maintenance, parks and recreation, library, and administrative services. Fire safety services are provided by the Moraga-Orinda Fire District. Animal control services are provided by the County. Water, sewer and utility services are provided by East Bay Municipal Utility District (EBMUD), Central Costa Costa Sanitary District (Central San), Pacific Gas & Electric (PG&E) and Comcast, respectively. Garbage and recycling collection are provided through the Central Contra Costa Solid Waste Authority d/b/a RecycleSmart.

## **Municipal Government**

The Town was granted township in 1974. The Town Council is made up of five members of the community elected at-large. Each Council position has a term of four years. Council elections are held biannually in November of even numbered years, with the number of open seats being filled alternating between two and three. The Mayor's position is filled by one of the members of the Council and is annually nominated and voted to that position by the Council.

The Council establishes overall goals and objectives for the Town through the adoption of policies aimed at enhancing the community to the benefit of the general public. The Council is guided by the policies established in the General Plan and sets priorities for the development and implementation of programs and services; determines the overall needs of the community, sets and monitors financial and the Town administrative activities and develops and prioritizes goals. The Council also confers with officials from other public agencies and associations to further the goals of the Town.

***Town Manager, Scott Mitnick.*** Scott Mitnick was appointed Town Manager in March 2023. He has more than 30 years of public sector experience, with more than 20 years at the executive level, including serving as the El Segundo City Manager for 2 ½ years, County Administrator of Sutter County for 2 ½ years, and Thousand Oaks City Manager for 11 years. Other previous positions include City of Thousand Oaks Assistant City Manager, Yuba City Administrative Services Director (combined Assistant City Manager and Finance Director), City of Burbank Budget Officer, Burbank Assistant to the City Manager, Burbank Financial Analyst, and City of Brea Budget Analyst. Mr. Mitnick has also previously held senior level private sector positions, including Senior Vice President with Kosmont Companies; Director with KNN Public Finance based in Downtown Oakland; and Managing Director with Stifel Public Finance in Downtown Los Angeles.

Throughout his career, Mr. Mitnick has promoted good government and sound financial management, including authoring articles, editing financial books/articles, and serving as a guest lecturer at professional conferences and international and national universities, including Bristol University (England), Syracuse University, University of Wisconsin, Madison, UCLA, and USC. He has been active member of the International City/County Management Association (ICMA); having served on the International Committee, Financing ICMA Committee, and as President of the California ICMA State Association (Cal-ICMA).

Mr. Mitnick served as a Graduate Assistant and earned a Master of Public Administration Degree (State and Local Government Public Finance Concentration) from Syracuse University's Maxwell School of Citizenship and Public Affairs, and a Bachelor of Arts Degree in Political Science from California State University, Fullerton.

***Interim Administrative Services Director, Lisa Malek-Zadeh.*** Lisa Malek-Zadeh is currently serving as Administrative Services Director of the Town. She is employed by Regional Government Services Authority, which places experienced professionals in temporary roles at

California local government agencies. She has been with Regional Government Services Authority since June 2023, before which she worked at West County Wastewater District in Richmond California for 7 years in the roles of Director of Administrative Services, Interim General Manager and Chief Executive Officer/General Manager. Before that, she was Finance Director/City Treasurer for the City of El Cerrito and Administrative and Fiscal Services Manager at the City of Berkeley.

Ms. Malek-Zadeh holds a B.A. from UCLA and an MBA from Golden Gate University.

## Employee Relations

The Town's adopted Biennial Budget for Fiscal Year 2023-24 and Fiscal Year 2024-25 includes staffing for 41.35 Full-Time Equivalent (FTE) positions. Funding is also included to support a couple dozen part-time and seasonal employees. The Town believes its relations with its employees are good and has not had a work stoppage in the past 5 years.

The following table shows represented and unrepresented labor groups and their contract expiration dates.

<b><u>Bargaining Unit</u></b>	<b><u>Contract Expiration Date *</u></b>
Moraga Employees Association	June 30, 2025
Moraga Police Officers Association	June 30, 2025
Mid-Management/Professional Employees	*
Department Directors	*

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\* This group not managed by formal contracts; employment terms are governed through Compensation Resolutions.

Source: Town of Moraga Biennial Budget for Fiscal Years 2023-24 and 2024-25

## Economic Development

As part of its most recent certified housing element (Sept. 2023), the Town was required to plan for an additional 1,118 new housing to be developed over the 8-year cycle (2023-2031). To accommodate this residential growth, the two main commercial areas within the Town (Moraga Town Center and Rheem Valley Center) have recently seen updated specific plans, re-zoning and discussions between Town staff and property owners regarding plans for redevelopment. In each of these commercial areas, housing is now permitted up to 20 to 24+ units per acre. Several new residential developments are currently being processed by the Town both within and outside these commercial areas, including mixed-use projects, apartment projects and affordable housing projects.

In addition to the foregoing residential activities, Saint Mary's College also has plans to invest in its facilities within the Town. Saint Mary's College recently completed a \$110 million bond financing to, among other things, pay the costs of the acquisition, construction, expansion, rehabilitation, renovation, remodeling, furnishing and equipping of certain of its educational facilities. Moraga Country Club, which is a private country club located within the Town, also recently undertook (and is currently finishing) approximately \$20 million of improvements to its facilities. Hacienda de las Flores, which is a historic Town-owned property, also recently has been renovated and is being utilized for weddings and other events.

## **TOWN FINANCES**

The following selected financial information provides a brief overview of the Town's finances. This financial information has been extracted from the Town's audited financial statements and, in some cases, from unaudited information provided by the Town's Administrative Services Department. The most recent audited financial statements of the Town are scheduled to be presented to the Town Council in January 2024 for final approval and is included in "draft" form as Appendix C hereto. See "APPENDIX C – Draft Audited Financial Statements for the Fiscal Year Ending June 30, 2023."

As is typical in a service organization, expenditures associated with personnel constitute the largest, single expenditure in the operating budget. Staffing levels are very lean relative to the needs of the Town.

### **Accounting Policies and Financial Reporting**

The accounts of the Town are organized on the basis of funds and account groups, each of which is considered a separate entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which the spending activities are controlled. The basis of accounting for all funds is more fully explained in the "Notes to Financial Statements" contained in Appendix C.

The Town Council employs, at the beginning of each fiscal year, an independent certified public accountant who, at such time or times as specified by the Town Council, at least annually, and at such other times as he or she shall determine, examines the combined financial statements of the Town in accordance with generally accepted auditing standards, including such tests of the accounting records and such other auditing procedures as such accountant considers necessary. As soon as practicable after the end of the fiscal year, a final audit and report is submitted by such accountant to the Town Council and a copy of the financial statements as of the close of the fiscal year is published. The Town's Independent Auditor's Report for fiscal year 2022-23 was prepared by Maze & Associates, Pleasant Hill, California, and is scheduled to be submitted to the Town Council for approval and acceptance by the Town Council in January 2024.

The Governmental Accounting Standards Board ("**GASB**") published its Statement No. 34 "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" on June 30, 1999. Statement No. 34 provides guidelines to auditors, state and local governments and special purpose governments such as school districts and public utilities, on new requirements for financial reporting for all governmental agencies in the United States. Generally, the basic financial statements (i.e., the annual audited statements) and required supplementary information should include (i) Management's Discussion and Analysis; (ii) financial statements prepared using the economic measurement focus and the accrual basis of accounting and fund financial statements prepared using the current financial resources measurement focus and the modified accrual method of accounting and (iii) required supplementary information.

See "APPENDIX C – Draft Audited Financial Statements for the Fiscal Year Ending June 30, 2023 – Note 1 – Summary of Significant Accounting Policies" for a description of the significant accounting policies of the Town.

## Financial Policies

Among other policies, the Town maintains a reserve policy, investment policy, and debt management policy, each of which is described below. The Town also anticipates adopting a pension funding policy in 2024 to govern its long-term pension funding priorities.

***Reserve Policy.*** The Town's reserve policy sets as a policy goal a General Fund reserve equal to 50% of annual General Fund expenditures. Beyond that level, excess amounts are transferred to the Asset Replacement Fund. As of June 30, 2023, the Town's unassigned reserves within the General Fund was \$6,948,282, or approximately 66% of General Fund expenditures.

***Investment Policy.*** The Town invests moneys not immediately required for operations in a manner consistent with the Town's investment policy, which was adopted by the Town Council in accordance with Section 53601 of the Government Code of California. For information concerning the Town's investments and policies related thereto, see "APPENDIX C – Draft Audited Financial Statements of the Town for the Fiscal Year Ended June 30, 2023 Note 3 – Cash and Investments."

***Debt Management Policy.*** The Town's debt management policy complies with applicable provisions of California law, including to set forth the guidelines for the issuance of debt and the management of outstanding debt by the Town. The policy establishes parameters which recognize the Town's specific capital requirements, its ability to repay financial obligations, and the existing legal, economic, financial and debt market conditions.

## General Fund Financial Summary

The following tables of revenues, expenditures and changes in fund balances, and assets, liabilities and fund equity has been derived from the Town's audited financial statements for Fiscal Years 2018-19 through 2022-23.

**TABLE 1**  
**TOWN OF MORAGA**  
**General Fund Revenues, Expenditures and Fund Balances**  
**Fiscal Years 2018-19 through 2022-23 (Audited)**

	2018-19	2019-20	2020-21	2021-22	2022-23
<b>Revenues:</b>					
Property taxes and assessments	\$2,351,803	\$2,464,576	\$2,722,795	\$2,776,482	\$3,091,491
Property tax-in lieu	1,811,813	1,909,473	2,006,265	2,086,460	2,235,897
Sales and use tax	1,148,212	1,042,050	1,153,003	1,285,130	1,295,778
Franchise fees	1,252,102	1,521,963	834,981	871,755	917,590
Real property transfer fees	145,553	159,559	283,269	302,425	158,215
Motor vehicle license fees	8,156	13,406	12,429	19,431	17,704
Planning and permits	427,719	418,252	514,939	599,684	525,967
Interest	59,151	87,344	24,860	54,359	401,670
Property rentals	99,277	100,130	99,106	119,058	120,813
Parks and recreation	362,254	421,938	499,750	608,327	759,913
Police services	88,023	72,973	50,337	70,128	111,755
Public works services	322,141	354,417	393,586	364,298	438,211
intergovernmental	--	--	209,235	29,734	5,000
Other revenues <sup>(1)</sup>	193,143	138,910	166,117	2,412,011	489,798
<b>Total Revenues</b>	<b>8,269,347</b>	<b>8,704,991</b>	<b>8,970,672</b>	<b>11,599,282</b>	<b>10,569,802</b>
<b>Expenditures:</b>					
General administration	2,041,852	2,520,018	2,540,151	2,558,297	3,068,435
Planning	617,689	760,404	653,360	676,692	740,576
Public safety	2,805,252	3,016,816	3,030,934	3,195,617	3,579,470
Public works	1,402,085	1,447,733	1,447,089	1,548,660	1,624,835
Parks and recreation	1,304,221	1,421,420	1,357,792	1,530,762	1,714,934
Debt Service:					
Principal	--	--	--	--	--
Interest	--	--	--	--	--
<b>Total Expenditures</b>	<b>8,171,099</b>	<b>9,166,391</b>	<b>9,029,326</b>	<b>9,510,028</b>	<b>10,728,250</b>
<b>Excess (deficiency) revs over exps</b>	<b>98,248</b>	<b>(461,400)</b>	<b>(58,654)</b>	<b>2,089,254</b>	<b>(158,448)</b>
<b>Other financing sources (uses):</b>					
Transfers in <sup>(2)</sup>	3,581,288	968,896	1,084,805	1,350,466	1,753,500
Transfers out <sup>(3)</sup>	(968,317)	(1,074,299)	(977,014)	(465,000)	(1,029,510)
<b>Total other financing sources (uses)</b>	<b>2,612,971</b>	<b>(105,403)</b>	<b>107,791</b>	<b>885,466</b>	<b>723,990</b>
<b>Net Change in Fund Balance</b>	<b>2,711,219</b>	<b>(566,803)</b>	<b>49,137</b>	<b>2,974,720</b>	<b>565,542</b>
<b>Beginning Fund Balance</b>	<b>5,503,641</b>	<b>8,214,860</b>	<b>7,664,592</b>	<b>7,713,729</b>	<b>10,688,449</b>
<b>Ending Fund Balance</b>	<b>\$8,214,860</b>	<b>\$7,648,057</b>	<b>\$7,713,729</b>	<b>\$10,688,449</b>	<b>\$11,253,991</b>

(1) Does not include Measure K 1.0% sales and use tax override revenues, which are accounted for outside of the General Fund, but are available for payment of the Base Rental Payments. For Fiscal 2022-23, Measure K revenues were \$2,669,905.

(2) Transfers in generally consist of amounts transferred from Other Governmental Funds to the General Fund to fund police services, transportation and street related programs, labor costs, purchase equipment and perform storm drain maintenance. A portion also represents American Rescue Plan Act (ARPA) funds deposited to the General Fund.

(3) Transfers out generally consist of transfers out of the General Fund to fund capital projects and asset replacements.

Source: Town of Moraga Audited Financial Statements 2019-20 through 2022-23.

**TABLE 2**  
**TOWN OF MORAGA**  
**General Fund Balance Sheet**  
**As of June 30 for Fiscal Years 2018-19 through 2022-23 (Audited)**

	2018-19	2019-20	2020-21	2021-22	2022-23
<b>ASSETS</b>					
Cash and investments	\$4,046,311	\$3,416,556	\$7,512,396	\$10,392,142	\$10,410,107
Restricted cash and investments	--	--	1,147,872	1,256,741	1,325,914
Accounts receivable	354,633	392,330	431,031	383,330	474,180
Prepaid expenses	1,719	116,880	242	23,424	3,150
Lease receivable	--	--	--	4,186,891	3,867,932
Due from other funds	4,211,473	3,753,007	10,152	139,545	605,387
<b>TOTAL ASSETS</b>	<b>8,614,136</b>	<b>7,678,773</b>	<b>9,101,693</b>	<b>16,382,073</b>	<b>16,686,670</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES:</b>					
Accounts payable and accrued expenses	399,276	30,716	310,314	334,315	331,289
Deposits payable	--	--	1,077,650	1,231,050	1,261,758
Unearned revenue	--	--	--	--	4,412
<b>TOTAL LIABILITIES</b>	<b>399,276</b>	<b>30,716</b>	<b>1,387,964</b>	<b>1,565,365</b>	<b>1,597,459</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Related to leases	--	--	--	4,128,259	3,835,220
<b>TOTAL DEFERRED INFLOWS</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>4,128,259</b>	<b>3,835,220</b>
<b>FUND BALANCES:</b>					
Nonspendable	1,719	116,880	242	23,424	3,150
Restricted	--	--	16,535	16,535	16,535
Committed	2,873,303	2,514,013	2,491,873	4,512,876	4,286,024
Assigned	809,668	24,380	165,000	--	--
Unassigned	4,530,170	4,992,784	5,040,079	6,135,614	6,948,282
<b>TOTAL FUND BALANCE</b>	<b>8,214,860</b>	<b>7,648,057</b>	<b>7,713,729</b>	<b>10,688,449</b>	<b>11,253,991</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$8,614,136</b>	<b>\$7,678,773</b>	<b>\$9,101,693</b>	<b>\$16,382,073</b>	<b>\$16,686,670</b>

Source: Town of Moraga Audited Financial Statements 2018-19 through 2022-23.

### Recent General Fund Budgets

The budget preparation process for the Fiscal Year 2023-24 and Fiscal Year 2024-25 biennial budget began at the staff level in early January 2023. Multiple staff meetings took place over six months. Over a dozen public meetings involving the budget took place in 2023 to obtain input from Town Council, Audit and Finance Committee, Planning Commission, Park and Recreation Commission, Local Sales Tax (Measure K) Oversight Committee, and residents. This process culminated with a public Budget Study Session on June 14, 2023, and then with another public meeting at which the Town Council adopted the biennial budget on June 28, 2023.

The total budget (for all funds) for Fiscal Year 2023-24 and Fiscal Year 2024-25 is \$22.6 million and \$21.2 million, respectively. The General Fund's share of the budget is \$11.9 million for Fiscal Year 2023-24 and \$12.3 million for Fiscal Year 2024-25. The Capital Improvement Program (CIP) Budget (for all funds) for the next two fiscal years totals \$20.8 million to support 30 ongoing and new projects. The General Fund is projected to end each fiscal year with a slight surplus (\$70,817 in Fiscal Year 2023-24 and \$65,093 in Fiscal Year 2024-25) and is anticipated to maintain a \$6.0 million (50.8%) reserve in Fiscal Year 2023-24 and a \$6.1 million (50.0%) reserve in Fiscal Year 2024-25.

For purposes of comparison, the following table summarizes the Town's adopted budget for Fiscal Years 2023-24 / 2024-25 compared with the adopted budget for Fiscal Year 2022-23.

**TABLE 3**  
**TOWN OF MORAGA**  
**General Fund Comparison of Budgeted and Actual**  
**Revenues, Expenditures and Change in Fund Balance**  
**For Fiscal Years 2022-23 through 2024-25 (Adopted Budgets)**

	<b>Adopted Budget 2022-23</b>	<b>Adopted Budget 2023-24</b>	<b>Adopted Budget 2024-25</b>
<b>Revenues:</b>			
Property Tax	\$5,137,408	\$5,394,278	\$5,556,107
Dept. Fees & Charges	1,846,450	1,990,920	2,049,407
Sales & Use Tax <sup>(1)</sup>	1,322,413	1,335,637	1,382,350
Franchise Fees	866,000	932,000	979,338
Interest	54,088	250,000	250,000
Real Property Transfer Tax	240,000	200,000	206,000
Miscellaneous Fees	214,500	200,000	191,181
Property Rentals	99,279	100,000	103,000
Motor Vehicle License Fees	10,623	18,200	20,300
Prop 2013 COPS Refunding	--	--	200,000
Transfers In	--	1,897,450	1,377,903
<b>Total Revenues</b>	<b>\$9,790,761</b>	<b>\$12,318,685</b>	<b>\$12,315,486</b>

(1) Does not include revenues from Measure K 1.0% sales tax override, which are accounted for outside the General Fund.

Source: Town of Moraga adopted budgets Fiscal Year 2022-23 and Fiscal Years 2023-24/2024-25.

### General Fund Revenue Sources

The Town's General Fund revenues include property taxes, sales taxes, franchise fees and other miscellaneous revenues. In Fiscal Year 2021-22, property taxes and assessments (including property tax in-lieu payments) constituted approximately 45% of general fund revenues, sales and use taxes constituted approximately 11% of general fund revenues, and franchise fees constituted approximately 7% of general fund revenues. This excludes Measure K sales and use tax revenues, which are accounted for outside of the General Fund. The following table sets forth the primary General Fund revenues received by the Town for Fiscal Years 2019-20 through 2021-22.

**TABLE 4**  
**TOWN OF MORAGA**  
**General Fund Primary Revenues Source**  
**Fiscal Years 2019-20 through 2021-22<sup>(1)</sup>**

<b>Category</b>	<b>Fiscal Year 2019-20</b>	<b>% of FY Revenues</b>	<b>Fiscal Year 2020-21</b>	<b>% of FY Revenues</b>	<b>Fiscal Year 2021-22</b>	<b>% of FY Revenues</b>
Property Taxes	\$4,533,608	52%	\$5,012,329	56%	\$5,165,367	45%
Interest & Others	339,790	4	511,747	6	2,634,593	23
Sales Taxes	1,042,050	12	1,153,003	13	1,285,130	11
Service Fees	849,328	10	943,673	10	1,042,753	9
Franchise Fees	1,521,963	17	834,981	9	871,755	7
Planning & Permits	418,252	5	514,939	6	599,684	5
<b>Totals</b>	<b>\$8,704,991</b>	<b>100%</b>	<b>\$8,970,672</b>	<b>100%</b>	<b>\$11,599,282</b>	<b>100%</b>

(1) Does not include Measure K 1.0% sales and use tax override revenues, which are accounted for outside of the General Fund, but are available for payment of the Base Rental Payments. For Fiscal 2021-22, Measure K revenues were \$2,663,964.

Source: Town of Moraga Administrative Services Department.

## Property Taxes

**General.** Property taxes represent the largest source of General Fund revenue. Property taxes have not been impacted to date through the COVID-19 pandemic, but this may change in the future due to COVID-19 or other pandemic diseases. See “RISK FACTORS – Pandemic Diseases.”

Property taxes are levied for each fiscal year on taxable real and personal property as of the preceding January 1. For assessment and collection purposes, property is classified either as “secured” or “unsecured” and is listed accordingly on separate parts of the assessment roll. The “secured roll” is that part of the assessment roll containing State-assessed public utilities property and real property the taxes on which have a viable tax lien, in the opinion of the County Assessor, to secure payment of the taxes. Other property is assessed on the “unsecured roll.”

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year, and become delinquent on December 10 and April 10, respectively. A penalty of 10% attaches immediately to all delinquent payments. Property on the secured roll with respect to which taxes are delinquent become tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of a penalty of 1% per month to the time of redemption, plus costs and a redemption fee. If taxes are unpaid for a period of five years or more, the property is deeded to the State and may be sold at public auction.

Property taxes on the unsecured roll are due as of the January 1 lien dates and become delinquent on August 31. A 10% penalty attaches to delinquent unsecured taxes. If unsecured taxes are unpaid at 5:00 p.m. on October 31, an additional penalty of 1% attaches to them on the first day of each month until paid. The County has four ways of collecting delinquent unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a judgment in the office of the County Clerk specifying certain facts in order to obtain a lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee.

Beginning in 1978-79, Proposition 13 and its implementing legislation shifted the function of property tax allocation to the counties, except for levies to support prior voted debt, and prescribed how levies on county-wide property values are to be shared with local taxing entities within each county.

**Property Tax Collections; Teeter Plan.** Certain counties in the State of California, including Contra Costa County, offer a statutory program entitled Alternate Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the “**Teeter Plan**”). Under the Teeter Plan local taxing entities receive 100% of their tax levies net of delinquencies, but do not receive interest or penalties on delinquent taxes collected by the county. The County includes the Town's property tax collections in its Teeter Plan. Consequently, the Town's receipt of property taxes is equal to 100% of the amount levied. There is no assurance that the County will continue the Teeter Plan or that the Town will continue to participate in the Teeter Plan. Delinquencies in the payment of property taxes could have an adverse effect on the ability of the Town to make Base Rental Payments should the County discontinue the Teeter Plan or the Town withdraw from or not be able to continue in the Teeter Plan.

**Assessed Valuation.** All property is assessed using full cash value as defined by Article XIII A of the State Constitution. State law provides exemptions from ad valorem property taxation for certain classes of property such as churches, colleges, non-profit hospital, and charitable

institutions. See “RISK FACTORS” herein. Future assessed valuation growth allowed under Article XIII A (new construction, certain changes of ownership, 2% inflation) will be allocated on the basis of “situs” among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and schools will share the growth of “base” revenues from the tax rate area. Each year’s growth allocation becomes part of agency’s allocation in the following year.

For assessment and collection purposes, property is classified as either “secured” or “unsecured” and is listed accordingly on separate parts of the assessment roll. The “secured roll” is that part of the assessment roll containing State-assessed property and real property having a tax lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Unsecured property comprises all property not attached to land such as personal property or business property. Boats and airplanes are examples of unsecured property. Unsecured property is assessed on the unsecured roll.

***Historical Assessed Valuation Information.*** Set forth below is a listing of the Town’s assessed valuations for the past ten fiscal years.

**TABLE 5**  
**TOWN OF MORAGA**  
**Historical Assessed Valuation**  
**For Fiscal Year 2014-15 through 2023-24**

<u>Fiscal Year</u>	<u>Local Secured</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Total</u>	<u>% Change</u>
2014-15	\$3,387,999,553	\$0	\$19,920,444	\$3,407,919,997	--%
2015-16	3,588,354,394	0	19,809,412	3,608,163,806	5.9
2016-17	3,796,983,841	0	20,082,221	3,817,066,062	5.8
2017-18	4,008,728,170	0	20,176,646	4,028,904,816	5.5
2018-19	4,243,970,179	0	19,707,277	4,263,677,456	5.8
2019-20	4,473,755,461	0	19,525,699	4,493,281,160	5.4
2020-21	4,699,762,975	0	21,294,544	4,721,057,519	5.1
2021-22	4,888,818,445	0	20,979,240	4,909,797,685	4.0
2022-23	5,237,633,246	0	23,809,304	5,261,442,550	7.2
2023-24	5,522,728,388	0	27,261,566	5,549,989,954	5.5

Source: California Municipal Statistics.

**Largest Secured Taxpayers.** The following table lists the top 20 local secured taxpayers in the Town for Fiscal Year 2023-24.

**TABLE 6**  
**TOWN OF MORAGA**  
**Top 20 Local Secured Taxpayers**  
**Fiscal Year 2023-24**

	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2023-24 Assessed Valuation</u>	<u>% of Total <sup>(1)</sup></u>
1.	Rheem Valley Property Owner LP	Shopping Center	\$ 47,430,000	0.86%
2.	Russell J. Bruzzzone Inc.	Shopping Center	27,544,061	0.50
3.	ASC Moraga LLC	Assisted Living Facility	14,203,325	0.26
4.	Vanguard Apartments LLC	Apartments	12,843,047	0.23
5.	S4 Nest LLC	Apartments	10,856,000	0.20
6.	Gage Investment Properties LLC	Apartments	10,100,099	0.18
7.	Angelos Markets	Shopping Center	9,497,264	0.17
8.	Bigbury Company NV	Residential Properties	9,281,840	0.17
9.	Moraga Country Club HOA	Golf Course/Country Club	8,999,804	0.16
10.	Moraga Royale LLC	Assisted Living Facility	8,456,498	0.15
11.	Ezatollah Saaidnia	Apartments	6,195,582	0.11
12.	Philip J. Jaber	Apartments	6,079,418	0.11
13.	KN Productions Inc.	Public Storage	5,975,562	0.11
14.	Logos Property Investment W	Apartments	5,693,870	0.10
15.	Michael G. & Maria S Vronis	Apartments	4,578,054	0.08
16.	Outdo Country Club Drive LLC	Office Park	4,354,419	0.08
17.	Moraga Creekside LLC	Apartments	4,348,894	0.08
18.	348 Rheem Boulevard LLC	Assisted Living Facility	4,309,637	0.08
19.	Deborah S. Gage	Apartments	4,220,329	0.08
20.	Individuals	Residential	4,057,560	0.07
			<u>\$209,025,263</u>	<u>3.78%</u>

(1) 2023-24 Local Secured Assessed Valuation: \$5,522,728,388.  
Source: California Municipal Statistics, Inc.

## Sales Taxes

**Overview.** Sales taxes are the second largest General Fund revenue source for the Town. The Town receives two types of sales taxes: Bradley-Burns Uniform Local Sales and Use Tax, and a Local Transactions and Use Tax (Measure K). *Only the Bradly-Burns portion of the sales taxes received by the Town are deposited into the General Fund; Measure K revenues are accounted for separately but are available for payment of the Base Rental Payments.*

**State-Wide Sales Tax Law.** The Bradley-Burns Uniform Local Sales and Use Tax is generated from the sales transactions located within the Town, and also includes a portion of sales from the County pool, and sales tax in-lieu. The Town's sales and use tax revenues have experienced modest changes during economic downturns and overall have remained relatively stable with a steady increase.

Taxable transactions in the Town are currently subject to the following sales and use tax, of which the Town's share is only a portion. The Town collects a percentage of taxable sales in the Town (minus certain administrative costs) pursuant to the Bradley-Burns Uniform Local Sales and Use Tax (the "**Sales Tax Law**"). The State collects and administers the sales tax under the Sales Tax Law, and makes distributions on taxes collected within the Town, as shown in the following table.

**TABLE 7  
TOWN OF MORAGA  
Sales Tax Rates**

Statewide Rate	7.25%
Bay Area Rapid Transit District	0.50
Contra Costa Transportation Authority	0.50
County of Contra Costa Transaction & Use Tax	0.50
Town of Moraga Transactions & Use Tax <sup>(1)</sup>	<u>1.00</u>
Total	9.75%

(1) Measure K voter-approved local add-on sales tax.  
Source: California Department of Tax and Fee Administration.

Sales and use taxes are complementary taxes; when one applies, the other does not. In general, the statewide sales tax applies to gross receipts of retailers from the sale of tangible personal property in the State. The use tax is imposed on the purchase, for storage, use or other consumption in the State of tangible personal property from any retailer. The use tax generally applies to purchases of personal property from a retailer outside the State where the use will occur within the State. The sales tax is imposed upon the same transactions and items as the statewide sales tax and the statewide use tax.

Certain transactions are exempt from the State sales tax, including sales of the following products:

- food products for home consumption;
- prescription medicine;
- newspapers and periodicals;
- edible livestock and their feed;
- seed and fertilizer used in raising food for human consumption; and
- gas, electricity and water when delivered to consumers through mains, lines and pipes.

This is not an exhaustive list of exempt transactions. A comprehensive list can be found in the publication "Sales and Use Taxes: Tax Expenditures" (December 2022) on the website of the California Department of Tax and Fee Administration (the "**CDTFA**") at <http://www.cdtfa.ca.gov>. *The reference to this Internet website is provided for reference and convenience only. The information contained within the website may not be current, has not been reviewed by the Town and is not incorporated in this Official Statement by reference.*

**Sales Tax Collection Procedures.** Collection of the sales and use tax is administered by the CDTFA. This process was formerly administered by the State Board of Equalization. The Taxpayer Transparency and Fairness Act of 2017, which took effect July 1, 2017, restructured the State Board of Equalization and separated its functions among three separate entities: the State Board of Equalization, the CDTFA and the Office of Tax Appeals. The State Board of Equalization will continue to perform the duties assigned to it by the State Constitution, while all other duties will be transferred to the newly established CDTFA and the Office of Tax Appeals. CDTFA will handle most of the taxes and fees previously collected by the State Board of Equalization, including sales and use tax.

Under the Sales and Use Tax Law, all sales and use taxes collected by the CDTFA under a contract with any city, city and county, or county are required to be transmitted by the CDTFA to such city, city and county, or county periodically as promptly as feasible. These transmittals are required to be made at least twice in each calendar quarter.

Under its procedures, the CDTFA projects receipts of the sales and use tax on a quarterly basis and remits an advance of the receipts of the sales and use tax to the Town on a monthly basis. The amount of each monthly advance is based upon the CDTFA's quarterly projection. During the last month of each quarter, the CDTFA adjusts the amount remitted to reflect the actual receipts of the sales and use tax for the previous quarter.

The CDTFA receives an administrative fee based on the cost of services provided by the Board to the Town in administering the Town's sales tax, which is deducted from revenue generated by the sales and use tax before it is distributed to the Town.

**Measure K (1.0% Override).** The Town's additional one-cent local transactions and use (add-on sales) tax, locally controlled Measure K, was approved by voters on November 6, 2012 with a 70.5 percent approval rate. This general sales tax became effective on April 1, 2013 and will sunset on March 31, 2033. The Measure K sales tax measure was approved for general purposes, permitting the Town to use the revenue for a variety of objectives, including payment of Base Rental Payments securing the Certificates. The ballot wording of Measure K was as follows:

"To keep local streets from falling into disrepair and maintain Town services, including: fixing potholes and cracks; maintaining neighborhood police patrols and response times; repairing neighborhood streets; maintaining recreation programs for youth and seniors; other general Town services, shall the Town of Moraga enact a one-cent sales tax for 20 years with authority to incur debt to accelerate infrastructure projects, with annual audits, citizens' oversight, no funds for Sacramento and all funds spent only for Moraga?"

The Measure K sales tax is considered a general tax under State law and, therefore, the Town has the authority to use the revenue for a variety of purposes, including but not limited to addressing the Town's most financially critical need to repair its failing streets and storm drains. The Town Council has committed to spend the proceeds from the Certificates for infrastructure improvements, including paying lease payments that funded infrastructure improvements.

A table showing Measure K collections for the past five fiscal years for which audited financial statements are available follows.

<u>Fiscal Year</u>	<u>Measure K Revenues (Audited)</u>
2022-23	\$2,669,905
2021-22	2,663,964
2020-21	2,440,328
2019-20	1,998,721
2018-19	1,965,304

*Source: Town of Moraga Audited Financial Statements 2018-19 through 2022-23.*

**Historic Taxable Transactions.** The following table shows historical taxable transactions in the Town for the most recent five years available.

**TABLE 8**  
**TOWN OF MORAGA**  
**Taxable Transactions**  
**Fiscal Years 2017-18 through 2021-22**  
**(In Thousands)**

<b>Category</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Motor Vehicle and Parts Dealers	-- <sup>C</sup>	-- <sup>C</sup>	-- <sup>C</sup>	-- <sup>C</sup>	-- <sup>C</sup>
Home Furnishings and Appliances	\$9,480	-- <sup>C</sup>	-- <sup>C</sup>	-- <sup>C</sup>	-- <sup>C</sup>
Building Materials	-- <sup>C</sup>	-- <sup>C</sup>	\$9,066	\$8,860	\$7,367
Food and beverage stores	12,634	\$12,618	13,734	13,394	--
Gasoline stations	15,453	15,623	10,658	16,956	23,369
Apparel stores	10,331	10,559	7,212	11,325	11,971
General merchandise stores	2,347	2,131	1,471	-- <sup>C</sup>	-- <sup>C</sup>
Food services and drinking places	14,171	16,077	11,189	14,670	19,043
Other retail stores	18,248	22,373	16,113	21,092	33,773
All other outlets	15,282	13,120	11,214	11,355	12,171
<b>Total All Outlets</b>	<b>\$97,946</b>	<b>\$92,499</b>	<b>\$80,658</b>	<b>\$97,653</b>	<b>\$107,693</b>

C – Sales omitted because their publication would result in the disclosure of confidential information.

Source: California Department of Tax and Fee Administration (as of January 11, 2022).

## Franchise Fees

Franchise fees are the Town's third largest general fund revenue source. Franchise fees include those from RecycleSmart, Pacific Gas & Electric (PG&E) and Comcast Cable. In Fiscal Year 2020-21, the Garbage Vehicle Impact Fee that is restricted for repair and maintenance of local streets and roads was removed from the General Fund and is now accounted for separately.

## General Fund Lease Revenues

The Town has entered into three leases, which generate revenue for the Town's General Fund. A summary of these leases follows. For additional information, see note 7 to the Town's draft audited financial statements for Fiscal Year 2022-23 attached hereto as APPENDIX C.

**Moraga Country Club Homeowners' Association.** In September 1987, the Town agreed to sublease 60 acres of property adjacent to a golf course, that was leased from the State to the Moraga Country Club Homeowners' Association (Association). The initial term of the lease was 20 years. The property was subsequently acquired by the Town from the State, and the lease agreement between the Town and the Association was amended three times in 1991, 1994 and 2014, respectively. The latest amendment dated December 10, 2014, extended the term of the land lease for an additional 25 years commencing April 1, 2015 and expiring March 31, 2040. The rent for the initial year of the first extended term was set at \$63,250 (paid in monthly installments), and increases every year by a cost of living increase.

**Growing Light Montessori School of Moraga.** In September 1981, the Town entered into a ground lease with an individual operating a preschool for real property located at 1455 St. Mary's Road in the Town. In October 2021, the lease was assigned to the Growing Light Montessori School of Moraga, who assumed the terms of the original lease and subsequent amendments. The current lease will expire on June 30, 2026. The monthly rent as of June 30, 2023 is \$2,668, increasing 3% annually on July 1st.

**Hacienda de Las Flores.** In July 2021, the Town entered into a lease agreement with Z Golf Food & Beverage Services, LLC to lease real property and improvements commonly known as the Hacienda de Las Flores that is owned by the Town to this business, commencing November 1, 2021, with an initial expiration date of October 31, 2031. The lessee has the right to extend two 5-year additional terms. Rent of \$60,000 is to be paid to the Town quarterly, for a total of \$240,000 in the first year, with 1.5% increases each subsequent year and an additional component based on gross sales if certain triggers are met.

## **Retirement Systems**

**CalPERS Plan Description.** All qualified permanent and probationary employees are eligible to participate in the Town's Safety and Miscellaneous (all other) Employee Pension Rate Plans. The Town's Miscellaneous and Safety Rate Plans are part of the public agency cost-sharing multiple-employer defined benefit pension plan (PERF C), which is administered by the California Public Employees' Retirement System ("**CalPERS**"). PERF C consists of a miscellaneous pool and a safety pool (also referred to as "risk pools"), which are comprised of individual employer miscellaneous and safety rate plans, respectively. Individual employers may sponsor more than one miscellaneous and safety rate plan. The employer participates in one cost-sharing multiple-employer defined benefit pension plan regardless of the number of rate plans the employer sponsors. The Town sponsors four rate plans (two miscellaneous and two safety). Benefit provisions under the Plans are established by State statute and Town resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

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

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

	Miscellaneous	
	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.0% @ Age 55	2.0% @ Age 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life
Retirement age	50 - 63	52 - 67
Monthly benefits as % of salary	1.426% to 2.418%	1.000% to 2.500%
Required employee contribution rate	7.00%	6.75%
Required employer contribution rate	10.320%	7.470%

	Safety	
	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.0% @ Age 50	2.7% @ Age 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life
Retirement age	50 - 55	50 - 57
Monthly benefits as % of salary	2.000% to 2.700%	2.000% to 2.700%
Required employee contribution rate	9%	13%
Required employer contribution rate	18.170%	12.780%

Beginning in Fiscal Year 2015-16, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability and side fund. The dollar amounts are billed on a monthly basis. The Town's required contribution for the unfunded liability was \$645,220 in Fiscal Year 2022-23.

**CalPERS Contributions.** Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Town is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2023, the Town's employer contributions recognized as part of pension expense for the Plan were as follows.

	<u>Miscellaneous</u>	<u>Safety</u>	<u>Total</u>
Town Contributions	\$553,519	\$533,818	\$1,087,337

Unusually for local agencies in the State, Town employees pay 4% of the employer's required normal cost.

**Actions Taken by CalPERS Related to Discount Rate and Other Assumptions.** In 2013, the CalPERS' Board of Administration (the "**Board of Administration**") approved a recommendation to change the CalPERS amortization and smoothing policies. In 2018, the Board of Administration voted to shorten the period over which CalPERS will amortize actuarial gains and losses from 30 years to 20 years for new pension liabilities. In 2014, the Board of Administration approved new demographic actuarial assumptions based on a 2013 study of

recent experience. The largest impact, applying to all benefit groups, is a new 20-year mortality projection reflecting longer life expectancies and that longevity will continue to increase. Because retirement benefits will be paid out for more years, the cost of those benefits will increase as a result. In 2015, the Board of Administration adopted a funding risk mitigation policy intended to incrementally lower its discount rate – its assumed rate of investment return – in years of good investment returns, help pay down the pension fund's unfunded liability, and provide greater predictability and less volatility in contribution rates for employers. In 2016, the Board of Administration voted to lower its discount rate for local agencies per a schedule that resulted in a discount rate moving from 7.375% to 7.000%.

On July 12, 2021, CalPERS announced it had achieved a preliminary investment return of 21.3% for the 12-month period ending June 30, 2021. Under the Funding Risk Mitigation Policy approved by the CalPERS Board of Administration in 2015, the double-digit return triggered a November 2021 reduction in the discount rate from 7.00% to 6.80%.

Lowering the discount rate means employers that contract with CalPERS to administer their pension plans will see increases in their normal costs and unfunded actuarial liabilities. Active members hired after January 1, 2013, under PEPRA will also see their contribution rates rise. PEPRA included certain other provisions to try to minimize pension costs for covered employees. The three-year reduction of the discount rate will result in average employer rate increases of about 1 percent to 3 percent of normal cost as a percent of payroll for most miscellaneous retirement plans, and a 2 percent to 5 percent increase for most safety plans. Additionally, many CalPERS employers will see a 30 to 40 percent increase in their current unfunded accrued liability payments. These payments are made to amortize unfunded liabilities over 20 years to bring the pension fund to a fully funded status over the long-term.

Fiscal Year 2020-21 investment returns and changes to the discount rate and other assumptions, including demographic changes, will be reported on the June 30, 2021 CalPERS actuarial reports. These changes, including the newly determined discount rate, will be reflected in contribution levels for cities, counties, and special districts in Fiscal Year 2023-24.

**Net Pension Liability.** As of June 30, 2023, the Town reported a net pension liability for its proportionate share of the net pension liability of the Plan as \$5,210,381 for Miscellaneous and \$4,039,071 for Safety, for a total net pension liability of \$9,249,452. See Note 9 to the City's draft audited financial statements for the fiscal year ending June 30, 2023 attached hereto as Appendix C for more information on the Town's net pension liability, including the actuarial assumptions that were used to calculate such amount.

**Net Pension Expense.** For the year ended June 30, 2023, the Town recognized pension expense of \$1,380,571.

**Other Retirement Benefits – Deferred Compensation (Section 457) Plan.** Town employees may defer a portion of their compensation under a Town sponsored deferred compensation plan created in accordance with Internal Revenue Code Section 457. Under this plan, participants are not taxed on the deferred portion of their compensation until distributed to them; distributions may be made only at termination of employment, retirement, death or in an emergency as defined by the plan.

The laws governing deferred compensation plan assets require plan assets to be held by a Trust for the exclusive benefit of plan participants and their beneficiaries. The funds have been placed in a trust administered by Mission Square (formerly known as ICMA-RC) and are not available to the Town's general creditors. Accordingly, the Town does not report the assets in the

financial statements. As established by the plan, any Town employee can contribute to the plan. During Fiscal Year 2022-23, Town employees contributed \$340,649 to the plan.

**Other Retirement Benefits – Defined Contribution (Section 401(a) Plan.** The Town sponsors a defined contribution plan created in accordance with Internal Revenue Code Section 401(a). Under this plan, the Town may make discretionary contributions to the plan each year on behalf of designated employees up to the maximum allowed by law. Town employees are fully vested in amounts contributed to the plan. Town employees may also contribute to the plan on an after-tax basis as long as the combined employer and employee contributions do not exceed the maximum allowed by law. During Fiscal Year 2022-23, the Town and its employees made \$22,897 in contributions to the plan.

Contributions to the plan are held by a Trust, administered by Mission Square, for the exclusive benefit of plan participants and their beneficiaries. The assets are not available to the Town's general creditors and thus, the Town does not report the assets in the financial statements.

### **No OPEB Liability**

The Town does not provide any Other Post-Employment Benefits (“**OPEB**”) to its employees, and therefore has no OPEB liability.

### **Outstanding General Fund Obligations**

The only long-term General Fund obligation of the Town is the requirement to make the base rental payments that secure the 2013 Certificates. The Town has never defaulted on the payment of principal of or interest on any of its indebtedness.

### **Direct and Overlapping Debt**

Set forth below is a direct and overlapping debt report (the “**Debt Report**”) prepared by California Municipal Statistics, Inc. The Debt Report is included for general information purposes only. The Town has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

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

**TABLE 9**  
**TOWN OF MORAGA**  
**Statement of Direct and Overlapping Debt**  
**As of November 1, 2023**

**2023-24 Assessed Valuation:** \$5,549,989,954

**OVERLAPPING TAX AND ASSESSMENT DEBT:**

	<b><u>% Applicable</u></b>	<b><u>Debt</u></b>
Bay Area Rapid Transit District	0.550%	\$13,450,663
Contra Costa Community College District	2.075	12,839,478
Acalanes Union High School District	11.667	13,439,739
Moraga School District	97.861	27,293,433
Orinda Union School District	0.246	201,536
East Bay Regional Park District	0.864	1,256,774
<b>TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT</b>		<b>\$68,481,623</b>

**DIRECT AND OVERLAPPING GENERAL FUND DEBT:**

Contra Costa County General Fund Obligations	2.069%	\$ 4,003,825	
Moraga School District General Fund Obligations	97.861	6,699,920	
Orinda Union School District General Fund Obligations	0.246	5,818	
<b>Town of Moraga Certificates of Participation</b>	<b>100.000</b>	<b>4,650,000</b>	(1)
Moraga-Orinda Fire Protection District General Fund Obligations	36.739	813,401	
<b>TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>		<b>\$16,172,964</b>	
Less: Contra Costa County Obligations supported by revenue funds		1,034,170	
<b>TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>		<b>\$15,138,794</b>	

<b>GROSS COMBINED TOTAL DEBT</b>	<b>\$84,654,587</b>	(2)
<b>NET COMBINED TOTAL DEBT</b>	<b>\$83,620,417</b>	

**Ratios to 2023-24 Assessed Valuation:**

Total Direct and Overlapping Tax and Assessment Debt.....	1.23%
<b>Combined Direct Debt (\$4,650,000).....</b>	<b>0.08%</b>
Gross Combined Total Debt .....	1.53%
Net Combined Total Debt .....	1.51%

(1) To be refunded by Certificates.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue bonds and non-bonded capital lease obligations.  
Source: California Municipal Statistics, Inc.

## **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 Certificates. However, the following does not purport to be an exhaustive listing of risks and other considerations which may be relevant to an investment in the Certificates. In addition, the order in which the following factors are presented is not intended to reflect the relative importance of any such risks.*

### **General Considerations – Security for the Certificates**

The obligation of the Town to make the Base Rental Payments does not constitute a debt of the Town, the County or 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 Town, the County or the State is obligated to levy or pledge any form of taxation or for which the Town, the County or the State has levied or pledged any form of taxation.

Although the Facility Lease does not create a pledge, lien or encumbrance upon the funds of the Town, the Town is obligated, subject to abatement, under the Facility Lease to pay the Base Rental Payments from any source of legally available funds and the Town has covenanted in the Facility Lease that it will take such action as may be necessary to include all rental payments due under the Facility Lease in its annual budgets and to make necessary annual appropriations for all such rental payments. The Town is currently liable and may become liable on other obligations payable from general revenues, some of which may have a priority over the Base Rental Payments.

The Town has the capacity to enter into other obligations which may constitute additional charges against its General Fund revenues. To the extent that additional obligations are incurred by the Town, the funds available to make Base Rental Payments may be decreased. If the Town's revenue sources are less than its total obligations, the Town could choose to fund other activities before making Base Rental Payments and other payments due under the Facility Lease.

The Town's ability to collect, budget and appropriate various revenues is subject to current and future State laws and constitutional provisions, and it is possible that the interpretation and application of these provisions could result in an inability of the Town to pay the Base Rental Payments when due. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS."

### **Eminent Domain**

If the Leased Facilities are taken permanently under the power of eminent domain or sold to a government threatening to exercise the power of eminent domain, the term of the Facility Lease will cease as of the day possession is taken. If less than all of the Leased Facilities are taken permanently, or if the Leased Facilities or any part thereof are taken temporarily, under the power of eminent domain, (1) the Facility Lease will continue in full force and effect and will not be terminated by virtue of such taking, and (2) there will be a partial abatement of Base Rental Payments as a result of the application of the Net Proceeds of any eminent domain award to the prepayment of the Base Rental Payments, in an amount to be agreed upon by the Town and the Corporation such that the resulting Base Rental Payments represent fair consideration for the use and occupancy of the remaining usable portion of the Leased Facilities. The Town covenants in the Facility Lease to contest any eminent domain award which is insufficient to either redeem the Certificates in whole (if all of the Leased Facilities are condemned), or redeem a pro rata share of Certificates (if less than all of the Leased Facilities are condemned).

## **Abatement**

The Facility Lease provides that the amount of Base Rental Payments will be subject to abatement during any period in which by reason of damage or destruction or other event there is substantial interference with the use and occupancy by the Town of the Leased Facilities. The amount of such abatement will be agreed upon by the Town and the Corporation such that the resulting Base Rental Payments represent fair consideration for the use and occupancy of the portions of the Leased Facilities not damaged, destroyed or unavailable. Such abatement will continue for the period commencing with such damage, destruction or unavailability and ending with the substantial completion of the work of repair or reconstruction, or resumption of availability. In the event of any such damage, destruction or other event, the Facility Lease will continue in full force and effect and the Town, in the Facility Lease, waives any right to terminate the Facility Lease by virtue of any such damage and destruction.

However, there will be no abatement of Base Rental Payments to the extent that the proceeds of an eminent domain or insurance award (including proceeds of rental interruption insurance maintained by the Town under the Facility Lease) are available to pay Base Rental Payments, or to the extent that moneys are available in the Base Rental Payment Fund or the Reserve Fund, it being declared in the Facility Lease that such proceeds and amounts constitute special funds for the payment of the Base Rental Payments.

Following the period for which funds are available from the Reserve Fund or other funds and accounts established under the Trust Agreement for payment of Base Rental Payments, or in the event that casualty or rental interruption or other insurance proceeds are insufficient to provide for complete repair or replacement of such portion of the Leased Facilities or prepayment of the Certificates, there could be insufficient funds to make payments to Owners in full.

## **Limited Recourse on Default; No Acceleration**

If the Town defaults on its obligation to make Base Rental Payments, there is no available remedy of acceleration of the total Base Rental Payments due over the term of the Facility Lease. The Town will only be liable for Base Rental Payments on an annual basis, and the Trustee would be required to seek a separate judgment in each fiscal year for that fiscal year's rental payments.

## **Limitation on Remedies; Bankruptcy**

The rights of the Owners of the Certificates are subject to the limitations on legal remedies against cities in the State, including State constitutional limits on expenditures and limitations on the enforcement of judgments against funds needed to serve the public welfare and interest, by applicable bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or other laws affecting the enforcement of creditors' rights, by equitable principles, by the exercise of judicial powers in appropriate cases and by the exercise by the federal and State governments of their sovereign powers. The opinions of counsel, including Special Counsel, delivered in connection with the Certificates will be so qualified. Under Chapter 9 of the Bankruptcy Code (Title 11, United States Code), which governs the bankruptcy proceedings for public agencies such as the Town, there are no involuntary petitions in bankruptcy. Bankruptcy proceedings, if initiated, or the exercise of powers by the federal or State government, could subject the owners of the Certificates to judicial discretion and interpretation of their rights in bankruptcy proceedings or otherwise and consequently may entail risk or delay, limitation or modification of their rights.

## **Substitution or Release of Leased Facilities**

As described above (see “THE LEASED FACILITIES – Release or Substitution of Leased Facilities”), the Facility Lease permits the Town to substitute additional real property and/or improvements for existing Leased Facilities upon compliance with certain conditions set forth in the Facility Lease.

In the case of both substitution and release of Leased Facilities, the Facility Lease requires with respect to the value of the remaining Leased Facilities that its value at least equal the aggregate principal components of the unpaid Base Rental Payments and the Outstanding Certificates. Consequently, a portion of the Leased Facilities could be replaced with less valuable property, or could be released altogether. Such replacement or release could have an adverse impact on the security for the Certificates, particularly if an event requiring abatement of Base Rental Payments were to occur subsequent to such substitution or release.

## **Natural Calamities**

**Wildfires.** Many areas of California have suffered from major wildfires in recent years. In addition to their direct impact on health and safety and property damage in California, the smoke from many of these wildfires has impacted the quality of life throughout the region, and may have short-term and future impacts on commercial activity in the Town. The fires have been driven in large measure by drought conditions and low humidity. Experts expect that California will continue to be subject to wildfire conditions year over year as a result in changing weather patterns due to climate change.

The Town is situated in a valley and surrounded by hills. In late summer and fall, the Diablo winds (offshore) create an increased level of fire danger. Many homes that are built in outlying areas, especially in the southern portion of the Town, are an urban interface to open space. These homes in the urban interface are primarily wood-frame, one- and two-story structures. These areas are classified by CalFire and the Moraga-Orinda Fire District as very high fire danger severity zones. Dry summer wildland fuels, some steep hilly terrain, low humidity and brisk afternoon winds make many locations susceptible to a major wildland fire event.

**Seismic Considerations.** The Town, like much of California, is subject to seismic activity that could result in interference with its right to use and possession of the Leased Facilities. The active Hayward fault system has been mapped approximately 8 kilometers from the center of Town. Some of the other nearby active faults systems which could induce strong ground shaking in the Town include: the Calaveras, Concord-Green Valley, Rodgers Creek, San Andreas, San Gregorio, and Greenville faults. The three faults that pose the greatest risk are (i) the Hayward Fault, approximately 8 kilometers from the Town, (ii) the Calaveras Fault, approximately 12 kilometers from the Town and (iii) the Concord-Green Valley Fault. The San Andreas Fault is located approximately 38 kilometers from the Town.

The Town has experienced earthquakes with a Richter magnitude of 7.0 or greater and with the epicenter being within 100 miles (approximately 160 kilometers) of the Town within the San Francisco Bay Area. Following such earthquakes, the Town continued to function and continued providing essential public services to its citizens. The Town’s building code requirements and policy of strict regulatory enforcement helps to limit earthquake damage. The Town is not obligated by the Facility Lease or otherwise to maintain earthquake insurance with respect to the Leased Facilities if such insurance is not available at commercially reasonable rates.

***Droughts.*** California is subject to droughts from time-to-time. On April 1, 2015, for the first time in California's history, Governor Edmund G. Brown directed the State Water Resources Control Board to implement mandatory water reductions in cities and towns across California to reduce water usage by 25%. Following a wet winter in 2016-17, most of the mandatory water reductions were lifted, only to return again in 2021 following unusually dry years. No assurance can be given that drought will not again return in the future, materially adversely impacting the Town's finances.

***Climate Change.*** The Town finances may be negatively impacted by climate change. Local impacts of climate change are not definitive, but parcels in the Town could experience changes to local and regional weather patterns; increased risk of flooding; and water restrictions. See, for example, the discussions above regarding wildfires and droughts.

### **Pandemic Diseases**

In recent years, public health authorities have warned of threats posed by outbreaks of disease and other public health threats. On February 11, 2020, the WHO announced the official name for the outbreak of COVID-19, an upper respiratory tract illness. COVID-19 subsequently spread across the globe. The spread of COVID-19 had significant adverse health and financial impacts throughout the world. The WHO declared the COVID-19 outbreak to be a pandemic, and states of emergency were declared by the Governor of the State and the President of the United States.

Future pandemic diseases may occur in the future, having a material adverse effect on the General Fund finances of the Town. For example, taxpayer assistance measures enacted by federal or State governments may include deferral of due dates of property taxes received by the Town, which was an assistance program during the COVID-19 pandemic, and with or without a deferral some taxpayers may be unable to make their property payments. Property taxes are the single largest source of General Fund revenues for the Town. Sales and use taxes may also be negative impacted by federal or state orders limiting commerce or that result in economic recessions.

### **No Liability of Corporation to the Owners**

Except as expressly provided in the Trust Agreement, the Corporation will not have any obligation or liability to the Owners of the Certificates with respect to the payment when due of the Base Rental Payments by the Town, or with respect to the performance by the Town of other agreements and covenants required to be performed by it contained in the Facility Lease or the Trust Agreement, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained in the Trust Agreement.

### **Loss of Tax Exemption**

As discussed under the heading "TAX MATTERS," the interest represented by the Certificates could become includable in gross income for purposes of federal income taxation retroactive to the date of delivery of the Certificates as a result of acts or omissions of the Town in violation of its covenants in the Trust Agreement and the Facility Lease.

In addition, current and future legislative proposals, if enacted into law, may cause interest with respect to the Certificates to be subject, directly or indirectly, to federal income taxation by,

for example, changing the current exclusion or deduction rules to limit the aggregate amount of interest on state and local government bonds that may be treated as tax exempt by individuals.

Should such an event of taxability occur, the Certificates would not be subject to a special prepayment and would remain outstanding until maturity or until prepaid under the prepayment provisions contained in the Trust Agreement.

## **Secondary Market**

There can be no guarantee that there will be a secondary market for the Certificates or, if a secondary market exists, that any Certificates can be sold for any particular price. Prices of bond issues for which a market is being made will depend upon then-prevailing circumstances. Such prices could be substantially different from the original purchase price.

No assurance can be given that the market price for the Certificates will not be affected by the introduction or enactment of any future legislation (including without limitation amendments to the Internal Revenue Code), or changes in interpretation of the Internal Revenue Code, or any action of the Internal Revenue Service, including but not limited to the publication of proposed or final regulations, the issuance of rulings, the selection of the Certificates for audit examination, or the course or result of any Internal Revenue Service audit or examination of the Certificates or obligations that present similar tax issues as the Certificates.

## **Cybersecurity**

The Town, like many other large public and private entities, relies on a technology to conduct its operations, and faces multiple cybersecurity threats including, but not limited to, hacking, viruses, malware and other attacks on its computing and other digital networks and systems (collectively, “**Systems Technology**”). Cybersecurity incidents could result from unintentional events, or from deliberate attacks by unauthorized entities or individuals attempting to gain access to the Systems Technology of the Town for the purposes of misappropriating assets or information or causing operational disruption and damage. Through its third-party IT provider, the Town has cybersecurity policies and procedures in place that cover all of its Systems Technology.

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

### **Article XIII A of the California Constitution**

Article XIII A of the State Constitution, known as Proposition 13, was approved by the voters in June 1978 and has been amended on occasions, including most recently on November 7, 2000 to reduce the voting percentage required for the passage of school bonds. Section I(a) of Article XIII A limits the maximum *ad valorem* tax on real property to 1% of “full cash value,” and provides that such tax shall be collected by the counties and apportioned according to State statutes. Section I(b) of Article XIII A provides that the 1% limitation does not apply to *ad valorem* taxes levied to pay interest or redemption charges on any (1) indebtedness approved by the voters prior to July 1, 1978, (2) 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 and (3) bonded indebtedness incurred by a school district, community college district or county office of education for the construction, reconstruction, rehabilitation or replacement of school facilities, including the furnishing and equipping of school facilities or the acquisition or lease of real property for school facilities, approved by 55 percent of 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 fiscal year tax bill, or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred. 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 taxing jurisdiction, or may be reduced in the event of declining property value caused by substantial damage, destruction or other factors. See “Litigation Relating to Two Percent Limitation” below. Legislation implementing 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. Such legislation further provides that each county will levy the maximum tax permitted by Article XIII A, which is \$1.00 per \$100 of assessed market value.

Since its adoption, Article XIII A has been amended a number of times. These amendments have created a number of exceptions to the requirement that property be reassessed when it is purchased, newly constructed or undergoes a change in ownership. These exceptions include certain transfers of real property between family members, certain purchases of replacement dwellings for persons over age 55 and by property owners whose original property has been destroyed in a declared disaster, and certain improvements to accommodate disabled persons and for seismic upgrades to property. These amendments have resulted in marginal reductions in the property tax revenues of the Town.

Both the State Supreme Court and the United States Supreme Court have upheld the validity of Article XIII A.

### **Article XIII B of the California Constitution**

In addition to the limits Article XIII A imposes on property taxes that may be collected by local governments, certain other revenues of the State and most local governments are subject to an annual “appropriations limit” imposed by Article XIII B which effectively limits the amount of such revenues those entities are permitted to spend. Article XIII B, approved by the voters in July 1979, was modified substantially by Proposition 111 in 1990. The appropriations limit of each

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

The State and each local government entity has its own appropriations limit. Each year, the limit is adjusted to allow for changes, if any, in the cost of living, the population of the jurisdiction, and any transfer to or from another government entity of financial responsibility for providing services.

Proposition 111 requires that each agency’s actual appropriations be tested against its limit every two years. If the aggregate “proceeds of taxes” for the preceding two-year period exceeds the aggregate limit, the excess must be returned to the agency’s taxpayers through tax rate or fee reductions over the following two years.

## **Proposition 62**

Proposition 62 was a statutory initiative adding Sections 53720 to 53730, inclusive, to the California Government Code. It confirmed the distinction between a general tax and special tax, established by the State Supreme Court in 1982 in *City and County of San Francisco v. Farrell*, by defining a general tax as one imposed for general governmental purposes and a special tax as one imposed for specific purposes. Proposition 62 further provided that no local government or district may impose (i) a general tax without prior approval of the electorate by majority vote or (ii) a special tax without such prior approval by two-thirds vote. It further provided that if any such tax is imposed without such prior approval, the amount thereof must be withheld from the levying entity’s allocation of annual property taxes for each year that the tax is collected. By its terms, Proposition 62 applies only to general and special taxes imposed on or after August 1, 1985. Proposition 62 was generally upheld in *Santa Clara County Local Transportation Authority v. Guardino*, a California Supreme Court decision filed September 28, 1995.

## **Articles XIII C and XIII D of the California Constitution**

**General.** 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 Town to levy and collect both existing and future taxes, assessments, fees and charges.

On November 2, 2010, California voters approved Proposition 26, entitled the “Supermajority Vote to Pass New Taxes and Fees Act”. Section 1 of Proposition 26 declares that Proposition 26 is intended to limit the ability of the State Legislature and local government to

circumvent existing restrictions on increasing taxes by defining the new or expanded taxes as “fees.” Proposition 26 amended Articles XIII A and XIII C of the State Constitution. The amendments to Article XIII A limit the ability of the State Legislature to impose higher taxes (as defined in Proposition 26) without a two-thirds vote of the Legislature. The amendments to Article XIII C define “taxes” that are subject to voter approval as “any levy, charge, or exaction of any kind imposed by a local government,” with certain exceptions.

**Taxes.** 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 Town (“general taxes”) require a majority vote; taxes for specific purposes (“special taxes”), even if deposited in the Town’s General Fund, require a two-thirds vote. The voter approval requirements of Article XIII C reduce the flexibility of the Town to raise revenues for the General Fund, and no assurance can be given that the Town will be able to impose, extend or increase such taxes in the future to meet increased expenditure needs.

**Property-Related Fees and Charges.** Article XIII D also adds several provisions making it generally more difficult for local agencies to levy and maintain property-related fees, charges, and assessments for municipal services and programs. 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 XIII D, 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.

**Reduction or Repeal of Taxes, Fees and Charges.** Article XIII C 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 Town 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 Town’s General Fund. If such repeal or reduction occurs, the Town’s ability to pay Base Rental Payments under the Facility Lease debt could be adversely affected.

**Burden of Proof.** Article XIII C provides that local government “bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor’s burdens on, or benefits received from, the governmental activity.” Similarly, Article XIII D provides that in “any legal action contesting the validity of a fee or charge, the burden shall be on the agency to demonstrate compliance” with Article XIII D.

**Impact on Town’s General Fund.** The approval requirements of Articles XIII C and XIII D reduce the flexibility of the Town to raise revenues for the General Fund, and no assurance can be given that the Town will be able to impose, extend or increase the taxes, fees, charges or taxes in the future that it may need to meet increased expenditure needs.

**Judicial Interpretation.** The interpretation and application of Articles XIII C and XIII D will ultimately be determined by the courts with respect to a number of the matters discussed below, and it is not possible at this time to predict with certainty the outcome of such determination.

## **Proposition 1A; Proposition 22**

**Proposition 1A.** Proposition 1A, proposed by the Legislature in connection with the State's fiscal year 2004-05 Budget, approved by the voters in November 2004 and generally effective in fiscal year 2006-07, provided that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibited the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county had to be approved by two-thirds of both houses of the Legislature.

Proposition 1A provided, however, that beginning in fiscal year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaimed that the shift is needed due to a severe state financial hardship, the shift was approved by two-thirds of both houses and certain other conditions were met. The State could also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county.

**Proposition 22.** Proposition 22, entitled "The Local Taxpayer, Public Safety and Transportation Protection Act," was approved by the voters of the State in November 2010. Proposition 22 eliminates or reduces the State's authority to (i) temporarily shift property taxes from cities, counties and special districts to schools, (ii) use vehicle license fee revenues to reimburse local governments for State-mandated costs (the State will have to use other revenues to reimburse local governments), (iii) redirect property tax increment from redevelopment agencies to any other local government, (iv) use State fuel tax revenues to pay debt service on State transportation bonds, or (v) borrow or change the distribution of State fuel tax revenues.

## **Unitary Property**

AB 454 (Chapter 921, Statutes of 1986) provides that revenues derived from most utility property assessed by the State Board of Equalization ("**Unitary Property**"), commencing with the 1988-89 fiscal year, will be allocated as follows: (i) each jurisdiction will receive up to 102% of its prior year State-assessed revenue; and (ii) if county-wide revenues generated from Unitary 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 benefit of the excess revenues by a specified formula. This provision applies to all Unitary 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 Property to be shared by all jurisdictions in a county.

## **Future Initiatives**

Article XIII A, Article XIII B, Proposition 62, Proposition 57 and Proposition 218 were each adopted as measures that qualified for the ballot through California's initiative process. From time to time other initiative measures could be adopted, further affecting the Town's revenues. For instance, an initiative referred to the "Taxpayer Protection and Government Accountability Act" has become eligible for California's November 2024 election and if passed will impact a public agency's ability to impose fees with application retroactively to any fees or taxes adopted after January 1, 2022.

## CONTINUING DISCLOSURE

The Town will covenant for the benefit of owners of the Certificates to upon request provide certain financial information and operating data relating to the Town by not later than the date that is nine months after the end of the Town's fiscal year (currently April 1 based on the Town's fiscal year end of June 30), commencing with the report for Fiscal Year 2022-23 (the "**Annual Report**"), and to provide notices of the occurrence of certain enumerated events. The specific nature of the information to be contained in the Annual Report or the notices of material events is summarized in "APPENDIX E – Form of Continuing Disclosure Certificate." These covenants have been made in order to assist the Underwriter (as defined below) in complying with Securities Exchange Commission Rule 15c2-12(b)(5).

The Town has previously entered into disclosure undertakings under the Rule. A review of its compliance with prior undertakings indicates that over the past 5 years the Town was late in filing its required annual reports/audited financial statements for the fiscal year ended June 30, 2019 (approximately 4 days late), the fiscal year ended June 30, 2020 (approximately 3 days late) and the fiscal year ended June 30, 2021 (approximately 30 days late), and no failure to file notices were provided in connection therewith.

The Trustee will initially serve as dissemination agent for the Town with respect to the Town's continuing disclosure undertaking for the Certificates.

## TAX MATTERS

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Special Counsel, subject, however to the qualifications set forth below, under existing law, the portion of the Base Rental Payments designated as and comprising interest and received by the owners of the Certificates is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. The Facility Lease is a "qualified tax-exempt obligation" within the meaning of section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the "**Tax Code**"), and, in the case of certain financial institutions (within the meaning of section 265(b)(5) of the Tax Code), a deduction is allowed for 80 percent of that portion of such financial institutions' interest expense allocable to interest payable with respect to the Certificates. The portion of the Base Rental Payments designated as and comprising interest and received by the owners of the Certificates may be subject to the corporate alternative minimum tax.

The opinions set forth in the preceding paragraph are subject to the condition that the Town comply with all requirements of the Tax Code that must be satisfied subsequent to the execution and delivery of the Certificates in order that the interest with respect thereto be, and continue to be, excludable from gross income for federal income tax purposes, and that the Facility Lease be, or continue to be, a "qualified tax-exempt obligation" within the meaning of Section 265(b)(3) of the Tax Code. The Town has made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of delivery of the Facility Lease, or may cause the Facility Lease not to be a "qualified tax-exempt obligation" within the meaning of Section 265(b)(3) of the Tax Code.

If the initial offering price to the public (excluding bond houses and brokers) at which a Certificate is sold is less than the amount payable at maturity thereof, then such difference

constitutes “original issue discount” for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public (excluding bond houses and brokers) at which a Certificate is sold is greater than the amount payable at maturity thereof, then such difference constitutes “original issue premium” for purposes of federal income taxes and State of California personal income taxes. De minimis original issue discount and original issue premium is disregarded.

Under the Tax Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the Certificate on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such Certificates to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such Certificate. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Certificates who purchase the Certificates after the initial offering of a substantial amount of such maturity. Owners of such Certificates should consult their own tax advisors with respect to the tax consequences of ownership of Certificates with original issue discount, including the treatment of purchasers who do not purchase in the original offering, the allowance of a deduction for any loss on a sale or other disposition, and the treatment of accrued original issue discount on such Certificates under federal individual and corporate alternative minimum taxes.

Under the Tax Code, original issue premium is amortized on an annual basis over the term of the Certificate (said term being the shorter of the Certificate’s maturity date or its call date). The amount of original issue premium amortized each year reduces the adjusted basis of the owner of the Certificate for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a Certificate is amortized each year over the term to maturity of the Certificate on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized Certificate premium is not deductible for federal income tax purposes. Owners of premium Certificates, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such Certificates.

In the further opinion of Special Counsel, the portion of Base Rental Payments designated as and comprising interest and received by the owners of the Certificates is exempt from California personal income taxes.

Owners of the Certificates should also be aware that the ownership or disposition of, or the accrual or receipt of interest with respect to, the Certificates may have federal or state tax consequences other than as described above. Special Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the Certificates other than as expressly described above.

#### **MUNICIPAL ADVISOR**

The Town has retained Kosmont Financial Services, Manhattan Beach, California, as registered municipal advisor (the “**Municipal Advisor**”) for the sale of the Certificates. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent

verification or to assume any responsibility for the accuracy, completeness of fairness of the information contained in this Official Statement.

### **CERTAIN LEGAL MATTERS**

The legal opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Special Counsel, substantially in the form attached as APPENDIX D, will be made available to purchasers at the time of original delivery of the Certificates, and a copy thereof will accompany each applicable Certificate. Jones Hall is also acting as Disclosure Counsel to the Town. Certain legal matters will be passed upon for the Town by the Town Attorney.

Payment of the fees and expenses of Special Counsel and Disclosure Counsel is contingent upon the execution and delivery of the Certificates.

### **NO LITIGATION**

There is no litigation pending or, to the Town's knowledge, threatened in any way to restrain or enjoin the execution or delivery of the Certificates, the Facility Lease or the Trust Agreement, to contest the validity of the Certificates, the Facility Lease or the Trust Agreement, or any proceeding of the Town with respect thereto. In the opinion of the Town and its counsel, there are no lawsuits or claims pending against the Town which will materially affect the Town's finances so as to impair its ability to pay Base Rental Payments when due.

### **COMPETITIVE SALE OF CERTIFICATES**

The Certificates were sold following a competitive bidding process conducted on December 12, 2023, and were awarded to Fidelity Capital Markets, as underwriter (the "**Underwriter**"), whose proposal represented the conforming bid with the lowest true interest cost for the Certificates as determined in accordance with the Official Notice of Sale related to the Certificates. The Underwriter has agreed to purchase the Certificates at a price of \$4,491,644.67, which is equal to the initial principal amount of the Certificates of \$3,970,000.00 plus original issue premium of \$542,897.65, less an Underwriter's discount of \$21,252.98. The Underwriter intends to offer the Certificates to the public at the offering prices set forth on the inside cover page of this Official Statement. The Underwriter may offer and sell to certain dealers and others at a price lower than the offering prices stated on the inside cover page hereof. The offering price may be changed from time to time by the Underwriter.

## **RATINGS**

S&P Global Ratings, a division of Standard & Poor's Financial Services LLC ("**S&P**"), has assigned its municipal bond rating of "AA+" to the Certificates. Additionally, S&P has assigned an "Issuer Credit Rating" of "AAA" which S&P describes as reflecting the Town's general creditworthiness and does not incorporate any specific debt instrument. The ratings reflect only the view of the rating agency, and an explanation of the significance of this rating, and any outlook assigned to or associated with this rating, should be obtained from the rating agency. Generally, a rating agency bases its ratings on the information and materials furnished to it and on investigations, studies and assumptions of its own. The Town has provided certain additional information and materials to the rating agency (some of which does not appear in this Official Statement).

There is no assurance that any rating will continue for any given period of time or that a rating will not be revised downward or withdrawn entirely by the rating agency, if in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal of any rating on the Certificates may have an adverse effect on the market price or marketability of the Certificates.

## **EXECUTION**

The execution and delivery of this Official Statement have been duly authorized by the Town Council of the Town.

## **TOWN OF MORAGA**

By:                     /s/ Scott Mitnick                      
Town Manager

## **APPENDIX A**

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

*The following summary discussions of selected features of the Facility Lease and the Trust Agreement are made subject to all of the provisions of the Facility Lease and the Trust Agreement. This summary does not purport to be a complete statement of said provisions and prospective purchasers of the Certificates are referred to the complete text of the Facility Lease and the Trust Agreement.*

### **DEFINITIONS**

The following definitions are as set forth in the Trust Agreement and/or the Facility Lease:

“Additional Payments” means all amounts payable by the Town under the Facility Lease other than Base Rental Payments.

“Authorized Defeasance Securities” means (a) non-callable direct obligations of the United States of America (“Treasuries”), (b) evidences of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as a custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated or (c) pre-refunded municipal obligations rated “AAA” and “Aaa” by Standard & Poor’s Corporation and Moody’s Investors Service, respectively, at the time of purchase or investment.

“Authorized Representative” for purposes of the Trust Agreement (a) as to the Town, means the Mayor, the Town Manager, the Administrative Services Director or any other person designated in writing by the Town Council as an Authorized Representative of the Town for purposes of the Trust Agreement, and (b) as to the Authority, means the President, the Executive Director, the Chief Financial Officer or any other person designated in writing by the Board of Directors of the Authority.

“Base Rental Payments” means the scheduled semi-annual payments to be made by the Town under the Facility Lease.

“Business Day” means any day other than a Saturday or Sunday or day upon which the Corporate Trust Office is authorized by law to remain closed.

“Certificates” means the Town of Moraga 2023 Certificates of Participation authorized by and at any time Outstanding under the Trust Agreement and executed and delivered in accordance with the terms thereof. Serial Certificates means Certificates with respect to which no sinking fund payments are provided.

“Certificate of Completion” means a Certificate of the Town certifying that the Project has been completed, stating the date of such completion and stating that all of the Project Costs thereof and incidental expenses have been determined and paid (or that all of such costs and expenses have been paid less specified claims which are subject to dispute and for which a retention in the Project Fund is to be maintained in the full amount of such claims until such dispute is resolved).

“Certificate Year” means the 12-month period ending on April 1 of each year to which reference is made, except that the initial Certificate Year for the Certificates shall commence on the Closing Date and end on April 1, 2024.

“Closing Date” means the date on which the Certificates are delivered to the original purchaser thereof in exchange for payment of the purchase price for the Certificates.

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

“Corporate Trust Office” means the corporate trust office of the Trustee in Costa Mesa, California or such other office as may be designated in writing from time to time by the Trustee; and with respect to the delivery of the Certificates, so long as Wilmington Trust, N.A. is the Trustee, such other office as may be designated in writing from time to time by the Trustee.

“Delivery Costs” means all items of expense directly or indirectly payable by or reimbursable to the Town and related to the authorization, execution and delivery of the Facility Lease, the Trust Agreement and the execution, sale and delivery of the Certificates, including, but not limited to, costs of preparation and reproduction of documents, costs of rating agencies and costs to provide information required by rating agencies, filing and recording fees, initial fees and charges of the Trustee, legal fees and charges, fees and disbursements of consultants and professionals, fees and expenses of the underwriter, fees and charges for preparation, execution and safekeeping of the Certificates, fees of the Authority and any other cost, charge or fee in connection with the original execution and delivery of the Certificates.

“Event of Default” has the meaning described below under “Event of Default”.

“Facility Lease” means that certain lease, entitled “Facility Lease,” by and between the Authority as lessor and the Town as lessee dated as of December 1, 2023, as supplemented, modified or amended from time to time pursuant to the provisions of the Trust Agreement and the Facility Lease.

“Financial Newspaper” means *The Wall Street Journal* or *The Bond Buyer*, or any other newspaper or journal printed in the English language, publishing financial news and selected by the Trustee, which shall be under no liability by reason of such selection.

“Fiscal Year” means the 12-month period terminating each June 30, or any other annual accounting period selected and designated by the Town as its Fiscal Year in accordance with applicable law.

“Independent Financial Advisor” means financial advisor or financial advisory firm of recognized national standing in the field of providing financial advice to local government agencies with respect to municipal bond transactions or like municipal securities transactions, appointed and paid by the Town, and who, or each of whom (1) is in fact independent and not under the domination of the Town; (2) does not have a substantial financial interest, direct or indirect, in the operations of the Town or the Certificates; and (3) is not connected with the Town as a member, officer or employee of the Town, but who may be regularly retained to provide financial advisory services to the Town.

“Information Services” means the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (EMMA) system, or such other services providing information with respect to called bonds in accordance with then-current guidelines of the Securities and Exchange Commission; or to such other addresses and/or such other services providing information with respect to called bonds as the Town may designate in a Written Request of the Town delivered to the Trustee.

“Interest Payment Date” means a date on which interest with respect to the Certificates is paid, being each April 1 and October 1, commencing April 1, 2024.

“*Maximum Annual Debt Service*” means the sum of (1) the interest falling due with respect to then Outstanding Certificates, assuming that all then Outstanding Serial Certificates are retired as scheduled and that all then Outstanding Term Certificates are prepaid or purchased or retired at maturity at the times of and in amounts equal to the annual minimum sinking fund account payments applicable to such Term Certificates, but excluding any interest funded from the proceeds of any series of Certificates, if any, and deposited in the Interest Account to pay interest, and (2) the principal amount with respect to the then Outstanding Serial Certificates falling due by their terms; all as computed for the twelve-month period ending April 1 in which such sum is largest;

“*Annual Debt Service*” means the sum of said items (1) and (2), as computed for the twelve-month period ending April 1 to which reference is made.

“*Debt Service*” means the sum of said items (1) and (2).

"Average Annual Debt Service" means total Debt Service, divided by the number of twelve-month periods ending on April 1 (including any fractional period) remaining from the first maturity date of any Outstanding Certificate to the last maturity date of any Outstanding Certificate.

"Moody's Investors Service" means Moody's Investors Service, a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term "Moody's Investors Service" shall be deemed to refer to any other nationally recognized securities rating agency selected by the Town.

"Opinion of Counsel" means a written opinion of counsel of recognized national standing in the field of law relating to municipal bonds or like municipal securities, appointed and paid by the Town.

"Outstanding" at any particular time with reference to Certificates, means (subject to the provisions of the Trust Agreement) all Certificates except: (1) Certificates previously cancelled by the Trustee or surrendered to the Trustee for cancellation; (2) Certificates paid or deemed to have been paid as described below under "Defeasance"; and (3) Certificates in lieu of or in substitution for which other Certificates have been executed and delivered by the Trustee pursuant to the Trust Agreement.

"Owner" means any person who is the registered owner of any Outstanding Certificate.

"Permitted Investments" means any of the following to the extent then permitted by the laws of the State and the Town's adopted Investment Policy, as shown by a Certificate of the Town delivered to the Trustee:

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

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

(a) Federal Home Loan Mortgage Corporation (FHLMC) participation certificates (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts) senior debt obligations;

(b) Farm Credit Banks (formerly: Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives) consolidated system-wide bonds and notes;

(c) Federal Home Loan Banks (FHL Banks) consolidated debt obligations;

(d) Federal National Mortgage Association (FNMA) senior debt obligations mortgage-backed securities (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts);

(e) Government National Mortgage Association (GNMA) senior debt obligations mortgage-backed securities.

(3) Bankers' acceptances (having maturities of not more than 180 days) of any bank the short-term obligations of which are rated "A-1" or better by Standard & Poor's Corporation;

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

(5) Commercial paper (having original maturities of not more than 270 days) rated "A-1" by Standard & Poor's Corporation and "Prime-1" by Moody's Investors Service;

(6) The Local Agency Investment Fund (Sections 53600-53609 of the Government Code of the State), as now in effect or as may be amended or recodified from time to time; provided, that such investment is held in the name and to the credit of the Trustee; and provided further, that the Trustee may restrict such investment if required to keep monies available for the purposes of the Trust Agreement;

(7) Money market funds (including money market funds for which the Trustee, its affiliates or subsidiaries provide investment advisory or other management services) which invest in Federal Securities or which are rated in the highest short-term rating category by Moody's Investors Service or Standard & Poor's Corporation.

Permitted Investments may not include corporate debt other than commercial paper rated in the highest category by the Rating Agencies. Funds in the Reserve Account may be invested only in Permitted Investments with a term to maturity not exceeding five years.

"Project" means the construction and acquisition of such capital improvements to be financed with proceeds of the Certificates as are determined by the Town, including street and related storm drain improvements.

"Project Costs" means all costs of acquisition, design and construction of the Project and of expenses incident thereto (or for making reimbursements to the Town or any other person, firm or Authority for such costs theretofore paid by him or it), including, but not limited to, architectural and engineering fees and expenses, interest during construction, furnishings and equipment, tests and inspection, surveys, land acquisition, insurance premiums, losses during construction not insured against because of deductible amounts, costs of accounting, feasibility, environmental and other reports, inspection costs, permit fees, filing and recording costs and other Project-related costs.

"Rating Agencies" means Standard & Poor's Corporation and Moody's Investors Service.

"Record Date" means, with respect to an Interest Payment Date, the 15th day of the month immediately preceding such Interest Payment Date, irrespective of whether such date is a Business Day.

"Related Documents" means the Site Lease, the Facility Lease and the Trust Agreement.

"Reserve Account Requirement" means 50% of Maximum Annual Debt Service.

"Revenues" means (i) all Base Rental Payments and other payments paid by or for the benefit of the Town and received by the Trustee, as irrevocable assignee and transferee of the Authority pursuant to the Facility Lease (but not Additional Payments), and (ii) all interest or other income from any authorized investment of any money in any fund or account established pursuant to the Trust Agreement or the Facility Lease (other than the Rebate Fund, if any).

"Securities Depositories" means The Depository Trust Company, 55 Water Street, 50th Floor, New York, New York 10041-0099, Attn: Call Notification Department, Fax (212) 855-7232, in accordance with the then current guidelines of the Securities and Exchange Commission, to such other addresses or such other securities depositories, or to no such depositories, as the Town may designate in a Written Request of the Town delivered to the Trustee.

"Site" means the improved real property described as such in the Site Lease and the Facility Lease, together with any real property subsequently added thereto.

"Site Lease" means that certain Site Lease, between the Town, as Site lessor, and the Authority, as Site lessee, dated as of December 1, 2023 pursuant to which the Town has granted a leasehold interest to the Authority in the Site.

"Standard & Poor's Corporation" means Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC company, and its successors and assigns, except that if such corporation is dissolved or liquidated or can no longer perform the functions of a securities rating agency, then the term Standard & Poor's Corporation shall be deemed to refer to any other nationally recognized securities rating agency selected by the Town.

"State" means the State of California.

"Supplemental Trust Agreement" means any trust agreement then in full force and effect which has been duly executed and delivered by the Authority, the Town and the Trustee amendatory of or supplemental to the Trust Agreement; but only if and to the extent that such Supplemental Trust Agreement is specifically authorized under the Trust Agreement.

"Tax Certificate" means the "Certificate as to Arbitrage" delivered by the Town at the time of the execution and delivery of a series of Certificates, as the same may be amended or supplemented in accordance with its terms.

"Written Request of the Authority" means an instrument in writing signed by an Authorized Representative of the Authority.

"Written Request" of the Town means an instrument in writing signed by an Authorized Representative of the Town.

## **TRUST AGREEMENT**

*The following is a summary of certain provisions of the Trust Agreement. This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the Trust Agreement.*

### **Funds and Accounts**

Initial and Continuing Fund Activity. Upon receipt of money in payment of the purchase price of the Certificates, the Trustee will set aside and deposit or transfer the money as follows:

(a) Reserve Account. First, the Trustee will deposit the Reserve Account Requirement in the Reserve Account. On or before each April 1 and October 1, the Trustee will transfer and deposit in the Reserve Account any balance remaining in the Revenue Fund after satisfying the requirements described below with respect to the Interest Account and the Principal Account to the extent needed to increase the balance in the Reserve Account to the Reserve Account Requirement then applicable shall be deposited in the Reserve Account. The Trustee will withdraw and use all money in the Reserve Account solely to replenish the Interest Account or the Principal Account, in that order, in the event of any deficiency at any time in either of such funds, except that so long as the Town is not then in default under the Facility Lease or the Trust Agreement, the Trustee will transfer and deposit any cash amounts remaining in the Reserve Account in excess of the Reserve Account Requirement as of April 15 of any year first in the Rebate Fund held by the Trustee to the extent required to satisfy any Rebate Requirement (as defined in the Tax Certificate), and then the Trustee will transfer any remaining balance to the Town for any legal purpose to be determined by the Town in its sole discretion.

(b) Delivery Costs Fund. Next, the Trustee will deposit costs of issuance in the Delivery Costs Fund, to be withdrawn by the Trustee at the Written Request of the Town to pay the Delivery Costs of the

Certificates. Each Written Request must state the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against said fund. When six months have elapsed since the Closing Date, or earlier upon Written Request of the Town, any remaining balance in the Delivery Costs Fund will go to the Town for deposit in the Project Fund, and the Delivery Costs Fund shall be closed. Any invoices for Delivery Costs received by the Town after closure of the Delivery Costs Fund will be paid by the Town from the Project Fund or any other fund or account of the Town lawfully available for such purpose.

(c) Project Fund. After the Trustee has made the above deposits, the Trustee will transfer the balance to the Project Fund to be held by the Trustee until all costs and expenses related to the Project have been paid in full. The Town will requisition disbursements from the Project Fund and apply all amounts withdrawn to pay Project Costs and to expenses incident thereto (or to reimburse the Town or any other person for such costs otherwise paid).

Pledge of Revenues; Revenue Fund. The Town has covenanted in the Facility Lease to take all necessary action to include all Base Rental Payments and Additional Payments due under the Facility Lease in its annual budgets and to make necessary appropriations for all Base Rental Payments and Additional Payments. The Town acknowledges that the entitlement of the Authority to receive the Base Rental Payments has been irrevocably assigned and transferred to the Trustee and that the Base Rental Payments represent the primary intended source of Revenues for deposit into the Revenue Fund. All Revenues and any other amounts (including proceeds of the sale of the Certificates) received by the Trustee and deposited and held in any fund or account established and maintained by the Trustee under the Trust Agreement (other than amounts on deposit in the Rebate Fund) are irrevocably pledged to the payment of the interest and premium, if any, on and principal with respect to the Certificates, and the Revenues may not be used for any other purpose while any of the Certificates remain Outstanding except as permitted in the Trust Agreement. This pledge shall constitute a pledge of and charge and lien upon the Revenues subject to no prior pledge created by State law or contract, and all other money on deposit in the funds and accounts described above (excluding amounts on deposit in the Rebate Fund) are pledged to the payment of the interest and principal with respect to the Certificates. Whenever the Trustee receives funds representing Revenues (whether from the Town or any other source), the Trustee will deposit them in the Revenue Fund, which the Trustee agrees to maintain and hold while any Certificates remain Outstanding. All Revenues are to be accounted for through and held in trust in the Revenue Fund, and the Town will have no beneficial right or interest in any of the Revenues except only as provided in the Trust Agreement. All Revenues are to be accounted for separately and apart from all other accounts, funds, money or other resources of the Trustee and handled through Trustee-held accounts as follows:

(a) Interest Account. The Interest Account has first priority for the deposit of Revenues. On or before each April 1 and October 1, commencing on or before April 1, 2024, the Trustee will set aside from the Revenue Fund and deposit in the Interest Account that amount of money which, together with the balance on deposit therein (and available for such purposes), is equal to the amount of interest becoming due and payable with respect to all Outstanding Certificates on such April 1 or October 1, as applicable. No deposit need be made in the Interest Account if its balance is at least equal to and available for payment of the aggregate amount of interest becoming due and payable with respect to all Outstanding Certificates on the applicable Interest Payment Date. The Trustee will withdraw and use Interest Account money to pay interest with respect to the Certificates as it becomes due and payable (including accrued interest on any Certificates purchased or prepaid prior to maturity).

(b) Principal Account. The Principal Account has second priority to the Interest Account for the deposit of Revenues. On each April 1, commencing April 1, 2024, the Trustee will set aside from the Revenue Fund and deposit in the Principal Account that amount of money which, together with the balance on deposit therein (and available for such purposes), is equal to the principal amount with respect to all Outstanding Serial Certificates maturing on such April 1. No deposit need be made in the Principal Account if its balance is at least equal to and available for payment of the aggregate amount of the principal of all Outstanding Serial Certificates maturing by their terms on such April 1. The Trustee will withdraw and use all money in the Principal Account solely to pay the principal with respect to the Certificates as it shall become due and payable, whether at maturity or prepayment.

Other Fund Provisions. Amounts in the Revenue Fund, Principal Account, Interest Account and Reserve Account may be used by the Trustee to reimburse the Town for any rental paid under the Facility Lease for a period during which rent is abated and for which no other moneys are legally available. The Trust Agreement also provides for the handling of insurance proceeds and the investments of money in accounts and funds as follows:

(a) Insurance Proceeds. In the event of any damage to or destruction of or defect in title to any part of the Leased Facilities covered by insurance, the Town will cause any insurance proceeds to be used to repair, reconstruct or replace the affected part of the Leased Facilities to at least the same good order, repair and condition as was the case prior to the damage or destruction, to the extent possible with the amount of available proceeds, and toward that end the Trustee will receive and hold such proceeds in a special fund separate and apart from all other funds and will invest the proceeds in Permitted Investments pursuant to the Written Request of the Town. Withdrawals of proceeds and investment earnings in the special fund will occur from time to time upon the filing with the Trustee of a Written Request of the Town, stating that the Town has expended moneys or incurred liabilities in a stated amount for the purpose of the repair, reconstruction or replacement of the Leased Facilities, and specifying the items for which such moneys were expended, or such liabilities were incurred, in reasonable detail. The Town shall file a Written Request with the Trustee that sufficient funds from insurance proceeds or from any funds legally available to the Town, or from any combination thereof, are available in the event the Town elects to repair, reconstruct or replace the Leased Facilities. Any balance of such proceeds not required for such repair, reconstruction or replacement and the proceeds of use and occupancy insurance shall be treated and applied by the Trustee as Base Rental Payments. But if the proceeds of such insurance together with any other moneys legally available for such purpose are sufficient to prepay all Base Rental Payments, in case of damage or destruction in whole of the Leased Facilities, or prorated Base Rental Payments, in the case of partial damage or destruction of the Leased Facilities, then the Town may opt not to repair, reconstruct or replace the damaged or destroyed portion of the Leased Facilities and instead cause the Trustee to apply the available funds for the prepayment of Outstanding Certificates. The Town's option does not apply in the case of partial damage or destruction of the Leased Facilities unless the Base Rental Payments on the undamaged portion of the Leased Facilities will be sufficient to pay the initially scheduled principal and interest with respect to the Certificates remaining unpaid after such partial prepayment.

(b) Investments. As a general rule, all Trustee-held funds are to be invested in Permitted Investments at the Written Request of the Town. In the absence of a Written Request of the Town, the Trustee will invest in the Permitted Investments described in clause (4) of the definition of "Permitted Investments" (see "Certain Defined Terms" above). As nearly as practicable, such investments are to mature on or before the dates on which funds are anticipated to be needed for disbursement; provided, however, that no Reserve Account investments may have a maturity of more than five years. All interest or profits received prior to the completion of the Leased Facilities on any money so invested will be transferred to the Town for deposit in the Project Fund, and all interest or profits received after such completion will be deposited first in the Reserve Account, to the extent necessary to make amounts on deposit in the Reserve Account equal to the Reserve Account Requirement then determined, with any excess to be transferred to the Town. The Trustee is not liable for any investment losses. The Trustee and its affiliates may act as sponsor, principal or agent with respect to the making of any Permitted Investments. The Trustee may commingle monies in funds and accounts for investment purposes. The Trustee will furnish the Town periodic cash transaction statements which include detail for all investment transactions made by the Trustee.

### **Certain Covenants**

Project Completion. The Town will cause the Project to be acquired and constructed with all practicable dispatch, and such acquisition and construction will be made in an expeditious manner and in conformity with the law so as to complete the Project as soon as possible. Upon completion of the Project, the Town must deliver to the Trustee a Certificate of Completion, together with an Inspectors' Certificate stating the fact and date of such completion, stating that all costs of construction and incidental expenses have been determined and paid (or that all of such costs and expenses have been paid less specified claims which are subject to dispute and for which a retention in the Project Fund is to be maintained in the full amount of such claims until such dispute is resolved). Together with delivery of the Certificate of

Completion, the Town must transfer any remaining balance in the Project Fund and not needed for Project Fund purposes (such as retentions) to the Trustee for deposit first in the Reserve Account to the extent necessary to make the amount on deposit therein equal the Reserve Account Requirement then determined, with any remaining excess to be deposited in the Revenue Fund.

Punctuality. The Trustee will punctually pay from Revenues the interest, the principal of and prepayment premiums, if any, to become due with respect to every Certificate in strict conformity with the terms of the Trust Agreement and of the Certificates, and both the Trustee and the Town will faithfully observe and perform all the agreements and covenants to be observed or performed by the Trustee and the Town, respectively, contained in the Trust Agreement or in the Certificates.

Priority. No parity pledge of or any parity charge or lien on Revenues is permitted except as provided in the Trust Agreement, and the Trustee will not execute or deliver any certificates with respect to which payments from the Revenues are on parity with payments in respect of the Certificates or secured by a pledge of or charge or lien upon the Revenues other than with respect to the Certificates.

Rebate Fund. In addition to the other funds mandated by the Trust Agreement, the Trustee will establish and maintain the Rebate Fund separate and apart from any other fund or account. The Trustee will deposit amounts made available for the Rebate Fund, either by transfer of excess funds from the Reserve Account or funds from the Town, and from no other source. The Trustee will hold deposits in the Rebate Fund in trust to the extent required to satisfy the Rebate Requirement (as described in the Tax Certificate), for payment to the United States of America. The Rebate Fund is not to be funded from pledged Revenues, investment earnings on other Trustee-held funds or any proceeds of insurance or of remedies exercised in the case of default. The Trustee will administer the Rebate Fund under written directions of the Town and will have no liability or responsibility to enforce the Town's compliance with the terms of the Tax Certificate. When no Certificates remain Outstanding, the Trustee's fees and expenses have been paid or provided for and the Rebate Requirement has been satisfied, the Trustee will withdraw any remainder in the Rebate Fund and transfer it as the Town may direct.

Tax Compliance. The Town covenants to comply with the provisions and procedures of the Tax Certificate and to direct the Trustee to take any action that the Tax Certificate requires of the Trustee.

Records. The Town will keep or cause to be kept proper books of record and accounts in which complete and correct entries shall be made of all transactions relating to the receipts, disbursements, allocation and application of the Revenues, and such books will be available for inspection by the Trustee (who is has no duty to inspect), at reasonable hours and under reasonable conditions. Within 180 days after the close of each Fiscal Year, the Town will furnish or cause to be furnished to the Trustee a complete financial statement covering receipts, disbursements, allocation and application of Revenues for such Fiscal Year. The Town shall also keep or cause to be kept such other information as required under the Tax Certificate. The Trustee shall have no duty to review or examine such statements or other information.

Legal Proceedings. The Town will defend against every suit, action or proceeding at any time brought against the Trustee upon any claim to the extent arising out of the receipt, application or disbursement of any of the Revenues or to the extent involving the failure of the Town to fulfill its obligations under the Trust Agreement or the Facility Lease; provided that the Trustee or any affected Owner may opt to appear in and defend any such suit, action or proceeding. The Town will indemnify and hold harmless the Trustee against any and all liability claimed or asserted by any person to the extent arising out of such failure by the Town, and will indemnify and hold harmless the Trustee against any attorney's fees or other expenses which it may incur in connection with any litigation to which it may become a party by reason of its actions under the Trust Agreement or the Facility Lease, except for any loss, cost, damage or expense resulting from the negligence or willful misconduct by the Trustee. These covenants will remain in effect after no Certificates remain Outstanding.

Further Assurances. Whenever and so often as reasonably requested to do so by the Trustee or any Owner, the Town will promptly execute and deliver or cause to be executed and delivered all such other and further assurances, documents or instruments, and promptly do or cause to be done all such other and further things as may be necessary or reasonably required in order to further and more fully vest

in the Owners all rights, interests, powers, benefits, privileges and advantages conferred or intended to be conferred upon them by the Trust Agreement.

Limitations on Amendments. The Town will not supplement, amend, modify or terminate any of the terms of the Facility Lease or the Site Lease, or consent to any such supplement, amendment, modification or termination, without the written consent of the Trustee. The Trustee shall give such written consent only if (a) such supplement, amendment, modification or termination will not materially adversely affect the interests of the Owners or result in any material impairment of the security provided under the Trust Agreement for payments with respect to the Certificates, or (b) the Trustee first obtains the written consent of the Owners of a majority in principal amount of the Certificates then Outstanding to such supplement, amendment, modification or termination; provided, that no such supplement, amendment, modification or termination shall reduce the amount of Base Rental Payments to be made by the Town pursuant to the Facility Lease or extend the time for making such payments, or permit the creation of any lien prior to or on a parity with the lien created by the Trust Agreement on the Base Rental Payments, in each case without the written consent of all of the Owners of the Certificates then Outstanding.

Amendments. The Trust Agreement and the rights and obligations of the Town and of the Owners may be amended at any time by a Supplemental Trust Agreement which shall become binding when the written consents of the Owners of a majority in aggregate principal amount of the Certificates then Outstanding, excluding Certificates owned by or for the Town, are filed with the Trustee. No such amendment may (1) extend the maturity of or reduce the interest rate or amount of interest or principal or prepayment premium, if any, with respect to any Certificate without the express written consent of the Owner of such Certificate, or (2) permit the creation by the Town of any pledge of or charge or lien upon the Revenues superior to the pledge, charge and lien created by the Trust Agreement for the benefit of the Certificates, or (3) reduce the percentage of Certificates required for the written consent to any such amendment, or (4) modify any rights or obligations of the Trustee, the Authority or the Town without their prior written consent, respectively. The Owners need not approve any particular form of Supplemental Trust Agreement; their approval of the substance thereof will suffice.

The Trust Agreement and the rights and obligations of the Town and of the Owners may also be amended at any time by a Supplemental Trust Agreement which shall become binding upon adoption without the consent of any Owners, but only to the extent permitted by law and after receipt of an approving Opinion of Counsel, for any purpose that will not materially adversely affect the interests of the Owners, including (without limitation) for any one or more of the following purposes –

(a) to add to the agreements and covenants required in the Trust Agreement to be performed by the Town other agreements and covenants thereafter to be performed by the Town, or to surrender any right or power reserved therein to or conferred therein on the Town;

(b) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained therein or in regard to questions arising thereunder which the Town may deem desirable or necessary and not inconsistent therewith; or

(c) to add to the agreements and covenants required therein, such agreements and covenants as may be necessary to qualify the Trust Agreement under the Trust Indenture Act of 1939.

Promptly after the execution by the Town and the Trustee of any Supplemental Trust Agreement, the Trustee will mail a notice on behalf of the Town, setting forth in general terms the substance of such Supplemental Trust Agreement, to the Owners at the addresses shown on the registration books maintained by the Trustee. Any failure to give such notice, or any defect therein, will not, however, in any way impair or affect the validity of any such Supplemental Trust Agreement. Certificates owned or held by or for the account of the Town will not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding Certificates for purposes of amendments or supplements to the Trust Agreement. In any event, any Owner may accept any amendment as to the particular Certificates held by such Owner, provided that due notation thereof is made on such Certificates.

## **Events of Default and Remedies**

Upon the Trustee's acquiring actual knowledge of the occurrence of an Event of Default (as defined in the Facility Lease), and in each and every such case during the continuance of such Event of Default, the Trustee will declare that an Event of Default has occurred and shall notify the Town of such occurrence within five Business Days of the Trustee's acquiring such actual knowledge. Forthwith upon making the declaration of an Event of Default and giving such notice, the Trustee may, in addition to all other rights and remedies it may have at law, exercise the remedies provided in the Facility Lease, which remedies the Authority hereby irrevocable assigns and transfers to the Trustee.

Application of Funds. All moneys held by the Trustee in the accounts and funds provided in the Trust Agreement as of the date of the Trustee's notice to the Town, all proceeds from the liquidation of any Permitted Investments held by the Trustee in such funds, and all Revenues (other than amounts on deposit in the Rebate Fund) thereafter received by the Trustee under the Trust Agreement will be applied by the Trustee in the following order—

First, to the payment of the fees, costs and expenses of the Trustee for the performance of its duties thereunder and in providing for the declaration of such Event of Default, including reasonable compensation to its accountants and counsel together with interest on any amounts advanced and then to the payment of related costs and expenses of the Owners, if any, including reasonable compensation to their accountants and counsel; and

Second, upon presentation of Certificates for which the principal amount thereof is then due and owing, to the payment of the whole amount then due and owing and unpaid with respect to such Certificates for interest and principal, with (to the extent permitted by law) interest on the overdue interest and principal at the rate accrued with respect to such Certificates, and in case such money is not sufficient to pay in full the whole amount so owing and unpaid with respect to the Certificates, then to the payment of such interest first, the payment of such principal second and (to the extent permitted by law) to the payment of interest on overdue interest and principal third, without preference or priority among such interest, principal and interest on overdue interest and principal ratably to the aggregate of such interest, principal and interest on overdue interest and principal.

Legal Proceedings. If one or more of the Events of Default occurs and remains in effect, the Trustee may, and upon the written request of the Owners of a majority in principal amount of the Certificates then Outstanding, and upon being indemnified to its satisfaction therefor, will proceed to protect or enforce its rights or the rights of the Owners of the Certificates under the Trust Agreement and the Facility Lease by a suit in equity or action at law, either for the specific performance of any covenant or agreement contained therein, or in aid of the execution of any power therein granted, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Trustee shall deem most effectual in support of any of its rights and duties thereunder.

Non-Waiver. Nothing will affect or impair the obligation of the Trustee, which is absolute and unconditional, to pay the interest, principal and prepayment premiums, if any, with respect to the Certificates to the respective Owners of the Certificates at the respective dates of maturity or upon prior prepayment as provided in the Trust Agreement from the Revenues pledged for such payment, or will affect or impair the right of such Owners, which is also absolute and unconditional, to institute suit to enforce such payment by virtue of the contract embodied in the Trust Agreement and evidenced by the Certificates. A waiver of any default or breach of duty or contract by the Trustee or any Owner will not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission by the Trustee or any Owner to exercise any right or remedy accruing upon any default or breach of duty or contract will impair any such right or remedy or be construed as a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon the Owners under the Trust Agreement may be enforced and exercised from time to time and as often as shall be deemed expedient by the Trustee or the Owners. If any action, proceeding or suit to enforce any right or exercise any remedy is abandoned, the Trustee and any Owner will be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

Trustee as Attorney-in-Fact. Any action, proceeding or suit which any Owner has the right to bring to enforce any right or remedy under the Trust Agreement may be brought by the Trustee for the equal benefit and protection of all Owners, whether or not the Trustee is an Owner, and the Trustee is appointed (and the successive Owners, by taking and holding the Certificates delivered thereunder, will be conclusively deemed to have appointed it) the attorney-in-fact of the Owners for bringing any such action, proceeding or suit and for doing and performing anything for and on behalf of the Owners as a class or classes as may be advisable or necessary in the opinion of the Trustee as such attorney-in-fact.

Remedies Not Exclusive. No conferred upon or reserved to the Owners in the Trust Agreement is intended to be exclusive of any other remedy, and each such remedy will be cumulative and in addition to every other remedy given thereunder or existing at law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by law.

Limitation on Owner's Right To Sue. No Owner of any Certificate delivered under the Trust Agreement will have the right to institute any suit, action or proceeding at law or equity, for any remedy under or upon the Trust Agreement, unless (a) such Owner has given the Trustee written notice of the occurrence of an Event of Default under the Facility Lease; (b) the Owners of at least a majority in aggregate principal amount of all the Certificates then Outstanding have made written request upon the Trustee to exercise the powers granted in the Trust Agreement or to institute such suit, action or proceeding in its own name; (c) said Owners have tendered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee has refused or failed to comply with such request within 60 days after the Trustee has received the request and tender of indemnity. Such notification, request, tender of indemnity and refusal or omission are conditions precedent to the exercise by any Owner of the Certificates of any remedy under the Trust Agreement, and no one or more Owners of the Certificates will have any right to enforce any provision of the Trust Agreement, except as provided therein, and all proceedings at law or in equity to enforce any provision of the Trust Agreement will be instituted, had and maintained as provided in the Trust Agreement and for the equal benefit of all Owners of the Outstanding Certificates.

## **Discharge and Defeasance**

Discharge. If the Trustee pays or causes payment, or payment otherwise is made, to the Owners of all Outstanding Certificates the interest, principal and prepayment premiums, if any, with respect thereto at the times and in the manner stipulated in the Trust Agreement, then the Owners of such Certificates will cease to be entitled to the pledge of and charge and lien upon the Revenues as provided therein, and all agreements, covenants and other obligations of the Trustee to the Owners of such Certificates thereunder will thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee will execute and deliver to the Town all instruments necessary or desirable to evidence such discharge and satisfaction, and the Trustee will pay or deliver to the Town all money or securities held by it pursuant to the Trust Agreement that are not required for the payment of the interest, principal and prepayment premiums, if any, with respect to such Certificates.

Defeasance. Prior to maturity or prepayment, any Outstanding Certificate will be deemed to have been paid and discharged as described in the preceding paragraph if (1) in case such Certificate is to be prepaid prior to maturity, the Town has given the Trustee irrevocable instructions to provide notice of prepayment under the Trust Agreement or an applicable Supplemental Trust Agreement, (2) there has been deposited with the Trustee (A) money sufficient and/or (B) Authorized Defeasance Securities, the interest on and principal of which when paid will provide money which, together with the money, if any, deposited with the Trustee at the same time, are sufficient, in the opinion of an Independent Financial Advisor, to pay when due the interest to become due with respect to such Certificate on and prior maturity or prepayment, as the case may be, and the principal and prepayment premium, if any, with respect to such Certificate, and (3) in the event such Certificate is not subject to prepayment within the next 60 days, the Town has given the Trustee irrevocable instructions to mail as soon as practicable, a notice to the Owner of such Certificate that the deposit required by clause (2) above has been made and that such Certificate is deemed to have been paid and stating the maturity date or prepayment when money is to be available for the payment of the principal and prepayment premiums, if any, with respect to such Certificate. To

accomplish defeasance the Town will cause to be delivered (i) an escrow agreement or irrevocable refunding instructions and (ii) an Opinion of Counsel to the effect that such Certificates are no longer Outstanding under the Trust Agreement.

Unclaimed Money. Any money held by the Trustee in trust for the payment and discharge of any Certificate or interest with respect thereto which remains unclaimed for two years after the date when such Certificate or interest with respect thereto has become due and payable, either at maturity or by call for prepayment, if such money was then held by the Trustee, or for two years after the date of deposit of such money if deposited with the Trustee after the date when such Certificate has become due and payable, will be paid by the Trustee to the Town as its absolute property free from trust, and the Trustee will then be released and discharged with respect thereto, and the Owner may not look to the Trustee for any payment with respect to such Certificate; provided, however, that before being required to make any such payment to the Town, the Trustee may, and at the request of the Town will, at the expense of the Town, cause to be published once a week for two successive weeks in a Financial Newspaper of general circulation in Los Angeles and in San Francisco, California, and in the same or a similar Financial Newspaper of general circulation in New York, New York, a notice that such money remains unclaimed and that, after a date specified in such notice, not be less than 30 days after the date of the first publication of each such notice, the balance then unclaimed will be remitted to the Town.

## **FACILITY LEASE**

*The following is a summary of certain provisions of the Facility Lease. This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the Facility Lease.*

Base Rental Payments. Subject to a credit for any balance in the Interest Account, the Town agrees to pay directly to the Trustee, as the irrevocable assignee and transferee of the Authority, Base Rental Payments for the use and occupancy of the Leased Facilities (subject to abatement and other provisions of the Facility Lease), semiannually on each March 15 and September 15 in accordance with the Base Rental Payment Schedule. The Town acknowledges that the Base Rental Payments represent the reasonably estimated and anticipated fair rental value of the Leased Facilities, as improved by the Project, as the same is expected to increase during the term of the Facility Lease. Base Rental Payments are calculated on an annual basis, for each 12-month period commencing April 2 and ending the following April 1, except that the rental payment due and payable April 1, 2024, will be for the period commencing on the closing date. Each annual payment of Base Rental shall be for the use of the Leased Facilities for the 12-month period commencing April 2 in the period for which such installments are payable.

Additional Payments. The Town will also make Additional Payments as required for all costs and expenses incurred for the execution, performance or enforcement of the Facility Lease and the Trust Agreement, its interest in the Leased Facilities and the lease of the Leased Facilities to the Town, including but not limited to payment of all fees, costs and expenses and all administrative costs related to the Leased Facilities, including, without limiting the generality of the foregoing, salaries and wages of employees, all expenses, compensation and indemnification of the Trustee pursuant to the Trust Agreement, fees of auditors, accountants, attorneys or architects, and all other necessary administrative costs or charges required to be paid by the Town in order to maintain its existence or to comply with the terms of the Facility Lease or the Trust Agreement, but excluding from "Additional Payments" the amounts required to pay the principal, interest and prepayment premiums, if any, with respect to the Certificates.

No Offsets; Triple-Net Lease. The Town must make all rental payments when due without deduction or offset of any kind and not withhold any rental payments pending resolution of any dispute. If the Town is determined not to be liable for any rental payment or portion thereof, the applicable amount will be credited against subsequent rental payments or refunded to the Town at the time of such determination. The Facility Lease is a "net-net-net lease", and the Town agrees that the rentals provided for therein will be an absolute net return to the Trustee, free and clear of any expenses, charges or set-offs whatsoever, except as provided therein.

Appropriations. The Town covenants to take such action as may be necessary to include all such Base Rental Payments and Additional Payments due hereunder in its annual budgets, and to make necessary annual appropriations for all such Base Rental Payments and Additional Payments. The Town will deliver to the Trustee copies of the portion of each annual Town budget relating to the payment of Base Rental Payments and Additional Payments within thirty (30) days after the adoption thereof in each year. The covenants on the part of the Town shall be deemed to be and shall be construed to be duties imposed by law and it shall be the duty of each and every public official of the Town to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the Town to carry out and perform the covenants and agreements in this Lease agreed to be carried out and performed by the Town.

Abatement of Base Rental Payments. The Base Rental Payments shall also be abated proportionately, during any period in which by reason of any damage or destruction or other event (other than by condemnation which is hereinafter provided for) there is substantial interference with the use and occupancy of the Leased Facilities by the Town, in such amount as will be agreed upon by the Town and the Authority such that the resulting Base Rental Payments represent fair consideration for the use and occupancy of the portions of the Leased Facilities not damaged, destroyed or unavailable. Such abatement shall continue for the period commencing with such damage or destruction or unavailability and ending with the substantial completion of the work of repair or reconstruction, or resumption of availability. In the event of any such damage, destruction or other event, this Lease shall continue in full force and effect, and the Town waives any right to terminate this Lease by virtue of any such damage or destruction. Notwithstanding the foregoing, there will be no abatement of Base Rental Payments to the extent that the proceeds of an eminent domain or insurance award (including proceeds of rental interruption insurance maintained by the Town under the Facility Lease) are available to pay Base Rental Payments, or to the extent that moneys are available in the Lease Payment Fund or the Reserve Fund, it being declared in the Facility Lease that such proceeds and amounts constitute special funds for the payment of the Base Rental Payments.

## **Insurance**

Property Insurance. Except to the extent the Town self-insures as described below, throughout the term of the Facility Lease the Town will procure or arrange for and maintain insurance against loss or damage to any structures that are part of the Leased Facilities due to fire and lightning, with extended coverage insurance, vandalism and malicious mischief insurance and sprinkler system leakage insurance, excluding earthquake insurance unless the Town determines that such insurance is reasonably available at reasonable cost in the commercial market from reputable insurance companies. To the extent it is practical, the extended coverage insurance will cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and other hazards normally covered by such insurance. Coverage must be sufficient to pay the replacement cost (without deduction for depreciation) of all structures that are part of the Leased Facilities, excluding excavations, grading and filling, or land, subject to deductibles or retentions up to \$250,000, or as an alternative, sufficient (together with moneys in the Reserve Account and available for the purpose), in the event of total or partial loss, to enable all Certificates then Outstanding to be prepaid. Any insurance other than self-insurance must be provided by an insurer rated "A" or better by A.M. Best Corporation and shall name the Authority and the Trustee as loss payees as to their respective interests in the Leased Facilities.

Use of Insurance Proceeds. In the event of any damage to or destruction of any part of the Leased Facilities caused by the perils covered by the insurance described in the preceding paragraph, the Town will cause the proceeds of such insurance to be used for the repair, reconstruction or replacement of the damaged or destroyed portion of the Leased Facilities, and the Town will hold said proceeds separate and apart from all other funds, in a special fund called the "Insurance and Condemnation Fund" to the end that such proceeds shall be applied to the repair, reconstruction or replacement of the Leased Facilities to at least the same good order, repair and condition as prevailed prior to the damage or destruction, to the extent that may be accomplished by the use of said proceeds. Whenever the Town spends money in the Insurance and Condemnation Fund, the Town will provide the Trustee with a Certificate of the Town to the effect that the Town has expended moneys or incurred liabilities in an amount equal to the amount therein requested to be paid for the purpose of repair, reconstruction or replacement, and specifying the items for which such moneys were expended, or such liabilities were incurred. Any balance of said proceeds not

required for such repair, reconstruction or replacement shall be treated by the Trustee as Base Rental Payments and applied to the purchase or prepayment of Certificates. Alternatively, but only if the proceeds of such insurance and any amounts transferred from the Reserve Account together with any other moneys then available for the purpose are at least sufficient to prepay an aggregate principal amount of Outstanding Certificates equal to the amount of Outstanding Certificates attributable to the portion of the Leased Facilities so destroyed or damaged (determined by reference to the proportion which the acquisition, design and construction cost of such portion of the Leased Facilities bears to the acquisition, design and construction cost of the Leased Facilities), the Town may elect not to repair, reconstruct or replace the damaged or destroyed portion of the Leased Facilities and thereupon shall cause said proceeds to be used for the prepayment of Outstanding Certificates pursuant to the provisions of the Trust Agreement. The Town will apply promptly for Federal disaster aid or State disaster aid in the event that the Leased Facilities are damaged or destroyed as a result of an earthquake (or other declared disaster for which such aid is available). Any proceeds received as a result of such disaster aid shall be used to repair, reconstruct, restore or replace the damaged or destroyed portions of the Leased Facilities, or, at the option of the Town, to fund the prepayment of Outstanding Certificates to the extent that permitted for such aid.

Rental Interruption Insurance. The Town must procure or cause to be procured and maintain or cause to be maintained throughout the term of the Facility Lease, rental interruption or use and occupancy insurance to cover loss, total or partial, of the rental income from or the use of the Leased Facilities as the result of any of the hazards covered by the casualty insurance requirements described above, in an amount sufficient to pay the part of the total rent under the Facility Lease attributable to the portion of the Leased Facilities rendered unusable (determined by reference to the proportion which the acquisition, design and construction cost of such portion bears to the acquisition, design and construction cost of the Leased Facilities) for a period of at least two years, a deductible clause of not more than \$5,000. Any proceeds of such insurance and any amounts transferred from the Reserve Account will be used by the Trustee to reimburse to the Town any rental theretofore paid by the Town under the Facility Lease attributable to such structure for a period of time during which the payment of rental under the Facility Lease is abated, and any proceeds of such insurance not so used shall be applied to the extent required for the payment of Base Rental Payments and Additional Payments).

Liability Insurance. Except to the extent the Town self-insures as described below, the Town will procure or cause to be procured and maintain or cause to be maintained, throughout the term of the Facility Lease, a standard comprehensive general liability insurance policy or policies in protection of the Authority, the Trustee and their respective members, directors, officers, agents and employees, indemnifying said persons against all direct or contingent loss or liability for damages for personal injury, death or property damage occasioned by reason of the operation of the Leased Facilities, with 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 each accident or event, and in a minimum amount of three hundred thousand dollars \$300,000, subject to a deductible clause of not to exceed \$10,000, for damage to property resulting from each 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 carried by the Town.

Self-Insurance. As an alternative to procuring all or part of the casualty or liability insurance described above, the Town may provide a self-insurance method or plan of protection if and to the extent such self-insurance method or plan of protection provides reasonable coverage for the risks required to be insured against, in light of all circumstances, giving consideration to cost, availability and similar plans or methods of protection adopted by public entities in the State other than the Town. Before such other method or plan may be provided by the Town, and annually thereafter so long as such method or plan is being provided to satisfy the requirements of the Facility Lease, the Town will arrange for filing with the Trustee a certificate of an actuary, insurance consultant or other qualified person, stating that, in the opinion of the signer, the substitute method or plan of protection is in accordance with these requirements, when effective, would afford reasonable coverage for the risks required to be insured against. The Town must also file with the Trustee a Certificate of the Town setting forth the details of such substitute method or plan. In the event of loss covered by any such self-insurance method, the liability of the Town will be limited to the amounts in the self-insurance reserve fund or funds created under such method.

Other Insurance. The Town must maintain worker's compensation insurance issued by a responsible carrier authorized under the laws of the State to insure its employees against liability for compensation under the Worker's Compensation Insurance and Safety Act now in force in the State, or any amendment or supplement thereto. As an alternative, such insurance may be maintained as part of or in conjunction with any other insurance carried by the Town, including self-insurance. Upon execution and delivery of the Facility Lease, the Town will obtain title insurance on the Leased Facilities in the form of a CLTA title policy, including both leaseholder's and owner's coverage, in an amount equal to the aggregate principal amount of the Certificates, issued by a company of recognized standing duly authorized to issue the same, subject only to Permitted Encumbrances, naming the Trustee as an additional insured thereunder.

Insurance Administration. All policies of casualty and rental interruption insurance described above must be provided by an insurer rated "A" or better by A.M. Best Corporation and provide that all proceeds will be payable to the Trustee pursuant to a lender's loss payable endorsement. The Trustee will collect, adjust and receive all moneys which may become due and payable under any such policies, may compromise any and all claims thereunder and will apply the proceeds of such insurance as described above. All policies of insurance required by the Facility Lease must provide that the Trustee will be given 30 days' prior notice of each expiration thereof or any intended cancellation thereof or reduction of the coverage provided thereby. The Trustee is not responsible for the sufficiency of any insurance required under the Facility Lease and will be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss agreed to by the Trustee. The Town must pay when due the premiums for all insurance policies required under the Facility Lease and annually deliver to the Trustee a Certificate of the Town setting forth and stating that the insurance then in force satisfies the requirements of the Facility Lease and any required supporting documentation.

Indemnification. To the full extent then permitted by law, the Town will indemnify, protect, hold harmless, save and keep harmless the Authority and its directors, officers and employees and the Trustee and its directors, officers and employees from and against any and all liability, obligations, losses, claims and damages whatsoever, regardless of the cause thereof, and expenses in connection therewith, including, without limitation, counsel fees and expenses, penalties and interest arising out of or as the result of the entering into of the Site Lease or the Facility Lease, the acquisition, construction, installation and use of the Project and each portion thereof or any accident in connection with the operation, use, condition or possession of the Project or any portion thereof resulting in damage to property or injury to or death to any person including, without limitation, any claim alleging latent and other defects, whether or not discoverable by the Town or the Authority; any claim for patent, trademark or copyright infringement; and any claim arising out of strict liability in tort. The foregoing indemnification shall not apply to any damages or other liability caused by the sole negligence or willful misconduct of the Authority or Trustee, and their agents. This indemnification will continue in full force and effect notwithstanding the full payment of all obligations under the Facility Lease or its termination. The Town must not to withhold or abate any portion of the payments required under this indemnification by reason of any defects, malfunctions, breakdowns or infirmities of the Project.

## **Defaults and Remedies**

Payment or Performance Defaults. If the Town fails to pay any rental payable on the March 15 or September 15 when due and payable, or the Town fails for a period of 30 days (or for such additional time as the Trustee may consider to be reasonably required) after notice from the Trustee to keep, observe or perform any other term, covenant or condition of the Facility Lease to be kept or performed by the Town, to correct the same, or upon the happening of any of the events described below (any such case being an "Event of Default"), the Town will be in default under the Facility Lease, and the Trustee as irrevocable assignee and transferee of the Authority may lawfully exercise any and all remedies available pursuant to law or granted pursuant to the Facility Lease. Upon any such default, the Trustee, in addition to all other rights and remedies it may have at law, may opt to do any of the following:

Terminate and Remove. The Trustee may terminate the Facility Lease on account of default by the Town, notwithstanding any re-entry or re-letting of the Leased Facilities as described below, and re-enter the Leased Facilities and remove all persons in possession thereof and all personal property

whatsoever situated upon the Leased Facilities. In the event of such termination, the Town must immediately surrender possession of the Leased Facilities and to pay the Trustee all damages that the Trustee may incur by reason of default by the Town, including, without limitation, any costs, loss or damage whatsoever arising out of, in connection with, or incident to any such re-entry upon the Leased Facilities and removal and storage of property. Neither notice to pay rent or to deliver up possession of the Leased Facilities given pursuant to law nor any entry or re-entry by the Trustee nor any proceeding in unlawful detainer, or otherwise, brought by the Trustee for the purpose of effecting such re-entry or obtaining possession of the Leased Facilities nor the appointment of a receiver upon initiative of the Trustee to protect the Trustee's interest under the Facility Lease will operate to terminate the Facility Lease, and no termination of the Facility Lease on account of default by the Town will be or become effective by operation of law or acts of the parties thereto, or otherwise, unless and until the Trustee has given written notice to the Town of the Trustee's election to terminate the Facility Lease. No surrender of the Leased Facilities or of the remainder of the term of the Facility Lease or any termination thereof will be valid unless stated or accepted by the Trustee in its written notice.

Collect or Re-Enter. Without terminating the Facility Lease, (1) collect each installment of rent as it becomes due and enforce any other terms or provisions of the Facility Lease to be kept or performed by the Town, whether or not the Town has abandoned the Leased Facilities, or (2) exercise any and all rights of re-entry upon the Leased Facilities. In the event the Trustee does not opt to terminate The Facility Lease as described above, the Town will remain liable and must keep or perform all covenants and conditions to be kept or performed by the Town under the Facility Lease. If the Leased Facilities are not re-let, the Town must pay the full amount of the rent to the end of the term of the Facility Lease. If the Leased Facilities are re-let, the Town must pay any resulting deficiency in rent. In either case, the Town must pay the rent and/or rent deficiency punctually at the same time and in the same manner as otherwise provided for the payment of rent under the Facility Lease (without acceleration), without regard to any excess amounts received or to be received by the Trustee or any entry or re-entry by the Trustee or suit in unlawful detainer, or otherwise, brought by the Trustee for the purpose of effecting such entry or re-entry or obtaining possession of the Leased Facilities. If the Trustee enters or re-enters, the Town irrevocably appoints the Trustee as the agent and attorney-in-fact of the Town to re-let the Leased Facilities, or any part thereof, from time to time, either in the Trustee's name or otherwise, upon such terms and conditions and for such use and period as the Trustee may deem advisable, and to remove all persons in possession thereof and all personal property whatsoever situated upon the Leased Facilities and to place such personal property in storage, for the account of and at the expense of the Town. Further, the Town exempts and will save harmless the Trustee from any costs, loss or damage whatsoever arising out of, in connection with, or incident to any such re-entry upon and re-letting of the Leased Facilities and removal and storage of such property by the Trustee or its duly authorized agents. The Town further waives the right to any rental obtained by the Trustee in excess of the rental required to be paid by the Town under the Facility Lease, which the Trustee will retain as compensation for its services in re-letting the Leased Facilities or any part thereof. The Town further agrees to pay the Trustee the cost of any alterations or additions to the Leased Facilities necessary to place the Leased Facilities in condition for re-letting immediately upon notice to the Town of the completion and installation of such additions or alterations. The Town also waives any and all claims for damages caused or which may be caused by the Trustee in re-entering and taking possession of the Leased Facilities and all claims for damages that may result from the destruction of the Leased Facilities and all claims for damages to or loss of any property belonging to the Town, or any other person, that may be in or upon the Leased Facilities.

Other Defaults. The Town will be in default under the Facility Lease if (1) the Town's interest in the Facility Lease or any part thereof is assigned or transferred, either voluntarily or by operation of law or otherwise, without the written consent of the Trustee, or (2) the Town or any assignee files any petition or institutes any proceeding under any act or acts, State or federal, dealing with or relating to the subject or subjects of bankruptcy or insolvency, or under any amendment of such act or acts, either as a bankrupt or as an insolvent, or as a debtor, or in any similar capacity, wherein or whereby the Town asks or seeks or prays to be adjudicated a bankrupt, or is to be discharged from any or all of the Town's debts or obligations, or offers to the Town's creditors to effect a composition or extension of time to pay the Town's debts or asks, seeks or prays for reorganization or to effect a plan of reorganization, or for a readjustment of the Town's debts, or for any other similar relief, or if any such petition or similar proceedings are filed, instituted or taken against the Town, or if a receiver of the business or of the property or assets of the Town is

appointed by any court, except a receiver appointed at the instance or request of the Trustee, or if the Town makes a general or any assignment for the benefit of the Town's creditors, or if (3) the Town abandons or vacates the Leased Facilities.

Actions by the Trustee. In the case of default by the Trustee with regard to default and remedy provisions of the Facility Lease, the Town may pursue any remedy provided by law, but in no case will the Trustee be in default in the performance of any of its obligations under the Facility Lease or imposed by any statute or rule of law unless and until the Trustee has failed to perform such obligations within 30 days or such additional time as is reasonably required to correct any such default after notice by the Town to the Trustee properly specifying any failure of the Trustee to perform any such obligation. In addition to the Trustee's other remedies, the Trustee may proceed to protect and enforce the rights vested in the Trustee by the Facility Lease or by law. The provisions of the Facility Lease and the duties of the Town and of its officers or employees will be enforceable by the Trustee by mandamus or other appropriate suit, action or proceeding in any court of competent jurisdiction. Without limiting the generality of the foregoing, the Trustee shall have the right to bring the following actions:

(1) Accounting. By action or suit in equity to require the Town and its trustees, officers and employees and its assigns to account as the trustee of an express trust.

(2) Injunction. By action or suit in equity to enjoin any acts or things which may be unlawful or in violation of the rights of the Trustee.

(3) Mandamus. By mandamus or other suit, action or proceeding at law or in equity to enforce the Trustee's rights against the Town (and its Town Council, officers and employees) and to compel the Town to perform and carry out its duties and obligations under the law and its covenants and agreements with the Town as provided in the Facility Lease.

Each of the Trustee's remedies is cumulative. The single or partial exercise of any right, power or privilege will not impair the Trustee's right to other or further exercise thereof or the exercise of any or all other rights, powers or privileges. The term "re-let" or "re-letting" as described above includes and is not limited to re-letting by means of the operation by the Trustee of the Leased Facilities. If any statute or rule of law validly limits the remedies given to the Trustee under the Facility Lease, the Trustee will still be entitled to whatever remedies are allowable under any statute or rule of law. If the Trustee prevails in any action brought to enforce any of the terms and provisions of the Facility Lease, the Town must pay a reasonable amount as and for attorney's fees incurred by the Trustee in attempting to enforce any of the remedies available to the Trustee, whether or not a lawsuit has been filed and whether or not any lawsuit culminates in a judgment. Failure by the Trustee to take advantage of any default on the part of the Town will not be, or be construed as, a waiver thereof, nor will any custom or practice between the parties in the course of administering the Facility Lease be construed to waive or to lessen the right of the Trustee to insist upon performance by the Town of any term, covenant or condition of the Facility Lease or to exercise any rights given the Trustee on account of such default. A waiver of a particular default is not a waiver of the same or any subsequent default. The acceptance of rent is not a waiver of any term, covenant or condition of the Facility Lease.

### **Eminent Domain, Prepayment and Purchase Option**

Eminent Domain. If the whole of the Leased Facilities or so much thereof as to render the remainder unusable for the purposes previously used by the Town is taken under the power or threat of eminent domain, the term of the Facility Lease will cease as of the day that possession is taken. If less than the whole of the Leased Facilities is taken under the power or threat of eminent domain and the remainder is usable for the purposes previously used by the Town at the time of such taking, then the Facility Lease will continue in full force and effect as to the usable remainder, and there will be a partial abatement of the rental due under the Facility Lease in an amount equivalent to the amount by which the annual payments of principal of and interest with respect to the Certificates then Outstanding will be reduced by the application of the award in eminent domain to the prepayment of Outstanding Certificates. So long as any of the Certificates shall be Outstanding, any award made in eminent domain proceedings or compensation paid under threat thereof for taking the Leased Facilities or any portion thereof will be paid

to the Trustee and applied to the prepayment of the Base Rental Payments as described below. Any such award made after all of the Base Rental Payments and Additional Payments have been fully paid, or provision therefor made, will be paid to or retained by the Town.

Prepayment. The Town must prepay rent under the Facility Lease from insurance and eminent domain proceeds (except when partial damage or destruction of the Leased Facilities results in the collection of insurance proceeds the Town considers to be sufficient to repair, reconstruct or replace the damaged or destroyed portion of the Leased Facilities, in which case such proceeds will be held by the Trustee and used to repair, reconstruct or replace the damaged or destroyed portion of the Leased Facilities), all or any part (in an integral multiple of \$5,000) of Base Rental Payments then unpaid so that the aggregate annual amounts of Base Rental Payments which remaining payable after such prepayment date will be as nearly proportional as practicable to the aggregate annual amounts of Base Rental Payments unpaid prior to the prepayment date, at a prepayment amount equal to the principal of and interest with respect to the Certificates to the date of prepayment, plus any applicable premium. The Town may prepay, from any source of available funds, all or any portion of Base Rental Payments by depositing with the Trustee moneys or securities as provided in the defeasance provisions of the Trust Agreement (see "Trust Agreement – Defeasance") sufficient to make such Base Rental Payments when due; provided that the Town furnishes the Trustee with an Opinion of Counsel that such deposit will not cause interest with respect to the Certificates to be includable in gross income for federal income tax purposes. The Town agrees that if following such prepayment the Leased Facilities are damaged or destroyed or taken by eminent domain, it is not entitled to, and by such prepayment waives the right of, abatement of such prepaid Base Rental Payments, and the Town will not be entitled to any reimbursement of such Base Rental Payments. The obligations of the Town under the Facility Lease will cease, terminate, become void and be completely discharged and satisfied (except for the right and the obligation to have such moneys and such Permitted Investments applied to the payment or prepayment of the Base Rental Payments or option price), and the Authority's interest in and title to the Leased Facilities or applicable portion or item thereof shall be transferred and conveyed to the Town when both of the following conditions have occurred: (1) there have been deposited with the Trustee at or prior to the due dates of the Base Rental Payments or date when the Town may exercise its option to purchase the Leased Facilities or any portion or item thereof, in trust for the benefit of the Owners of the Certificates and irrevocably appropriated and set aside to the payment of the Base Rental Payments or option price, sufficient moneys and qualified defeasance securities sufficient to pay all principal of and interest with respect to the Certificates to the due date of the Certificates or date when the Town may exercise its option to purchase the Leased Facilities, as the case may be; and (2) an agreement is made with the Trustee for the payment of its fees and expenses so long as any of the Certificates remain unpaid. In such event, the Trustee shall cause an accounting for such period or periods as may be requested by the Town to be prepared and filed to evidence such discharge and satisfaction, and the Trustee shall pay the Town as an overpayment of Base Rental Payments all such moneys or Permitted Investments held by it pursuant to the Facility Lease (other than moneys and Permitted Investments required for the payment or prepayment of the Base Rental Payments or the option price and the fees and expenses of the Trustee, which will continue to be held by the Trustee in trust and applied for such purposes).

Purchase Option. The Town has the option to purchase the Authority's interest in any part of the Leased Facilities upon payment of an option price consisting of moneys or qualified defeasance securities sufficient (together with the earnings and interest on such securities) to provide funds to pay the aggregate amount for the entire remaining term of the Facility Lease of the part of the total rent attributable to that part of the Leased Facilities (determined by reference to the proportion which the acquisition, design and construction cost of such part of the Leased Facilities bears to the acquisition, design and construction cost of all of the Leased Facilities). The Town will make any such payment to the Trustee as rental payments and will be applied by the Trustee to pay the principal of and interest with respect to the Certificates and to prepay Certificates if such Certificates are subject to prepayment pursuant to the terms of the Trust Agreement. Upon the making of such payment to the Trustee, the Base Rental Payments thereafter payable under the Facility Lease will be reduced by the amount thereof attributable to such part of the Leased Facilities and theretofore paid, the abatement and insurance provisions of the Facility Lease will not thereafter apply to such part of the Leased Facilities, and title to such part of the Leased Facilities will vest in the Town and the term of the Facility Lease will end as to such part of the Leased Facilities.

Personal Property. At its discretion, the Town may sell or exchange any personal property that is a part of the Leased Facilities and release it from the Facility Lease, if the Town finds the property sold or exchanged is no longer required or useful in connection with the operation of the Leased Facilities, the consideration to be received from sale or exchange of the property is of a value substantially equal to the value of the property to be released and, if the Town values such property in excess of \$50,000, the Town obtains a certificate of an independent engineer or other qualified independent professional consultant certifying the value thereof and further certifying that such property is no longer required or useful in connection with the operation of the Leased Facilities. In the event of any such sale, the full amount of the money or consideration received for the personal property so sold and released will be paid to the Trustee. As long as the Town is not in default under any of the provisions of the Facility Lease, the Trustee will disburse funds it receives upon the Written Request of the Town to purchase personal property that will become part of the Leased Facilities. The Trustee may require opinions, certificates and other documents it considers necessary before permitting any sale or exchange of personal property subject to the Facility Lease or before releasing for the purchase of new personal property money received by the Trustee for personal property sold.

### **Certain Covenants of the Town**

Right of Entry. The Trustee has the right but not the duty to enter, examine and inspect the Leased Facilities at any time during an emergency and otherwise during reasonable business hours in connection with the Town's rights or obligations under the Facility Lease and for all other lawful purposes.

Liens. If Town causes any changes, alterations, additions, improvements or other work to be done or performed or materials to be supplied, in or upon the Leased Facilities, the Town will pay, when due, all amounts due for any labor, services, materials, supplies or equipment furnished or alleged to have been furnished to or for the Town in, upon or about the Leased Facilities and will keep the Leased Facilities free of any and all mechanics' or materialmen's liens or other liens against the Leased Facilities, except any Permitted Encumbrances. If any such lien attaches to or is filed against the Leased Facilities or the Trustee's interest therein, the Town will cause each such lien to be fully discharged and released at the time the performance of any obligation secured by any such lien matures or becomes due, but the Town in good faith may contest any such lien. If any such lien is reduced to final judgment and such judgment or such process as may be issued for the enforcement thereof is not promptly stayed, or if so stayed and said stay thereafter expires, the Town will forthwith pay and discharge said judgment. To the extent permitted by law, the Town will indemnify and hold the Authority and the Trustee and their respective members, directors, agents, successors and assigns, harmless from and against, and defend each of them against, any claim, demand, loss, damage, liability or expense (including attorney's fees) as a result of any such lien or claim of lien against the Leased Facilities or the Trustee's interest therein.

Taxes. The Town will pay or cause to be paid all taxes and assessments affecting the Leased Facilities or the respective interests or estates therein; provided that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the Town will be obligated to pay only such installments as are required to be paid during the term of the Facility Lease as and when the same become due. The Town will also pay directly such amounts, if any, in each year as shall be required by for the payment of all license and registration fees and all taxes (including, without limitation, income, excise, license, franchise, capital stock, recording, sales, use, value-added, property, occupational, excess profits and stamp taxes), levies, imposts, duties, charges, withholdings, assessments and governmental charges of any nature whatsoever, together with any additions to tax, penalties, fines or interest thereon, including, without limitation, penalties, fines or interest arising out of any delay or failure by the Town to pay any of the foregoing or failure to file or furnish for filing in a timely manner any returns, levied or imposed against the Authority, the Trustee or the Leased Facilities, the rentals and other payments required under the Facility Lease or any parts thereof or interests of the Town or the Authority or the Trustee therein by any governmental authority. At the Town's expense and in its name, the Town may in good faith contest any taxes, assessments and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Trustee notifies the Town that, in the opinion of independent counsel, by nonpayment of any such items, the interest of the Authority or the Trustee in the Leased Facilities would be materially endangered or the Leased Facilities, or any part thereof, would

be subject to loss or forfeiture, in which event the Town will promptly pay such taxes, assessments or charges or provide the Trustee with full security against any loss which may result from nonpayment, in form satisfactory to the Trustee.

Title, Assignment and Subleasing. During the term of the Facility Lease, the Town will hold fee title to the Site, subject to the Permitted Encumbrances and except for any items added to the Leased Facilities by the Town as described above. Subject to Permitted Encumbrances, and only if the Permitted Encumbrances do not affect the tax-exempt status of interest with respect to the Certificates, neither the Facility Lease nor any interest of the Town thereunder may be mortgaged, pledged, assigned, sublet or transferred by the Town by voluntary act or by operation of law or otherwise. The Permitted Encumbrances do not reduce the obligation of the Town to make the Base Rental Payments and Additional Payments.

## APPENDIX B

### GENERAL DEMOGRAPHIC INFORMATION (TOWN OF MORAGA AND CONTRA COSTA COUNTY)

#### General

The Town of Moraga (the “**Town**”) is located in Contra Costa County (the “**County**”) in the State of California (the “**State**”), approximately 22 miles east of San Francisco. Encompasses an area of approximately 9.5 square miles and has a population of approximately 17,000. The Town is predominantly residential in nature with clusters of community-serving retail and commercial spaces. The Town is home to Saint Mary’s College, a prestigious private Catholic university of about 2,800 graduate and undergraduate students. Residents also enjoy award-winning public schools, as well as convenient access to diverse employment options throughout the San Francisco Bay Area.

#### Population

Population figures for the Town, the County and the State for the last five years are shown in the following table.

#### TOWN OF MORAGA Population Estimates, as of January 1

<u>Year</u>	<u>Town of Moraga</u>	<u>County of Contra Costa</u>	<u>State of California</u>
2019	16,773	1,147,623	39,605,361
2020	16,756	1,149,853	39,648,938
2021	17,211	1,161,238	39,286,510
2022	17,055	1,151,798	39,078,674
2023	16,893	1,147,653	38,940,231

*Source: State Department of Finance estimates (as of January 1)*

## Employment and Industry

The Town residents have convenient access to diverse employment options throughout the San Francisco Bay Area. A portion of that region is included in the Oakland-Hayward-Berkeley Metropolitan District ("MD"). The unemployment rate in the Oakland-Hayward-Berkeley MD was 4.4 percent in October 2023, up from a revised 4.3 percent in September 2023, and above the year-ago estimate of 3.2 percent. This compares with an unadjusted unemployment rate of 4.8 percent for California and 3.6 percent for the nation during the same period. The unemployment rate was 4.4 percent in Alameda County, and 4.4 percent in Contra Costa County.

The following table summarizes the annual average civilian labor force, employment and unemployment in the Contra Costa and Alameda counties for the calendar years 2018 through 2022.

**OAKLAND-HAYWARD-BERKELEY MD  
(Contra Costa County)  
Annual Average Civilian Labor Force, Employment and Unemployment,  
Unemployment by Industry  
(March 2022 Benchmark)**

	2018	2019	2020	2021	2022
Civilian Labor Force <sup>(1)</sup>	1,401,900	1,404,000	1,367,100	1,357,000	1,377,100
Employment	1,358,100	1,361,500	1,244,600	1,272,800	1,330,500
Unemployment	43,800	42,500	122,500	84,200	46,600
Unemployment Rate	3.1%	3.0%	9.0%	6.2%	3.4%
<u>Wage and Salary Employment: <sup>(2)</sup></u>					
Agriculture	1,300	1,400	1,500	1,700	1,900
Mining and Logging	200	200	200	200	200
Construction	74,900	75,600	71,100	74,300	75,200
Manufacturing	100,600	101,000	98,700	105,800	111,900
Wholesale Trade	47,500	45,400	42,100	41,100	41,500
Retail Trade	114,700	112,000	101,500	105,300	106,200
Transportation, Warehousing, Utilities	42,300	43,700	45,200	49,500	55,100
Information	27,600	27,600	25,600	24,700	24,900
Finance and Insurance	37,500	37,200	35,900	34,800	33,300
Real Estate and Rental and Leasing	17,800	18,100	16,800	17,200	18,700
Professional and Business Services	189,500	193,200	184,900	190,700	196,200
Educational and Health Services	194,300	198,400	191,300	198,500	207,000
Leisure and Hospitality	117,700	121,000	84,700	92,500	108,400
Other Services	41,000	41,200	33,100	35,600	39,300
Federal Government	13,400	13,400	14,200	13,400	13,100
State Government	39,400	39,600	38,200	35,900	32,700
Local Government	121,800	121,800	113,500	111,800	115,400
Total, All Industries <sup>(3)</sup>	1,181,600	1,190,700	1,098,500	1,133,000	1,180,900

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(3) Totals may not add due to rounding.

Source: Labor Division of the California State Employment Development Department.

## Major Employers

The following table list the major employers within the Town.

Top 10 Employers		# Employees	%
1	St. Mary's College of California*	\$959	14%
2	Moraga Unified School District*	350	5%
3	Bright Star Care Home Care	175	3%
4	Safeway	108	2%
5	Campolindo High School*	111	2%
6	Moraga Country Club	72	1%
7	Aegis Living Moraga	61	1%
8	Moraga Post Acute	62	1%
9	Moraga Gardens Farm	54	1%
10	TJ Maxx	38	1%
TOTAL Employment		7,000	28%

Source: MuniServices/Avenue Insights & Analytics

The following table lists the major employers within the County.

**COUNTY OF CONTRA COSTA**  
**Major Employers – Listed Alphabetically**  
**(As of November 2023)**

<b><u>Employer Name</u></b>	<b><u>Location</u></b>	<b><u>Industry</u></b>
Bart	Richmond	Transit Lines
Bio-Rad Laboratories Inc	Hercules	Physicians & Surgeons Equip & Supls-Mfrs
Broadspectrum Americas	Richmond	Oil Refiners (mfrs)
C & H Sugar	Crockett	Sugar Refiners (mfrs)
Chevron Corp	San Ramon	Oil Refiners (mfrs)
Chevron Richmond Refinery	Richmond	Oil Refiners (mfrs)
Contra Costa County Health Svc	Martinez	Government Offices-County
Contra Costa Regional Med Ctr	Martinez	Hospitals
John Muir Health Concord Med	Concord	Hospitals
Kaiser Permanente Antioch Med	Antioch	Hospitals
Kaiser Permanente Martinez Med	Martinez	Clinics
Kaiser Permanente Walnut Creek	Walnut Creek	Hospitals
La Raza Market	Richmond	Grocers-Retail
Los Medanos College	Pittsburg	Junior-Community College-Tech Institutes
Macias Gini & O'Connell LLP	Walnut Creek	Accountants
Martinez Arts Outpatient Cln	Martinez	Physicians & Surgeons
Nordstrom	Walnut Creek	Department Stores
Oakley Union School District	Oakley	School Districts
Phillips 66 Sn Francisco Rfnry	Rodeo	Oil Refiners (mfrs)
Robert Half	San Ramon	Employment Agencies & Opportunities
San Ramon Regional Medical Ctr	San Ramon	Hospitals
Shell Oil Prod US Martinez	Martinez	Oil Refiners (mfrs)
Sutter Delta Medical Ctr	Antioch	Hospitals
US Veterans Medical Ctr	Martinez	Outpatient Services
USS Posco Industries	Pittsburg	Steel Mills (mfrs)

*Source: California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database, 2024 1st Edition.*

## Effective Buying Income

“Effective Buying Income” is defined as personal income less personal tax and nontax payments, a number often referred to as “disposable” or “after-tax” income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor’s income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), nontax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as “disposable personal income.”

The following table summarizes the total effective buying income for the Town, projected for the County, the State and the United States for the period 2020 through 2024.

### TOWN OF MORAGA, CONTRA COSTA COUNTY, AND THE STATE OF CALIFORNIA Effective Buying Income As of January 1, 2020 through 2024

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2020	Town of Moraga	\$1,108,980	\$127,123
	Contra Costa County	48,775,464	83,242
	California	1,243,564,816	65,870
	United States	9,487,165,436	55,303
2021	Town of Moraga	\$1,187,515	\$137,793
	Contra Costa County	51,959,070	87,804
	California	1,290,894,604	67,956
	United States	9,809,944,764	56,790
2022	Town of Moraga	\$1,217,490	\$144,444
	Contra Costa County	57,555,435	98,409
	California	1,452,426,153	77,058
	United States	11,208,582,541	64,448
2023	Town of Moraga	\$1,181,018	\$145,664
	Contra Costa County	57,205,397	98,536
	California	1,461,799,662	77,175
	United States	11,454,846,397	65,326
2024	Town of Moraga	\$1,178,905	\$154,732
	Contra Costa County	57,949,909	101,689
	California	1,510,708,521	80,973
	United States	11,987,185,826	67,876

Source: Claritas, LLC.

## Commercial Activity

A summary of historic taxable sales within the Town during the past five years in which data is available is shown in the following table. Total taxable sales during the first two quarters of calendar year 2023 in the Town were reported to be \$50,971,190, a 0.86% decrease over the total taxable sales of \$54,410,767 reported during the first two quarters of calendar year 2022.

### TOWN OF MORAGA Taxable Retail Sales Number of Permits and Valuation of Taxable Transactions (Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2018	202	\$82,664	347	\$97,946
2019	192	79,405	343	92,446
2020	188	69,444	343	80,658
2021	188	86,297	329	97,653
2022	199	95,522	349	107,693

*Source: State Department of Tax and Fee Administration.*

## Construction Activity

The following tables show a five-year summary of the valuation of building permits issued in the Town.

### TOWN OF MORAGA Building Permit Valuation (Valuation in Thousands of Dollars)

	2018	2019	2020	2021	2022
<u>Permit Valuation</u>					
New Single-family	\$1,165.3	\$130.0	\$2,487.5	\$1,050.0	\$413.9
New Multi-family	8,669.6	1,173.3	0.0	0.0	0.0
Res. Alterations/Additions	<u>8,031.7</u>	<u>9,622.1</u>	<u>4,159.0</u>	<u>6,570.9</u>	<u>8,300.3</u>
Total Residential	17,866.6	10,925.4	6,646.5	7,620.9	8,714.2
 New Commercial	995.6	180.3	50.0	45.0	1,412.1
New Industrial	0.0	0.0	0.0	0.0	0.0
New Other	1,429.1	2,481.3	456.1	674.7	913.1
Com. Alterations/Additions	<u>2,016.0</u>	<u>353.3</u>	<u>51.8</u>	<u>167.0</u>	<u>1,257.5</u>
Total Nonresidential	4,440.7	3,014.9	557.9	886.7	3,582.7
 <u>New Dwelling Units</u>					
Single Family	3	1	5	2	3
Multiple Family	<u>32</u>	<u>4</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	35	5	5	2	3

*Source: Construction Industry Research Board, Building Permit Summary.*

**APPENDIX C**

**DRAFT AUDITED FINANCIAL STATEMENTS OF THE TOWN  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

**Town of Moraga, California**

**ANNUAL COMPREHENSIVE  
FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**



**Prepared by the Administrative Services Department**

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**TOWN OF MORAGA**  
**Annual Comprehensive Financial Report**  
**For the Year Ended June 30, 2023**

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DRAFT



# Town of Moraga

December 06, 2023

To the Citizens of the Town of Moraga  
and the Honorable Mayor and Members of the Town Council:

## **Re: Transmittal Letter of the Town of Moraga's Annual Comprehensive Financial Report**

We are pleased to submit the Town of Moraga's Annual Comprehensive Financial Report (ACFR) for the fiscal year ending June 30, 2023. This report aims to provide a full and transparent understanding of the Town's financial activities and satisfy the continuing disclosure requirement under the Securities and Exchange Commission (SEC) related to the Town's debt issuances.

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with Town management. To the best of our knowledge and belief, the data used throughout this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the Town.

The Town's financial statements were audited by Maze & Associates, a full-service independent, certified public accounting firm based in Pleasant Hill, California. The purpose of the independent audit is to provide reasonable assurance that the financial statements of the Town are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the adequacy of internal accounting controls; and evaluating the overall quality of financial reporting.

This letter of transmittal is intended to be read in conjunction with the Management's Discussion and Analysis, as well as the Basic Financial Statements.

## **Profile of the Town of Moraga**

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The Town of Moraga is in Contra Costa County, approximately 22 miles east of San Francisco. The Town encompasses an area of approximately 9.5 square miles. It was originally part of the Rancho Laguna de Los Palos Colorados, granted in 1835 by the Mexican government to cousins Joaquin Moraga and Juan Bernal for military services rendered. The Town has a population of approximately 16,700.

The Town is predominantly residential with two clusters of community-serving retail and commercial spaces. The Town is home to Saint Mary's College, a prestigious private Catholic university with a combined enrollment of over 2,765 undergraduate and graduate students. In 2023, St. Mary's College of California ranked #4 in Regional Universities West by U.S. News and World Report. The Town's only high school, Campolindo, is ranked #273 in the nation and #40 in California. Overall, Town residents enjoy award-winning elementary and middle schools as well and can enjoy open space while having access to diverse employment opportunities throughout the San Francisco Bay Area.

**TOWN OF MORAGA**  
Annual Comprehensive Financial Report  
Fiscal Year Ended June 30, 2023

**TRANSMITTAL LETTER**

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***Form of Government***

The Town of Moraga was incorporated as a general law city in the State of California on November 12, 1974. The election, held in November 1974, resulted in 59% of the 6,216 voters favoring incorporation. The Town operates under a Council-Manager form of government and is governed by a Town Council of five community members elected at-large. Each Council position has a term of four years. Council elections are held biennially in November of even-numbered years, with the number of open seats to be filled alternating between two and three seats each election cycle. The position of Mayor is filled by one of the members of the Council who is selected annually to serve in that position by the Council.

The Council establishes overall goals for the Town through the adoption of policies aimed at enhancing the community and benefiting the public. The Council's work is further guided by the policies established in the General Plan. The Council sets priorities for the development and implementation of programs and services, determines the overall needs of the community, sets and monitors financial and administrative activities, and develops and prioritizes goals. The Council also confers with officials from other public agencies and associations to advance the goals of the Town.

The Council has established an Audit and Finance Committee (AFC) to consider and make recommendations on matters relating to finance, budget, and audits. This committee is comprised of two Council members, the Town Treasurer, and two Council-appointed citizens. Staff provides the Council and AFC with reports such as the ACFR and budget and specifically requested financial analysis.

***Town Services***

The Town provides a range of municipal services including police, public works (e.g., construction and maintenance of streets, storm drains, public buildings, and other infrastructure), parks and recreation (recreational programming, park acquisition and improvements, and maintenance of parks), planning and general administrative services. The Moraga-Orinda Fire District provides fire protection services, the Central Contra Costa Sanitary District (Central San) provides sanitary sewer services, and water services are provided by the East Bay Municipal Utility District (EBMUD). RecycleSmart provides solid waste and residential recycling services.

***Demographic Information***

Size: 9.54 square miles  
2022 Population: 16,707 (US Census 2017-2021)  
Population: 48 % (Male) 52% (Female) (US Census 2017-2021)  
Median Resident Age: 43.4 years  
Estimated Median Household Income: \$167,784 (US Census 2017-2021)  
Owner Occupied Household: 84.9% (US Census 2017-2021)  
Median Home Value: \$1,850,000 (Contra Costa Association of Realtors June 2023)  
Median Rent per Month: \$2,378 2-bedroom (US Census 2017-2021)

**TOWN OF MORAGA**  
Annual Comprehensive Financial Report  
Fiscal Year Ended June 30, 2023

**TRANSMITTAL LETTER**

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**Financial Policies and Practices**

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***Minimal Government Philosophy***

The “minimal government philosophy,” as defined in Moraga’s General Plan, is to:

*“operate the Town to achieve maximum efficiency in its service delivery, utilizing a minimum number of permanent service employees and keeping capital expenditures and operating costs to a minimum while responding to community needs and priorities; continue to seek improved methods of governmental administration that will be as cost-effective as possible; and avoid the incremental growth of government service except for urgent short-term situations.”*

Although this philosophy of minimal government is essential to the Town’s fiscal management strategy, the Town has realized that in some cases it may be beneficial to rely upon dedicated permanent staff as opposed to a team of consultants for ongoing programs and services. The Town will continue to evaluate the best way to provide efficient and effective services considering new mandates and the increasing needs of the community.

***Budgetary Policy and Control***

The Town’s annual budget serves as the foundation for planning and controlling the Town’s finances. The annual budget development process begins in January with the Town Council goal-setting meeting. Relative to the established Town Council goals, Town staff evaluates existing programs, services, and staffing levels; analyzes revenue sources; and prepares a balanced budget based on priorities that fit within the constraints of projected revenue assumptions. The Audit and Finance Committee reviews the budget proposal before submission to the Town Council. The Town Council deliberates on the proposed budget in May/June and adopts a balanced budget before July 1 of each year.

As of July 1, 2023, the Town has moved to a biennial budget. Advantages of moving to a two-year budget include a more thoughtful and deliberative approach to budgeting, creating greater staffing efficiencies and time savings that would add capacity to provide core services for the community, and dedicating more time to plan for and implement Town priorities and other major initiatives.

The Town Council has the legal authority to amend the budget at any time during the fiscal year. Budget amendments that increase a fund’s appropriations and require majority approval by the Town Council. Certain budgetary reallocations within departments require approval by the Administrative Services Director and department directors. Budget amendments between departments are approved by the Administrative Services Director and Town Manager.

The Town Manager has the authority to administratively adjust the budget if changes do not result in a significant policy impact, or the adjustment does not affect budgeted year-end fund balances. Further, the Town Manager’s contract signing authority is capped at \$25,000. All contracts over

**TOWN OF MORAGA**  
Annual Comprehensive Financial Report  
Fiscal Year Ended June 30, 2023

**TRANSMITTAL LETTER**

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\$25,000 require Town Council authorization. A mid-year budget status report and a long-term financial forecast for the next five years are presented to the Town Council as part of an ongoing assessment and evaluation of budgetary performance, with special attention to the General Fund and certain other major funds.

The Town's Administrative Services Department maintains revenue, expenditure, and budgetary details using a computerized financial system. The system contains an ongoing record of budget balances throughout the year based on actual expenditures. Open encumbrances, including unspent capital project budgets, are reported as assigned fund balances at year-end.

***Internal Controls***

The Town maintains an internal control structure designed to provide reasonable assurance that the Town's assets are protected from loss, theft, or misuse as well as to ensure that these objectives are consistently met. The concept of reasonable assurance recognizes that (1) the cost of control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Town management believes that the existing internal control systems are adequate to provide reasonable assurance the Town's assets are safeguarded against loss, theft, or misuse; and that the financial records are reliable for the preparation of financial statements in conformity with generally accepted accounting principles. This is supported by the independent auditor's "clean" report of the Town's financial statements for the year ended June 30, 2023.

***Economic Condition and Outlook***

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***Property Taxes***

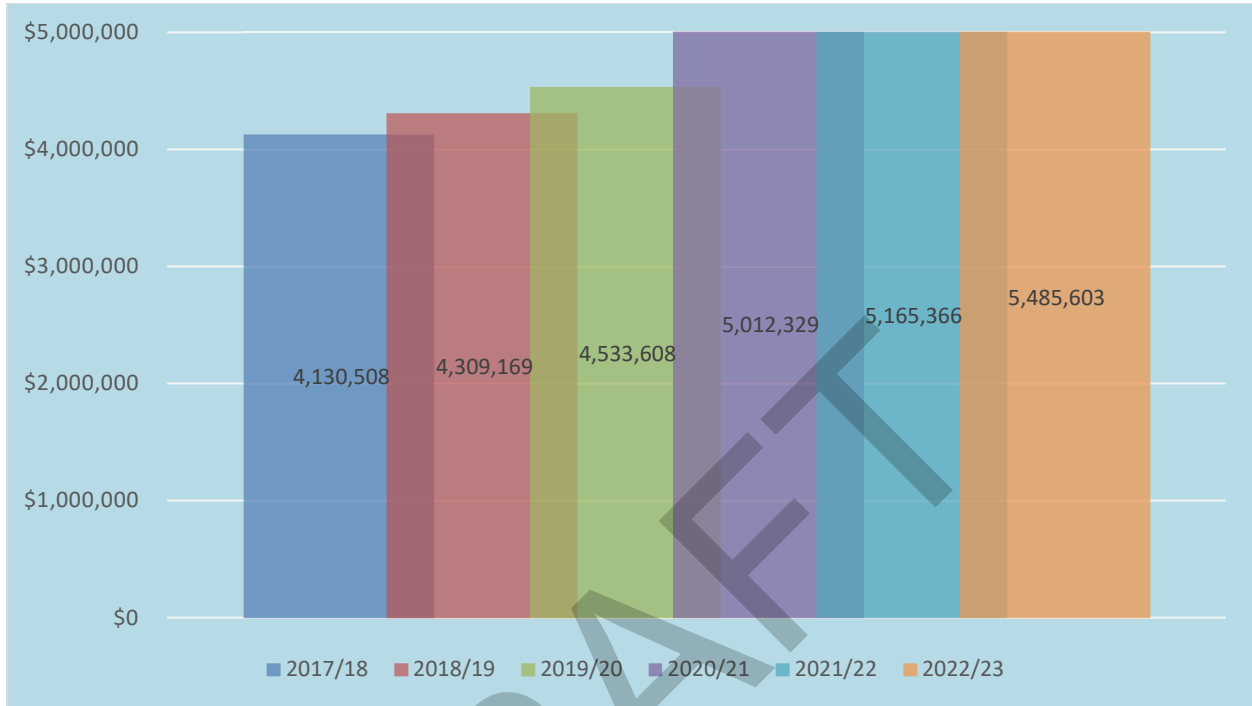
Property tax revenue is the single largest source of revenue for the Town. Property taxes have remained relatively stable even during the historic upswings and downturns in the economy. This may be related to the overall stability of the community as Moraga has experienced a healthy increase in property tax revenue over the past five years with an average increase of more than 5%.

Moraga is a desirable and relatively well-off community and has a stable assessed valuation of property, but the growth of property tax can be limited by certain economic trends and Proposition 13. Under Proposition 13 tax reform, property tax value was rolled back and frozen at the 1976 assessed value level. Property tax increases on any given property were limited to no more than 2% per year if the property was not sold. Once sold, the property was reassessed, and the 2% yearly cap became applicable to future years which means that low turnover rates limit the number of properties being reassessed at market rates under Proposition 13.

**TOWN OF MORGA**  
Annual Comprehensive Financial Report  
Fiscal Year Ended June 30, 2023

**TRANSMITTAL LETTER**

**Chart 1. Historical Property Tax Revenues**



The Town receives around 5.29% of every property tax dollar paid by its property owners. The Town receives the lowest proportional share of property tax dollars paid of any municipality in Contra Costa County. Moraga residents negotiated the proportional share with the County as part of the Town's incorporation process. To increase the Town's proportional share of property tax, the other agencies receiving revenue would need to agree to reduce their proportional shares and the state legislature would need to approve the changes.

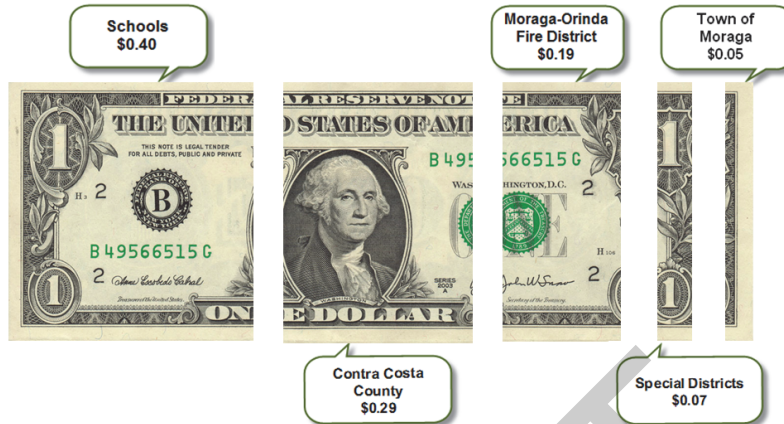
The rest of the tax goes to Contra Costa County, various schools and special districts including - Orinda Fire District (18.83%), Moraga Elementary (13.19%), Acalanes High (12.26%), K-12 Schools ERAF (13.70%), Community College and CC ERAF combined (6.4%), East Bay Regional Park (2.87%), County Library (1.42%), County General (13.65%) and other schools and districts in the Contra Costa area. The general chart below illustrates how each \$1.00 of the countywide basic 1% property tax is allocated by groups in general and as a whole and in comparison, to the Town's proportional share.<sup>1</sup>

<sup>1</sup> The Town of Moraga is comprised of nine (9) Contra Costa County Tax Rate Areas (TRAs) and allocations of property tax vary slightly by TRA. The figures used here are based on TRA 15-002 but are similar for other TRAs.

**TOWN OF MORAGA**  
Annual Comprehensive Financial Report  
Fiscal Year Ended June 30, 2023

**TRANSMITTAL LETTER**

**Chart 2. Distribution of Property Tax Dollars**



The Contra Costa Association of Realtors' June 2023 update indicates that the median home sales price in Moraga decreased 17.8% from \$2,251,355 year to date in 2022 to \$1,850,000 year to date in 2023.

### **Sales Taxes**

Sales tax revenue is the second largest revenue source for the Town. As a direct result of the November 2012 passage of a one-cent local add-on sales tax increase (i.e., Measure K), sales tax proceeds have increased significantly as a percentage of total revenue for the Town.

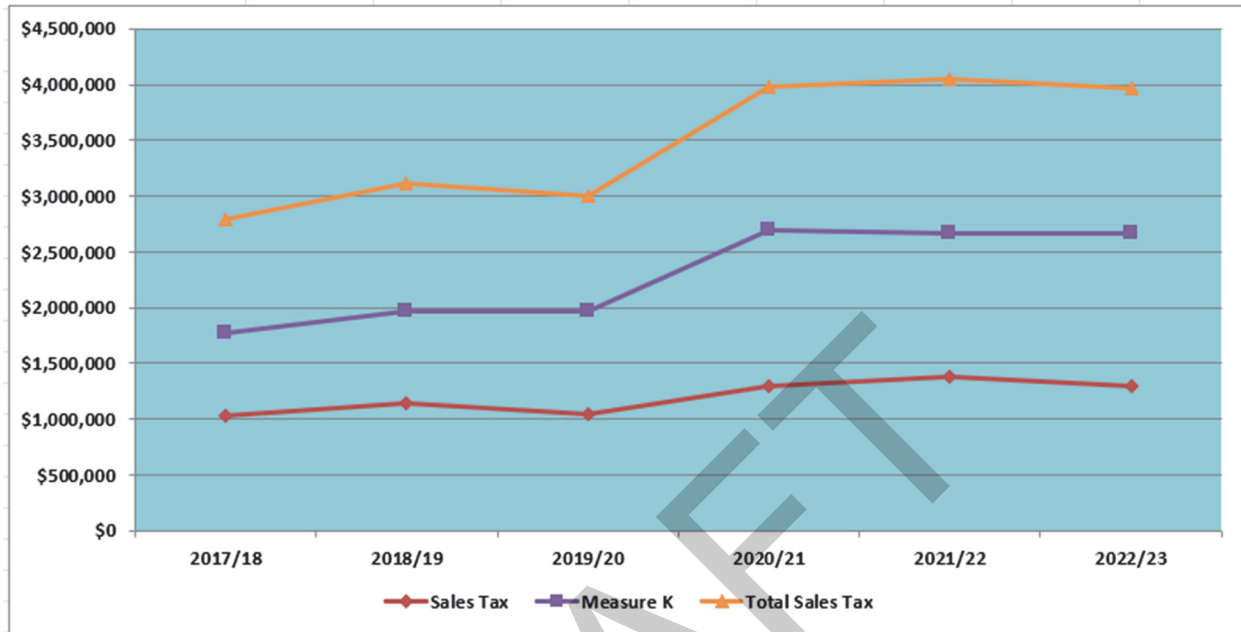
General sales tax revenue was adversely affected during the recent recession. According to quarterly sales tax analyses conducted on behalf of the Town by Avenu Insights, the five-year outlook for sales tax is stable and after an initial slight dip, it trends positively in future years with projected annual changes of between three to four percent.

On November 6, 2012, the Town passed Measure K, a locally controlled one-cent local transaction and use (add-on sales) with 70.5% voting in favor of the tax. This general sales tax will sunset on March 31, 2033. The tax was initially expected to increase sales tax revenues by at least one million dollars annually, but revenue receipts exceeded expectations due to the different methodologies in tax collection. Namely, the 1% local sales tax applies to vehicle sales and internet sales which for the Town of Moraga are relatively significant. This year Moraga's general sales tax receipts totaled \$1.3 million, while the local sales tax receipts totaled just over \$2.6 million. Avenu Insights projections for Measure K revenue indicate a positive trend, with projected annual changes of between three to four percent over the next five years. The Measure K sales tax measure was approved for general purposes and although the Town may legally use the revenue for a variety of purposes, in 2015 the Town Council directed those funds only be used to repair the Town's streets and related infrastructure per Resolution 98-2015.

**TOWN OF MORAGA**  
Annual Comprehensive Financial Report  
Fiscal Year Ended June 30, 2023

**TRANSMITTAL LETTER**

**Chart 3. Historical Sales Tax Revenues<sup>2</sup>**



**Long-Term Financial Planning**

Long-term financial planning is an integral part of the Town’s fiscal management. Each of the Town’s operating funds, including the General Fund, maintains a long-term financial model. This model takes a strategic approach to ensure long-term financial health including a comprehensive analysis of the local, state, and federal economic conditions, short and long-term revenue and expense trends as well as the challenges such as funding infrastructure needs and long-term pension liabilities. Long-term financial planning is a tool that allows policymakers an opportunity to prioritize funding needs over time and sets the tone for the annual budget process.

*Five-Year Financial Plan.* As part of the budget process, the Council reviews and approves a Five-Year Financial Plan that serves as a strategic tool to manage the Town’s financial resources. Each budget cycle, the five-year financial plan is updated. The Plan considers historical trends, known and projected economic factors, and the Town’s fiscal management policies to determine the financial outlook in the coming years.

*General Purpose Fund Reserve.* The Town of Moraga is committed to maintaining adequate reserves for its General Fund as a matter of fiscal prudence and sound financial management. In 2015, the Town adopted a General Fund Reserve policy that requires 50% of operating expenditures to be set aside as a reserve. The Reserve policy also requires that any year-end surplus over the reserve be transferred to the Asset Replacement Fund.

<sup>2</sup> Excludes Public Safety Sales Tax (Proposition 172), a half-cent sales tax from the State of California provided to local governments to offset decreased funding due to State property tax shifts.

**TOWN OF MORAGA**  
Annual Comprehensive Financial Report  
Fiscal Year Ended June 30, 2023

**TRANSMITTAL LETTER**

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*Containment of Operating Costs.* While personnel costs constitute the largest, single expenditure line item in the financial plan, staffing levels are very lean relative to the needs of the Town and when compared to other jurisdictions. The Town's personnel costs constituted approximately 66 percent of the Town's General Fund expenses. The Town has taken steps to keep personnel expenditures at thoughtful levels, including maintaining low retirement system plans offered by CalPERS for both miscellaneous and sworn employees, with employees contributing an additional four percent of the required employer contribution rate; providing high deductible medical plans; and contracting out services where possible to keep staffing levels at a minimum. And unlike many other municipalities, the Town also does not provide other post-retirement health benefits to its employees.

*Infrastructure Rehabilitation and Maintenance.* Measure K, the Local Add-On Sales Tax, has been invested in the Town's Pavement Management Program, along with Gas Tax revenue and Refuse Franchise Fees which has enabled the Town to improve the overall condition of streets from a Pavement Condition Index (PCI) of 49 (Fair) in 2012 to a PCI of 70 (Good) in 2023.

### **Certificate of Achievement**

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The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Moraga for its Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2022. The Town first received a GFOA award for the fiscal year that ended June 30, 2013. To be awarded the Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy generally accepted accounting principles, applicable legal requirements, and standards established by GFOA.

A Certificate of Achievement is valid for one year only. Town staff believes that the current Annual Comprehensive Financial Report (ACFR) continues to meet the Certificate of Achievement Program requirements and will again submit its ACFR to the GFOA to determine eligibility for another certificate.

### **Town Mission and Town Council 2023 Goals and Priorities**

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Refer to Exhibit A for the Town Mission and Exhibit B for Town Council 2023 Goals and Priorities

### **Acknowledgments**

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The preparation of this Annual Comprehensive Financial Report was made possible by the year-round and dedicated efforts of the entire Administrative Services Department working in conjunction with Maze & Associates, the Town's independent auditors. Special thanks are extended to Annie To, former Administrative Services Director, and the Town's Senior Accountant, Sylvia Wells, for their work on the preparation of this report. We are grateful to the Audit and Finance Committee for their contributions to this report and finally, we would like to

**TOWN OF MORGA**  
Annual Comprehensive Financial Report  
Fiscal Year Ended June 30, 2023

**TRANSMITTAL LETTER**

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thank the Town Council and Town Manager for their continued support in planning and conducting the financial operations of the Town responsibly and prudently.

**Respectfully submitted,**

**Scott Mitnick**  
**Town Manager**

**Lisa Malek-Zadeh**  
**Interim Administrative Services Director**

DRAFT

**TOWN OF MORGA**  
Annual Comprehensive Financial Report  
Fiscal Year Ended June 30, 2023

**TRANSMITTAL LETTER**

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**Exhibit A**

***Town Mission***

- Providing a safe environment.
- Preserving our natural landscape.
- Creating a greater sense of community.
- Supporting quality education, traffic congestion relief, and leisure opportunities within Lamorinda.
- Honoring our tradition of minimal service government.

DRAFT

**TOWN OF MORAGA**  
Annual Comprehensive Financial Report  
Fiscal Year Ended June 30, 2023

**TRANSMITTAL LETTER**

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**Exhibit B**

*Moraga Town Council Goals and Priorities Fiscal Year 2023*

*“For the Community, With the Community”*

- Continue to lay the foundation and create pathways for a better mix of housing and the revitalization of the Town’s two commercial areas, including adopting a certified Housing Element, rezoning the commercial centers and Bollinger Canyon, updating the General Plan, and completing an evacuation study.
- Maintain fiscal discipline, position the Town for long-term fiscal sustainability, and efficiently sustain core operations of the Town and services to our residents.
- Complete the second year of the 2022-2024 “Worst Streets First” Pavement Reconstruction Project.
- Continue the Storm Drain Operations and Maintenance Program and complete 2021-2023 storm drain capital improvement projects.
- Support high-quality police and emergency response services, including securing energy alternatives for emergencies, and coordinate with MOFD on fire safety and planning.
- Enhance the Town’s parks, open spaces, and facilities for the benefit of the public and move forward with public input into a Town-wide recreation and open space plan.
- Pursue measures designed to improve traffic, pedestrian, and bicycle safety, especially around our schools, crosswalks, through routes, and residential street entry points to the Town’s main roadways.
- Work with the Moraga Chamber of Commerce, Saint Mary’s College, and our local school districts to enhance Moraga’s business and education climate.
- Continue outreach to the public and provide opportunities for input from all segments of the community.
- Continue to work with Wedgewood to enhance the Hacienda and address the impacts of operations on the neighborhood.
- Onboard the new Town Manager with minimum disruption to staff and operations, and collaboratively streamline Town Council meetings.

**TOWN OF MORGA**  
Annual Comprehensive Financial Report  
Fiscal Year Ended June 30, 2023

**TRANSMITTAL LETTER**

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- Lessen the Town's impact on the environment by continuing to implement sustainability and resiliency initiatives and viable strategies in Moraga's Climate Action Plan and the Town's Facility Energy Generation Study.
- Conduct a Town Council/Town Manager session focused on effectiveness and organizational competency.
- Initiate the process of amending the Townwide Noise Ordinance.

DRAFT



**LIST OF OFFICIALS, ADVISORY COMMITTEE,  
AND ADMINISTRATION**

**TOWN COUNCIL**

Renata Sos, Mayor  
Teresa Onoda, Vice-Mayor  
Steve Woehleke, Councilmember  
David Shapiro, Councilmember  
Kerry Hillis, Councilmember

**AUDIT AND FINANCE COMMITTEE**

Bob Kennedy, Town Treasurer/Chair  
Amy McLellan, Committee Member  
Minshu Liu, Committee Member  
Renata Sos, Mayor  
Steve Woehleke, Councilmember

**TOWN MANAGER**

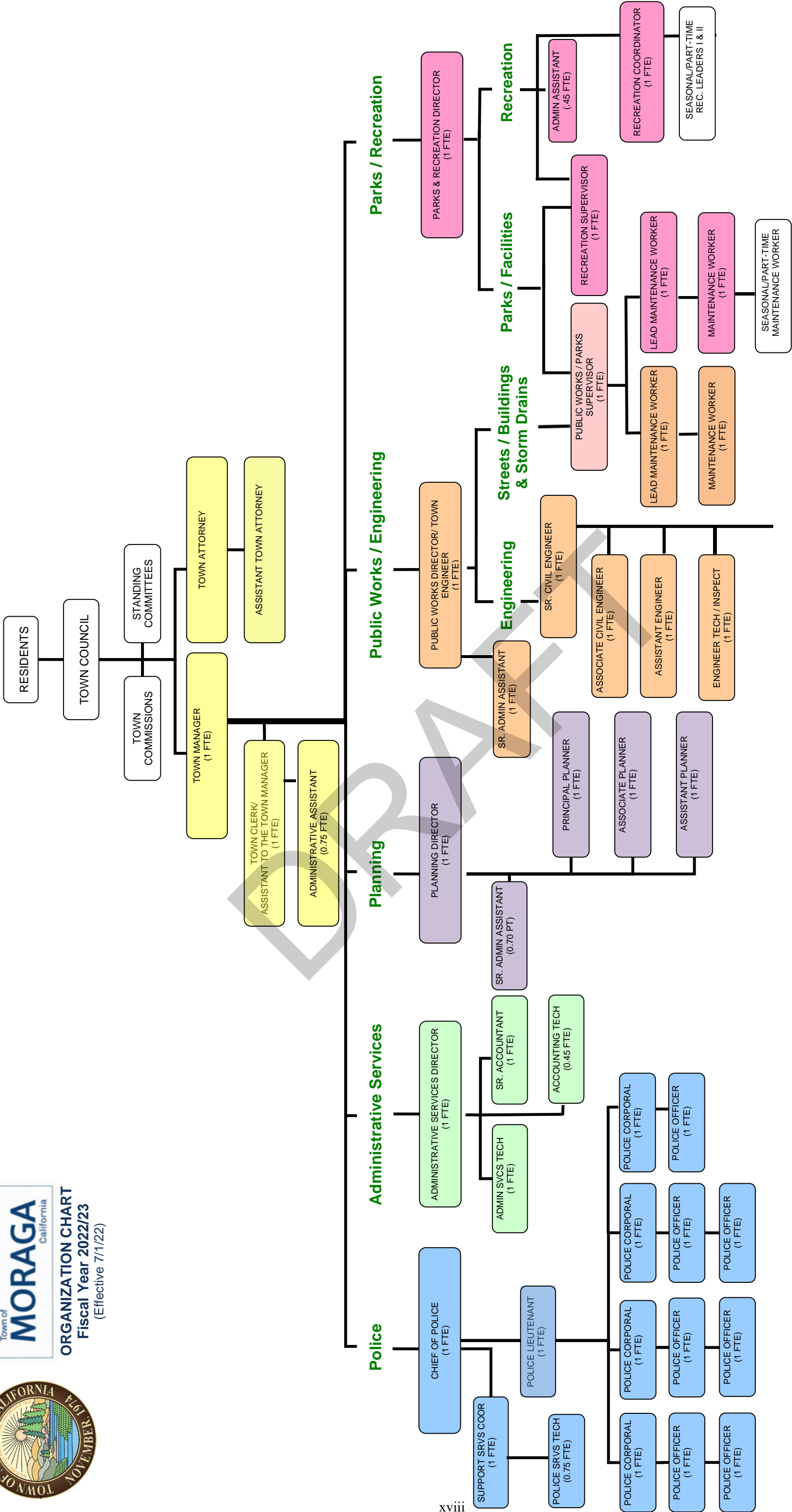
Scott Mitnick

**DEPARTMENT DIRECTORS**

Afshan Hamid, Planning Director  
Annie To, Administrative Services Director  
Jon King, Chief of Police  
Mackenzie Brady, Parks and Recreation Director  
Shawn Knapp, Public Works Director/Town Engineer  
Marty McInturf, Interim Town Clerk



**ORGANIZATION CHART**  
**Fiscal Year 2022/23**  
(Effective 7/1/22)

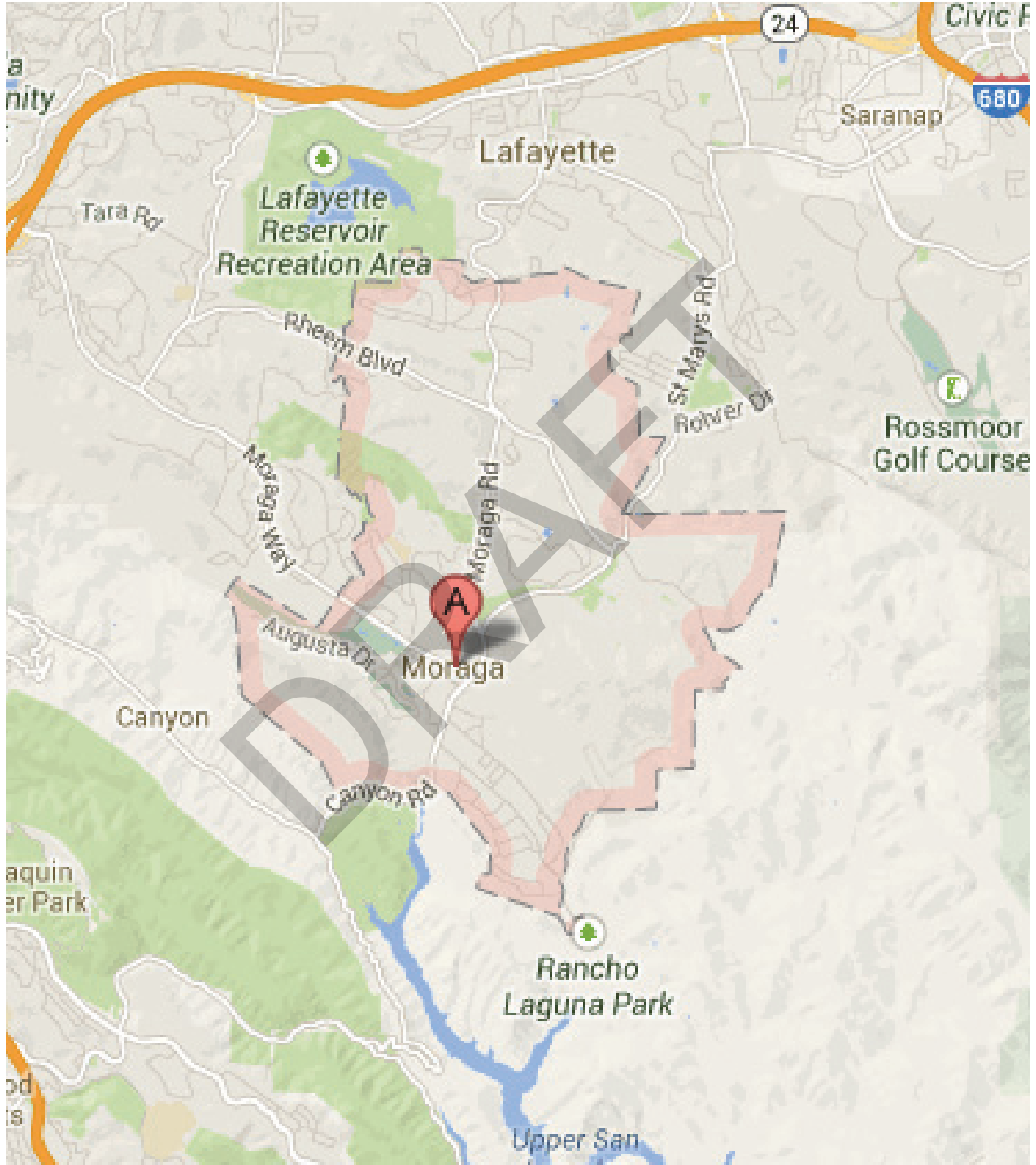


RESERVES, CADETS

**Town of Moraga**  
**Annual Comprehensive Financial Report**  
**Fiscal Year Ended June 30, 2023**

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**LOCATION MAP**





Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**Town of Moraga  
California**

For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

June 30, 2022

*Christopher P. Morill*

Executive Director/CEO

## INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of the Town Council of the  
Town of Moraga, California

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

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Moraga, California, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the Table of Contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town as of June 30, 2023, and the respective changes in financial position and, the respective budgetary comparisons listed in the Table of Contents as part of the basic financial statements for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirement relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management's for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Emphasis of Matter – Change in Accounting Principles***

Management adopted the provisions of the following Governmental Accounting Standards Board Statement No. 96 – *Subscription Based Information Technology Arrangements (SBITAs)*, which became effective during the year ended June 30, 2023 and had a significant effect on the financial statements as discussed in Notes 10 and 8 to the financial statements.

The emphasis of this matter does not constitute a modification to our opinions.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and other required supplementary information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplemental Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying Supplementary Information, as listed in the Table of Contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplemental Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the Introductory Section and Statistical Section listed in the Table of Contents, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated **DATE, 2023**, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Pleasant Hill, California

**DATE**

DRAFT

**TOWN OF MORAGA**  
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**Fiscal Year Ended June 30, 2023**

**MANAGEMENT DISCUSSION AND ANALYSIS**

## INTRODUCTION

Town of Moraga ("Town") management offers readers this overview of the Town's financial performance for the fiscal year ended June 30, 2023. The accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures in this report, are the responsibility of the Town. In accordance with *Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, this Management's Discussion and Analysis are designed to:

- Highlight information readers may need to assess the Town's financial position,
- Make comparisons of current year to prior year financial activity,
- Explain any significant deviation in funds and budget variances,
- Describe capital asset and long-term debt activity during the year, and
- Describe currently known facts, decisions, or conditions that are expected to have a significant effect on financial position and the Town's ability to address future challenges.

The Town's financial statements serve the purpose of reporting all revenues and all costs of providing services each year, not just those received or paid in the current year. In addition, the financial statements report current and long-term assets and liabilities.

## FINANCIAL HIGHLIGHTS

The financial statements present information on the financial health of the Town. Highlights for the year ended June 30, 2023 are noted as follows:

1. The Town's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources at the close of Fiscal Year (FY) 2023 with a Total Net Position of \$87.36 million (*Statement of Net Position, page 20*). Of this amount, \$9.44 million represents Unrestricted Net Position, which may be used to meet the government's ongoing obligations to citizens and creditors.
2. As of the close of the current fiscal year, the Town's Governmental Funds reported a combined ending fund balance of \$21.51 million (*Governmental Funds - Balance Sheet, pages 24-25*), consisting of the following components:

Non-spendable	\$3,150
Restricted	6,000,567
Committed	9,718,489
Assigned	438,799
Unassigned (Reserve)	5,353,029
<b>Total Fund Balance at June 30, 2023</b>	<b>\$21,514,034</b>

3. The Town's General Fund has a combined Total Fund Balance of \$11.25 million (General Fund Combining Balance Sheets, page 78), of which \$6.95 million is General Purpose and \$4.29 million is Developer Fees (One-Time Developer Fees-Palos Colorados Fund). The Palos Colorados fund was established through a settlement agreement and classified as committed based on and subject to Town Council action on its use (General Fund Combining Balance Sheets, page 78).

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**MANAGEMENT DISCUSSION AND ANALYSIS**

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## **OVERVIEW OF THE ANNUAL COMPREHENSIVE FINANCIAL REPORT**

This Annual Comprehensive Financial Report consists of the following parts:

- Introductory section, which includes the Transmittal Letter and general information,
- Management's Discussion and Analysis,
- Basic Financial Statements, including the Government-wide and the Fund Financial Statements, along with the Notes to these financial statements,
- Supplementary Information including Schedules of Changes in the Net Pension Liability and Schedule of Contributions, and
- Statistical information and other schedules.

### **Basic Financial Statements**

The Basic Financial Statements are comprised of three components: (1) Government-wide Financial Statements, (2) Fund Financial Statements, and (3) Notes to the Financial Statements.

### **Government-Wide Financial Statements**

The *Statement of Net Position* and the *Statement of Activities* report information about the Town's finances as a whole. These statements report consolidated financial information on the Town's *primary activities*, which include police, public works, parks and recreation, planning and general administration. While some of these activities are supported in part by charges for services and grants, the majority are financed by property taxes, sales taxes, franchise fees, and other governmental taxes and assessments such as the State Gas Tax, State Public Safety Sales Tax, and County-wide National Pollutant Discharge Elimination System (NPDES) Assessment.

These statements report all assets, liabilities, and deferred inflows/outflows of resources using the full accrual basis of accounting similar to the accounting model used by private sector firms. Under this accounting model, all assets and all liabilities, including revenues and expenses for providing services, are recognized within the reporting period or soon after (60 days).

The *Statement of Net Position* – the difference between assets and liabilities – is one way to measure the Town's financial health. Over time, increases or decreases in the Town's net position is one indicator of whether its financial health is improving or declining. However, other non-financial factors must also be considered, such as changes in the Town's property tax base, sales tax, and condition of the Town's physical assets, including roads, facilities, and other infrastructure.

### **Financial Analysis of Government-Wide Financial Statements**

This section focuses on the Town's net position and changes in net position of its governmental activities for the fiscal year ending June 30, 2023. As noted earlier, the Town's total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by \$87.36 million. This compares to a net position of \$78.17 million in the prior year ended June 30, 2022, an increase of 11.75 percent or \$9.19 million. This increase is attributed to noncurrent assets and primarily due to receipts of reimbursements from previous year's capital projects.

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**MANAGEMENT DISCUSSION AND ANALYSIS**

*Statement of Net Position*

The detailed *Statement of Net Position* (Basic Financial Statements, page 20) is a snapshot of the Town's financial position at the end of the Fiscal Year (FY) 2022-23. The following table provides a summary of the Town's net position at June 30, 2023, compared to the prior year.

**Table 1. Statement of Net Position as of June 30, 2022 and 2023**

	FY 2021-22	FY 2022-23	% Change
<b>Assets</b>			
Current Assets	\$21,976,932	\$24,890,671	13.26%
Noncurrent Assets	75,850,298	80,658,486	6.34%
<b>Total Assets</b>	<b>97,827,230</b>	<b>105,549,157</b>	<b>7.89%</b>
<b>Deferred Outflow of Resources</b>			
Related to Pensions	1,378,303	4,290,436	211.28%
<b>Total Deferred Outflow</b>	<b>1,378,303</b>	<b>4,290,436</b>	<b>211.28%</b>
<b>Liabilities</b>			
Current Liabilities	2,701,222	3,279,657	21.41%
Noncurrent Liabilities	9,857,602	13,967,846	41.70%
<b>Total Liabilities</b>	<b>12,558,824</b>	<b>17,247,503</b>	<b>37.33%</b>
<b>Deferred Inflow of Resources</b>			
Related to Leases	4,128,259	3,835,220	-6.86%
Related to Pensions	4,343,466	1,396,016	-67.86%
<b>Total Deferred Inflow</b>	<b>8,471,725</b>	<b>5,231,236</b>	<b>-38.25%</b>
<b>Net Position</b>			
Invested in Capital	66,515,433	71,923,018	8.13%
Restricted	7,830,789	6,000,567	-23.37%
Unrestricted	3,828,762	9,437,269	146.48%
<b>Total Net Position</b>	<b>\$78,174,984</b>	<b>\$87,360,854</b>	<b>11.75%</b>

Pension reporting changes required by GASB No. 68 & 71 were first implemented in FY 2014-15. As of June 30, 2023, the portion of Noncurrent Liabilities related to pensions is \$9.25 million compared to \$4.77 million as of June 30, 2022. This \$4.48 million increase is largely due to changes in investment returns between the actuarial valuation used for fiscal year 21/22 (which were considerably high) as compared with the valuation used for fiscal year 22/23. In addition, CalPERS reduced the discount rate used for the latest valuation down to 6.9%.

Of the Town's Total Net Position, 82.33 percent or \$71.92 million is invested in capital assets (e.g., land, buildings, machinery, and equipment) and is reported net of related debt. Since these capital assets are used to provide services to the community, they may not be readily used to liquidate liabilities. An additional 6.87 percent or \$6.0 million of the net position is restricted for capital projects, debt service and special revenue projects, and 10.80 percent or \$9.44 million of the Town's net position is unrestricted.

At the end of the current fiscal year, the Town reported a positive and improved overall financial position.

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**MANAGEMENT DISCUSSION AND ANALYSIS**

*Statement of Activities*

The detailed *Statement of Activities* (Basic Financial Statements, page 21) presents the Town's revenue and incurred expenses for the year ended June 30, 2023. All financial activities of the Town are recorded here, including operational costs, capital project costs, depreciation, and accrued liabilities such as vacation, administrative leave, and comp time.

The *Statement of Activities* demonstrates how much each activity is funded through special revenues and assessments, fees, and grants. It illustrates the relative expense supported by the Town's general discretionary revenues (i.e., property taxes, sales tax, and franchise fees). The following table is information from the *Statement of Activities* presented in an alternative format and comparing the Town's activities at the end of FY 2022-23 with that of prior year.

**Table 2. Statement of Activities as of June 30, 2022 and 2023**

<b>Program Revenues:</b>	<b>FY 2021-22</b>	<b>FY 2022-23</b>	<b>% Change</b>
Charges for Services	\$2,184,754	\$2,525,055	15.58%
Operating Grants and Contributions	2,066,595	2,418,050	17.01%
Capital Grants and Contributions	6,033,911	4,583,510	-24.04%
<b>Total Program Revenues</b>	<b>10,285,260</b>	<b>9,526,615</b>	<b>-7.38%</b>
<b>General Revenues:</b>			
Property Taxes	5,827,476	6,239,991	7.08%
Sales Taxes	4,043,356	4,057,799	0.36%
Franchise Fees	871,755	917,590	5.26%
Interest	192,697	680,309	253.05%
Other			
<b>Total General Revenues</b>	<b>10,935,284</b>	<b>11,895,689</b>	<b>8.78%</b>
<b>Total Revenues</b>	<b>21,220,544</b>	<b>21,422,304</b>	<b>0.95%</b>
<b>Program Expenses:</b>			
General Administration	3,030,241	3,313,148	9.34%
Planning	777,618	631,532	-18.79%
Public Safety	3,830,814	2,836,278	-25.96%
Public Works	3,957,682	3,499,822	-11.57%
Parks and Recreation	1,754,878	1,727,601	-1.55%
Interest on Long Term Debt	241,853	228,053	-5.71%
<b>Total Expenses</b>	<b>13,593,086</b>	<b>12,236,434</b>	<b>-9.98%</b>
<b>Change in Net Position</b>	<b>7,627,458</b>	<b>9,185,870</b>	<b>20.43%</b>
<b>Net Position, Beginning of the Year</b>	<b>70,547,526</b>	<b>78,174,984</b>	<b>10.81%</b>
<b>Net Position, End of the Year</b>	<b>\$78,174,984</b>	<b>\$87,360,854</b>	<b>11.75%</b>

**TOWN OF MORAGA**  
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**MANAGEMENT DISCUSSION AND ANALYSIS**

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### ***Revenues***

When compared to the previous year, overall total revenues increased by 0.95 percent or \$202k. A significant portion of the increase is in Total General Revenues, specifically Property Taxes and Interest. In this fiscal year, the Town also received American Rescue Plan Act (ARPA) funds. One-time capital grants and grant revenue can fluctuate from year to year depending on the timing of grant funded projects.

### ***Expenditures***

Overall expenses as shown in the Statement of Activities decreased by 9.98 percent or \$1.36 million. Public Safety and Public Works have the largest decreases in expenditures.

### **Fund Financial Statements**

The Fund Financial Statements provide detailed information about the Town's most significant funds, called major funds. The concept of major funds, and the determination of which are major funds, was established by Governmental Accounting Standards Board (GASB) Statement No. 34 and replaced the concept of combining like funds and presenting them in total. Therefore, each major fund is presented individually, with all non-major funds combined in a single column on each fund statement. Subordinate schedules display these non-major funds in more detail. Major funds present the major activities of the Town for the year. The General Fund is always considered a major fund, but other funds may change from year to year, due to the changes in the pattern of the Town's activities.

The Fund Financial Statements, which include Governmental and Fiduciary Funds, display the Town's operations in more detail than the Government-wide Financial Statements and focus primarily on the short-term activities of the Town's General Fund and other major funds.

### ***Financial Analysis of Fund Financial Statements***

The *Governmental Funds Balance Sheet* and *Statement of Revenues, Expenditures and Changes in Fund Balances* report information about the Town's finances by fund group. The Town's governmental funds are categorized into four major fund groups – General Fund, Capital Projects Fund, Debt Service and Other Governmental Funds. When considering the relative health of the Town's finances, it is useful to look more closely at the fund balances for each group.

### **Governmental Funds**

The General Fund group includes the Town's discretionary resources (e.g., property taxes, sales and use taxes, franchise fees) and functions as the general operating fund. The General Fund group includes the General Purpose Fund, One-Time Developer Fee Fund (i.e., Palos Colorados funds) and Deposits Fund.

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**MANAGEMENT DISCUSSION AND ANALYSIS**

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In addition to General Fund, Town of Moraga recognizes the following funds as Major Funds:

- **Measure K** – established to separately account for the use of the one-cent added local sales tax approved by the voters in 2012 for 20 years.
- **American Rescue Plan Act Fund** – established in FY21-22 to capture all Federal ARPA funding resources and expenditures.
- **Construction in Progress Fund** – established to capture all capital project expenditures and corresponding revenues, except those accounted for in Measure K.
- **Other Capital Projects Fund** - includes Community Facilities/Open Space Fund, Asset Replacement Fund, various grant funds and development impact fee funds.
- **Debt Service Funds** - 2013 Certificates of Participation (Infrastructure Improvements) Fund.

The Town also has funds that are Non-Major Funds:

- **Other Governmental Funds** - include the COPS/SLESF (Citizens Option for Public Safety/Supplemental Law Enforcement Services Fund), Gas Tax, Measure J, Park Dedication, Lighting Assessment District, Traffic Safety, NPDES (Clean Water Act – National Pollutant Discharge Elimination System), Asset Forfeiture, Public Safety Sales Tax (Proposition 172), Street Lighting, Pavement Management Program, Refuse Vehicle Impact Fees, Public Safety Grants, and Art in Public Spaces funds.

## **Fund Balance**

Beginning with the fiscal year ended June 30, 2011, the Town implemented *GASB Statement Number 54, Fund Balance Reporting and Governmental Fund Type Definitions*. GASB 54's intent is to provide more clearly defined fund balance classifications to make the nature and extent of the constraints placed on a government's fund balances more transparent. Town Council adopted Resolution No. 24-2011 on June 22, 2011, adopting the GASB 54 fund balance classification definitions.

GASB 54 places fund balance under five possible classifications: *non-spendable*, *restricted*, *committed*, *assigned*, and *unassigned*. Only the fund balance in the General Fund can be classified as *unassigned* because all other funding sources come with restrictions for use by legislative action at the local, state or federal level.

As shown in the *Balance Sheet* on pages 24-25, as of the fiscal year ended June 30, 2023, the Town's Governmental Fund types included combined ending fund balance of \$21.51 million. Of that total, 27.89 percent or \$6.0 million is classified as restricted (i.e., Certificates of Participation, debt service, grants, or restricted by legislative action at the local, state or federal level), 45.17 percent or \$9.72 million is committed (i.e., constrained by formal action of the Town Council), and 2.04 percent or \$439k is classified as assigned as of June 30, 2023.

The Town's unassigned General Purpose Fund balance is \$5.35 million of the total combined fund balance. This amount represents 51 percent of the actual General Fund expenditures of \$10.87 million for the year ended June 30, 2023 maintaining the required reserve of 50 percent of the General Purpose Fund operating expenditures.

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**MANAGEMENT DISCUSSION AND ANALYSIS**

The detailed *Statement of Revenues, Expenditures and Changes in Fund Balances* (Basic Financial Statements, pages 28-29) presents changes to fund balances resulting from the FY 2021-23 actual revenue and expenditure activity. A summary of net changes by fund group is shown in Table 3.

**Table 3. Summary of Net Changes to Fund Balance by Fund Group**

Fund Balance	General Fund	Measure K Local Funding	American Rescue Plan Act Fund	Construction in Progress	Other Capital Projects Fund	Debt Service	Other Gov't Funds	Total Gov't Funds
Beginning Fund Balance	\$10,688,449	1,924,476	629,786	\$1,012,737	\$2,121,781	\$332,051	\$2,439,744	\$19,149,024
Ending Fund Balance	11,253,991	197,602	445,553	4,689,138	2,347,755	347,370	2,232,625	21,514,034
Net Change	\$565,542	(\$1,726,874)	(\$184,233)	\$3,676,401	\$225,974	\$15,319	(\$207,119)	\$2,365,010

The total fund balance of the Town increased by 12.35 percent or \$2.37 million. The increase can be attributed in part to an increase in funds for Capital Improvement Projects.

The Measure K Fund was accounted for separately beginning in FY 2020-21 to better track the one-cent added local sales tax. The net change in the fund balance is due to an increase in transfers out to capital improvement projects.

The balance of the Construction in Progress Fund increased by 363.02 percent or \$3.68 million. The increase in the fund balance was primarily due to timing of grant revenue receipts for various capital projects funded by federal and state grants.

Revenue in the Other Capital Projects Fund is committed to capital projects over multiple years. The increase in the Other Capital Projects Fund is mainly due to the transfer of excess FY21-22 reserve fund from the General Fund and the use of the funds for various capital projects during the year. The pace of development activity affects the level of development fees. Consequently, this source of funding is subject to considerable variation and dependent upon the progress of development projects. These funds are restricted for future construction and implementation of improvements related to the Town Capital Improvement Program.

The fund balance of the Debt Service Fund increased by 4.61 percent or \$15k.

The fund balance of the Other Government Funds decreased by 8.49 percent or \$207k due to use of various funds to fund various capital projects.

### **General Fund Budgetary Highlights**

General Fund actual revenues exceeded the final amended budget by 7.06 percent or \$698k primarily due to Property Taxes, Interest and Other Revenues. General Fund actual expenditures were under when compared to the final amended budget by 3.11 percent or \$344k, due primarily to savings Public Works and Planning.

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**MANAGEMENT DISCUSSION AND ANALYSIS**

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## **STRENGTHS AND RISKS**

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### **FY 2022-23 General Fund Reserve, Revenues, and Expenditures**

#### **General Purpose Fund Reserve Policy**

The General Purpose Fund includes the Town's primary resources for operations. The Town's policy, per Resolution No. 8-2012 adopted on February 8, 2012, is to achieve and maintain a General Purpose Fund balance equal to 50 percent of the General Purpose Fund operating expenditures. At the year ended June 30, 2023, the unassigned fund balance was \$5.35 million which represents 51 percent of the actual General Fund expenditures of \$10.50 million (*Combining Balance Sheets*, pages 82-83).

#### **FY 2022-23 General Fund Revenue**

The Town's general operations depend heavily on property taxes, sales taxes, and franchise fees.

##### *Property Taxes*

Historically, property tax revenues remain stable with a slight increase annually. The table below provides a three-year history of the Town's property tax revenue receipts from the *Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual*. Property tax revenues include ad valorem, homeowner's property tax relief, and real property transfer taxes. For FY 2022-23, the 6.20 percent increase is attributed to an increase in property assessed valuations and real estate transfer taxes that are dependent upon real estate sales activity.

**Table 4. History of Property Tax Revenues**

	<b>FY 2020-21</b>	<b>FY 2021-22</b>	<b>% Change FY20-21 to FY 21-22</b>	<b>FY 2022-23</b>	<b>% Change FY21-22 to FY22-23</b>
Property Tax	\$5,012,329	\$5,165,367	3.05%	\$5,485,603	6.20%

##### *Sales Taxes*

Sales taxes are the second largest revenue source for the Town. The Town receives two types of sales taxes: Bradley-Burns Uniform Local Sales and Use Tax, and a Local Transactions and Use Tax (add-on or locally controlled Measure K). The Bradley-Burns Uniform Local Sales and Use Tax is generated from the sales transactions located within the Town, and also includes a portion of sales from the County pool, and sales tax in-lieu. The Town's sales and use tax revenues have experienced modest changes during economic downturns and overall have remained relatively stable with a steady increase.

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The Town's additional one-cent local transactions and use (add-on sales) tax, locally controlled Measure K, was approved by voters on November 6, 2012 with a 70.5 percent approval rate. This general sales tax became effective on April 1, 2013 and will sunset on March 31, 2033. The Measure K sales tax measure was approved for general purposes, permitting the Town to use the revenue for a variety of objectives. However, the Town Council approved Resolution No. 98-2015 which dedicated this locally controlled funding source to specifically address streets, storm drains, and related infrastructure repairs and maintenance.

To complete the initial needed repairs, the Town Council issued 2013 Certificates of Participation for Infrastructure Improvements, leveraging a portion of the additional sales tax revenue for an intensive road rehabilitation program. FY 2022-23 experienced the ninth year of Measure K sales tax revenue with receipts reaching \$2.67 million, a 0.22 percent increase from the prior year.

**Table 5. History of Sales Tax Revenues**

	FY 2020-21	FY 2021-22	% Change FY20-21 to FY21-22	FY 2022-23	% Change FY21-22 to FY 22-23
Sales and Use Tax	\$1,153,003	\$1,285,130	11.46%	\$1,295,778	0.83%
1% Local Add-On Measure K	2,440,328	2,663,964	9.16%	2,669,905	0.22%
<b>Total Sales Tax Revenue</b>	<b>\$3,593,331</b>	<b>\$3,949,094</b>	<b>9.90%</b>	<b>\$3,965,683</b>	<b>0.42%</b>

### Franchise Fees

Franchise fees are the Town's fourth largest revenue source. Franchise fees include those from RecycleSmart, Pacific Gas & Electric (PG&E) and Comcast Cable. Beginning in FY 2020-21, the Refuse Vehicle Impact Fee that is restricted for repair and maintenance of local streets and roads is reported separately in Fund 212.

**Table 6. History of Franchise Fee Revenues**

	FY 2020-21	FY 2021-22	% Change FY20-21 to FY21-22	FY 2022-23	% Change FY 21-22 to FY22-23
CCCSWA	\$349,751	\$359,514	2.79%	\$373,862	3.99%
PG&E	204,551	215,833	5.52%	251,137	16.36%
Comcast	280,679	296,408	5.60%	292,591	-1.29%
<b>Total Franchise Fee Revenue</b>	<b>\$834,981</b>	<b>\$871,755</b>	<b>4.40%</b>	<b>\$917,590</b>	<b>5.26%</b>

Other revenues used to support general operations based upon their respective restrictions include gas tax, NPDES (Clean Water Act - National Pollutant Discharge Elimination System) revenues, and Lighting Assessment District.

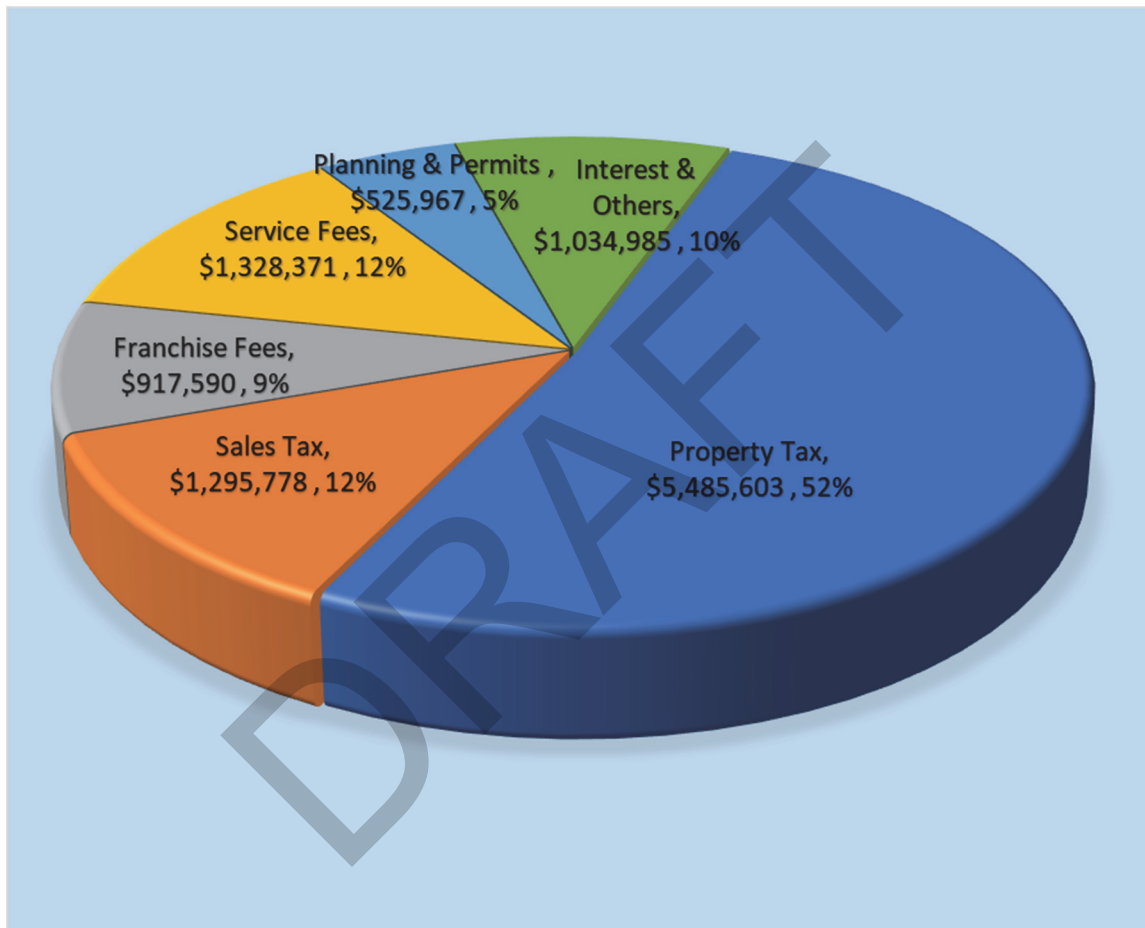
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**MANAGEMENT DISCUSSION AND ANALYSIS**

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Specific to the General Fund, the following chart illustrates the major revenues sources (using figures from the *Statement of Revenues, Expenditures and Changes in Fund Balances* on pages 28-29).

**Chart 1. FY 2022-23 General Fund Revenues (Total \$10,588,294)**



The Town proactively addresses issues that it has some measure of control over; however, external factors exist over which the Town has little or no control. While the Town relies heavily on property tax for ongoing operations, it receives a much lower portion of property tax as compared to other communities. Most homeowners may know that Proposition 13, passed by California voters in 1978, fixed the property tax rate at 1.00 percent of the assessed value of a home, plus any assessment bond approved by popular vote. Proposition 13 also froze how the property tax dollars are distributed among all the benefactors including the Town government, Moraga-Orinda Fire District, schools, Central Contra Costa Solid Waste Authority, East Bay Municipal Utility District, East Bay Regional Park District, BART and Contra Costa County. The distribution of property tax dollars set under Prop. 13 was based on what existed in 1976. At that time, the Town was a young "minimal government," which meant that the Town government was not spending, or receiving, a lot of tax dollars. Based on these conditions the Town's proportion of the property tax was set at 5.29 percent.

**TOWN OF MORAGA**  
**Annual Comprehensive Financial Report**  
**Fiscal Year Ended June 30, 2023**

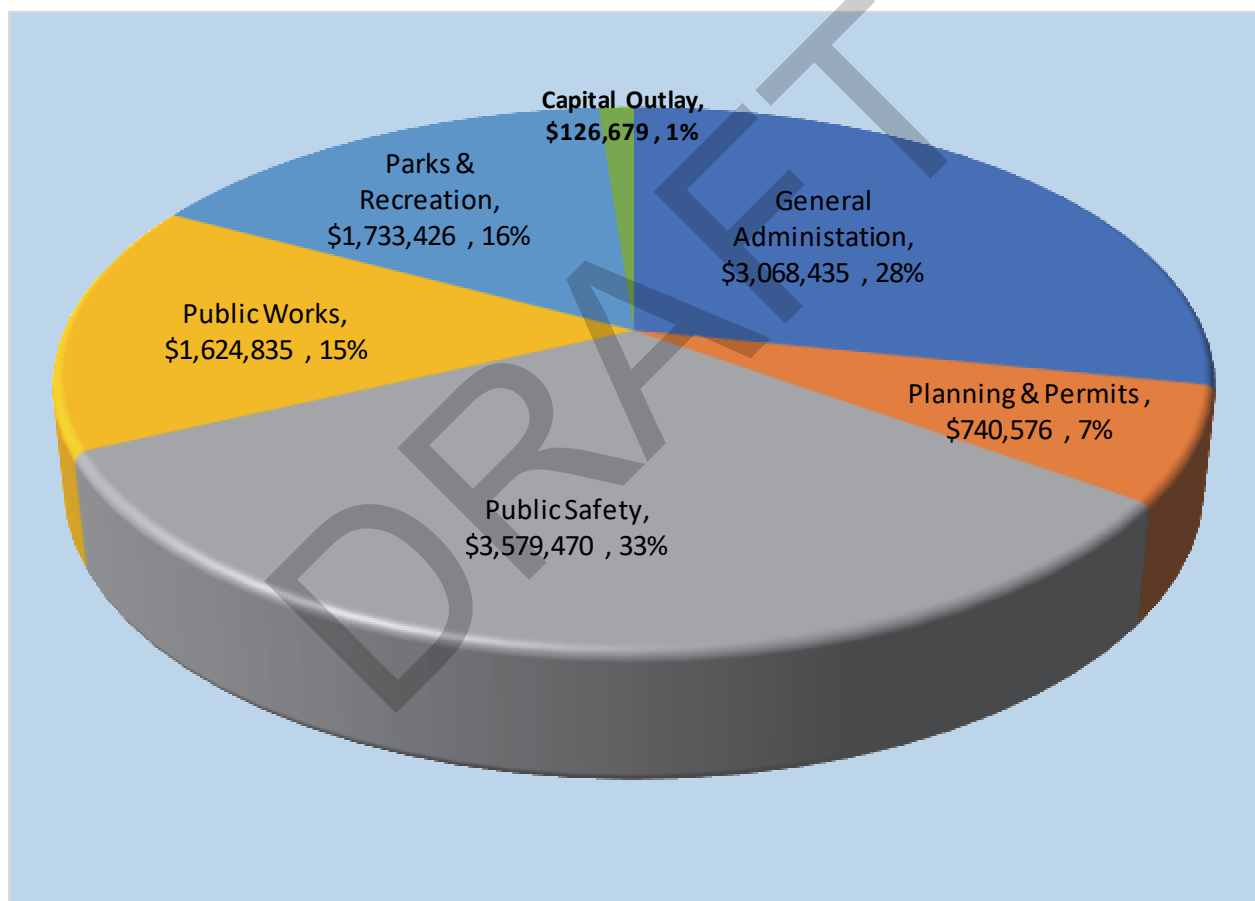
**MANAGEMENT DISCUSSION AND ANALYSIS**

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### **FY 2022-23 General Fund Expenditures**

The Town strives to keep its operating expenses low. The following chart illustrates the relative distribution of the Town's General Fund expenditures (using figures from the *Statement of Revenues, Expenditures, and Changes in Fund Balances* on pages 28-29). Expenditures under General Administration include the Town Council, Town Manager, Town Clerk, and Administrative Services departments. General Administration also includes the Town's contracted services for legal and information technology.

**Chart 2. FY 2022-23 General Fund Expenditures (\$10,873,421)**



Additionally, the Town contracts with Contra Costa County for a variety of services including animal control services, police dispatch, forensics, jail and booking services, Cal-ID, and ARIES maintenance. These contracted services are part of the Police Department expenditures. Expenditures for signal and streetlight maintenance services provided by the Contra Costa County are part of the Public Works Department.

**TOWN OF MORAGA**  
**Annual Comprehensive Financial Report**  
**Fiscal Year Ended June 30, 2023**

**MANAGEMENT DISCUSSION AND ANALYSIS**

The following table shows the historical costs of services provided by Contra Costa County.

**Table 7. Cost of Services Provided by Contra Costa County**

Service Type	FY 2020-21	FY 2021-22	% Change FY20-21 to FY21-22	FY 2022-23	% Change FY21-22 to FY22-23
Animal Services	\$110,859	\$115,063	3.8%	\$134,055	16.5%
Police Dispatch	172,511	168,870	-2.1%	171,586	1.6%
Cal-ID	19,840	21,608	8.9%	24,161	11.8%
ARIES Maintenance (computer system)	8,770	8,770	0.0%	8,770	0.0%
Forensic Services	11,481	18,341	59.7%	17,826	-2.8%
Traffic Signal Maintenance	45,168	39,199	-13.2%	34,528	-11.9%
<b>Total Expenditures</b>	<b>\$368,629</b>	<b>\$371,851</b>	<b>0.9%</b>	<b>\$390,926</b>	<b>5.1%</b>

### Capital Assets

The Town had a total capital outlay of \$7.47 million in the Governmental Funds (Statements of Revenues, Expenditures, and Changes in Fund Balances, pages 28-29).

Major capital projects during FY 2022-23 included the following:

Project Number	Project Name	Amount
CIP 022-401	Pavement Reconstruction	\$4,194,540
CIP 014-101	Canyon Bridge Replacement	\$663,133
CIP 020-501	Implementing the 6th Cycle RHNA	\$511,948
CIP 021-401	2021 Rubberized Cape Seal	\$464,690
CIP 021-301	Commons Park Restroom Replacement	\$307,924
CIP 021-205	Creeks & Drainage Design	\$272,661
CIP 021-206	Creeks & Drainage Admin	\$258,552
CIP 019-302	Commons Park Picnic Area	\$208,622

The Town's investment in capital assets as of June 30, 2023 totaled \$76.71 million as compared to \$71.66 million in FY 2021-22 (Basic Financial Statements, Note 5, page 52). This investment in capital assets includes land, buildings and improvements, roadways, storm drains, parks and recreation, and equipment and furniture.

The retirement of assets in FY 2022-23 included Springbrook software.

**TOWN OF MORAGA**  
**Annual Comprehensive Financial Report**  
**Fiscal Year Ended June 30, 2023**

**MANAGEMENT DISCUSSION AND ANALYSIS**

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## **Long-Term Debt**

The Town's debt totals \$4.78 million as of June 30, 2023, compared to \$5.14 million in the prior year (Basic Financial Statements, Note 6, page 54). The debt is attributed to \$7.72 million Certificates of Participation issued in 2013 for Infrastructure Improvements, including streets and related infrastructure.

**Table 8. Long Term Debt**

<b>Governmental Activities</b>	<b>Original Issue</b>	<b>Balance June 30, 2022</b>	<b>Retirements</b>	<b>Balance June 30, 2023</b>	<b>Current Portion</b>
2013 Certificate of Participation	\$7,720,000	\$5,005,000	\$355,000	\$4,650,000	\$375,000
Add: Unamortized Bond Premium	259,947	142,974	12,997	129,977	
<b>Total Debt</b>	<b>\$7,979,947</b>	<b>\$5,147,974</b>	<b>\$367,997</b>	<b>\$4,779,977</b>	<b>\$375,000</b>

## **Notes to the Financial Statements**

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the Government-wide and Fund Financial Statements. The Notes to the financial statements can be found on pages 39-71 of this report.

**TOWN OF MORAGA**  
**Annual Comprehensive Financial Report**  
**Fiscal Year Ended June 30, 2023**

**MANAGEMENT DISCUSSION AND ANALYSIS**

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**REQUEST FOR INFORMATION**

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In this Management's Discussion and Analysis, we have attempted to provide the reader with a narrative overview and analysis of the Town's financial statements for the fiscal year ended June 30, 2023. Readers are encouraged to examine the Basic Financial Statements, Notes and Supplemental Information contained in this report for additional detail.

Questions concerning any information provided in this report or requests for additional financial information should be directed to:

**Town of Moraga**  
**Administrative Services Director**  
**Administrative Services Department**  
**329 Rheem Boulevard**  
**Moraga, CA 94566**

<p style="text-align: center;"><b>TOWN OF MORAGA</b> <b>Basic Financial Statements</b> <b>For the Year Ended June 30, 2023</b></p>
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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The Statement of Net Position and the Statement of Activities summarize the entire Town's financial activities and financial position. They are prepared on the same basis as is used by most businesses, which means they include all the Town's assets and all its liabilities, as well as all its revenues and expenses. This is known as the full accrual basis - the effect of all the Town's transactions is taken into account, regardless of whether or when cash changes hands, but all material internal transactions between Town funds have been eliminated.

The Statement of Net Position reports the difference between the Town's total assets and the Town's total liabilities, including all the Town's capital assets and all its long-term debt. The Statement of Net Position presents information in a way that focuses the reader on the composition of the Town's net position, by subtracting total liabilities from total assets.

The Statement of Net Position summarizes the financial position of all of the Town's Governmental Activities in a single column.

The Town's Governmental Activities include the activities of its General Fund, along with all its Special Revenue and Capital Projects Funds.

The Statement of Activities reports increases and decreases in the Town's net position. It is also prepared on the full accrual basis, which means it includes all the Town's revenues and all its expenses, regardless of when cash changes hands. This differs from the "modified accrual" basis used in the Fund financial statements, which reflect only current assets, current liabilities, available revenues and measurable expenditures.

The Statement of Activities presents the Town's expenses first, listed by program. Program revenues—that is, revenues which are generated directly by these programs—are then deducted from program expenses to arrive at the net expense of each governmental program. The Town's general revenues are then listed in the Governmental Activities and the Change in Net Position is computed and reconciled with the Statement of Net Position.

TOWN OF MORAGA  
STATEMENT OF NET POSITION  
JUNE 30, 2023

	Governmental Activities
<b>ASSETS</b>	
Current assets:	
Cash and investments (Note 3)	\$18,165,608
Restricted cash and investments (Note 3)	3,263,990
Accounts receivable	3,457,923
Prepays	3,150
Total current assets	<u>24,890,671</u>
Noncurrent assets:	
Leases receivable (Note 7)	3,867,932
Capital assets (Note 5)	
Capital assets, not being depreciated	28,612,649
Capital assets, being depreciated, net of accumulated depreciation	<u>48,177,905</u>
Total capital assets, net	<u>76,790,554</u>
Total noncurrent assets	<u>80,658,486</u>
Total Assets	<u>105,549,157</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Related to pensions (Note 9)	<u>4,290,436</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable and accrued liabilities	1,513,464
Deposits payable	1,261,758
Unearned revenue	20,262
Accrued compensated absences - due within one year (Note 1G)	67,006
Subscription based liability - due within one year (Note 8)	42,167
Certificates of participation - due within one year (Note 6)	<u>375,000</u>
Total current liabilities	<u>3,279,657</u>
Noncurrent liabilities:	
Accrued compensated absences - due in more than one year (Note 1G)	268,025
Subscription based liability - due in more than one year (Note 8)	45,392
Certificates of participation - due in more than one year (Note 6)	4,404,977
Net pension liability (Note 9)	<u>9,249,452</u>
Total noncurrent liabilities	<u>13,967,846</u>
Total Liabilities	<u>17,247,503</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Related to leases (Note 7)	3,835,220
Related to pensions (Note 9)	<u>1,396,016</u>
Total Deferred Inflows of Resources	<u>5,231,236</u>
<b>NET POSITION (Note 10)</b>	
Net investment in capital assets	<u>71,923,018</u>
Restricted for:	
Pension costs	1,595,253
Capital projects	1,839,265
Debt service	347,370
Special revenue projects:	
Streets and roads	1,666,780
Public safety	89,811
Other projects	462,088
Unrestricted	<u>9,437,269</u>
Total Net Position	<u><u>\$87,360,854</u></u>

See accompanying notes to financial statements

TOWN OF MORAGA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2023

Functions/Programs	Expenses	Program Revenues		Net Revenue (Expense) and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				Governmental Activities
General administration	\$3,313,148	\$659,061	\$894,003	(\$1,760,084)
Planning	631,532	532,625	549,504	450,597
Public safety	2,836,278	111,755	355,755	(2,368,768)
Public works	3,499,822	443,211	618,788	2,145,687
Parks and recreation	1,727,601	778,403		(949,198)
Interest on long-term debt	228,053			(228,053)
Total	12,236,434	2,525,055	2,418,050	(2,709,819)
Total	<u>\$12,236,434</u>	<u>\$2,525,055</u>	<u>\$2,418,050</u>	<u>(2,709,819)</u>
General revenues:				
Taxes:				
Property tax				6,239,991
Sales tax				4,057,799
Franchise tax				917,590
Interest				680,309
Total general revenues				11,895,689
Change in Net Position				9,185,870
Net Position - Beginning				78,174,984
Net Position - Ending				<u>\$87,360,854</u>

See accompanying notes to financial statements

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<p style="text-align: center;"><b>TOWN OF MORAGA</b> <b>Basic Financial Statements</b> <b>For the Year Ended June 30, 2023</b></p>
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**FUND FINANCIAL STATEMENTS**  
**GOVERNMENTAL FUNDS**

Major funds are defined generally as having significant activities or balances in the current year.

The funds described below were determined to be Major Funds by the Town for fiscal year 2023. Individual Other Governmental Funds may be found in the Supplemental Section.

**GENERAL FUND**

The General Fund is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**MEASURE K LOCAL SPECIAL REVENUE FUND**

This fund was established in FY2020/21 to separately account for Measure K, the one-cent added local sales tax approved by the voters in 2012 for 20 years. The revenues have been earmarked for pavement management.

**AMERICAN RESCUE PLAN ACT SPECIAL REVENUE FUND**

This fund was established in FY2021/22 to separately account for federal grant funds received for specific purposes as designated under the American Rescue Plan Act.

**CONSTRUCTION IN PROGRESS**

The Construction In Progress Fund is a fund used to capture all capital project expenditures and corresponding revenues, except for those accounted for in the Street Pavement Program fund.

**OTHER CAPITAL PROJECTS FUND**

The Other Capital Projects Fund is used to account for funds expended on various capital improvement projects, other than those under the Pavement Management Program Fund.

**DEBT SERVICE FUND**

The Debt Service Fund was established to account for the proceeds from the issuance of long-term debt, as well as annual debt service payments.

TOWN OF MORAGA  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2023

	General Fund	Measure K Local Funding	American Rescue Plan Act Fund	Construction In Progress
<b>ASSETS</b>				
Cash and investments (Note 3)	\$8,814,854		\$445,553	\$4,772,282
Restricted cash and investments (Note 3)	2,921,167			
Accounts receivable	474,180	\$490,333		1,707,707
Prepays	3,150			
Lease receivable (Note 7)	3,867,932			
Due from other funds (Note 4)	605,387			
Total Assets	<u>\$16,686,670</u>	<u>\$490,333</u>	<u>\$445,553</u>	<u>\$6,479,989</u>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$331,289			\$1,161,136
Due to other funds (Note 4)		\$292,731		
Deposits payable	1,261,758			
Unearned revenue	4,412			15,850
Total Liabilities	<u>1,597,459</u>	<u>292,731</u>		<u>1,176,986</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Related to leases (Note 7)	3,835,220			
Unavailable revenue				613,865
Total Deferred Inflows of Resources	<u>3,835,220</u>			<u>613,865</u>
<b>FUND BALANCES (Note 8)</b>				
Nonspendable	3,150			
Restricted	1,611,788		\$445,553	
Committed	4,286,024			4,689,138
Assigned		197,602		
Unassigned	5,353,029			
Total Fund Balances	<u>11,253,991</u>	<u>197,602</u>	<u>445,553</u>	<u>4,689,138</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$16,686,670</u>	<u>\$490,333</u>	<u>\$445,553</u>	<u>\$6,479,989</u>

See accompanying notes to financial statements

Other Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
\$2,333,378	\$4,547	\$1,794,994	\$18,165,608
	342,823		3,263,990
14,377		771,326	3,457,923
			3,150
			3,867,932
			605,387
<u>\$2,347,755</u>	<u>\$347,370</u>	<u>\$2,566,320</u>	<u>\$29,363,990</u>
		\$21,039	\$1,513,464
		312,656	605,387
			1,261,758
			20,262
		333,695	3,400,871
			3,835,220
			613,865
			4,449,085
			3,150
\$1,604,428	\$347,370	1,991,428	6,000,567
743,327			9,718,489
		241,197	438,799
			5,353,029
<u>2,347,755</u>	<u>347,370</u>	<u>2,232,625</u>	<u>21,514,034</u>
<u>\$2,347,755</u>	<u>\$347,370</u>	<u>\$2,566,320</u>	<u>\$29,363,990</u>

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TOWN OF MORAGA  
RECONCILIATION OF THE  
GOVERNMENTAL FUNDS - BALANCE SHEET  
WITH THE  
STATEMENT OF NET POSITION  
JUNE 30, 2023

<b>Total fund balances - governmental funds</b>	\$21,514,034
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Amounts reported for Governmental Activities in the Statement of Net Position are different from those reported in the Governmental Funds above because of the following:

**CAPITAL ASSETS TRANSACTIONS**

Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds.	76,790,554
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**NON-CURRENT REVENUES**

Revenues which are unavailable on the Fund Balance Sheets because they are not available currently are taken into revenue in the Statement of Activities	613,865
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**LONG-TERM ASSETS, LIABILITIES AND DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

The assets, deferred outflows of resources, liabilities and deferred inflows of resources below are not due and payable in the current period and therefore are not reported in the Funds:

Deferred outflows of resources related to pensions	4,290,436
Compensated absences	(335,031)
Net pension liability	(9,249,452)
Subscription based liability	(87,559)
Certificates of participation	(4,779,977)
Deferred inflows of resources related to pensions	<u>(1,396,016)</u>

**NET POSITION OF GOVERNMENTAL ACTIVITIES**

\$87,360,854

See accompanying notes to financial statements

TOWN OF MORAGA  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2023

	General Fund	Measure K Local Funding	American Rescue Plan Act Fund	Construction In Progress
REVENUES				
Property taxes and assessments	\$3,091,491			
Property tax - in lieu	2,235,897			
Sales and use tax	1,295,778			
Sales tax - public safety				
Sales tax - 1% local add-on (Measure K)		\$2,669,905		
Franchise fees	917,590			
Real property transfer fees	158,215			
Motor vehicle license fees	17,704			
Planning and permits	525,967			
Interest	401,670	46,071	\$3,528	
Property rentals	120,813			
Parks and recreation	778,405			
Police services	111,755			
Public works services	438,211			
Intergovernmental	5,000		2,127,036	\$2,661,194
Fines, forfeitures and penalties				
Other revenues	489,798			
Total Revenues	10,588,294	2,715,976	2,130,564	2,661,194
EXPENDITURES				
Current operations:				
General administration	3,068,435		133,462	
Planning	740,576			
Public safety	3,579,470			
Public works	1,624,835		10,835	
Parks and recreation	1,733,426			
Debt service:				
Principal				
Interest				
Capital outlay	126,679			7,223,761
Total Expenditures	10,873,421		144,297	7,223,761
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(285,127)	2,715,976	1,986,267	(4,562,567)
OTHER FINANCING SOURCES (USES)				
Subscription asset	126,679			
Transfers in (Note 4)	1,753,500			8,238,968
Transfers out (Note 4)	(1,029,510)	(4,442,850)	(2,170,500)	
Total Other Financing Sources (Uses)	850,669	(4,442,850)	(2,170,500)	8,238,968
NET CHANGE IN FUND BALANCES	565,542	(1,726,874)	(184,233)	3,676,401
BEGINNING FUND BALANCES (DEFICITS)	10,688,449	1,924,476	629,786	1,012,737
ENDING FUND BALANCES	\$11,253,991	\$197,602	\$445,553	\$4,689,138

See accompanying notes to financial statements

Other Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
		\$912,603	\$4,004,094
			2,235,897
			1,295,778
		92,116	92,116
			2,669,905
			917,590
			158,215
			17,704
			525,967
\$32,002	\$11,519	64,706	559,496
			120,813
			778,405
			111,755
			438,211
15,000		2,133,701	6,941,931
		36,029	36,029
28,600			518,398
75,602	11,519	3,239,155	21,422,304
			3,201,897
			740,576
23,616			3,603,086
		199,140	1,834,810
		784	1,734,210
	355,000		355,000
	241,050		241,050
122,904			7,473,344
146,520	596,050	199,924	19,183,973
(70,918)	(584,531)	3,039,231	2,238,331
			126,679
985,356	599,850	47,784	11,625,458
(688,464)		(3,294,134)	(11,625,458)
296,892	599,850	(3,246,350)	126,679
225,974	15,319	(207,119)	2,365,010
2,121,781	332,051	2,439,744	19,149,024
\$2,347,755	\$347,370	\$2,232,625	\$21,514,034

TOWN OF MORAGA  
RECONCILIATION OF THE  
NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS  
WITH THE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2023

The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Position of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$2,365,010
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Governmental funds report capital outlays as expenditures while governmental activities reports depreciation as expense to allocate those expenditures over the life of the assets:

The capitalized expenditures are therefore added back to fund balance	7,494,085
Net retirements are deducted from fund balance	(99,349)
Depreciation and amortization expense is deducted from fund balance	(2,267,589)

Long-Term Debt Proceeds and Payments:

Amortization of bond premium is an expenditure in the governmental funds, but the amortization reduces long-term liabilities in the Statement of Net Position.	12,997
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	355,000

Some expenses reported in the Statement of Activities do not require the use of the current financial resources and therefore are not reported as expenditures in governmental funds:

Change in accrued compensated absences	32,705
Change in subscription asset	(87,559)
Net pension liability and deferred outflows/inflows of resources related to pensions	1,380,570

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$9,185,870
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See accompanying notes to financial statements

TOWN OF MORAGA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2023

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Adjusted	Actual Amounts	
REVENUES				
Property taxes and assessments	\$2,971,644	\$2,971,644	\$3,091,491	\$119,847
Property tax - in lieu	2,180,264	2,180,264	2,235,897	55,633
Sales and use tax	1,322,413	1,322,413	1,295,778	(26,635)
Franchise fees	866,000	866,000	917,590	51,590
Real property transfer fees	240,000	240,000	158,215	(81,785)
Motor vehicle license fees		10,623	17,704	7,081
Planning and permits	601,500	601,500	525,967	(75,533)
Interest	54,088	153,367	401,670	248,303
Property rentals	99,279	99,279	120,813	21,534
Parks and recreation	704,230	743,750	778,405	34,655
Police services	65,700	85,700	111,755	26,055
Public works services	415,500	415,500	438,211	22,711
Intergovernmental			5,000	5,000
Other revenues	210,623	200,000	489,798	289,798
Total Revenues	9,731,241	9,890,040	10,588,294	698,254
EXPENDITURES:				
Current operations:				
General government	2,892,809	2,964,309	3,068,435	(104,126)
Planning	843,731	918,731	740,576	178,155
Public safety	3,608,558	3,656,558	3,579,470	77,088
Public works	1,817,227	1,835,227	1,624,835	210,392
Parks and recreation	1,636,791	1,716,391	1,733,426	(17,035)
Total Expenditures	10,799,116	11,091,216	10,746,742	344,474
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,067,875)	(1,201,176)	(158,448)	1,042,728
OTHER FINANCING SOURCES (USES)				
Transfers in	1,630,000	3,368,319	1,753,500	(1,614,819)
Transfers out	(167,819)	(2,589,329)	(1,029,510)	1,559,819
Total Other Financing Sources (Uses)	1,462,181	778,990	723,990	(55,000)
NET CHANGE IN FUND BALANCE	\$394,306	(\$422,186)	565,542	\$987,728
BEGINNING FUND BALANCE			10,688,449	
ENDING FUND BALANCE			\$11,253,991	

See accompanying notes to financial statements

TOWN OF MORAGA  
MEASURE K LOCAL FUNDING  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2023

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Adjusted	Actual Amounts	
REVENUES				
Sales tax - 1% local add-on (Measure K)	\$2,698,000	\$2,698,000	\$2,669,905	(\$28,095)
Interest			46,071	46,071
Total Revenues	2,698,000	2,698,000	2,715,976	17,976
EXPENDITURES:				
Current operations:				
General government	1,053,000	1,053,000		1,053,000
Total Expenditures	1,053,000	1,053,000		1,053,000
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,645,000	1,645,000	2,715,976	1,070,976
OTHER FINANCING SOURCES (USES)				
Transfers out		(4,442,850)	(4,442,850)	
Total Other Financing Sources (Uses)		(4,442,850)	(4,442,850)	
NET CHANGE IN FUND BALANCE	\$1,645,000	(\$2,797,850)	(1,726,874)	\$1,070,976
BEGINNING FUND BALANCE			1,924,476	
ENDING FUND BALANCE			\$197,602	

See accompanying notes to financial statements

TOWN OF MORAGA  
AMERICAN RESCUE PLAN ACT FUND  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Adjusted</u>	<u>Actual Amounts</u>	
REVENUES				
Intergovernmental	\$2,127,036	\$2,127,036	\$2,127,036	
Interest			3,528	\$3,528
Total Revenues	<u>2,127,036</u>	<u>2,127,036</u>	<u>2,130,564</u>	<u>3,528</u>
EXPENDITURES:				
Current operations:				
General government	899,500	857,204	133,462	723,742
Public works	<u>93,000</u>	<u>93,000</u>	<u>10,835</u>	<u>82,165</u>
Total Expenditures	<u>992,500</u>	<u>950,204</u>	<u>144,297</u>	<u>805,907</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>1,134,536</u>	<u>1,176,832</u>	<u>1,986,267</u>	<u>809,435</u>
OTHER FINANCING SOURCES (USES)				
Transfers out		(2,170,500)	(2,170,500)	
Total Other Financing Sources (Uses)		<u>(2,170,500)</u>	<u>(2,170,500)</u>	
NET CHANGE IN FUND BALANCE	<u>\$1,134,536</u>	<u>(\$993,668)</u>	<u>(184,233)</u>	<u>\$809,435</u>
BEGINNING FUND BALANCE			<u>629,786</u>	
ENDING FUND BALANCE			<u>\$445,553</u>	

See accompanying notes to financial statements

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<p><b>TOWN OF MORAGA</b> <b>Basic Financial Statements</b> <b>For the Year Ended June 30, 2023</b></p>
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**FUND FINANCIAL STATEMENTS**  
**FIDUCIARY FUNDS**

**Custodial Funds** report resources, not in a trust, that are held by the Town for other parties outside of the Town's reporting entity. Specific activities in the Custodial Funds include the contributions and expenses related to Commons Park and memorial benches, skatepark maintenance, and the Moraga Youth Involvement Committee.

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TOWN OF MORAGA  
FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2023

	<u>Custodial Funds</u>
ASSETS	
Cash and investments (Note 3)	<u>\$237,593</u>
Total Assets	<u>237,593</u>
LIABILITIES	
Deposits payable	<u>3,090</u>
Total Liabilities	<u>3,090</u>
NET POSITION	
Restricted for:	
Held for community programs	<u><u>\$234,503</u></u>

See accompanying notes to financial statements

TOWN OF MORAGA  
FIDUCIARY FUNDS  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Custodial Funds</u>
ADDITIONS:	
Community donations	\$233,532
Commons patio bricks	1,516
Other revenue	<u>967</u>
Total Additions	<u>236,015</u>
DEDUCTIONS:	
Contributions to others	233,320
Other expenses	<u>195</u>
Total Deductions	<u>233,515</u>
Change in Net Position	2,500
BEGINNING NET POSITION	<u>232,003</u>
ENDING NET POSITION	<u><u>\$234,503</u></u>

See accompanying notes to financial statements

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**TOWN OF MORAGA**  
**Basic Financial Statements**  
**For the Year Ended June 30, 2023**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Town of Moraga was incorporated in November 1974. The Town operates under a Council-Manager form of government and provides the following services: public safety (police), highways and streets, culture-recreation, public improvements, planning and zoning, and general administrative services.

**A. Reporting Entity**

The Basic Financial Statements of the Town include only the financial activities of the Town, which has no component units.

**B. Basis of Presentation**

The Town's Basic Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Government Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

These Statements require that the financial statements described below be presented.

**Government-wide Statements:** The Statement of Net Position and the Statement of Activities display information about the reporting government as a whole. These statements include the financial activities of the overall Town government, except for fiduciary activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational needs of a particular program and (c) fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**Fund Financial Statements:** The fund financial statements provide information about the Town's funds, including fiduciary funds. Separate statements for each fund category — *governmental* and *fiduciary* — are presented. The emphasis of fund financial statements is on major individual governmental funds, each of which is displayed in a separate column. All remaining governmental funds are aggregated and reported as other governmental funds.

**TOWN OF MORAGA**  
**Basic Financial Statements**  
**For the Year Ended June 30, 2023**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Major Funds**

The Town's major governmental funds are identified and presented separately in the fund financial statements. All other funds, called other governmental funds, are combined and reported in a single column, regardless of their fund-type.

Major funds are defined as funds that have either assets, liabilities, revenues or expenditures/expenses equal to ten percent of their fund-type total and five percent of the grand total. The General Fund is always a major fund. The Town may also select other funds it believes should be presented as major funds.

The Town reported the following major governmental funds in the accompanying financial statements:

The **General Fund** is the primary operating fund of the Town and is always classified as a major fund. It is used to account for all financial resources of the general government, except those required to be accounted for in the other funds.

The **Measure K Local Special Revenue Fund** was established in FY2020/21 to separately account for Measure K, the one-cent added local sales tax approved by the voters in 2012 for 20 years.

The **American Rescue Plan Act Special Revenue Fund** was established in FY2021/22 to separately account for federal grant funds received for specific purposes as designated under the American Rescue Plan Act.

The **Construction In Progress Fund** is a capital project fund used to capture all capital project expenditures and corresponding revenues, except for those accounted for in the Street Pavement Program fund.

The **Other Capital Projects Fund** is used to account for funds expended on various capital improvement projects, other than those under the Pavement Management Program Fund.

The **Debt Service Fund** was established to account for the proceeds from the issuance of long-term debt, as well as annual debt service payments.

The **Fiduciary Funds** are used to report assets held in a custodial capacity for others and therefore are not available to support Town programs. The reporting focus is on net position and changes in net position and is reported using accounting principles similar to proprietary funds. Since these assets are being held for the benefit of a third party, these funds are not incorporated into the government-wide statements.

**TOWN OF MORAGA**  
**Basic Financial Statements**  
**For the Year Ended June 30, 2023**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Major Funds (Continued)**

The Town reports the following fiduciary funds:

**Custodial Funds** is a clearing type fund for the collection of taxes or deposits held, on behalf of individuals, private organizations and other governments. Specific activities in the Custodial Funds include the contributions and expenses related to Commons Park and memorial benches, skatepark maintenance, and the Moraga Youth Involvement Committee. The financial activities of these funds are excluded from the Government-wide financial statements, and are presented in a separate Fiduciary Fund financial statements.

**D. Basis of Accounting**

The government-wide fund financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Town considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Governmental capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of governmental long-term debt and acquisitions under leases are reported as other financing sources.

Those revenues susceptible to accrual are property taxes, sales taxes, real property transfer taxes, interest revenue and charges for services. Licenses, use of property and permit revenues are not susceptible to accrual because they are not measurable until received in cash.

Grant revenues are recognized in the fiscal year in which all eligibility requirements are met. Under the terms of grant agreements, the Town may fund certain programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net position may be available to finance program expenditures. The Town's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

Non-exchange transactions, in which the Town gives or receives value without directly receiving or giving equal value in exchange, include taxes, grants, entitlements, and donations.

Certain indirect costs are included in program expenses reported for individual functions and activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

**TOWN OF MORAGA**  
**Basic Financial Statements**  
**For the Year Ended June 30, 2023**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***E. Capital Assets***

Contributed capital assets are valued at their estimated fair market value on the date contributed. Donated capital assets, donated works of art and similar items, and similar items, and capital assets received in a service concession arrangement are recorded at acquisition value. All other capital assets are valued at historical cost or estimated historical cost is not available.

Infrastructure, improvements and equipment purchased or acquired with an original cost of \$100,000, \$50,000, and \$5,000 or more, respectively, are capitalized. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings and improvements	50 Years
Equipment and furniture	3 - 25 Years
Infrastructure	7 - 100 Years

***F. Property Taxes***

Property tax revenue is recognized in the fiscal year for which the tax and assessment are levied. The County of Contra Costa levies, bills, and collects property taxes and special assessments for the Town. Under the County's "Teeter Plan," the County remits the entire amount levied and handles all delinquencies, retaining interest and penalties. Secured and unsecured property taxes are levied on January 1.

Secured property tax is due in two installments, on November 1 and February 1, becomes a lien on those dates and becomes delinquent on December 10 and April 10, respectively. Unsecured property tax is due on July 1, and becomes delinquent on August 31.

The term "unsecured" refers to taxes on personal property other than real estate, land, and buildings. These taxes are secured by liens on the property being taxed. Property tax revenues are recognized by the Town in the fiscal year they are assessed.

**TOWN OF MORAGA**  
**Basic Financial Statements**  
**For the Year Ended June 30, 2023**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**G. *Compensated Absences***

Compensated absences are comprised of unused vacation leave and compensatory time off, which are accrued as earned. No compensation is payable for sick leave. The Town's liability for compensated absences is determined annually. The liability for these compensated absences in the government-wide statements has been estimated by management to be 20% current and 80% non-current liabilities. The portion expected to be permanently liquidated is recorded in the governmental funds and are recorded as fund liabilities. The long-term portion is recorded in the statement of net position and is liquidated primarily by the General Fund.

The activities of the compensated absences for the year ended June 30, 2023 were as follows:

Beginning balance	\$367,736
Additions	377,256
Payments	(409,961)
Ending Balance	<u>\$335,031</u>
 Current Portion	 <u>\$67,006</u>

**H. *Use of Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**I. *Cash and Investments***

The Town maintains a cash and investments pool that is available for use by all funds. Each fund's portion of this pool is displayed on the Balance Sheets for the governmental funds and Statement of Fiduciary Net Position for the Agency Fund as cash and investments. Investments are stated at fair value. Fair value is estimated based on quoted market prices at year end.

**J. *Prepays***

The Town uses the consumption method to report prepaid items.

**K. *Leases***

A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. The Town records leases exceeding \$25,000 at commencement of the lease.

**TOWN OF MORAGA**  
**Basic Financial Statements**  
**For the Year Ended June 30, 2023**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**L. *Deferred Outflows/Inflows of Resources***

In addition to assets, the statement of net position or balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets or fund balance that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Town has one item that qualifies for reporting in this category related to pensions as discussed in Note 9.

In addition to liabilities, the statement of net position or balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets or fund balance that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Town has two items that qualify for reporting in this category, unavailable revenue and leases, which arise under the modified accrual basis of accounting. Accordingly, unavailable revenue is reported only in the governmental funds balance sheet. The Construction in Progress Fund reports unavailable revenue related to amounts due from other governments for grants. The General Fund reports deferred inflows related to lease receivable. The Town also has deferred inflow of resources related to pensions on the statement of net position as discussed in Note 9. These amounts are deferred and recognized as an inflow of resources in the period that the amount becomes available.

**M. *Fair Value Measurements***

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs – other than quoted prices included within level 1 – that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

**N. *New Funds***

During fiscal year ended June 30, 2023, the Town opened the Public Safety Grants and Art in Public Spaces Special Revenue Funds.

**TOWN OF MORAGA**  
**Basic Financial Statements**  
**For the Year Ended June 30, 2023**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***O. Subscription-Based Information Technology Arrangements (SBITAs) Accounting***

A Subscription-Based Information Technology Arrangement (SBITA) is a contract that conveys control of the right to use another party's (a SBITA vendor's) IT software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

At the commencement of a SBITA, the Town initially measures the subscription liability at the present value of payments expected to be made during the contract term. Subsequently, the subscription liability is reduced by the principal portion of payments made. The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for payments made at or before the SBITA commencement date, plus certain initial direct costs. Subsequently, the subscription asset is amortized on a straight-line basis over shorter of the subscription term or the useful life of the underlying IT assets.

Key estimates and judgments related to SBITAs include how the Town determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) subscription term, and (3) subscription payments as follows:

- The Town uses the interest rate charged by the IT vendor as the discount rate. When the interest rate charged by the IT vendor is not provided, the Town uses its estimated incremental borrowing rate as the discount rate for subscription liabilities.
- The subscription term includes the noncancellable period of the subscription.
- Subscription payments included in the measurement of the subscription liability are composed of fixed payments and purchase option price that the Town is reasonably certain to exercise.

The Town monitors changes in circumstances that would require a remeasurement of its subscription and will remeasure the subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

Subscription assets are reported with other capital assets and subscription liabilities are reported with liabilities on the statement of net position. The Town has established a threshold of \$10,000 for SBITA's as of July 1, 2022. The Town had one contract that was applicable and recorded as of June 30, 2023. See more details in Note 8.

**TOWN OF MORAGA**  
**Basic Financial Statements**  
**For the Year Ended June 30, 2023**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 – BUDGET AND BUDGETARY ACCOUNTING**

**A. *Budgeting Procedures***

Each year, the Town follows these procedures in establishing the budget reflected in the financial statements:

1. In May/June, the Town Manager submits to the Town Council a proposed budget for the fiscal year commencing July 1. The proposed budget includes proposed expenditures and the revenues expected to finance them. General Fund and Special Revenue Funds are budgeted on an annual basis. Capital Projects Funds and Debt Service Funds are budgeted on project basis.
2. The Town Council conducts deliberations on the proposed budget, including receipt of public comment at an open meeting.
3. The Town Council formally adopts the budget by resolution before July 1. The proposed budget becomes the adopted budget.
4. The Town Council may amend the budget at any time during the fiscal year. Amendments to the adopted budget become the adjusted budget.

The Town Manager is authorized to adjust the budget to include prior year budgeted amounts that are encumbered for contracts or unspent for multi-year capital projects. All other unexpended appropriations lapse at year end and must be re-appropriated in the budget for the new fiscal year. The Town Manager may also transfer budgeted amounts within or between departments at the fund level, which is the legal level of budgetary control. The Town Council must approve all budget amendments between funds or increases and decreases to a fund's overall budget.

**B. *Budgetary Accounting***

Budgets are adopted on a basis consistent with generally accepted accounting principles. The Town Council approves total appropriations for the General Fund on a departmental basis. The Town Council also approves total appropriations for Other Governmental Funds and the Capital Projects Fund on a fund level to be used for operating activities or for capital projects included in the Capital Improvement Program.

The budget is reflected in the financial statements. A budgetary comparison schedule is presented for the General Fund, including both the original adopted budget and the adjusted budget, and is presented in comparison to actual charges to appropriations.

The Town's Administrative Services Department maintains budget appropriations detail using a computerized financial management system. The system contains an on-going record of budget balances throughout the year based on actual expenditures.

**TOWN OF MORAGA**  
**Basic Financial Statements**  
**For the Year Ended June 30, 2023**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 – CASH AND INVESTMENTS**

The Town pools cash from all sources and all funds except cash held with fiscal agents so that it can be invested at the maximum yield, consistent with safety and liquidity, while individual funds can make expenditures at any time.

**A. Policies**

The Town and its fiscal agents invest only in those instruments authorized by the California Government Code.

The Town and its fiscal agents invest in individual investments and in investment pools. Individual investments are evidenced by specific identifiable pieces of paper called *securities instruments*, or by an electronic entry registering the owner in the records of the institution issuing the security, called the *book entry* system.

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the Town's cash on deposit, or first trust deed mortgage notes with a market value of 150% of the deposit, as collateral for these deposits. Under California Law this collateral is held in a separate investment pool by another institution in the Town's name and places the Town ahead of general creditors of the institution.

The Town's investments are carried at fair value, as required by generally accepted accounting principles. The Town adjusts the carrying value of its investments to reflect their fair value at each fiscal year end, and it includes the effects of these adjustments in income for that fiscal year.

**B. Classifications**

Cash and investments as of June 30, 2023 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and investments	\$19,760,861
Restricted cash and investments	1,668,737
Fiduciary Funds:	
Cash and investments	237,593
Total Cash and Investments	<u>\$21,667,191</u>

Cash and investments as of June 30, 2023 consist of the following:

Cash on hand and in banks	\$12,888,100
Investments with fiscal agents	1,938,076
California Local Agency Investment Fund	6,841,015
Total Cash and Investments	<u>\$21,667,191</u>

**TOWN OF MORAGA**  
**Basic Financial Statements**  
**For the Year Ended June 30, 2023**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 – CASH AND INVESTMENTS (Continued)**

**C. Cash Deposits With Financial Institutions – Custodial Credit Risk-Deposits**

In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2023, the Town's bank balance was \$2,700,965 and \$2,450,965 of that amount was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging or financial institution's trust department or agent, but not in the Town's name.

**D. Investments Authorized by the California Government Code and the Town of Moraga's Investment Policy**

The table below identifies the investment types that are authorized for the Town of Moraga by the California Government Code. The table also identifies certain provisions of the California Government Code that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the Town of Moraga, rather than the general provisions of the California Government Code.

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum in Portfolio	Maximum Investment Issuer
Bank Savings Accounts and Demand Deposits (collateralized or insured)	N/A	N/A	25%	10%
Certificate of Deposit (collateralized or insured)	2 years	N/A	25%	10%
U.S. Treasury Securities	5 years	N/A	None	None
Federal Agency Obligations	5 years	N/A	50%	20%
Local Agency Investment Fund (LAIF)	N/A	N/A	None	None
Banker's Acceptances	180 days	N/A	20%	10%
Commercial Paper (rated P1)	270 days	P-1, A-1	20%	10%
Negotiable Certificates of Deposit	2 years	N/A	25%	10%
Medium-Term Corporate Notes	5 years	Aa, AA	25%	10%

**E. Investments Authorized by Debt Agreements**

Investment of debt proceeds held by bond trustees are governed by provisions of the debt agreements of the Town which follows the California Government Code and the Town's investment policy.

**TOWN OF MORAGA**  
**Basic Financial Statements**  
**For the Year Ended June 30, 2023**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 – CASH AND INVESTMENTS (Continued)**

**F. Interest Rate Risk**

Interest rate risk is the risk that changes in economic markets will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Town manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the Town's investments (including investments held with fiscal agents) to market interest rate fluctuations is provided by the following table that shows the distribution of the Town's investments by maturity:

Investment Type	12 months or less	Total
<i>Cash and Investments in City Treasury:</i>		
California Local Agency Investment Fund	\$6,841,015	\$6,841,015
<i>Held by Fiscal Agents:</i>		
Money Market Fund	1,938,076	1,938,076
Total Investments	<u>\$8,779,091</u>	8,779,091
<i>Cash deposits in banks and petty cash</i>		<u>12,888,100</u>
Total Cash and Investments		<u><u>\$21,667,191</u></u>

**G. Fair Value Hierarchy**

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The Town's investments with the California Local Agency Investment Fund (LAIF) and Money Market Fund are classified as exempt in the fair value hierarchy, as they are valued at amortized cost, which is exempt from being classified under GASB 72.

**TOWN OF MORAGA**  
**Basic Financial Statements**  
**For the Year Ended June 30, 2023**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 – CASH AND INVESTMENTS (Continued)**

**H. Disclosures Relating to Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the Town of Moraga's actual Moody's rating as of June 30, 2023 for each investment type:

Investment Type	Not rated	Total
<i>Not rated:</i>		
Money Market Fund	\$1,938,076	\$1,938,076
California Local Agency Investment Fund	6,841,015	6,841,015
Total Investments	\$8,779,091	8,779,091
Cash deposits in banks and petty cash		12,888,100
Total Cash and Investments		\$21,667,191

**I. Concentration of Credit Risk**

The Town's investment policy regarding the amount that can be invested in any one issuer is stipulated by the California Government Code. However, the Town is required to disclose investments that represent a concentration of five percent or more of investments in any one issuer other than U.S. Treasury Securities, mutual funds and external investment pools.

At June 30, 2023, the Town only had investments in LAIF and money market funds.

**J. Investment in State Investment Pool**

The Town is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The Town reports its investment in LAIF at the amortized costs provided by LAIF, which is the same as the value of the pool share. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Each regular LAIF account is permitted to have up to 15 transactions per month, with a minimum transaction amount of \$5,000, a maximum transaction amount of \$75 million and at least 24 hours advance notice for withdrawals of \$10 million or more. Bond proceeds accounts are subject to a one-time deposit with no cap and are set up with a monthly draw down schedule. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. At June 30, 2023, these investments matured in an average of 260 days.

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**NOTES TO FINANCIAL STATEMENTS**

**NOTE 4 – INTERFUND ACTIVITIES**

**A. Transfers Between Town Funds**

With Council approval, resources may be transferred from one Town fund to another. Transfers are used to (1) move revenues from the fund that statute or budget requires collecting them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

With respect to the Town's current operations, the General-Purpose Fund serves as the primary operating fund for the Town. Transfers of revenue from other funds occur throughout the year to cover operating expenses that meet statutory and/or budgetary requirements of each respective fund.

Transfers between funds also occur to support capital activities. Specific capital projects are typically supported by multiple funding sources. However, for improved transparency and efficiency, a capital project is budgeted and expensed in one fund. At the end of the year and at the completion of the project, transfers of revenue occur to cover the capital expenses, subject to statutory and/or budgetary requirements of the respective funds.

Transfers between Town funds during fiscal year 2022-23 were as follows:

Transfer From	Transfer To	Amount Transferred
General Fund	Construction in Progress Fund	\$167,860 A
	Other Capital Projects Fund	857,000 C
	Other Governmental Funds	4,650 D
Measure K Local Funding	Construction in Progress Fund	3,843,000 A
	Debt Service Fund	599,850 B
American Rescue Plan Act Fund	General Fund	506,500 D
	Construction in Progress Fund	1,664,000 A
Other Capital Project Fund	General Fund	39,000 D
	Construction in Progress Fund	577,108 A
	Other Capital Projects Fund	72,356 C
Other Governmental Funds	General Fund	1,208,000 D
	Other Governmental Funds	43,134 D
	Construction in Progress Fund	1,987,000 A
	Other Capital Projects Fund	56,000 C
Total Interfund Transfers		<u>\$11,625,458</u>

A. To fund capital projects: labor and materials

B. To fund debt service payments

C. To fund asset replacement

D. To fund Police services, transportation and street related programs, labor costs, purchase of equipment and storm drain maintenance

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**NOTES TO FINANCIAL STATEMENTS**

**NOTE 4 – INTERFUND ACTIVITIES (Continued)**

**B. Due To (From) Other Funds**

The Town provides short-term interfund loans to cover cash flows which are expected to be repaid within the next year. The Town's short-term interfund loans were as follows as of June 30, 2023:

<u>Due From Other Funds</u>	<u>Due to Other Funds</u>	<u>Amount</u>
General Fund	Measure K Local Funding	\$292,731
	Non-Major Governmental Funds	<u>312,656</u>
	Total	<u><u>\$605,387</u></u>

**NOTE 5 – CAPITAL ASSETS**

In accordance with GASB Statement No. 34, the Town has reported all capital assets including infrastructure in the Government-wide Statement of Net Position. The Town elected to use the basic approach as defined by GASB Statement No. 34 for all infrastructures reporting, whereby depreciation expense and accumulated depreciation has been recorded.

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**NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 – CAPITAL ASSETS (Continued)**

**A. Capital Assets Activities**

The following table presents the capital assets activity for the year ended June 30, 2023:

	Balance June 30, 2022	Additions	Retirements & Transfers	Balance June 30, 2023
<b>Governmental Activities</b>				
Capital assets not being depreciated:				
Land and easements	\$10,680,212			\$10,680,212
Construction in progress	11,548,558	\$7,255,226	(\$871,347)	17,932,437
Total capital assets, not being depreciated	22,228,770	7,255,226	(871,347)	28,612,649
Depreciable capital assets:				
Building and improvements	8,678,046		43,356	8,721,402
Roadway and related	65,399,219		558,952	65,958,171
Storm drains	4,755,483		261,907	5,017,390
Parks and recreation	3,887,821			3,887,821
Equipment and furniture	2,038,680	112,180	(154,683)	1,996,177
Subscription based assets		126,679		126,679
Total capital assets, being depreciated	84,759,249	238,859	709,532	85,707,640
Accumulated depreciation and Amortization:				
Building and improvements	(2,534,462)	(173,583)		(2,708,045)
Roadway and related	(26,345,841)	(1,735,631)		(28,081,472)
Storm drains	(2,788,570)	(75,283)		(2,863,853)
Parks and recreation	(2,035,055)	(110,772)		(2,145,827)
Equipment and furniture	(1,620,684)	(130,094)	62,466	(1,688,312)
Subscription based assets		(42,226)		(42,226)
Total accumulated depreciation and amortization	(35,324,612)	(2,267,589)	62,466	(37,529,735)
Depreciable capital assets, net	49,434,637	(2,028,730)	771,998	48,177,905
Governmental capital assets, net	\$71,663,407	\$5,226,496	(\$99,349)	\$76,790,554

In fiscal year 2023, the Town implemented the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, which required the Town to record an intangible right-to-use subscription asset. As a result, a right-to-use subscription asset was recorded in the amount of \$126,679. The subscription asset is offset with a subscription liability as discussed in Note 8.

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**NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 – CAPITAL ASSETS (Continued)**

**B. Depreciation Allocation**

Depreciation expense is charged to functions and programs based on their usage of the related assets. The amounts allocated to each function or program are as follows:

<b>Governmental Activities:</b>	
General Administration	\$235,871
Planning	15,208
Public Safety:	
Police	47,727
Public Works	1,837,335
Parks and Recreation	131,448
	<hr/>
Total Governmental Activities	<u>\$2,267,589</u>

**NOTE 6 – LONG-TERM DEBT**

The Town generally incurs long-term debt to finance projects, which will have useful lives equal to or greater than the related debt. The Town's debt issues and transactions are related to governmental-type activities are discussed below.

**A. Current Year Transactions and Balances**

	Original Issue Amount	Balance June 30, 2022	Retirements	Balance June 30, 2023	Current Portion
2013 Certificates of Participation	\$7,720,000	\$5,005,000	(\$355,000)	\$4,650,000	\$375,000
Add: Unamortized Bond Premium	259,947	142,974	(12,997)	129,977	
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Total Governmental Activity</b>		<u>\$5,147,974</u>	<u>(\$367,997)</u>	<u>\$4,779,977</u>	<u>\$375,000</u>

**B. 2013 Certificates of Participation – Infrastructure Improvements**

Certificates of Participation were issued and delivered pursuant to a trust agreement dated August 6, 2013 by and among the Town, the Association of Bay Area Governments Finance Authority for Nonprofit Corporations (ABAG) and Wilmington Trust, North America (the Trustee) for the purposes of financing improvements to the Town's infrastructure including streets and storm drains. Principal is payable annually on April 1. Interest is payable semiannually on April 1 and October 1. Interest on the Certificates of Participation ranges from 2.0% and 5.0% with a final maturity in 2033.

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**NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 – LONG TERM DEBT (Continued)**

**C. Debt Service Requirements**

Annual debt service requirements are shown below for all long-term debt with specified repayment terms:

Year ending June 30	Principal	Interest
2024	\$375,000	\$223,300
2025	395,000	204,550
2026	410,000	188,750
2027	430,000	168,250
2028	450,000	146,750
2029-2033	2,590,000	396,513
Total	4,650,000	\$1,328,113
Unamortized Premium	129,977	
	<u>\$4,779,977</u>	

**NOTE 7 – LEASES**

The Town is a party to three lease agreements as the lessor that require recognition. The Town recognizes a lease receivable and a deferred inflow of resources in the General Fund and Government-Wide financial statements, as was in the applicable funds.

At the commencement of a lease, the Town initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the Town determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts as follows:

- The Town uses its estimated incremental borrowing rate as the discount rate for leases, when an explicit rate is not available.
- The lease term includes the noncancellable period of the lease.
- Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The Town monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

**TOWN OF MORAGA**  
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**NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 – LEASES (Continued)**

A summary of lease activities for the year ended June 30, 2023 are as follows:

***Governmental Activities:***

Lessor	Original Lease Date	Expiration Date Including Options	Monthly Revenue as of June 30, 2023	Lease Receivable Balance at June 30, 2023	Deferred Inflow of Resources at June 30, 2023
Moraga Country Club	9/30/87	3/31/40	\$6,968	\$1,517,928	\$1,471,401
Growing Light Montessori School of Moraga	7/1/80	6/30/26	2,668	99,558	93,638
Z Golf Food & Beverage Services	11/1/21	10/31/31	20,300	2,250,446	2,270,181
Totals Reported in General Fund				<u>\$3,867,932</u>	<u>\$3,835,220</u>

***Moraga Country Club Homeowners' Association***

In September 1987, the Town of Moraga agreed to sublease 60 acres of property adjacent to a golf course, that was leased from the State of California, to the Moraga Country Club Homeowners' Association (Association). The initial term of the lease was twenty years. The property was subsequently acquired by the Town from the State, and the lease agreement between the Town and the Association was amended three times in 1991, 1994 and 2014, respectively. The latest amendment dated December 10, 2014, extended the term of the land lease for an additional twenty-five years commencing April 1, 2015 and expiring March 31, 2040. The rent for the initial year of the first extended term was set at \$63,250 to be paid in monthly installments, and would increase every year by a cost of living increase.

***Growing Light Montessori School of Moraga***

In September 1981, the Town entered into a ground lease with an individual operating a preschool for real property located at 1455 St. Mary's Road in Moraga. In October 2021, the lease was assigned to the Growing Light Montessori School of Moraga, who assumed the terms of the original lease and subsequent amendments. The current lease will expire on June 30, 2026. The monthly rent as of June 30, 2023 is \$2,668, increasing 3% annually on July 1<sup>st</sup>.

***Hacienda de Las Flores***

In July 2021, the Town entered into a lease agreement with Z Golf Food & Beverage Services, LLC to lease real property and improvements commonly known as the Hacienda de Las Flores, commencing November 1, 2021, with an initial expiration date of October 31, 2031. The lessee has the right to extend two 5-year additional terms. Rent of \$60,000 is to be paid to the Town quarterly, for a total of \$240,000 in the first year, with 1.5% increases each subsequent year.

**TOWN OF MORAGA**  
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**NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 – LEASES (Continued)**

The future lease payments to be received as of June 30, 2023 are as follows:

Year ending June 30	Principal	Interest
2024	\$ 334,061	\$ 32,835
2025	347,903	30,000
2026	362,194	27,047
2027	341,569	24,002
2028	355,668	20,870
2029-2033	1,445,513	56,766
2034-2038	499,235	19,603
2039-2040	181,789	1,489
Total	<u>\$ 3,867,932</u>	<u>\$ 212,612</u>

**NOTE 8 – SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS**

A summary of subscription-based information technology arrangements (SBITA) transactions for the fiscal year ended June 30, 2023, are as follows:

	Balance June 30, 2022	Additions	Retirements	Balance June 30, 2023	Current Portion
Springbrook		\$126,679	(\$39,120)	\$87,559	\$42,167
Total		<u>\$126,679</u>	<u>(\$39,120)</u>	<u>\$87,559</u>	<u>\$42,167</u>

In July 2022, the Town extended its contract for financial software services for three additional years. An initial subscription liability was recorded in the amount of \$126,679 during fiscal year 2023, at the time the subscriptions was placed into service.

As of June 30, 2023, the value of the subscription liability was \$87,559. The Town is required to make monthly principal and interest payments ranging from \$1,089 to \$45,392 throughout the life of the subscription. The subscriptions have an interest rate of 2.4%. As part of the subscriptions, the Town has recorded an intangible right to use subscription asset and amortization as discussed in Note 5.

The future subscription and interest subscription payments as of June 30, 2023, follows:

For the Year Ended June 30	Principal	Interest	Total
2024	\$ 42,167	\$ 2,101	\$ 44,268
2025	45,392	1,089	46,481
Totals	<u>\$ 87,559</u>	<u>\$ 3,190</u>	<u>\$ 90,749</u>

**TOWN OF MORAGA**  
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**NOTES TO FINANCIAL STATEMENTS**

**NOTE 9 – PENSION PLAN**

**A. General Information**

**Plan Descriptions** – All qualified permanent and probationary employees are eligible to participate in the Town’s Safety and Miscellaneous (all other) Employee Pension Rate Plans. The Town’s Miscellaneous and Safety Rate Plans are part of the public agency cost-sharing multiple-employer defined benefit pension plan (PERF C), which is administered by the California Public Employees’ Retirement System (CalPERS). PERF C consists of a miscellaneous pool and a safety pool (also referred to as “risk pools”), which are comprised of individual employer miscellaneous and safety rate plans, respectively. Individual employers may sponsor more than one miscellaneous and safety rate plan. The employer participates in one cost-sharing multiple-employer defined benefit pension plan regardless of the number of rate plans the employer sponsors. The Town sponsors four rate plans (two miscellaneous and two safety). Benefit provisions under the Plans are established by State statute and Town resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website. The Town does not provide any post-retirement health benefits (OPEB).

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

**TOWN OF MORAGA**  
**Basic Financial Statements**  
**For the Year Ended June 30, 2023**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 9 – PENSION PLAN (Continued)**

**A. General Information (Continued)**

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

	Miscellaneous	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2.0% @ Age 55	2.0% @ Age 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.000% to 2.500%
Required employee contribution rates	7%	6.75%
Required employer contribution rates	10.320%	7.470%
	Safety	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2.0% @ Age 50	2.7% @ Age 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	50-57
Monthly benefits, as a % of eligible compensation	2.000% to 2.700%	2.000% to 2.700%
Required employee contribution rates	9%	13.00%
Required employer contribution rates	18.170%	12.780%

Beginning in fiscal year 2016, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability and side fund. The dollar amounts are billed on a monthly basis. The Town's required contribution for the unfunded liability was \$645,220 in fiscal year 2023.

**Contributions** – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Town is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2023, the contributions recognized as part of pension expense for the Plan were as follows.

	Miscellaneous	Safety	Total
Contributions - employer	\$553,519	\$533,818	\$1,087,337

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**NOTES TO FINANCIAL STATEMENTS**

**NOTE 9 – PENSION PLAN (Continued)**

**B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions**

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

As of June 30, 2023, the Town reported a net pension liability for its proportionate share of the net pension liability of the Plan as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	\$5,210,381
Safety	4,039,071
Total Net Pension Liability	<u>\$9,249,452</u>

The Town's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2022, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021 rolled forward to June 30, 2022 using standard update procedures. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The General Fund has been primarily used to liquidate pension liabilities. The Town's proportionate share of the net pension liability for the Plan as of June 30, 2021 and 2022 was as follows:

	Miscellaneous	Safety
Proportion - June 30, 2021	0.14667%	0.05657%
Proportion - June 30, 2022	0.11135%	0.05878%
Change - Increase (Decrease)	<u>0.00035</u>	<u>(0.00220%)</u>

**TOWN OF MORAGA**  
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**NOTES TO FINANCIAL STATEMENTS**

**NOTE 9 – PENSION PLAN (Continued)**

**B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)**

For the year ended June 30, 2023, the Town recognized pension expense of \$1,380,571. At June 30, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Miscellaneous	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$553,519	
Differences between actual and expected experience	104,635	(\$70,080)
Changes in assumptions	533,912	
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	38,845	(747,173)
Net differences between projected and actual earnings on plan investments	954,403	
Total Miscellaneous	<u>\$2,185,314</u>	<u>(\$817,253)</u>
Safety	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$533,818	
Differences between actual and expected experience	167,162	(\$43,861)
Changes in assumptions	407,261	
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	359,055	(534,902)
Net differences between projected and actual earnings on plan investments	637,826	
Total Safety	<u>\$2,105,122</u>	<u>(\$578,763)</u>
Grand Total	<u>\$4,290,436</u>	<u>(\$1,396,016)</u>

**TOWN OF MORAGA**  
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**NOTES TO FINANCIAL STATEMENTS**

**NOTE 9 – PENSION PLAN (Continued)**

**B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)**

\$1,087,337 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Annual Amortization
2024	\$349,856
2025	329,614
2026	154,786
2027	972,827
	<u>\$1,807,083</u>

**Actuarial Assumptions** – For the measurement period ended June 30, 2022, the total pension liability was determined by rolling forward the June 30, 2021 total pension liability. The June 30, 2021 total pension liability was based on the following actuarial methods and assumptions:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry-Age Actuarial Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Salary Increase	Varies by entry age and service
Investment Rate of Return	6.90% (1)
Mortality Rate Table	Derived using CalPERS' membership data for all funds (2)
Post Retirement Benefit Increase	The lesser of contract COLA or 2.30% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.30% thereafter

(1) Net of pension plan investment and administrative expenses, including inflation.

(2) The mortality table used was developed based on CalPERS' specific data. The table includes generational mortality improvements using Society of Actuaries Scale 80% of scale MP 2020. For more details on this table, please refer to the November 2021 experience study report (based on CalPERS demographic data from 2001 to 2019) that can be found on the CalPERS website.

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**NOTES TO FINANCIAL STATEMENTS**

**NOTE 9 – PENSION PLAN (Continued)**

**B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)**

**Discount Rate** – The discount rate used to measure the total pension liability for each Plan was 6.90%. The projection of cash flows used to determine the discount rate for each Plan assumed that contributions from all plan members in the Public Employees Retirement Fund (PERF) will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, each Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members for all plans in the PERF. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability for each Plan.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 basis points.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class (1)	Assumed asset allocation	Real return (1),(2)
Global Equity - Cap weighted	30.0%	4.54%
Global Equity - Non-Cap weighted	12.0%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-backed Securities	5.0%	0.50%
Investment Grade Corporates	10.0%	1.56%
High Yield	5.0%	2.27%
Emerging Market Debt	5.0%	2.48%
Private Debt	5.0%	3.57%
Real Assets	15.0%	3.21%
Leverage	-5.0%	-0.59%
Total	100.0%	

(1) An expected inflation of 2.30% used for this period

(2) Figures are based on the 2021 Asset Liability Management study

**TOWN OF MORAGA**  
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**NOTES TO FINANCIAL STATEMENTS**

**NOTE 9 – PENSION PLAN (Continued)**

**B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)**

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

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

	Miscellaneous	Safety
1% Decrease	5.90%	5.90%
Net Pension Liability	\$7,685,554	\$6,068,042
Current Discount Rate	6.90%	6.90%
Net Pension Liability	\$5,210,381	\$4,039,071
1% Increase	7.90%	7.90%
Net Pension Liability	\$3,173,928	\$2,380,845

***Pension Plan Fiduciary Net Position*** – Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

***Reduction of CalPERS Discount Rate*** - On July 12, 2021, CalPERS reported a preliminary 21.3% net return on investments for fiscal year 2020-21. Based on the thresholds specified in CalPERS Funding Risk Mitigation policy, the excess return of 14.3% prescribes a reduction in investment volatility that corresponds to a reduction in the discount rate used for funding purposes of 0.20%, from 7.00% to 6.80%. Since CalPERS was in the final stages of the four-year Asset Liability Management (ALM) cycle, the CalPERS Board elected to defer any changes to the asset allocation until the ALM process concluded, and the board could make its final decision on the asset allocation in November 2021.

On November 17, 2021, the board adopted a new strategic asset allocation. The new asset allocation along with the new capital market assumptions, economic assumptions and administrative expense assumption support a discount rate of 6.90% (net of investment expense, but without a reduction for administrative expense) for financial reporting purposes. This includes a reduction in the price inflation assumption from 2.50% to 2.30% as recommended in the November 2021 CalPERS Experience Study and Review of Actuarial Assumptions. This study also recommended modifications to retirement rates, termination rates, mortality rates and rates of salary increases that were adopted by the CalPERS Board. These new assumptions are reflected in the CalPERS GASB 68 accounting valuation reports for the June 30, 2022 measurement date.

**TOWN OF MORAGA**  
**Basic Financial Statements**  
**For the Year Ended June 30, 2023**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 9 – PENSION PLAN (Continued)**

**C. *Deferred Compensation Plan***

Town employees may defer a portion of their compensation under a Town sponsored deferred compensation plan created in accordance with Internal Revenue Code Section 457. Under this plan, participants are not taxed on the deferred portion of their compensation until distributed to them; distributions may be made only at termination of employment, retirement, death or in an emergency as defined by the plan.

The laws governing deferred compensation plan assets require plan assets to be held by a Trust for the exclusive benefit of plan participants and their beneficiaries. The funds have been placed in a trust administered by Mission Square (formerly known as ICMA-RC) and are not available to the Town's general creditors. Accordingly, the Town does not report the assets in the financial statements.

As established by the plan, any Town employee can contribute to the plan. During fiscal year 2023, the employees contributed \$340,649 to the plan.

**D. *Defined Contribution Plan***

The Town sponsors a defined contribution plan created in accordance with Internal Revenue Code Section 401(a). Under this plan, the Town may make discretionary contributions to the plan each year on behalf of designated employees up to the maximum allowed by law. Town employees are fully vested in amounts contributed to the plan. Town employees may also contribute to the plan on an after-tax basis as long as the combined employer and employee contributions do not exceed the maximum allowed by law. During fiscal year 2023, the Town and its employees made \$22,897 contributions to the plan.

Contributions to the plan are held by a Trust, administered by Mission Square, for the exclusive benefit of plan participants and their beneficiaries. The assets are not available to the Town's general creditors and thus, the Town does not report the assets in the financial statements.

**TOWN OF MORAGA**  
**Basic Financial Statements**  
**For the Year Ended June 30, 2023**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 10 – NET POSITION AND FUND BALANCES**

Net Position is measured on the full accrual basis, while Fund Balance is measured on the modified accrual basis.

**A. Net Position**

Net Position is the excess of all the Town's assets and deferred outflows over all its liabilities and deferred inflows, regardless of fund. Net Position is divided into three captions. These captions apply only to Net Position, which is determined only at the Government-wide level, and are described below:

*Net Investment in Capital Assets*, describes the portion of net position which is represented by the current net book value of the Town's capital assets, less the outstanding balance of any debt issued to finance these assets. At June 30, 2023, the breakout of this calculation is reflected as follows:

Total Capital Assets at June 30, 2023	\$76,790,554
Related Debt at June 30, 2023:	
Certificates of Participation (COP)	(4,779,977)
Subscription based liability	<u>(87,559)</u>
Net Investment in Capital Assets	<u><u>\$71,923,018</u></u>

*Restricted* describes the portion of net position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the Town cannot unilaterally alter.

*Unrestricted* describes the portion of net position which is not restricted to use.

**B. Fund Balance**

Governmental fund balances represent the net current assets of each fund. Net current assets generally represent a fund's cash and receivables, less its liabilities.

The Town's fund balances are classified based on spending constraints imposed on the use of resources. For programs with multiple funding sources, the Town prioritizes and expends funds in the following order: Restricted, Committed, Assigned, and Unassigned. Each category in the following hierarchy is ranked according to the degree of spending constraint:

*Nonspendables* represents balances set aside to indicate items that are not available, spendable resources even though they are a component of assets. Fund balances required to be maintained intact, such as Permanent Funds, and assets not expected to be converted to cash, such as prepaids, notes receivable, and land held for redevelopment are included. However, if proceeds realized from the sale or collection of nonspendable assets are restricted, committed or assigned, then Nonspendable amounts are required to be presented as a component of the applicable category.

**TOWN OF MORAGA**  
**Basic Financial Statements**  
**For the Year Ended June 30, 2023**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 10 – NET POSITION AND FUND BALANCES (Continued)**

**B. Fund Balance (Continued)**

*Restricted* fund balances have external restrictions imposed by creditors, grantors, contributors, laws, regulations, or enabling legislation which requires the resources to be used only for a specific purpose. Nonspendable amounts subject to restrictions are included along with spendable resources.

*Committed* fund balances are established, modified and rescinded by resolution of the Town Council. Nonspendable amounts subject to council commitments are included along with spendable resources.

*Assigned* fund balances are amounts constrained by the Town's intent to be used for a specific purpose but are neither restricted nor committed. Intent is expressed by the Town Council or its designee and may be changed at the discretion of the Town Council or its designee. The Town Manager is authorized to assign amounts to a specific purpose in accordance with the Municipal Code, Chapter 3.04 – Purchasing System approved by the Town Council under Ordinance No. 231. This category includes unspent capital project balances for active projects; Nonspendables, when it is the Town's intent to use proceeds or collections for a specific purpose, and residual fund balances, if any, of Special Revenue and Capital Projects Funds which have not been restricted or committed.

*Unassigned* fund balance represents residual amounts that have not been restricted, committed, or assigned. This includes the residual general fund balance and residual fund deficits, if any, of other governmental funds.

**TOWN OF MORAGA**  
**Basic Financial Statements**  
**For the Year Ended June 30, 2023**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 10 – NET POSITION AND FUND BALANCES (Continued)**

**B. Fund Balance (Continued)**

Detailed classifications of the Town's Fund Balances, as of June 30, 2023, are as follows:

	General Fund	Measure K Local Funding	American Rescue Act Fund	Construction In Progress	Other Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total
Nonspendable:								
Prepaid items	\$3,150							\$3,150
Total Nonspendable	3,150							3,150
Restricted for:								
Streets and roads							\$1,666,780	1,666,780
Public safety							89,811	89,811
Future projects							234,837	234,837
Capital projects					\$1,604,428			1,604,428
ARPA designated expenditures			\$445,553					445,553
Deposits	16,535							16,535
Pension costs	1,595,253							1,595,253
Debt service						\$347,370		347,370
Total Restricted	1,611,788		445,553		1,604,428	347,370	1,991,428	6,000,567
Committed to:								
Future projects (Palos Developer Fees)	4,286,024							4,286,024
Capital projects				\$4,689,138				4,689,138
Asset replacements					743,327			743,327
Total Committed	4,286,024			4,689,138	743,327			9,718,489
Assigned								
Capital projects *		\$197,602					241,197	438,799
Total Assigned		197,602					241,197	438,799
Unassigned								
Fund balance deficits								
Residual fund balance	5,353,029							5,353,029
Total Unassigned	5,353,029							5,353,029
Total fund balances	\$11,253,991	\$197,602	\$445,553	\$4,689,138	\$2,347,755	\$347,370	\$2,232,625	\$21,514,034

**C. General Purpose Fund Reserve Policy**

In fiscal year 2015, the Town adopted resolution 5-2015 which establishes a Town Council policy of achieving and maintaining a fifty percent (50%) General Purpose Fund Reserve relative to General Purpose Fund operating expenditures of the most recent fiscal year end. The resolution commits any net surplus or revenues above the amount needed to satisfy the General Purpose Fund Reserve policy of 50% to the Asset Replacement Fund (Fund 750).

**TOWN OF MORAGA**  
**Basic Financial Statements**  
**For the Year Ended June 30, 2023**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 11 – RISK MANAGEMENT**

The Town is a member of the Municipal Pooling Authority (MPA) based in Walnut Creek, California. The MPA provides coverage against the following types of loss risks under the terms of a joint-powers agreement with the Town and several other cities and governmental agencies as follows:

	Participating Cities Total Coverage (Aggregate)	Deductible (Town Portion)
All risk fire and property	\$1,000,000,000	\$25,000
Flood	25,000,000	100,000
Cyber liability	2,000,000	50,000
Public entity pollution liability	25,000,000	250,000
Boiler and machinery	75,000,000	10,000
Government crime	5,000,000	2,500
General liability	29,000,000	10,000
Employment liability	2,000,000	50,000
Workers' compensation	50,000,000	0
Vehicle physical damage		
All other police vehicles	250,000	2,000
Police department vehicles	250,000	3,000
Deadly weapons response	500,000	10,000

The MPA is governed by a Board consisting of representatives from member municipalities. The Board controls the operations of the MPA, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on the Board.

The Town's deposits with the MPA are in accordance with formulas established by the MPA. Actual surpluses or losses are shared according to a formula developed from overall loss costs and spread to member entities on a percentage basis after a retrospective rating.

Audited financial statements for the Authority are available from MPA, 1911 San Miguel Drive, Suite 200, Walnut Creek, CA 94596.

The total coverage includes the Town's deductible, the portion underwritten by MPA, and the portion underwritten by other insurance companies. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years by any significant amount.

The Town did not record a liability for outstanding claims at fiscal year-end, as management believes that the claims were minimal.

**TOWN OF MORAGA**  
**Basic Financial Statements**  
**For the Year Ended June 30, 2023**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 12 – PAVEMENT MANAGEMENT PROGRAM (FUND 711)**

At the general election of November 6, 2012 the voters of the Town of Moraga approved Measure K, a one-cent general purpose sales tax measure. In 2013, Certificates of Participation (2013 COPs) were issued for the purposes of financing improvements to the Town's infrastructure including streets and storm drains, as discussed in Note 6. It is the Town's intention to fund the debt service of the 2013 COPs with revenues generated by Measure K.

The combination of the 2013 COPs financing, Measure K sales tax that exceeded debt service of 2013 COPs, and other available funds or grants, has enabled the Town to expedite its road repair program, Pavement Management Program. As of June 30, 2017, the third year of the three-year Program had been completed. Under the Program, the Town focused on preventative maintenance during the first year, overlays during the second year, and reconstruction treatments during the third year.

The following is the sources and uses of the Program during fiscal year 2023:

<b>SOURCES</b>	
Sales Tax from Measure K	\$2,669,905
Gas Tax	826,742
Garbage Vehicle Impact Fee	879,003
Other Revenue	3,405
Interest Income	78,147
Total Sources	<u>4,457,202</u>
<b>USES</b>	
Construction	3,828,797
Construction Management	336,935
Project Management	238,129
Design Services	260,318
Total Uses	<u>4,664,179</u>
<b>INTERFUND</b>	
Transfer In	5,518,000
Transfer Out	<u>(5,518,000)</u>
	<u>0</u>
<b>OTHER FINANCING USES</b>	
Principal payment on the bonds	(355,000)
Interest payment on the bonds	<u>(241,050)</u>
Total Other Financing Sources (Uses)	<u>(596,050)</u>
NET CHANGE IN PROGRAM BALANCE	389,073
BEGINNING PROGRAM BALANCE	<u>4,737,811</u>
ENDING PROGRAM BALANCE	<u><u>\$5,126,884</u></u>

**TOWN OF MORAGA**  
**Basic Financial Statements**  
**For the Year Ended June 30, 2023**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 13 – LAMORINDA FEE AND FINANCING AUTHORITY**

The Lamorinda Fee and Financing Authority (LFFA) is the result of the Town of Moraga entering into a Joint Powers Agreement (JPA) with the cities of Lafayette and Orinda, to administer an adopted sub-regional transportation and traffic impact fee for the Lamorinda region under the authority of the Contra Costa County half cent sales tax measure adopted in 1988. The fees collected under the LFFA from new development are used to mitigate increased traffic in the region. Complete financial statements of the LFFA are available at the City of Lafayette, 3675 Mt. Diablo Blvd., #210, Lafayette, CA 94549.

**NOTE 14 – COMMITMENT AND CONTINGENT LIABILITIES**

The Town participates in several Federal and State grant programs. These programs have been subjected to audits by the Town's independent accountants in accordance with the provisions of the Federal Single Audit Act as amended and applicable State requirements. No cost disallowances were proposed as a result of these audits. However, these programs are still subject to further examination by the grantors and the amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. The Town expects such amounts, if any, to be immaterial.

The Town is subject to litigation arising in the normal course of business. In the opinion of the Town Attorney there is no pending litigation which is likely to have a material adverse effect on the financial position of the Town.

***Encumbrances***

The Town utilized an encumbrance system during fiscal year 2023 to assist in controlling expenditures. Under this system, governmental funds are encumbered when purchase orders, contracts or other commitments are signed or approved. The following are encumbrances at June 30, 2023, that will be carried over to fiscal year 2024:

General Fund	\$1,954,377
Construction in Progress Fund	2,969,258
Non-major Governmental Funds	<u>4,650</u>
Total	<u><u>\$4,928,285</u></u>

***Developer Fees***

In 2007 the Town was the recipient of a Golf Course Fee as part of the settlement agreement related to the Palos Colorados Project. The Town received the remaining principal of the Golf Course Fee of \$2,250,000 in November 2021. The related Golf Course Fee interest receivable as of November 2021 was \$1,541,563, which the Town expects to collect over the next few years. \$14,500,000 of the remaining General Plan Fee portion of the settlement will be paid to the Town when and if development occurs.

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**REQUIRED SUPPLEMENTARY INFORMATION**

## REQUIRED SUPPLEMENTARY INFORMATION

Town of Moraga Cost-Sharing Multiple-Employer Defined Pension Plan  
Last 10 Years\*\*

### SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

Measurement Date as of June 30	<u>2014</u>	<u>2015</u>	<u>2016</u>
Plan's Proportion of the Net Pension Liability/(Asset)	0.05809%	0.04235%	0.06040%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	\$3,614,505	\$3,840,323	\$5,226,347
Plan's Covered Payroll*	\$3,183,341	\$3,044,571	\$3,214,375
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll	113.54%	126.14%	162.59%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	82.31%	82.25%	77.29%

**Notes to Schedule:**

\* Covered Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered payroll as the total payroll of employees that are provided pensions through the pension plan.

\*\* Fiscal year 2015 was the first year of implementation of GASB 68 and 71.

## REQUIRED SUPPLEMENTARY INFORMATION

<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
0.06208%	0.06367%	0.06884%	0.07162%	0.08821%	0.08008%
\$6,156,875	\$6,135,349	\$7,053,906	\$7,792,118	\$4,770,439	\$9,249,452
\$3,467,455	\$3,357,567	\$3,924,854	\$3,919,586	\$4,167,504	\$4,240,201
177.56%	182.73%	179.72%	198.80%	114.47%	218.14%
76%	77%	76%	74%	84%	72%

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## REQUIRED SUPPLEMENTARY INFORMATION

Town of Moraga Miscellaneous and Safety Rate Plans, a Cost-Sharing Multiple-Employer Defined Pension Plan  
Last 10 Years\*

### SCHEDULE OF CONTRIBUTIONS

For the Year Ended June 30	2015	2016	2017
Actuarially determined contribution	\$413,526	\$314,989	\$308,628
Contributions in relation to the actuarially determined contributions	413,526	314,989	308,628
Contribution deficiency (excess)	\$0	\$0	\$0
Covered payroll	\$3,044,571	\$3,214,375	\$3,467,455
Contributions as a percentage of covered payroll	13.58%	9.80%	8.90%

\* Fiscal year 2015 was the first year of implementation of GASB 68 and 71.

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# REQUIRED SUPPLEMENTARY INFORMATION

2018	2019	2020	2021	2022	2023
\$274,211	\$280,636	\$333,366	\$849,609	\$390,289	\$442,116
274,211	280,636	333,366	849,609	390,289	442,116
\$0	\$0	\$0	\$0	\$0	\$0
\$3,357,567	\$3,924,854	\$3,919,586	\$4,167,504	\$4,240,201	\$4,926,959
8.17%	7.15%	8.51%	20.39%	9.20%	8.97%

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**SUPPLEMENTAL INFORMATION**

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<p style="text-align: center;"><b>TOWN OF MORAGA</b> <b>Supplemental Information</b> <b>For the Year Ended June 30, 2023</b></p>
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**GENERAL FUND**

The General Fund is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The General Fund is comprised of the following:

The **General Purpose Fund** is the general operating fund of the Town. It is used to account for most discretionary resources except those that require separate accounting for local, state or federal reporting and accountability purposes. Primary sources of General Purpose Fund revenue include property tax, sales tax, franchise fees, parks and recreation fees, as well as transfers in from other funds for eligible uses.

The **One Time Developer Fees Fund (Palos Colorados)** accounts for revenue as the result of a settlement agreement related to the Palos Colorados development project. Through action of the Town Council in approving the settlement agreement, the funds are committed for future projects. Since receipt of the initial deposits, the Town has used these funds for one-time expenditures such as payment of the CalPERS unfunded liability and promissory note due on the purchase of the 335 Rheem Boulevard property, and various capital improvement projects.

The **Deposits Fund** accounts for park facility rental deposits, planning deposits and public works performance bonds. Deposits are drawn upon if the Town provides services related to the deposits. Any remaining deposits are returned to the residents or contractors once events or projects are completed.

TOWN OF MORAGA  
GENERAL FUND  
COMBINING BALANCE SHEETS  
JUNE 30, 2023

	<u>General Purpose</u>	<u>Developer Fees</u>	<u>Deposits</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and investments	\$4,528,830	\$4,286,024		\$8,814,854
Restricted cash	1,595,253		\$1,325,914	2,921,167
Accounts receivable	474,180			474,180
Due from other funds	605,387			605,387
Prepays	3,150			3,150
Lease receivable	3,867,932			3,867,932
Total Assets	<u>\$11,074,732</u>	<u>\$4,286,024</u>	<u>\$1,325,914</u>	<u>\$16,686,670</u>
<b>LIABILITIES</b>				
Accounts payable and accrued expenses	\$283,668		\$79,167	\$362,835
Deferred revenue	4,412			4,412
Deposits payable			1,230,212	1,230,212
Total Liabilities	<u>288,080</u>		<u>1,309,379</u>	<u>1,597,459</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Related to leases	3,835,220			3,835,220
<b>FUND BALANCES</b>				
Nonspendable	3,150			3,150
Restricted	1,595,253		16,535	1,611,788
Committed		\$4,286,024		4,286,024
Unassigned	5,353,029			5,353,029
Total Fund Balances	<u>6,951,432</u>	<u>4,286,024</u>	<u>16,535</u>	<u>11,253,991</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$11,074,732</u>	<u>\$4,286,024</u>	<u>\$1,325,914</u>	<u>\$16,686,670</u>

TOWN OF MORAGA  
GENERAL FUND  
COMBINING SCHEDULES OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2023

	<u>General Purpose</u>	<u>Developer Fees</u>	<u>Deposits</u>	<u>Total</u>
<b>REVENUES</b>				
Property taxes and assessments	\$3,091,491			\$3,091,491
Property tax - in lieu	2,235,897			2,235,897
Sales and use tax	1,295,778			1,295,778
Franchise fees	917,590			917,590
Real property transfer fees	158,215			158,215
Motor vehicle license fees	17,704			17,704
Planning and permits	525,967			525,967
Interest	401,670			401,670
Property rentals	120,813			120,813
Parks and recreation	778,405			778,405
Police services	111,755			111,755
Public works services	438,211			438,211
Intergovernmental	5,000			5,000
Other revenues	199,790	\$290,008		489,798
Total Revenues	<u>10,298,286</u>	<u>290,008</u>		<u>10,588,294</u>
<b>EXPENDITURES</b>				
Current operations:				
General administration	2,818,435	250,000		3,068,435
Planning	740,576			740,576
Public safety	3,579,470			3,579,470
Public works	1,624,835			1,624,835
Parks and recreation	1,733,426			1,733,426
Total Expenditures	<u>10,496,742</u>	<u>250,000</u>		<u>10,746,742</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(198,456)</u>	<u>40,008</u>		<u>(158,448)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,753,500			1,753,500
Transfers out	(762,650)	(266,860)		(1,029,510)
Total Other Financing Sources (Uses)	<u>990,850</u>	<u>(266,860)</u>		<u>723,990</u>
NET CHANGE IN FUND BALANCES	792,394	(226,852)		565,542
BEGINNING FUND BALANCES	<u>6,159,038</u>	<u>4,512,876</u>	<u>\$16,535</u>	<u>10,688,449</u>
ENDING FUND BALANCES	<u>\$6,951,432</u>	<u>\$4,286,024</u>	<u>\$16,535</u>	<u>\$11,253,991</u>

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**TOWN OF MORAGA**  
**Supplemental Information**  
**For the Year Ended June 30, 2022**

**OTHER CAPITAL PROJECTS FUND**

The Other Capital Projects Fund is used to account for funds expended on various capital improvement projects, other than those under the Pavement Management Program. Funds in the Capital Projects Fund include the following:

The **Asset Replacement** fund is used for the purchase of replacement vehicles, technology, and building and park improvements such as new roofs and replacement play structures.

The Town has two Comcast funds – the **Comcast Grant Unrestricted** is a one-time revenue receipt and the **Comcast PEG Restricted** fund has limitations on how the Town may use these monies in accordance with the franchise agreement. Generally, Comcast funds are to be used for capital costs associated with Public, Educational and Governmental channel access.

**Development Impact Fee Funds:**

**Public Safety Impact Fees, Local Transportation Impact Fees, Storm Drain Impact Fees, General Government Facilities Impact Fees, and Park Development Impact Fee Funds** are all funds whose revenues derive from development and use of these funds is restricted. During the year ended June 30, 2023, the Town closed the Local Transportation Impact Fee Fund.

The **Lamorinda Fee and Financing Authority (LFFA)** is a joint exercise of powers agreement comprised of the jurisdictions of Lafayette, Moraga and Orinda to establish a development mitigation fee program. The program assesses regional and local transportation fees and distributes them back to the member jurisdictions as governed by the Joint Exercise of Powers Agreement. This fund is established to account for both the LFFA regional and local set aside fees distributed to the Town. The use of the funds is also governed by the Joint Exercise of Powers Agreement.

TOWN OF MORAGA  
OTHER CAPITAL PROJECTS FUND  
COMBINING BALANCE SHEETS  
JUNE 30, 2023

	<u>Asset Replacement</u>	<u>Comcast Grant Unrestricted</u>	<u>Comcast PEG Restricted</u>	<u>Public Safety Impact Fees</u>
ASSETS				
Cash and investments	\$743,327		\$452,717	\$95,189
Accounts receivable			6,888	804
	<u>743,327</u>		<u>459,605</u>	<u>95,993</u>
Total Assets	<u><u>\$743,327</u></u>		<u><u>\$459,605</u></u>	<u><u>\$95,993</u></u>
FUND BALANCE				
Restricted			\$459,605	\$95,993
Committed	<u>743,327</u>			
	<u>743,327</u>		<u>459,605</u>	<u>95,993</u>
Total Fund Balances	<u>743,327</u>		<u>459,605</u>	<u>95,993</u>
Total Liabilities and Fund Balances	<u><u>\$743,327</u></u>		<u><u>\$459,605</u></u>	<u><u>\$95,993</u></u>

Local Transportation Impact Fees	Storm Drain Impact Fees	General Government Facilities Impact Fees	Park Development Impact Fees	LFFA	Total Capital Projects Fund
	\$161,894 1,616	\$331,224 1,614	\$61,865 1,598	\$487,162 1,857	\$2,333,378 14,377
	\$163,510	\$332,838	\$63,463	\$489,019	\$2,347,755
	\$163,510	\$332,838	\$63,463	\$489,019	\$1,604,428 743,327
	163,510	332,838	63,463	489,019	2,347,755
	\$163,510	\$332,838	\$63,463	\$489,019	\$2,347,755

TOWN OF MORAGA  
OTHER CAPITAL PROJECTS FUND  
COMBINING SCHEDULES OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Asset Replacement</u>	<u>Comcast Grant Unrestricted</u>	<u>Comcast PEG Restricted</u>	<u>Public Safety Impact Fees</u>
REVENUES				
Intergovernmental	\$15,000			
Interest				\$2,611
Other revenue			\$28,600	
Total Revenues	<u>15,000</u>		<u>28,600</u>	<u>2,611</u>
EXPENDITURES				
Public safety				23,616
Capital outlay	122,904			
Total Expenditures	<u>122,904</u>			<u>23,616</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(107,904)</u>		<u>28,600</u>	<u>(21,005)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	953,453			
Transfers (out)	(144,000)	(\$15,453)	(25,000)	(51,000)
Total Other Financing Sources (Uses)	<u>809,453</u>	<u>(15,453)</u>	<u>(25,000)</u>	<u>(51,000)</u>
NET CHANGE IN FUND BALANCES	701,549	(15,453)	3,600	(72,005)
BEGINNING FUND BALANCES	<u>41,778</u>	<u>15,453</u>	<u>456,005</u>	<u>167,998</u>
ENDING FUND BALANCES	<u><u>\$743,327</u></u>	<u><u>15,453</u></u>	<u><u>\$459,605</u></u>	<u><u>\$95,993</u></u>

Local Transportation Impact Fees	Storm Drain Impact Fees	General Government Facilities Impact Fees	Park Development Impact Fees	LFFA	Total Capital Projects Funds
	\$7,520	\$7,074	\$4,546	\$10,251	\$15,000 32,002 28,600
	7,520	7,074	4,546	10,251	75,602
					23,616 122,904
					146,520
	7,520	7,074	4,546	10,251	(70,918)
(\$31,903)	(229,000)	(50,000)	(142,108)	31,903	985,356 (688,464)
(31,903)	(229,000)	(50,000)	(142,108)	31,903	296,892
(31,903)	(221,480)	(42,926)	(137,562)	42,154	225,974
31,903	384,990	375,764	201,025	446,865	2,121,781
	\$163,510	\$332,838	\$63,463	\$489,019	\$2,347,755

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**TOWN OF MORAGA**  
**Supplemental Information**  
**For the Year Ended June 30, 2022**

**OTHER GOVERNMENTAL FUNDS**

The Town maintains the following Other Governmental Funds:

***Special Revenue Funds***

**Gasoline Tax** – This fund accounts for revenues and expenditures received from the State of California under Street and Highways Code Section 2105, 2106, 2107, 2107.5, and 7360. Revenue allocations are based on population. Eligible expenditures include the construction and maintenance of streets.

**Transportation Measure J** – This fund accounts the Town's share of the proceeds of a one-half cent sales tax increase approved by Contra Costa County voters in 2004. Funds can be used for transportation purposes including transportation planning and street construction and maintenance.

**Park Dedication** – This fund accounts for revenues and expenditures of fees in lieu of park dedication pursuant to State of California Government Code Section 66475-66478 also known as the Quimby Act. The Town's Ordinance No. 221 provides the requirement of three acres per one thousand persons.

**Lighting Assessment District** – This fund accounts for revenues and expenditures of the Moraga Street Lighting Assessment District 1979-1 in accordance with the Landscaping and Lighting Act of 1972 (California Streets & Highways Code Sections 22500-22509). The fund covers the costs to operate the district, which covers a significant portion of the Town, including utilities, repairs, engineering services, administrative cost, and capital improvements. The current annual assessment levied is \$58 for a single detached family residence within the district.

**COPS/AVA** – This fund accounts for COPS funds from the state that are allocated among cities and counties and special districts that provide law enforcement services in proportion to population.

**Traffic Safety** – This fund accounts for restricted funds derived from traffic fines and forfeitures, and must be used to support police activities.

**National Pollution Discharge Elimination System District (NPDES)** – This fund accounts for revenues and expenditures associated with the annual assessment for the National Pollutant Discharge Elimination System created countywide in response to the 1972 Clean Water Act.

**Asset Forfeiture** – Section 309 of Public Law 98-473 (The Comprehensive Crime Control Act of 1984) as implemented by the Attorney General's Guidelines on Seized and Forfeited Property (July 1990) allows the Drug Enforcement Administration (DEA) to share federally forfeited property with participating law enforcement agencies. The Town's Asset Forfeiture Fund was set up to receive and expend these funds. Allowable uses include activities calculated to enhance future investigations, law enforcement training, and law enforcement equipment and operations.

**Public Safety Sales Tax** – This fund accounts for the revenues received from a statewide half-cent sales tax for public safety. Revenues in this special revenue fund must only be spent on public safety activities.

**Street Lighting** – This fund accounts for a special allocation of the Basic 1% Property Tax paid by Town property owners. The revenues are intended to cover street lighting activities not included in the Town of Moraga Lighting Assessment District.

**Pavement Management Program** - The Pavement Management Program Fund was established to account for all capital activities related to the rehabilitation of the Town's streets.

**TOWN OF MORAGA**  
**Supplemental Information**  
**For the Year Ended June 30, 2022**

**Refuse Vehicle Impact Fees** – This Fund was established in FY 2020/21 to separately account for the Refuse Vehicle Impact Fee (through RecycleSmart). This revenue is restricted for repair and maintenance of local streets and roads. The receipt from the Refuse Vehicle Impact Fee were previously deposited to the General Fund and then transferred out to the Town’s Pavement Management Program (Fund 711).

**Public Safety Grants** – In accordance with the State Budget Act and the California Healthcare, research and Prevention Tobacco Tax Act of 2016 (Act), as added by Proposition 56, in 2021 the Town was awarded a three-year \$470,000 Tobacco grant to fund a police officer to enforce tobacco-related laws and provide tobacco-related education and outreach designed to reduce the use of tobacco-related products by juveniles.

**Art in Public Spaces** – This fund was established by the Town Council Resolution No. 91-2015 to dedicate funding for Art in Public Spaces. This account may be credited annually, with any funds allocated by the Town Council through the budgetary process and monies received through donations or grants or otherwise obtained.

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TOWN OF MORAGA  
OTHER GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEETS  
JUNE 30, 2023

	Gasoline Tax	Transportation Measure J	Park Dedication	Lighting Assessment District	COPS/AVA	Traffic Safety
ASSETS						
Cash and investments		\$86,877	\$290,176	\$562,383	\$18,645	\$28,973
Accounts receivable	\$107,599	472,883	1,611	1,614	798	7,664
Total Assets	\$107,599	\$559,760	\$291,787	\$563,997	\$19,443	\$36,637
LIABILITIES						
Accounts payable				\$20,255		
Due to other funds	\$97,789					
Total Liabilities	97,789			20,255		
FUND BALANCE						
Restricted	9,810	\$559,760	\$291,787	543,742	\$19,443	\$36,637
Committed						
Total Fund Balances (Deficits)	9,810	559,760	291,787	543,742	19,443	36,637
Total Liabilities and Fund Balances	\$107,599	\$559,760	\$291,787	\$563,997	\$19,443	\$36,637

NPDES	Asset Forfeiture	Public Safety Sales Tax	Street Lighting	Pavement Management Program	Refuse Vehicle Impact Fee	Public Safety Grants	Art in Public Spaces	Total Nonmajor Governmental Funds
	\$6,398	\$7,093	\$215,266	\$239,597	\$334,936		\$4,650	\$1,794,994
\$77,368		22,785	1,601	1,600	1,665	\$74,138		771,326
\$77,368	\$6,398	\$29,878	\$216,867	\$241,197	\$336,601	\$74,138	\$4,650	\$2,566,320
\$138,184						\$76,683	\$784	\$21,039
138,184						76,683	784	312,656
								333,695
(60,816)	\$6,398	\$29,878	\$216,867		\$336,601	(2,545)	3,866	1,991,428
				\$241,197				241,197
(60,816)	6,398	29,878	216,867	241,197	336,601	(2,545)	3,866	2,232,625
\$77,368	\$6,398	\$29,878	\$216,867	\$241,197	\$336,601	\$74,138	\$4,650	\$2,566,320

TOWN OF MORAGA  
OTHER GOVERNMENTAL FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2023

	Gasoline Tax	Transportation Measure J	Park Dedication	Lighting Assessment District	COPS/AVA	Traffic Safety
REVENUES						
Taxes and assessment	\$441,274			\$199,871		
Sales tax - public safety						
Intergovernmental	385,468	\$549,504			\$165,271	
Interest	5,380	7,881	\$7,090	10,219	2,139	\$83
Fines, forfeitures and penalties						36,029
Total Revenues	832,122	557,385	7,090	210,090	167,410	36,112
EXPENDITURES						
Current operations:						
General government						
Public works				199,140		
Parks and recreation						
Total Expenditures				199,140		
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	832,122	557,385	7,090	10,950	167,410	36,112
OTHER FINANCING SOURCES (USES)						
Transfers in				43,134		
Transfers (out)	(879,000)	(288,000)	(44,000)	(10,000)	(214,000)	(40,000)
Total Other Financing Sources (Uses)	(879,000)	(288,000)	(44,000)	33,134	(214,000)	(40,000)
NET CHANGE IN FUND BALANCES	(46,878)	269,385	(36,910)	44,084	(46,590)	(3,888)
BEGINNING FUND BALANCES	56,688	290,375	328,697	499,658	66,033	40,525
ENDING FUND BALANCES (DEFICITS)	\$9,810	\$559,760	\$291,787	\$543,742	\$19,443	\$36,637

NPDES	Asset Forfeiture	Public Safety Sales Tax	Street Lighting	Pavement Management Program	Refuse Vehicle Impact Fees	Public Safety Grants	Art in Public Spaces	Total Other Governmental Funds
\$226,411		\$92,116	\$45,047					\$912,603
					\$879,003	\$154,455		92,116
25	\$48	282	4,863	\$4,812	21,884			2,133,701
								64,706
								36,029
226,436	48	92,398	49,910	4,812	900,887	154,455		3,239,155
							\$784	199,140
								784
							784	199,924
226,436	48	92,398	49,910	4,812	900,887	154,455	(784)	3,039,231
(242,000)		(85,000)	(43,134)		(1,292,000)	(157,000)	4,650	47,784
								(3,294,134)
(242,000)		(85,000)	(43,134)		(1,292,000)	(157,000)	4,650	(3,246,350)
(15,564)	48	7,398	6,776	4,812	(391,113)	(2,545)	3,866	(207,119)
(45,252)	6,350	22,480	210,091	236,385	727,714			2,439,744
(\$60,816)	\$6,398	\$29,878	\$216,867	\$241,197	\$336,601	(\$2,545)	\$3,866	\$2,232,625

TOWN OF MORAGA  
OTHER GOVERNMENTAL FUNDS  
COMBINING SCHEDULES OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2023

	Gasoline Tax			Transportation Measure J		
	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES						
Taxes and assessment	\$495,759	\$441,274	(\$54,485)			
Sales tax - public safety						
Intergovernmental	383,000	385,468	2,468	\$395,600	\$549,504	\$153,904
Interest	1,200	5,380	4,180		7,881	7,881
Parks and recreation						
Fines, forfeitures and penalties						
Total Revenues	879,959	832,122	(47,837)	395,600	557,385	161,785
EXPENDITURES						
Current operations:						
General government	331,000		331,000	427,000		427,000
Public works						
Parks and recreation						
Total Expenditures	331,000		331,000	427,000		427,000
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	548,959	832,122	283,163	(31,400)	557,385	588,785
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)	(879,000)	(879,000)		(288,000)	(288,000)	
Total Other Financing Sources (Uses)	(879,000)	(879,000)		(288,000)	(288,000)	
NET CHANGE IN FUND BALANCES	<u>(\$330,041)</u>	<u>(46,878)</u>	<u>\$283,163</u>	<u>(\$319,400)</u>	<u>269,385</u>	<u>\$588,785</u>
BEGINNING FUND BALANCES (DEFICITS)		56,688			290,375	
ENDING FUND BALANCES (DEFICITS)		<u>\$9,810</u>			<u>\$559,760</u>	

Park Dedication			Lighting Assessment District			COPS/AVA		
Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
			\$198,449	\$199,871	\$1,422			
	\$7,090	\$7,090		10,219	10,219	\$160,000	\$165,271 2,139	\$5,271 2,139
	7,090	7,090	198,449	210,090	11,641	160,000	167,410	7,410
\$61,000		61,000	225,695	199,140	26,555			
61,000		61,000	225,695	199,140	26,555			
(61,000)	7,090	68,090	(27,246)	10,950	38,196	160,000	167,410	7,410
(44,000)	(44,000)		(43,134) (10,000)	43,134 (10,000)	86,268	(214,000)	(214,000)	
(44,000)	(44,000)		(53,134)	33,134	86,268	(214,000)	(214,000)	
(\$105,000)	(36,910)	\$68,090	(\$80,380)	44,084	\$124,464	(\$54,000)	(46,590)	\$7,410
	328,697			499,658			66,033	
	\$291,787			\$543,742			\$19,443	

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TOWN OF MORAGA  
OTHER GOVERNMENTAL FUNDS  
COMBINING SCHEDULES OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2023

	Traffic Safety			NPDES		
	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)	Fiscal Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES						
Taxes and assessment				\$242,000	\$226,411	(\$15,589)
Sales tax - public safety						
Intergovernmental						
Interest		\$83	\$83		25	25
Parks and recreation						
Fines, forfeitures and penalties	\$30,000	36,029	6,029			
Total Revenues	30,000	36,112	6,112	242,000	226,436	(15,564)
EXPENDITURES						
Current operations:						
General government						
Public works						
Parks and recreation						
Total Expenditures						
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	30,000	36,112	6,112	242,000	226,436	(15,564)
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)	(40,000)	(40,000)		(242,000)	(242,000)	
Total Other Financing Sources (Uses)	(40,000)	(40,000)		(242,000)	(242,000)	
NET CHANGE IN FUND BALANCES	(\$10,000)	(3,888)	\$6,112		(15,564)	(\$15,564)
BEGINNING FUND BALANCES (DEFICITS)		40,525			(45,252)	
ENDING FUND BALANCES (DEFICITS)		\$36,637			(\$60,816)	

Asset Forfeiture			Public Safety Sales Tax			Street Lighting		
Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
			\$85,000	\$92,116	\$7,116	\$40,000	\$45,047	\$5,047
	\$48	\$48		282	282		4,863	4,863
	48	48	85,000	92,398	7,398	40,000	49,910	9,910
	48	48	85,000	92,398	7,398	40,000	49,910	9,910
			(85,000)	(85,000)		(43,134)	(43,134)	
			(85,000)	(85,000)		(43,134)	(43,134)	
	48	\$48		7,398	\$7,398	(\$3,134)	6,776	\$9,910
	6,350			22,480			210,091	
	\$6,398			\$29,878			\$216,867	

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TOWN OF MORAGA  
OTHER GOVERNMENTAL FUNDS  
COMBINING SCHEDULES OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2023

	Pavement Management Program			Refuse Vehicle Impact fees		
	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES						
Taxes and assessment						
Sales tax - public safety						
Intergovernmental				\$842,000	\$879,003	\$37,003
Interest		\$4,812	\$4,812		21,884	21,884
Parks and recreation						
Fines, forfeitures and penalties						
Total Revenues		4,812	4,812	842,000	900,887	58,887
EXPENDITURES						
Current operations:						
General government						
Public works						
Parks and recreation						
Total Expenditures						
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES		4,812	4,812	842,000	900,887	58,887
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)				(1,292,000)	(1,292,000)	
Total Other Financing Sources (Uses)				(1,292,000)	(1,292,000)	
NET CHANGE IN FUND BALANCES		4,812	\$4,812	(\$450,000)	(391,113)	\$58,887
BEGINNING FUND BALANCES (DEFICITS)		236,385			727,714	
ENDING FUND BALANCES (DEFICITS)		\$241,197			\$336,601	

Public Safety Grants			Art in Public Spaces		
Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
	\$154,455	\$154,455			
	154,455	154,455			
				\$784	\$784
				784	784
	154,455	154,455		(784)	(784)
			\$4,650	4,650	
(\$157,000)	(157,000)				
(157,000)	(157,000)		4,650	4,650	
(\$157,000)	(2,545)	\$154,455	\$4,650	3,866	(\$784)
	(2,545)			\$3,866	

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# **ATTACHMENT B**

Memorandum on Internal Control and Required  
Communications for the Year Ended June 30, 2023

**TOWN OF MORAGA**  
**MEMORANDUM ON INTERNAL CONTROL**  
**FOR THE YEAR ENDED**  
**JUNE 30, 2023**

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**TOWN OF MORAGA**  
**MEMORANDUM ON INTERNAL CONTROL**

**For the Year Ended June 30, 2023**

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Schedule of Other Matters .....	3

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## MEMORANDUM ON INTERNAL CONTROL

To the Honorable Mayor and Members of the Town Council of  
the Town of Moraga  
Moraga, California

In planning and performing our audit of the basic financial statements of the Town of Moraga (Town), as of and for the year ended June 30, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered the Town's internal control over financial reporting (internal control) as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Town's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Included in the Schedule of Other Matters are recommendations not meeting the above definitions that we believe are opportunities for strengthening internal controls and operating efficiencies.

This communication is intended solely for the information and use of management, Town Council, others within the organization, and agencies and pass-through entities requiring compliance with *Government Auditing Standards* and is not intended to be and should not be used by anyone other than these specified parties.

Pleasant Hill, California

**DATE**

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**TOWN OF MORAGA**  
**MEMORANDUM ON INTERNAL CONTROL**

**SCHEDULE OF OTHER MATTERS**

**NEW GASB PRONOUNCEMENTS OR PRONOUNCEMENTS NOT YET EFFECTIVE**

The following comment represents new pronouncements taking affect in the next few years. We cite them here to keep you informed of developments:

**EFFECTIVE FISCAL YEARS 2022, 2023 and 2024:**

**GASB 99 – Omnibus 2022**

The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The practice issues addressed by this Statement are as follows:

- Classification and reporting of derivative instruments within the scope of Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument.
- Clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives.
- Clarification of provisions in Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset.
- Clarification of provisions in Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short term SBITA, and recognition and measurement of a subscription liability.
- Extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt.
- Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP).
- Disclosures related to nonmonetary transactions.
- Pledges of future revenues when resources are not received by the pledging government.
- Clarification of provisions in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, as amended, related to the focus of the government-wide financial statements.

**TOWN OF MORAGA**  
**MEMORANDUM ON INTERNAL CONTROL**

**SCHEDULE OF OTHER MATTERS**

**GASB 99 – Omnibus 2022 (Continued)**

- Terminology updates related to certain provisions of Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.
- Terminology used in Statement 53 to refer to resource flows statements.

**The Requirements of this Statement are Effective as Follows:**

The requirements in paragraphs 26–32 related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.

The requirements in paragraphs 11–25 related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

The requirements in paragraphs 4–10 related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

Earlier application is encouraged and is permitted by individual topic.

**How the Changes in This Statement Will Improve Financial Reporting**

The requirements of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. Consistent authoritative literature enables governments and other stakeholders to more easily locate and apply the correct accounting and financial reporting provisions, which improves the consistency with which such provisions are applied. The comparability of financial statements also will improve as a result of this Statement. Better consistency and comparability improve the usefulness of information for users of state and local government financial statements.

**TOWN OF MORAGA**  
**MEMORANDUM ON INTERNAL CONTROL**

**SCHEDULE OF OTHER MATTERS**

**EFFECTIVE FISCAL YEAR 2024:**

**GASB 100 – Accounting for Changes and Error Corrections**

The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

This Statement defines *accounting changes* as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements.

This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in absence of specific transition provisions in the new pronouncement. This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements.

This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated.

Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). For periods that are earlier than those included in the basic financial statements, information presented in RSI or SI should be restated for error corrections, if practicable, but not for changes in accounting principles.

**TOWN OF MORAGA**  
**MEMORANDUM ON INTERNAL CONTROL**

**SCHEDULE OF OTHER MATTERS**

**EFFECTIVE FISCAL YEAR 2025:**

**GASB 101 – Compensated Absences**

The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

*Recognition and Measurement*

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

This Statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used.

This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities.

With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources.

*Notes To Financial Statements*

This Statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences.

**TOWN OF MORAGA  
MEMORANDUM ON INTERNAL CONTROL**

**SCHEDULE OF OTHER MATTERS**

**GASB 101 – Compensated Absences (Continued)**

*How the Changes in this Statement Will Improve Financial Reporting*

The unified recognition and measurement model in this Statement will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. In addition, the model can be applied consistently to any type of compensated absence and will eliminate potential comparability issues between governments that offer different types of leave.

The model also will result in a more robust estimate of the amount of compensated absences that a government will pay or settle, which will enhance the relevance and reliability of information about the liability for compensated absences.

Final Draft

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**TOWN OF MORAGA**  
**REQUIRED COMMUNICATIONS**  
**FOR THE YEAR ENDED**  
**JUNE 30, 2023**

Review Draft

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**TOWN OF MORAGA**  
**REQUIRED COMMUNICATIONS**  
**For the Year Ended June 30, 2023**

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Review Draft

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## REQUIRED COMMUNICATIONS

To the Honorable Mayor and Members of the Town Council of  
the Town of Moraga  
Moraga, California

We have audited the basic financial statements of the Town of Moraga, California, for the year ended June 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and Government Auditing Standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated June 6, 2023. Professional standards also require that we communicate to you the following information related to our audit:

### **Significant Audit Matters**

#### ***Qualitative Aspects of Accounting Practices***

*Accounting Policies* - Management is responsible for the selection and use of appropriated accounting policies. The significant accounting policies used by the Town of Moraga are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year, except as follows:

#### **GASB 96 – Subscription Based Information Technology Arrangements**

This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

The subscription term includes the period during which a government has a noncancelable right to use the underlying IT assets. The subscription term also includes periods covered by an option to extend (if it is reasonably certain that the government or SBITA vendor will exercise that option) or to terminate (if it is reasonably certain that the government or SBITA vendor will not exercise that option).

Under this Statement, a government generally should recognize a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability. A government should recognize the subscription liability at the commencement of the subscription term, —which is when the subscription asset is placed into service. The subscription liability should be initially measured at the present value of subscription payments expected to be made during the subscription term. Future subscription payments should be discounted using the interest rate the SBITA vendor charges the government, which may be implicit, or the government’s incremental borrowing rate if the interest rate is not readily determinable. A government should recognize amortization of the discount on the subscription liability as an outflow of resources (for example, interest expense) in subsequent financial reporting periods.

The subscription asset should be initially measured as the sum of (1) the initial subscription liability amount, (2) payments made to the SBITA vendor before commencement of the subscription term, and (3) capitalizable implementation costs, less any incentives received from the SBITA vendor at or before the commencement of the subscription term. A government should recognize amortization of the subscription asset as an outflow of resources over the subscription term.

The pronouncement became effective, and as disclosed in Notes 10 and 8 to the financial statements, required the Town to record one of its SBITA’s on the Statement of Net Position.

The following pronouncements became effective, but did not have a material effect on the financial statements:

***GASB 89 – Accounting for Interest Cost Incurred before the End of a Construction Period***

***GASB 90 – Majority Equity Interests (an amendment of GASB Statements No. 14 and No. 61)***

***GASB 92 – Omnibus 2020***

***GASB 93 – Replacement of Interbank Offered Rates***

***GASB 97 – Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32***

*Unusual Transactions, Controversial or Emerging Areas* – We noted no transactions entered into by the Town during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

*Accounting Estimates* – Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significances to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Town’s financial statements were:

*Estimate Net Pension Liabilities (Assets) and Pension-Related Deferred Outflows and Inflows of Resource:* Management’s estimate of the net pension liabilities (assets) and deferred outflows/inflows of resources are disclosed in Note 9 to the financial statements and are based on actuarial studies determined by a consultant, which are based on the experience of the Town. We evaluated the key factors and assumptions used to develop the estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.

*Estimate of Depreciation:* Management's estimate of depreciation is based on useful lives determined by management. These lives have been determined by management based on the expected useful life of assets as disclosed in Note 1E. We evaluated the key factors and assumptions used to develop the depreciation estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.

*Estimate of Compensated Absences:* Accrued compensated absences which are comprised of accrued vacation, holiday, and certain other compensating time is estimated using accumulated unpaid leave hours and hourly pay rates in effect at the end of the fiscal year as disclosed in Note 1G to the financial statements. We evaluated the key factors and assumptions used to develop the accrued compensated absences and determined that it is reasonable in relation to the basic financial statements taken as a whole.

*Disclosures* – The financial statement disclosures are neutral, consistent, and clear.

### ***Difficulties Encountered in Performing the Audit***

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

### ***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Professional standards require us to accumulate all known and likely uncorrected misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We have no such misstatements to report to the Town Council.

### ***Disagreements with Management***

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### ***Management Representations***

We have requested certain representations from management that are included in a management representation letter dated **DATE**.

### ***Management Consultations with Other Independent Accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Town's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### ***Other Audit Findings or Issues***

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Town's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### **Other Matters**

We applied certain limited procedures to the required supplementary information that accompanies and supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the required supplementary information and do not express an opinion or provide any assurance on the required supplementary information.

We were engaged to report on the supplementary information which accompany the financial statements, but are not required supplementary information. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the Introductory and Statistical Sections which accompany the financial statements, but are not required supplementary information. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

\*\*\*\*\*

This information is intended solely for the information and use of the Audit and Finance Committee, Town Council, and management and is not intended to be and should not be used by anyone other than these specified parties.

Pleasant Hill, California

**DATE**

# **ATTACHMENT C**

Independent Accountant's Report on Applying Agreed Upon  
Procedures for Compliance with the Proposition 111,  
FY 2022/23 Appropriation Limit Increment

**INDEPENDENT ACCOUNTANT'S REPORT ON  
APPLYING AGREED UPON PROCEDURES FOR  
COMPLIANCE WITH THE PROPOSITION 111  
2022-2023 APPROPRIATIONS LIMIT INCREMENT**

Honorable Mayor and Members of the Town Council  
Town of Moraga, California

We have performed the procedures enumerated below on the Appropriations Limit Worksheet (Worksheet) of the Town of Moraga, California, for the year ended June 30, 2023. The Town's management is responsible for the Worksheet.

The Town has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of these procedures, which were suggested by the League of California Cities and presented in their Article XIIB Appropriations Limitation Uniform Guidelines, were performed solely to assist you in meeting the requirements of Section 1.5 of Article XIIB of the California Constitution. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

- A. We obtained the Worksheet and determined that the 2022-2023 Appropriations Limit of \$18,461,740 and annual adjustment factors were adopted by Resolution of the Town Council. We also determined that the population and inflation options were selected by a recorded vote of the Town Council.
- B. We recomputed the 2022-2023 Appropriations Limit by multiplying the 2021-2022 Prior Year Appropriations Limit by the Total Growth Factor. We recomputed the Total Growth Factor by multiplying the population option by the inflation option.
- C. For the Worksheet, we agreed the Per Capita Income Factor, Town Population Factor and County Population Factor to California State Department of Finance Worksheets.

We were engaged by the Town to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the Worksheet. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of management and the Town Council and is not intended to be and should not be used by anyone other than those specified parties; however, this restriction is not intended to limit the distribution of this report, which is a matter of public record.

A handwritten signature in black ink that reads 'Maze & Associates'.

Pleasant Hill, California  
November 30, 2023  
Accountancy Corporation  
3478 Buskirk Avenue, Suite 217  
Pleasant Hill, CA 94523

T 925.228.2800  
E [maze@mazeassociates.com](mailto:maze@mazeassociates.com)  
W [mazeassociates.com](http://mazeassociates.com)

**APPENDIX D**  
**PROPOSED FORM OF SPECIAL COUNSEL OPINION**

December 22, 2023

Town Council  
Town of Moraga  
329 Rheem Boulevard  
Moraga, CA 94556

**OPINION:**     \$3,970,000 Town of Moraga  
                     2023 Refunding Certificates of Participation  
                     (Infrastructure Improvement Projects)

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Members of the Town Council:

We have acted as special counsel to the Town of Moraga, California (the "Town"), in connection with the delivery by the Town of the Facility Lease, dated as of December 1, 2023 (the "Facility Lease"), by and between Public Property Financing Corporation of California, a California non-profit public benefit corporation (the "Corporation"), and the Town. Pursuant to the Trust Agreement, dated as of December 1, 2023 (the "Trust Agreement"), by and among the Town, the Corporation and Wilmington Trust, National Association, as trustee (the "Trustee"), the Trustee has executed and delivered \$3,970,000 aggregate principal amount of Town of Moraga 2023 Refunding Certificates of Participation (Infrastructure Improvement Projects) (the "Certificates"). In such capacity, we have examined such law and such certified proceedings, certifications, opinions and other documents as we have deemed necessary to render this opinion.

The Certificates evidence the direct, undivided fractional interests of the owners thereof in lease payments to be made by the Town under the Facility Lease (the "Base Rental Payments"), which have been assigned by the Corporation to the Trustee. The Town authorized execution and delivery of the Facility Lease, the Trust Agreement and the Certificates pursuant to a resolution of the Town Council of the Town adopted on December 6, 2023 (the "Resolution").

Regarding questions of fact material to our opinion, we have relied on representations of the Town contained in the Facility Lease and the Trust Agreement, and on the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based on the foregoing, we are of the opinion that, under existing law:

1.     The Town is a municipal corporation duly organized and validly existing under the laws of the State of California with the full power to adopt the Resolution, enter into the Facility Lease and the Trust Agreement and to perform the agreements on its part contained therein.

2. The Facility Lease and the Trust Agreement have been duly authorized, executed and delivered by the Town, and constitute the valid and binding obligations of the Town, enforceable against the Town in accordance with their respective terms.

3. The Certificates have been validly executed and delivered by the Trustee pursuant to the Trust Agreement and, by virtue of the assignment made by the Corporation therein, the owners of the Certificates are entitled to the benefits of the Facility Lease.

4. The portion of the Base Rental Payments designated as and comprising interest and received by the owners of the Certificates is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. It should be noted however that the portion of the Base Rental Payments designated as and comprising interest and received by the owners of the Certificates may be subject to the corporate alternative minimum tax. The Facility Lease is a "qualified tax-exempt obligation" within the meaning of section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the "Tax Code"), and, in the case of certain financial institutions (within the meaning of section 265(b)(5) of the Tax Code), a deduction is allowed for 80 percent of that portion of such financial institutions' interest expense allocable to interest payable with respect to the Certificates.

The opinions set forth in the preceding paragraph are subject to the condition that the Town comply with all requirements of the Tax Code that must be satisfied subsequent to the execution and delivery of the Certificates in order that the interest with respect thereto be, and continue to be, excludable from gross income for federal income tax purposes, and that the Facility Lease be, or continue to be, a "qualified tax-exempt obligation" within the meaning of Section 265(b)(3) of the Tax Code. The Town has made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of delivery of the Facility Lease, or may cause the Facility Lease not to be a "qualified tax-exempt obligation" within the meaning of Section 265(b)(3) of the Tax Code.

5. The portion of the Base Rental Payments designated as and comprising interest and received by the owners of the Certificates is exempt from personal income taxation imposed by the State of California.

We express no opinion regarding any other tax consequences arising with respect to the ownership, sale or disposition of, or the amount, accrual or receipt of interest on, the Facility Lease or the Certificates.

The rights of the owners of the Certificates and the enforceability of the Certificates, the Facility Lease and the Trust Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and may also be subject to the exercise of judicial discretion in accordance with principles of equity or otherwise in appropriate cases.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur. Moreover, our opinions are not a guarantee of a particular result, and are not binding on the Internal Revenue Service or any court; rather, our opinions represent our legal judgment based upon our review of existing law that we

deem relevant to such opinions and in reliance upon the representations, opinions, and covenants referenced above.

Our engagement with respect to this matter has terminated as of the date hereof.

Respectfully submitted,

A Professional Law Corporation

## APPENDIX E

### FORM OF CONTINUING DISCLOSURE CERTIFICATE

**\$3,970,000**

**Town of Moraga**

**2023 Refunding Certificates of Participation  
(Infrastructure Improvement Projects)**

This CONTINUING DISCLOSURE CERTIFICATE (this “Disclosure Certificate”) is executed and delivered by the TOWN OF MORAGA (the “Town”) in connection with the execution and delivery of the certificates of participation captioned above (the “Certificates”). The Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of December 1, 2023 (the “Trust Agreement”), by and among the Town, Public Property Financing Corporation of California, and Wilmington Trust, National Association, as trustee (the “Trustee”).

The Town covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Town for the benefit of the holders and beneficial owners of the Certificates and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

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

“*Annual Report*” means any Annual Report provided by the Town pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“*Annual Report Date*” means the date that is nine months after the end of the Town’s fiscal year (currently April 1 based on the Town’s fiscal year end of June 30).

“*Dissemination Agent*” means initially the Trustee, and any successor Dissemination Agent designated in writing by the Town and which has filed with the Town a written acceptance of such designation.

“*Listed Events*” means any of the events listed in Section 5(a) of this Disclosure Certificate.

“*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, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

“*Official Statement*” means the final official statement executed by the Town in connection with the issuance of the Certificates.

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

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

### Section 3. Provision of Annual Reports.

(a) The Town shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing April 1, 2024, with the report for Fiscal Year 2022-23, 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; provided that the first Annual Report shall consist solely of the Official Statement to which reference is hereby made. Not later than 15 Business Days prior to the Annual Report Date, the Town shall provide the Annual Report to the Dissemination Agent (if other than the Town). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the Town) has not received a copy of the Annual Report, the Dissemination Agent shall contact the Town to determine if the Town 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 Town may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the Town's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The Town 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 Town hereunder.

(b) If the Town does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the Town shall provide (or cause the Dissemination Agent to provide) to the MSRB, in an electronic format acceptable to the MSRB, a notice to such effect.

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

(i) determine each year prior to the Annual 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 Town, file a report with the Town 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 Town's Annual Report shall contain or incorporate by reference the following:

(a) The Town's audited financial statements 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 Town's audited financial statements are not available by the Annual 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) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, financial information and operating data with respect to the Town for the preceding fiscal year, substantially similar to that provided in the following tables in the Official Statement:

- (1) TABLE 1 – General Fund Revenues, Expenditures and Fund Balances
- (2) TABLE 2 – General Fund Balance Sheet
- (3) TABLE 5 – Historical Assessed Valuation
- (4) TABLE 6 – Principal Property Taxpayers (top 10 only)

(c) 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 Town 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 Town shall clearly identify each such other document so included by reference.

#### Section 5. Reporting of Significant Events.

(a) The Town shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Certificates:

- (1) Principal and interest payment delinquencies.
- (2) Non-payment related defaults, if material.
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (5) Substitution of credit or liquidity providers, or their failure to perform.
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.
- (7) Modifications to rights of security holders, if material.
- (8) Certificate calls, if material, and tender offers.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities, if material.
- (11) Rating changes.

- (12) Bankruptcy, insolvency, receivership or similar event of the Town or other obligated person.
- (13) The consummation of a merger, consolidation, or acquisition involving the Town or an obligated person, or the sale of all or substantially all of the assets of the Town or an 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, if material.
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.
- (15) Incurrence of a financial obligation of the Town, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Town, any of which affect security holders, if material (for a definition of “financial obligation,” see clause (e)).
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Town, any of which reflect financial difficulties (for a definition of “financial obligation,” see clause (e)).

(b) Whenever the Town obtains knowledge of the occurrence of a Listed Event, the Town shall, or shall cause the Dissemination Agent (if not the Town) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Certificates under the Trust Agreement.

(c) The Town acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a Certificate call), (a)(10), (a)(13), (a)(14) and (a)(15) of this Section 5 contain the qualifier “if material” and that subparagraph (a)(6) also contains the qualifier “material” with respect to certain notices, determinations or other events affecting the tax status of the Certificates. The Town shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that it determines the event’s occurrence is material for purposes of U.S. federal securities law. Whenever the Town obtains knowledge of the occurrence of any of these Listed Events, the Town will as soon as possible determine if such event would be material under applicable federal securities law. If such event is determined to be material, the Town will cause a notice to be filed as set forth in paragraph (b) above.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Town in a proceeding under the United States 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 Town, or if such jurisdiction has been assumed by leaving the existing governing 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 Town.

(e) For purposes of Section 5(a)(15) and (16), “financial obligation” means 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 to which a final official statement has been provided to the MSRB consistent with the Rule.

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 Town’s obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Certificates. If such termination occurs prior to the final maturity of the Certificates, the Town shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent. The Town 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 Dissemination Agent, with or without appointing a successor Dissemination Agent. Any Dissemination Agent may resign by providing 30 days’ written notice to the Town.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Town 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(a), 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 Certificates, 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 Certificates, 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 Certificates in the manner provided in the Trust Agreement for amendments to the Trust Agreement with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Certificates.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first Annual Report 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 this Disclosure Certificate modifying the accounting principles to be followed in preparing financial statements, the Annual Report 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 Town to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative.

A notice of any amendment made pursuant to this Section 9 shall be filed in the same manner as for a Listed Event under Section 5(c).

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Town 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 Town 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 Town 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. If the Town fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the Certificates may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Town to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Trust Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the Town to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. (a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Town agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they 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 Dissemination Agent shall have no duty or obligation to review any information provided to it by the Town hereunder, and shall not be deemed to be acting in any fiduciary capacity for the Town, the Certificate holders or any other party. The obligations of the Town under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Certificates.

(b) The Dissemination Agent shall be paid compensation by the Town for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Town, the Dissemination Agent, the Participating Underwriter and the holders and beneficial owners from time to time of the Certificates, and shall create no rights in any other person or entity.

Section 14. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Date: December 22, 2023

**TOWN OF MORAGA**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

## APPENDIX F

### BOOK-ENTRY ONLY SYSTEM

*The following description of the DTC, the procedures and record keeping with respect to beneficial ownership interests in the Certificates, payment of principal, interest and other payments with respect to the Certificates to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Certificates and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.*

*Neither the issuer of the Certificates (the "Issuer") nor the trustee, fiscal agent or paying agent appointed with respect to the Certificates (the "Agent") takes any responsibility for the information contained in this Appendix.*

*No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Certificates, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Certificates, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Certificates, 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 Appendix. 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.*

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

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned

subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has 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](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org). *The information contained on this Internet site is not incorporated herein by reference.*

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

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

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

6. Redemption notices shall be sent to DTC. If less than all of the Securities within 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.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as

possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

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

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.