TWO NEW ISSUES-BOOK-ENTRY ONLY

UNDERLYING RATINGS: S&P: A
Kroll: A+
BAM INSURED RATING: S&P: AA
(See "BOND INSURANCE" herein)
(See "RATINGS" herein)

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the City, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2023 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, except that no opinion is expressed as to the status of interest on any Series 2023A Bond for any period that such Series 2023A Bond is held by a "substantial user" of the facilities financed or refinanced by the Series 2023A Bonds or by a "related person" within the meaning of Section 147(a) of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Series 2023B Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax, Bond Counsel observes that interest on the Series 2023A Bonds is a specific preference item for purposes of the federal individual alternative minimum tax, and that, for tax years beginning after December 31, 2022, interest on the Series 2023 Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. In the further opinion of Bond Counsel, interest on the Series 2023 Bonds is exempt from State of California personal income taxes. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Series 2023 Bonds. See "TAX MATTERS."

FRESNO YOSEMITE International Airport

$86,030,000
CITY OF FRESNO
AIRPORT REVENUE BONDS
SERIES 2023A
(AMT)

$5,055,000
CITY OF FRESNO
AIRPORT REVENUE
REFUNDING BONDS
SERIES 2023B
(Non-AMT)

Dated: Date of Delivery **Due: July 1, as shown on inside cover**

The City of Fresno (the "City") will issue $86,030,000 principal amount of its City of Fresno Airport Revenue Bonds, Series 2023A (AMT) (the "Series 2023A Bonds") and $5,055,000 principal amount of its City of Fresno Airport Revenue Refunding Bonds, Series 2023B (Non-AMT) (the "Series 2023B Bonds," and, together with the Series 2023A Bonds, the "Series 2023 Bonds"). The Series 2023 Bonds are being issued pursuant to an Indenture of Trust dated as of June 15, 2000 (the "Original Indenture"), by and between the City and The Bank of New York Mellon Trust Company, N.A., as successor trustee (the "Trustee"), as amended and supplemented, including as amended and supplemented by a Fourth Supplemental Indenture dated as of May 1, 2023 (the "Fourth Supplemental Indenture"), by and between the City and the Trustee. The Original Indenture as supplemented and amended is referred to as the "Indenture." The Series 2023A Bonds are being issued to: (i) finance a portion of the costs of construction of certain improvements at the Fresno Yosemite International Airport terminal; (ii) refund $13,290,000 outstanding principal amount of City of Fresno Airport Revenue Refunding Bonds, Series 2013B (AMT); (iii) capitalize interest on the Series 2023A Bonds through December 31, 2025; (iv) purchase a debt service reserve insurance policy for deposit to the 2023 Debt Service Reserve Fund; and (v) pay certain costs associated with the issuance of the Series 2023A Bonds. The Series 2023B Bonds are being issued to: (i) provide funds to refund $6,805,000 outstanding principal amount of City of Fresno Airport Revenue Refunding Bonds, Series 2013A (Non-AMT); (ii) purchase a debt service reserve insurance policy for deposit to the 2023 Debt Service Reserve Fund; and (iii) pay certain costs associated with the issuance of the Series 2023 Bonds. See "PLAN OF FINANCE."

The Series 2023 Bonds will be issued in book-entry only form, registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Series 2023 Bonds. Individual purchases of the Series 2023 Bonds will be made in book-entry form only, in denominations of $5,000 or any integral multiple thereof. Purchasers will not receive physical certificates representing their interests in the Series 2023 Bonds. Principal of, redemption premium, if any, and interest on the Series 2023 Bonds will be paid by the Trustee directly to DTC which in turn is obligated to remit such payments to DTC Participants for subsequent disbursement to the Beneficial Owners of the applicable Series of Series 2023 Bonds. See APPENDIX F–"INFORMATION REGARDING DTC AND THE BOOK-ENTRY ONLY SYSTEM." So long as Cede & Co. is the registered owner of the Series 2023 Bonds, as nominee of DTC, references herein to the registered owners shall mean Cede & Co., and shall not mean the Beneficial Owners of the Series 2023 Bonds.

Interest on the Series 2023 Bonds will be payable on January 1 and July 1 of each year, commencing January 1, 2024, at the respective rates set forth on the inside cover page.

The Series 2023A Bonds are subject to optional redemption prior to maturity as described herein. The Series 2023A Bonds are subject to mandatory sinking fund redemption prior to maturity as described herein. See "THE SERIES 2023 BONDS–Redemption Provisions."

The Series 2023 Bonds are equally secured by a pledge of Revenues from the City's Fresno Yosemite International Airport (the "Airport"), subject to application thereof to Operating Expenses (each as defined herein), and certain funds and accounts held under the Indenture and have a parity lien on such Revenues with $52,109,508 aggregate outstanding principal amount of previously issued Airport Revenue Bonds of various series as described herein, subject to the provisions of the Indenture regarding limitations on the use of certain Revenues. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS–Parity Debt."

On the date of the delivery of the Series 2023 Bonds, the Authority will deposit a reserve account surety bond (the "Reserve Account Surety Bond") issued by the Bond Insurer (defined below) in the amount of the Series 2023 Bonds Reserve Requirement for deposit into the Debt Service Reserve Fund stablished under the Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS–Debt Service Reserve Fund and APPENDIX I–"SPECIMEN MUNICIPAL BOND DEBT SERVICE RESERVE INSURANCE POLICY."

The scheduled payment of principal of and interest on the Series 2023A Bonds and the Series 2023B Bonds when due will be guaranteed under separate municipal bond insurance policies to be issued concurrently with the delivery of the Series 2023 Bonds by Build America Mutual Assurance Company (the "Bond Insurer"). See "BOND INSURANCE" herein and APPENDIX H–"SPECIMEN MUNICIPAL BOND INSURANCE POLICY."

BAM

An investment in the Series 2023 Bonds involves risk. For a discussion of some of the risks associated with an investment in the Series 2023 Bonds, see "INVESTOR CONSIDERATIONS."

THE SERIES 2023 BONDS ARE LIMITED OBLIGATIONS OF THE CITY, PAYABLE AS TO PRINCIPAL, INTEREST AND REDEMPTION PREMIUM, IF ANY, SOLELY OUT OF, AND SECURED BY A PLEDGE OF AND LIEN ON, THE REVENUES OF THE AIRPORT (SUBJECT TO APPLICATION THEREOF TO PAY OPERATING EXPENSES) AND CERTAIN FUNDS AND ACCOUNTS PROVIDED FOR IN THE INDENTURE. NEITHER THE FULL FAITH AND CREDIT NOR TAXING POWER OF THE CITY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, REDEMPTION PREMIUM, IF ANY, AND INTEREST ON THE SERIES 2023 BONDS. NO HOLDER OF A SERIES 2023 BOND SHALL HAVE THE RIGHT TO COMPEL THE EXERCISE OF THE TAXING POWER OF THE CITY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF TO PAY THE SERIES 2023 BONDS OR THE INTEREST THEREON.

The Series 2023 Bonds are offered when, as and if issued by the City and received by the Underwriter, subject to the approval of validity by Orrick, Herrington & Sutcliffe LLP, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the City by the City Attorney and by ArentFox Schiff LLP, San Francisco, California, Disclosure Counsel, and for the Underwriter by Quint & Thimmig LLP , Larkspur, California. It is expected that the Series 2023 Bonds will be delivered through the facilities of DTC on or about May 25, 2023, in New York, New York against payment therefor.

RAYMOND JAMES

Dated: May 11, 2023

MATURITY SCHEDULE

$86,030,000
CITY OF FRESNO
AIRPORT REVENUE BONDS
SERIES 2023A
(AMT)

$49,975,000 Serial Series 2023A Bonds

Maturity (July 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP No.†
2024	$985,000	5.000%	3.740%	101.341	358100EU5
2025	1,220,000	5.000	3.520	102.967	358100EV3
2026	2,605,000	5.000	3.370	104.756	358100EW1
2027	2,740,000	5.000	3.330	106.347	358100EX9
2028	2,885,000	5.000	3.360	107.624	358100EY7
2029	3,025,000	5.000	3.360	108.974	358100EZ4
2030	3,410,000	5.000	3.360	110.279	358100FA8
2031	1,695,000	5.000	3.390	111.317	358100FB6
2032	1,780,000	5.000	3.410	112.346	358100FC4
2033	1,865,000	5.000	3.440	113.211	358100FD2
2034	1,960,000	5.000	3.500	112.666C	358100FE0
2035	2,060,000	5.000	3.620	111.583C	358100FF7
2036	2,160,000	5.000	3.770	110.248C	358100FG5
2037	2,270,000	5.000	3.870	109.369C	358100FH3
2038	2,385,000	5.000	3.970	108.497C	358100FJ9
2039	2,500,000	5.000	4.040	107.893C	358100FK6
2040	2,625,000	5.000	4.110	107.292C	358100FL4
2041	2,760,000	5.000	4.140	107.036C	358100FM2
2042	2,895,000	4.000	4.300	96.115	358100FN0
2043	3,015,000	4.125	4.330	97.263	358100FP5
2044	3,135,000	4.250	4.410	97.813	358100FQ3

$14,095,000 5.000% Term Series 2023A Bonds Due July 1, 2048–Yield: 4.280%–Price: 105.850C–CUSIP No.†: 358100FR1
$21,960,000 5.000% Term Series 2023A Bonds Due July 1, 2053–Yield: 4.330%–Price: 105.430C–CUSIP No.†: 358100FS9

---

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein are provided by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association. CUSIP numbers have been assigned by an independent company not affiliated with the City or the Underwriter and are included solely for the convenience of the holders of the Series 2023 Bonds. None of the City, its Municipal Advisor, or the Underwriter is responsible for the selection or use of these CUSIP numbers and no representation is made as to their correctness on the Series 2023 Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2023 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of the Series 2023 Bonds.

C Priced to the July 1, 2033 par call date.

$5,055,000
CITY OF FRESNO
AIRPORT REVENUE REFUNDING BONDS
SERIES 2023B
(Non-AMT)

$5,055,000 Serial Series 2023B Bonds

Maturity (July 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP No.†
2024	$635,000	5.000%	3.170%	101.959	358100FT7
2025	695,000	5.000	2.910	104.224	358100FU4
2026	730,000	5.000	2.760	106.608	358100FV2
2027	770,000	5.000	2.640	109.111	358100FW0
2028	805,000	5.000	2.610	111.340	358100FX8
2029	840,000	5.000	2.560	113.696	358100FY6
2030	580,000	5.000	2.530	115.957	358100FZ3

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein are provided by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association. CUSIP numbers have been assigned by an independent company not affiliated with the City or the Underwriter and are included solely for the convenience of the holders of the Series 2023 Bonds. None of the City, its Municipal Advisor, or the Underwriter is responsible for the selection or use of these CUSIP numbers and no representation is made as to their correctness on the Series 2023 Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2023 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of the Series 2023 Bonds.

CITY OF FRESNO

MAYOR

Jerry Dyer

CITY COUNCIL

Tyler Maxwell, *President, District 4*
Annalisa Perea, *Vice President, District 1*
Mike Karbassi, *District 2*
Miguel Arias, *District 3*
Luis Chavez, *District 5*
Garry Bredefeld, *District 6*
Nelson Esparza, *District 7*

CHIEF CITY ADMINISTRATIVE PERSONNEL

Georgeanne A. White, *City Manager*
Ruthie F. Quinto, CPA, *Assistant City Manager*
Andrew Janz, *City Attorney*
Santino Danisi, *City Controller/Finance Director*
Todd Stermer, CMC, *City Clerk*

AIRPORTS DEPARTMENT

Henry Thompson, A.A.E., IAP, *Director of Aviation*

SPECIAL SERVICES

Orrick, Herrington & Sutcliffe LLP
San Francisco, California
Bond Counsel

ArentFox Schiff LLP
San Francisco, California
Disclosure Counsel

KNN Public Finance, LLC
Berkeley, California
Municipal Advisor

The Bank of New York Mellon Trust Company, N.A.
Los Angeles, California
Trustee and Escrow Agent

Unison Consulting Inc.
Chicago, Illinois
Airport Consultant

Causey Demgen & Moore P.C.
Denver, Colorado
Verification Agent

No dealer, broker, salesperson or other person has been authorized by the City of Fresno (the "City") or the underwriter to give any information or to make any representations other than those contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Series 2023 Bonds by a person in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

The information set forth herein has been obtained from the City and from other sources and is believed to be reliable but is not guaranteed as to accuracy or completeness. The information and expressions of opinions herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof. This Official Statement is submitted in connection with the sale of the Series 2023 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the City. All summaries of the documents and laws are made subject to the provisions thereof and do not purport to be complete statements of any or all such provisions. All capitalized terms used herein, unless noted otherwise, shall have the meanings prescribed in the Indenture. This Official Statement, including any supplement or amendment hereto, is intended to be deposited with one or more nationally recognized municipal securities information repositories.

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 words "plans," "expects," "forecasts," "projects," "intends," "anticipates," "estimates," "assumes," 'budgets" and analogous expressions. The achievement of certain results or other expectations contained in such forward-looking statements are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those that have been projected. No assurance is given that actual results will meet the forecasts of the City in any way, regardless of the optimism communicated in the information, and such statements speak only as of the date of this Official Statement. The City disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any changes in the expectations of the City with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

In making an investment decision investors must rely on their own examination of the City and the terms of the offering, including the merits and risks involved. These securities have not been approved or disapproved by the Securities and Exchange Commission or any State securities commission nor has the Securities and Exchange Commission or any State securities commission passed upon the accuracy or adequacy of this Official Statement. Any representation to the contrary is a criminal offense.

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, their 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.

In connection with this offering, the Underwriter may overallot or effect transactions that stabilize or maintain the market price of the Series 2023 Bonds at levels above those which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Series 2023 Bonds to certain dealers and banks at prices lower than the public offering price stated on the cover page hereof and said public offering price may be changed from time to time by the Underwriter.

The Series 2023 Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon an exemption from the registration requirements contained in such Act. The Series 2023 Bonds have not been registered or qualified under the securities laws of any state.

The City maintains a website (www.fresno.gov). The information presented on that website is ***not*** incorporated by reference as part of this Official Statement and should not be relied upon in making investment decisions with respect to the Series 2023 Bonds.

Build America Mutual Assurance Company (the "Bond Insurer") makes no representation regarding the Series 2023 Bonds or the advisability of investing in either series of the Series 2023 Bonds. In addition, the Bond Insurer has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the Bond Insurer, supplied by the Bond Insurer and presented under the heading "BOND INSURANCE" and APPENDIX H–"SPECIMEN MUNICIPAL BOND INSURANCE POLICY."

TABLE OF CONTENTS

TABLE OF CONTENTS
(Continued)

APPENDICES

TABLE OF CONTENTS
(Continued)

Page

LIST OF MAPS AND TABLES

CITY LOCATION MAP

AIRPORT MAP

OFFICIAL STATEMENT

$86,030,000	**$5,055,000**
CITY OF FRESNO	**CITY OF FRESNO**
AIRPORT REVENUE BONDS	**AIRPORT REVENUE REFUNDING BONDS**
SERIES 2023A	**SERIES 2023B**
(AMT)	**(Non-AMT)**

INTRODUCTION

This Official Statement is furnished in connection with the offering by the City of Fresno (the "City") of $86,030,000 principal amount of its City of Fresno Airport Revenue Bonds, Series 2023A (AMT) (the "Series 2023A Bonds") and $5,055,000 principal amount of its City of Fresno Airport Revenue Refunding Bonds, Series 2023B (Non-AMT) (the "Series 2023B Bonds," and, together with the Series 2023A Bonds, the "Series 2023 Bonds"). All capitalized terms used in this Official Statement, including on the cover page hereof, and not herein defined shall have the meanings given such terms in the Indenture (hereinafter defined). See APPENDIX D–"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE–Certain Definitions."

Authority for Issuance

The Series 2023 Bonds are authorized under the City Charter of the City and relevant provisions of its Municipal Code and a resolution of the City Council of the City and are issued and are secured under an Indenture of Trust dated as of June 15, 2000 (the "Original Indenture") between the City and The Bank of New York Mellon Trust Company, N.A., as successor trustee (the "Trustee"), as amended and supplemented, including as amended and supplemented by a Fourth Supplemental Indenture dated as of May 1, 2023 (the "Fourth Supplemental Indenture" and together with the Original Indenture, as previously amended and supplemented, the "Indenture").

The Series 2023 Bonds have a parity lien on Revenues (subject to application thereof to pay Operating Expenses) with $19,450,000 aggregate outstanding principal amount of Airport Revenue Bonds, Taxable Series 2007 (the "Series 2007 Bonds"), and $32,659,508 outstanding principal amount of Airport Revenue Bonds, Series 2019 (the "Series 2019 Bonds") subject to the provisions of the Indenture regarding limitation on the use of certain Revenues. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2023 BONDS–Additional Obligations."

The Series 2007 Bonds, the Series 2019 Bonds, and the Series 2023 Bonds are collectively referred to as the "Bonds."

Purpose

The Series 2023A Bonds are being issued to: (i) finance a portion of the costs of constructing certain improvements to the terminal building at the Fresno Yosemite International Airport (the "2023 Project"); (ii) provide funds to refund and redeem $13,290,000 of outstanding principal amount of the Series 2013B Bonds (the "Refunded Series 2013B Bonds"); (iii) capitalize interest on the Series 2023A Bonds through December 31, 2025; (iv) purchase a debt service reserve insurance policy for deposit to the 2023 Debt Service Reserve Fund; and (v) pay certain costs associated with the issuance of the Series 2023A Bonds. See "THE 2023 PROJECT."

The Series 2023B Bonds are being issued to: (i) provide funds to refund and redeem $6,805,000 outstanding principal amount of the Series 2013A Bonds (the "Refunded Series 2013A Bonds" and together with the Refunded Series 2013B Bonds, the "Refunded Bonds"); (ii) purchase a debt service reserve insurance policy for deposit to the 2023 Debt Service Reserve Fund; and (iii) pay certain costs associated with the issuance of the Series 2023B Bonds. See "PLAN OF FINANCE–The Series 2023B Bonds."

Upon the issuance of the Series 2023 Bonds, amounts derived from the reserve account established for the Refunded Bonds will be deposited in the escrow for the Refunded Bonds.

The Airport

The City owns and operates two airports: the Fresno Yosemite International Airport (the "Airport"), a commercial airport located approximately 7.5 miles northeast of the downtown area of the City, and Fresno-Chandler Executive Airport, a general aviation airport located approximately 1.5 miles southwest of the downtown area of the City and nine miles southwest of the Airport. The Airport is the only major commercial air carrier airport in Fresno County (the "County") and the central San Joaquin Valley. See "CITY AIRPORTS."

Security for the Bonds

Pledge. The Series 2023 Bonds are payable from, and secured by, Revenues, subject to application thereof to pay Operating Expenses, and amounts on deposit in certain funds and accounts held under the Indenture (other than the PFC Revenue Fund, PFC Revenues, the Operating Fund, the Rebate Fund and any Debt Service Reserve Fund created for any other series of Bonds), including the 2023 Debt Service Reserve Fund and the PFC Debt Service Escrow Fund. A portion of Revenues is comprised of CFC Revenues, which are not available to pay debt service on the Series 2023 Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2023 BONDS–Pledge of Revenues Subject to Application thereof to Operating Expenses."

The Series 2023 Bonds are not secured by a pledge of, or charge or lien upon, any property of the City or any of its income or receipts, except Revenues, subject to application thereof to Operating Expenses, and certain funds and accounts held pursuant to the Indenture. Neither the full faith and credit nor the taxing power of the City is pledged to the payment of the principal of, redemption premium, if any, and interest on the Series 2023 Bonds. Neither the payment of the principal of, nor the interest on the Series 2023 Bonds constitutes a debt, liability or obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which it has levied or pledged any form of taxation.

Certain Passenger Facilities Charges. The City collects Passenger Facilities Charges at the Airport and has covenanted to deposit certain Passenger Facilities Charges to the PFC Debt Service Escrow Fund. Upon issuance of the Series 2023 Bonds, the amount covenanted to be deposited into the PFC Debt Service Escrow Fund will be reduced from $1.6M to $0. However, the City intends to make annual deposits into the PFC Debt Service Escrow Fund over the next several years. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2023 BONDS–Covenanted PFC Revenues; Debt Service Escrow Fund" and "CITY AIRPORTS–Historical Debt Service Coverage" and "REPORT OF THE AIRPORT CONSULTANT–Forecast Debt Service Coverage."

Debt Service Reserve Fund. The Indenture establishes the 2023 Debt Service Reserve Fund as additional security solely for the Series 2023 Bonds. The Debt Service Reserve Requirement for the Series 2023 Bonds is $6,962,172.06, which is equal to 125% of the average annual debt service on the

Series 2023 Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2023 BONDS–Debt Service Reserve Fund," APPENDIX D–"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE–2023 DEBT SERVICE Reserve Fund."

On the date of the delivery of the Series 2023 Bonds, Build America Mutual Assurance Company ("Bond Insurer") will issue a Reserve Account Surety Bond in the amount of the Debt Service Reserve Requirement for the Series 2023 Bonds. See APPENDIX I–"SPECIMEN MUNICIPAL BOND DEBT SERVICE RESERVE INSURANCE POLICY."

Bond Insurance Policies

Concurrently with the issuance of the Series 2023 Bonds, the Bond Insurer will issue its Municipal Bond Insurance Policy for the Series 2023A Bonds (the "Series 2023A Bonds Policy") and its Municipal Bond Insurance Policy for the Series 2023B (the "Series 2023B Bonds Policy" and, together with the Series 2023A Bonds Policy, the "Policies"). The Policies respectively guarantee the scheduled payment of principal of and interest on the related series of Series 2023 Bonds when due as set forth in the form of the Policies included as APPENDIX H to this Official Statement. See "BOND INSURANCE."

Bondholders' Risks

There are important investment considerations and other risk factors associated with the purchase of the Series 2023 Bonds. See "INVESTOR CONSIDERATIONS" for a discussion of some of these considerations and risks. Any one or more of the risks discussed, and others, could lead to a decrease in the market value and/or in the liquidity of the Series 2023 Bonds. Potential purchasers of the Series 2023 Bonds are advised to review this Official Statement carefully and to conduct such due diligence and other review as they deem necessary and appropriate under the circumstances.

Continuing Disclosure

The City has covenanted to provide certain financial information and operating data relating to the Series 2023 Bonds by not later than March 31 of each year following the end of the City's Fiscal Year (which currently would be June 30) commencing with the report for the Fiscal Year ending June 30, 2023 (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events. The Annual Report and notices of material events will be filed by means of the Electronic Municipal Market Access (EMMA) site maintained by the Municipal Securities Rulemaking Board. The specific nature of the information to be contained in the Annual Report and the notices of material events is contained within APPENDIX E–"FORM OF CONTINUING DISCLOSURE CERTIFICATE."

Report of the Airport Consultant

In connection with the issuance of the Series 2023 Bonds, Unison Consulting, Inc. (the "Airport Consultant") has prepared the Report of the Airport Consultant, dated May 1, 2023, attached hereto as APPENDIX A. The Report of the Airport Consultant should be read in its entirety for a discussion of key factors that could affect future airline traffic, forecasts of passenger enplanements for the Airport, forecasts of Revenues for Fiscal Years 2022-23 through 2027-28, and assumptions and rationale underlying the forecasts. These assumptions were provided by, or reviewed with and agreed to by, Airport management and the forecasts reflect Airport management's expected course of action during the forecast period. In the opinion of the Airport Consultant, such assumptions provide a reasonable basis for the forecasts.

As noted in the Report of the Airport Consultant, all forecasts set forth therein are subject to uncertainties. Some of the assumptions used to develop the forecast of Revenues may not be realized, and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between the forecast and actual results, and those differences may be material. Neither the City nor the Airport Consultant makes any representation or gives any assurance that these assumptions will prove to be correct or that the forecasts contained in the Report of the Airport Consultant will reflect actual results.

Summaries and Additional Information

This Official Statement contains descriptions of the Airport and its finances and sources of payment for the Series 2023 Bonds, together with summaries of the terms of the Series 2023 Bonds and certain provisions of the Indenture. All references herein to agreements and documents are qualified in their entirety by reference to the definitive forms thereof, and all references to the Series 2023 Bonds are further qualified by reference to the information with respect thereto contained in the Indenture.

This Official Statement speaks only as of its date. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale on the basis hereof shall, under any circumstances, create any implication that there has been no change in the affairs of the Airport or the City since the date hereof.

PLAN OF FINANCE

The Series 2023A Bonds

The Series 2023A Bonds are being issued to: (i) finance a portion of the costs of constructing the 2023 Project; (ii) provide funds to refund and redeem $13,290,000 of outstanding principal amount of the Series 2013B Bonds (the "Refunded Series 2013B Bonds"); (iii) capitalize interest on the Series 2023A Bonds through December 31, 2025; (iv) make a deposit to the 2023 Debt Service Reserve Fund; and (v) pay certain costs associated with the issuance of the Series 2023A Bonds. See "THE 2023 PROJECT."

The Series 2023B Bonds

The Series 2023B Bonds are being issued to: (i) provide funds to refund and redeem $6,805,000 outstanding principal amount of the Series 2013A Bonds (the "Refunded Series 2013A Bonds" and, together with the Refunded 2013B Bonds, the "Refunded Bonds"); (ii) make a deposit to the 2023 Debt Service Reserve Fund; and (iii) pay certain costs associated with the issuance of the Series 2023B Bonds. See "–Plan of Refunding."

Plan of Refunding

A portion of the proceeds of the Series 2023A Bonds and a portion of the Series 2023B Bonds, together with certain other available moneys, will be deposited with The Bank of New York Mellon Trust Company, N.A., as escrow agent (the "Escrow Agent") pursuant to an Escrow Agreement dated as of May 1, 2023 (the "Escrow Agreement") by and between the City and the Escrow Agent.

The amounts deposited with the Escrow Agent pursuant to the Escrow Agreement will be held by such Escrow Agent and invested in noncallable direct obligations of the United States of America, and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America to which the direct obligation or guarantee the full faith and credit of the United

States of America has been pledged (collectively, the "Government Securities") that are irrevocably pledged solely to the payment of the interest components becoming due with respect to the Refunded Bonds. The principal of and interest on such Government Securities, when received, will be sufficient to pay the principal of and interest on the applicable Refunded Bonds.

The Refunded Series 2013A Bonds and the Refunded Series 2013B Bonds will be redeemed in full on July 1, 2023 at a redemption price equal to the principal amount thereof plus accrued interest to the date specified for redemption. See also "VERIFICATION OF MATHEMATICAL COMPUTATIONS."

The Refunded Series 2013A Bonds are listed below.

BONDS TO BE REFUNDED

$6,805,000
CITY OF FRESNO
AIRPORT REVENUE REFUNDING BONDS
SERIES 2013A
(Non-AMT)

Maturity (July 1)	Principal Amount	Interest Rate	CUSIP No.†
2023	$655,000	5.000%	358100DT9
2024	685,000	4.000	358100DU6
2025	715,000	4.250	358100DV4
2026	745,000	4.500	358100DW2
2027	780,000	4.500	358100DX0
2028	815,000	4.750	358100DY8
2030	2,410,000	5.000	358100DZ5

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein are provided by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association.

The Refunded Series 2013B Bonds are listed below.

$13,290,000
CITY OF FRESNO
AIRPORT REVENUE REFUNDING BONDS
SERIES 2013B
(AMT)

Maturity (July 1)	Principal Amount	Interest Rate	CUSIP No.†
2023	$1,180,000	5.000%	358100EL5
2024	1,240,000	4.250	358100EM3
2025	1,290,000	4.500	358100EN1
2026	1,345,000	4.750	358100EP6
2027	1,415,000	4.750	358100EQ4
2028	1,485,000	5.000	358100ER2
2030	5,335,000	5.125	358100ES0

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein are provided by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association.

THE 2023 PROJECT

General

The 2023 Project consists of a major expansion of the terminal building at the Fresno Yosemite International Airport including expansion of the TSA passenger screening area to enhance passenger circulation and reduce wait times, new TSA and airline baggage handling areas with added capacity and a new upper-level concourse with two dual-use passenger bridges to facilitate domestic and international boarding, larger holdrooms and space for new shopping and dining concessions. The expansion also includes a new international arrivals facility which triples the size and throughput of the existing facility to serve the growing volume of international passengers. The 2023 Project is part of an ongoing multi-year expansion program to support anticipated leisure and business passenger growth. In November of 2021, a four-level covered parking structure with 920 spaces near terminal entrances opened. The Airport is currently initiating construction on a project to reconfigure and expand airside surfaces to enhance aircraft circulation and parking to accommodate larger aircraft serving the new international/domestic gates. The City will use a Progressive Design-Build project delivery method, which consists of a single entity who is responsible for both the design and construction of the 2023 Project.

The expected cost of the 2023 Project is $147.1 million. The sources of funds is described under "–Principal Funding Sources."

Principal Funding Sources

The City is funding the anticipated $147.1 million cost of the 2023 Project from a variety of sources, in addition to proceeds of the Series 2023 Bonds, as described below. To the extent that any of the funding sources are less than expected or delayed past the expected dates of receipt, the City intends to fund the 2023 Project costs from internal cash-on-hand with the expectation that it will be reimbursed from such funding sources.

Estimated Sources of Funds for the 2023 Project

The 2023 Project estimated cost is approximately $147.1 million dollars. The following table sets forth the estimated sources of funds therefor. See "THE 2023 PROJECT." See also APPENDIX A–"REPORT OF THE AIRPORT CONSULTANT–Section 1.3–Funding Sources of the Terminal/FIS Expansion Project–Table 2-Estimated Sources and Uses of Funds for the 2023 Project."

Table 1
ESTIMATED SOURCES OF FUNDS FOR THE 2023 PROJECT
($ in thousands)

SOURCES OF FUNDS:	
Series 2023A Bond Proceeds	$70,000
BIL Grants - AIG Allocated	23,372
TSA Grants (Construction)	22,679
Internal Cash	10,512
BIL Grants - 2023 Competitive	7,100
PFC Pay-As-You-Go	5,800
Fresno County Measure C Funds	5,595
AIP Grant	2,000
Total Sources†	**$147,058**

† Numbers may not total due to rounding.

Series 2023A Bond Proceeds. Proceeds of the Series 2023A Bonds in the amount of approximately $70 million will be applied to the 2023 Project. A substantial portion of the repayment of the Series 2023A Bonds is expected to be derived in large part from PFC Revenues which are expected to be received as described below.

PFC Revenues. The Airport received approval of PFC application No. 5 on March 31, 2023 for collection authority of $53.64 million, including $48.2 million for a portion of the debt service on the proposed Series 2023A Bonds and $5.4 million of pay-as-you-go expenses, of which $3.7 million is related to the concourse portion of the 2023 Project, and $1.8 million is for other projects. Collection of amounts under PFC application No. 5 commences on June 1, 2023. The Airport plans to submit PFC application No. 6 in the next several months and receive FAA approval in late 2023 or early 2024 for PFC-eligible costs of the security checkpoint and Federal Inspection Service (the "FIS") components of the 2023 Project. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2023 BONDS–Passenger Facilities Charges."

Federal Bipartisan Infrastructure Law (BIL) Grants. The City expects to apply $23.4 million of formula grants under the Bipartisan Infrastructure Law to the 2023 Project. In addition, the City has been awarded $7.1 million of competitive grants under the BIL Airport Terminal Program for the Federal Fiscal Year 2023 for the 2023 Project.

Department of Homeland Security Transit Security Grants (TSA Program). The City has been awarded $22.6 million under the federal Department of Homeland Security Transit Security Grant Program for the terminal improvements related to the in-line baggage screening system.

Internal Cash. The City plans to use a total of $10.5 million of airport internal cash for the 2023 Project, with $9.0 million spent in Fiscal Year 2021-22.

Fresno County Measure C Funds. In 1986 Fresno County voters passed Measure C, a one-half cent sales tax to fund transportation improvement within the County. The tax under Measure C expires in 2027. The City plans to apply $5.6 million of Measure C funds to the 2023 Project, of which $2.0 million has been received. A measure to extend the tax which appeared on the November 2022 ballot failed to achieve the required two-thirds vote. Completion of the 2023 Project is not dependent upon the extension of Measure C.

Federal Airport Improvement Program (AIP) Grant. The City has been awarded $2.0 million under the Airport Improvement Program administrated by the FAA, which the City will use for the 2023 Project.

Design and Construction

The City selected Q&D Construction of Reno, Nevada as the design-builder for the 2023 Project. Q&D partnered with the architectural firm CSHQA, based in Boise, Idaho (the "Architect") for design of the 2023 Project. Pursuant to a design-build contract, the Architect began work on the 2023 Project in 2020. Design has been completed and construction is expected to commence following issuance of the Series 2023 Bonds with completion expected by December 2025.

In a Progressive Design-Build Contract the design-builder delivers the project in two distinct phases with: (a) Phase One including design development, preconstruction services and the negotiation of a guaranteed maximum price (GMP) for Phase Two; and (b) Phase Two including final design, construction and commissioning. Under a GMP the City is obligated to pay only those increased construction costs initiated and approved by the City. The GMP includes more than $6 million for contingencies and change orders to offset construction risk.

The Progressive Design-Build Construction Contract requires that the Contractor provide: (i) commercial general liability insurance which includes bodily injury and property damage liability insurance with combined single limits of not less than $5 million per occurrence, (ii) commercial automobile liability insurance with combined single limits of liability of not less than $5 million per occurrence, and (iii) worker's compensation insurance as required under the California Labor Code. In addition, the "all risk" (excluding earthquake and flood) builders risk insurance in an amount of 100% of the replacement value thereof, is provided under the City's insurance policy and the contractor is responsible for paying all applicable deductibles in connection with the 2023 Project. In the event of a partial or total destruction by the perils insured against, each contractor agrees to promptly reconstruct, repair, replace and restore all work or material so destroyed or injured. The Progressive Design-Build Contract also requires Q&D to maintain (i) material and labor bonds in an amount of not less than 100% of its contract price, to satisfy claims of material suppliers and of mechanics and laborers employed by Q&D and (ii) performance bonds in the amount of 100% of the contract price to guarantee faithful performance of all of its work.

Environmental Matters and Land Use Approvals

Projects undertaken by the City, including the 2023 Project, are generally subject to the California Environmental Quality Act, as amended (Division 13 of the California Public Resources Code) ("CEQA"). Under CEQA, a public agency is required, following preparation of an initial assessment, to determine whether an environmental impact report (an "EIR"), a negative declaration or a mitigated negative declaration is required for a project. If there is substantial evidence that significant environmental effects may occur, an EIR is required to be prepared. The City Airports Department conducted a CEQA Environmental Assessment and made a mitigated negative declaration finding that was recorded with the County of Fresno in April 2020. All other land use approvals necessary to proceed with the 2023 Project have been obtained or are expected to be received in due course.

(Remainder of this Page Intentionally Left Blank)

ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of funds from the sale of the Series 2023 Bonds. See also "THE 2023 PROJECT."

TABLE 2
ESTIMATED SOURCES AND USES OF FUNDS

	Series 2023A Bonds	Series 2023B Bonds	Total
SOURCES OF FUNDS:			
Par Amount	$86,030,000.00	$5,055,000.00	$91,085,000.00
Plus: Net Original Issue Premium	5,307,020.05	459,073.55	5,766,093.60
2013 Bonds Funds	3,547,192.50	1,498,527.62	5,045,720.12
TOTAL	$94,884,212.55	$7,012,601.17	$101,896,813.72
USES OF FUNDS:			
Deposit to 2023 Project Account	$70,000,000.00	–	$70,000,000.00
Deposit to Escrow Fund[(1)]	13,550,801.45	$6,931,728.57	20,482,530.02
Deposit to Capitalized Interest Account[(2)]	9,739,356.27	–	9,739,356.27
Series 2023 Costs of Issuance[(3)]	1,594,054.83	80,872.60	1,674,927.43
TOTAL	$94,884.212.55	$7,012,601.17	$101,896,813.72

(1) For redemption of Refunded 2013A Bonds and Refunded Series 2013B Bonds. See "PLAN OF FINANCE."
(2) Interest on the Series 2023A Bonds is capitalized through December 31, 2025.
(3) Includes fees and costs of Bond Counsel, Disclosure Counsel, the Financial Advisor, the Airport Consultant, the Trustee, the Verification Agent, accountants, the municipal bond insurance policy premiums, reserve account surety bond premium, Underwriter's discount, printing costs, and other miscellaneous costs of issuance of the Series 2023 Bonds. For details of the Underwriter's discount, see "UNDERWRITING."

DESCRIPTION OF THE SERIES 2023 BONDS

General

The Series 2023 Bonds will be issued in fully registered form, without coupons, and, when issued will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), as registered owner of all Series 2023 Bonds. Ownership interests in the Series 2023 Bonds may be purchased in book-entry form only. Purchasers will not receive certificates representing their interests in the Series 2023 Bonds purchased. Payments of principal of, redemption premium, if any, and the interest on the Series 2023 Bonds will be paid by the Trustee to DTC, which is obligated in turn to remit payments to its DTC Participants for subsequent disbursement to the beneficial owners of the Series 2023 Bonds. See APPENDIX F–"INFORMATION REGARDING DTC AND THE BOOK-ENTRY ONLY SYSTEM." Ownership may be changed only upon the registration books maintained by the Trustee as provided in the Indenture.

The Series 2023 Bonds will be dated the date of delivery, issued in denominations of $5,000 or any integral multiple thereof and will bear interest at the rates per annum and mature in the amounts and on the dates shown on the inside cover of this Official Statement. Interest on the Series 2023 Bonds will be payable on July 1 and January 1 of each year, commencing January 1, 2024. Interest will be calculated on the basis of a year of 360 days and twelve 30-day months.

Redemption Provisions

Optional Redemption of the Series 2023A Bonds. The Series 2023A Bonds maturing on or after July 1, 2034 are subject to redemption prior to their respective stated maturities at the written direction of the City (delivered to the Trustee no later than 60 days prior to the redemption date and including the information required to be provided pursuant to any notice of redemption to be delivered to the Trustee pursuant to the Indenture), from any moneys deposited by the City, as a whole or in part on any date (in such maturities as are designated by the City to the Trustee) on or after July 1, 2033, at the redemption price equal to 100% of the principal amount thereof, together with accrued interest to the date fixed for redemption.

No Optional Redemption of the Series 2023B Bonds. The Series 2023B Bonds are not subject to optional redemption prior to their respective stated maturities.

Mandatory Sinking Fund Redemption of Series 2023A Bonds. Subject to the terms and conditions set forth in the Indenture, the Series 2023A Bonds maturing on July 1, 2048 (the "2048 Series 2023A Term Bonds"), are also subject to mandatory sinking fund redemption prior to maturity, in part on July 1, 2045, and on each July 1 thereafter to and including July 1, 2048, by lot in accordance with the procedures of DTC, if applicable, from and in the amount of the Mandatory Sinking Account Payments set forth below at a redemption price equal to the sum of the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium:

2048 Series 2023A Term Bonds

Mandatory Sinking Account Payment Dates (July 1)	Mandatory Sinking Account Payments
2045	$3,270,000
2046	3,435,000
2047	3,605,000
2048†	3,785,000

† Maturity.

The Series 2023A Bonds maturing on July 1, 2053 (the "2053 Series 2023A Term Bonds"), are also subject to mandatory sinking fund redemption prior to maturity, in part on July 1, 2049, and on each July 1 thereafter to and including July 1, 2053, by lot in accordance with the procedures of DTC, if applicable, from and in the amount of the Mandatory Sinking Account Payments set forth below at a redemption price equal to the sum of the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium:

2053 Series 2023A Term Bonds

Mandatory Sinking Account Payment Dates (July 1)	Mandatory Sinking Account Payments
2049	$3,975,000
2050	4,175,000
2051	4,380,000
2052	4,600,000
2053†	4,830,000

† Maturity.

If some but not all of the Series 2023A Term Bonds have been redeemed pursuant to optional redemption the total amount of all sinking account payments shall be reduced by the aggregate principal amount of Series 2023A Bonds so redeemed to be allocated among such Mandatory Sinking Account payments as determined by the City.

Notice of Redemption

Notice of redemption shall be mailed by the Trustee not less than 30 nor more than 60 days prior to the redemption date to (i) the respective owners of any Series 2023 Bonds designated for redemption at their addresses appearing on the bond registration books of the Trustee, (ii) the Municipal Securities Rulemaking Board, (iii) the Securities Depositories, and (iv) one or more Information Services. Mandatory Sinking Fund Redemption shall not require that a notice of redemption be delivered to the Owners of the 2023 Bond or any of the other aforementioned parties.

So long as the book entry system is used for the Series 2023 Bonds, the Trustee will give any notice of redemption or any other notices required to be given to registered owners of Series 2023 Bonds only to Cede & Co., as nominee for DTC. Any failure of DTC to advise any DTC Participant, or of any DTC Participant to notify the Beneficial Owner, of any such notice and its content or effect will not affect the validity of the redemption of the Series 2023 Bonds called for redemption or any other action premised on such notice. Beneficial Owners may desire to make arrangements with a DTC Participant so that all notices of redemption or other communications to DTC which affect such Beneficial Owners, including notification of all interest payments, will be forwarded in writing by such DTC Participant. See APPENDIX F–"INFORMATION REGARDING DTC AND THE BOOK-ENTRY ONLY SYSTEM."

Cancellation of Redemption Notice

The City may, at its option, prior to the date fixed for redemption, rescind and cancel a redemption. Such cancellation does not constitute an event of default under the Indenture.

Selection of Series 2023 Bonds for Redemption

If less than all Outstanding Series of Series 2023 Bonds maturing by their terms on any one date are to be redeemed at any one time, the Trustee shall select such Series 2023 Bonds of such maturity date to be redeemed by lot and shall promptly notify the City in writing of the numbers of the Series 2023 Bonds so selected for redemption. For purposes of such selection, Series 2023 Bonds shall be deemed to be composed of $5,000 multiples of principal, and any such multiple may be separately redeemed.

Effect of Redemption

If notice of redemption has been given as provided in the Indenture and moneys for the payment of the redemption price of such Series 2023 Bonds is held by the Trustee, on the redemption date designated in such notice, the Series 2023 Bonds or portions thereof so called for redemption shall become due and payable at the redemption price therein specified. Interest on the Series 2023 Bonds called for redemption shall cease to accrue from and after the date fixed for redemption and the Series 2023 Bonds called for redemption will cease to be entitled to any benefit or security under the Indenture, and the registered owners of said Series 2023 Bonds will have no rights in respect thereof except to receive payment of the redemption price therefor.

DEBT SERVICE SCHEDULE

The following table presents the debt service requirements for the Bonds following the issuance of the Series 2023 Bonds.

TABLE 3
DEBT SERVICE SCHEDULE

		Series 2023A Bonds			Series 2023B Bonds				
Bond Year Ended July 1	Debt Service on Outstanding Bonds†	Principal	Interest	Total	Principal	Interest	Total	Total Series 2023 Bonds Debt Service	Total Debt Service
2024	$3,641,307.90	$985,000.00	$4,644,921.88	$5,629,921.88	$635,000.00	$278,025.00	$913,025.00	$6,542,946.88	$10,184,254.78
2025	3,681,602.56	1,220,000.00	4,173,406.26	5,393,406.26	695,000.00	221,000.00	916,000.00	6,309,406.26	9,991,008.82
2026	3,726,368.30	2,605,000.00	4,112,406.26	6,717,406.26	730,000.00	186,250.00	916,250.00	7,633,656.26	11,360,024.56
2027	3,775,141.00	2,740,000.00	3,982,156.26	6,722,156.26	770,000.00	149,750.00	919,750.00	7,641,906.26	11,417,047.26
2028	3,817,337.36	2,885,000.00	3,845,156.26	6,730,156.26	805,000.00	111,250.00	916,250.00	7,646,406.26	11,463,743.62
2029	3,867,838.20	3,025,000.00	3,700,906.26	6,725,906.26	840,000.00	71,000.00	911,000.00	7,636,906.26	11,504,744.46
2030	3,911,006.90	3,410,000.00	3,549,656.26	6,959,656.26	580,000.00	29,000.00	609,000.00	7,568,656.26	11,479,663.16
2031	3,966,724.30	1,695,000.00	3,379,156.26	5,074,156.26	–	–	–	5,074,156.26	9,040,880.56
2032	4,018,942.96	1,780,000.00	3,294,406.26	5,074,406.26	–	–	–	5,074,406.26	9,093,349.22
2033	4,067,371.20	1,865,000.00	3,205,406.26	5,070,406.26	–	–	–	5,070,406.26	9,137,777.46
2034	4,121,717.40	1,960,000.00	3,112,156.26	5,072,156.26	–	–	–	5,072,156.26	9,193,873.66
2035	4,181,106.60	2,060,000.00	3,014,156.26	5,074,156.26	–	–	–	5,074,156.26	9,255,262.86
2036	4,229,783.00	2,160,000.00	2,911,156.26	5,071,156.26	–	–	–	5,071,156.26	9,300,939.26
2037	4,292,627.46	2,270,000.00	2,803,156.26	5,073,156.26	–	–	–	5,073,156.26	9,365,783.72
2038	1,893,420.00	2,385,000.00	2,689,656.26	5,074,656.26	–	–	–	5,074,656.26	6,968,076.26
2039	1,894,950.00	2,500,000.00	2,570,406.26	5,070,406.26	–	–	–	5,070,406.26	6,965,356.26
2040	1,894,927.50	2,625,000.00	2,445,406.26	5,070,406.26	–	–	–	5,070,406.26	6,965,333.76
2041	1,893,352.50	2,760,000.00	2,314,156.26	5,074,156.26	–	–	–	5,074,156.26	6,967,508.76
2042	1,895,225.00	2,895,000.00	2,176,156.26	5,071,156.26	–	–	–	5,071,156.26	6,966,381.26
2043	1,895,372.50	3,015,000.00	2,060,356.26	5,075,356.26	–	–	–	5,075,356.26	6,970,728.76
2044	1,893,795.00	3,135,000.00	1,935,987.50	5,070,987.50	–	–	–	5,070,987.50	6,964,782.50
2045	1,895,492.50	3,270,000.00	1,802,750.00	5,072,750.00	–	–	–	5,072,750.00	6,968,242.50
2046	1,895,292.50	3,435,000.00	1,639,250.00	5,074,250.00	–	–	–	5,074,250.00	6,969,542.50
2047	1,893,195.00	3,605,000.00	1,467,500.00	5,072,500.00	–	–	–	5,072,500.00	6,965,695.00
2048	1,894,200.00	3,785,000.00	1,287,250.00	5,072,250.00	–	–	–	5,072,250.00	6,966,450.00
2049	–	3,975,000.00	1,098,000.00	5,073,000.00	–	–	–	5,073,000.00	5,073,000.00
2050	–	4,175,000.00	899,250.00	5,074,250.00	–	–	–	5,074,250.00	5,074,250.00
2051	–	4,380,000.00	690,500.00	5,070,500.00	–	–	–	5,070,500.00	5,070,500.00
2052	–	4,600,000.00	471,500.00	5,071,500.00	–	–	–	5,071,500.00	5,071,500.00
2053	–	4,830,000.00	241,500.00	5,071,500.00	–	–	–	5,071,500.00	5,071,500.00
TOTAL	$76,138,097.64	$86,030,000.00	$75,517,828.32	$161,547,828.32	$5,055,000.00	$1,046,275.00	$6,101,275.00	$167,649,103.32	$243,787,200.96

† Outstanding Bonds consists of the Series 2007 Bonds and the Series 2019 Bonds. The Series 2007 Bonds financed the construction of a consolidated rental car facility for which a Customer Facility Charge was imposed, collections of which may only be applied to pay debt service on the Series 2007 Bonds. The Series 2019 Bonds were a loan from the California Infrastructure and Economic Development Bank to finance construction of the recently-finished parking garage.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2023 BONDS

Overview

The primary security for the Bonds is Revenues derived from Airport operations. Such Revenues, subject to application thereof to payment of Operating Expenses, are pledged as security. In addition, amounts derived from a passenger facilities charge (the "PFCs") levied by the Airport will be applied to debt service on the Series 2023 Bonds. PFCs are not part of Revenues, but the application of PFCs to debt service reduces the amount of debt service remaining to be paid from Revenues.

A portion of Revenues, the amounts derived from a Customer Facility Charge (the "CFC") levied by the Airport, may not, under the Indenture and applicable law, be applied to debt service on the Series 2023 Bonds. The CFC was levied by the Airport to finance the construction of a consolidated rental car facility and CFC collections may only be applied to pay debt service on the Series 2007 Bonds issued to finance that facility, or any bonds issued to refund such bonds.

The following discussion summarizes the security for the Bonds set forth in the Indenture. Reference is made to APPENDIX D–"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE" for full definitions of certain terms and a fuller description of the provisions of the Indenture relating to the collection and application of funds thereunder. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2023 BONDS–Table 5–Flow of Funds Chart" for presentations of the flow of funds securing the Bonds. See also "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2023 BONDS–Passenger Facility Charges."

Limited Obligation

The Series 2023 Bonds are not secured by a pledge of, or charge or lien upon, any property of the City or any of its income or receipts, except the Revenues, subject to application thereof to payment of Operating Expenses, and certain other funds and accounts held pursuant to the Indenture. Neither the full faith and credit nor the taxing power of the City is pledged to the payment of the principal of, redemption premium, if any, and interest on the Series 2023 Bonds. The payment of the principal of, or the interest on the Series 2023 Bonds does not constitute a debt, liability or obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which it has levied or pledged any form of taxation.

Pledge of Revenues Subject to Application thereof to Operating Expenses

The Series 2023 Bonds are secured by a pledge of, lien on and security interest in the Revenues (subject to application thereof to pay Operating Expenses) derived by the City from the operation of the Airport on a parity with the pledge and lien on and security interest securing the Series 2007 Bonds, the Series 2019 Bonds, and any Additional Bonds issued under the Indenture, subject to the provisions of the Indenture regarding limitation on the use of certain Revenues. The pledge of Revenues to repay the Series 2023 Bonds is subject to the prior application thereof to payment of Operating Expenses.

"Revenues" include, without limitation, all rentals, rates, fees and other charges for the use of the Airport or for related services, and income from investment of amounts held in certain Indenture funds and accounts, subject to certain exclusions. Revenues do not include PFC Revenues (defined below). See APPENDIX D–"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE–DEFINITIONS." "Revenues" also include CFC Revenues (defined below), but CFC Revenues may not be applied to debt service on the Series 2023 Bonds, and are not pledged to payment of debt service on the Series 2023 Bonds.

Passenger Facility Charges

The City expects that a portion of debt service on the Series 2023 Bonds will be paid from revenues ("PFC Revenues") from passenger facilities charges (the "PFCs") collected by air carriers and remitted to the City.

Overview of PFCs. The Aviation Safety and Capacity Expansion Act of 1990 (P.L. 101-508) allows public agencies controlling commercial service airports with regularly scheduled service and enplaning 2,500 or more passengers annually to charge each enplaning passenger using the airport a $1.00, $2.00 or $3.00 facility charge, referred to as a "PFC." The Wendell H. Ford Aviation Investment and Reform Act for the 21st Century (P.L. 106-181) increased the maximum allowable PFC which may be charged by qualifying airports from $3.00 to $4.50.

Public agencies wishing to impose and use PFCs are required to apply to the Federal Aviation Administration (the "FAA") for such authority and meet the requirements specified in the legislation and pending regulations issued by the FAA. Regardless of the number of PFC applications which have been approved by the FAA, an airport can only collect a maximum of $4.50 on each enplaning passenger under current legislation.

The proceeds from PFCs are to be used to finance approved eligible airport-related projects that preserve or enhance capacity, safety or security of the national air transportation system, reduce noise from an airport that is part of the system or provide an opportunity for enhanced competition between or among air carriers or foreign air carriers. "Eligible airport-related projects" include airside development, planning, terminal development, airport noise compatibility measures and planning and construction of gates and related areas (other than restaurants, rental car facilities, automobile parking or other concessions) for the movement of passengers and baggage. PFCs received by the City are subject to audit and final acceptance by the FAA and costs reimbursed with PFC collections are subject to adjustment upon audit by the FAA.

Pursuant to various FAA approvals, the City is authorized to collect PFCs in the amount of $4.50 per enplaned passenger until the amount of $53.6 million is received. Use of PFC funds is limited to either debt service for, or direct costs of, those projects listed in the Record of Decision authorizing the Airport to collect a $4.50 PFC.

After the Airport receives PFC authorizations from the FAA and notifies the airlines, the airlines collect PFC revenues and remit to the Airport on a monthly basis, net of collections fees. The PFC authorizations can be amended over time based on actual project costs and related financing costs. While PFC revenues are not pledged Revenues under the Indenture, the Airport expects to collect a substantial amount of PFC Revenues and use a portion of such PFC Revenues for (a) the eligible debt service of the Series 2023 Bonds and (b) for the 2023 Project on a pay-as-you-go basis. The Airport has received the approval for the PFC Application No. 5, which, among other authorizations, allows the Airport to use approximately $1.8 million annually for the eligible debt service on the Series 2023A Bonds. The Airport expects to submit PFC Application No. 6 for other PFC-eligible components of the 2023 Project. As reflected in Appendix A – REPORT OF THE AIRPORT CONSULTANT, the Airport Consultant estimates that 62% of the annual debt service on the Series 2023A Bonds, or $3.8 million, will be eligible for PFC revenues after the future PFC Application No.6 approval.

Application of PFCs to Debt Service. The Indenture requires the City to deposit all PFC Revenues it receives into the PFC Revenue Fund held by the City. The City covenanted to deposit a "Minimum PFC Contribution" to the PFC Debt Service Escrow Fund held by the Trustee. Upon issuance of the Series 2023 Bonds, and the refunding of the Series 2013 Bonds, the Minimum PFC Contribution will be reduced from $1.6 million to $0. While the City will not be required to deposit PFC Revenues to the PFC Debt Service Escrow following refunding of the Series 2013 Bonds, the City intends to make voluntary deposits of PFC Revenues to the PFC Debt Service Escrow Fund.

The Trustee may only apply amounts in the PFC Debt Service Escrow Fund to the Series 2023 Bonds or any other bonds with debt service eligible to be paid from PFC Revenues. The City may apply PFC Revenues, not applied to pay debt service on such bonds, to PFC-eligible projects or for any other lawful purpose, including but not limited to Subordinated Indebtedness payable from PFC Revenues.

The City intends to apply a portion of the collected amounts from PFC application No. 5 to pay principal and interest on the Series 2023A Bonds as permitted by the Indenture. In the event the PFC application No. 6 is not approved, the City would have to pay debt service from other available funds and may have to increase airline rates and charges to pay debt service.

Historical PFC Collections and Application

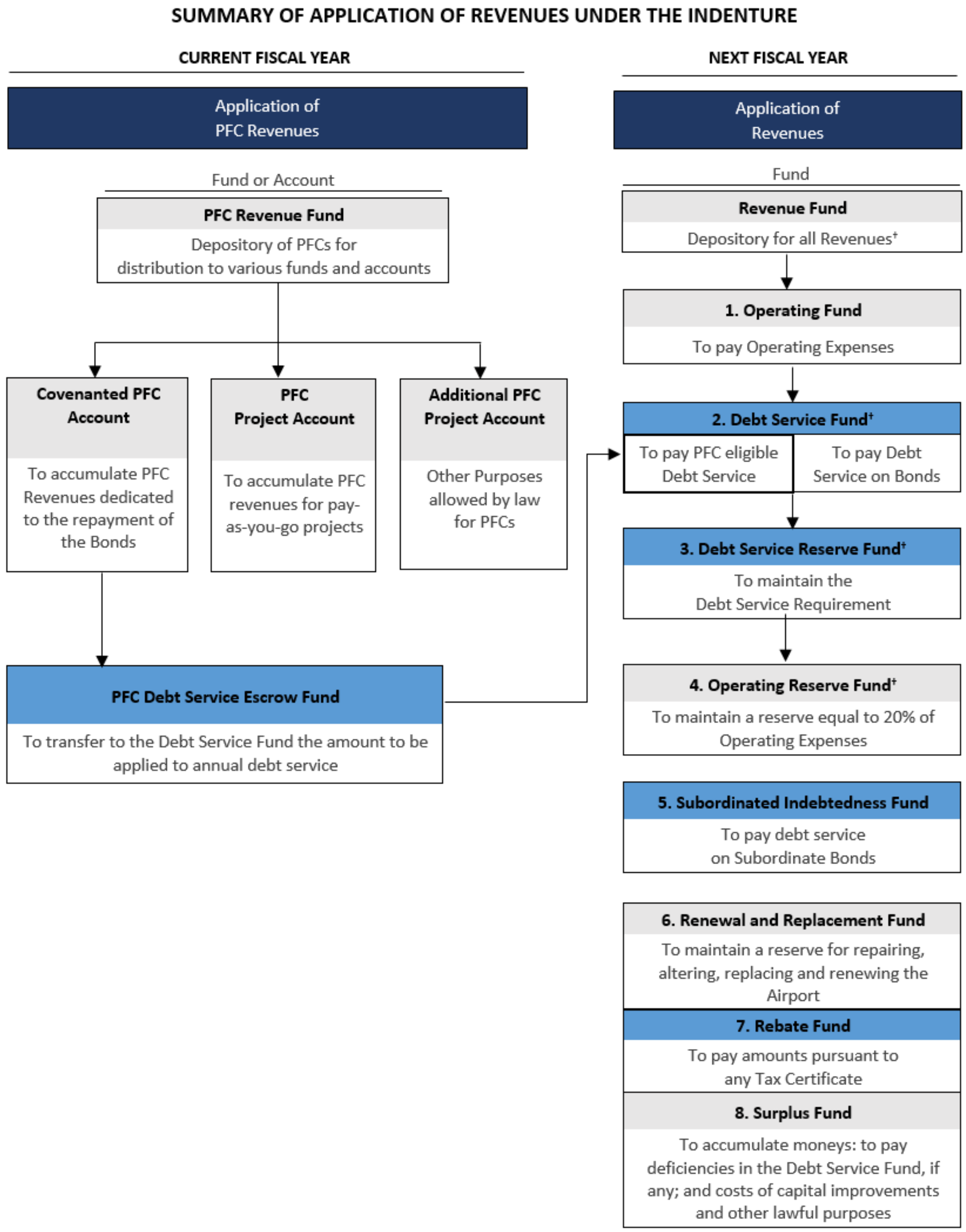
Table 4 below sets forth historical PFC collections and application to debt service.

TABLE 4
HISTORICAL PFC COLLECTIONS AND APPLICATION

Fiscal Year	PFC Collections	PFC Revenue Applied to Debt Service
2017-18	$3,419,433	$1,600,000
2018-19	3,886,931	1,600,000
2019-20	3,143,343	1,600,000
2020-21	2,688,516	1,600,000
2021-22	4,234,185	1,600,000

Source: Airport Management Records.

TABLE 5
FLOW OF FUNDS CHART



____

† Revenues include CFC Revenues, which are exclusively pledged to the payment of Series 2007 Bonds Debt Service, and are not available to secure other Bonds.

Source: The Indenture; chart created by Unison Consulting, Inc. for summary and illustrative purposes only and is qualified in all respects by the terms of the Indenture, a summary of which is attached as Appendix D.

Rate Covenant

The City has covenanted in the Indenture to fix and collect rentals, rates, fees and charges to provide Revenues at least sufficient in each Fiscal Year for the payment of all of the following: (i) Operating Expenses during such Fiscal Year; (ii) Adjusted Debt Service for such Fiscal Year; (iii) the amount, if any, to be paid during such Fiscal Year, into each Debt Service Reserve Fund; (iv) the amount, if any, to be paid in such Fiscal Year into the Operating Reserve Account, (v) the amount, if any, to be paid in such Fiscal Year into the Subordinated Indebtedness Fund, (vi) the amount, if any, to be paid during such Fiscal Year into the Renewal and Replacement Fund; and (vii) all other charges or other amounts payable out of Revenues during such Fiscal Year.

In addition to the requirements described in the preceding paragraph, the City will fix, and collect rentals, rates, fees and charges so as to yield Net Revenues during the then-current Fiscal Year in an amount, together with Other Available Funds, which is equal to at least 125% of Adjusted Debt Service for all Outstanding Bonds for said Fiscal Year. The City may make adjustments from time to time in such rentals, rates, fees and charges and may make such classification thereof as it deems necessary. If, following the establishment of rentals, rates, fees and charges, Operating Expenses or other costs in connection with the operation and maintenance of the Airport exceed the amounts estimated by the City, or the Revenues are less than the amounts estimated by the City, the City shall as soon as practical revise such rentals, rates, fees and charges so as to satisfy the foregoing requirements. The City shall not reduce rentals, rates, fees and charges below those then in effect unless the Revenues from such reduced rates will at all times be sufficient to meet the foregoing requirements.

Purchasers of the Series 2023 Bonds are advised to review the Debt Service Coverage calculations under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2023 BONDS–Historical Debt Service Coverage" and "–Forecast Debt Service Coverage" which calculations present how PFC Revenues have been applied, and are expected to be applied, to demonstrate compliance with the rate covenant.

Debt Service Reserve Fund

General. The Original Indenture created a Debt Service Reserve Fund and within such Debt Service Reserve Fund, one or more funds or accounts relating to one or more series of Bonds. The Indenture establishes the 2023 Debt Service Reserve Fund as security solely for the Series 2023 Bonds. The deposit of the Reserve Account Surety Bond to the Debt Service Reserve Fund for the Series 2023 Bonds will be in the amount of $6,962,172.06, which is equal to 125% of the average annual debt service on the Series 2023 Bonds. Amounts in the 2023 Debt Service Reserve Fund will be used to make up deficiencies in the amounts available to pay principal of, premium, if any, or interest on the Series 2023 Bonds when due.

The Indenture defines "Debt Service Reserve Requirement" as of any date of calculation by the City with respect to any Series of Bonds, an amount which, when added to the amount of any Financial Guaranties then in effect and delivered pursuant to the Indenture or any Supplemental Indenture then in effect, is equal to the least of (A) 10% of the initial offering price of such Series of Bonds (determined in accordance with the Code); (B) Debt Service for the Outstanding Bonds of such Series for the then current or any future Fiscal Year in which such Debt Service is a maximum, or (C) 125% of the average annual Debt Service on such Series of Bonds. In the event a Debt Service Reserve Fund is maintained to secure more than one Series of Bonds, these calculations may be made on a composite basis. In calculating Debt Service for the last Fiscal Year in which the Series 2023 Bonds are outstanding for the purposes of calculating the amounts in clauses (B) and (C) above, an amount equal to the amount then on deposit in the 2023 Debt Service Reserve Fund will be deducted from such year's Debt Service.

See APPENDIX D–"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE–2023 DEBT SERVICE Reserve Fund" for a more detailed description of provisions of the Indenture pertaining to the 2013 Debt Service Reserve Fund.

Additional Obligations

Additional Bonds. Additional Bonds on a parity with the lien on Revenues, subject to application thereof to payment of Operating Expenses, with the Series 2023 Bonds and all currently outstanding Bonds may be issued under the Indenture for the purpose of paying all or a portion of the cost of any Capital Improvement. The Indenture requires, among other things, that one of the following three conditions be satisfied prior to the issuance of Additional Bonds:

(i) the Net Revenues, together with Other Available Funds, as determined from the accounting records of the City, for the last Fiscal Year or last 12 month period for which financial statements were prepared whichever is later, preceding the date of the issuance of such Series of Bonds, plus:

> (a) An allowance for additional Net Revenues from any additions or improvements to the Airport to be made from any source, including the proceeds of such Series of Bonds or Bonds previously issued, but which, during all or any part of such Fiscal Year or reported 12 month period, were not in service (but less any Net Revenues attributable to any such additions or improvements and received during such Fiscal Year or reported 12 month period), all in an amount equal to 100% of the estimated additional average annual Net Revenues to be derived from such additions and improvements for the first 24 months in which each addition or improvement is respectively to be in operation, all as shown by the certificate or opinion of a Qualified Independent Airport Consultant; and
>
> (b) An allowance for additional Net Revenues arising from any increase in the charges made for the use of the Airport which has become effective prior to the issuance of such Series of Bonds, but which, during all or any part of such Fiscal Year or reported 12 month period, was not in effect, in an amount equal to 100% of the amount by which the Net Revenues would have been increased if such increase in charges had been in effect during the whole of such Fiscal Year or reported 12 month period, as shown by the certificate or opinion of a Qualified Independent Airport Consultant;

shall have produced a sum equal to at least 125% of Maximum Annual Adjusted Debt Service with respect to the Bonds to be Outstanding upon the issuance of such Series of Bonds. For the purposes of calculating Maximum Annual Adjusted Debt Service, the City may assume that PFC Revenues to be deposited into the PFC Debt Service Escrow Fund for each future Fiscal Year shall equal the PFC Revenues deposited in such Fund in the Fiscal Year preceding the year in which such calculation is made.

(ii) With respect to any Series of Additional Bonds issued to pay the Cost of a Capital Improvement and in lieu of satisfying the requirements described in Paragraphs (i) or (iii) of this section, a written report of a Qualified Independent Airport Consultant setting forth projections indicating that the estimated annual Net Revenues, together with Other Available Funds, as then estimated by the Qualified Independent Airport Consultant, for each of the first three complete Fiscal Years immediately following the estimated Date of Beneficial Occupancy of the Capital Improvement to be financed from the proceeds of such Series of Additional Bonds, will produce a sum equal to at least 125% of Maximum Annual Adjusted Debt Service in each of such years with respect to the Bonds to be Outstanding upon the issuance of such Series of Bonds. For the purposes of calculating Maximum Annual Adjusted Debt Service in each of the three Fiscal Years referenced above, the City shall reduce Maximum Annual

Adjusted Debt Service by the amount of PFC Revenues projected to be deposited in the PFC Debt Service Escrow Fund in each of such Fiscal Years. Notwithstanding the above, such three-year period shall be deemed to end no later than the date which is five years after the end of the Fiscal Year in which such calculation is made.

(iii) With respect to any Series of Bonds issued to pay the Cost of completing any Capital Improvement for which Bonds have previously been issued, which Series of Bonds in the aggregate shall not exceed 10% of the outstanding principal amount of the Bonds previously issued for the Cost of such Capital Improvement, and in lieu of satisfying the requirements described in paragraphs (i) or (ii) above, a certificate of an Authorized Representative certifying that the amount of proceeds to be available for such Cost of such Capital Improvement will be sufficient to pay the remaining estimated Cost of such Capital Improvement and a certificate of a Qualified Independent Airport Consultant to the effect that the scope of such Capital Improvement has not been materially increased since the last issuance of Bonds in connection with the issuance of which the requirements described in paragraphs (i) or (ii) above were satisfied.

Refunding Bonds. Refunding Bonds may be issued under the Indenture to refund all Outstanding Bonds of one or more Series or all or any Outstanding Bonds within a Series. The Indenture requires that Refunding Bonds be issued in a principal amount sufficient, together with other moneys available therefor, to accomplish such refunding including providing amounts for the costs of issuance of such Refunding Bonds and the making of any deposits into the funds and accounts required by the provisions of the Supplemental Indenture authorizing such Series of Refunding Bonds. With respect to any Series of Refunding Bonds, the Trustee must receive a certificate of an Authorized Representative to the effect that the Debt Service for all Outstanding Bonds in each Fiscal Year after the issuance of such Refunding Bonds, and the application of the proceeds thereof to the refunding of Bonds, shall not be greater than the Debt Service for all Outstanding Bonds immediately prior to the issuance of such Refunding Bonds.

Other Bonds or Indebtedness. The City may incur indebtedness payable from Revenues on a subordinate basis to the pledge of Revenues, following application thereof to payment of Operating Expenses, which secures the Series 2023 Bonds. The City may also enter into interest rate swap agreements in connection with future issuances of Bonds upon compliance with the terms of the Indenture.

There is currently no subordinate indebtedness outstanding under the Indenture.

Other Obligations

Nothing in the Indenture is intended to restrict or limit the right of the City to issue Grant Bonds or Special Facility Bonds, or to incur other indebtedness or obligations which are payable from any source of funds not included in the Trust Estate established pursuant to the Indenture.

Historical Debt Service Coverage

The following table reflects historical Net Revenues and the calculation of debt service coverage on the Bonds by the Airport Consultant based on such Net Revenues for Fiscal Years 2017-18 through 2021-22.

TABLE 6
HISTORICAL DEBT SERVICE COVERAGE
(FISCAL YEARS ENDED JUNE 30)
($ IN THOUSANDS)

	2017-18	2018-19	2019-20	2020-21	2021-22
Revenues	$26,535,186	$28,101,705	$27,150,097	$33,470,367[1]	$43,295,856
Less: CFC Revenues[2]	(644,077)	(793,494)	(525,262)	0	(544,182)
Less: Operating Expenses	(17,354,855)	(18,700,803)	(19,800,353)	(20,626,205)	(22,437,595)
Net Revenues	8,536,254	8,607,408	6,824,482	12,844,162	20,314,079
Other Available Funds[3]	377,368	386,003	395,160	0	415,921
Net Revenues and Other Available Funds	8,913,622	8,993,411	7,219,642	12,844,162	20,730,000
Series 2013 Bonds Debt Service	2,801,344	2,802,344	2,801,944	2,804,394	2,801,894
Less: PFC Revenues[4]	(1,600,000)	(1,600,000)	(1,600,000)	(1,600,000)	(1,600,000)
Adjusted Series 2013 Bonds Debt Service[5]	1,201,344	1,202,344	1,201,944	1,204,394[6]	1,201,894
Series 2007 Bonds Debt Service	1,509,471	1,544,013	1,580,639	1,624,057	1,663,685
Series 2019 Bonds Debt Service	0	0	2,141,222	1,961,329[6]	1,958,989
Total Adjusted Debt Service	$2,710,814	$2,746,357	$4,923,805	$4,789,780[6]	$4,824,568
Calculated Debt Service Coverage	3.29	3.27	1.47	N/A[6]	4.29
Required Debt Service Coverage	1.25	1.25	1.25	N/A[6]	1.25

(1) Revenues include $7.7 8 million of CARES Act grant funds for Fiscal Year 2020-21 and $8.0 million for Fiscal Year 2021-22. The Indenture defines federal operating grants as "Revenues."
(2) State law requires the exclusion from the calculation of debt service coverage of CFC revenues in excess of annual Debt Service on the Series 2007 Bonds.
(3) With the exception of Fiscal Year 2020-21, when debt service was paid with cash and not Revenues in accordance with the Indenture, unencumbered funds equal to 25% of Adjusted Debt Service may be designated as "Other Available Funds" prior to the beginnings of any Fiscal Year and transferred to the Revenue Fund at the beginning of such Fiscal Year. See "–PFC Revenues" above.
(4) PFC Revenues have been used to pay debt service for eligible PFC projects, primarily for the cost of the terminal.
(5) Includes application of certain PFC revenues to debt service on the Series 2013 Bonds.
(6) Debt Service in Fiscal Year 2020-21 was prepaid with existing cash balances and was not paid with Fiscal Year 2020-21 Net Revenues. See "AIRPORT FINANCIAL INFORMATION–Revenues–*Impact of COVID-19 Pandemic.*"

Source: Airport Management Records.

BOND INSURANCE

The following information is not complete and reference is made to APPENDIX H for a specimen of the bond insurance policy to be issued by Build America Mutual Assurance Company with respect to each series of the Series 2023 Bonds. No representation is made by the City, the Airport, or the Underwriter as to the accuracy or completeness of this information.

Bond Insurance Policy

Concurrently with the issuance of the Series 2023 Bonds, Build America Mutual Assurance Company ("BAM") will issue a Municipal Bond Insurance Policy for each series of the Series 2023 Bonds (the "Policies"). Each Policy guarantees the scheduled payment of principal of and interest on the related series of Series 2023 Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

Neither Policy is covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure municipal bonds, as defined in Section 6901 of the New York Insurance Law, which are most often issued by states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The rating of BAM should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Series 2023 Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Series 2023 Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Series 2023 Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Series 2023 Bonds, nor does it guarantee that the rating on the Series 2023 Bonds will not be revised or withdrawn.

Capitalization of BAM. BAM's total admitted assets, total liabilities, and total capital and surplus, as of March 31, 2023 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were $476.6 million, $196.7 million and $279.9 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at www.buildamerica.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Series 2023 Bonds or the advisability of investing in the Series 2023 Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE."

Additional Information Available from BAM. Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at www.buildamerica.com/videos. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Credit Profiles. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at www.buildamerica.com/credit-profiles. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Series 2023 Bonds, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Series 2023 Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Series 2023 Bonds, whether at the initial offering or otherwise.

CITY AIRPORTS

Overview

The City owns and operates two airports ("City Airports"); the Fresno Yosemite International Airport (the "Airport"), a commercial service airport, and Fresno-Chandler Executive Airport ("Chandler Airport"), a general aviation reliever airport. The Airport is a small-hub commercial service airport with precision instrument approaches and a 24-hour air traffic control tower that principally serves commercial, air cargo, military and high-performance aircraft. The Chandler Airport is classified by the FAA as a "reliever airport" and is intended to complement service at the Airport by serving lower performance general aviation aircraft of less than 12,500 pounds gross weight. The City Airports serve a six-county region in central San Joaquin Valley. For information regarding the City Airports, see "CITY AIRPORTS."

Service Area

The Airport serves a six-county region in central San Joaquin Valley. See APPENDIX A–"REPORT OF THE AIRPORT CONSULTANT – Section 2.2 – Airport Service Area" for more information.

Current Airport Facilities

General. The Airport is operated as a self-supporting enterprise of the City. The Airport occupies approximately 1,700 acres and is located approximately 7.5 miles northeast of the downtown area of the City.

Airfield. The runway and taxiway system at the Airport occupies approximately 550 acres and includes two parallel runways. The primary runway, 29R-11L, is 9,539 feet long and 150 feet wide with 1,000 by 500 foot runway safety areas at the departure ends of runway 29R. Runway 29R-11L, together with its associated taxiways, can accommodate most aircraft in service today and has been designed for Group IV aircraft in accordance with FAA criteria for future generations of aircraft. There is a 675 foot separation between the runways. If required, runway 11L/29R can be extended to 10,000 feet on property within the present boundaries of the Airport. Runway 11R/29L, the secondary runway at the Airport, is 8,008 feet long and 150 feet wide with a 1000 foot by 500 foot runway safety area on each end.

Runway 29R-11L is equipped with a Category III(b) instrument landing system (an "ILS"), a 3,000 foot Approach Light System with Runway Alignment Indicator Lights, high-intensity strobe approach light lane, high-intensity runway edge, centerline, and touchdown zone lights, runway end identification lights, and visual approach slope indicators. This system permits qualified pilots operating appropriately equipped aircraft to land in near-zero visibility conditions. The system enhances the air service capability at the Airport during the winter months when tule fog is prevalent in the Central Valley.

Passenger Terminal Facilities. The passenger terminal facilities (the "Terminal") consist of the terminal, baggage claim, and concourse buildings together with associated aircraft boarding aprons, access and service roadway systems and parking areas. The terminal building, originally completed in 1962 and remodeled in 1993 and 2010, covers approximately 63,000 square feet and contains airline ticket counters, baggage handling areas, administrative offices, concessions and other passenger services.

The concourse building, originally constructed in 1962, remodeled in both 1978 and 1997, and expanded in 2002, covers approximately 88,000 square feet and contains six passenger loading bridges, passenger boarding lounges, security areas, airline offices, a food court, a business center, a children's play area and various concessions. The enclosed baggage claim facility was completed in 1988, remodeled in 2009, and comprises an area of approximately 14,000 square feet and includes car rental counters and two baggage carousels. The terminal provides free wireless internet (Wi-Fi) access.

As part of a terminal modernization project in 2008, the Airport implemented shared use technology for the ticketing and check in process, which allows an airline to operate at any ticket counter location. The shared use technology enables the ticketing/check-in counters to be utilized to their maximum possible efficiency. As a result, the Airport can defer the need for expansion of the terminal ticketing counter space. See "CAPITAL PROJECTS AND PLANNING."

Gates. The Airport currently has a total of 12 gates used by the airlines on a common use basis, including 6 gates located on the second-floor concourse, referred to as the "POD Concourse," and 6 gates located on the ground floor. Gates 9 and 10 provide ground-level boarding for the gates 11 and 12 parking positions. The second-floor POD Concourse gates and ground floor Gate 8 are served by passenger boarding bridges with 400HZ power and preconditioned air, and the other gates are supplied 400HZ power through the use of portable convertors. All other terminal space, with the exception of airline offices, are also used on a common use basis. See "CAPITAL PROJECTS AND PLANNING."

Fuel System. Fuel is delivered by truck to airlines, corporate and private aircraft, the U.S. Forest Service, the California Highway Patrol, the Fresno County Sheriff and the military aircraft operating at the Airport by third party contractors authorized by the City to provide such fueling services.

Ground Transportation and Parking Facilities. An Airport entryway to align with a planned freeway 180 extension was completed in April 2001. There are a total of 3,486 parking spaces at the Airport, consisting of a four-level covered parking structure with 920 spaces near terminal entrances opened in November of 2021, a 2,268-space surface public parking lot that connects to the passenger terminal facilities by at-grade walkways, and 298 additional spaces reserved for employee parking. The Airport provides a free, 13-space, Cell Phone Waiting Area located east of terminal that permits motorists to remain in their vehicles for up to 60 minutes to pick up incoming passengers when called by cell phone. The Cell Phone Waiting Area is in compliance with the Aviation Act requirements that restricts vehicles from waiting at the curbside of terminals.

Cargo and Maintenance Facilities. Cargo carried by commercial airlines is processed through the remodeled terminal. Cargo carried by freight forwarders and consolidators is located on an approximately 87 acre "Air Cargo Park" located on the north side of the Airport. The Air Cargo Park was constructed by the Airport in 2004 and includes an approximately 15.5 acre aircraft ramp and cargo processing area, ground service equipment storage, truck loading and unloading areas, administrative support spaces, and storage and maintenance facilities.

Pursuant to the terms of a 10-year land lease, Federal Express and United Parcel Services each constructed an approximately three acre cargo processing facility adjacent to the Air Cargo Park. Both are currently operating at the cargo facility. The Federal Express lease period originally ended in January 2017, and has been extended twice with the current term expiring on December 31, 2026; and the United Parcel Service lease originally ended in April 2019 and has also been extended twice with the current term expiring on December 31, 2026.

Approximately 264,000 square feet in maintenance facilities are located on the northeast side of the airfield. Two airlines operating at the Airport occupy these facilities pursuant to the terms of long-term leases.

Consolidated Rental Car Facility. In 2009, the Airport completed construction of a 46,000 square foot single-story consolidated rental car facility (the "CRCF") adjacent to the Terminal building to house all rental car operations at the Airport, including customer service, storage and maintenance. The CRCF was designed to accommodate the six car rental companies currently operating at the Airport. The CRCF is designed to accommodate additional car rental companies without any major reconfiguration.

The rental car ready/return area, which is part of the CRCF, is adjacent to the Terminal Bag Claim area. There is no shuttle service needed, as customers can walk to their rental vehicle and can return it to the same area as they enter the terminal through the bag claim entrance upon their return. The CRCF was funded from proceeds of the Series 2007 Bonds and CFC Revenues are pledged to repayment thereof.

General Aviation. General Aviation facilities at the Airport are located primarily west of the Terminal on approximately 13 acres. The General Aviation area consists of private and corporate aircraft hangar facilities, as well as nine aviation-related businesses, offering fueling, flight training, flight schools, aircraft sales and rentals, aircraft storage and maintenance, avionics services, charters and hangar rentals.

There are also two other General Aviation hangars located at the Airport, one is operated by the California Highway Patrol and the other is operated by Rogers Helicopter.

Organization and Management

Management of the City Airports is led by the Director of Aviation, who has the authority to administer the affairs of the City Airports as the Manager thereof. The Director of Aviation is appointed by and serves at the pleasure of the City Manager.

Brief biographies of the principal members of the senior management team at the Airport are set forth below:

Henry L. Thompson, A.A.E., IAP was appointed Director of Aviation in December 2021 after a nation-wide search. Mr. Thompson comes to Fresno Airports with more than 35 years of experience in aviation/airport management. His career includes management of small, medium, and large commercial service airports, including more than 22 years at San Francisco International Airport (SFO); Mineta-San Jose International Airport (SJC); Shreveport Airport Authority (SHV/DTN), and Santa Barbara Airport (SBA). He served in the United States Air Forces in Air Traffic Controller and Airport Management for more than 9 years. Mr. Thompson also served as a Financial Accountant at the Chronicle Publishing Company's cable television headquarters for 6 years. He has a Master of Business Administration (MBA) in Finance from Golden Gate University, San Francisco, and a Bachelor of Business Administration (BBA) from National University, San Diego. He is an Accredited Airport Executive (A.A.E.) through the American Association of Airport Executives (AAAE) and an International Aviation Professional (IAP) through Airports Council International (ACI).

Francisco Partida, C.M., USAP was appointed Assistant Director of Aviation in March 2023 after a nation-wide search. Mr. Partida is an experienced airport executive with a strong background in management and joins Fresno's Airports Department from Brownsville/South Padre Island International Airport in Brownsville, Texas. He brings over 18 years of professional aviation experience, including having served in airport management, as a corporate pilot, and in private sector marketing and advertising positions. Mr. Partida is enrolled in the Master of Science in Leadership Program (MS) at Embry Riddle Aeronautical University and earned a bachelor's degree in Tourism Business Management from the Universidad Cuauhtémoc in Guadalajara, Mexico. He is a Certified Member (C.M.) of the American Association of Airport Executives (AAAE) and a United States Airport Professional (USAP) through Airports Council International – North America (ACI-NA).

Melissa Garza-Perry was appointed Airports Properties Manager in 2018. Ms. Garza-Perry is responsible for negotiating, drafting and managing the contracts between the City and all entities doing business on or at the City Airports. Prior to this appointment, she served as Airports Properties Supervisor for the City of Fresno, Airports Department; as Airports Properties Specialist for the City of Fresno Airports Department; and she started her aviation career as the Senior Secretary for the Properties Department for the City of Fresno, Airports Department. She has been with the City of Fresno for over 18 years of service. Ms. Garza-Perry holds a Bachelor of Science degree in Business Administration with an option in the Legal Environment of Business from California State University, Fresno and a Juris Doctor degree from San Joaquin College of Law.

Mark Davis was appointed Airports Planning Manager in 2014. Mr. Davis is responsible for planning, environmental studies, securing grant funding, design, and construction of the capital improvement programs at the Airport and Chandler Airport. Prior to this appointment, he spent 5 years with the Airport and 2 years with the City General Services Department as a Project Manager, interfacing directly with architects, engineers, construction managers and contractors on Airport and City development projects and overseeing the Airport Noise Program. Before joining City service, Mr. Davis owned and operated an industrial manufacturing and construction firm for 25 years. Mr. Davis has a Bachelor's degree in Business Administration from National University in San Diego, California.

Alicia Mirando was appointed Airports Operations Manager in 2017. Ms. Mirando is responsible for the day to day safe, compliant, and effective operation of the City's two airports as well as emergency preparedness and aviation security. Ms. Mirando has spent the last 12 years working in airport operations and management at both commercial service and general aviation airports including Boeing Field King County International Airport (BFI), City of Fresno (FAT/FCH), and Greeley-Weld County Airport (GXY). She also has prior airline systems operations and other aviation industry experience totaling more than 16 years. Ms. Mirando has a Bachelor of Science degree in Aviation Management from the Metropolitan State University of Denver and is a Certified Member (C.M.) of the American Association of Airport Executives and an FAA-licensed aircraft dispatcher.

Airline Service

General. In Fiscal Year 2021-22, eight certificated carriers provided nonstop service from the Airport to 12 domestic destinations and to Guadalajara, Leon, Morelia, and Mexico City, Mexico. These airlines primarily offer flights to the regional hubs of major airlines, including Chicago (United Airlines), Los Angeles (United Airlines and Alaska Airlines), Denver (United Airlines, Frontier Airlines, and Southwest Airlines), San Francisco (United Airlines), Phoenix (American Airlines), Salt Lake City (Delta Airlines), Seattle, Portland and San Diego (Alaska Airlines), Dallas/Fort Worth (American Airlines), Las Vegas Southwest, and Allegiant), Guadalajara (AeroMexico and Volaris airlines), Mexico City (AeroMexico) and Morelia and Leon (Volaris).

Aircraft Operations

Table 7 shows historical aircraft operations at the Airport. Operations increased from 77,162 in Fiscal Year 2020-21 to 85,722 in Fiscal Year 2021-22. From Fiscal Year 2020-21 to Fiscal Year 2021-22, the total number of aircraft operations increased 11.09%. General aviation and military operations together accounted for 62.41% of total operations at the Airport in Fiscal Year 2021-22, while air carriers represented 26.36% and air taxi, commuter passenger and cargo airlines accounted for 11.23%.

TABLE 7
FRESNO YOSEMITE INTERNATIONAL AIRPORT
HISTORICAL AIRCRAFT OPERATIONS

Fiscal Year	Air Carriers	Air Taxi/ Commuters	General Aviation	Military	Total	Annual Increase (Decrease)
2013	11,738	21,922	83,721	9,029	126,410	2.95%
2014	12,201	22,665	83,772	9,438	128,076	1.32
2015	13,094	19,943	69,660	7,573	110,270	(13.90)
2016	15,698	15,536	63,493	6,434	101,16	(8.26)
2017	17,087	15,371	54,423	5,953	92,834	(8.23)
2018	17,911	13,772	41,913	7,752	81,348	(12.37)
2019	20,123	12,753	50,616	7,033	90,525	11.28
2020	17,904	10,135	45,180	6,556	79,775	(11.88)
2021	17,672	8,199	43,789	7,502	77,162	(3.28)
2022	22,598	9,626	46,453	7,045	85,722	11.09
First Seven Months of Fiscal Year (July through January)						
2022	10,409	4,447	24,881	4,419	44,156	N/A
2023	11,998	5,096	28,501	4,842	50,437	N/A

Source: Air Traffic Control Tower Counts.

The number of general aviation operations increased from 43,789 in Fiscal Year 2020-21 to 46,453 in Fiscal Year 2021-22, reflecting larger numbers of private aircraft using the services provided by the Airport's two Fixed Base Operators. As of January 31, 2023, 163 general aviation aircraft are based at the Airport.

The California Air National Guard is the primary military user of the Airport, typically flying 60 flights per week. The U.S. Army Aviation Classification Repair Activity Depot maintains a helicopter repair facility on site for Black Hawk and Cobra aircraft. For the past several years, annual totals ranged from a low of 5,953 in Fiscal Year 2016-17 to a high of 10,072 in Fiscal Year 2009-10 for military aircraft operations.

In Fiscal Year 2021-22, 102 general aviation aircraft were based at Chandler Airport compared to 98 in Fiscal Year 2020-21. Annual aircraft operations at Chandler Airport have ranged from approximately 24,885 in 2017 to approximately 30,660 in 2022.

Table 8 below sets forth the air carriers serving the Airport in Fiscal Year 2021-22.

TABLE 8
FRESNO YOSEMITE INTERNATIONAL AIRPORT
SCHEDULED AIRLINES SERVING THE AIRPORT
(FISCAL YEAR 2021-22)

Mainline Jet Aircraft(1)	Regional, Commuter Aircraft and Charter(2)	All-Cargo Airlines
Aeromexico	Delta Airlines	FedEx
Alaska/Horizon Airlines	United Airlines	United Parcel Service
Allegiant Air	Charter airlines (various)	
American Airlines		
Express Jet		
Southwest Airlines		
United Airlines		
Volaris		

(1) Defined as aircraft with greater than 60 seats.
(2) Defined as aircraft with less than or equal to 60 seats.
Source: Airport Management Records

Low Cost Carriers. Currently, there are three airlines operating at the Airport offering low-cost carrier service: Allegiant, Southwest, and Volaris.

The combined market share of the low-cost carriers increased from approximately 21.04% of enplaned passengers in Fiscal Year 2020-21 to approximately 30.46% of enplaned passengers in Fiscal Year 2021-22. For the first six months (July through December) of Fiscal Year 2022-23, the combined market share of low-cost carriers decreased to approximately 26.7% of enplaned passengers compared to approximately 28.7% during the same period of Fiscal Year 2021-22. The decrease was due primarily to Express Jet filing for bankruptcy protection and Frontier Airlines no longer operating out of the Airport.

Other Air Service. Other users of the Airport include more than 131 corporate and privately owned aircraft operating from two major Fixed Base Operators ("FBOs"). The U.S. Forest Service and the California Department of Forestry operate two aerial tankers from their Air Attack Base, fighting forest fires throughout the western states. The California Highway Patrol, Fresno County Sheriff, and Fresno Police Department maintain flight facilities for helicopter and fixed-wing operations. The Airport is also home to three military aviation activities. The largest is the California Air National Guard which maintains its headquarters for the 144th Fighter Wing. Five subsidiary air defense command units operate 15 F-16 aircraft. The California Army National Guard operates an Aviation Classification Repair Activity Depot (AVCRAD).

Passenger Traffic

Enplanements. During Fiscal Year 2021-22, the Airport handled 1.1 million total enplaned passengers, representing a 70.91% increase compared to total enplaned passengers in Fiscal Year 2020-21. See APPENDIX A–"REPORT OF THE AIRPORT CONSULTANT–Section 3.2.4–"Monthly Enplanements."

Historical passenger enplanements for Fiscal Years 2012-13 through 2021-22 and the first seven months (July through January) of Fiscal Year 2022-23 are shown in the Table 9 below.

TABLE 9
FRESNO YOSEMITE INTERNATIONAL AIRPORT
ENPLANED PASSENGERS BY AIRCRAFT

Fiscal Year June 30	Aircrafts with 60 or More Seats	Aircrafts with Fewer Than 60 Seats	Charter Airline	Total Enplanements	Average Annual Increase (Decrease)
2013	298,584	386,377	3,578	688,539	6.65%
2014	424,471	289,146	3,407	717,024	4.14
2015	333,864	367,178	3,429	704,471	(1.75)
2016	280,790	456,357	3,391	740,538	5.12
2017	566,991	200,818	3,581	771,390	4.17
2018	584,644	228,660	3,349	816,653	5.87
2019	676,051	251,473	2,911	930,435	13.93
2020	544,314	206,246	2,407	752,967	(19.07)
2021	484,614	160,501	1,398	646,513	(14.14)
2022	916,625	186,728	1,622	1,104,975	70.91
First Seven months of Fiscal Year (July through January)					
2022	488,516	170,655	1,729	660,900	N/A
2023	504,425	151,349	2,742	658,516	N/A

Source: Airport and Unison Consulting, Inc.

Table 10 below shows historical enplaned passengers by airline.

TABLE 10
FRESNO YOSEMITE INTERNATIONAL AIRPORT
ENPLANED PASSENGERS BY AIRLINE

	Fiscal Year Ending June 30					First Seven Months (July through January)	
Mainline/Jet Aircraft	**2018**	**2019**	**2020**	**2021**	**2022**	**2022**	**2023**
Alaska/Horizon	129,283	159,259	126,658	108,345	165,468	100,354	87,247
Allegiant Air	60,455	66,024	55,513	41,874	74,703	41,416	46,767
American Airlines	215,438	306,675	242,039	191,392	270,573	164,029	168,583
Express Jet	–	–	–	–	1,591	–	471
Frontier †	3,445	25,509	16,582	18,226	10,376	9,678	–
Southwest Airlines	–	–	–	28,606	156,060	84,555	105,420
Aeromexico	45,082	45,469	37,975	30,611	43,611	25,565	27,507
Volaris	62,056	73,115	65,547	65,560	105,859	62,919	68,901
Subtotal	**515,759**	**676,051**	**544,314**	**484,614**	**828,241**	**488,516**	**504,896**
Regional/Commuter Aircraft							
Delta Connection	52,914	55,655	49,391	62,619	89,975	59,571	40,541
Envoy (AE)	68,885	–	–	–	–	–	–
United Express	175,746	195,818	156,855	97,882	185,137	111,084	110,337
Subtotal	**297,545**	**251,473**	**206,246**	**160,501**	**275,112**	**170,655**	**150,878**
Charter Aircraft	3,349	2,911	2,407	1,398	1,622	1,729	2,742
TOTAL	**816,653**	**930,435**	**752,967**	**646,513**	**1,104,975**	**660,900**	**658,516**
Percent Change	5.9%	13.9%	(19.1%)	(14.1%)	70.9%	(12.2%)	(40.4%)
Mainline/Jet Aircraft	**PERCENT OF TOTAL**						
Alaska/Horizon	5.8%	17.1%	16.8%	16.85%	15.0%	N/A	N/A
Allegiant Air	7.4	7.1	7.4	6.5	6.8	N/A	N/A
American Airlines	26.4	33.0	32.1	29.6	24.5	N/A	N/A
Express Jet	–	–	–	–	0.1	N/A	N/A
Frontier †	0.4	2.7	2.2	2.8	0.9	N/A	N/A
Southwest Airlines	0.0	0.0	0.0	4.4	14.1	N/A	N/A
Aeromexico	5.5	4.9	5.0	4.7	3.9	N/A	N/A
Volaris	7.6	7.9	8.7	10.1	9.6	N/A	N/A
Subtotal	**63.2%**	**72.7%**	**72.3%**	**75.0%**	**75.0%**	N/A	N/A
Regional/Commuter Aircraft							
Delta Connection	6.5%	6.0%	6.6%	9.7%	8.1%	N/A	N/A
Envoy (AE)	8.4	–	–	–	–	N/A	N/A
United Express	21.5	21.0	20.8	15.1	16.8	N/A	N/A
Subtotal	**36.4%**	**27.0%**	**27.4%**	**24.8%**	**24.9%**	N/A	N/A
Charter Aircraft	0.4%	0.3%	0.3%	0.2%	0.1%	N/A	N/A
TOTAL	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	N/A	N/A

† Service ended February 2015 and resumed May 2018.
Source: Airport Management Records.

COVID-19 Impact and Recovery. At the start of the COVID-19 pandemic, December 2019 through April 2020 monthly enplanements dropped substantially. Monthly enplanement remained below pre-pandemic levels until February of 2021. From then on, recovery came swiftly, with enplanements returning to and passing 2019 levels by May 2021. Since then, and through the entirety of Fiscal Year 2021-22, FAT's monthly enplanements have remained above pre-pandemic levels.

Landed Weight. During Fiscal Year 2021-22 total landed weight at the Airport increased by 389.45 million pounds (35.9%) compared to total landed weight during Fiscal Year 2020-21. See also, APPENDIX A–"REPORT OF THE AIRPORT CONSULTANT–Section 3–"HISTORICAL AIRLINE TRAFFIC."

Total landed weight by airline share for Fiscal Years 2017-18 through 2021-22 and for the first seven months (July through January) of Fiscal Year 2022-23 are shown in the table below.

TABLE 11
FRESNO YOSEMITE INTERNATIONAL AIRPORT
AIRLINE SHARES OF LANDED WEIGHT
(FISCAL YEARS)

	Aircraft Landed Weight (units: 1,000 lbs)					First Seven Months (July through January)	
Passenger Airlines	**Fiscal Year 2017-18**	**Fiscal Year 2018-19**	**Fiscal Year 2019-20**	**Fiscal Year 2020-21**	**Fiscal Year 2021-22**	**Fiscal Year 2021-22**	**Fiscal Year 2022-23**
Airlines operating large jets:							
Alaska/Horizon[(1)]	152,032	198,773	173,301	179,265	203,295	127,155	99,606
Allegiant Air	56,973	75,569	66,871	53,799	90,977	52,116	54,150
American Airlines	283,181	348,440	291,418	221,927	274,667	172,465	173,531
Express Jet	–	–	–	–	3,404	1,447	638
Frontier	–	22,617	16,810	21,139	12,166	10,842	–
Southwest Airlines	–	–	–	34,342	185,290	108,942	112,745
Envoy (AE)	57,389	–	–	–	–	–	–
Aeromexico	45,840	41,840	33,664	36,720	46,224	27,504	29,452
Volaris	58,493	71,588	68,096	85,411	119,023	70,861	69,260
SUBTOTAL	**653,908**	**758,827**	**650,160**	**623,603**	**935,046**	**571,332**	**539,382**
Airlines operating smaller aircraft:							
Delta Airlines	55,744	58,941	70,378	109,724	108,190	74,383	46,958
United Airlines	223,327	225,687	203,647	122,079	204,510	119,884	122,692
SUBTOTAL	**279,071**	**284,628**	**274,025**	**231,803**	**312,700**	**194,267**	**169,650**
Charter aircraft	27,507	14,328	11,480	12,881	20,229	12,956	9,909
TOTAL PASSENGER AIRLINES	**960,486**	**1,057,783**	**935,665**	**877,287**	**1,267,975**	**778,555**	**718,941**
All–Cargo Airlines							
Ameriflight	1,216	782	651	248	–	–	–
FedEx	54,846	54,054	51,282	51,480	52,668	31,482	28,908
USDA	–	3,708	11,555	34,586	21,933	21,933	36,978
United Parcel Service	73,500	48,930	74,130	110,279	130,844	80,231	68,766
SUBTOTAL ALL-CARGO AIRLINES	**129,562**	**107,474**	**137,618**	**196,594**	**205,445**	**133,646**	**134,652**
TOTAL ALL AIRLINES	**1,090,048**	**1,165,257**	**1,073,283**	**1,073,881**	**1,473,420**	**912,201**	**853,593**

Source: Airport Management Records.

Origin-Destination Patterns. Table 12 below shows domestic origin-destination patterns and airline service as of June 30, 2022.

TABLE 12
DOMESTIC PASSENGER ORIGIN-DESTINATION PATTERNS AND AIRLINE SERVICE
(as of June 30, 2022)

	City of Origination or Destination	Air Miles from Fresno	Origin-Destination Passengers: Number	Origin-Destination Passengers: Percent of Total†	Average Scheduled Nonstop Departures
1.	Las Vegas, NV	258	270,970	12.40%	4.7
2.	Guadalajara, MX	1,495	189,067	8.65	2.2
3.	Seattle/Tacoma, WA	750	108,121	4.95	2.8
4.	Denver, CO	842	95,299	4.36	4,3
5.	Phoenix, AZ	493	74,934	3.43	3.5
6.	San Diego, CA	314	72,375	3.31	1.7
7.	Dallas/Fort Worth, TX	1,310	70,344	3.22	2.9
8.	Portland, OR	627	63,139	2.89	1.3
9.	Chicago, IL	1,726	45,098	2.06	0.7
10.	Los Angeles, CA	208	41,931	1.92	3.7
11.	Morelia, MX	1,624	38,275	1.75	0.4
12.	Salt Lake City, UT	501	37,101	1.70	3.9
13.	Orlando, FL	2,291	32,353	1.48	–
14.	Minneapolis/St. Paul, MN	1,486	31,081	1.42	–
15.	Atlanta, GA	1,922	30,936	1.42	–
16.	Cancun, MX	2,249	29,514	1.35	–
17.	Houston, TX	1,476	26,463	1.21	–
18.	Nashville, TN	1,826	24,886	1.14	–
19.	Mexico City, MX	1,730	23,783	1.09	0.3
20.	Austin, TX	1,345	23,620	1.08	–
	Subtotal – Cities Listed		**1,329,292**	**60.82%**	**32.3**
	All Others		856,198	39.18	3.7
	TOTAL ALL CITIES		**2,185,490**	**100.00%**	**36.0**

† Totals may not add up due to rounding.
Source: Sabre MIDT, Innovata Schedules via Diio.

Daily Schedule Nonstop Airline Departures. Table 13 below shows daily scheduled nonstop airline departures as of June 30, 2022.

TABLE 13
FRESNO YOSEMITE INTERNATIONAL AIRPORT
DAILY SCHEDULED NONSTOP AIRLINE DEPARTURES
(as of June 30, 2022)

	Destination	Airline	Average Daily Departures	Average Seats Per Departure
1.	Chicago, IL	American Airlines	1.00	172
2.	Chicago, IL	United Airlines	1.00	76
3.	Dallas, TX	American Airlines	3.43	172
4.	Denver, CO	Frontier Airlines	0.14	150
5.	Denver, CO	Southwest Airlines	0.29	143
6.	Denver, CO	United Airlines	1.57	50
7.	Denver, CO	United Airlines	0.71	126
8.	Guadalajara, MX	AeroMexico	1.00	160
9.	Guadalajara, MX	Volaris	1.00	179
10.	Las Vegas, NV	Allegiant Air	0.43	156
11.	Las Vegas, NV	Southwest Airlines	0.86	143
12.	Leon, MX	Volaris	0.29	179
13.	Los Angeles, CA	Alaska/Horizon	1.14	76
14.	Los Angeles, CA	Delta Airlines	0.57	70
15.	Los Angeles, CA	United Airlines	2.00	50
16.	Mexico City, MX	Volaris	0.29	179
17.	Morelia, MX	Volaris	0.43	179
18.	Phoenix, AZ	American Airlines	1.00	65
19.	Phoenix, AZ	American Airlines	1.00	150
20.	Phoenix, AZ	American Airlines	1.00	76
21.	Portland, OR	Alaska/Horizon	2.00	76
22.	Salt Lake City, UT	Delta Airlines	2.00	70
23.	Salt Lake City, UT	Delta Airlines	0.86	76
24.	Salt Lake City, UT	Delta Airlines	1.57	69
25.	San Diego, CA	Alaska/Horizon	1.43	76
26.	San Francisco, CA	United Airlines	3.00	50
27.	Seattle, WA	Alaska/Horizon	2.86	76
28.	Seattle, WA	Delta Airlines	0.14	70
	TOTAL		**33.01**	**3,114**

† Totals may not add up due to rounding.
Source: Airport Management Records.

Air Freight and Express

Historical trends in freight and express, excluding mail, are presented in following table. Since 2022, air mail is carried entirely on cargo aircraft at the Airport. Other cargo is carried by all-cargo carriers, since the passenger airlines using turboprop aircraft do not carry cargo.

TABLE 14
FRESNO YOSEMITE INTERNATIONAL AIRPORT
HISTORICAL TOTAL FREIGHT AND EXPRESS

	Total Freight and Express (Pounds)					
	Passenger Airlines					
Fiscal Year Ended June 30,	Aircrafts with 60 or More Seats	Aircrafts with Fewer Than 60 Seats	All-Cargo Airlines	Total Enplanements	All-Cargo Airline Share	Average Annual Increase (Decrease)
2013	70,941	8,811	23,548,885	23,628,637	100	4.49%
2014	74,165	13,578	24,305,861	24,393,604	100	3.24
2015	99,983	32,828	25,710,578	25,843,389	99	5.94
2016	66,952	17,960	24,462,260	25,547,172	100	(5.02)
2017	105,999	–	19,785,514	19,891,513	99	(18.97)
2018	85,779	–	20,888,599	20,974,378	100	5.44
2019	88,449	–	22,323,554	22,412,003	100	6.85
2020	147,075	–	34,774,881	34,923,956	100	55.82
2021	172,833	–	33,784,071	33,956,904	99	(2.82)
2022	148,007	–	34,200,304	34,348,311	100	1.15
First Seven months of Fiscal Year (July through January)						
2022	82,903	–	21,681,751	21,764,654		
2023	118,804	–	17,609,744	17,728,548		

Source: Airport Management Records.

Airline Agreements

All passenger carriers providing schedule services at the Airport have executed separate but substantially similar Airport Use and Lease Agreements (the “Airlines Agreements”) with the earliest expiration date of June 30, 2027 and two extension option of five years each. Such airlines include AeroMexico, Alaska Airlines, Allegiant Air, American airlines, Delta Air Lines, Skywest Airlines, United Airlines, and Volaris (collectively, the “Signatory Airlines”). The Airline Agreements provide a hybrid compensatory ratemaking methodology, including a residual landing feel calculation and a compensatory terminal rental rate calculation.

The airfield area net requirements include the allocable debt service net of PFC revenues, rolling debt service coverage, amortization charges, operating expenses and required deposits to the Operating Reserve Account, minus certain airfield area credit and adjusted for prior year’s true-up results. The landing fee rate is calculated as the airfield area net requirement divided by the landed weight of passenger and cargo carriers. The terminal rental rate is calculated as the similar cost requirements allocable to the terminal building cost center, divided by usable space. The FIS fee rate is calculated as the similar cost requirements allocable to the FIS, divided by FIS users, but is limited to $12 per FIS user through the date of beneficial occupancy of the terminal/FIS expansion project and $15 thereafter.

The City provides a signatory credit annually calculated as the net remaining revenues less a capital allowance of $4.0 million, with 50% allocable to the Signatory Airlines, subject to a cumulative cap of $7.5 million during the term of the Airline Agreements. The signatory credit is distributed 25%, 65%, and 10% based on landed weight, enplaned passengers, and FIS users respectively, and is limited to $2.0 million annually.

The City may adjust the landing fee rate and terminal rental rate if the City expects the costs to vary by more than 10%. During any Fiscal Year, if the City anticipates that the minimum annual debt service coverage of 125% may not be met, as required by the Indenture rate covenant, the City will adjust airline rates as necessary, including using rentable space instead of usable space for the calculation of terminal rental rate, and modify airfield area credit, among other actions.

Car Rental Agreements

Each of the three on-Airport rental car companies at the Airport (Avis Rent A Car System, Inc. Enterprise Holdings, Inc. and The Hertz Corporation (collectively, the "Car Rental Companies") currently operates at the Airport pursuant to a concession agreement and a service facility lease agreement (collectively, the "Existing Agreements"). Pursuant to the Existing Agreements, the City receives privilege fees in the amount equal to 10% of the gross revenues against a minimum annual guarantee (a "MAG"), plus rental fees for counter space in the terminals, and rent for ready/return and service facilities.

The City and each Car Rental Company entered into a Restated Concession Agreement (the Concession Agreement") governing the non-exclusive right to conduct a car rental business at the Airport, and an Extended and Restated Service Facility Lease Agreement (the "Service Facility Lease" and together with the "Concession Agreement, the "Car Rental Agreements") governing the use of the CRCF, including certain non-exclusive use and common use areas. Each Car Rental Agreement originally became effective on April 1, 2009.

Each Car Rental Agreement requires the Car Rental Company to continue to collect the Customer Facility Charge (the "CFC") from its customers and to remit such amounts to the City monthly and to separately account for on its books and records the CFCs collected for and on behalf of the City. The CFC was originally imposed by the Airport in July 2005 pursuant to California Civil Code Section 1936, which permits an airport to impose a fee on a rental car company to finance consolidated rental car facilities and any common-use transportation system between the Airport and the rental car facility. The Series 2007 Bonds were issued to construct a consolidated rental car facility and the CFC Revenues were pledged to repay such bonds. CFC Revenues are not available to pay debt service on the Series 2023 Bonds. However, application of the CFC Revenues to the Series 2007 Bonds reduces the amounts derived from other Revenues which need to be applied to pay debt service on the Series 2007 Bonds. See "CITY AIRPORTS–Current Airport Facilities–*Consolidated Rental Car Facility*."

On-Airport Rental Car Concession Agreements. All Car Rental Concession Agreements will expire on August 31, 2024. The City may terminate a Concession Agreement only upon written notice following the occurrence of certain events, including, but not limited to, such Car Rental Company becoming insolvent, failing in business, or making any general arrangement or assignment for the benefit of creditors; filing a bankruptcy action or a petition for reorganization; appointment of a receiver; failure to pay rent, concessions fees or the security deposit when due; cessation of services at the Airport for 72 consecutive hours; and failure to maintain in full force and effect a Service Facility Lease.

Payment of Terminal Rent and Contingent Rent. Each Car Rental Company operating in the CRCF is required to: (i) pay rent for its exclusive use area in the Terminal, for non-exclusive use of ready/return areas and *pro rata* rent for common use areas; and (ii) pay "Contingent Rent," if any, defined as any amount by which Debt Service on the Series 2007 Bonds exceeds the sum of (A) CFC fees collected in such year, and (B) funds in the Excess CFC Revenue Account, plus restricted funds in the Surplus Fund.

Payment of Annual Concession Fees. In addition to the rents described above, each Car Rental Company is required to pay annual fees (the "Annual Concession Fees") in an amount equal to the greater of: (i) 10% of the gross revenues of such Car Rental Company or (ii) the applicable MAG. Following the first anniversary of the date of beneficial occupancy ("DBO") and for each year thereafter, the MAG will be established at an amount equal to the greater of the MAG for the prior contract year or 85% of the Annual Concession Fees due from the Car Rental Company for the prior contract year.

Security Deposit. To guarantee timely payment of the Annual Concession Fees, each Car Rental Company is required to deposit with the City a security deposit in the amount equal to one-fourth of its MAG in the form of a payment bond, irrevocable letter of credit, renewable annually, cash or other form deemed acceptable by the City.

Adjustment of Rentals and Fees. In accordance with each Concession Agreement, the City may adjust the rental rates specified in the Concession Agreement by official City action. The rental payments will be adjusted annually commencing on the first anniversary following DBO based upon the annual percentage change in the Consumer Price Index for San Francisco All Urban Consumer, Base Year 2009 index or any successor of that index calculated on a calendar year basis and published by the Bureau of Labor Statistics, U.S. Department of Labor (the "CPI-U-Index"), but in no event will that annual adjustment in rent payments result in rent being charged that is less than the amount charged in the prior contract year or more than 2% above the amount charged during the prior contract year.

Permitted Changes to Exclusive Use Areas. Pursuant to the Concession Agreements, and subject to certain restrictions contained therein, the City reserves the right to reallocate the ready/return area allocated to any Car Rental Company commencing with the second year following DBO at which time rental payments due under the Concession Agreement will be calculated.

Service Facility Lease. Each Service Facility Lease will expire on January 1, 2029. The City may terminate a Service Facility Lease only upon written notice following the occurrence of certain events, including, but not limited to, such Car Rental Company becoming insolvent, failing in business, or making any general arrangement or assignment for the benefit of creditors; filing of a bankruptcy action or a petition for reorganization; appointment of a receiver; failure to make any payment of rent or fees required under the Service Facility Lease or furnish any security deposit when due; cessation of services at the Airport for 72 consecutive hours; and failure to maintain in full force and effect a Concession Agreement.

Payment of Rent and Fees. Commencing on the DBO, each Car Rental Company operating in the CRCF is required to pay rent for their exclusive use area, non-exclusive use area within the CRCF and *pro rata* rent and maintenance costs for common use areas within the CRCF.

Security Deposit. To guarantee timely payment of the rent under the Service Facility Lease, each Car Rental Company is required to deposit with the City a security deposit in the amount equal to three months of estimated rent.

Adjustment of Rent. In accordance with each Service Facility Lease, the rental rates specified in the Service Facility Leases will be adjusted annually commencing on the first anniversary following DBO based upon the annual percentage change in the CPI-U-Index, but in no event will the annual adjustment in rent result in rent being charged that is less than the amount charged in the prior contract year or more than 2% above the amount charged during the prior contract year.

Potential Effects of a Rental Car Company Bankruptcy. The bankruptcy of a Car Rental Company could result in delays or reductions in payments on the Series 2023 Bonds. SEE "INVESTOR CONSIDERATIONS - Bankruptcy of Airlines Operating at the Airport or Other Airport Tenants."

Airport Concessions

The Airport has had concession agreements with HOST, Inc. and Hudson News since 2003 providing for all food and beverage and news and gift options throughout the terminal facility.

In calendar year 2023, the Airport will be entering into agreements with two new national brand concessionaires to provide for the food and beverage and news and gift locations throughout the airport terminal facility. These agreements will include new offerings and local brands to meet the needs of the growing traveling public and will be in effect for 15 years, with estimated calendar year 2023 rental revenue equal to $574,980 for food and beverage concession space and $254,241 for food and beverage support space with annual CPI adjustments, plus 10% of all gross sales; and equal to $339,068 for news and gift concession space and $204,143 for news and gift support space with annual CPI adjustments, plus 10% of all gross sales.

Certain Federal, State, and Local Laws and Regulations

Aviation Act. In November 2001, the President of the United States signed into law the Aviation Act which requires airports in the nation to make certain modifications to securities procedures. For a discussion of certain requirements of the Aviation Act, see "CITY AIRPORTS–Airport Security."

Federal Law Prohibiting Revenue Diversion. Federal law requires that all revenues generated by a public airport be expended for the capital or operating costs of the airport, the local airport system, or other local facilities which are owned or operated by the airport owner or operator and directly and substantially related to the air transportation of passengers or property. The City is the "sponsor" of the Airport for purposes of these federal requirements.

In February 1999, the FAA adopted a policy that applies to airport sponsors that receive federal grants for airport development from the FAA, including the Airport. The policy specifies that use of airport revenues for: (1) land rental to, or use of land by, the sponsor for non-aeronautical purposes at less than the fair market rate; (2) impact fees assessed by any governmental body that exceed the value of services or facilities provided to the airport; or (3) direct subsidy of air carrier operations, constitutes unlawful revenue diversion, unless that use is "grandfathered" pursuant to a law controlling financing by the airport owner or operator, or a covenant or assurance in a debt obligation issued by the airport owner prior to September 1982.

The City Airports make payments to the City for services provided by the Fire, Police, Finance, City Attorney's Office, Personnel, General Services and Information Technology departments. The FAA has authority to order the City to reimburse to the Airport any improper payments made to the City, and to suspend or terminate pending FAA grants to the Airport and/or any then-existing PFC authorizations as a penalty for any violation of the revenue diversion rules. The U.S. DOT may also withhold non-aviation federal funds that would otherwise be made available to the City as a penalty for violation of the revenue diversion rules. See also "AIRPORT FINANCIAL INFORMATION–Payments to the City."

State Proposition 218. On November 5, 1996, the voters of the State approved Proposition 218, known as the "Right to Vote on Taxes Act." Proposition 218 added Articles XIII C and XIII D to the California Constitution, and contains a variety of interrelated provisions concerning the ability of local governments, including the City, to impose both existing and future taxes, assessments, fees and charges.

Article XIII C removes limitations on the initiative power in matters of local taxes, assessments, fees and charges. Consequently, the voters of the City could, by future initiative, seek to repeal, reduce, or prohibit the future imposition or increase of, any local tax, assessment, fee or charge. "Assessment," "fee," and "charge" are not defined in Article XIII C and it is unclear whether the definitions of such terms contained in Article XIII D (which are generally property-related as described below) are so limited under Article XIII C.

Article XIII D conditions the imposition of a new or increased "fee" or "charge" on either voter approval or the absence of a majority protest, depending upon the nature of the fee or charge. The terms "fee" and "charge" are defined to mean levies (other than ad valorem taxes, special taxes and assessments) imposed by a local government upon a parcel or upon a person as an incident of the ownership or tenancy of real property, including a user fee or charge for a "property-related service." No assurance can be given that the voters of the City will not, in the future, approve initiatives which seek to repeal, reduce, or prohibit the future imposition or increase of, assessments, fees, or charges, including the fees and charges of the Airport, which are the source of Net Revenues pledged to the payment of debt service on the Series 2007 Bonds. The City believes that Article XIII D does not apply to Airport fees and charges imposed by the Airport.

The interpretation and application of the Proposition 218 will ultimately be determined by the courts or through implementing legislation. The City is unable to predict the outcome of any such litigation or legislation.

Sustainability Efforts

The City and the Airport have a long history of making their facilities and operations more sustainable. The Airport has a track record of installing environmental projects, including one of the first airport solar farms in the United States.

In 2009 when then the FAA initiated a pilot program for airport sustainability programming, the Airport became one of the first 10 airports to participate in the program.

Over the years, the Airport has continued its focus and commitment to sustainability with a goal of minimizing the impacts of airport operational activity on the local environment through targeted and meaningful actions that include:

- Upgrading the existing solar farm, installed more than 14 years ago, with the latest technology in solar panels that will produce more energy and function more efficiently providing a 4 MWh offset to annual energy consumption at the Airport.

- Including solar panels in the construction of the multi-level parking garage that opened in November 2021. This installation offset an additional 0.7 MWh of electrical consumption, enough clean energy to power the facility without relying on power from the grid.

- Installing 54 electric vehicle charging stations to provide needed infrastructure for electric vehicles. This move supports both public needs and supplies charging capability for Airport fleet vehicles as the transition is made to cleaner vehicle technology.

- Providing electricity and electrical infrastructure to support conversion of airline owned ground support vehicles (GSE) from diesel to electric. To date over half of the GSEs have been converted to "clean air" electric vehicles.

- LED lighting upgrades throughout the Airport including within the interior and exterior of the terminal facilities, parking facilities, and runway and taxiway lighting systems. The net result is a reduction in power required for these facilities and additional cost savings from reduced maintenance and replacement costs.

- Including solar and LED technologies in the proposed Terminal Expansion Program (see "THE 2023 PROJECT") to reduce the amount of energy consumption needed to support the expansion while supporting the sustainability goals of the Airport.

- Because the Airport is located in a drought hazard area, it is installing low flow water fixtures throughout its facilities and drought tolerant landscaping to reduce dependence on critical water resources.

Sustainability efforts by the Airport continue with additional electrification, solar, and LED projects planned to further reduce the over-all impact of the Airport to the environment and local community. Incorporating sustainability goals into the Airports' practices, policies and programs ultimately supports the Airport's sustainability efforts across its operational and business functions. These efforts will include a partnership with Airport tenants and users of the Airport who participate in the Airport's programs and championing their individual efforts as part of the over-all sustainability program for the Airport and in support of a healthier environment for the Central Valley.

Noise Mitigation

General. The Airport has had an FAA approved Noise Compatibility Program (an "NCP") in place since 1990. The NCP provides for the protection and safe operation of the Airport and improves the quality of life for surrounding inhabitants. The NCP addresses aircraft operations, airport operations, airspace use, land use, and program management.

Noise Abatement Procedures. The NCP focuses on: (i) military hours of operation and power management; (ii) minimizing reverse thrusters for jet aircraft, helicopter routes and training times; (iii) military and civilian flight training; (iv) preferential runway usage, controlled intersection use and engine run-ups; (v) flight paths and arrival altitudes; (vi) updating Specific Plans around the Airport for compatible land use; (vii) providing for school sound proofing studies in noise impacted areas; (viii) purchasing land developed with non-compatible land uses; and (ix) acoustic treatment and execution of avigation (*i.e.* aerial navigation) easements for homes in noise impacted areas.

Residential Sound Insulation Program. As a result of the NCP the Airport established a residential sound insulation program, known locally as the Sound Mitigation Acoustical Remedy Treatment ("SMART") program. This program provides acoustic treatment of homes located within the 65-75 decibel (dB) Community Noise Equivalent Level (the "CNEL") noise contour of the Airport. This is an ongoing program with 1,311 homes and five elementary schools insulated to date. Approximately 1,800 homes remain to be treated. Funding for the SMART program is provided by FAA Airport Improvement Program grants and matched with Airport sources. Beginning in Fiscal Year 2007-08, the

City match component of the SMART program grants has been provided by funds derived from the passage Fresno County Measure C, ½ cent sales tax designated for local transportation projects.

Employee Relations

As of June 30, 2022, there were 127.7 full-time equivalent budgeted employee positions at the Airport. Of these employees, 117.4 are represented by one of seven collective bargaining units. The bargaining unit, the number of employees and contract expiration dates are set forth in Table 15 below. Following expiration of a contract, employment continues under the terms of an existing contract until a new contract is in place.

TABLE 15
FRESNO YOSEMITE INTERNATIONAL AIRPORT
COLLECTIVE BARGAINING UNITS

Bargaining Unit	Employees Represented	Contract Expiration
City of Fresno Management Employees Association/Unit 14	10.0	June 16, 2024
City of Fresno Professional Employees Association/Unit 13	18.0	December 31, 2023
Fresno Airport Public Supervisors/Unit 15	5.0	December 31, 2023
Fresno Airport Public Safety Officers/Unit 11	11.2	December 31, 2022†
Fresno City Employee Association/Unit C3	30.2	June 16, 2024
IBEW, Local Union 100/Unit 107	4.0	June 16, 2024
I.U.O.E. Stationary Engineers, Local 39/Unit 1	33.0	January 1, 2023†
TOTAL	117.4	

† In negotiations.
Source: Airport Management Records.

Airport Security

In the immediate aftermath of September 11, 2001, the FAA mandated stringent new safety and security requirements, which have been implemented by the airlines serving the Airport. In addition, Congress passed the Aviation and Transportation Security Act (the "Aviation Act"), which imposed additional safety and security measures. Certain safety and security functions at the Airport have been assumed by the TSA, established by the Aviation Act. Among other things, the Aviation Act required that (i) as of January 18, 2002, all checked baggage be screened and that by December 31, 2002, explosive detection screening be conducted on all checked baggage; (ii) all individuals, goods, property, vehicles and other equipment entering secured areas of airports be screened; (iii) security screeners be federal employees, United States citizens and satisfy other specified requirements; and (iv) that vehicles be parked at least 300 feet from airport terminals.

The Airport, the TSA and the airlines have satisfied all of these requirements. A portion of the mandated law enforcement costs, in the amount of approximately $200,000 per year, is paid for by the TSA. The Airport's current agreement with the TSA is for the period of performance beginning January 1, 2021 through December 31, 2023 for a total of $459,900.

Hazardous Material Management

The City Fire Department is responsible for on-site environmental compliance at the City Airports and is supported by ERM West, a company providing environmental assessment remediation, compliance and other environmental risk services, to provide rapid cleanup where contamination is unexpectedly encountered. The City Airports contract with a licensed and qualified third party hazardous materials contractors for the disposal of hazardous materials.

Liquidity

Increased revenues and stable expenditures have resulted in an improved cash picture for the Airport. Days-of-cash-on-hand was 584 using the June 30, 2022 balance of $42.2 million in the Surplus Fund and Fiscal Year 2022-23 operating expenses of $26.4 million. The Airport and the City have a policy of seeking to maintain a minimum of 365 days of cash on hand for Airport operations.

CAPITAL PROJECTS AND PLANNING

The City maintains an ongoing process of evaluating the capital requirements necessary to expand Airport facilities to keep pace with increasing airline traffic demand and has developed a Capital Program for the Airport. In the preliminary capital program for Fiscal Year 2023-24 through Fiscal Year 2027-28 (the "Capital Program"), the cost of the Capital Program is estimated to be approximately $291.3 million; Airport management projects that approximately $173.3 million of that amount will be funded with federal grants. The most significant project in the Capital Program is the 2023 Project, which is estimated to cost $147.1 million and expected to be completed in Fiscal Year 2024-25. The Airport is in the process of developing a capital program for Fiscal Year 2023-24 through 2027-28. See APPENDIX A–"REPORT OF THE AIRPORT CONSULTANT–Section 1.2– "THE CAPITAL PROGRAM."

Many of the airfield capital improvements are mandated by the FAA and are generally payable from FAA grants with a 10% share of matching funds from Fresno County Measure C sales tax transportation funds. See "CITY AIRPORTS–Current Airport Facilities–*Passenger Terminal Facilities*" and "–*Gates*."

AIRPORT FINANCIAL INFORMATION

The City does not prepare separate financial statements for the Airport, and financial information relating to the Airport is included with the general purpose financial statements of the City. The financial statements of the City are prepared in conformity with accounting principles generally accepted in the United States as applied to governmental agencies, including those established by the Government Accounting Standards Board ("GASB"), the standard-setting body for establishing governmental accounting and financial reporting principles.

The accounts of the City are organized on the basis of funds. A fund is a separate accounting entity with a self-balancing set of accounts. Each fund was established for the purpose of accounting for specific activities in accordance with applicable regulations, restrictions or limitations.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major individual enterprise funds (including the Airports Fund), are reported as separate columns in the fund financial statements. Enterprise funds, such as the Airports Fund, account for operations that are financed and operated in a manner similar to private business enterprises and for which costs are financed or recovered primarily through user charges. The Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Fund Net Assets and the Statement of Cash Flows for the Airport as of June 30, 2022 are included as APPENDIX B.

The Series 2023 Bonds are limited obligations of the City and are not secured by a pledge of, or charge or lien upon, any property of the City or any of its income or receipts, except the Revenues and certain funds and accounts held pursuant to the Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2023 BONDS."

Set forth in Table 16 below is a summary of the Airport's historical financial performance.

TABLE 16
FRESNO YOSEMITE INTERNATIONAL AIRPORT
HISTORICAL FINANCIAL RESULTS

	Fiscal Year (Ending June 30)				
	2017-18	**2018-19**	**2019-20**	**2020-21**	**2021-22**
Operating Revenues:					
Charges for Services	**$24,035**	**$25,765**	**$24,101**	**$21,807**	**$34,439**
Operating Expenses:					
Cost of Services	$11,705	$13,356	$14,123	$15,287	$14,820
Administration	6,636	7,698	7,786	6,726	7,949
Amortization	–	–	–	–	165
Depreciation	10,431	11,025	10,998	10,845	11,709
Total Operating Expenses	**$28,772**	**$32,079**	**$32,907**	**$32,858**	**$34,643**
Operating Income (Loss)	($4,737)	($6,315)	($8,806)	($11,051)	(204)
Non-Operating Revenues (Expenses):					
Operating Grants	$844	$436	$224	$7,882	$7,959
Interest Income	182	1,986	2,336	544	970
Net Increase (Decrease) in Cash Fair Value	–	–	–	(660)	(3,201)
Interest Expense	(2,510)	(1,416)	(3,025)	(3,542)	(5,114)
Other Financing Sources – Lease	–	–	–	–	(224)
Passenger Facility Charges	3,419	3,887	3,144	2,689	4,234
Customer Facility Charges	2,179	2,360	1,947	1,494	2,211
Gain (Loss) on Sale of Capital Assets	–	30	–	(4,168)	–
Total Non-Operating Revenues (Expenses)	**$4,114**	**$7,283**	**$4,626**	**$4,239**	**$6,835**
Income (Loss) Before Operating Transfers	**($622)**	**$968**	**($4,180)**	**($6,812)**	**6,631**
Capital Contributions	4,413	13,754	9,279	2,540	3,221
Transfers In	–	–	44	46	–
Transfers Out	(209)	(231)	(226)	(231)	(268)
Change in Net Position	**$3,582**	**$14,491**	**$4,917**	**($4,457)**	**$9,584**
Total Net Position (Deficit) at Beginning of Year, as Restated	$171,352	$174,934	$189,425	$194,342	$189,868
Total Net Position (Deficit) at End of Year	**$174,934**	**$189,425**	**$194,342**	**$189,885**	**$199,452**

Source: Airport Management Records.

Revenues

General. The Airport operates as a self-supporting enterprise of the City. Operating revenues for the Airport have been relatively stable over the past four Fiscal Years. Gross operating revenues for the Airport in Fiscal Year 2021-22 were $34.43 million. The Airport has implemented a number of measures to increase revenues, including, but not limited to, renegotiating long-term leases, leasing undeveloped land and revising airport rates and policies.

Impact of COVID-19 Pandemic. The COVID-19 pandemic and the ensuing federal and State travel restrictions, stay-at-home orders and social distancing measures, significantly impacted Airport traffic and revenues. Enplanements for Fiscal Year 2019-20 were 26% of those for Fiscal Year 2018-19. There was a small decline in Revenues over that period. The revenue impacts are reflected in the Table 6–"HISTORICAL DEBT SERVICE COVERAGE."

Aeroméxico SAB, one of Airports' two international carriers, filed for Chapter 11 bankruptcy on June 30, 2020. Aeroméxico continues to operate at Airports, and to offer pre-pandemic frequencies. The Hertz Corporation, one of three rental car companies at Airports, filed for Chapter 11 bankruptcy on May 22, 2020 and emerged from bankruptcy in July 2021. Hertz continues to operate at Airports, and to offer the same, pre-pandemic brands.

On March 16, 2020, Mayor Lee Brand proclaimed a state of emergency for the City, a measure taken in part to gain access to COVID-19 federal and state monies. In May of 2020, the City applied for a grant under the federal Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), which provided for federal reimbursement of certain operating expenses. Revenues for Fiscal Year 2020-21 included $7.7million of CARES Act funds and for Fiscal Year 2021-22 included $8.0 million of CARES Act funds.

APPENDIX A–"REPORT OF THE AIRPORT CONSULTANT," contains a substantial discussion of the impact of COVID-19 on the Airport.

Landing Fees and Terminal Rental Rates. Landing fees and terminal rental rates are reviewed annually and adjusted as necessary. A summary of historical and current landing fees and terminal rental rates for the last five Fiscal Years is set forth in Table 17 below.

TABLE 17
FRESNO YOSEMITE INTERNATIONAL AIRPORT
HISTORICAL AND CURRENT LANDING FEES AND TERMINAL RENTAL RATES
(FISCAL YEARS)

	2018-19	2019-20	2020-21	2021-22	2022-23
Landing Fees (per 1,000 pounds)	$2.54	$2.64	$2.75	$2.86	$2.73
Terminal Rental Rate (per square foot)	$46.51	$48.37	$50.30	$52.32	$74.00

Source: Airport Management Records.

Customer Facility Charge. The CFC Act, which became effective January 1, 2002, authorizes the collection of a $10 per transaction CFC for each on-airport rental car transaction to fund the reasonable costs of financing, designing or constructing consolidated rental car facilities and common use transportation systems. The City began collecting a $10 per transaction CFC on July 1, 2005 to finance the CRCF. CFC revenues are collected by the rental car companies with each rental contract transaction and remitted to the Airport monthly. CFC Revenues have been applied directly to costs of construction and to payment of debt service on the Series 2007 Bonds, which were issued to fund the CRCF.

In January, 2013, the CFC Act was amended to permit cities and airports to change the CFC from $10 per transaction to a maximum of $5 per day, increasing to $7.50 per day effective in 2014 and $9.50 per day effective in 2017. Effective January 2013, the Airport changed the CFC to $4.50 per day, which has increased CFC Revenues.

CFC Revenues comprise a portion of Revenues. However, CFC Revenues are not available to pay debt service on the Series 2023 Bonds, but are pledged to pay debt service on the Series 2007 Bonds and any bonds issued to refund such bonds or to finance improvements to the CRCF.

See TABLE 6–"HISTORICAL DEBT SERVICE COVERAGE" and TABLE 20–"FORECAST OF DEBT SERVICE COVERAGE" which illustrate the application of CFC Revenues.

(Remainder of this Page Intentionally Left Blank)

Terminal Concessions. The City leases terminal space to concessionaires pursuant to concession agreements, which provide for the payment to the City of the greater of a percentage of gross revenue or a minimum annual guarantee (a "MAG"). The concession agreements also contain a re-establishment clause that permits the City to adjust rental rates, within certain parameters, if necessary to satisfy the Rate Covenant.

TABLE 18
FRESNO YOSEMITE INTERNATIONAL AIRPORT
PRINCIPAL CONCESSIONAIRES

Concessionaire	Concession	Contract Expiration	Fiscal Year 2019-20 Concession Revenue†	Fiscal Year 2020-21 Concession Revenue†	Fiscal Year 2021-22 Concession Revenue†
Anton Air Foods dba HMS Host(2)	Food Beverage	1/1/2023*	$273,124	$119,363	$391,868
Clear Channel/Interspace Airport Advertising(3)	Advertising	7/31/2023	234,778	266,473	284,515
Hudson Group(2)	Newsstand and Gifts	1/1/2023*	154,052	150,704	280,123
Avis Rent A Car System, Inc.	Rental Car	8/31/2024	801,122	971,033	1,672,795
Enterprise Holdings Inc.	Rental Car	8/31/2024	1,184,239	1,199,117	1,890,437
The Hertz Corporation	Rental Car	8/31/2024	839,050	625,117	1,328,485
Standard Parking Management, Inc.	Parking	3/31/2024	6,956,474	5,118,185	10,011,612
SUB TOTAL			$10,442,841	$8,449,992	$15,859,834
Other Concessionaires			474,635	665,289	591,411
TOTAL CONCESSION REVENUE			$10,917,475	$9,115,280	$16,451,245
Less: CRRSA & ARPA Concession Relief					(914,778)
Total Concessions Revenue Net of Concession Relief					$15,536,467

† Column does not total due to rounding.
* Contracts that expired on January 1, 2023 entered into holdover status/month-to-month until new concessions agreements are signed by those selected from the concessions RFP.
(1) Agreement Amended to April 30, 2022 in 2012 (Anton Air Foods).
(2) Agreement provides for payment of percentage revenues ranging from 5% to 8% of sales subject to the MAG (Anton Air Foods, Hudson Group).
(3) Agreement provides for payment of the greater of the MAG or between 23% to 36% of gross revenues, depending upon the type of display (Clear Channel/Interspace).
Source: Airport Management Records.

In Fiscal Year 2021-22, revenues from terminal concessions represented approximately 45% of Revenues.

For Fiscal Year 2022-23, the total budgeted concession revenue is $6,322,000, which represents approximately 15% of budgeted revenues.

Principal Revenue Sources

Set forth in the table below is a description of the Airport's principal revenue sources. Ten tenants, accounted for more than 49% of total operating revenue in Fiscal Year 2021-22.

TABLE 19
FRESNO YOSEMITE INTERNATIONAL AIRPORT
PRINCIPAL REVENUE PRODUCERS

Company	Fiscal Year 2020-21 Revenues ($ in thousands)	Fiscal Year 2021-22 Revenues ($ in thousands)	Fiscal Year 2021-22 Percent of Operating Revenue	Fiscal Year 2021-22 Percent of Total Revenue[(1)]
Standard Parking Management Inc.	$5,118,185	$10,011,612	29.07%	20.50%
Enterprise Holdings Inc.	2,058,483	2,111,112	6.13	4.32
American	1,746,440	1,899,591	5.52	3.89
Volaris	1,727,345	1,868,191	5.42	3.82
Avis Rent A Car System, Inc.	1,711,371	1,769,006	5.14	3.62
The Hertz Corporation	1,808,416	1,592,290	4.62	3.26
United Airlines	1,224,801	1,364,519	3.96	2.79
Alaska Airlines	1,147,569	1,246,039	3.62	2.55
Skywest	878,296	878,161	2.55	1.80
AeroMexico	699,713	770,698	2.24	1.58
Subtotal Ten Highest	$18,120,619	$23,511,218	68.27%	48.14%
Other Operating Revenue[(3)]	5,556,173	9,405,839	27.31	19.26
Pension Revenues	(1,869,266)	1,521,705	4.42	3.12
Total Operating Revenue	**$21,807,526**	**$34,438,762**	**100.00%**	**70.51%**
Passenger Facility Charges[(4)]	$2,688,516	$4,234,185		8.67%
Customer Facility Charges	1,493,596	2,210,801		4.53
Operating Grant-COVID 19[(5)]	7,882,376	7,959,030		16.30
Total Other Revenue	**$12,064,488**	**$14,404,016**		**29.49**
Total Airport Revenue	**$33,872,014**	**$48,842,778**		**100.00%**

(1) Numbers do not total due to rounding.
(2) The Aviation Classification Repair Activity Depot (AVCRAD) is operated by the California Army National Guard.
(3) Includes amounts received from the lease of other Airport buildings, grounds and facilities to aviation and non-aviation tenants.
(4) PFC Revenues are available to pay debt service on "eligible airport-related projects" as defined in the PFC Act. PFC Revenues ***are not*** pledged to the repayment of the Series 2023 Bonds. See "–PFC Revenues."
(5) Represents Airports COVID 19 grants under the CARES Act, the Coronavirus Response and Relief Supplemental Appropriations Act, and the American Rescue Plan Act of 2021.

Source: Airport Management Records.

Operating Expenses

Operating expenses at the Airport are accounted for by cost center allocation and include direct and indirect expenses of the Airport System (airfield, terminal, tower, general aviation, corporate aviation, military, non aviation south, non aviation north, airport rescue and fire fighting ("ARFF"), and security) and two indirect cost centers (general administration and general shop). Approximately 80% of expenses are allocable to the terminal, airfield and ARFF cost centers. The terminal, airfield and ARFF cost centers include expenses directly associated with the operation of those areas and any general administration or shop expenses derived from the two indirect cost centers.

Operating expenses have been increasing approximately 4% per year over the past five Fiscal Years. In Fiscal Year 2021-22 operating expenses for the Airport were approximately $34.6 million, a 5.4% increase compared to Fiscal Year 2020-21.

Operating expenses for the Airport for Fiscal Year 2022-23 are projected to be $26.3 million a 17.5% increase compared to Fiscal Year 2021-22. Factors behind this increase include filling of vacant positions during the year, personnel cost-of-living adjustments, and higher utility and administrative expenses.

Payments to the City

Payments for Services. The Airport makes payments to the City for the cost of certain direct services provided by the City, including those provided by the Police Department, the Fire Department, the City Attorney, the Personnel Department, and other city departments. In Fiscal Year 2021-22 the aggregate amount of those payments was $3.7 million, and is expected to be $3.9 million in Fiscal Year 2022-23.

Airport labor costs include funding of health and retirement benefits for employees who participate in the Fresno City Employees Health and Welfare Trust Fund, the City of Fresno Fire and Police Retirement System and the City of Fresno Employees Retirement System.

Compensated Absences. Vacation pay, which may be accumulated on average up to 600 hours depending on an employee's bargaining unit and length of service, is payable upon termination. Sick leave, which may be accumulated up to 12 hours per month, has no maximum. Several bargaining units have payoff provisions at retirement based on formulas specific to the groups. The majority of employees however, do not have sick leave payoff provisions in their bargaining unit's contract. Annual leave, which may be accumulated up to 800 – 1,000 hours (depending upon the employee bargaining unit), is payable upon termination or retirement. Commencing July 1, 2006, the ceiling was increased from 1,000 to 1,200 hours. Holiday leave may be accumulated indefinitely depending upon the bargaining units and is payable for active employees as well as at termination or retirement. Annual leave allows for the cashing out of the greater of 48 hours or 10% of the accumulated balance once each Fiscal Year. Supplemental sick leave is awarded to unrepresented management, middle management, professionals and to white collar employees at the rate of 40 hours at the beginning of each Fiscal Year. The balance can only be used after other leave balances are exhausted, or for other specific reasons outlined in the various memoranda of understanding or Salary Resolutions. The balance is payable at termination or retirement or may be placed in a Health Reimbursement Arrangement.

Since Fiscal Year 2011-12, members of certain bargaining units are permitted to transfer some or all of their sick leave and supplemental sick leave balances to a Health Reimbursement Arrangement. The cash value of these balances is placed into a separate account (by employee), administered by HealthComp, earns interest, and is used to pay health premiums for the employee, spouses and dependents until the individual balance therein is exhausted.

The portion of the City's obligation relating to employees' rights to receive compensation for future absences, that is attributable to services already rendered, is accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements. In Fiscal Year 2021-22, payments for compensated absences on termination were budgeted and paid from the department incurring the liability.

Accrued Employee Leave balances for the Airport as of June 30, 2022 was $1,776,601, of which $354,285 is the current portion. For the Fiscal Year ending June 30, 2023 Accrued Employee Leave balances for the Airport are budgeted at $1,962,901.

City Health and Welfare Trust Self Insurance Program. The City created the Fresno City Employees Health and Welfare Trusts (the "Trusts") in 1972 to provide healthcare to eligible City employees not represented by Stationary Engineers Local ad retired employee who elect to be covered or are covered by the Trusts.

City Retirement Systems. The City sponsors two single-employer contributory defined benefit plans for its employees, pursuant to Article XI of the City's Charter. A two-tiered system covers all full-time fire fighters, police officers, and Airport safety (the "Fire and Police Retirement System"), with Tier 1 covering fire fighters, police officers, and Airport safety personnel hired between October 27, 1927 and August 26, 1990; and Tier 2 covering fire fighters, police officers, and Airport safety personnel hired after August 27, 1990. A separate system covers all other permanent full-time employees (the "Employees Retirement System," and together with the Fire and Police Retirement System, the "Systems"). The following is a summary of information relating to the Systems. For a more detailed discussion see Appendix B–"CITY OF FRESNO ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2022–Note 11-Employee Benefit Programs–Retirement Plans."

Description. The Systems are single-employer defined benefit pension plans administered by the City of Fresno Fire and Police Retirement Board with respect to the Fire and Police Retirement System and the City of Fresno Employees Retirement Board with respect to the Employees Retirement System (collectively, the "Retirement Boards"). The Systems provide retirement, disability and death benefits to their respective plan members and beneficiaries. The Retirement Boards each consist of five members, selected as follows: two members elected by and from City employees affected, two members from management appointed by the Mayor with approval of the City Council, and the fifth member (not connected with its government) chosen by the previously designated four members.

As of June 30, 2022, there were seven Airport employees in the Fire and Police Retirement System and 83 Airport employees in the Employees Retirement System. As of June 30, 2022, the total membership in the Fire and Police Retirement System was 2,348 (comprised of 1,136 active members, 1,154 retirees and beneficiaries receiving benefits, and 58 inactive vested members) and the total membership in the Employees Retirement System was 4,804 (comprised of 2,435 active members, 2,167 retirees and beneficiaries receiving benefits, and 202 inactive vested members). For Fiscal Year 2022-23, 18.45 Airport employees in the Fire and Police Retirement System and 115.2 Airport employees in the Employees Retirement System are budgeted.

Defined benefit retirement plans have the potential of developing unfunded liabilities. New unfunded liabilities may arise if, among other things, the investments in the Systems' funds under-realize their assumed rates of return, if the City adopts retroactive benefit increases or the City's compensation rates exceed actuarial projections.

The Systems use the accrual basis of accounting. Investment income is recognized when it is earned and expenses are recognized when they are incurred. Contributions are recognized when due. Benefits and refunds are recognized when due and payable under the terms of the Systems pursuant to the City Municipal Code.

Basis of Accounting. Securities lending transactions by the Systems are accounted for in accordance with GASB Statement No. 28, Accounting and Financial Reporting for Securities Lending Transactions ("GASB 28"), which establishes reporting standards for securities lending transactions. In accordance with GASB No. 28, cash received as collateral on securities lending transactions and investments made with that cash are reported as assets and liabilities resulting from these transactions and are both reported in the Statement of Plan Net Assets. In addition, the costs of securities lending transactions are reported as an expense in the Statement of Changes in Plan Net Assets.

Contributions. The contribution requirement for members of the Systems and the City is established by the City Municipal Code and is administered by the Retirement Boards. The contribution rates, which are based upon calculations of the independent actuary of the Systems and adopted by the respective Retirement Boards, are presented as a percentage of the annual covered salary/payroll. Employer contributions consist of two components Normal Cost (*i.e.* the annual contribution rate that, if paid annually from a member's first year of membership through the year of retirement, would accumulate to the amount necessary to fully fund the member's retirement-related benefits) and contributions to the unfunded actuarial accrued liability (the "UAAL") (*i.e.* the annual contribution rate that, if paid over the UAAL amortization period, would accumulate to the amount necessary to fully fund the UAAL).

The annual required contribution for the Systems for Fiscal Year 2020-21 was determined as part of the June 30, 2021 actuarial valuation using the entry age actuarial cost method for the Fire and Police System and the projected unit credit actuarial cost method for the Employees System. The actuarial assumptions for the Fire and Police Retirement System included an 7.00% investment rate of return; projected annual salary increases at 4.00% to 12.75%, varying by service; an inflation rate of 2.75%. The actuarial assumptions for the Employees Retirement System included an 8.00% investment rate of return; projected annual salary increases at 3.75% to 11.25% varying by service; and an inflation rate of 2.75%. For Fiscal Year 2022-22, the contribution rate for the Fire and Police System Tier I was 28.76%, for the Fire and Police System Tier II was 25.27% and for the Employees System was 13.33%. For Fiscal Year 2022-23, the contribution rate for the Fire and Police System Tier I is 29.55%, for the Fire and Police System Tier II is 25.79%, and for the Employees System is 13.03%.

The Systems do not have a UAAL as of June 30, 2022. As of June 30, 2022, the Fire and Police Retirement System was 120.5% funded and the Employees Retirement System was 113.7% funded.

Each System issues publicly available financial reports that include financial statements and required supplementary information for the related System. Copies of the reports may be obtained by writing the City of Fresno Employees Retirement Office, 2828 Fresno Street, Suite 201, Fresno, California 93721.

Other Post-Employment Benefit Plans

Plan Description. The City Retirees Healthcare Plan is a single-employer defined benefit medical plan administered by HealthComp and funded through the Trusts. It is reported as an Internal Service Fund of the City and provides Other Post-Employment Benefits ("OPEB") to eligible retirees and his/her dependents, spouse or domestic partner. The City does not accumulate assets in a dedicated trust, or equivalent arrangement, for the purpose of funding its retirement healthcare obligation. Therefore, the actuarial value of the plan assets are zero. The trust does not issue separate publicly available financial statements. For additional information regarding OPEB, see Appendix B–"CITY OF FRESNO ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2022–Note 11-Employee Benefit Programs–Other Post-Employment Benefits."

Contributions. The City provides post-employment healthcare benefits for certain eligible retirees. OPEB includes the authorization for retirees to purchase health insurance through the plan at current employee rates. The establishment and amendment of benefit provisions are negotiated between the employee bargaining units and the City, and are recommended by the City Manager subject to the approval of the Mayor and the City Council. While participant retirees pay 100% of their premium costs, they are allowed to purchase insurance at blended premium rates. Thus, the City's contribution is deemed to be that portion of retiree claims costs over premiums required to be contributed by retirees. Currently, the City does not pre-fund retiree health benefits and instead provides for benefits on a pay-as-you-go basis.

Employees Covered. As of July 1, 2021, there were a total of 3,542 participants covered by the OPEB plan, of which, 234 were Inactive employees or beneficiaries currently receiving benefit payments and 3.308 were Active employees. Of the total number of participants 103 or approximately 2.91% are Airport employees.

Net OPEB Liability. The City's net OPEB liability of $99.8 million was measured as of June 30, 2021, and was determined by an actuarial valuation as of that date to determine the June 30, 2022 total OPEB liability.

For actuarial assumptions and other inputs for the OPEB plan see Appendix B–"CITY OF FRESNO ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2022–Note 11-Employee Benefit Programs–Other Post-Employment Benefits–Actuarial Assumptions and Other Inputs."

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate. The July 1, 2021 valuation was prepared using a discount rate of 3.54%. If the discount rate were 1% higher than what was used in this valuation, the Net OPEB Liability would decrease to $87.8 million or by (12.02%). If the discount rate were 1% lower than was used in this valuation, the Net OPEB Liability would increase to $114.4 million, or by 14.70%.

	1% Decrease 2.54%	**Current Discount Rate 3.54%**	**1% Increase 4.54%**
Net OPEB Liability (in thousands)	$114,428	$99,761	$87,774

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates. The July 1, 2021 valuation was prepared using an initial trend rate of 0.0%. If the trend rate were 1% higher than what was used in this valuation, the Net OPEB Liability would increase to $118.6 million or by (18.93%). If the trend rate were 1% lower than was used in this valuation, the Net OPEB Liability would decrease to $84.9 million or by 14.94%.

	1% Decrease -1%	**Current Healthcare Cost Trend Rates 0.00%**	**1% Increase 1%**
Net OPEB Liability (in thousands)	$84,858	$99,761	$118,649

Changes in the Net OPEB Liability. The changes in the Net OPEB Liability for the City OPEB Plan are as follows:

	Net OPEB Liability Increase / (Decrease) (in thousands)
Net OPEB Liability as of June 30, 2021	$152,604
Changes for the Year:	
Service Cost	6,604
Interest	3,221
Assumption Changes	(40,728)
Benefit Payments	(2,912)
Net Changes	(52,843)
Net OPEB Liability as of June 30, 2022	$99,761

Post Retirement Supplemental Benefit Program. The Post-Retirement Supplemental Benefit Program (the "PRSB") was created effective January 1, 1999 to provide assistance to eligible retirees to pay for various post-retirement expenses which in most cases consists of premiums for health insurance or medications. Each Retirement Board annually reviews its actuarial valuation report and declares an actuarial surplus, if available, in accordance with the procedures set forth in the City Municipal Code. The PRSB is distributed to eligible retirees if and only if a distributable actuarial surplus is available or if a balance exists in the PRSB reserve to provide for the payment of the post-retirement expenses.

If an actuarial surplus is declared in either of the systems, the surplus is allocated to the respective system into two components: the first component is composed of two-thirds of the declared surplus which is used to reduce or eliminate the City's pension contributions, with any unused portion deposited in the City Surplus Reserve for offset of required City contributions in subsequent years. The second component, representing the remaining one-third of the declared surplus, is distributed among eligible post-retirement supplemental benefit recipients in accordance with procedures set forth in the City Municipal Code, with any unused portion deposited in the PRSB Reserve and available for use in subsequent years if needed.

Deferred Compensation Plan. The City offers its employees, including Airport employees, a deferred compensation plan (the "Deferred Compensation Plan") administered by a Deferred Compensation Board in accordance with Internal Revenue Code Section 457. The Deferred Benefit Plan, which is available to all permanent full-time and part-time employees and Council Members, permits deferral of a portion of the employee's salary into a tax-deferred program. The Deferred Compensation Plan is not available to employees or other beneficiaries for withdrawal until termination, retirement, death, unforeseeable emergency or Loan Program. Upon separation from employment with the City, an individual may roll over their deferred account into another IRS allowable plan, or upon receipt, the distribution will become taxable.

The Deferred Compensation Board contracted with Fidelity Management Trust Company ("Fidelity") to serve as the trustee and plan administrator. The Administration Systems assist Fidelity in the administration of the Deferred Compensation Plan. Additionally, City staff in the Payroll section of the Finance Department, the City Attorney's Office, and Information Services Division all assist in the administration of the Deferred Compensation Plan. The City has no fiduciary accountability for the Deferred Compensation Plan. Accordingly, the assets and related liabilities to plan participants in the Deferred Compensation Plan are not included in the basic financial statements of the City.

Health Benefit Plan. The City offers its employees, including Airport employees, participation in the Fresno City Employees Health and Welfare Trust Plan (the "Trust"). The Trust offers a self-insured medical plan for full-time and permanent part-time employees and their dependents. The Trust also provides dental, vision, pharmacy and chiropractic coverage. Employees have the opportunity, on an annual basis, to elect either (i) a higher benefit level Preferred Provider Organization Plan (PPO) which has a $200 individual annual deductible and a $600 family maximum annual deductible, with the plan paying 80% of covered charges and the employee responsible for the remaining 20% of covered charges, or (ii) a reduced benefit level PPO which has a $1,300 individual annual deductible. Employees electing the lower benefit level pay nothing for their coverage. Employees electing the higher benefit level pay a percentage of the monthly premium through payroll deductions, with the percentage of the premium the employee is required to pay negotiated by each bargaining unit.

Environmental Contamination

In 1989, contamination (primarily TCE, a common solvent) was discovered and identified in soils and groundwater beneath property currently part of Airport property. The site known as Old Hammer Field, an Army military base during the 1940's was the subject of investigation and cleanup efforts which had previously been jointly funded by the Boeing Company, the U.S. Army Corps of Engineers, and the City. The area had been used for the repair, overhaul, maintenance, refurbishing and construction of aircraft during and after World War II. The City had limited fiscal liability for cleanup efforts. The California Department of Toxic Substances Control (the "DTSC") was the lead regulatory agency overseeing the site cleanup.

After years of legal negotiations, a settlement agreement between the U.S. Army Corps of Engineers, the Boeing Company, and the City was reached. The settlement called for the Airports Department to be responsible, going forward, for 10% of the cleanup costs. The settlement also called for the U.S. Army Corps of Engineers and Boeing to make a joint one-time payment of $1,350,000 for past costs. This payment was made in Fiscal Year 2010-11.

The Court approved the settlement agreement which included one-time payment noted above, covenants not to sue and an operating agreement for purposes of coordinating further efforts to implement the State-Approved Remedial Action Plan to obtain Site Closure. All parties agreed to bear their own costs and expenses, including attorney's fees in the case.

The liability for future cleanup costs on the Old Hammer Field site is presented in the Fiscal Year 2021-22 financial statements in the amount of $405,932. Total costs have been estimated to range between $10 and $20 million, with the City's share of cleanup costs to be 10%. The cleanup time frame has also been estimated and is expected to continue for 20 to 40 years. Cleanup costs totaled $45,187 in Fiscal Year 2021-22.

The City will re-evaluate this accrual annually and make adjustments as necessary.

There can be no guarantee that certain factors, including actual total cleanup costs and the City's share thereof, would not result in a higher annual cost or require a substantial payment at any one time from Airport funds. However, Airport staff believes that payments from Airport funds for the cleanup will not have a material impact on Airport Revenues or operations.

Investment of the Airport Funds

The Indenture provides that the Revenue Fund and the accounts and funds established therein, are held by the City. Amounts in the Revenue Fund are accounted for separately from all other funds of the City. The Indenture further provides that moneys in all funds and accounts (including Revenues) established under the Indenture which are held by the City may be invested in Investment Securities in accordance with the policies and procedures of the Treasurer in effect from time to time. For definitions of "Revenues" and "Investment Securities" under the Indenture, see APPENDIX D–"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE–Certain Definitions." For a summary of the Investment Policy of the City, see APPENDIX C–"CITY INVESTMENT POLICY."

Payments due from the Revenue Fund are made from the City's larger pooled investment fund, which serves as a disbursement account for expenditures from the City's various segregated and pooled funds, including those of the Airport held in the Airport Enterprise Funds. The objectives of the City's current investment policy, in order of priority, are preservation of capital, maintenance of liquidity and yield. Investments generally are made so that securities can be held to maturity.

The Indenture requires that amounts on deposit in the Revenue Fund be transferred monthly in order of priority set forth therein. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2023 BONDS–Table 5–Flow of Funds Chart."

Risk Management and Insurance

Under the Indenture and provided such insurance is obtainable at reasonable rates and upon reasonable terms and conditions, the City is required to procure and maintain at all times while any of Bonds are outstanding, insurance on the Airport against such risks as are usually insurable in connection with other major airports and to file with the Trustee each year a certificate describing all insurance coverage then in effect, including any self-insurance fund. Such insurance is required to be adequate in amount as to the risks insured against, and shall be maintained with reasonable insurers, the Indenture also requires the City to procure and maintain so long as Bonds are outstanding; public liability insurance, with combined limits of not less than $60,000,000 per occurrence to protect the City from claims for bodily injury or death which may arise from the operations of the Airport, which insurance may be combined in one or more policies with one or more insurers and may include hangar keepers' legal liability and excess insurance with such limits of liability as may be determined by the City; and adequate fidelity insurance or bonds on all officers and employees handling or responsible for funding of the Airport.

Although insurance coverage for war, terrorism and hijacking is available for commercial insurers, since September 11, 2001, the scope of coverage for such insurance is limited and the premiums prohibitive. Due to these factors, the City, in consultation with the City's Risk Manager, has elected not to secure such coverage.

The City may provide in satisfaction of, or in connection with, any insurance required to be maintained under the Indenture a self-insurance deductible or a self-insurance method or plan of protection so long as such plan is (i) a funded program and actuarially sound and (ii) reviewed for adequacy no less often than every two years by an independent insurance consultant nationally recognized as qualified to survey risks and determine the adequacy of self-insurance reserves for self-insurance programs.

Management Discussion and Analysis

Between Fiscal Year 2019-20 and Fiscal Year 2021-22, the Airport's financial situation has improved substantially. Revenues increased by approximately 42.9% while Operating Expenses increased by approximately 5.4%, leading to a 201.86% increase in Net Revenues in this period. The increase in Revenues from Fiscal Year 2019-20 ($24.1 million) through Fiscal Year 2021-22 ($34.4 million) resulted from an increase in passenger traffic to levels that exceeded those prior to the pandemic.

Enplanements increased 46.75% over this three-year period to 1,104,975 which is 174,540 enplanements greater than the Fiscal Year 2018-19 record level of 930,435. The increase in enplanements was driven by population growth in the Airport's service area and by airline service additions.

At the same time, non-airline revenues have increased. Key non-airline revenue sources include: parking revenues (which are almost 29% of Revenues), rental car revenues, including rental car facility concession fees, service facility rental and terminal counter rental; fixed-base operator revenues including rental and fuel flowage charges, rental revenues from a joint cargo facility owned by UPS and Federal Express and a Delta Connection/United Express maintenance facility and enhanced terminal concession revenues. Airport management continues to look for ways to diversify the revenue stream.

From Fiscal Year 2019-20 to Fiscal Year 2021-22, expenditures rose 7.99%. Airport management continues to look for ways to control operational costs while still meeting customer service needs.

The increased revenues and expenditures have resulted in an improved cash picture for the Airport. Days-of-cash-on-hand as of June 30, 2022 was 584 using the Fiscal Year 2022-23 operating expenses of $26.4 million. In addition to the cash improvement due to operations, increases in both Passenger Facility Charges and Consolidated Facility Charges (which can be used for repayment of the Series 2023 Bonds and Series 2013 Bonds, respectively) Bonds provided substantially increased cash flow to the Airport during this period.

The City's accounting methodology does not readily permit the generation of partial year financial statements in the same format as the City's full year audited financial statements. As a result no "stub-period" financial information for Fiscal Year 2022-23 is presented in this Official Statement. Airport management does, however, expect such financial statements, when available, to reflect continued financial improvement at the Airport.

REPORT OF THE AIRPORT CONSULTANT

General

The Report of Unison Consulting, Inc. the Airport Consultant, dated May 1, 2023 is included in its entirety as APPENDIX A and sets forth historical and forecasted Net Revenues of the Airport and Net Revenues for the five Fiscal Years ending June 30, 2022. Historical information was provided by Airport Management. The forecasts included in the analysis are based on assumptions concerning future events and circumstances. These assumptions were provided by, or reviewed with and agreed to by, Airport management and the forecasts reflect Airport management's expected course of action during the forecast period. In the opinion of the Airport Consultant, such assumptions provide a reasonable basis for the forecasts.

Forecast of Debt Service Coverage

The following table sets forth a summary of the forecast of Net Revenues in the Report of the Airport Consultant attached hereto as APPENDIX A and the calculation of debt service coverage on the Bonds (including the Series 2023 Bonds) based on such Net Revenues for Fiscal Years 2022-23 through 2027-28.

TABLE 20
FORECAST OF DEBT SERVICE COVERAGE
(FISCAL YEAR ENDED JUNE 30)
($ IN THOUSANDS)

	2022-23	**2023-24**	**2024-25**	**2025-26**	**2026-27**	**2027-28**
Revenues	$42,420	$45,481	$43,391	$47,794	$51,769	$53,438
Less Operating Expenses	(26,371)	(29,156)	(30,613)	(33,185)	(35,938)	(37,735)
Net Revenues	$16,049	$16,326	$12,778	$14,609	$15,831	$15,703
Other Available Funds(1)	426	437	447	458	470	482
Total Available	$16,475	$16,762	$13,225	$15,066	$16,300	$16,184
Net Debt Service						
Series 2007 Bonds	$1,705	$1,746	$1,789	$1,831	$1,879	$1,926
Series 2013 Bonds(2)	2,802	–	–	–	–	–
Series 2019 Bonds	1,957	1,954	1,952	1,949	1,946	1,943
Series 2023 Bonds(3)	–	438	2,309	2,516	7,550	7,554
Subtotal	6,463	4,138	6,050	6,296	11,375	11,423
PFC Contribution(4)	(1,600)	(1,600)	(1,600)	(3,965)	(5,370)	(5,369)
Adjusted Debt Service	$4,863	$2,538	$4,450	$2,331	$6,005	$6,054
Indenture Based Debt Service Coverage	**3.39**	**6.60**	**2.97**	**6.46**	**2.71**	**2.67**

(1) Other Available Funds equal 25% of debt service on the Series 2007 Bonds.
(2) Represents debt service of the Series 2013 Bonds following issuance of the Series 2023 Bonds. See "PLAN OF FINANCE–Plan of Refunding."
(3) Represents debt service of the Series 2023 Bonds, net of capitalized interest on the Series 2023A Bonds through and including December 31, 2025. See "THE 2023 PROJECT."
(4) There is no assurance that the actual amounts will not vary from the amounts shown. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS–Parity Debt."

Source: Unison Consulting, Inc. See APPENDIX A–"REPORT OF THE AIRPORT CONSULTANT."

INVESTOR CONSIDERATIONS

This section provides a general overview of certain investor considerations, including risk factors, which should be considered, in addition to the other matters set forth in this Official Statement, in evaluating an investment in the Series 2023 Bonds. This section is not meant to be a comprehensive or definitive discussion of the risks associated with an investment in the Series 2023 Bonds, and the order in which this information is presented does not necessarily reflect the relative importance of various risks. Potential investors in the Series 2023 Bonds are advised to consider the following factors, among others, and to review this entire Official Statement to obtain information essential to the making of an informed investment decision. Any one or more of the risk factors discussed below, among others, could lead to a decrease in the market value and/or in the marketability of the Series 2023 Bonds. There can be no assurance that other risk factors not discussed herein will not become material in the future.

The COVID-19 Pandemic and Other Public Health Concerns

Due to the discretionary nature of business and personal travel spending, air transportation demand and, by extension, the Airport's revenues, are heavily influenced by numerous economic factors as well as health and security concerns. For example, the current COVID-19 pandemic and the economic impacts thereof have had a significant and adverse impact on the demand for air travel and the airline industry. The COVID-19 pandemic has resulted in substantial financial challenges for airlines serving the Airport, including substantial financial losses and announcements warning of layoffs or reduction in workforce. While the Airport has in the past seen passenger traffic return after or grow through airline bankruptcies and consolidations and other events affecting the airline industry, the COVID-19 pandemic is an unprecedented event and its near-term and long-term effects on the airline industry cannot be predicted with any certainty, including the prospect of prolonged downsizing of aircraft fleets and associated levels of capacity. Other structural changes to the industry also result from the impact of airline consolidations, optimization of route structures, low cost carriers, internet travel web sites and carriers reorganizing under the U.S. Bankruptcy Code. See "– Effect of Airline Bankruptcies," below.

The COVID-19 pandemic has had and likely will continue to have substantial adverse effects on passenger traffic and Airport operations and financial performance. The dynamic nature of the COVID-19 pandemic and the prospect of future disease outbreaks or other widespread health concerns leads to many uncertainties, so the Airport cannot predict: (i) the scope, duration or extent of the current COVID-19 pandemic, or another outbreak or pandemic, (ii) any additional or future restrictions or warnings related to air travel, gatherings or any other activities, or the duration or extent to which airlines will reduce services at the Airport, or whether airlines will cease operations at the Airport or shut down, in response to such restrictions or warnings; (iii) what additional short or long-term effects the restrictions and warnings imposed as a result of the COVID-19 pandemic or future health concerns may have on air travel (including to and from the Airport), the retail and services provided by Airport concessionaires, Airport costs or Airport revenues; (iv) to what extent the COVID-19 pandemic or a future outbreak or pandemic may disrupt the local, State, national or global economy, manufacturing or supply chain, and if any such disruption may adversely impact Airport-related construction, the cost, sources of funds, schedule or implementation of the Airport's CIP (including the Project), or other Airport operations; (v) the extent to which the COVID-19 pandemic or a future outbreak or pandemic, or the resultant disruption to the local, State, national or global economy, may result in changes in demand for air travel, or have an impact on the airlines or concessionaires serving the Airport, or the airline and travel industry, generally; (vi) whether or to what extent the Airport may amend, adjust, or make other changes to the Airport's arrangements with its tenants and concessionaires; (vii) whether any of the foregoing will have a material adverse effect on the finances and operations of the Airport; or (viii) the extent or duration of telecommuting and the possibility of increased utilization of video conferencing by businesses and others after the COVID-19 pandemic which may reduce demand for business travel.

The City cannot predict the extent and duration of changes in air traffic volume as a result of the COVID-19 pandemic and its associated economic impacts. It is possible that air travel behavior and patterns may be permanently altered after the COVID-19 pandemic has ended as a result of residents' and businesses' telecommuting experiences during the outbreak. In particular, such experiences may result in a permanent decline in business travel, the extent of which is currently unknown.

Prospective investors should assume that the restrictions and limitations related to COVID-19, and the current upheaval to the air travel industry and the national and global economies, will continue at least over the near term and may be repeated in the future and that recovery may be prolonged, adversely impacting Airport revenues. Future outbreaks, pandemics or other events outside the City's control may further reduce demand for travel, which in turn could cause a decrease in passenger activity at the Airport and declines in revenues.

For a more detailed discussion of the impact of the COVID-19 pandemic on the Airport, see "AIRPORT FINANCIAL INFORMATION–Revenues–*Impact of COVID-19 Pandemic*" and APPENDIX A–"REPORT OF THE AIRPORT CONSULTANT – Section 2.1 – COVID 19 Pandemic" for more information on the impact of the COVID-19 pandemic on the Airport's operations and finances.

General Factors Affecting Air Transportation Demand

The Airport's ability to collect Net Revenues depends significantly on the level of aviation activity and enplaned passenger traffic at the Airport. There are numerous factors which affect air traffic generally and air traffic at the Airport more specifically. Demand for air travel is influenced by factors such as (i) the growth of or decline in the population and economy of the Airport's service area, (ii) national, regional and international economic conditions, (iii) national and international political conditions, including the imposition of regulations and tariffs, acts of war, terrorism or sabotage, and unpredictable events; (iv) the price of airfare, (v) the level of competition from surrounding airports, (vi) availability of airline service and route networks to the Airport, (vii) the occurrence of accidents involving commercial passenger aircraft, (viii) currency exchange rates, (ix) the occurrence of natural and man-made disasters, (x) the availability of business travel substitutes including video conferencing and streaming technology, and (xi) public health concerns including the occurrence of pandemics such as the COVID-19 pandemic.

With the globalization of business and the increased importance of international trade and tourism, the U.S. economy has become more closely tied to worldwide economic, political, and social conditions. As a result, international economics, trade balances, currency exchange rates, political relationships, and hostilities all influence passenger traffic at U.S. airports. Recessions in the U.S. economy in 2001 and 2008-2009 and the COVID-19 pandemic in 2020-2021 have been accompanied by high unemployment and reduced discretionary income, contributing to reduced airline travel demand. Sustained future increases in passenger traffic at the Airport will depend on stable international conditions, recovery from the COVID-19 pandemic, and national and global economic growth. No assurance can be given with respect to the levels of aviation activity that will be achieved at the Airport in future Fiscal Years.

General Factors Affecting the Airline Industry

Future traffic at the Airport is sensitive to all the factors listed above in "–General Factors Affecting Air Transportation Demand" above. In addition, it is sensitive to factors particularly affecting the airline industry. The airline industry is highly cyclical and is characterized by intense competition, high operating and capital costs, and varying demand. Passenger and cargo volumes are very sensitive to general and localized economic trends, and passenger traffic varies substantially with seasonal travel patterns. The profitability of the airline industry can fluctuate dramatically from quarter to quarter and from year to year, even in the absence of catastrophic events.

Some of the factors that may materially affect the airline industry, and by extension, the Airport include (i) the availability and price of aviation fuel and other necessary supplies, (ii) the costs of maintaining and upgrading aging aircraft fleets, (iii) the capacity of the national air transportation system and limits to airport infrastructure, (iv) price competition, especially competitive pricing facilitated by mergers, consolidations, affiliations, or discharge of obligations through bankruptcy, (v) the cost and availability of financing and the level of access to liquidity and the capital markets, (vi) the cost of keeping pace technological changes, (vii) the cost and availability of employees, (viii) labor relations within the airline industry, (ix) pilot and other labor shortages, and (x) the costs of regulatory compliance.

As a result of these and other factors, many airlines have in the past operated at a loss, filed for bankruptcy, restructured their businesses, reduced costs, laid off workers, renegotiated labor agreements, reduced or consolidated routes, ceased operations and/or merged with other airlines. Airline consolidation, capacity discipline, economic conditions, and relatively stable fuel prices had in recent years contributed to success and record profitability of the airlines from 2010 through 2019. However, those profits were substantially impacted by the effects of the COVID-19 pandemic on global travel demand. The City cannot currently predict whether recovery from the COVID-19 pandemic will be accompanied by renewed disruptions in the airline industry, including further airline consolidation and effects on service patterns. Any such actions, among others, could have a material impact on the Airport's ability to collect revenues in amounts sufficient to pay debt service on the Series 2023 Bonds.

Risks Related to PFC Revenues

PFC Revenues are dependent upon the number of enplaned passengers using the Airport. In addition, the City's ability to recognize PFC Revenues that are sufficient to pay debt service on the Bonds used to finance PFC-approved Project Costs and to satisfy the City's other obligations under the Indenture will require (a) that the air carriers collecting the PFC remit the net proceeds thereof to the City in accordance with the PFC Regulations, and (b) that the City's ability to impose and collect the PFC not be terminated by the FAA prior to the payment, or provision for the payment, of all Bonds used to finance PFC-approved Project Costs.

No assurance can be given that the PFC Regulations will not be modified or restricted by the FAA or the U.S. Congress so as to reduce the amount of PFC Revenues available to the City.

Bankruptcy of Airlines Operating at the Airport or Other Airport Tenants

Airlines operating at the Airport and other Airport tenants have filed for bankruptcy relief in the past and may do so in the future. For example, The Hertz Corporation and Aeromexico have filed for bankruptcy in recent years. If a bankruptcy case is filed with respect to an airline or other tenant, any lease to which the debtor airline or other tenant is a party will be treated as an executory contract or unexpired lease pursuant to Section 365 of the United States Bankruptcy Code, as amended (the "Bankruptcy Code"). Under Section 365, a trustee in bankruptcy or the airline or other tenant, as debtor-in-possession, might reject the applicable Airline Agreement or lease, in which case, among other things, the rights of that airline or other tenant to continued possession of the facilities subject to the lease (including, in the case of airlines, gates and boarding areas) would terminate. Such facilities could ultimately be leased by the Airport to other users. In the case of airline facilities, the Airport's ability to lease such facilities to other airlines may depend on the state of the airline industry in general, on the nature and extent of the increased capacity at the Airport, if any, resulting from the airline's bankruptcy, and on the need for such facilities by other airlines. In the case of other facilities, the Commission's ability to lease such facilities to other users may also depend on the state of the airline industry or the travel industry in general, on the nature and extent of the increased capacity at the Airport, if any, resulting from the tenant's bankruptcy, and on the need for such facilities by other users. The rejection of a lease in connection with the bankruptcy of an airline or other tenant may result in the loss of revenues to the Airport and a resulting increase in the costs, including the cost per enplaned passenger for other airlines at the Airport. In addition, in any bankruptcy, the Airport may be required to repay rentals and fees, including landing fees and terminal rentals, and other amounts paid by the tenant to the Airport during the 90-day period prior to the date of the bankruptcy filing. Such payments are considered "preferential" and are avoidable in a bankruptcy case pursuant to Section 547 of the Bankruptcy Code. The Airport would, however, likely have defenses to claims brought under Section 547 of the Bankruptcy Code, including that the subject payments were made in the ordinary course of business or that the Airport provided subsequent new value to the tenant.

Also, under the Bankruptcy Code, any rejection of a lease could result in the Airport holding a claim for rents and other items that would have accrued in the future, which claim would have the same rank as that of claims held by general unsecured creditors of the airline or other tenant, in addition to pre-bankruptcy amounts owed.

Federal Funding; Impact of Federal Sequestration

On October 3, 2018, Congress passed a five-year reauthorization bill for the FAA, known as the "FAA Reauthorization Act of 2018," which was signed into law on October 5, 2018 by the President. The FAA Reauthorization Act of 2018, among other things, authorizes the FAA's programs for five federal fiscal years, and increases funding for the Airport Improvement Program ("AIP"). The AIP provides federal capital grants to support airport infrastructure, including entitlement grants (determined by formulas based on passenger, cargo, and general aviation activity levels) and discretionary grants (allocated on the basis of specific set asides and the national priority ranking system). Between 2007 and the prior reauthorization bill in 2012, there were 23 short-term extensions of the FAA's authority and a two-week partial shutdown of the FAA in summer 2011. Congress is working on a reauthorization bill for the FAA to be considered in 2023. There can be no assurance that Congress will enact, and the President will sign, future FAA reauthorization acts or provide for additional extensions before the current authorization expires. Failure to adopt such legislation may have a material adverse impact on the AIP grant program and the Airport. In addition, the AIP could be affected by the automatic across-the-board spending cuts known as sequestration, described in more detail below. The City is unable to predict the level of available AIP funding it may receive. If there is a reduction in the amount of AIP grants awarded to the Airport, such reduction could (i) increase by a corresponding amount the capital expenditures that the Airport would need to fund from other sources (including operating revenues, additional Bonds, or others), (ii) result in adjustments to the Airport's capital improvement plan, or (iii) extend the timing for completion of certain projects.

Federal funding received by the City and aviation operations at the Airport could be adversely affected by any future implementation of sequestration, a budgetary feature first introduced in the Budget Control Act of 2011. Sequestration could adversely affect FAA and TSA budgets and operations, and the availability of certain federal grant funds typically received annually by the City. This may cause the FAA or TSA to implement furloughs of its employees and hiring freezes and may result in flight delays and cancellations.

Growth of Low-Cost Carriers

A low-cost carrier or ultra-low-cost carrier (each an "LCC" or "ULCC") is an airline that generally has lower fares for customers, and which is able to take advantage of an operating cost structure that is significantly lower than the cost structures of the network carriers. These lower costs can include lower labor costs, a streamlined aircraft fleet and more efficient operations. Because of these lower cost structures, LCCs/ULCCs can conceivably remain profitable while offering lower fares to the traveling public.

Over the last decade, as larger U.S. carriers consolidated and became more focused on capacity discipline, the ticket prices for their flights began to increase. LCCs/ULCCs emerged in markets where passenger levels were significant enough that the LCCs/ULCCs could overcome any barrier to entry. The low-cost structure of the LCCs/ULCCs stimulated traffic and budget conscious travelers to emerge as an underserved segment of the traveling public. Allegiant Air, having enplaned the largest share of passengers at the Airport in each fiscal year 2018 through 2021, is generally considered an ultra-low-cost-carrier.

There can be no assurance that the LCCs/ULCCs will continue to maintain such levels in the future. The continued presence of the LCCs/ULCCs serving at the Airport, and the levels at which such airlines might provide service at the Airport, are a function of a variety of factors, including airline fares and competition; airline industry economics, including labor costs and the price of aviation fuel; capacity of the Airport and competition from other airports; and the strength of the origin and destination market at the Airport. Most of these factors are beyond the control of the City. Accordingly, no assurance can be given as to the levels of aviation activity that the LCCs/ULCCs will provide at the Airport.

See "CITY AIRPORTS–Aircraft Operations–*Low Cost Carriers*" above for a discussion of the LCCs/ULCCs, including Allegiant Air, operating at the Airport.

Cost of Aviation Fuel

Airline profitability is significantly affected by the price of aviation fuel. Fuel is the largest single cost component for most airline operations, and therefore an important and uncertain determinant of an air carrier's operating economics. Any increase in fuel prices causes an increase in airline operating costs. Fuel prices continue to be susceptible to, among other factors, political unrest in various parts of the world, Organization of Petroleum Exporting Countries' policy, increased demand for fuel caused by rapid growth of economies such as China and India, the levels of fuel inventory maintained by certain industries, the amounts of reserves maintained by governments, currency fluctuations, disruptions to production and refining facilities, disruptions in delivery systems such as pipelines, and weather. The cost of aviation fuel has fluctuated in the past in response to changes in demand for and supply of oil worldwide. Significant fluctuations and prolonged increases in the cost of aviation fuel historically have had an adverse impact on air transportation industry profitability, causing airlines to reduce capacity, fleet and personnel as well as to increase airfares and institute fuel, checked baggage and other extra surcharges, all of which may decrease demand for air travel.

New and Increased Regulations Addressing Aircraft Emissions

Climate change concerns are leading to new laws and regulations at the federal and State levels that could have a material adverse effect on airlines operating at the Airport and could also affect ground operations at airports. Initial indications are that aviation emissions equal approximately 10% of all greenhouse gas ("GHG") emissions from the transportation sector and approximately 3% of total GHG emissions in the United States.

The U.S. Environmental Protection Agency (the "EPA") has taken steps towards the regulation of greenhouse gas ("GHG") emissions under existing federal law. Implementing its authority under the Clean Air Act, the EPA set National Ambient Air Quality Standards ("NAAQS") for criteria pollutants such as carbon monoxide (CO), particulate matter (PM10 and PM2.5), nitrogen dioxide (NO2), sulfur dioxide (SO2), and ozone (O3). These pollutants, except ozone, are emitted from the combustion of fuel.

In 2016, under section 231 of the Clean Air Act, in "*Finding That Greenhouse Gas Emissions From Aircraft Cause or Contribute to Air Pollution That May Reasonably Be Anticipated to Endanger Public Health and Welfare*" (the "2016 Findings") the EPA found that: (i) concentrations of six well mixed GHG emissions emitted by certain classes of airplane engines — carbon monoxide (CO), methane, nitrous oxide (N2O), hydrofluorocarbons, perfluorocarbons, and sulfur hexafluoride — cause global warming, and that global warming endangers the public health and welfare of current and future generations; and (ii) GHGs emitted from certain classes of engines used in certain aircraft are contributing to that endangering air pollution. Airplane engines emit only two of the six well-mixed GHGs, CO2 and N2O. The EPA also found that GHGs are a pollutant and that GHG emissions from motor vehicles cause or contribute to air pollution. This finding requires that the EPA regulate emissions of certain GHGs from motor vehicles. The Clean Air Act regulates aircraft emissions under provisions that are parallel to the requirements for motor vehicle emissions.

In August 2020 the EPA proposed GHG emission standards for aircraft emissions, and on January 11, 2021, the EPA adopted final GHG emission standards applicable to certain classes of engines used by certain civil subsonic jet airplanes with a maximum takeoff mass greater than 5,700 kilograms and by certain civil larger subsonic propeller driven airplanes with turboprop engines having a maximum takeoff mass greater than 8,618 kilograms became effective. The adopted standards are equivalent to the airplane carbon dioxide (CO2) standards adopted by the International Civil Aviation Organization (ICAO) in 2017 and apply to both new type design airplanes and in-production airplanes. These standards reflect the efforts by the United States to secure the highest practicable degree of international uniformity in aviation regulations and standards, and also satisfy the obligation of the EPA under section 231 of the Clean Air Act to adopt GHG standards for certain classes of airplanes as a result of the 2016 Findings.

On November 9, 2021, the Federal Aviation Administration FAA published the "*United States Aviation Climate Action Plan*" (the "2021 Aviation Plan") describing a whole-of-government approach to put the sector on a path toward achieving net-zero emissions by 2050. The 2021 Aviation Plan builds on individual and sector-wide commitments announced by the U.S. aviation industry, and highlights specific actions and policy measures to foster innovation and drive change across the entire U.S. aviation sector.

On January 12, 2021, several environmental groups filed a lawsuit contending that the 2021 Aviation Plan doesn't actually reduce GHG emissions due to the incorporation of outdated ineffective standards. In response, on November 15, 2021, the EPA filed a motion to govern litigation with respect to the commercial aircraft GHG emission standards adopted earlier that year.

The EPA has stated that it recognizes that it has Clean Air Act authority independent of the standards negotiated at ICAO to set emissions standards for commercial aircraft, and that it would be evaluating what opportunities for greater regulatory ambition exist through the commonsense exercise of its Clean Air Act authority.

Climate change concerns are shaping laws and regulations at the federal and state levels that could have a material adverse effect on the operations of the City and on the airlines operating at the Airport. The City can provide no assurance as to the likelihood or potential impact of any such future proposed or enacted regulations.

Aviation Security Concerns

Concerns about the safety of airline travel and the effectiveness of security precautions, particularly in the context of international hostilities and the potential for terrorist acts may influence passenger travel behavior and air travel demand. Travel behavior may be affected by anxieties about the safety of flying and by the inconveniences and delays associated with more stringent security screening procedures, both of which may give rise to the avoidance of air travel generally and the switching from air to surface travel. With enactment of the Aviation and Transportation Security Act ("ATSA") in November 2001, the TSA was created and established different and improved security processes and procedures at United States airports. ATSA mandates certain individual, cargo and baggage screening requirements, security awareness programs for airport personnel and deployment of explosive detection devices. ATSA also permits the deployment of air marshals on all flights and requires air marshals on all "high-risk" flights. The federal government controls aviation industry security requirements, which can significantly impact the economics of the industry. Additional security requirements due to unexpected events could increase costs directly and indirectly to the industry and could have an adverse effect on passenger demand.

Natural Disasters

Earthquake. There are several active geological faults in the State that have potential to cause serious earthquakes that could result in damage within the City and to the Airport, buildings, roads, bridges, and other property.

While the City is not located in any existing Alquist-Priolo special study zone delineated by the State Division of Mines and Geology as an area of known active faults, it is possible that new geological faults could be discovered in the area and that an earthquake occurring on such faults could result in damage of varying degrees of seriousness to property and infrastructure in the City, including the Facilities.

Any natural disaster or other physical calamity, including earthquake, may have the effect of damaging the Airport and/or adversely impacting the economy of the City and the surrounding area.

Flooding. In 2004 the U.S. Army Corps of Engineers (the "Corps of Engineers") released and the Federal Emergency Management Agency, which administers the federal government's flood insurance programs, approved a revised floodplain map indicating that while portions of the County are located within a 100-year floodplain (an area expected to be inundated during a flood event of the magnitude for which there is a 1% (or 1-in-100) probability of occurrence in any year), the City is not. The floodplain maps are updated periodically and while the City is not currently located within a floodplain, the City can make no representation that future maps will not be revised to include the City within an area deemed subject to flooding.

Wildfires. The State continues to battle devastating wildfires annually. According to recent research, California's annual wildfire extent increased fivefold since the 1970's. This trend is likely to continue, resulting in significant economic and public safety challenges for the State, the City, and the County.

Climate change concerns are leading to new laws and regulations at the federal, State and local levels. Research suggests that the State will experience hotter and drier conditions, reductions in winter snow and increases in winter rains, sea level rise, significant changes to the water cycle, increased occurrences of extreme and unpredictable weather events, and increased catastrophic wildfires and severity of flood events. The compound impacts may affect economic systems throughout the State, including the City. The City is unable to predict the impact that such laws and regulations, if adopted, and the effects of climate change will have on the Airport.

Drought. From 2012 through 2016, the State experienced "exceptional drought conditions" (the most severe drought classification) according to the U.S. Drought Monitor. Other notable historical droughts included 2007-09, 1987-92, 1976-77, and off-and-on dry conditions spanning more than a decade in the 1920s and 1930s.

Droughts cause public health and safety impacts, as well as economic and environmental impacts. Public health and safety impacts are primarily associated with catastrophic wildfire risks and drinking water shortage risks for small water systems in rural areas and private residential wells. Examples of other impacts include costs to homeowners due to loss of residential landscaping, degradation of urban environments due to loss of landscaping, agricultural land fallowing and associated job loss, degradation of fishery habitat, and tree mortality with damage to forest ecosystems.

In order to mitigate the effects of a future drought, in 2018 the City completed construction of a surface water treatment facility (the "SWTF") in the southeast area of the City. The SWTF purifies water that is obtained though the City's rights to water from the San Joaquin and Kings rivers. In a "normal" hydrological year, these rights give the City access to enough water to meet all of its residents' water needs. The use of the SWTF to meet the daily and annual water needs of the City results in little (if any) water being pumped out of the ground, thereby recharging the underground aquifer that exists in the San Joaquin Valley. That aquifer is then used to meet water needs during a drought situation.

It is not possible for the City to make any representation regarding the extent to which drought conditions could cause reduced economic activity within the City or the Airport service area.

Climate Change

General. The adoption by the State of the California Global Warming Solutions Act of 2006 (Assembly Bill No. 32) and subsequent companion bills demonstrate the commitment by the State to take action and reduce greenhouse gases ("GHG") to 1990 levels by 2020 and 80% below 1990 levels by 2050. The State Attorney General's Office, in accordance with the terms of Senate Bill No. 375, now requires that local governments examine local policies and large-scale planning efforts to determine how to reduce GHG emissions. Additionally, in 2006, the State adopted Senate Bill No. 32, which established a revised Statewide GHG emission reduction target of 40% below 1990 levels by 2030.

The State's 100 Percent Clean Energy Act of 2018 ("Senate Bill No. 100"), establishes targets for making the State's power sources emissions free by December 31, 2045. Achieving that goal will require the State to increase its renewable energy portfolio as a source of electricity and will require utility companies, including those companies from whom the City may purchase energy, to source energy from renewable zero-carbon resources.

City Climate Change Policy. In December 2014 the City Council adopted a Greenhouse Gas Reduction Plan (the "2014 Plan") as a part of its General Plan and Master Environmental Impact Report (the "MEIR"). The 2014 Plan was considered a "Qualified Plan," under CEQA guidelines for the development of GHG reduction plans. The 2014 Plan established a target of reducing per capita GHG emission by 21.7% below business-as-usual (BAU) levels by 2020. It also included GHG reduction measures designed to achieve the reduction target; suggested a monitoring program designed to monitor progress by annually documenting the 19 key indicators and Citywide vehicle miles traveled ("VMT") every three years; discussed "interim" targets for years 2035 and 2050, pursuant to Executive Order

S-03-053 and the Fresno Green Sustainability Strategy that contained a commitment to meet the Assembly Bill No 32 goals.

In March 2020, the 2014 Plan was updated (the "2020 Plan") to re-evaluate the City's existing GHG reduction targets and strategies, provide new goals and supporting measures to reflect and ensure compliance with changes in local and State policies, and encourage economic growth to keep the City economically competitive while achieving GHG reductions and maintaining the "Qualified Plan" status under CEQA.

Construction and Completion Risk

Completion of the 2023 Project may be delayed by a number of factors or costs could increase significantly due to, among other factors, litigation, the need to obtain approvals, permit delays by contractors, labor and material shortages, labor disputes, weather, unforeseen engineering, environmental or geological problems or other events. The City /has entered into a fixed price design build contract with respect to the 2023 Project. See also "THE 2023 PROJECT." A delay in the completion of the 2023 Project is not expected to have a material adverse effect on Net Revenues or the ability of the City to pay principal of or interest on the Series 2023 Bonds.

Cybersecurity

City. During Fiscal Year 2019-20, the City suffered two phishing incidents resulting in the transfer of a total of approximately $613,000 to fraudulent bank accounts. The payments were made in accordance with proper City disbursement policies and procedures and the fraud was reported to law enforcement. Once the fraud was identified, no further payments were made to the fraudulent accounts. As a result, the City revamped its electronic payment procedures and training of accounts payable staff on those new procedures and updated its information technology infrastructure. Although additional attempts have been made, there have been no further instances of phishing payments made by the City to fraudulent bank accounts.

Airport. The Airport and airlines rely on electronic systems and technologies to conduct operations. Computer networks and data transmission and collection are vital to the safe and efficient operations of the Airport, the airlines that serve the Airport and other tenants of the Airport. Despite security measures, information technology and infrastructure of the Airport, any of the airlines serving the Airport or any other tenants at the Airport may be vulnerable to attacks by outside or internal hackers, or breached by employee error, negligence or malfeasance. Any such breach or attack could compromise systems and the information stored thereon. Any such disruption or other loss of information could result in a disruption in the efficiency of the operation of the Airport and/or the airlines serving the Airport and the services provided at the Airport, thereby adversely affecting the ability of the Airport to generate revenue. The Airport maintains a security posture designed to deter cyber-attacks, has engaged consultants to assist in its cybersecurity, and is committed to deterring attacks on its electronic systems and responding to such attacks to minimize their impact on operations. However, no assurances can be given that the Airport's security measures will prevent cyber-attacks, and no assurances can be given that any cyber-attacks, if successful, will not have a material adverse effect on the operations or financial condition of the Airport.

Risks Associated with Bond Insurance on the Series 2023 Bonds

In the event of default of the payment of principal or interest with respect to either series of the Series 2023 Bonds when all or some becomes due, any owner of a series of Series 2023 Bonds shall have a claim under the applicable Policy for such payments. See "BOND INSURANCE" and APPENDIX H–"SPECIMEN MUNICIPAL BOND INSURANCE POLICY." However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of a series of Series 2023 Bonds by the City which is recovered by the City from the bond owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by the Bond Insurer at such time and in such amounts as would have been due absence such prepayment by the City unless the Bond Insurer chooses to pay such amounts at an earlier date.

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of the Bond Insurer without appropriate consent. The Bond Insurer may direct and must consent to any remedies and the consent of the Bond Insurer may be required in connection with amendments to any applicable bond documents.

In the event the Bond Insurer is unable to make payment of principal and interest as such payments become due under the applicable Policy, the related Series 2023 Bonds are payable solely from the moneys received pursuant to the applicable bond documents. In the event the Bond Insurer becomes obligated to make payments with respect to a series of Series 2023 Bonds, no assurance is given that such event will not adversely affect the market price of such series of Series 2023 Bonds or the marketability (liquidity) for such Series 2023 Bonds.

The long-term insured rating on the Series 2023 Bonds is dependent in part on the financial strength of the Bond Insurer and its claim paying ability. The financial strength and claims paying ability of the Bond Insurer are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Bond Insurer and of the ratings on the Series 2023 Bonds insured by the Bond Insurer will not be subject to downgrade and such event could adversely affect the market price of the Series 2023 Bonds or the marketability (liquidity) for the Series 2023 Bonds. See "RATINGS."

The obligations of the Bond Insurer are contractual obligations and in an event of default by the Bond Insurer, the remedies available may be limited by applicable bankruptcy law or state law related to insolvency of insurance companies.

None of the City, the Airport, or the Underwriter has made independent investigation into the claims paying ability of the Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Bond Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the City to pay principal and interest on the Series 2023 Bonds and the claims paying ability of the Bond Insurer, particularly over the life of the investment. See "BOND INSURANCE" for further information provided by the Bond Insurer and APPENDIX H–"SPECIMEN MUNICIPAL BOND INSURANCE POLICY" for the Policy, which includes further instructions for obtaining current financial information concerning the Bond Insurer.

Uncertainties of Projections, Forecasts and Assumptions

Projected compliance with certain of the covenants contained in the Indenture is also based upon assumptions and projections. Projections and assumptions are inherently subject to significant uncertainties. Inevitably, some assumptions will not be realized and unanticipated events and circumstances may occur and actual results are likely to differ, perhaps materially, from those projected. Accordingly, the projections contained in the Report of the Airport Consultant are not necessarily indicative of future performance, and neither the City nor the Airport Consultant assumes any responsibility for the accuracy of such projections.

Future Legislation and Regulation

The Airport is subject to various laws, rules and regulations adopted by the local, State and federal governments and their agencies. The Airport is highly regulated by federal agencies including the FAA, the Transportation Security Administration ("TSA"), Customs and Border Protection ("CBP") and the U.S. Department of Health and Human Services. In the past, actions, rules and policies by these agencies (in particular the FAA, the TSA and CBP) have required the Airport to undertake additional capital and equipment expenditures, have affected passenger traffic, or both. The COVID-19 pandemic may lead to additional rules and regulations. The Commission is unable to predict the adoption or amendment of additional laws, rules or regulations, or their effect on the operations or financial condition of the Airport.

Determination of Taxability

The interest rates on the Series 2023 Bonds are not subject to adjustment in the event of a determination by the Internal Revenue Service or a court of competent jurisdiction that the interest paid or to be paid on any Series 2023 Bond is or was includible in the gross income of the owner of a Series 2023 Bond for federal income tax purposes. It may be that Bondowners would continue to hold their Series 2023 Bonds, receiving principal and interest as and when due, but would be required to include such interest payments in gross income for federal income tax purposes.

Income Taxation Risk Upon Defeasance of the Series 2023 Bonds

In the event the Airport were to defease all or a portion of the Series 2023 Bonds, for federal income tax purposes, the Series 2023 Bonds that are the subject of such a defeasance may be deemed to be retired and "reissued" as a result of the defeasance. In such an event, a bondholder who owns such a Series 2023 Bond may recognize a gain or loss on the Series 2023 Bond at the time of defeasance. Holders who own Series 2023 Bonds should consult their own tax advisors regarding the tax consequences of a defeasance of the Series 2023 Bonds. See "TAX MATTERS."

ABSENCE OF MATERIAL LITIGATION

General

There is no action, suit or proceeding pending concerning the validity of the Indenture or the Series 2023 Bonds or the issuance and delivery thereof, the existence of the City, the title of the officers thereof who shall execute the Series 2023 Bonds to their respective offices, or the pledge of Revenues to the payment of the Series 2023 Bonds.

Other Matters

In the regular course of its business, the City is a party to a variety of pending and threatened lawsuits and administrative proceedings with respect to the Airport's operations and other matters, in addition to those specifically discussed herein. The City does not believe that any such lawsuits or proceedings will have a material adverse effect on the business operations or financial condition of the Airport.

RATINGS

S&P Global Ratings, a division of Standard & Poor's Financial Services LLC ("S&P"), has assigned an underlying rating of "A (stable outlook)" to the Series 2023 Bonds and Kroll Bond Rating Agency, LLC has assigned an underlying rating of "A+ (stable outlook)" to the Series 2023 Bonds. The Series 2023 Bonds have received a rating of "AA" by S&P (stable outlook) with the understanding that upon delivery of the Series 2023 Bonds the Policies will be delivered by the Bond Insurer. See "BOND INSURANCE" and APPENDIX H–"SPECIMEN MUNICIPAL BOND INSURANCE POLICY."

A rating reflects only the view of the agency giving such rating and is not a recommendation to buy, sell or hold the Series 2023 Bonds. An explanation of the significance of each rating may be obtained from the rating agencies at their respective addresses, as follows: S&P Global Ratings, 55 Water Street, New York, New York 10041 and Kroll Bond Rating Agency, LLC, 805 Third Avenue, 29th Floor, New York, New York 10022. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that a rating will apply for any given period of time, or that the rating will not be revised downward or withdrawn if, in the judgment of the agency providing such rating, circumstances so warrant. The City undertakes no responsibility to oppose any such revision or withdrawal. A downward revision or withdrawal of a rating may have an adverse effect on the marketability or market price of the Series 2023 Bonds.

UNDERWRITING

Pursuant to the terms of a bond purchase agreement dated May 11, 2023 (the "Purchase Agreement"), between the City and Raymond James & Associates, Inc. (the "Underwriter"), the Underwriter will purchase all of the Series 2023 Bonds, if any are purchased, however, the obligation of the Underwriter to make such purchase is subject to certain terms and conditions set forth in the Purchase Agreement. The Underwriter will purchase the Series 2023A Bonds at a price of $90,975,630.76 representing the principal amount of the Series 2023A Bonds, plus net original issue premium in the amount of $5,307,020.05, and less an Underwriter's discount in the amount of $361,389.29.

The Underwriter will purchase the Series 2023B Bonds at a price of $5,499,885.00 representing the principal amount of the Series 2023B Bonds, plus original issue premium in the amount of $459,073.55, and less an Underwriter's discount in the amount of $14,188.55.

The public offering prices of the Series 2023 Bonds may be changed from time to time by the Underwriter. The Underwriter may offer and sell Series 2023 Bonds to certain dealers and others at a price lower than the offering price stated on the inside cover page hereof.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the City ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2023 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"), except that no opinion is expressed as to the status of interest on any Series 2023A Bond for any period that such Series 2023A Bond is held by a "substantial user" of the facilities financed or refinanced by the Series 2023A Bonds or by a "related person" within the meaning of Section 147(a) of the Code. In the further opinion of Bond Counsel, interest on the Series 2023B Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel observes that interest on the Series 2023A Bonds is a specific preference item for purposes of the federal individual alternative minimum tax, and that, for tax years beginning after December 31, 2022, interest on the Series 2023 Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Bond Counsel is also of the opinion that interest on the Series 2023 Bonds is exempt from State of California personal income taxes. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on the Series 2023 Bonds. A complete copy of the proposed form of opinion of Bond Counsel is set forth in APPENDIX G hereto.

To the extent the issue price of any maturity of the Series 2023 Bonds is less than the amount to be paid at maturity of such Series 2023 Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Series 2023 Bonds which is excluded from gross income for federal income tax purposes and exempt from State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Series 2023 Bonds is the first price at which a substantial amount of such maturity of the Series 2023 Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Series 2023 Bonds accrues daily over the term to maturity of such Series 2023 Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Series 2023 Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Series 2023 Bonds. Beneficial Owners of the Series 2023 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series 2023 Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Series 2023 Bonds in the original offering to the public at the first price at which a substantial amount of such Series 2023 Bonds is sold to the public.

Series 2023 Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 2023 Bonds. The City has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Series 2023 Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Series 2023 Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2023 Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Series 2023 Bonds may adversely affect the value of, or the tax status of interest on, the Series 2023 Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Series 2023 Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Series 2023 Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series 2023 Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Series 2023 Bonds. Prospective purchasers of the Series 2023 Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Series 2023 Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the City, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The City has covenanted, however, to comply with the requirements of the Code.

Unless separately engaged, Bond Counsel is not obligated to defend the City or the Beneficial Owners regarding the tax-exempt status of the Series 2023 Bonds in the event of an audit examination by the IRS. Under current procedures, Beneficial Owners would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the City legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2023 Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Series 2023 Bonds, and may cause the City or the Beneficial Owners to incur significant expense.

Payments on the Series 2023 Bonds generally will be subject to U.S. information reporting and possibly to "backup withholding." Under Section 3406 of the Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate Beneficial Owner of Series 2023 Bonds may be subject to backup withholding with respect to "reportable payments," which include interest paid on the Bonds and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the Series 2023 Bonds. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number ("TIN") to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a "notified payee underreporting" described in Section 3406(c) of the Code or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against a Beneficial Owner's federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain Beneficial Owners (including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. The failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.

APPROVAL OF LEGAL PROCEEDINGS

Certain legal matters incident to the authorization, issuance and sale of the Series 2023 Bonds are subject to the approval of Orrick, Herrington & Sutcliffe LLP, San Francisco, California, Bond Counsel to the City. Certain legal matters will be passed upon for the City by the City Attorney and by ArentFox Schiff LLP, San Francisco, California, Disclosure Counsel; and certain legal matters will be passed upon for the Underwriter by Quint & Thimmig, Larkspur, California, Underwriter's Counsel. Bond Counsel assumes no responsibility for the fairness, accuracy or completeness of this Official Statement. Bond Counsel expects to deliver an opinion at the time of issuance of the Series 2023 Bonds substantially in the form set forth in APPENDIX G.

PROFESSIONALS INVOLVED IN THE OFFERING

The City has retained KNN Public Finance, LLC, Berkeley, California, to serve as Municipal Advisor with respect to the Series 2023 Bonds. Orrick, Herrington & Sutcliffe LLP is serving as Bond Counsel to the City, ArentFox Schiff LLP, San Francisco, California is serving as Disclosure Counsel to the City, and Quint & Thimmig, Larkspur, California is serving as Underwriter's Counsel.

The Municipal Advisor, Bond Counsel, Disclosure Counsel, and Underwriter's Counsel will each receive compensation with respect to the Series 2023 Bonds which is contingent upon the sale and delivery of the Series 2023 Bonds.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Upon delivery of the Series 2023 Bonds, Causey Demgen & Moore P.C., Denver, Colorado (the "Verification Agent"), will deliver a report stating that it has reviewed and confirmed the mathematical accuracy of certain computations relating to the adequacy of the securities and funds to be held pursuant to the Escrow Agreement and the interest thereon, if any, to pay, when due, the redemption price and interest on the Refunded Bonds on the redemption date thereof.

FINANCIAL STATEMENTS

The City does not prepare separate financial statements for the Airport. Financial information relating to the Airport is included in the fund financial statements of the Annual Comprehensive Financial Reports of the City. The City of Fresno Annual Comprehensive Financial Report for the Fiscal Year ended June 30, 2022, is included as APPENDIX B attached hereto. In accordance with State statutes and Section 804(c) of the City Charter, the Annual Comprehensive Financial Report of the City has been audited.

The auditor has not been engaged to perform and has not performed any procedures on the financial statements contained in APPENDIX B since the date thereof, nor has the auditor performed any procedures relating to this Official Statement.

CONTINUING DISCLOSURE

The City has covenanted to provide certain financial information and operating data relating to the Series 2023 Bonds by not later than March 31, of each year following the end of the City's Fiscal Year (which currently would be June 30) commencing with the report due March 31, 2024 (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report and notices of material events will be filed by means of the Electronic Municipal Market Access (EMMA) site maintained by the Municipal Securities Rulemaking Board. The specific nature of the information to be contained in the Annual Report or the notices of material events is contained within APPENDIX E–"FORM OF CONTINUING DISCLOSURE CERTIFICATE."

The 2018 Successor Agency to the Redevelopment Agency Audited Financial Statements were not posted to EMMA timely and a Failure to File Notice was not posted. In addition, the City's 2018 Audited Financial Statements were not posted to CUSIP 358184BH1 for the outstanding Fresno Joint Powers Financing Authority Lease Revenue Bonds, Series of 1998 (Exhibit Hall Expansion Project). It was posted on January 8, 2020 and it was due March 27, 2019 (287 days late).

In connection with the City of Fresno Airport Revenue Bonds, Taxable Series 2007 and the Fresno Joint Powers Financing Authority Lease Revenue Bonds, Series, 2004C, the City failed to timely file on EMMA a notice of rating increase due to a change of bond insurer as of December 30, 2020 as required by the applicable Continuing Disclosure Certificates. The City disclosed this failure in an EMMA filing posted on March 31, 2021. The notice of the rating change was posted on March 30, 2021 (90 days late).

In connection with the Fresno Joint Powers Financing Authority Lease Revenue Bonds (Multi-Purpose Stadium), Series 2001A and Series 2001B (Federally Taxable), for which Wells Fargo Bank, N.A. served as the trustee, the City filed a notice of change of trustee on November 17, 2021 (two days after the 10-day grace period for such filing) with respect to the sale by Wells Fargo to Computershare Delaware Trust Company, N.A., effective November 1, 2021, of substantially all of its corporate trust business, which included such bond issues.

Otherwise, during the five-year period preceding the date of this Official Statement, the City did not fail to comply in any material respect with any previous undertakings under its applicable continuing disclosure undertakings to provide annual disclosure reports or notices of material events.

MISCELLANEOUS

This Official Statement has been duly authorized, executed and delivered by the City.

The summaries and descriptions of provisions of the Indenture, the Continuing Disclosure Certificate, the purchase contract pursuant to which the Underwriter is purchasing the Series 2023 Bonds, and all references to other materials not purporting to be quoted in full are qualified in their entirety by reference to the complete provisions of the documents and other materials summarized or described. Copies of such documents may be obtained from the Trustee or, during the offering period, from the Underwriter. The Appendices are integral parts of this Official Statement and must be read together with all other parts of this Official Statement.

So far as any statements made in this Official Statement involve matters of opinion, forecasts or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact.

CITY OF FRESNO

By: /s/ Georgeanne A. White
City Manager

APPENDIX A

REPORT OF THE AIRPORT CONSULTANT

[THIS PAGE INTENTIONALLY LEFT BLANK]

FRESNO YOSEMITE INTERNATIONAL AIRPORT

FINANCIAL FEASIBILITY REPORT

May 1, 2023

UNISON CONSULTING

Table of Contents

List of Tables

List of Figures

SECTION 1 | INTRODUCTION

This Report considers the financial feasibility of the proposed issuance of the City of Fresno (the City) Airport Revenue Bonds, Series 2023A (the Series 2023A Bonds) and Airport Revenue Refunding Bonds, Series 2023B (the Series 2023B Bonds, and together with the Series 2023A Bonds, the Series 2023 Bonds).

The Series 2023A Bonds are being issued to: (i) finance a portion of the costs of constructing certain improvements to the terminal building at the Fresno Yosemite International Airport (the Airport or FAT); (ii) provide funds to refund and redeem $13,290,000 of outstanding principal amount of the Series 2013B Bonds; (iii) capitalize interest on the Series 2023A Bonds through January 1, 2026; (iv) make a deposit to the 2023 Debt Service Reserve Fund; and (v) pay certain costs associated with the issuance of the Series 2023A Bonds. The Series 2023B Bonds are being issued to: (i) provide funds to refund and redeem $6,805,000 outstanding principal amount of the Series 2013A Bonds; (ii) make a deposit to the 2023 Debt Service Reserve Fund; and (iii) pay certain costs associated with the issuance of the Series 2023B Bonds.

Although this Report assumes that the Series 2013A and Series 2013B Bonds will be refunded, in order to be conservative, no refunding savings are reflected in the analysis in this Report. As a result of the assumed refunding, the Minimum PFC Contribution will be zero for future years, but the City expects to apply more Passenger Facility Charge (PFC) revenues for debt service, as further explained in Section 4.

The City owns the Airport and Fresno-Chandler Executive Airport (FCH)—FAT and FCH together (the City Airports)—and operates the City Airports through the Airports Department (the Department), with Fiscal Years (FYs) ending June 30. The proposed Series 2023 Bonds are limited obligations of the City payable from Revenues of the City Airports and certain fund balances.

This Report is organized into the following sections:

- Section 1 includes a description of the City Airports, the capital program, and the related funding plan.
- Section 2 includes a discussion of the air service area and the local economic base.
- Section 3 provides the historical aviation activity at the Airport and presents forecasts of future aviation activity.
- Section 4 provides the framework for the financial operations of the Department, including the Indenture of Trust between the City and the Trustee dated as of June 15, 2000, as amended and supplemented (the Indenture), the Airport Use and Lease Agreements (the AULAs), and other contractual arrangements. This section also includes the recent historical financial performance of the Department and a discussion of the Department's ability to generate sufficient Net Revenues in each Fiscal Year of the forecast period to meet the obligations of the Indenture.

Capitalized terms not otherwise defined in the Report shall have the same meanings provided in the Indenture or the AULA.

1.1 | The City Airports

The City is located approximately 162 miles southeast of San Francisco and 206 miles northwest of Los Angeles, and is the largest city in the Central Valley of California. The Department operates the City Airports as an enterprise fund of the City.

- The Airport is located approximately 7.5 miles northeast of the downtown area of the City and is classified by the Federal Aviation Administration (FAA) as a small-hub airport in calendar year 2021, ranked the 92nd largest in the United States with 960,594 enplaned passengers.
- FCH is a general aviation airport located approximately 1.5 miles southwest of the downtown area of the City and nine miles southwest of the Airport.

The Airport encompasses approximately 1,699 acres of land and has two parallel runways with a centerline separation distance of 700 feet. Runway 11L-29R is the primary runway with 9,539 feet long and 150 feet wide. Runway 11R-29L is 8,008 feet long and is more frequently used for general aviation operations.

The Airport is generally bounded by Dakota Avenue to the north, Clovis Avenue to the east, McKinley Avenue to the South, and Chestnut Avenue to the west. The terminal building can be accessed via a dedicated roadway connecting to Clinton Way, which connects to McKinley Avenue to the south. The terminal building was last remodeled in 2010, and contains 164,367 square feet of building space, consisting of the following areas:

- A baggage claim area at the northwest with two baggage carousels and rental car ticket counters
- A central lobby area in the middle with several food and beverage concessions and a conference room
- A ticketing lobby at the southeast with 32 common use ticket counters, and airline office and baggage makeup space behind the ticket counter
- A passenger security area connecting to the central lobby for passenger and baggage screening
- A ground-level lower concourse with 8 gates
- A second-level concourse with 6 gates equipped with loading bridges

The Federal Inspection Service (FIS) facility, with 10,919 square feet of building space, is located to the southeast of the terminal building, and has the capacity to process up to 150 passengers per hour.

Public parking facilities include with a total of 2,268 public parking spaces, as follows:

- A three-story parking garage completed in 2021, providing 920 parking spaces including the spaces on the uncovered roof
- A main lot in front of the terminal building with 1,645 spaces
- A credit-card-only lot with 385 spaces
- An economy parking lot with 238 spaces, located to the east of the existing FIS facility

The Airport also has an employee parking lot and a cell phone waiting lot. Other landside facilities include rental car ready return and service lots and rental car storage lots located to the west of the terminal building, a taxi queuing area, an airport administration and maintenance building, among other facilities.

The California Air National Guard and California Army National Guard occupy several parcels of land on the airfield for administrative, operational, maintenance, training, storage and other purposes. Other airside facilities include air cargo facilities used by Federal Express and United Parcel Services, fixed base operators (FBOs), and other general aviation and cargo facilities.

1.2 | The Capital Program

As part of the annual budget process, the Department prepares a five-year plan of capital projects. The capital plan, which is reviewed and revised at least annually, requires additional approvals of the City Council upon contract execution and for bond issuance. The preliminary FY2024-28 capital plan and certain ongoing projects described below are collectively referred to as the Capital Program. As of March 2023, the Capital Program had an estimated total cost of $291.2 million, as depicted in Table 1. Projects included in the Capital Program are in different stages of development. The costs presented below include design, construction, project management, cost escalation and other costs that the Department and its consultants have estimated as of March 2023. The estimated project costs are subject to changes based on actual market condition upon implementation.

Table 1 | Estimated Costs of the Capital Program and Funding Plan

Estimated Costs (1,000s)	Total	AIP	BIL	TSA	Measure C	PFC Paygo	Bond	Cash
Terminal/FIS Expansion Project	$147,058	$ 2,000	$ 30,472	$ 22,679	$ 5,595	$ 5,800	$ 70,000	$ 10,512
Terminal E Apron Project	12,000	10,879	-	-	-	187	-	934
Part 150 Noise Mitigation	25,774	23,648	-	-	-	2,126	-	-
Runway 11L/29R Reconstruction	47,800	43,335	-	-	-	4,437	-	28
Other AIP Projects	18,360	16,611	-	-	-	1,420	-	329
Other PFC Projects	9,466	-	-	-	-	9,466	-	-
Miscellaneous Projects	30,716	-	-	-	-	-	-	30,716
Capital Program	$291,173	$ 96,474	$ 30,472	$ 22,679	$ 5,595	$ 23,435	$ 70,000	$ 42,519

Source: The Department records.

The Capital Program includes:

- The Terminal/FIS Expansion Project (ongoing), which is the largest component of the Capital Program with an estimated total cost of $147.1 million and is discussed separately below.

- The East Apron Reconfiguration (ongoing), with an estimated total cost of $12.2 million. The Department plans to fund 90.67 percent of the total cost with the Airport Improvement Program (AIP) grants and 9.34 percent with PFC revenues. This project will provide for reconfiguration of the east terminal apron to accommodate the Terminal/FIS Expansion Project, with an estimated completion date of January 2024.

- The preliminary FY2024-28 capital plan further includes:

    - Residential Sound Insulation Program, with an estimated total cost of $25.8 million. The Department plans to fund approximately 90 percent of the total cost with the AIP grants and 10 percent with PFC revenues. This project will implement the Airport's Part 150 noise compatibility program including updating the program policies, maintaining and updating the education materials, developing an acoustic plan, designing and treating single family residences addressed in the approved noise exposure map, and other supporting activities.

    - Runway 11L/29R Reconstruction, with an estimated total cost of $47.8 million. The Department plans to fund 90 percent of the total cost with the AIP grants and 10 percent with PFC revenues. This project will provide for reconstruction of the full length of Runway 11L/29R with the design phase starting in 2023 and construction phase in 2025-27.

    - Other AIP projects with an estimated total cost of $18.4 million, including remote transmitter receiver relocation, miscellaneous airfield improvements, and approximately $6.2 million for projects at FCH.

    - Other PFC projects with an estimated total cost of $9.5 million, including access control, security system, and other miscellaneous projects. Although the Department does not anticipate having adequate near-term PFC capacity to fund those projects, the Department is creating this category to track project costs that could be reimbursed in the future.

    - Other miscellaneous projects with an estimated total cost of $30.7 million to be funded with airport internal cash. Those projects include allowances for airfield and terminal repair and maintenance, other facility repair and replacement, equipment purchases, and other projects. Most projects in this category will be implemented upon operation needs and do not have a firm schedule.

The Department is submitting the preliminary FY2024-28 Capital Plan to obtain spending authorization for the projects in FY 2024. The timing and costs of the projects in the preliminary FY2024-28 capital plan, especially those projects in FY2025 to FY 2028, are uncertain as of the date of this Report. If the expected grants are not available, the Department intends to defer the related projects and does not expect a material impact on the Department's operations. The Department plans to proceed with some projects in the "other PFC projects" and the "other miscellaneous projects" categories described above, and it intends to balance the capital needs with the cash position so that the days cash on hand will not materially deviate from the management target of 365 days.

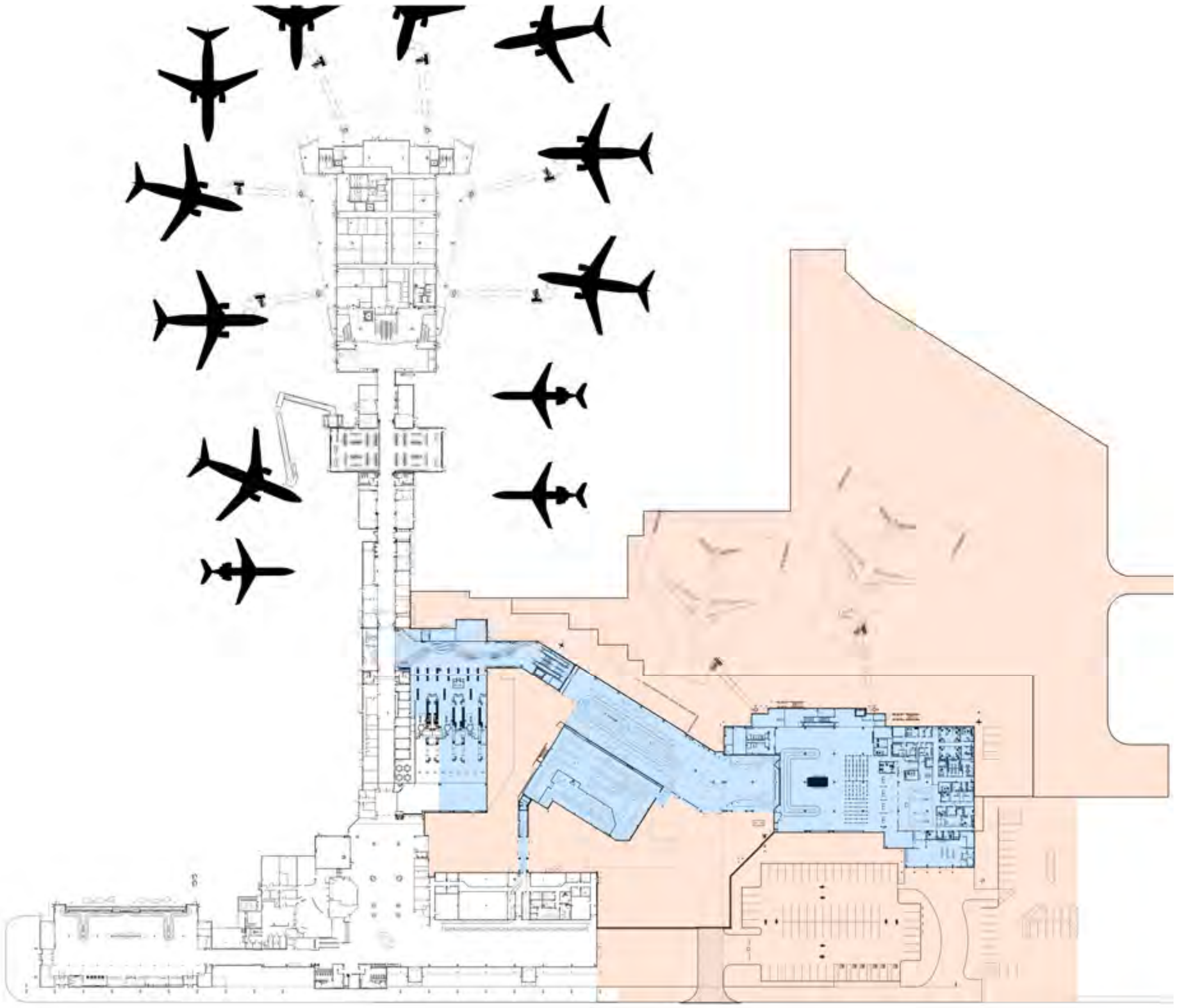
1.2.1 | Terminal/FIS Expansion Project

As depicted in blue in Figure 1 below, the Terminal/FIS Expansion Project will provide the design and construction of:

- An expanded security checkpoint to provide a minimum of 5 lanes and related offices for Transportation Security Administration (TSA).
- A new concourse to the east of the expanded security checkpoint, with two additional gates on the second floor equipped with loading bridges.
- A new FIS facility with a target throughput of 400 arrivals per hour compared to the current capacity of 150 arrivals per hour, with a baggage claim unit located on the first floor of the new concourse and the processing facility to the east.
- An in-line baggage screening facility between the expanded security checkpoint and the new concourse.
- Additional airline ticket offices in the existing ticket lobby, converted from prior baggage makeup and screening space.
- Other supporting and concession space.

The Department plans to issue the notice-to-proceed shortly after the issuance of the proposed Series 2023 Bonds, with a target completion date (DBO) for construction of the Terminal/FIS Expansion Project in December 2025.

Figure 1 | Terminal Building and the Terminal/FIS Expansion Project



Source: The Department records.

1.3 | Funding Sources of the Terminal/FIS Expansion Project

Table 1 presents the expected sources and uses of the funds related to the Terminal/FIS Expansion Project on an annual basis.

Table 2 | Estimated Sources and Uses – Terminal/FIS Expansion Project

	Total	Through FY 2022	Contruction Period 2023	2024	2025	2026	2027
Uses of Funds (1,000s)							
Design Costs	$ 11,836	$ 10,457	$ 1,379	**$ -**	**$ -**	**$ -**	**$ -**
Construction Costs	135,221	-	4,375	66,040	53,813	10,994	-
Total Uses	$ 147,058	$ 10,457	$ 5,754	$ 66,040	$ 53,813	$10,994	$ -
Sources of Funds (1,000s)							
AIP Grants	$ 2,000	$ -	$ -	$ 2,000	$ -	$ -	$ -
BIL Grants - AIG Allocated	23,372	-	1,180	12,843	4,674	4,674	-
BIL Grants - 2023 Competitive	7,100	-	-	7,100	-	-	-
TSA Grant (Design)	1,465	1,465	-	-	-	-	-
TSA Grant (Construction)	21,214	-	-	10,607	10,607	-	-
Measure C Monies	5,595	-	3,195	800	800	800	-
PFC Paygo	5,800	-	-	5,800	-	-	-
Bond Proceeds	70,000	-	-	26,890	37,732	5,378	-
Airport Cash	10,512	8,992	1,379	-	-	141	-
Total Sources	$ 147,058	$ 10,457	$ 5,754	$ 66,040	$ 53,813	$10,994	$ -

Source: The Department records.

The Department plans to use a combination of resources to fund the planned Capital Program, including:

- The AIP grants distributed by the FAA, including AIP entitlement and AIP discretionary grants. AIP entitlement funds are apportioned by formula each year to individual airports or types of airports. AIP discretionary funds are awarded by the FAA based on eligible projects' priority as determined by the FAA through the application of National Priority System (NPS). The NPS uses a combination of quantitative and qualitative factors to evaluate projects with highest priority given to projects that enhance airport safety and security. In the federal fiscal year (FFY) ended September 30, 2022, the eligible AIP entitlement grants were $4.0 million for the Airport and $150,000 for FCH. For the Terminal/FIS Expansion Project, the City has been awarded a congressional directed spending of $2.0 million. The City has not included any AIP entitlement grants in the funding plan of the Terminal/FIS Expansion Project, although such grants are available for the eligible costs.

- Bipartisan Infrastructure Law (BIL) Grants. The BIL grants include a formula allocation of Airport Infrastructure Grants (AIG Allocated) that are based on enplaned passenger activities, and Airport Terminal Program grants (ATP Grants) that are awarded for terminal projects including multi-modal terminal development and on-airport rail access projects. The AIG Allocated grants for the first two years included $4.7 million annually for the Airport and $295,000 annually for FCH, and the grants for the remaining three years are expected to be the same or higher due to higher forecast enplaned passenger activities at the Airport. The Department currently plans to use the AIG Allocated grants to fund a portion of the Terminal/FIS Expansion Project, totaling $23.4 million. In addition, the Department has been awarded $7.1 million of airport terminal program competitive grants in the federal fiscal year 2023.

- TSA Funds. The Department has been awarded $22.6 million of funding from TSA for the terminal improvements related to the in-line baggage screening system.

- Measure C Funds. In 1986, Fresno County (the County) voters passed Measure C, a half-cent sales tax aimed at improving the overall quality of the County's transportation system, including the County and all 15 cities within the County. The Department received $779,000 in FY2021 and $1.1 million in FY2022. The Department plans to use $5.6 million of the Measure C Funds for the Terminal/FIS Expansion Project, of which $2.0 million has been received through FY2022.

- PFC revenues on a pay-as-you-go basis. The Department's prior PFC collection authorization, based on the most recent prior approved PFC application (PFC #4) had an approved expiration date of May 1, 2022. Due to the downturn in air traffic activity during the initial stages of the COVID-19 pandemic, PFC collections at the Airport were lower than had been anticipated at the time the PFC #4 application was submitted and approved. Therefore, the Department still had uncollected PFCs from prior authorizations at the time of the approved expiration date. In addition, the Department had an unspent PFC fund balance of approximately $9.1 million as of that time.

  On March 31, 2023, the Department received a Final Agency Decision (FAD) from the FAA, which provided notification of the FAA's approval of PFC application 23-05-C-00-FAT (PFC #5). The FAA authorized an additional collection authority of $53.6 million, including $48.2 million for a portion of the debt service on the proposed Series 2023 Bonds and $5.4 million of pay-as-you-go expenses, which includes $3.7 million for the concourse portion of the Terminal/ FIS Expansion Project and $1.8 million for other projects. The approved charge effective date for PFC #5 is June 1, 2023.

  In consultation with the FAA, due to the detailed calculations related to the eligibility components for certain elements of the security checkpoint and FIS portions of the Terminal/FIS Expansion Project, the Department had decided to split the overall Project into two PFC applications, in order to expedite the approval of PFC #5. The Department is in the process of preparing PFC application #6 (PFC #6) to increase the Department's PFC collection authority for the PFC-eligible costs of the security checkpoint and FIS portion of the Terminal/FIS Expansion Project. The Department anticipates that it will submit PFC #6 within the next few months, and that it will receive FAA approval for PFC #6 by late 2023 or early 2024.

- Bond proceeds. The Department expects to receive $70.0 million from the issuance of the proposed Series 2023 Bonds for the capital costs of the Terminal/FIS Expansion Project, net of fund deposits and issuance costs. As described above, the FAA approved the collection of approximately $48.2 million in PFCs in PFC #5 to pay a portion of the annual debt service on the proposed Series 2023 Bonds. for PFC-eligible costs of certain portions of the Terminal/FIS Expansion Project. In addition, the Department is currently preparing PFC #6, which is anticipated to request the remaining PFC authorization related to the Project.

- Internal cash. The Department plans to use internal cash to provide local funding share for grant projects and to fund miscellaneous projects. As of June 30, 2022, the Department has an ending balance of $42.2 million in the Surplus Fund, after spending $9.0 million for the design costs of the Terminal/FIS Expansion Project. The Department plans to spend a further $1.4 million of internal cash for the Terminal/FIS Expansion Project.

1.4 | Future Projects

The Capital Program represents the capital projects that the Department plans to undertake through FY2028. It is subject to change based on traffic activities, construction costs, and financial market conditions, among other considerations. In addition, the Department has considered but has not committed to undertaking the following projects:

- The following two projects are included in the Department's capital plan but are excluded from this Report:
    - Air Traffic Control Tower (ATCT) Replacement. The existing ATCT is a multi-story building located on the west side of the Airport completed in the 1960s. Although there are no safety concerns regarding the building condition, a replacement ATCT may eventually be needed. The Department does not plan to use bond proceeds or internal cash for this project, and will it rely on BIL funding for 95 percent of the capital costs, with the remainder to be funded from other sources such as Airport Revenues.
    - Replacement of the Aircraft Rescue and Firefighting (ARFF) facility. The preliminary FY2024-2028 Capital Plan includes a placeholder for the ARFF facility replacement in FY2028, which is excluded from this Report due to uncertainty of timing and funding plan.
- The following three projects are in the conceptual planning stage and are not in the Department's current capital plan:
    - Terminal Concourse Expansion – Phase II: The addition of two gates is being planned to accommodate anticipated increases in the number of flights and larger aircraft towards the end of the forecast period, together with a net increase of two aircraft parking positions and jet bridges. This phase will also increase the passenger aircraft capability from a B767 to an A330 aircraft in response to plans by air carriers for service utilizing that aircraft. The project is in a conceptual planning stage and is not included in the 2024-28 Capital Plan.
    - Second parking garage. The Department will evaluate the feasibility of the second parking garage after the DBO of the Terminal/FIS Expansion Project. The

Department expects to have adequate surface parking spaces through the forecast period.

- Solar Improvement Projects. The Department may evaluate the benefits of implementing certain potential future solar improvement projects, including the installation of additional photovoltaic panels on the top floor of the new parking garage. In addition, there is an existing solar farm at the Airport that has not been functioning as intended for the past two years, but which the Department plans to reactivate later in 2023. Therefore, the Department may combine the use of the reactivated solar farm and new power purchase agreements, which would result in operational cost savings and would not require up-front capital requirements.

Therefore, the potential capital costs of these future projects have not been taken into consideration in this Report.

SECTION 2 | REGIONAL AND MACRO ECONOMIC ENVIRONMENT

Demographic and economic conditions at the national and local levels influence the demand for air travel. They are particularly important for airports like FAT, which serves primarily origin and destination (O&D) traffic—passengers that either begin or end their flight itineraries at the airport. Healthy demographic and economic conditions promote increased business and leisure air travel. In addition, macroeconomic trends drive demand for air travel and affect state and regional economies. At the regional level, demographic and economic factors determine the demand for local outbound travel and the attractiveness of the region for inbound visitor travel. This section discusses relevant demographic and economic trends in FAT's service area, California, and the United States. It also evaluates the economic outlook for both the region and the nation.

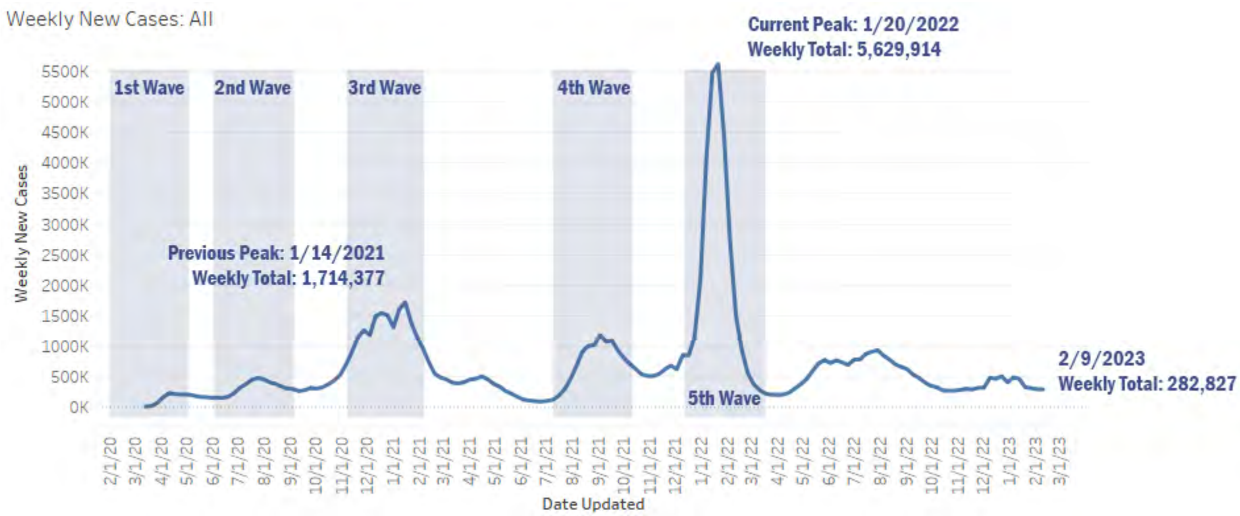
Over the past two years, the world has been facing a pandemic caused by the Coronavirus Disease 2019 (COVID-19). The pandemic has disrupted day-to-day life and economic activities across the globe. The economic effects of the pandemic in the United States and the Airport's service area manifest in the trends of key economic indicators discussed in this section.

2.1 | COVID-19 Pandemic

The COVID-19 virus was first identified in China in December 2019. With holiday travel that winter, the virus diffused quickly around the world, including the United States—the first case in the United States was identified in mid-January 2020. In March 2020, COVID-19 was declared a global pandemic, leading to a declaration of national emergency in the United States. Despite efforts to curtail the spread of the virus with domestic and international travel restrictions, statewide stay-at-home orders, and national social distancing measures, several waves of infection hit the United States. In the United States, COVID-19 has infected more than 99,700,000 people and caused more than 1 million deaths as of December 16, 2022.

By far, the fifth wave, which began in November 2021 and peaked on January 20, 2022, holds the record for the highest reported cases—over three times higher than the previous peak during the third wave in early 2021. The fifth wave subsided quickly, and new cases have since been on a downward trend despite a mild surge through the summer of 2022 As of February 9, 2023, the weekly totals of new COVID-19 cases currently sit at levels below most prior surges over the course of the pandemic, at only 5 percent of the fifth wave peak (Figure 2).

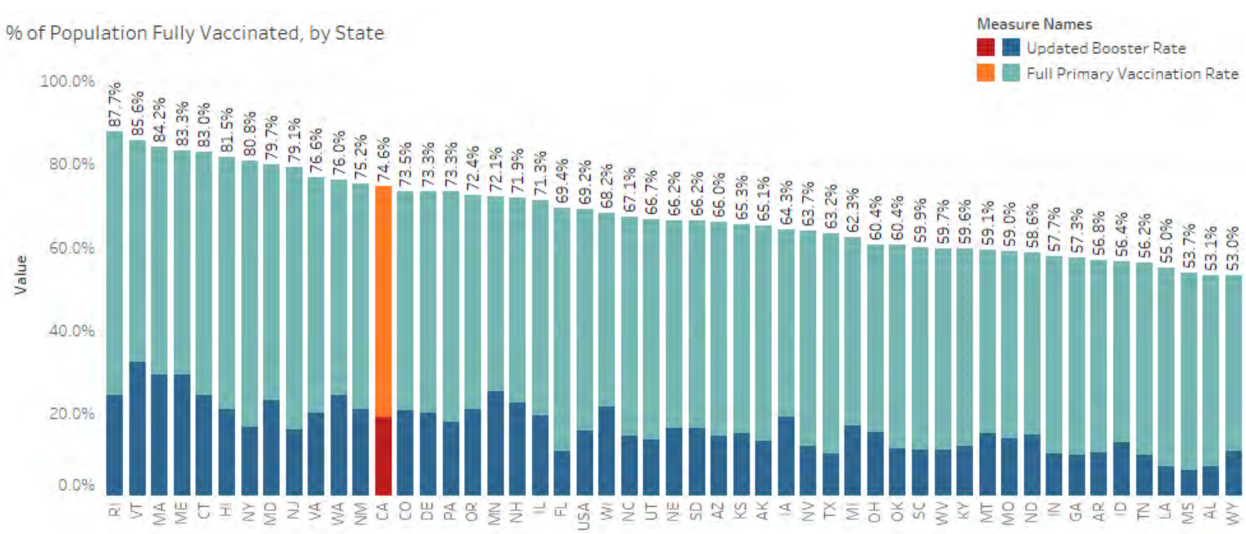
Figure 2 | COVID-19: United States Weekly New Cases, March 2020–February 2023



Source: Centers for Disease Control and Prevention COVID Data Tracker.

The administration of initial COVID-19 vaccines and subsequent booster shots helped slow virus transmission and alleviated symptoms. Figure 3 shows the COVID-19 vaccination rates by state as of February 9, 2023—as in the previous figure, the rate of California is highlighted. About 229.8 million people in the United States are fully vaccinated (69.2 percent of the population), and 52.5 million have received an updated bivalent booster dose. California has a higher vaccination rate: 29.5 million are vaccinated (74.6 percent of state residents), and about 7.6 million have received an updated bivalent booster dose. As initial vaccinations and boosters have been widely available and free of charge to U.S. residents for some time, it is highly likely that most residents who want and can be vaccinated already are.

Figure 3 | Percent of Population Fully Vaccinated by State, February 9, 2023



Source: Centers for Disease Control and Prevention COVID Data Tracker.

Transmission has been slowed by immunity through vaccination, booster shots, and prior infection, but COVID-19 remains a threat with the emergence of new variants. The federal government announced plans to end the COVID-19 Public Health Emergency (PHE) on May 11, 2023. COVID-19, however, remains a public health priority, as many people remain at higher risk for severe illness and death.[1]

2.2 | Airport Service Area

FAT is located in Fresno County in California's Central San Joaquin Valley, approximately 7.5 miles northeast of downtown Fresno. The Airport serves a six-county region with Fresno County at its core and five neighboring counties: Kings, Madera, Mariposa, Merced, and Tulare (Figure 4).[2] This report designates this six-county region as the "Service Area." Except for Mariposa County, each county is delineated as a metropolitan statistical area (MSA): Fresno (Fresno MSA), Kings (Hanford-Corcoran MSA), Merced (Merced MSA), Madera (Madera MSA), and Tulare (Visalia MSA).[3] Because statistical data are more consistently available for MSAs than counties, the analysis primarily focuses on the five MSAs combined—in certain cases, only on the Fresno MSA—except where noted. The five MSAs account for more than 99 percent of the six-county region's population, including Mariposa County. Fresno MSA accounts for more than 48 percent (see Table 4 and Figure 5).

Major communities in the Airport Service Area include Fresno, Clovis, Visalia, Madera, and Hanford. FAT plays a pivotal role in the business and leisure travel markets in these communities and across Central San Joaquin Valley, California. In addition to enabling air transportation, the Airport generates employment and drives economic growth in the region. In 2018 the Airport directly supported almost 2,000 jobs, as well as nearly 2,000 more through multiplier effects, generating more than $300 million in personal income for the region.[4] In addition, the economic activities attributable to the Airport generated more than $20 million in tax revenues.

FAT had pre-pandemic (2019) annual enplanements of almost 1 million. It is designated as a small hub—an FAA classification of airports that individually account for 0.05-0.25 percent of U.S.

---

[1] Centers for Disease Control and Prevention, "Evolution of Pandemic Efforts," COVID Data Tracker Weekly Review, February 24, 2023, https://www.cdc.gov/coronavirus/2019-ncov/covid-data/covidview/index.html.

[2] This follows the delineation of FAT's service area in the *Official Statement for the City of Fresno Airport Revenue Refunding Bonds Series 2013A and 2013B*.

[3] The Office of Management and Budget (0MB) establishes and maintains the delineations of Metropolitan Statistical Areas, Metropolitan Divisions, Micropolitan Statistical Areas, Combined Statistical Areas, and New England City and Town Areas to provide nationally consistent delineations for collecting, tabulating, and publishing Federal statistics for a set of geographic areas. See: U.S. Office of Management and Budget, *OMB Bulletin* No. 20-01, March 6, 2020.

[4] Martin Associates, *The Economic Impact of Fresno Yosemite International and Chandler Executive Airport*, City of Fresno Airports Department, January 2018.

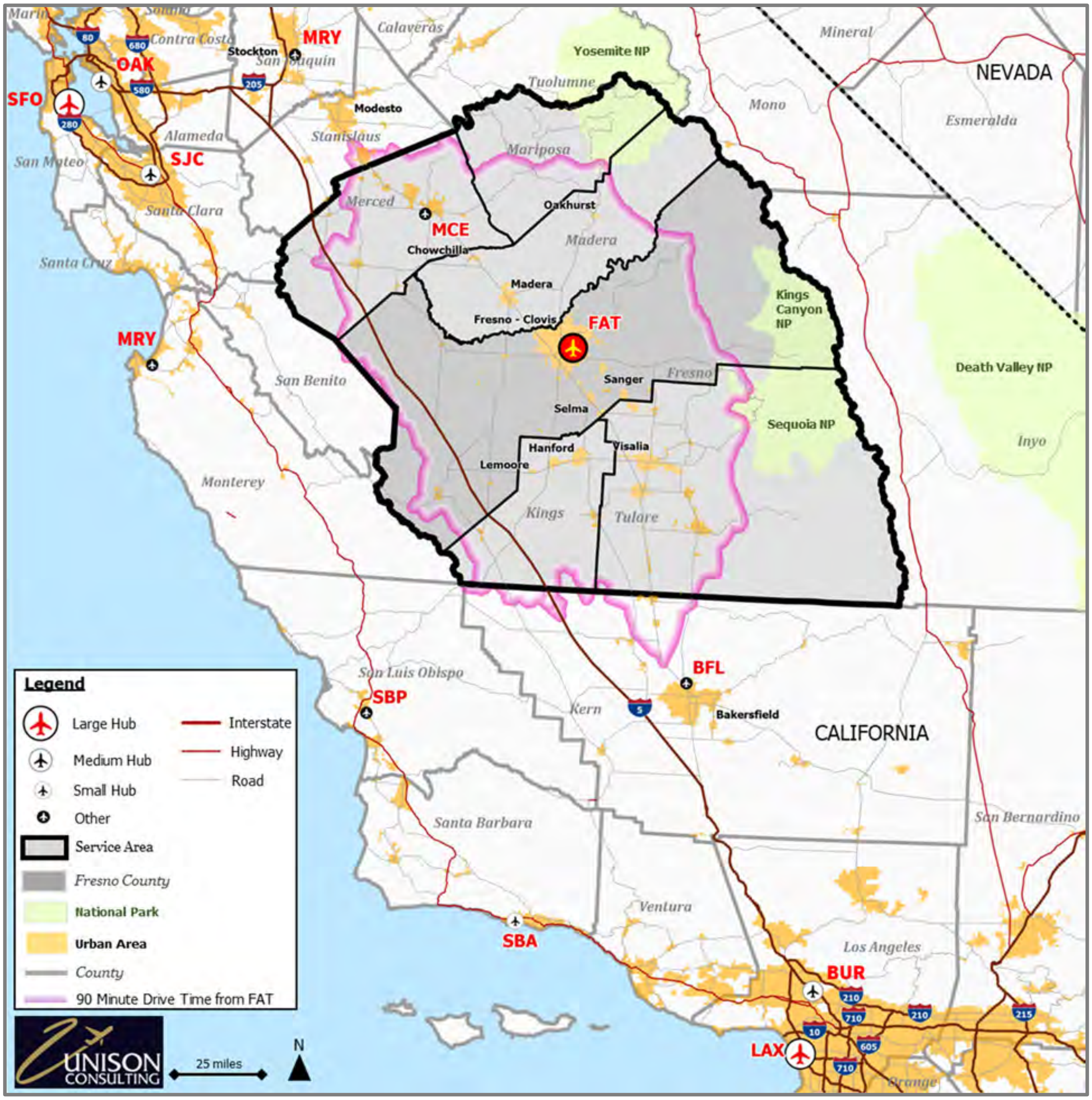
enplanements.[5] FAT is the largest commercial service airport in the Service Area within a 90-minute drive. Figure 4 delineates the area within a 90-minute drive from FAT, which encompasses almost the entire six-county Service Area. Within this 90-minute drive area, the only other commercial service airport is Merced (MCE), which is significantly smaller. MCE has fewer than 10,000 annual enplanements and is classified as a nonprimary nonhub airport (Table 3 and Figure 4). Less than a two-hour drive from FAT, the next closest airport is Bakersfield (BFL), a primary nonhub airport, which is significantly smaller than FAT. The closest airports larger than FAT are medium hubs San Jose (SJC) and Oakland (OAK), both more than a 2.5-hour drive from FAT. The two closest large hubs are San Francisco (SFO) and Los Angeles (LAX), which are about a 3-hour and 4-hour drive from FAT, respectively.

A 2019 report analyzing data on airline bookings made by passengers residing within a 50-mile radius around the Airport (the most recent study available) found that FAT captured 73 percent of those bookings. The remaining 27 percent represented passenger leakage to LAX (13 percent), SFO (6 percent), and OAK (4 percent).[6] Although LAX, SFO, and OAK are hours away, they offer much greater flight options and nonstop destinations.

[5] FAA categorizes airports by type of activities—such as commercial service, primary, cargo service, reliever, and general aviation airports—and by number of enplanements and share of annual U.S. total enplanements. Commercial service airports are publicly owned airports with at least 2,500 annual enplanements and scheduled air carrier service; they are further classified between primary and nonprimary. Primary commercial service airports have more than 10,000 annual enplanements; they are further classified into large, medium, small, and nonhub, based on share of annual U.S. total enplanements. Nonhubs have more than 10,000 enplanements but less than 0.05 percent of the annual U.S. total enplanements; small hubs have a 0.05-0.25 percent share; medium hubs, a 0.25-1.0 percent share; and large hubs, more than 1 percent share. See: Federal Aviation Administration, "Airport Categories," https://www.faa.gov/airports/planning_capacity/categories.

[6] InterVISTAS, *Fresno Yosemite International Airport: Passenger Demand Analysis YE 2Q 2019*, December 2019.

Figure 4| Fresno Yosemite Airport Service Area



Sources: Esri, Federal Aviation Administration, and Unison Consulting, Inc.

Table 3 | Selected Commercial Service Airports in the FAT Service Area and Periphery

Airport			Size		Distance from FAT	
Code	City	Airport Name	2019 Enplanements	2019 Hub Class	Miles	Drive Time (h,m)
FAT	Fresno	Fresno Yosemite	966,607	Small	0	0h 00m
MCE	Merced	Merced Regional	6,816	Nonhub	63	1h 05m
Selected Peripheral Airports						
BFL	Bakersfield	Meadows Field	129,669	Nonhub	110	1h 45m
SCK	Stockton	Stockton Metropolitan	101,156	Nonhub	125	2h 05m
SBP	San Luis Obispo	San Luis Obispo County Regional	267,924	Nonhub	147	2h 36m
SJC	San Jose	Norman Y. Mineta San Jose Int'l	7,688,152	Medium	157	2h 41m
MRY	Monterey	Monterey Regional	233,967	Nonhub	158	2h 45m
OAK	Oakland	Oakland International	6,560,230	Medium	174	2h 50m
SFO	San Francisco	San Francisco International	27,779,230	Large	192	3h 07m
BUR	Burbank	Hollywood Burbank	2,988,720	Medium	211	3h 18m
SBA	Santa Barbara	Santa Barbara Municipal	510,141	Small	241	3h 54m
LAX	Los Angeles	Los Angeles International	42,939,104	Large	229	3h 58m

Sources: Federal Aviation Administration, Google Maps, and Unison Consulting, Inc.

2.3 | Demographic Attributes

Demographics drive regional economies in fundamental ways. Population size, composition, growth patterns, age distribution, and educational attainment determine the labor force's overall size, quality, diversity, and productivity. Along with income characteristics, demographic attributes influence demand and consumption patterns for goods and services, including air transportation. Hence, demographic trends can affect economic growth through effects on both the supply side (the labor force) and the demand side (consumer spending).

Likewise, demographic factors can be affected by economic factors. For example, strong economic growth can attract in-migration and accelerate population growth, as it has in the Service Area. On the other hand, low income can limit access to higher education and result in low educational attainment, also experienced in the Service Area.

2.3.1 | Population

The population of the six-county Service Area was 2.11 million in 2021;[7] 84 percent live in Fresno, Visalia, and Merced (Table 4 and Figure 5). The core of the region, the Fresno MSA, is the 55th largest among 384 MSAs in the United States. The Fresno MSA is similar in population size to Tulsa, OK, and Honolulu, HI.

The Service Area has outpaced the United States and California in population growth since 2000 (Table 4 and Figure 6). Its population grew 28 percent, a compound annual growth rate (CAGR) of 1.16 percent, compared with the United States' 18 percent (0.78 percent CAGR) and California's 15

[7] At the time of the study, MSA population data are available only through 2021.

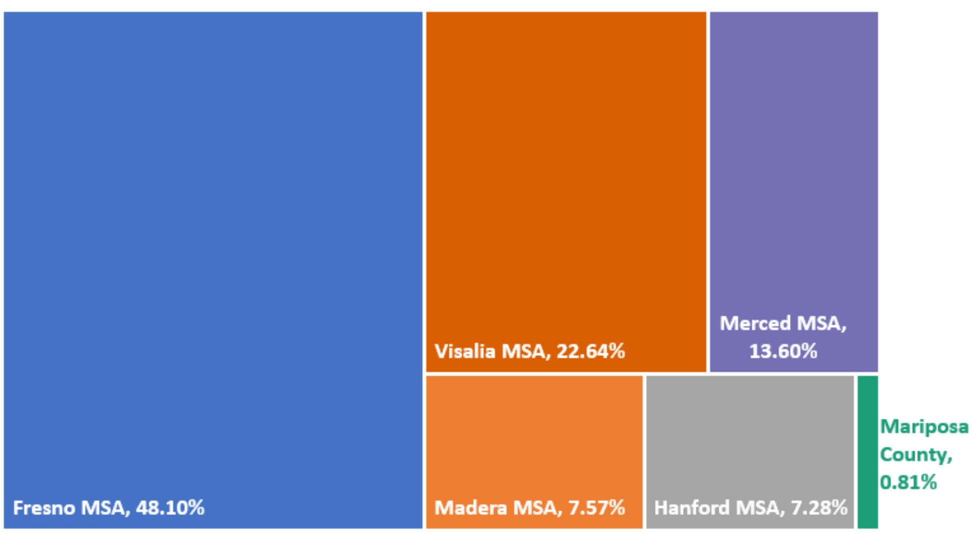
percent (0.69 percent CAGR), from 2000 to 2021. During the pandemic, from 2020 to 2021, California lost more than 250,000 residents, while the population in the Service Area continued to grow. Over the next five years, the Service Area's population is projected to continue growing at an annual average rate of 1.24 percent, according to Esri data, and continue outpacing U.S. population growth projected at an annual average rate of 0.4 percent by Moody's Analytics.

Table 4 | Population, 2000, 2010, and 2021

Region	2000	2010	2021	2000-2021 CAGR
United States	282,162,411	309,327,143	331,893,745	0.78%
California	33,987,977	37,319,550	39,237,836	0.69%
Service Area Total	1,652,568	1,953,323	2,107,096	1.16%
Service Area Component Regions				
Fresno MSA	801,288	932,011	1,013,581	1.13%
Madera MSA	123,587	151,006	159,410	1.22%
Hanford MSA	129,835	152,342	153,443	0.80%
Visalia MSA	368,628	442,953	477,054	1.24%
Merced MSA	212,122	256,709	286,461	1.44%
Mariposa County	17,108	18,302	17,147	0.01%

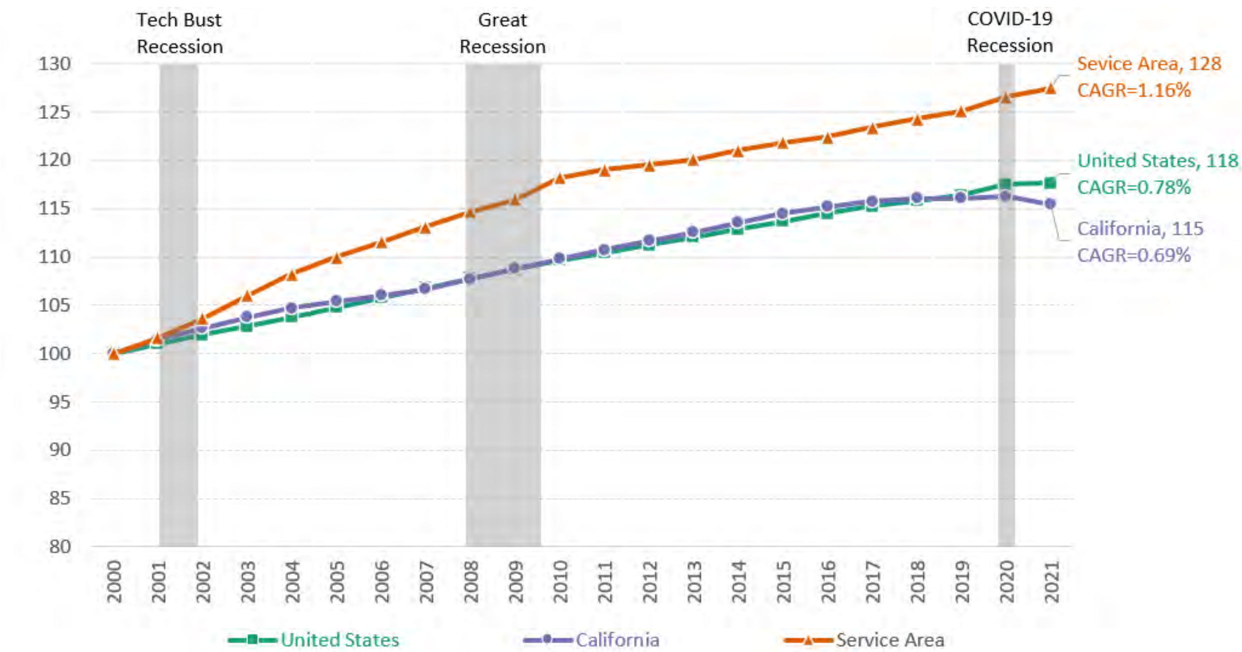
Sources: U.S. Census Bureau and Unison Consulting, Inc.

Figure 5 | Distribution of Population within the FAT Service Area, 2021



Sources: U.S. Census Bureau and Unison Consulting, Inc.

Figure 6 | Population Index, 2000-2021



Sources: U.S. Census Bureau and Unison Consulting, Inc.
Gray areas indicate economic recession periods.
Index: 2000-100.

2.3.2 | Population Structure

The Service Area population is considerably younger than the California and U.S. populations. The median age in the Service Area (32.2 years) is almost 5 years younger than California's median age (37.0 years) and about 6 years younger than the U.S. median age (38.4 years).

The Service Area has a lower percentage (56 percent) of its population in the prime working-age group (20-64 years old) than California (60 percent) and the nation (59 percent). To its advantage, the Service Area also has a smaller proportion of the elderly population (12 percent) than California (14 percent) and the nation (16 percent) and a lower old-age dependency ratio (21.0) than California (23.9) and the nation (27.3). The old-age dependency ratio is defined as the number of individuals aged 65 and over per 100 people of prime working age.[8]

The Service Area has a greater proportion of its population in age groups under 20: 32 percent, compared with 25 percent in California and the nation. A relatively large population under 20 helps ensure growth in the labor force and counter the effects of population aging. However, most members of these younger age groups are economically dependent and having a larger dependent population places a greater burden on the economically active population and the overall economy.

---

[8] OECD, "Old-age dependency ratio (indicator)," 2022, https://data.oecd.org/pop/old-age-dependency-ratio.htm.

Figure 7 | Population Distribution by Age Group, 2021

Sources: U.S. Census Bureau 2021 American Community Survey and Unison Consulting, Inc.

2.3.3 | Foreign Born Population

In-migration increases the local population, expands the labor force, supports economic growth, and enlarges regional markets for goods and services.[9, 10] Immigrants also generate high demand for air service both for outbound travel to see friends and family and for inbound travel by visiting friends and relatives. Immigration has contributed to population growth in the Service Area.

In 2021, immigrants accounted for 21.1 percent of the Service Area's population, higher than 13.6 percent in the nation but lower than 27 percent in California (Table 5). The highest percentage of immigrants come from the Americas (mostly Latin America), followed by Asia and Europe. The Service Area, however, has a much higher share of immigrants from the Americas (76 percent), reflecting a large Latin American diaspora.

In 2021, about 54 percent (1.1 million) of the Service Area population identified as having Mexican heritage, up from 49 percent in 2010. In addition, about 303,000 residents were born in Mexico. Although a much smaller proportion of the population in 2020 (1.4 percent, 29,702 people), the number of residents from other Central American countries (excluding Mexico) is growing

---

[9] G.J. Borjas, "Immigration and Economic Growth," National Bureau of Economic Research *Working Paper Series*, Working Paper 25836, May 2019, https://www.nber.org/system/files/working_papers/w25836/w25836.pdf.

[10] P. Orrenius and C. Smith, "Without Immigration, U.S. Economy Will Struggle to Grow," *Dallas Fed Economics*, Federal Reserve Bank of Dallas, April 9, 2020, https://www.dallasfed.org/research/economics/2020/ 0409.

rapidly.[11] Between 2010 and 2021, the number of residents with Central American heritage grew by 77 percent, and the number of residents born in Central America grew by more than 42 percent.

Table 5 | Foreign-Born Population and Region of Origin, 2021

	Foreign Born	Percentage by Region of Origin				
Region	**Total**	**Europe**	**Asia**	**Africa**	**Oceania**	**Americas**
United States	13.6%	10.8%	31.2%	5.5%	0.6%	51.9%
California	26.5%	6.5%	40.0%	2.0%	0.8%	50.7%
Service Area	21.1%	3.5%	19.6%	0.9%	0.2%	75.8%

Sources: U.S. Census Bureau 2021 American Community Survey and Unison Consulting, Inc.

2.3.4 | Educational Attainment

Education promotes economic growth in several ways. First, education increases the value of human capital and labor productivity. Second, it promotes innovation and the adoption of new technologies. Third, it enables workers to adapt to changing work environments and skill requirements.[12, 13]

Advances in information and communication technologies have amplified the importance of skills in enabling economic growth.[14] Cities and regions that have been able to attract and retain educated and skilled workers have thrived, while cities failing to do so have lagged.[15] The value of higher education is evident in the differences in average wages and unemployment rates by educational attainment. Workers without a high school diploma earn only 44 percent of the wages of those with a bachelor's degree and have more than 2 times higher unemployment rates.[16]

Communities in the Service Area suffer from longstanding and deeply rooted socio-economic divisions based on income, poverty, race, ethnicity, occupation, and access to educational opportunities.[17] One outcome of these divisions is low educational attainment compared to the nation and the state of California (Figure 8). About fifty percent of the Service Area's population

---

[11] Foreign-born residents from other Central American countries include primarily those identifying with Costa Rican, Guatemalan, Honduran, Nicaraguan, Panamanian, or Salvadoran heritage.

[12] E. Hanushek and L. Woessman, "Education and Economic Growth," *International Encyclopedia of Education (*Oxford: Elsevier, 2010), Vol. 2, pp. 245-252.

[13] D. Claude and L. Charlotte, "Human Capital and Economic Growth," *Encyclopedia of International Higher Education Systems and Institutions* (Dordrecht: Springer, 2019).

[14] Enrico Moretti, *The New Geography of Jobs* (Boston: Houghton Mifflin Harcourt, 2012).

[15] Edward Glaeser, *Triumph of the City* (New York: Penguin Books, 2012).

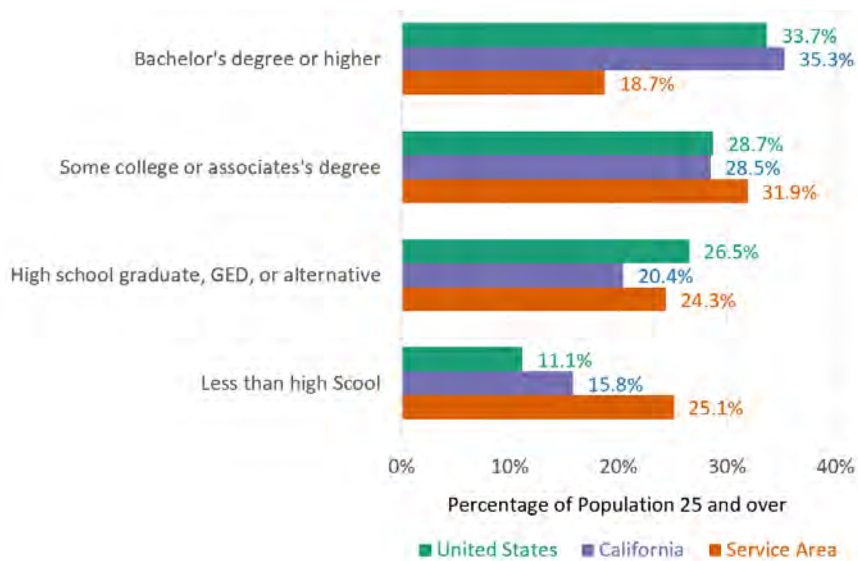
[16] Elka Torpey, "Measuring the Value of Education," U.S. Bureau of Labor Statistics, April 2018, https://www.bls.gov/careeroutlook/2018/data-on-display/education-pays.htm.

[17] C. Haxton and J. O'Day, "Improving Equity and Access in Fresno," *American Institutes for Research*, 2015.

aged 25 years and older completed no more than high school (or equivalents), compared with more than 38 percent for the nation and 36 percent for California. Only 19 percent of the Service Area's population aged 25 years or older earned a bachelor's degree or higher, compared with 34 percent for the nation and 35 percent for California.

Statistics show signs of improvement in educational attainment in the Service Area. For example, between 2010 and 2021, the share of the population 25 and older in the Fresno MSA with less than a high school education fell from 30 percent to 25 percent, while the share of those with at least a bachelor's degree rose from 16 percent to 19 percent.[18] These gains were achieved in part through increased focus on equity and access throughout the Fresno Unified School District.[19] The Fresno State University TRiO Student Support Services Program and the University of California, Merced, Center for Educational Partnerships provide students in the region greater access to higher education.[20, 21] Outcomes from these initiatives are more than just positive statistics. Improvements in educational attainment will help upskill the local workforce, which is critical for maintaining and enhancing regional economic diversity and competitiveness in the Service Area.

Figure 8 | Educational Attainment, 2021



Sources: U.S. Census Bureau 2021 American Community Survey and Unison Consulting, Inc.

[18] U.S. Census Bureau, *American Community Survey*, 2010 and 2020.

[19] C. Haxton and J. O'Day, "Improving Equity and Access in Fresno," *American Institutes for Research*, 2015.

[20] Fresno State University, Central California Educational Opportunity Center, https://studentaffairs.fresnostate.edu/eoc/history.html.

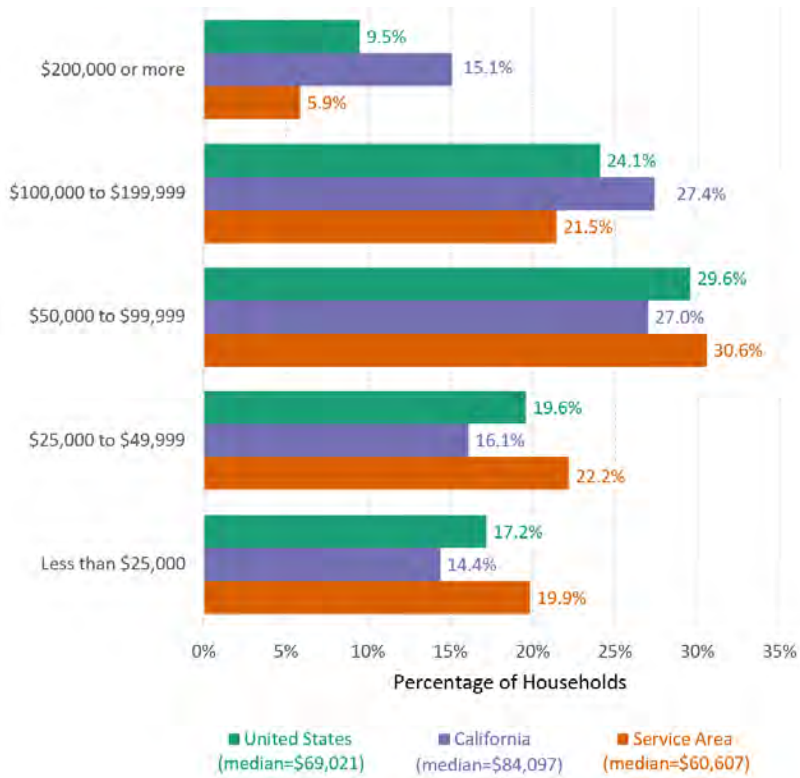
[21] University of California Merced, Center for Educational Partnerships, https://cep.ucmerced.edu/.

2.3.5 | Income

Demand for air travel increases with income. Studies suggest that the income elasticity for air travel demand is often greater than one. This means that air travel demand tends to increase by more than a corresponding increase in income, holding all other things equal.[22]

Household incomes in the Service Area are significantly lower than the California state and national averages (Figure 9). The 2021 median household income in the Service Area ($60,607) is 28 percent lower than that of California ($84,097) and about 12 percent lower than that of the United States ($69,021). In addition, the Service Area has a significantly higher percentage of households earning less than $50,000 and a smaller percentage of households earning $100,000 or more.

Figure 9 | Household Income Distribution and Median Household Income, 2021



Sources: U.S. Census Bureau 2021 American Community Survey and Unison Consulting, Inc.

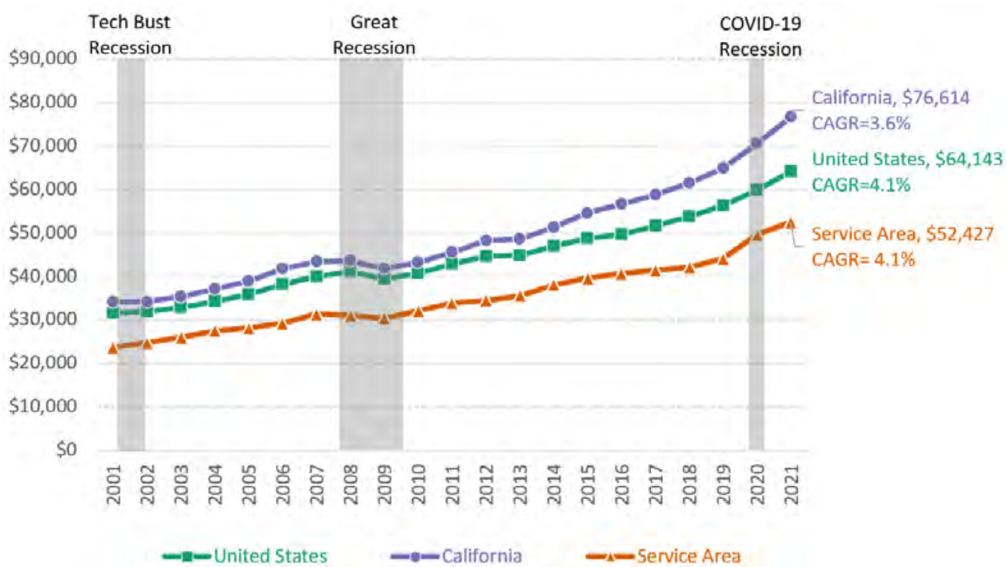
Per capita personal income in the Service Area is also lower than national and California state figures (Figure 10). In 2021, per capita personal income in the Service Area was $52,427, just 82 percent of the national average ($64,143) and 68 percent of the California state average ($76,614). In absolute terms, the gaps between per capita personal income in the Service Area and those of the

[22] For example, a 10 percent increase in income will generate more than a 10 percent increase in air travel demand. See C. A. Gallet and H. Doucouliagos, "The income elasticity of air travel: A meta-analysis," *Annals of Tourism Research* 49 (2014), 141-155.

nation and California have widened between 2001 and 2021. One positive factor for regional air travel demand is growing per capita personal income. Growth between 2001 and 2021 (4.1 percent CAGR) was the same as the national rate and faster than California's (3.6 percent).

Since 2019, personal incomes have increased despite the recession due to government income transfers under COVID-19 financial assistance programs (Figure 10). Between 2019 and 2020, The Service Area recorded a 13 percent year-over-year increase in per capita personal income, much higher than the increases for the United States (6.2 percent) and California (8.8 percent), likely due to greater eligibility for aid programs. The COVID-19 stimulus payments were allocated based partly on family income—those with high incomes were not eligible—and the number of children—those with more children received more financial aid. However, Income growth in the Service Area slowed between 2020 and 2021 to just 5.7, percent compared with a 7.3 percent national increase and 8.4 percent state increase.

Figure 10 | Per Capita Personal Income, 2001-2021

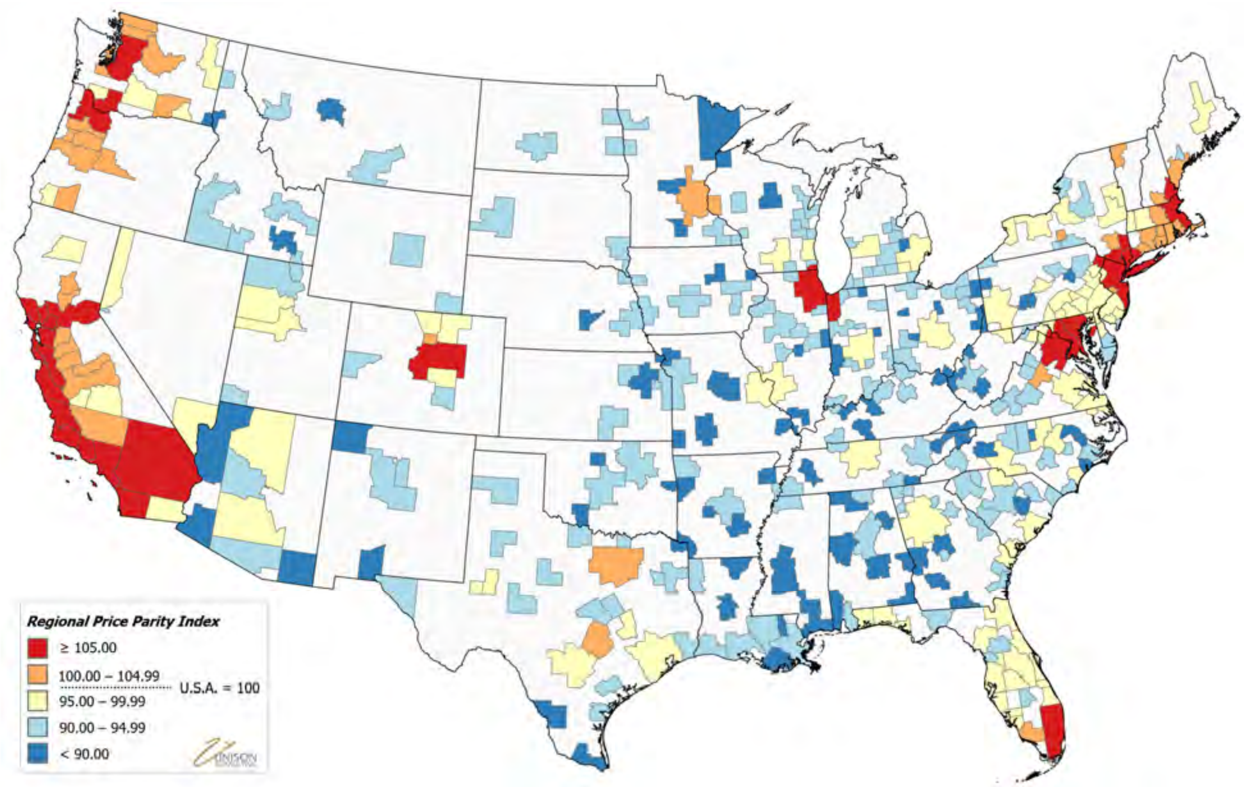


Sources: U.S. Bureau of Economic Analysis and Unison Consulting, Inc.
Gray areas indicate economic recession periods.

2.3.6 | Cost of Living

The cost of living in the Service Area is similar to the U.S. average (e.g., the regional price parity is near 100), but it is significantly lower than the cost of living in the nearby metro areas of San Jose and San Francisco (Figure 11). All things equal, lower prices give residents greater purchasing power and leave more discretionary income to spend on travel.

Figure 11 | Regional Price Parity Index (U.S. Average=100), 2021



Sources: U.S. Bureau of Economic Analysis and Unison Consulting, Inc.

2.4 | Economic Attributes

Demand for air transport services is a function of the economic vitality of a region, which can be gleaned from trends in gross domestic product (GDP), the labor market, the mix of industries that comprise the regional economy, and tourism. Regional and national—even global—economic conditions influence the demand for transportation services at an airport.

2.4.1 | Gross Domestic/Regional Product

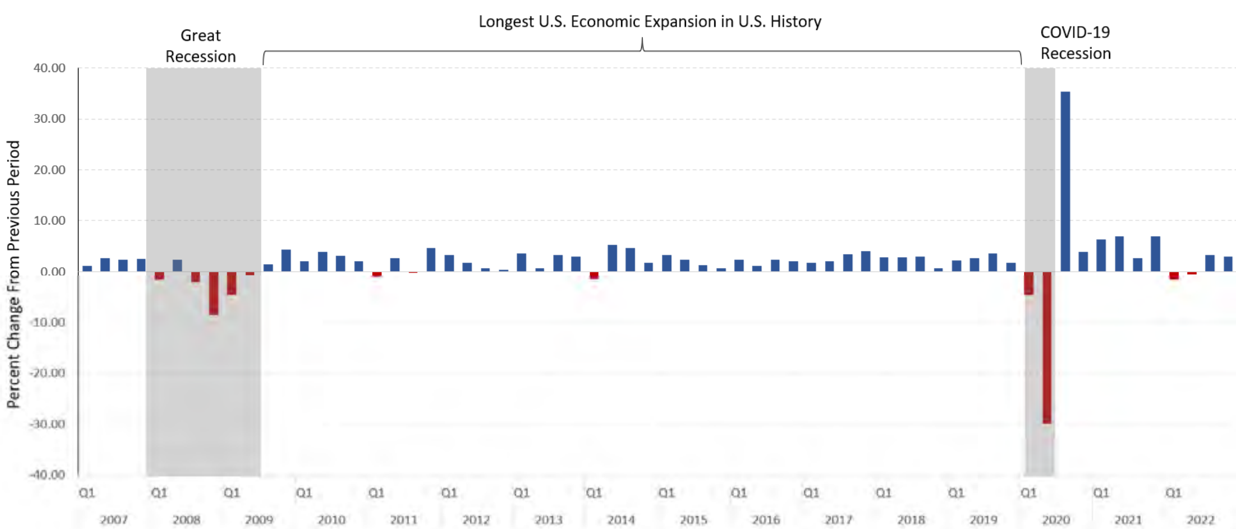
The most comprehensive measure of economic output is GDP—the dollar value of all goods and services produced in a geographic region.[23] Sustained growth in inflation-adjusted real GDP underpins economic expansions, In contrast, decreases in real GDP over two or more consecutive quarters often signal a recession.[24] Generally, during an economic expansion, employment grows, incomes rise, and the demand for air travel also rises. Conversely, During an economic recession, employment decreases, incomes fall, and the demand for air travel also falls.

[23] In this report, GDP is used to refer to economic output measured at both national and sub-national levels.

[24] Recessions are officially determined by the National Bureau of Economic Research (NBER), and the NBER looks at other economic indicators besides GDP.

When the COVID-19 pandemic initially struck the United States in the first quarter of 2020, widespread lockdowns, stay-at-home orders, and voluntary social distancing depressed consumer spending, causing the economy to fall into a deep recession. As a result, U.S. real GDP decreased 4.6 percent (annual rate) in the first quarter of 2020, and another 29.9 percent in the second quarter (Figure 12). The magnitude of the overall contraction in U.S. real GDP was unprecedented. The second-quarter contraction alone was at least three times the one observed during the 2008-2009 Great Recession.

Figure 12 | U.S. Real GDP, Quarterly, Annualized Percent Change from Previous Period, 2007-2022



Sources: U.S. Bureau of Economic Analysis and Unison Consulting, Inc.
Gray areas indicate economic recession periods.

The COVID-induced recession was different from previous U.S. economic recessions. The typical causes of recessions are market-related and economic—for example, asset market crashes, oversupply, loss of consumer and business confidence, or tight monetary and fiscal policy. The 2020 recession resulted from shocks to both supply and demand induced by the COVID-19 pandemic and deliberate measures to contain its spread. Therefore, when counties and states began to reopen in the second half of 2020, and social distancing began to ease, the U.S. real GDP rebounded quickly, increasing 35.3 percent in the third quarter and 3.9 percent in the fourth quarter. Vaccination helped restore consumer and business confidence, accelerate business re-openings, and sustain the economic recovery in 2021. U.S. real GDP grew 5.9 percent for the entire year, the highest annual increase since 1978.

Trends changed in 2022. The U.S. real GDP declined during the first two quarters—by 1.6 percent (annualized) during the first quarter and 0.6 percent during the second quarter. The decreases in GDP during the first half of the year were attributed to supply constraints due to:

- a surge in sick calls from COVID-19 infections during the fifth wave;
- supply-chain bottlenecks and inventory pressures; and

- tightness in the labor market due to demand far exceeding labor supply.

On the demand side, the output decreases have been attributed to:

- disappearing stimulus from household income transfers;
- reduced government spending;
- rising interest rates due to monetary tightening to contain inflation; and
- a decrease in exports due to the appreciation of the U.S. dollar.

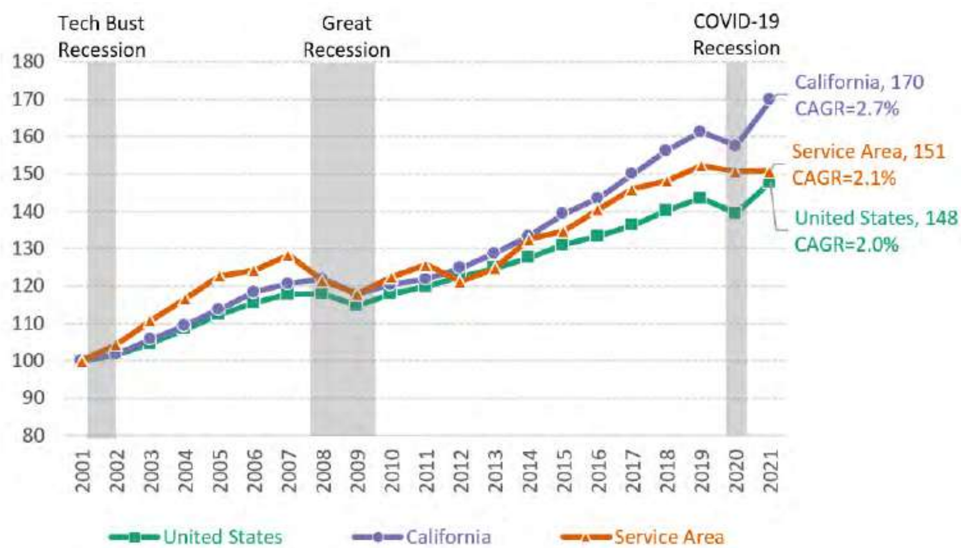
GDP decline in two consecutive quarters typically would have signaled a recession. However, the NBER Business Cycle Dating Committee, the official arbiter of U.S. business cycles, also looks at trends in other key economic indicators such as nonfarm employment, real consumer spending, industrial production, and real personal income. These indicators, which were generally increasing, did not signal a recession, which the NBER defines as a "significant decline in economic activity spread across the economy, lasting more than a few months, normally visible in production, employment, real income and other indicators." Instead, during the third quarter of 2022, real GDP grew by 3.2 percent and another 2.9 percent in the fourth.

As Figure 13 shows, the business cycle changes at the state and MSA levels generally follow the trends at the national level. The California state and Service Area GDPs generally grow when the U.S. GDP grows and decrease when the U.S. GDP contracts as it did in the first two quarters of 2022.

During the Great Recession, the Service Area suffered a more significant decrease in GDP, 8 percent from 2007 to 2009, compared with a decrease of only 2 percent for California and the nation. The Service Area also took longer to recover to pre-recession real GDP levels, in 2014, compared with 2011 for California and the nation. However, patterns emerging from the COVID-19 pandemic and resulting recession appear brighter for the Service Area. From 2019 to 2020, real GDP fell by less than 1 percent locally while falling 2 percent in both the state and the nation.

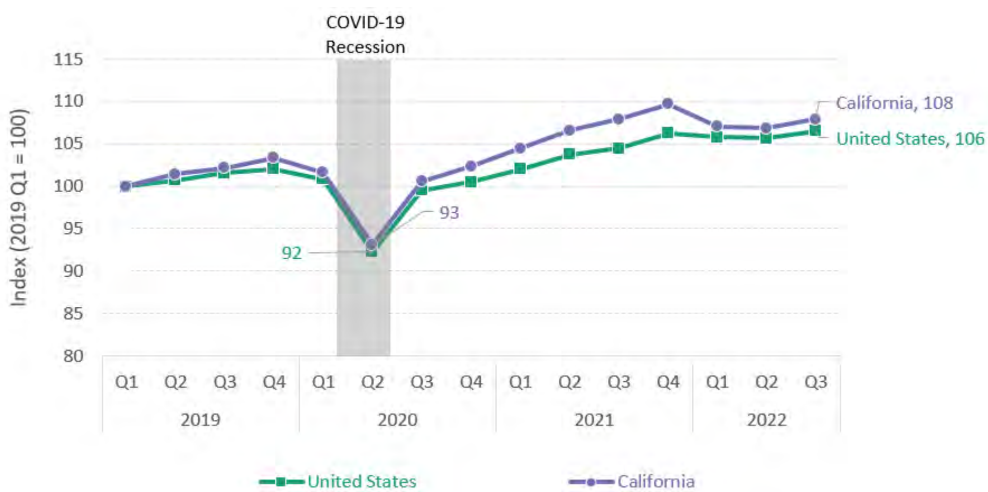
Over the longer term, real GDP growth in the Service Area has matched national growth but lagged state-wide growth in California (Figure 13). Between 2001 and 2021, real GDP grew by 51 percent (2.1 percent CAGR) in the Service Area, slightly faster than the growth nationwide (a total of 48 percent, 2.0 percent CAGR) but slower than the growth for the entire state of California (a total of 70 percent, 2.7 percent CAGR). MSA-level real GDP data for 2021 are not yet available, but the state-level data shows a positive trend (Figure 14). California's real GDP continued to grow through 2021, surpassing it pre-pandemic quarterly peak by the first quarter of 2021. While state GDP growth flattened in 2022, overall post-pandemic growth in the state remains higher than in the nation.

Figure 13 | Real GDP Index, 2001-2021



Sources: U.S. Bureau of Economic Analysis and Unison Consulting, Inc.
Gray areas indicate economic recession periods.
Index: 2001=100.

Figure 14 | Real GDP Recovery from the COVID-19 Recession, Q1 2019 – Q3 2022



Sources: U.S. Bureau of Economic Analysis and Unison Consulting, Inc.
Gray areas indicate economic recession periods.
Index: Q1 2019=100.

2.4.2 | Labor Market

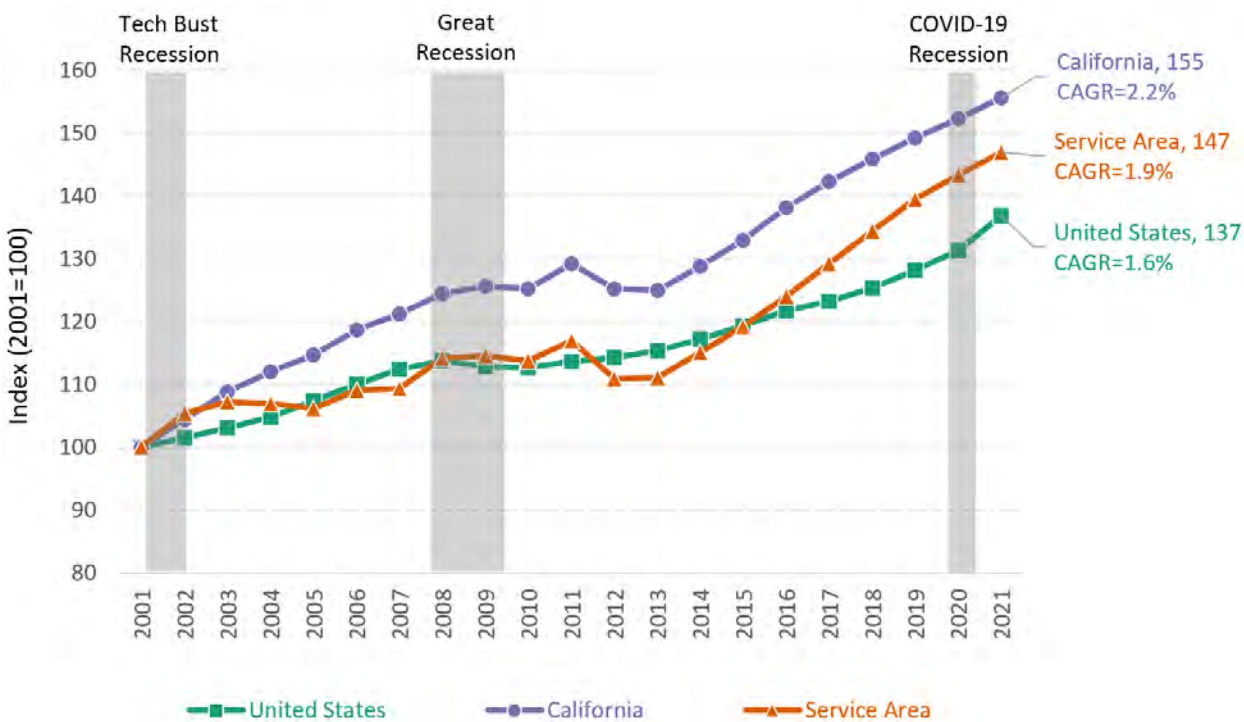
Labor market trends evolve with business cycles and reflect the state of the economy. They are positively correlated with trends in income and travel. Strong business and employment growth, and low unemployment, stimulate demand for leisure and business travel.

Business Establishments

A growing number of business establishments indicates a high level of entrepreneurism, a healthy business climate, and a conducive start-up environment. New business formation creates jobs and promotes overall economic growth.

California and the Service Area are outpacing the nation in relative growth in the number of business establishments (Figure 15). From 2001 to 2021, the number of business establishments grew by 55 percent in California (2.2 percent CAGR), 47 percent in the Service Area (1.9 percent CAGR)—not far behind the state—and 37 percent in the United States (1.6 percent CAGR). In addition, the number of business establishments increased through the COVID-19 pandemic at all geographic levels. Organizations that support business development in the Fresno MSA include the City of Fresno's Economic Development Department and Fresno Economic Development Corporation.

Figure 15 | Business Establishment Index, 2001-2021



Sources: U.S. Bureau of Labor Statistics and Unison Consulting, Inc.
Gray areas indicate economic recession periods.
Index: 2001=100.

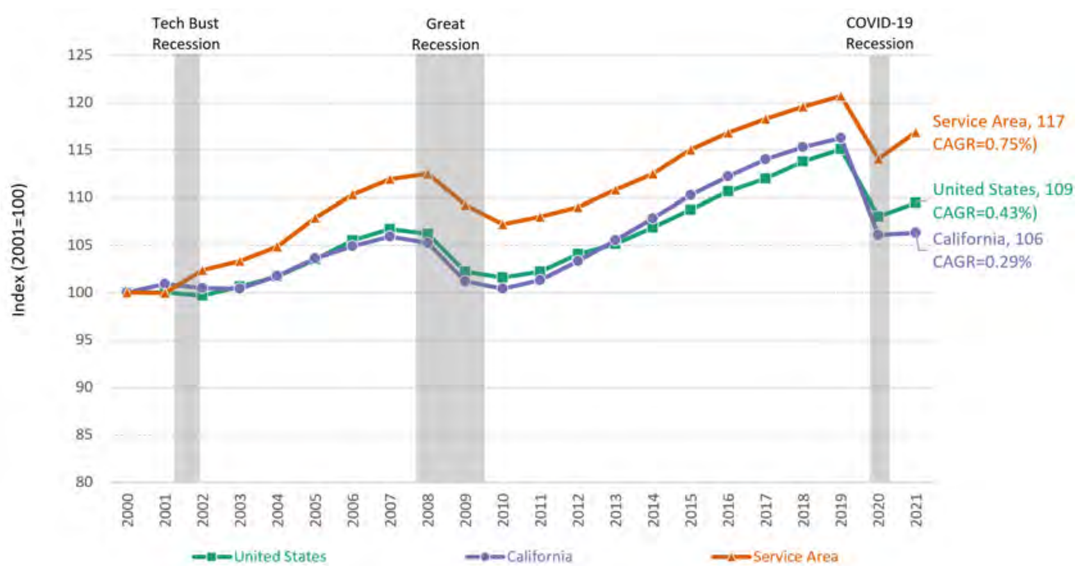
Employment

Between 2000 and 2021, employment in the Service Area has grown by 17 percent (0.75 percent CAGR) since 2001, outpacing the rate of national growth (0 percent, 0.43 percent CAGR) and growth in California (6 percent, 0.29 percent CAGR). In absolute terms, the Service Area has gained more than 114,000 jobs since 2000.

All regions suffered job losses during the Great Recession of 2008-2009 and the 2020 recession at the onset of the COVID-19 pandemic (Figure 16). In 2020, employment fell from the previous year by 6 percent nationally, 9 percent in California, and 5 percent in the Service Area. The fall in employment during the pandemic-induced recession in 2020 was deeper than the experience during the Great Recession, but recovery was also faster this time. By 2022, on an annual basis, the nation and the Service Area had recovered to employment levels exceeding 2019, and California is not far behind.

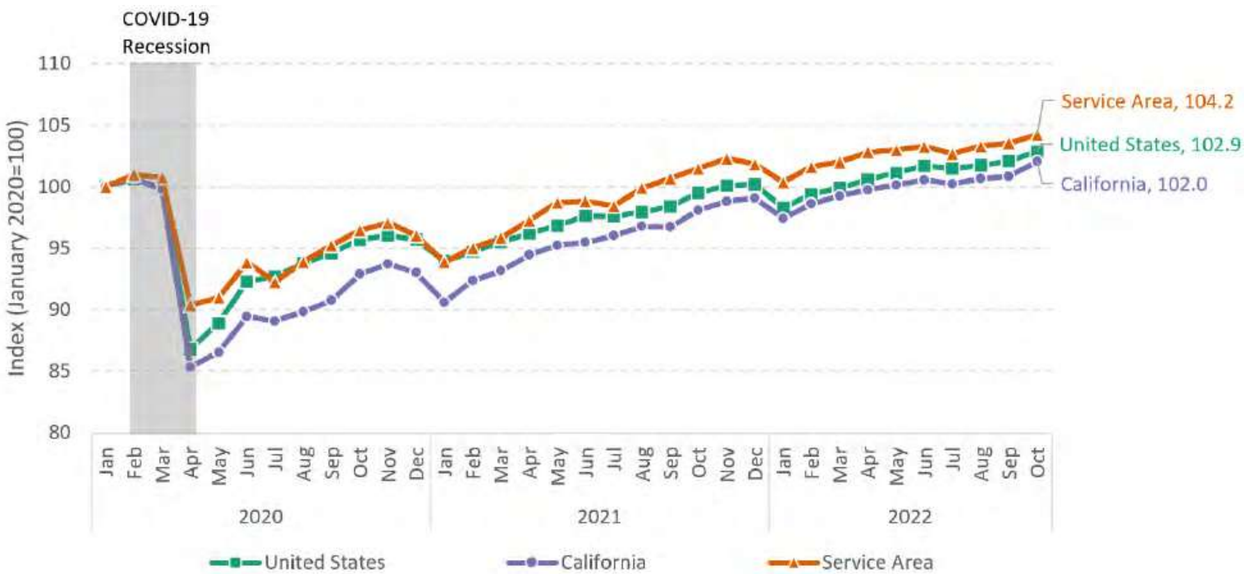
Recessions typically result in decreases in employment. The sharp decreases in employment during the COVID-19 recession in 2020 were unprecedented, and so was the recovery, as shown by monthly data on nonfarm employment in Figure 17. Between February and April of 2020, nonfarm employment fell by about 12 percent in the Service Area, 14 percent in the nation and, 15 percent in the state of California. As of December 2022, nonfarm employment had recovered to pre-pandemic levels at all three geographic levels.

Figure 16 | Employment Index, 2001-2021



Sources: U.S. Bureau of Labor Statistics and Unison Consulting, Inc.
Gray areas indicate economic recession periods.
Index: 2000=100.

Figure 17 | Monthly Employment Index, January 2020-December 2022



Sources: U.S. Bureau of Labor Statistics and Unison Consulting, Inc.
Gray areas indicate economic recession periods.
Index: January 2020=100.

Nonfarm Employment by Industry

A diversified economy is essential for achieving robust economic growth and withstanding economic shocks. On the other hand, heavy specialization in a few industries—especially those that are pro-cyclical, such as construction, mining, and manufacturing—increases the exposure of the local economy to business cycle fluctuations and downturns in particular industries. Since regions tend to specialize in certain economic activities owing to natural resources, geographic attributes, labor supply, business climate, and other factors, they also tend to be more concentrated in certain industries in comparison with the national economy.

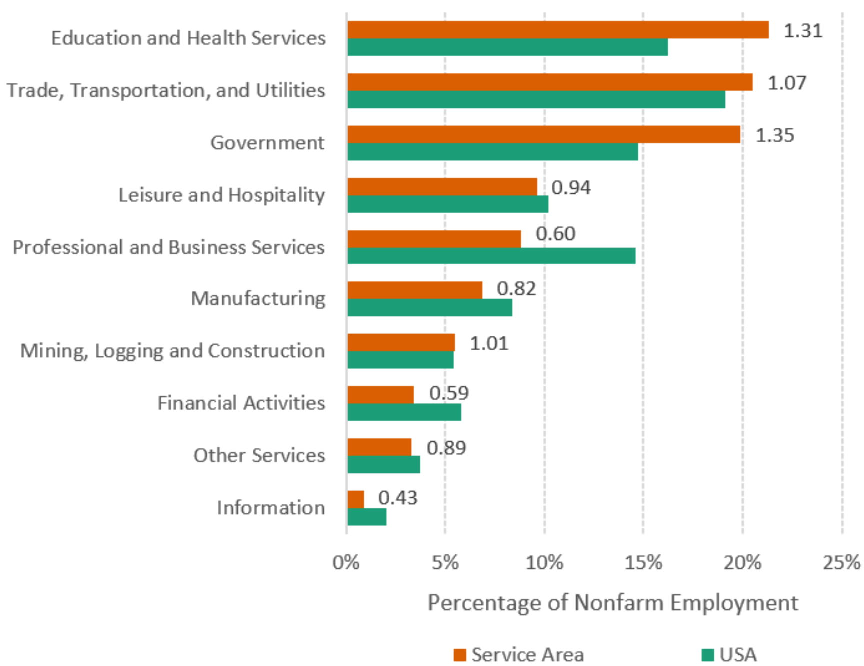
Figure 18 shows the percentage distribution of employment by nonfarm industry sector in 2022 in the Fresno MSA and the United States, and the location quotient (LQ) for the Fresno MSA. LQ indicates the extent to which a geographic region "specializes" in an industry sector by measuring the degree to which a particular industry sector employs proportionately more people in that region relative to its share of total U.S. nonfarm employment. An LQ higher than one indicates that an industry sector has a greater share of employment in the region compared to its share at the national level; it, therefore, indicates the region's specialization in that industry. Conversely, an LQ lower than one indicates that an industry has a smaller share of employment in the region; therefore, it is less important in the region than it is at the national level.

The Fresno MSA shows regional specialization in three industry sectors: government; education and health services; trade, transportation and utilities. All three industry sectors have LQs significantly greater than 1.0:

- Education and health services employs the largest numbers of workers (approximately 81,000) and has the second highest LQ of 1.31.
- The government sector, which employs the third largest number of people—more than 76,000—in the MSA, has the highest LQ of 1.35. The government sector accounts for 35 percent more jobs in Service Area than would be "expected" based on its national share.
- Trade, transportation and utilities (which includes activities such as retail, wholesale, transportation, and warehousing) has the third highest LQ of 1.07. It is also the second largest nonfarm industry sector with about 78,000 workers.

The other industry sectors are near or below the national average in their share of regional nonfarm employment.

Figure 18 | Employment Mix in the Service Area and the United States, and Location Quotients for the Service Area—Selected Nonfarm Sectors, December 2022



Sources: U.S. Bureau of Labor Statistics and Unison Consulting, Inc.
Labels are location quotients.

Figure 19 shows the trends in employment in selected nonfarm industry sectors from 2000-2021. Employment grew in all sectors except financial activities and information. As expected, pro-cyclical sectors—such as mining, logging, and construction; manufacturing; leisure and hospitality; and, trade, transportation, and utilities—show declines in employment during recessions, particularly during the Great Recession (2008-2009) and the COVID-19 recession (2020).

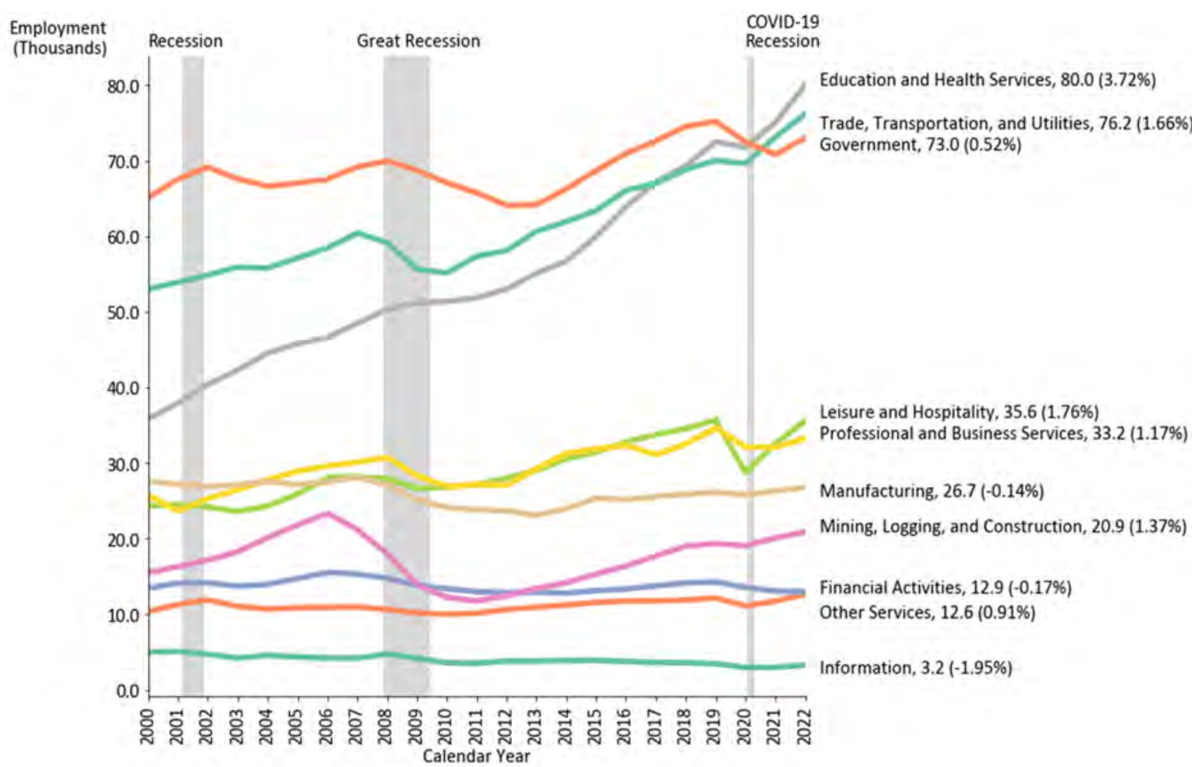
Several industry sectors show significant growth in employment since 2000:

- Education and health services show the highest CAGR of 3.72 percent and currently employs approximately 80,000 workers.
- Leisure and hospitality shows the second highest CAGR of 1.76 percent and currently employs 36,000 workers.
- Trade, transportation, and utilities has the third highest CAGR of 1.66 percent and currently employs 76,000.

Three sectors show a net decrease in employment between 2000 and 2022: manufacturing, information, and financial activities.

Nationally, the travel and leisure market—and regional economies that depend heavily on this market—suffered disproportionately from the pandemic due to restrictions on travel, stay-at-home orders and reluctancy by the public to engage in tourism. The Service Area is the gateway to several national parks, including Yosemite, Kings Canyon, and Sequoia (Figure 4). The leisure and hospitality sector, the fourth largest in the Service Area, experienced a 16 percent decline in employment between 2019 and 2020. It completely recovered in 2022 and now employs at least 3,000 more than it did in 2019.

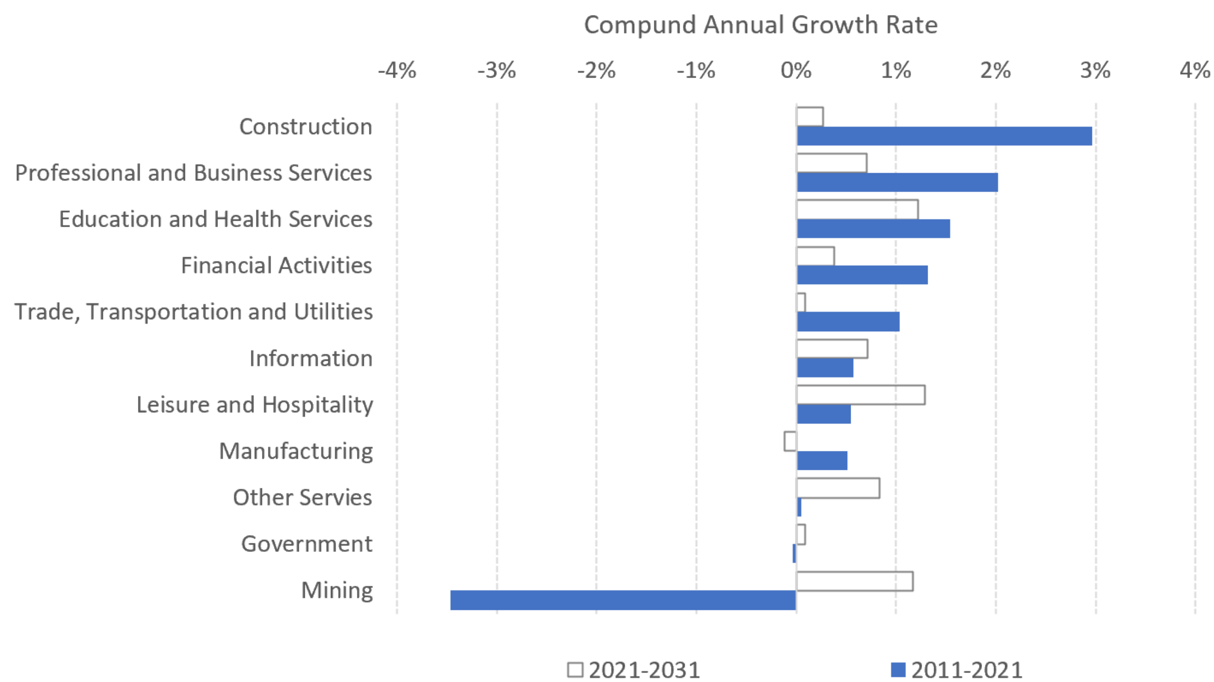
Figure 19 | Employment by Selected Industry, Service Area, 2001-2022



Sources: U.S. Bureau of Economic Analysis and Unison Consulting, Inc.
Gray areas indicate economic recession periods.

For comparison, Figure 20 shows national-level CAGRs in employment by nonfarm industry sector for the periods from 2011 to 2021 (historical) and from 2021 to 2022 (forecast). Trends in the FAT Service Area share some similarities with national patterns. Trade, transportation and utilities; education and health services; and leisure and hospitality have grown both in the Service Area and the nation. The fastest growing sector nationally, construction, also grew substantially in the Service Area after declining locally during the Great Recession. Each of these sectors will likely grow nationally over the next decade, which bodes well for the Fresno region. On the other hand, the Service Area has a high employment concentration in the government sector, which is not growing nationally.

Figure 20 | United States, Compound Annual Growth Rates by Industry Sector, 2011-2021 and 2021-2031



Sources: U.S. Bureau of Labor Statistics and Unison Consulting, Inc.

Agriculture

California's Central Valley is the most important agricultural region in the United States, and agriculture forms a base for the Service Area's economy. In 2021 Fresno County alone produced nearly $8.1 billion in agricultural products, placing it among the top three agricultural-producing counties in California and the nation. The top 10 crops, by gross value, produced in Fresno County are: almonds, grapes, pistachios, poultry, milk, tomatoes, cattle & calves, garlic, oranges, and peaches.[25] In 2021, the Service Area employed more than 5 percent of all workers in crop production (NACIS 111) in the nation.[26]

Figure 21 shows trends in employment for agriculture's parent sector NAICS 11 (agriculture, fishing, forestry and hunting) from 2001 to 2021 in Fresno County, California, and the nation. In 2021 the sector employed more than 40,000 workers. =However the trend in employment has been negative over the long term. Between 2000 and 2021, the sector has more than 8,000 jobs and contracted at a CAGR of 0.91 percent. Changes in immigration policy, aging of the agricultural workforce, and large productivity gains through innovation have contributed to the declines in agricultural employment.[27,28] Despite declining employment levels, agriculture remains important to the region's economy not only as a direct source of production output and employment, but also through related activities such as food processing. There were approximately 12,000 jobs in food processing in Fresno County in 2021.

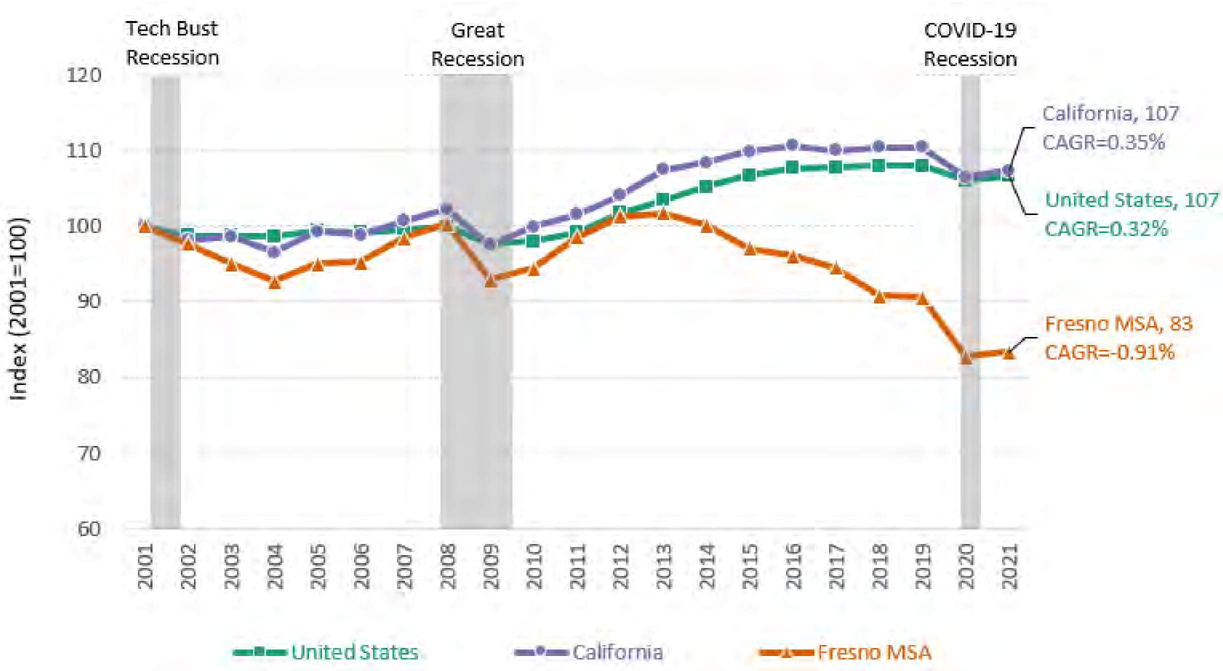
[25] County of Fresno Department of Agriculture, *2021 Crop Report*, https://www.co.fresno.ca.us/departments/agricultural-commissioner/fresno-county-crop-report-dmi.

[26] NAICS refers to the North American Industrial Classification System, the system used by the United States government for classifying industries. Full detail is available at: https://www.census.gov/naics/. Data for 2021 employment uses 2020 information for Kings County, for which data were unavailable.

[27] New American Economy, *A Vanishing Breed: How the Decline in U.S. Fam Laborers Over the Last Decade Has Hurt the U.S. Economy and Slowed Production on American Farms*, August 11, 2015, https://research.newamericaneconomy.org/report/vanishing-breed-decline-u-s-farm-laborers-last-decade-hurt-u-s-economy-slowed-production-american-farms/.

[28] U.S. Department of Agriculture Economic Research Service, *Agricultural productivity in the U.S.*, January 6, 2022, https://www.ers.usda.gov/data-products/agricultural-productivity-in-the-u-s/summary-of-recent-findings/.

Figure 21 | Employment in NAICS 11 (Agriculture, Fishing, Forestry and Hunting), 2001–2021



Sources: U.S. Bureau of Labor Statistics and Unison Consulting, Inc.
Gray areas indicate economic recession periods.
Index: 2001=100.

Wages in agricultural sectors are generally low. In 2021, the median hourly wage for all occupations in the United States was $22 per hour. For agricultural workers, the median wage was only $14.27 per hour—just 65 percent of the median wage for all occupations. The median wage for workers in food processing, a component of the manufacturing sector, was slightly higher at $14.66 per hour but still significantly lower than the median wage for all occupations.[29]

Leading Employers

The Service Area has a diverse range of large public and private employers who, along with the many small enterprises in the area, form the backbone of the region's economy. Many of the leading non-agricultural employers in the Service Area are in the government or healthcare sectors (Table 6). The Fresno Unified School District, Naval Air Station Lemoore, and Community Medical Centers are among them. Several food processing companies—Cargill, Wawona Frozen Foods, Del Monte Foods, and Olam Tomato Processors also have establishments in the Service Area. A strong business community stimulates travel both by the businesses themselves by suppliers, vendors, and others who provide services to local companies.

[29] U.S. Bureau of Labor Statistics, "May 2021 National Occupational Employment and Wage Estimates," https://www.bls.gov/oes/current/oes_nat.htm#00-0000.

Table 6 | Major Employers in the Fresno Region, 2022

Organization	Estimated Employment	Sector
Fresno Unified School District	10,552	Public
Naval Air Station Lemoore	9,200	Military
Community Medical Centers	8,500	Healthcare
County of Fresno	7,773	Public
Clovis Unified School District	4,377	Public
California State Prisons	4,259	Public
Internal Revenue Service	4,040	Public
Kings County School Districts	3,928	Public
City of Fresno	3,575	Public
Saint Agnes Medical Center	2,812	Healthcare
Fresno State University	2,543	Public
Amazon	2,500	Logistics
Children's Hospital Central CA	2,500	Healthcare
State of California	2,400	Public
SCCCD	2,329	Public
Kaiser Permanente	2,250	Healthcare
Corcoran State Prison (SATF)	2,053	Public
Madera Unified School District	2,013	Education
Kaweah Delta Health Care	2,000	Healthcare
PG&E	1,954	Utilities
Adventist Health	1,948	Healthcare
Dept. of State Hospitals – Coalinga	1,925	Public
Sierra View District Hospital	1,800	Healthcare
Walmart Distribution	1,692	Logistics
Chuckchansi Gold Resort & Casino	1,500	Leisure and Hospitality
County of Kings	1,471	Public
Tachi Palace Hotel & Casino	1,340	Leisure and Hospitality
Cargill Meat Solutions	1,300	Food Processing
J.G. Boswell Company	1,300	Manufacturing
Wawona Frozen Foods	1,200	Food Processing
County of Madera	1,188	Public
College of the Sequoias	1,160	Education
Foster Farms	1,100	Agriculture
Del Monte Foods	1,100	Food Processing
Leprino Foods West	1,015	Food Processing
Olam Tomato Processors	1,000	Food Processing

Sources: California Central Valley Economic Development Corporation and Unison Consulting, Inc.

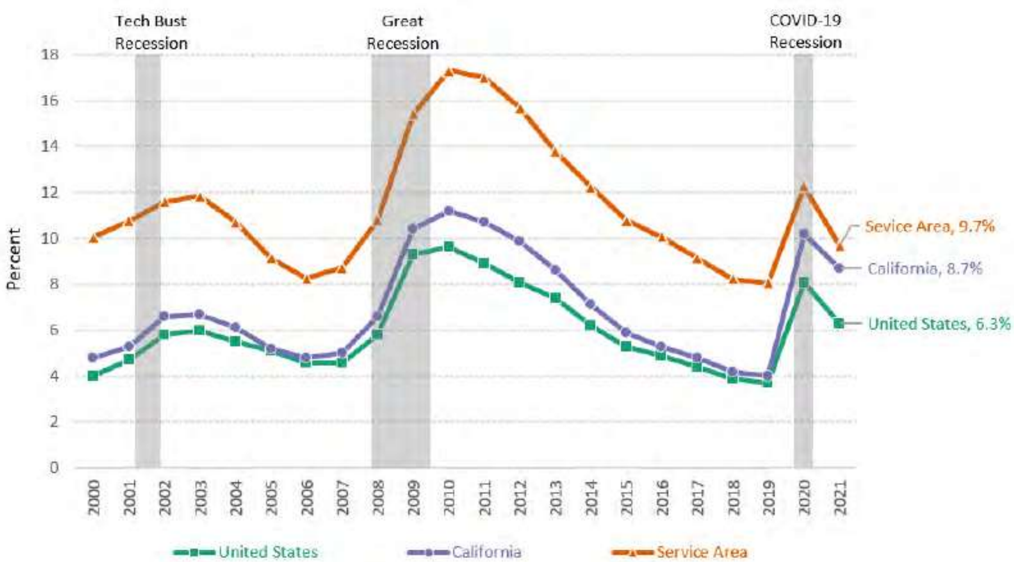
Unemployment

The unemployment rate represents the share of unemployed members of the labor force (those 16 years and older who are either employed or unemployed and actively looking for work). It provides a measure of unmet demand for jobs. High levels of unemployment imply lower incomes and less discretionary income for travel. As with employment, the unemployment rate follows business cycles (Figure 22).

Although the unemployment rate in the Service Area follows the same business cycle patterns as the California and U.S. unemployment rates, it is consistently higher than both. Between 2000 and 2021, the average unemployment rate in the Service Area (11.4 percent) was 4.5 percentage points higher than the California state average (6.9 percent) and 5.4 percentage points higher than the U.S. average (6.0 percent). Following the Great Recession, unemployment spiked to 9.6 percent in the United States, 11.2. percent in California and 17.3 percent in the Service Area. Between 2010 and 2019, the longest expansionary period in U.S. history, unemployment fell to about 4 percent in California and the United States but only to 8 percent in the Service Area.

Amid the business lockdowns during the COVID-19 pandemic, unemployment spiked again in 2020. That year, the annual unemployment rate rose to 12.3 percent in the Service Area, 10.2 percent in California, and 8.1 percent nationally. By 2021, the unemployment rate had decreased to 9.7 percent in the Service Area, 8.7 percent in California, and 6.3 percent nationally.

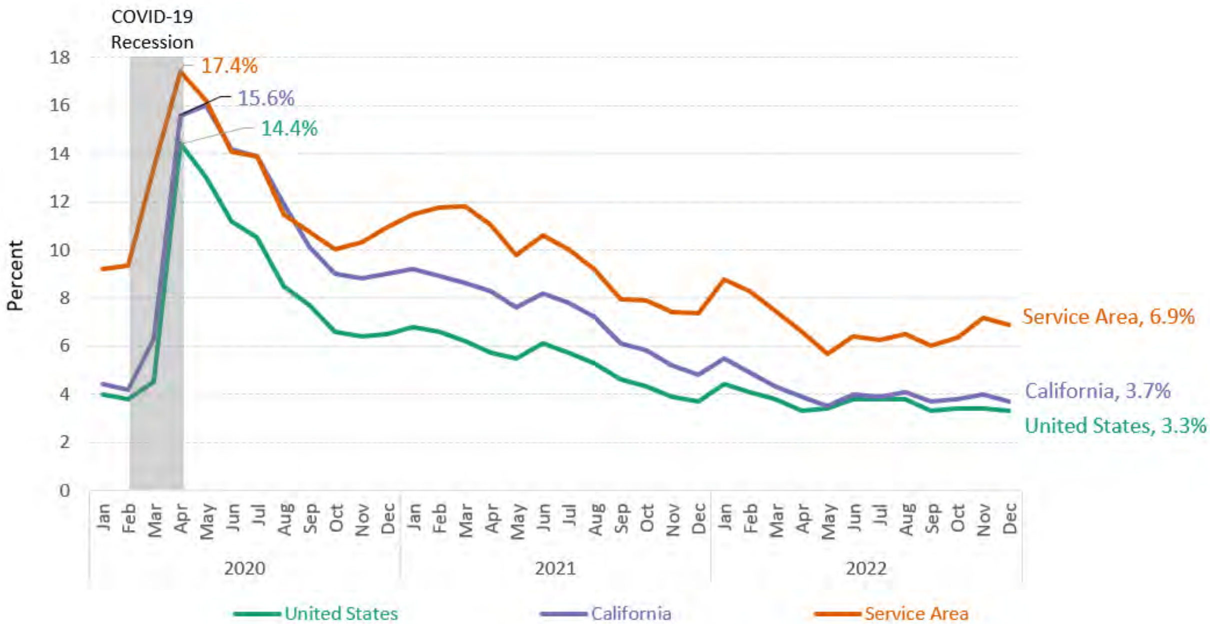
Figure 22 | Annual Unemployment Rate, 2000-2021



Sources: U.S. Bureau of Labor Statistics and Unison Consulting, Inc.
Gray areas indicate economic recession periods.

Monthly data provides perspective on recent trends in the unemployment rate and reveals high peaks felt during the COVID-19 recession (Figure 23). In January 2020, before the pandemic, unemployment rates were 4 percent nationally, 4.4 percent in California, and 9.2 percent in the Service Area. During the early months of the pandemic, following shelter-at-home orders and business lockdowns, unemployment rose sharply—up to 14.4 percent nationally, 15.6 percent in California, 17.4 percent in the Service Area. As shelter-at-home orders were lifted and businesses reopened, unemployment rates descended quickly. By December 2022, the unemployment rate had decreased to 3.3 percent nationally, 3.7 percent in California, and 6.9 percent in the Service Area—lower than pre-pandemic levels.

Figure 23 | Unemployment Rate (Monthly)—Recovery from the COVID-19 Recession, January 2020–December 2022



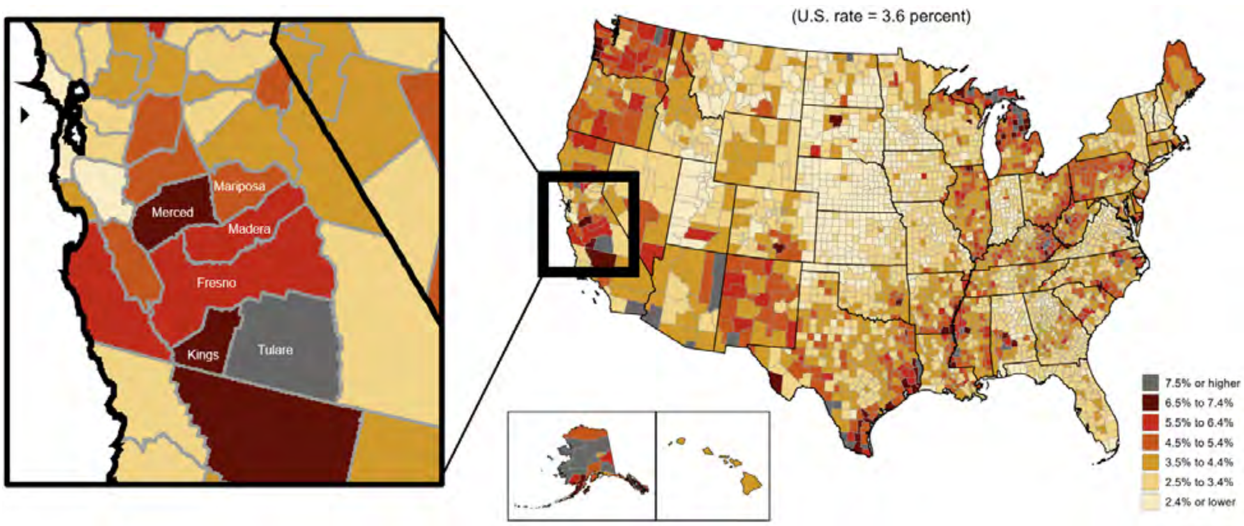
Sources: U.S. Bureau of Labor Statistics and Unison Consulting, Inc.
Gray areas indicate economic recession periods.

Nationally, rapid economic recovery has created a labor shortage—in December 2022, there were two job openings for each unemployed person.[30] Airlines and airports are facing the impacts of this shortage—for flight crew, airport facility staff, and others.

Figure 24 shows the 12-month average unemployment rate through December 2022 by county nationwide. It shows that while the Service Area has recovered significantly from the unemployment rates felt during the COVID-19 recession, the region's unemployment rates are still higher than in many neighboring areas.

[30] S. Ember and B. Casselman, "Less Turnover, Smaller Raises: Hot Job Market May Be Losing Its Sizzle," *The New York Times*, October 3, 2022.

Figure 24 | Average Unemployment Rates by County, January 2022-December 2022



Sources: U.S. Bureau of Labor Statisitcs and Unison Consulting, Inc.

Commuting

In 2019, the Fresno MSA, the core of the Service Area, had a 73 percent employment efficiency.[31] This indicates that nearly three-quarters of those employed in the MSA also live in the MSA, while approximately 27 percent commute from outside. There is a net outflow of 6,100 jobs in the MSA—more workers leave the Fresno MSA for work than enter.

Tourism & Visitation

Tourism is considered a "basic" economic activity and a key driver of economic growth. It brings "new" money to a region from visitor spending on food, lodging, recreation, and other services provided by local businesses.[32]

In 2021, approximately 12.9 million visitors traveled to the Fresno area and spent almost $1.1 billion. About 30 percent of visitors travel to the region for business purposes, and 30 percent for leisure (the purpose of visit for the remaining 40 percent is not known). Numerous conventions and events are held in the region—in 2019, these events generated more the $40 million in total economic impact.[33] About 36 percent of enplaned passengers at FAT are visitors—in FY2017 this

[31] U.S. Census Bureau.

[32] In regional economic development theory, "basic" industries are those that generate revenue from customers from outside the region, thus bringing "new money" into the region.

[33] Fresno County Convention and Visitors Bureau.

totaled more than 280,000 passengers. The visitors provided more than $184 million in spending, which supported almost 3,500 jobs in the region.[34]

Located just 90 minutes from three National Parks (Yosemite, Kings Canyon, and Sequoia), FAT serves as a gateway for park visitors traveling by air. Between 2000 and 2016, the combined number of visitors to the three parks increased by 2.1 million (45 percent), driven largely by increases at Yosemite National Park (Figure 25). In 2017 and 2018, visitation to the parks dropped significantly due to wildfires, including the massive Ferguson Fire, which ravaged the region during July and August of 2018.[35, 36] The number of visitors to the three parks fell by more than 55 percent in 2020 during the height of the COVID-19 pandemic. A significant rebound in park visitors occurred in 2021, but visitation remained well below pre-pandemic levels.

In 2020, Yosemite National Park and other national parks across the country implemented reservation policies initially to limit the number of visitors during the pandemic. Later, the reservation system allowed the parks to implement construction projects—repair roads, trails, campgrounds, and visitor facilities—with funding received from the recent Great American Outdoors Act. On November 17, 2022, Yosemite National Park announced that the reservation policy for summer day use would be suspended in 2023.[37]

---

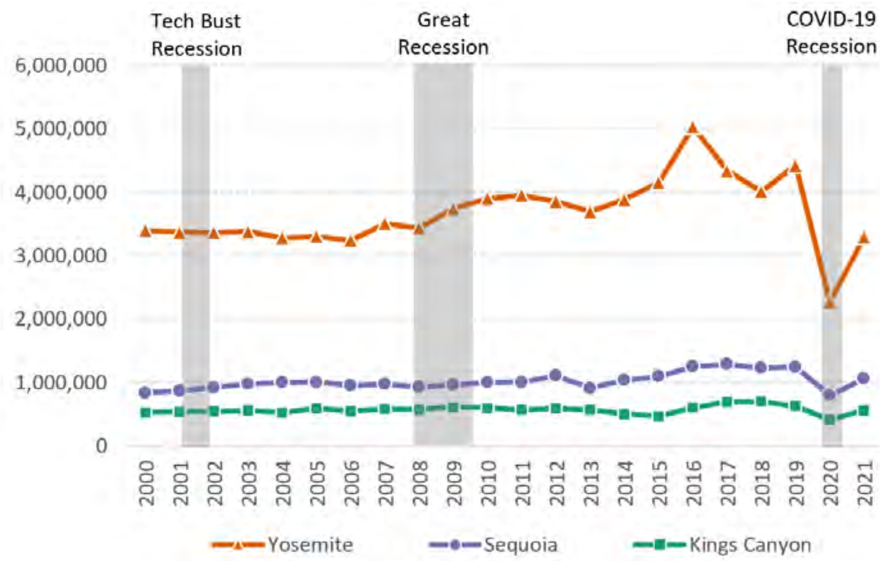
[34] Martin Associates, *The Economic Impact of Fresno Yosemite International and Chandler Executive Airport*, City of Fresno Airports Department, January 2018.

[35] "2017 Visitation to Yosemite National Park Down 15% Year Over Year," *Sierra Sun Times,* January 11, 2018, https://goldrushcam.com/sierrasuntimes/index.php/news/local-news/12480-2017-visitation-to-yosemite-national-park-down-15-year-over-year.

[36] United States Forest Service, "Ferguson Fire is Now 100% Contained," August 19, 2018, https://www.fs.usda.gov/detail/sierra/news-events/?cid=FSEPRD592428.

[37] Sasha Brady, "Yosemite suspends its reservation system – but will overcrowding return?" *Lonely Planet*, November 22, 2022, https://www.lonelyplanet.com/news/yosemite-suspends-online-reservation-system-2023.

Figure 25 | Visitors to Yosemite, Sequoia, and Kings Canyon National Parks—2000-2021



Sources: U.S. National Park Service and Unison Consulting, Inc.
Gray areas indicate economic recession periods.

2.5 | Other Macroeconomic Indicators

Conditions in the broader U.S. economy affect regional economic conditions and overall demand for air transportation. The current trends in key macroeconomic indicators give mixed signals for the future.

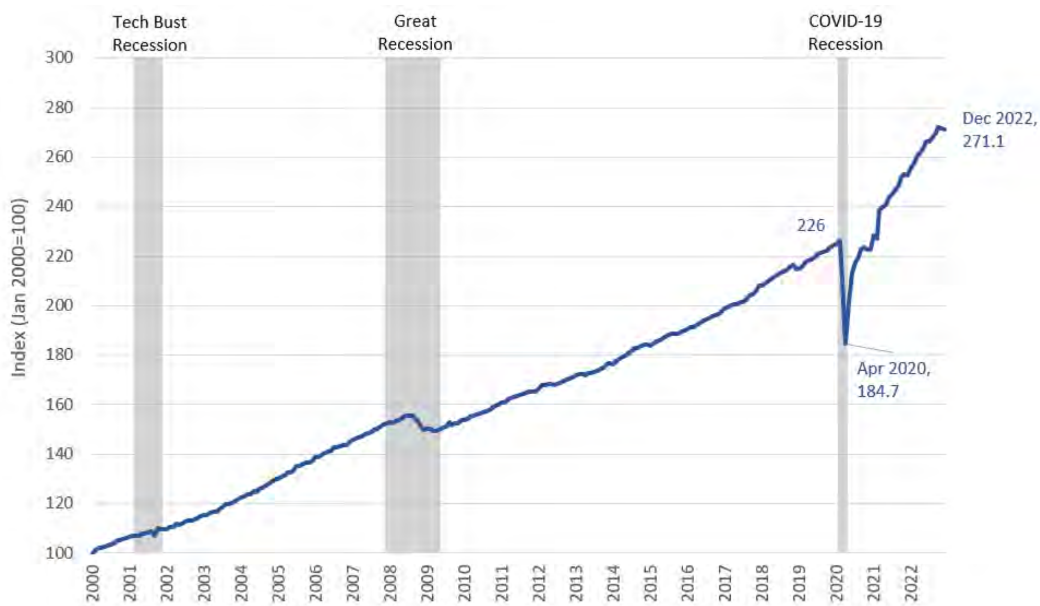
2.5.1 | Consumer Spending

Consumer spending, a bellwether measure of the economy, continues to signal a growing economy. Personal consumption expenditures (PCE) account for about 66 percent of the U.S. GDP. Figure 26 shows that, apart from a few dips during the Great Recession and again during the COVID-19 pandemic, consumer spending has continuously increased. During the Great Recession, consumer spending decreased by 4 percent over eight months in late 2008 and early 2009. It subsequently rose to 51 percent above the pre-recession peak by February 2020. During the COVID-19 pandemic, consumer spending decreased by 18 percent between February and April 2020 but rebounded quickly. It increased 47 percent through December 2022 to a level 20 percent above the pre-pandemic peak.

High levels of excess savings and increases in household wealth from earlier gains in stock and housing prices during the pandemic have buoyed consumer spending. However, the effect of high inflation is starting to show as spending begins to outstrip incomes and consumers begin to draw down savings. [38]

[38] T. Quinlan and S. Seery, "Spending Outstrips Income for the 8th Time in 9 Months," *Wells Fargo Economics*, October 28, 2022.

Figure 26 | Personal Consumption Expenditures Index, Monthly, 2000- December 2022



Sources: U.S. Bureau of Economic Analysis and Unison Consulting, Inc.
Gray areas indicate economic recession periods.
Index: 2000=100.

2.5.2 | Personal Saving

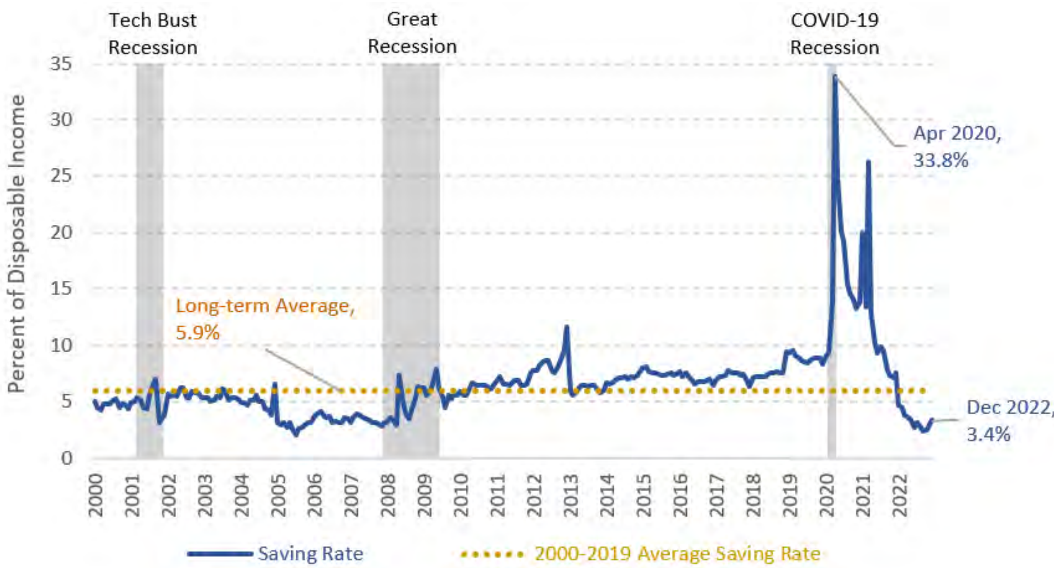
The personal saving rate soared during the pandemic as household spending was curtailed and income transfers from COVID-19 relief packages[39] boosted household income. This resulted in trillions of dollars of accumulated saving.

Figure 27 shows monthly personal savings as a percentage of disposable income from January 2000 to September 2022. The long-term average prior to the pandemic (2000-2019) was 5.9 percent. In 2020 and 2021, the personal saving rate reached levels above 30 percent. The accumulated savings have enabled consumers to sustain spending, including travel, amid price increases in 2021 and 2022. In 2022, however, the personal saving rate has fallen below its long-term average to 3.4 percent in December. Consumers have begun to draw down accumulated savings. Accumulated "excess" savings during the pandemic are estimated to have fallen to just over $1 trillion as of October 2022, down from a peak of more than $2 trillion at the end of 2021.[40]

[39] COVID-19 relief packages were provided under the CARES Act in March 2020, the Consolidated Appropriations Act in December 2020, and the American Rescue Plan in March 2021.

[40] T. Quinlan, S. Seery, and J. Kohl, "Spending Surges as Inflation Cools, but Savings Rate Dips to 17-Year Low," *Wells Fargo Economics*, December 1, 2022.

Figure 27 | Personal Saving Rate, Monthly, 2000-December 2022

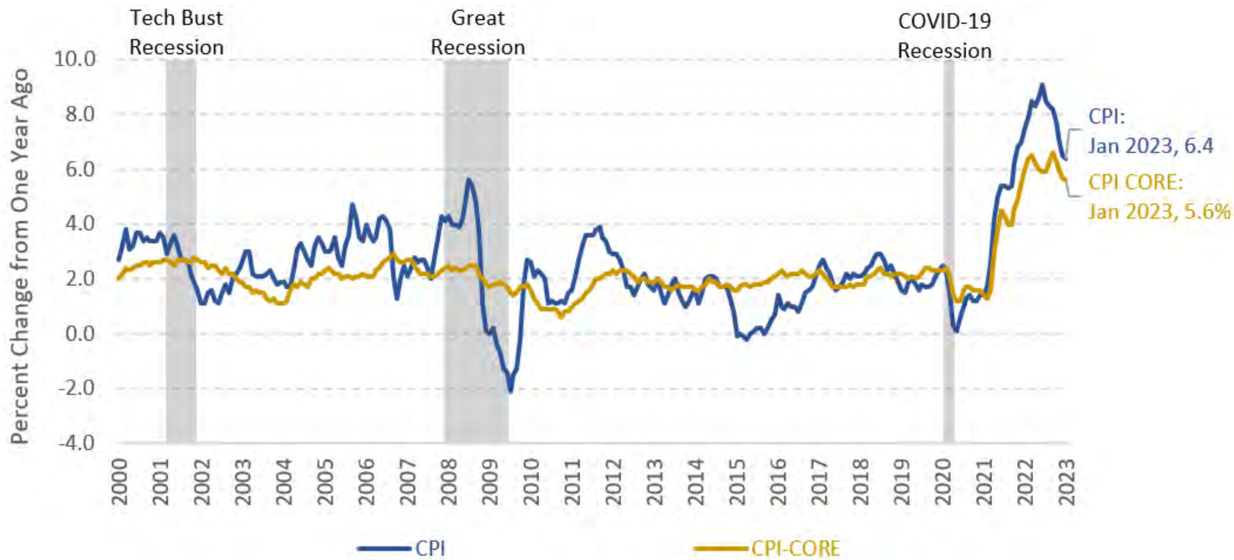


Sources: Bureau of Economic Analysis and Unison Consulting, Inc.
Gray areas indicate economic recession periods.

2.5.3 | Inflation

Strong consumer demand and supply constraints have created an inflationary environment. Inflation, mostly at or below 2 percent between 2010 and 2020, has risen to levels not seen since the early 1980s (Figure 28). The headline inflation rate, measured by the All-Items Consumer Price Index (CPI), reached 9.1 percent in June 2022. Core inflation, which excludes highly price-volatile items like food and energy, has also been high, reaching 6.6 percent in September 2022. Although inflation eased slightly in late 2022 it is still well above the Federal Open Market Committee's (FOMC) long-term goal of 2 percent.

Figure 28 | Consumer Price Index, Monthly, 2020-January 2023



Source: U.S. Bureau of Labor Statistics and Unison Consulting, Inc.
Gray areas indicate economic recession periods.
Annualized change from same month in the previous year.

2.5.4 | Consumer Sentiment

Based on a recurring survey conducted by the University of Michigan, consumer sentiment reached its lowest level in years during 2022—another indicator of caution regarding near-term economic conditions (Figure 29). The index measures consumer confidence in the economy and suggests future demand behavior and business activity.[41] After a decade-long recovery from low levels reached during the Great Recession, consumer sentiment has fallen steeply since February 2022. While the index recovered slightly in late 2022 and January 2023, consumers appear concerned about high inflation and increasingly uncertain about the near-term economic outlook.

[41] W. Huth et al., "The indexes of consumer sentiment and confidence: Leading or misleading guides to future buyer behavior," *Journal of Business Research*, March 1994.

Figure 29 | University of Michigan Consumer Sentiment Index, Monthly, 2000-January 2023

Sources: University of Michigan, University of Michigan: Consumer Sentiment [UMCSENT], retrieved from FRED, Federal Reserve Bank of St. Louis; and Unison Consulting, Inc.
Gray areas indicate economic recession periods.
Index: 2000=100.

2.5.5 | Industrial Production

Industrial production is one major index of economic activity, tracing the output of manufacturing, mining, and utilities (for example, power generation). Industrial production tends to move in concert with business cycles (Figure 30). During each of the last three recessions, industrial production dropped significantly. Most recently, industrial production fell by about 19 percent between the fourth quarter of 2018 and the second quarter of 2020. By the third quarter of 2022, production had returned to pre-pandemic levels and a generally upward trajectory. The recovery period this time was much shorter than the seven years it took to recover from the Great Recession. Going forward, however, industrial production is set to slow if consumers reduce spending amid high prices and high interest rates.Figure 30 | Industrial Production Index, 2000-2022

Sources: Board of Governors of the Federal Reserve and Unison Consulting, Inc.
Gray areas indicate economic recession periods.
Index: 2000=100.

2.5.6 | Global Supply Chain Pressures

During the pandemic, the fragility of the global supply chain was exposed as COVID-19 led to the shutdown of factories across the globe, bottlenecks in transportation, and a shortage of workers. [42] Nearly all industries were impacted—manufacturing, construction, retail, and wholesale were among the hardest hit. Supply chain bottlenecks restricted the availability of raw materials, manufacturing capabilities, and product accessibility, leading to price increases. On a broad level, supply chain problems have started to recede (Figure 31). The Global Supply Chain Pressure Index (GSCPI) is calculated by the Federal Reserve Bank of New York to measure strain in the supply chain by combining a variety of transport cost measures with the Purchasing Manager Index. Higher values indicate more stress, while lower values indicate a system running smoothly. The index had been hovering near zero for most of the past two decades. However, in 2020, the index rose to about 3.0, and after a brief fall, it climbed even higher to 4.3 in December 2021. Since then, the index has again fallen (to 1.0 in January 2023)—a positive indication that the global logistics system is adapting to the demands of the post-pandemic era.

[42] P. Goodman, "How the Supply Chain Broke, and Why It Won't Be Fixed Anytime Soon," *The New York Times*, October 31, 2021.

Supply-chain issues have not disappeared.[43] Aircraft manufacturing continues to be plagued with supply bottlenecks that impact both production and delivery.[44] There are also continuing concerns about the shortage of computer chips. Production of chips has yet to return to levels that can meet demand for some processor-intensive products such as automobiles.[45] China's 'dynamic zero COVID-19' strategy has also had an impact on the production of some products.[46] China relaxed this policy in December 2022, but the outcome remains uncertain, particularly in the near term.[47]

Figure 31 | Global Supply Chain Pressure Index, 2000-2022

Sources: Federal Reserve Bank of New York and Unison Consulting, Inc.
Gray areas indicate economic recession periods.

2.6 | Economic Outlook

The COVID-19 pandemic has ebbed, but the U.S. economy is showing signs of slowing amid inflationary pressures, weakening consumer confidence, and tightening monetary policy. The Federal Open Market Committee (FOMC) has been actively raising interest rates in 2022 and 2023

---

[43] KPMG and Association for Supply Chain Management, "Seeking Supply Chain Stability in an Era of Volatility," September 2022, https://www.ascm.org/globalassets/ascm_website_assets/docs/stability-index-report.pdf.

[44] A. Tangel and B. Katz, "Airlines Face a Shortage of New Boeing, Airbus Jet," *The Wall Street Journal*, October 3, 2022.

[45] S. Shankland, "Global Chip Shortage and $53B Subsidy Boosts US Manufacturing," *CNET*, August 11, 2022.

[46] T. Higgins, "Apple Warns iPhone Production Disrupted by China Covid-19 Restrictions," *The Wall Street Journal*, November 6, 2022.

[47] W. Shih, "China's Zero-Covid Exit And The Potential for 2023 Supply Chain Disruptions," *Forbes*, December 13, 2022.

in an effort to slow inflation. Between March 2022 and February 2023, the FOMC increased the Fed Funds rate eight times—by a total of 450 basis points, increasing the cost of capital for individuals and corporations. A strong dollar, which fundamentally signifies a strong economy, dampens demand for U.S. exports. The global economy is also slowing—the International Monetary Fund (IMF) cut 2023 global growth forecasts, citing the effects of inflation, Russia's invasion of Ukraine, and China's economic slowdown.[48]

Many aspects of the U.S. economy continue to show strength: the labor market, consumer spending, industrial production, and corporate profits, among others. Moreover, the pressures on the global supply chain have also eased, reducing supply constraints. Over the long-term, history has proven the resilience of the U.S. economy—its ability to bounce from shocks and return to a growth trajectory.

2.6.1 | Short-Term Outlook

Predictions are cautious about the short-term economic outlook. According to the median estimates from *The Wall Street Journal's* (WSJ) January 2023 Economic Forecasting Survey, U.S. real GDP is forecast to grow 0.28 percent in the first quarter of 2023, -0.65 percent in the second quarter of 2023, and 0.2 percent in the second quarter of 2023 and 1 percent in the fourth quarter of 2023 (Figure 32).

On an annual basis, the median estimate for GDP growth is 0.01 percent in 2023, 1.9 percent in 2024, and 2.2 percent in 2025. The range of predictions varies widely, including predictions of negative growth. The January 2023 WSJ median estimate for the probability that the U.S. economy will slide into another recession within 12 months was 61 percent.[49] Other estimates are higher.[50, 51]

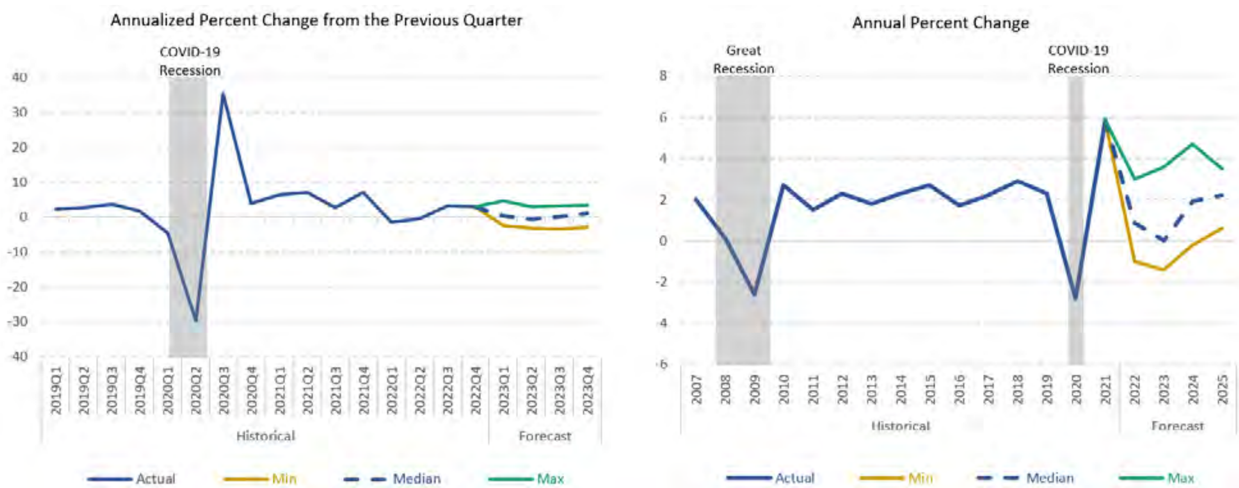
[48] Yuka Hayashi, "IMF Cuts 2023 Global Growth Forecast, Citing Inflation, War and China Slowdown," *The Wall Street Journal*, October 11, 2022.

[49] Based upon the predictions of surveyed economists.

[50] The Conference Board, "US Recession Probability Reaches 96 Percent Heading into Q4," *Navigating the Economic Storm*, September 29, 2022.

[51] Azhar Iqbal and Nicole Cervi, "Gonna Change My Way of Thinking: Is a Recession Coming? Part I: A New Toolkit to Predict Recessions," *Wells Fargo Economics Special Commentary*, September 23, 2022.

Figure 32 | U.S. Real GDP, Quarterly and Annual Change

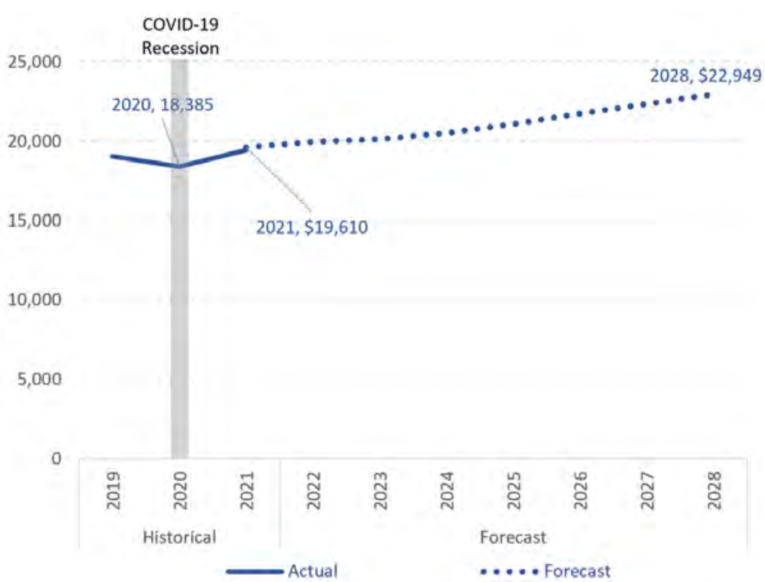


Sources: U.S. Bureau of Economic Analysis, The Wall Street Journal January 2023 Economic Forecasting Survey, and Unison Consulting, Inc.
Gray areas indicate economic recession periods.

2.6.2 | Long-Term Outlook

In the long run, the U.S. economy is projected to return to a steady growth path (Figure 33). Moody's Analytics forecasts the U.S. real GDP to grow at a compound annual rate of 2.3 percent from 2022 to 2028.

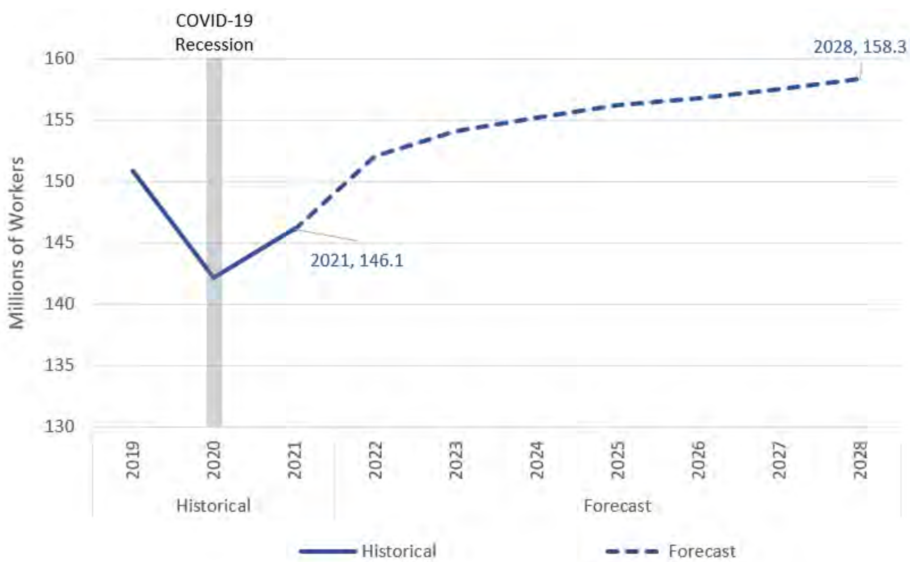
Figure 33 | Long Term Projected U.S. Real Gross Domestic Product ($ Billions), 2019-2028



Sources: U.S. Bureau of Economic Analysis, Moody's Analytics Baseline Scenario as of NMovember 2022, and Unison Consulting, Inc.
Gray areas indicate economic recession periods.

Following the trend in economic output, U.S. employment is also expected to demonstrate robust growth throughout the next decade (Figure 34). After falling by almost 6 percent between 2019 and 2020, non-farm employment is forecast to reach pre-pandemic levels by the end of 2022. According to Moody's Analytics, U.S. employment is projected to gain over 6 million jobs between 2022 and 2028, increasing at a compound annual rate of about 0.7 percent.

Figure 34 | Historical and Forecast Nonfarm Employment (millions), 2019-2028

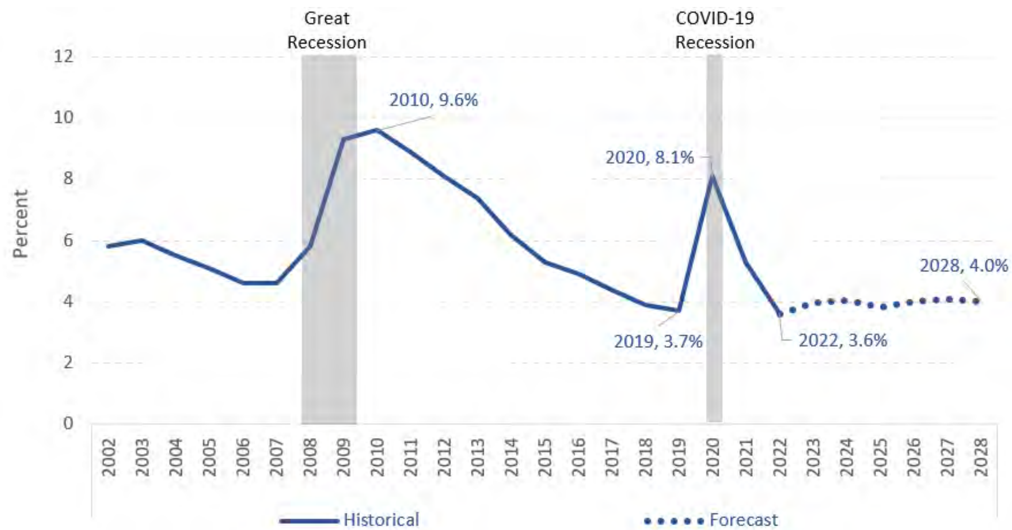


Sources: U.S. Bureau of Economic Analysis, Moody's Analytics Baseline Scenario as of November 2022, and Unison Consulting, Inc.
Gray areas indicate economic recession periods.

Moody's Analytics projects the U.S. unemployment rate to rise slightly above current low levels to 4.0 percent in 2028—staying at levels deemed consistent with a full-employment economy.[52] Figure 35 shows forecast annual unemployment rates with historical data from 2002 to provide a long-term perspective.

[52] Full employment generally is implied when unemployment rates are between 4.1 and 4.7 percent. More accurately, the idea of full employment is conceptual and refers to a state where "…the unemployment rate equals the nonaccelerating inflation rate of unemployment, no cyclical unemployment exists, and GDP is at its potential." See: (1) C. Cook, "Full Employment," *Bloomberg*, 2016. (2) U.S. Bureau of Labor Statistics, "Full Employment: an assumption within BLS projections," 2017.

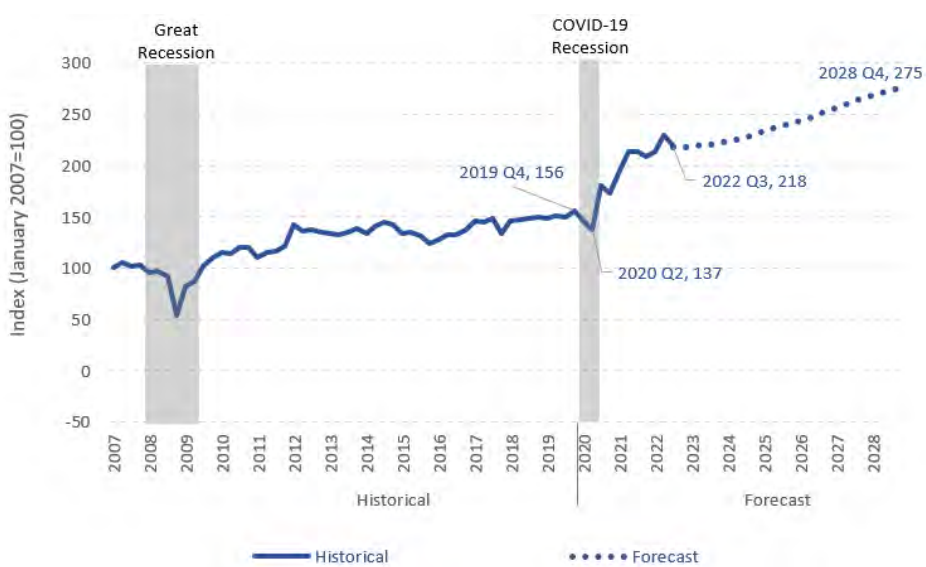
Figure 35 | Historical and Forecast Unemployment Rate, 2002-2028



Sources: Bureau of Labor Statistics, Moody's Analytics Baseline Scenario as of November 2022, and Unison Consulting, Inc.
Gray areas indicate economic recession periods.

Corporate profits, which have increased sharply since the downturn in the second quarter of 2020, are projected to stay flat through 2023 and then accelerate in growth through 2028, also according to Moody's Analytics' forecast (Figure 36). Between 2022 and 2028, corporate profits are forecast to increase by 27 percent (CAGR, 4.0 percent)—faster than pre-pandemic growth.

Figure 36 | Historical and Forecast Corporate Profits (after tax) Index, 2007-2028



Sources: Bureau of Economic Analysis, Moody's Analytics Baseline Scenario as of October 2022, and Unison Consulting, Inc.
Gray areas indicate economic recession periods.
Index: January 2007=100.

2.6.3 | Summary

Over the past two decades, the FAT Service Area has experienced strong growth in population, employment, GDP, and income. The region has a large proportion of residents with cultural ties to Mexico and the rest of Central America, which drives population growth and air transport demand. The region's cost of living is on par with the U.S. average.

On the other hand, the unemployment rate in the region is typically much higher than California state and national averages, leaving unmet wage-earning potential. The Service Area has a strong economic reliance on the government sector, which has not been growing nationally and is not forecast to grow over the next decade. Agriculture, a foundational industry in the region, pays low wages and is a declining source of employment. The disproportionate share of economically dependent population younger than 20 years old places a burden on the region's relatively smaller working-age population and overall economy. Low educational attainment levels limit the region's ability to diversify its economic structure in the short run.

Macroeconomic trends show mixed signals, particularly in the short run. GDP growth has slowed. Consumer spending remains strong, although consumer confidence has begun to wane over inflation and recession worries. Rising interest rates—a consequence of Fed funds rate hikes to slow inflation—are dampening housing demand and threaten to slow capital investment. Labor demand, industrial production, and corporate profits remain strong, and supply-chain bottlenecks have eased. Beyond 2023, the outlook remains positive, with GDP, employment, and corporate profits returning to their long-term growth trajectories. However, potential new variants of COVID-19 continue to present risks.[53]

[53] J. Wolfe, "New Variants are Coming," *The New York Times*, October 19, 2022.

SECTION 3 | AVIATION ACTIVITY

This section reviews the historical trends in commercial aviation activity at the Airport, explains the development of forecasts, and presents the results. The analysis of historical aviation activity at the Airport, along with the assessment of the demographic and economic context in the previous section, informs the development of forecasts of commercial aviation activity. Lastly, the section reviews broader factors that bring uncertainty to future traffic.

Throughout the section, the effect of the COVID-19 pandemic is considered. Commercial aviation is one of the industry sectors that has suffered the most severe disruptions due to the pandemic. Global passenger traffic fell to unprecedented low levels. At U.S. airports, including FAT, passenger traffic decreased to as little as 3-to-5 percent of normal levels in April 2020. Recovery is well under way with varying progress among U.S. airports. FAT is among those airports that have recovered fast and now exceed pre-pandemic traffic levels.

3.1 | Operating Airline History

Table 7 shows the list of passenger and cargo airlines serving at FAT over the past seven years—as of 2023, 10 passenger airlines and 2 all-cargo airlines have scheduled service at FAT. Of them, the largest five airlines are American, Southwest, United, Alaska, and Volaris, in order of scheduled seats. Over the course of the COVID-19 pandemic, FAT began receiving service from two new airlines, Southwest and ExpressJet. Southwest grew rapidly to become the second largest passenger carrier at the Airport, while ExpressJet—which offered a seasonal flight between FAT and Reno-Tahoe International Airport under the brand Aha! Airlines—ceased service in August 2022. ExpressJet filed for protection under Chapter 11 of the US bankruptcy code and ceased all flight operations, thus no longer serving at FAT in 2023. Additionally, Frontier Airlines has also yet to schedule flights at FAT in 2023. All-cargo carrier service is currently provided by FedEx and UPS. AmeriFlight no longer operates at the Airport.

Table 7 | Air Carriers Operating at FAT, FY2017-2023

Airlines	2017	2018	2019	2020	2021	2022	2023
Passenger Airlines							
Aeromexico	●	●	●	●	●	●	●
Alaska Airlines	●	●	●	●	●	●	●
Allegiant Air LLC	●	●	●	●	●	●	●
American Airlines	●	●	●	●	●	●	●
Delta Air Lines	●	●	●	●	●	●	●
ExpressJet Airlines, Inc.					●	●	
Frontier Airlines Inc.		●	●	●	●	●	
Southwest Airlines					●	●	●
United Airlines	●	●	●	●	●	●	●
Volaris	●	●	●	●	●	●	●
All-Cargo Airlines							
AmeriFlight LLC	●	●	●	●	●		
FedEx	●	●	●	●	●	●	●
UPS	●	●	●	●	●	●	●

Source: Airport records and OAG Schedules Analyzer.
Note: ExpressJet Airlines filed for Chapter 11 bankruptcy protection on August 23, 2022, and ceased all flight operations.

3.2 | Enplanement History

Fundamentally, passenger traffic is driven by changes in economic conditions—the demand for air travel grows during periods of economic expansion and declines during periods of economic recession. The NBER Business Cycle Dating Committee has on record 35 U.S. economic recessions since the 1850s. In the post-U.S. airline industry deregulation era since 1980, the U.S. economy has gone through six recessions: January to July 1980, July 1981 to November 1982, July 1990 to March 1991, March 2001 to November 2001, December 2007 to June 2009, and, most recently, February to April 2020.[54]

In addition to economic trends, passenger traffic is also affected by rare "black swan" events,[55] severe weather, and significant changes in airline network strategies. Rare events such as the 9/11 terrorist attacks that took place in 2001, and the ongoing COVID-19 pandemic that caused the 2020 economic disruptions have had widespread effects. The effects of severe weather tend to be geographically concentrated, and the effects of changes in airline networks tend to be airport-specific.

[54] National Bureau of Economic Research Business Cycle Dating Committee, *Chronology of U.S. Business Cycles*, July 19, 2021.

[55] Investopedia offers a simple definition of a black swan: an extremely rare event with severe consequences. See https://www.investopedia.com/terms/b/blackswan.asp.

3.2.1 | Significant Developments in the U.S. Airline Industry

The U.S. aviation industry enjoyed several periods of rapid expansion, including the 1980s following the federal deregulation of the industry and the 1990s during a decade-long economic boom. Nevertheless, the long-running U.S. economic expansion came to an abrupt end with the bursting of the dot-com bubble in 2001. Since then, additional adverse events have prompted significant structural changes that continue to shape the industry today.

On September 11, 2001, terrorists attacked two American Airlines' flights and one United Airlines' flight, resulting a significant drop in air travel demand in the ensuing months. U.S. airlines, especially American Airlines and United Airlines, suffered huge financial losses. After the terrorist attacks, airport security tightened. Longer passenger screening times discouraged air travel particularly to short-haul destinations that could be reached by ground transportation. Airlines competed for passengers by lowering airfares. Both leisure and business travelers became increasingly price sensitive, as the internet made it easy to search for and compare airfares.

Meanwhile, airlines faced rising fuel costs. Jet fuel prices more than quadrupled from 2000 to 2008, remaining at record high levels through 2014. Amid record fuel prices, the U.S. economy entered the Great Recession from December 2007 to June 2009—by far the longest U.S. economic recession since the Great Depression. The recession spread globally and weakened the demand for domestic and international air transport. Because of the significant and negative labor market impacts of the recession, including large declines in household income, the recovery of the economy and demand for air passenger and cargo transport was slow and weak.

Mounting financial difficulties resulting from a combination of high fuel costs and weak demand during the Great Recession led to airline bankruptcies and mergers, leaving four major airlines—American, Delta, Southwest, and United—controlling 80 percent of the U.S. domestic passenger traffic. Surviving airlines responded with various cost-cutting measures. They retired old aircraft, acquired larger and more fuel-efficient aircraft, and added seats to existing aircraft. They transferred routes between mainline and regional service to better match the supply of seats with demand. They implemented changes to their route networks to maximize profits, including moving flights from less to more profitable markets. In an effort to increase profitability, they not only changed pricing structures to increase revenue, but they also made deliberate cuts to flight schedules to increase load factors and improve aircraft utilization—a business strategy that has become known as the U.S. airline industry capacity rationalization. For instance, U.S. airlines cut domestic seat capacity by approximately 20 percent between 2005 and 2014, during which the cuts fell disproportionately on small and medium hub airports.

Although the U.S. economic recovery from the Great Recession was slow, it proceeded to become the beginning of the longest U.S. economic expansion on record. As air travel demand returned, the U.S. airline industry began earning profits in 2010 and sustained those profits continuously for more than 10 years. In late 2014, jet fuel prices began to fall, allowing airlines to boost profits, renew fleets, and increase flight schedules while maintaining capacity discipline. As the economy continued to expand, nationwide air traffic growth accelerated in the last quarter of the decade, despite negative shocks to the industry, including the grounding of the Boeing 737 MAX, a recent addition to the commercial passenger aircraft fleet.

In 2020, COVID-19 infections emerged, and the spread of the virus was declared a global pandemic on March 11, 2020. Air travel came to a near halt and U.S. airport passenger traffic plummeted nearly 97 percent in mid-April 2020. The pandemic has had a significant impact on air travel. Even though recovery has ensued, the pandemic has set in motion structural changes in both the demand for air travel and the supply of airline passenger service that may have long-lasting effects on the airline industry.

Unlike the experience following previous shocks, the recovery of business travel from the pandemic has been slower than the recovery of leisure travel for holidays, vacations, and visiting friends and relatives. Factors delaying business travel recovery include the widespread adoption of virtual conferencing, the delay in the full return of workers to offices, and the possible permanent transition to remote work and hybrid work practices. International travel was suspended for an extended period; it continues to be depressed by travel restrictions that remain in place in varying degrees in certain countries. Slow recovery in business and international travel has slowed passenger traffic recovery at most airports.

In response to the sharp decrease in air travel demand at the onset of the pandemic, airlines reduced capacity by retiring older aircraft models and postponing the delivery of new ones. They also shrank their workforce by creating incentives for voluntary retirement and extended leave. As air travel demand rebounded, airlines began restoring flights. However, the constraint has shifted to the supply side: the airlines' ability to provide capacity to meet returning demand is hampered by fleet constraints, delays in new aircraft deliveries, labor shortages, and resurgences in COVID-19 infections that lead to employee sick calls.

Unlike the situation in the aftermath of the Great Recession, consumers recovered strongly from the deep but brief recession caused by the COVID-induced economic lockdowns and stay-at-home orders. The job market rebounded strongly: today unemployment is at historically low levels and job openings outnumber those looking for jobs. Households emerged, on average, with relatively healthy finances and the ability to spend on the pent-up demand for travel.

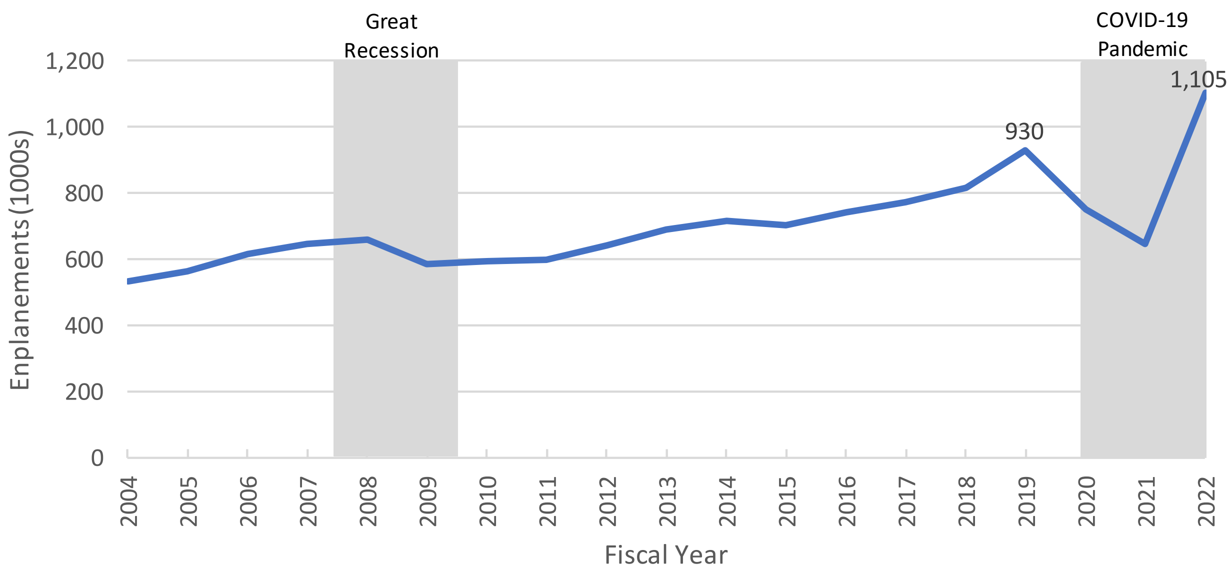
3.2.2 | FAT Enplanement Trends

Those developments in the entire U.S. aviation industry have affected FAT and proven its resilience. Following each downturn, the Airport's enplanements have recovered and grown to higher levels. Since at least FY2004, FAT has enjoyed nearly consistent growth. Enplanements grew from about 534,000 in FY2004 to 1.1 million in FY2022—a total growth of 107 percent over the course of that period (Figure 37).

Throughout this period, FAT's growth experienced three points of decline. The first instance was the Great Recession in FY2009 where air traffic decreased 11.4 percent; activity then recovered and surpassed FAT's FY2008 level by 2013. The second decline occurred in FY2015, with a minor decrease of 1.8 percent, which was quickly more than made up for with FY2016's growth. The third case is the COVID-19 pandemic, which is the most recent and most severe blow to FAT's growth, causing a 19.1 percent drop in FY2020 followed a second consecutive decline of 14.1 percent in FY2021.

Despite the total decline of 30.5 percent from FY2019 to FY2021, FAT's enplanements made a swift and sharp recovery, returning to and substantially surpassing its pre-pandemic level in the next fiscal year. With 1.1 million enplanements in FY2022, the Airport passed its former FY2019 peak of 930,000 enplanements by 18.8 percent. This quick recovery and growth can be attributed mostly to the addition of Southwest Airlines, which began service at FAT in FY2021 and grew to be the Airport's new fourth largest carrier in FY2022. Additionally, the pandemic brought about the rise of leisure travel over business travel, and FAT is close to the Yosemite, Sequoia, and Kings Canyon National Parks—all popular outdoor tourist destinations.

Figure 37 | FAT Annual Enplanements, FY2004-2022



Sources: U.S. Bureau of Transportation Statistics for FY2004 through FY2012, and Airport records for FY2013 onward.

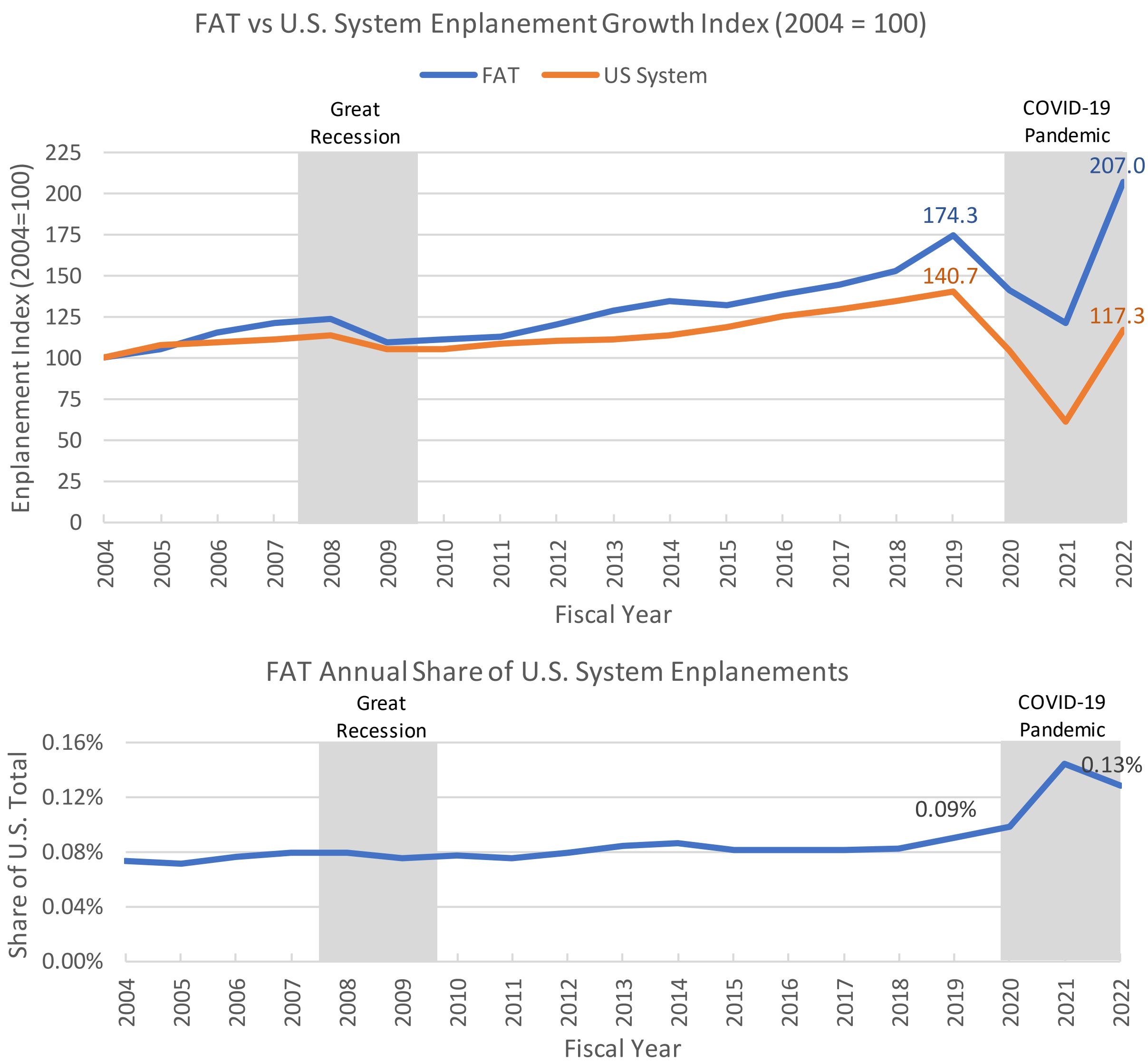
3.2.3 | FAT vs. U.S. System Enplanements

From 2006 onward, FAT has grown ahead of the total U.S. system. Figure 38 compares FAT and national growth indexes and FAT's annual share of total national enplanements, Figure 39 compares annual growth rates between FAT and the U.S. system enplanements, and the underlying data for both figures is shown in Table 8. FAT's lead narrowed during the Great Recession, though the Airport once again outpaced national growth in 2012 and maintained its lead through FY2022. The gap between FAT and the U.S. system widened further during the COVID-19 pandemic, as the Airport posted a relatively smaller drop followed by a stronger rebound in enplanements than the U.S. system. From FY2019 to FY2021, the Airport's enplanements decreased 30.5 percent, while U.S. system enplanements decreased 56.6 percent. In FY2022, FAT's enplanements posted a smaller proportional increase of 70.9 percent, compared with the U.S. system's growth of 91.8 percent.

FAT's enplanements, however, substantially exceeded their FY2019 level, while U.S. system enplanements remained well under.

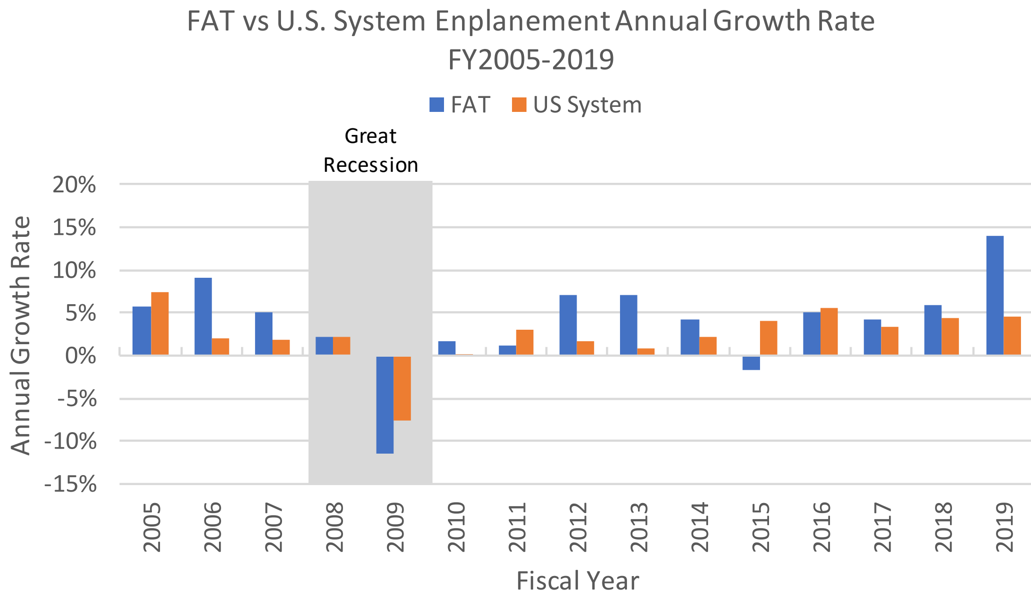
Since FY2007, FAT's share of the total U.S. system enplanements hovered around 0.08 percent until FY2019, when it grew to 0.09 percent. This share size continued to expand through the COVID-19 pandemic, peaking at 0.14 percent in FY2021, and shrinking slightly to 0.13 percent in FY2022.

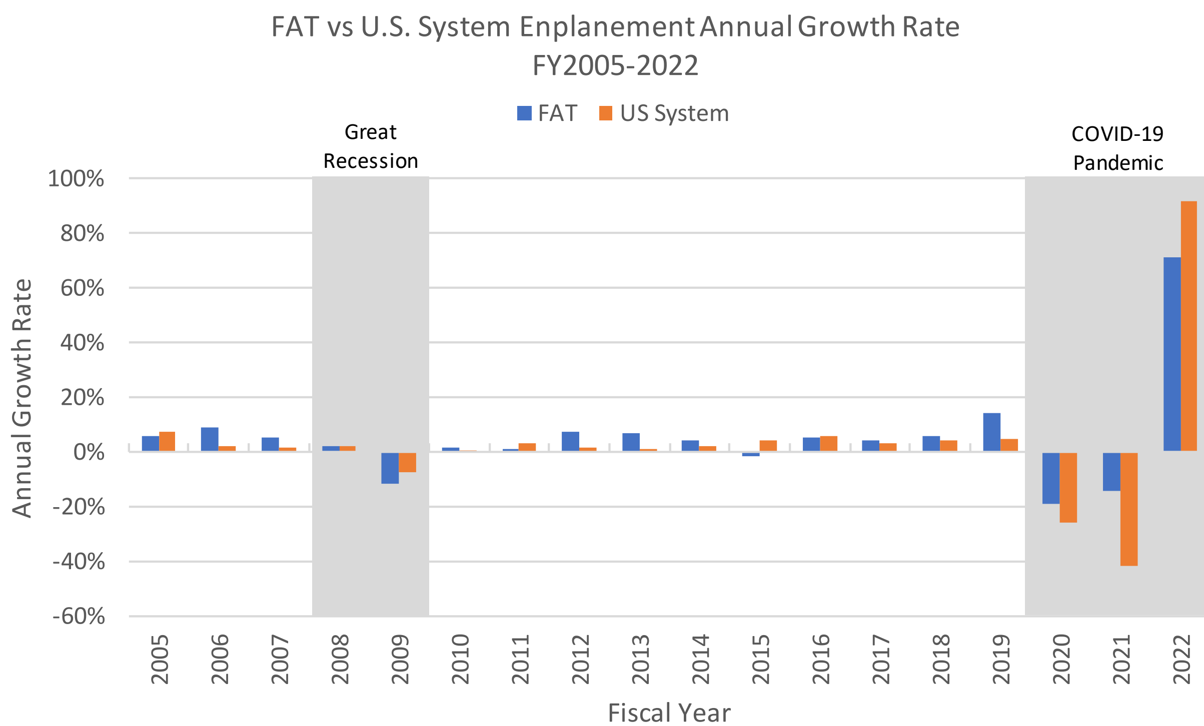
Figure 38 | FAT vs. U.S. System Enplanement Growth Trends, FY2004-2022



Sources: Bureau of Transportation Statistics for U.S. system enplanements. For FAT, Bureau of Transportation Statistics for 2004 through 2012, and Airport records for 2013 onward. Annual data for both FAT and the U.S. system enplanements are based on FAT's fiscal year.

Figure 39 | FAT vs. U.S. System Enplanements, Annual Growth Rate, FY2005-2022





Sources: U.S. Bureau of Transportation Statistics for U.S. system enplanements. For FAT, U.S. Bureau of Transportation Statistics for FY2004–2012, and Airport records for FY2013 onward. Annual data for both FAT and the U.S. system enplanements are based on FAT's fiscal year.

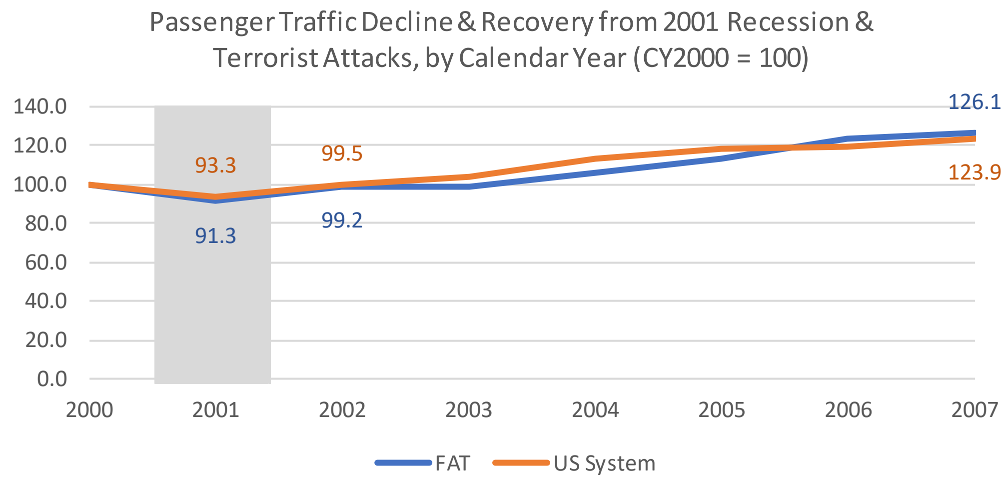
Table 8 | FAT vs. U.S. System Annual Enplanements, FY2004-2023 YTD

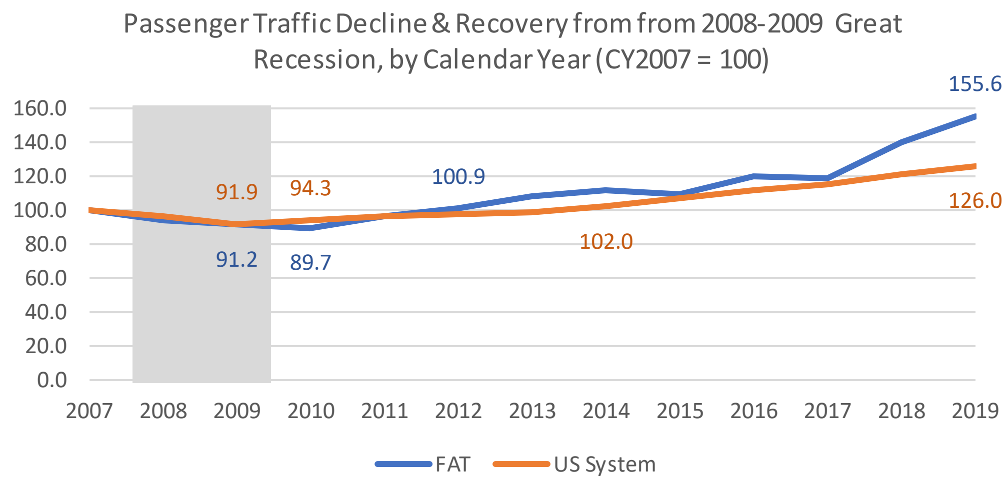
Annual Enplanements					
	FAT		US System		Share
FY	EP (1000s)	AGR	EP (1000s)	AGR	of U.S
2004	534		734,254		0.07%
2005	564	5.7%	789,211	7.5%	0.07%
2006	615	9.0%	804,674	2.0%	0.08%
2007	646	5.0%	818,854	1.8%	0.08%
2008	660	2.1%	836,997	2.2%	0.08%
2009	584	-11.4%	773,044	-7.6%	0.08%
2010	594	1.6%	773,996	0.1%	0.08%
2011	601	1.2%	797,134	3.0%	0.08%
2012	643	7.1%	810,756	1.7%	0.08%
2013	689	7.0%	817,853	0.9%	0.08%
2014	717	4.1%	835,947	2.2%	0.09%
2015	704	-1.8%	868,959	3.9%	0.08%
2016	741	5.1%	917,693	5.6%	0.08%
2017	771	4.2%	948,014	3.3%	0.08%
2018	817	5.9%	988,845	4.3%	0.08%
2019	930	13.9%	1,033,425	4.5%	0.09%
2020	753	-19.1%	767,044	-25.8%	0.10%
2021	647	-14.1%	448,916	-41.5%	0.14%
2022	1,105	70.9%	861,024	91.8%	0.13%
2022 YTD	661		478,115		0.14%
2023 YTD	659	-0.3%	569,162	19.0%	0.12%
Compound Annual Growth Rate					
2004-2019	3.8%		2.3%		
2004-2022	4.1%		0.9%		
2010-2019	5.1%		3.3%		
2010-2022	5.3%		0.9%		
2019-2022	5.9%		-5.9%		

Source: U.S. Bureau of Transportation Statistics for U.S. system enplanements. For FAT, U.S. Bureau of Transportation Statistics for FY2004–2012, and Airport records for FY2013 onward. Annual data for both FAT and the U.S. system enplanements are based on FAT's fiscal year.
YTD = July through January.

FAT's relatively fast recovery from the COVID-19 pandemic downturn in passenger traffic continues a record established in recoveries from the two previous sharp downturns following the 2001 recession and 9/11 terrorist attacks, and during the 2008-2009 Great Recession (Figure 40).

Figure 40 | FAT vs. U.S. System Recovery Trends from the 2001 Recession & Terrorist Attacks and the 2008-2009 Great Recession





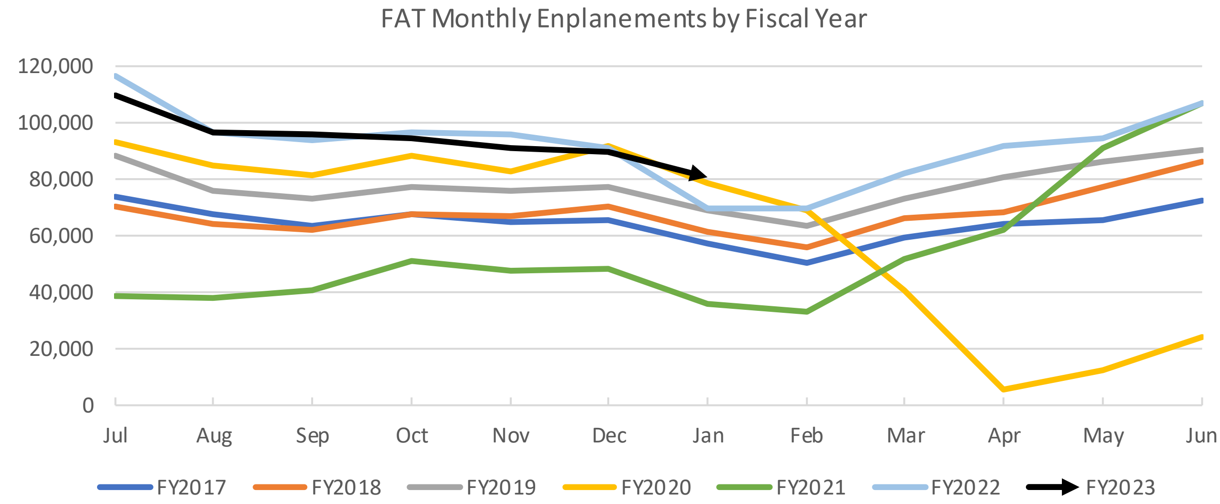
Sources: U.S. Bureau of Transportation Statistics and Airport records.

3.2.4 | Monthly Enplanements

Figure 41 shows FAT's monthly enplanements by fiscal year, from FY2017 to January FY2023. December through April of FY2020 show the largest initial decline of FAT's enplanements at the start of the COVID-19 pandemic. As shown in all of FAT's previous fiscal years, enplanements seem to consistently decline through January and February, but in FY2020 this decline accelerated in the following months due to the pandemic and resulting lockdowns, down to a low point of just under 5,800 enplanements in April 2020.

FAT's monthly enplanements remained well under pre-pandemic levels until widespread distribution of COVID-19 vaccines started the Airport's upward momentum in aviation activity from February 2021 forward. From then on, recovery came swiftly, with enplanements returning to and passing 2019 levels by May 2021. Since then, and through the entirety of FY2022, FAT's monthly enplanements have remained above pre-pandemic levels.

Figure 41 | FAT Monthly Enplanements, by Fiscal Year, FY2017-2022



Source: Airport records.

Table 9 breaks down each month's share of its respective fiscal year's total enplanements. FAT's peak activity is consistently in the summer, with June or July always holding the largest enplanement shares each year. On the other end, February is consistently the Airport's least active month, with the exception of FY2020 disrupting the pattern due to the initial wave of COVID-19 infections.

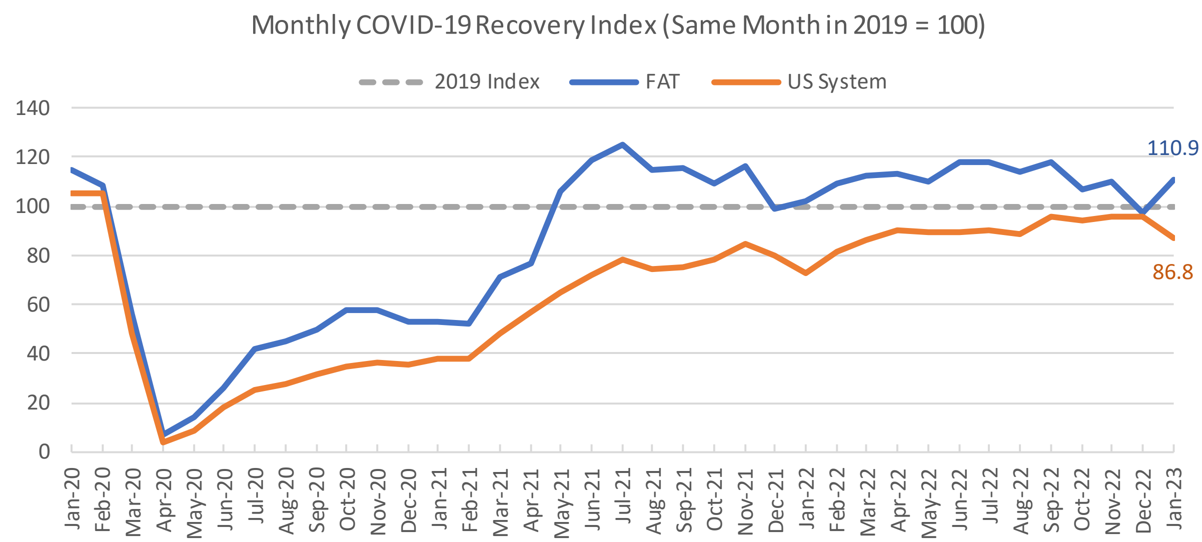
Table 9 | FAT Monthly Enplanement Shares, by Fiscal Year, FY2017-2022

Month	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Jul	9.6%	8.6%	9.5%	12.4%	6.0%	10.5%
Aug	8.7%	7.8%	8.2%	11.2%	5.9%	8.8%
Sep	8.2%	7.6%	7.8%	10.8%	6.3%	8.5%
Oct	8.8%	8.3%	8.3%	11.8%	7.9%	8.8%
Nov	8.4%	8.2%	8.2%	11.0%	7.4%	8.7%
Dec	8.5%	8.6%	8.3%	12.2%	7.5%	8.2%
Jan	7.4%	7.5%	7.4%	10.5%	5.6%	6.3%
Feb	6.5%	6.8%	6.8%	9.2%	5.1%	6.3%
Mar	7.7%	8.1%	7.8%	5.4%	8.0%	7.4%
Apr	8.3%	8.4%	8.7%	0.8%	9.6%	8.3%
May	8.5%	9.4%	9.2%	1.6%	14.1%	8.6%
Jun	9.4%	10.5%	9.7%	3.2%	16.6%	9.7%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Source: Airport records.

Figure 42 shows the monthly recovery trends of FAT and the U.S. system throughout the COVID-19 pandemic, using 2019 monthly enplanements as an index. April 2020 shows the full extent of the pandemic's initial impact on aviation activity, with FAT falling to 7.1 percent of its 2019 level and the U.S. system falling to 3.8 percent. Since then, FAT has consistently outpaced the national trend in recovery, with its lead accelerating further once vaccines were widely distributed in the spring of 2021. By May 2021, FAT had already surpassed its 2019 level, and only fell below that level for one month in December 2021 due to the Omicron variant and its related fifth wave of infections. Since then, FAT has maintained activity above pre-pandemic levels. FAT's monthly enplanements had been on a decline over the fourth quarter of the year, falling to 97.6 percent of its 2019 level in December. Enplanements returned to an upward direction in January 2023, rising up to 110.9 percent of its 2019 level. Inversely, U.S. system enplanements dipped down to 86.8 percent of its 2019 level in January 2023.

Figure 42 | FAT and U.S. COVID-19 Monthly Recovery Trends, January 2020–December 2022

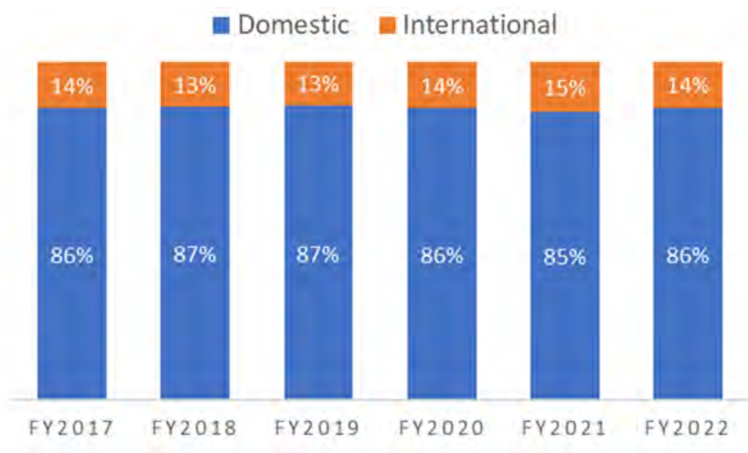


Sources: U.S. Bureau of Transportation Statistics for U.S. system enplanements and Airport records for FAT.

3.3 | Composition of Airport Passenger Traffic

FAT's passenger traffic consists largely of domestic traffic, which accounted for 87 percent in FY2022. The percentage distribution between the domestic and international segments has been consistent at least since FY2017 (Figure 43).

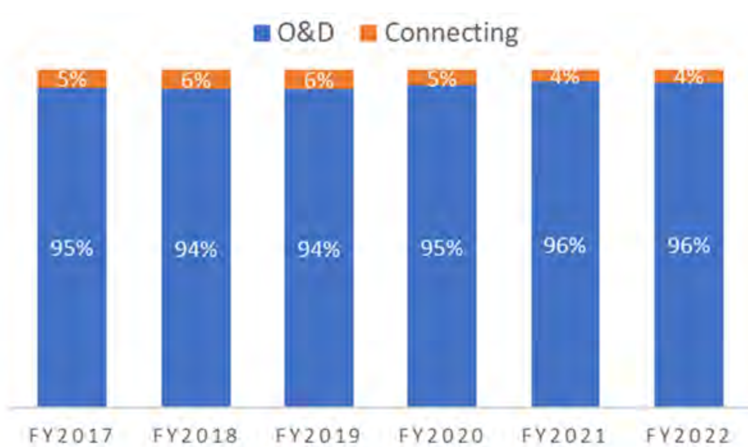
Figure 43 | FAT Passenger Traffic Distribution Between Domestic and International Segments



Sources: Airport records on enplanement counts and calculations by Unison Consulting, Inc.

FAT's passenger traffic also consists predominantly of origin-and-destination (O&D) passengers whose trip origin airport or final destination is FAT. O&D passengers increased in share slightly from around 94 percent before the pandemic to around 96 percent in the past two fiscal years (Figure 44). O&D traffic—compared with connecting traffic—constitutes a more stable market for air service. O&D traffic arises from market demand, rather than airlines' route network decisions. Unlike connecting traffic, O&D traffic is less vulnerable to changes in individual airlines' network strategies, business models, and financial conditions.

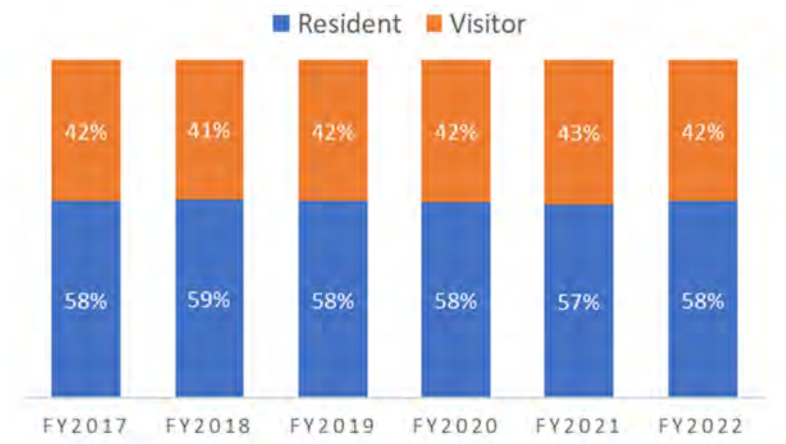
Figure 44 | FAT Passenger Traffic Distribution Between O&D and Connecting Segments



Sources: Estimates by Unison Consulting, Inc., using data from Airport records and U.S. Bureau of Transportation Statistics DB1B.

Within the domestic O&D traffic segment, residents are estimated to account for 58 percent, on average over the last six fiscal years, and visitors account for the remaining 42 percent (Figure 45).

Figure 45 | FAT Domestic O&D Passenger Traffic Distribution Between Residents and Visitors



Sources: Estimates by Unison Consulting, Inc., using data on domestic traffic from Airport records and U.S. Bureau of Transportation Statistics DB1B.

3.4 | Top Domestic O&D Markets

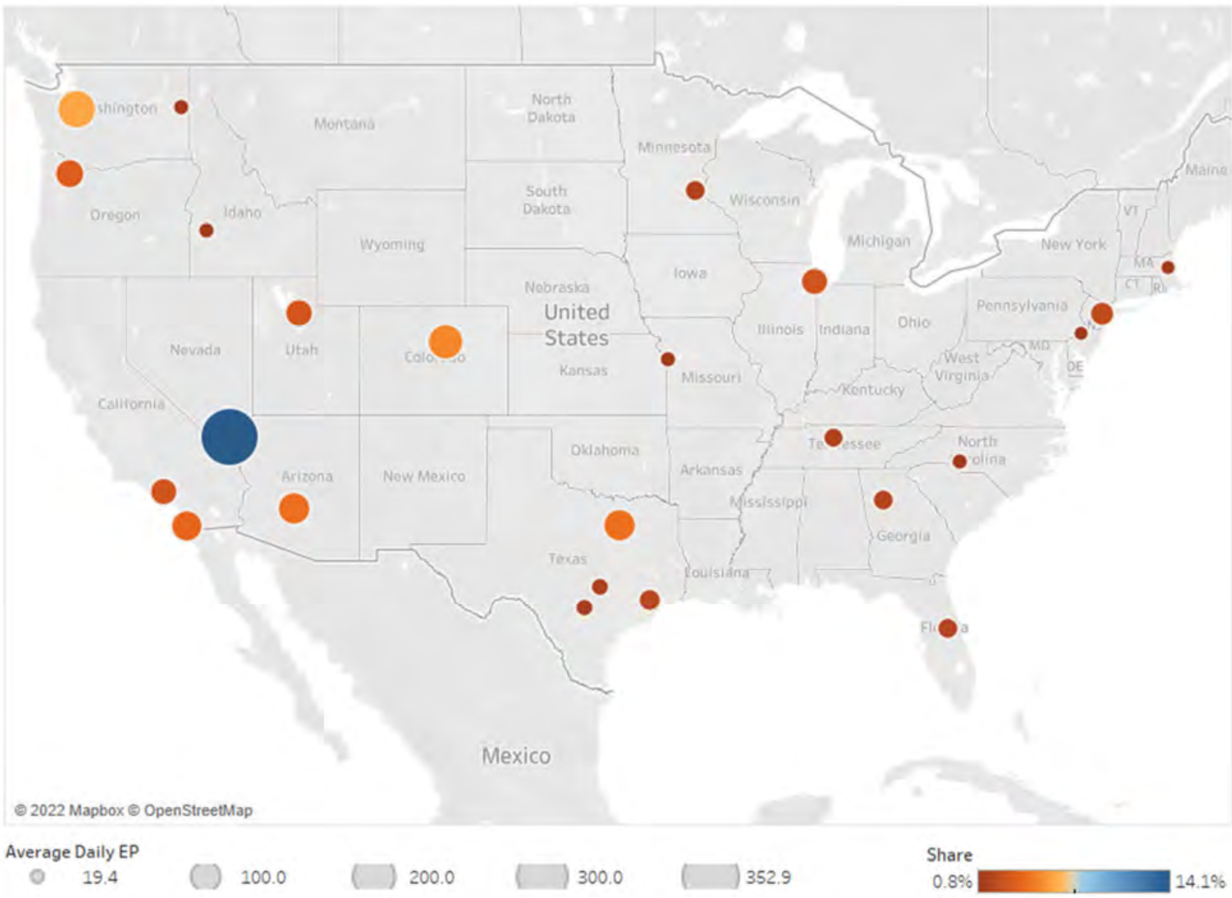
Table 10 and Figure 46 show the Airport's top 25 O&D markets in FY2022, ranked by share of FAT's average daily total O&D enplanements for that year. Altogether, the top 25 markets make up 67.5 percent of all daily O&D enplanements at FAT. The five largest shares include, in order from 5th to 1st largest: Phoenix, Dallas/Ft. Worth, Denver, Seattle, and Las Vegas. Las Vegas is the largest market by a significant lead, with a 14.1 percent market share, while each of the next four top markets hold between 4 and 6 percent of FAT's total O&D market. Going down the list, share sizes between destinations go down gradually and in small increments. Among the top 25 markets, Las Vegas also had the most daily nonstop departures with an average of 4.7 per day.

Table 10 | Top 25 FAT O&D Markets for FY2022, Ranked on Descending Market Share

	Metro Market Destination[1]	Metro Market Airports	Market Share[2]	Daily Nonstop Departures[3]	Airlines Serving Market from FAT[4]
1	Las Vegas, NV	LAS	14.1%	4.7	WN, G4
2	Seattle, WA	SEA	5.9%	2.8	AS, DL
3	Denver, CO	DEN	5.0%	4.3	UA, WN, F9
4	Dallas/Ft. Worth, TX	DFW, DAL	4.2%	2.9	AA
5	Phoenix, AZ	PHX, AZA	4.1%	3.5	AA
6	San Diego, CA	SAN	3.8%	1.7	AS
7	Portland, OR	PDX	3.3%	1.3	AS
8	Salt Lake City, UT	SLC	2.9%	3.9	DL
9	Los Angeles, CA	LAX, SNA, LGB, BUR, ONT	2.8%	3.7	UA, AS, DL
10	Chicago, IL	ORD, MDW	2.7%	0.7	UA, AA
11	New York/Newark, NJ	EWR, JFK, LGA	2.1%	-	-
12	Houston Bush, TX	IAH, HOU	1.8%	-	-
13	Atlanta, GA	ATL	1.7%	-	-
14	Orlando, FL	MCO, SFB	1.6%	-	-
15	Minneapolis/St. Paul, MN	MSP	1.5%	-	-
16	Nashville, TN	BNA	1.4%	-	-
17	Austin, TX	AUS	1.3%	-	-
18	San Antonio, TX	SAT	1.1%	-	-
19	Honolulu, HI	HNL	1.0%	-	-
20	Spokane, WA	GEG	0.9%	-	-
21	Kansas City, MO	MCI	0.9%	-	-
22	Boise, ID	BOI	0.9%	-	-
23	Charlotte, NC	CLT	0.9%	-	-
24	Boston, MA	BOS, PVD, MHT	0.9%	-	-
25	Philadelphia, PA	PHL	0.8%	-	-
...	Other		32.5%	6.9	
	Top 25 Subtotal		**67.5%**	**29.3**	
	Total FAT		**100.0%**	**182.5**	

Source: DIIO DB1B YE2Q22, DIIO Schedule Monthly Summary YE-Jun 2022.
[1] Metro groupings apply as noted.
[2] Share of passengers.
[3] Annual average.
[4] AA=American, AS=Alaska, DL=Delta, F9=Frontier, UA=United, WN=Southwest, and G4=Allegiant.

Figure 46 | Top 25 FAT O&D Markets, FY2022



Source: DIIO DB1B YE2Q22 and DIIO Schedule Monthly Summary YE-Jun 2022.

3.5 | Airline Market Shares

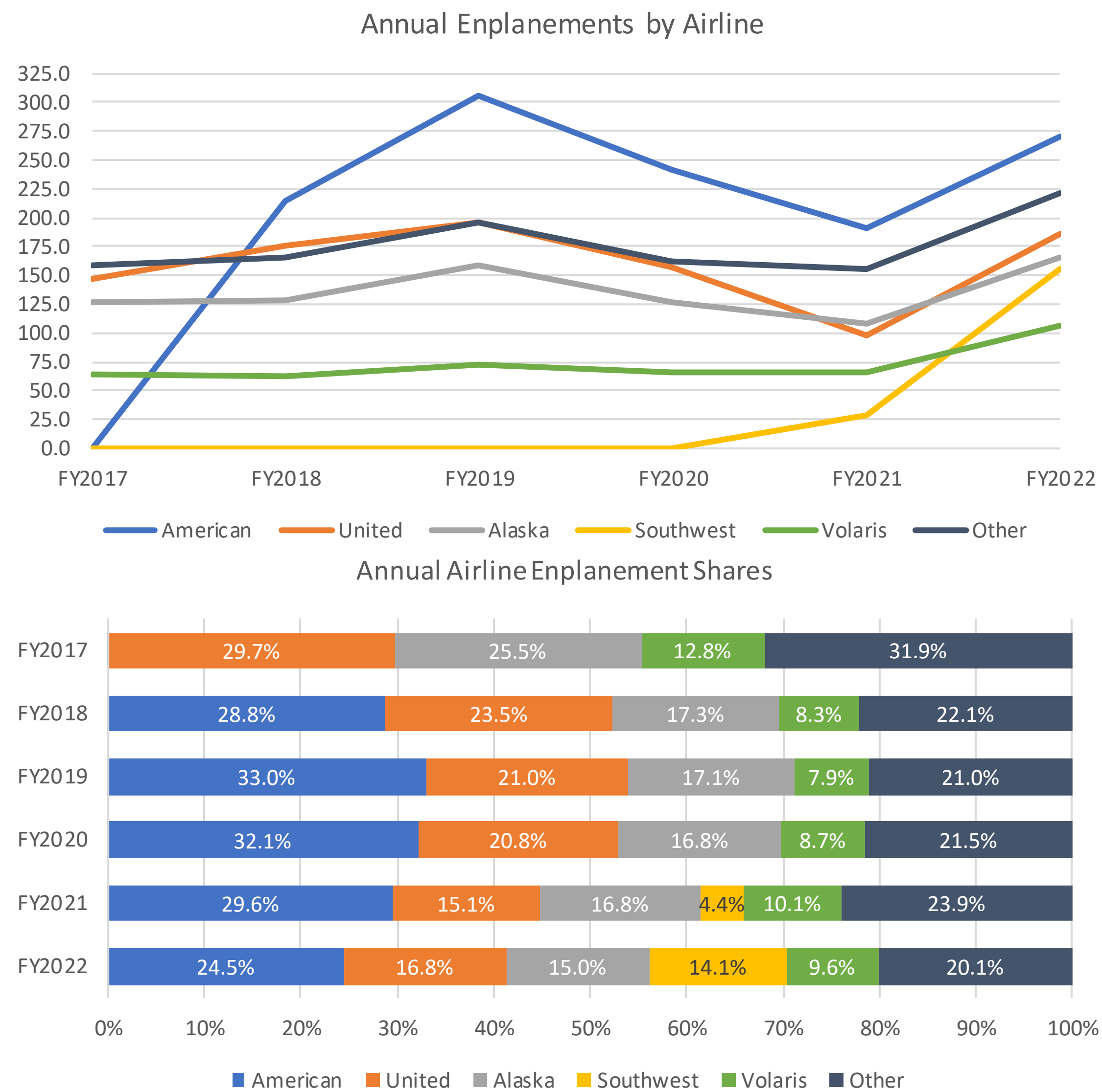
The recent wave of airline consolidation left the industry with four major airlines controlling more than 80 percent of U.S. domestic passenger traffic: American, Delta, Southwest, and United. However, FAT's airline composition has some variance over its recent history, with American and Southwest not actually serving at the Airport until recent fiscal years, and Delta not being as prominent of a contributor to aviation activity (Figure 47).

As shown in FAT's annual enplanements by airline, American did not start consistent service at the Airport until FY2018, with only 208 enplanements in FY2017, and no service prior. However, upon starting operations at FAT, American quickly shot up to the top position as the Airport's largest airline in FY2018, a lead that American has maintained since. Southwest was the next major newcomer to FAT, beginning operations during the COVID-19 pandemic in FY2021, and growing past Volaris as the fourth largest airline and pushing Delta out of FAT's top five service providers.

After American's entry into FAT, its market share quickly expanded to 28.8 percent in FY2018, then peaked the following year at 33.0 percent. Over the course of the pandemic, American's share began to shrink, giving way to Southwest's entry into FAT's market. So far, FY2022 has the most diversified distribution of enplanement shares among FAT's airlines: American holds 24.5 percent, United holds 16.8 percent, Alaska holds 15.0 percent, Southwest holds 14.1 percent, and Volaris holds 9.6 percent. The remaining 20.1 percent is shared by the rest of FAT's airlines.

Table 11 shows the underlying data for airline enplanements and market shares at FAT from FY2017 to FY2022.

Figure 47 | FAT Airline Enplanement Trends, by Fiscal Year



Source: Airport records.

Table 11 | FAT Airline Enplanements and Market Shares, by Fiscal Year

Annual Enplanements by Airline							**YTD Jul-Jan**		**CAGR**	
Airline	**FY2017**	**FY2018**	**FY2019**	**FY2020**	**FY2021**	**FY2022**	**FY2022**	**FY2023**	**2019-2022**	**2017-2022**
American	208	215,438	306,675	242,039	191,392	270,573	164,029	168,583	-4.1%	
United	147,422	175,746	195,818	156,855	97,882	185,137	111,084	110,337	-1.9%	4.7%
Alaska	126,353	129,283	159,259	126,658	108,345	165,468	100,354	87,247	1.3%	5.5%
Southwest	0	0	0	0	28,606	156,060	84,555	105,420		
Volaris	63,725	62,056	73,115	65,547	65,560	105,859	62,919	68,901	13.1%	10.7%
Other	158,207	165,245	195,568	161,868	154,728	221,878	137,960	118,121	4.3%	7.0%
Total	**495,915**	**747,768**	**930,435**	**752,967**	**646,513**	**1,104,975**	**660,901**	**658,609**	**5.9%**	**17.4%**
AGR		50.8%	24.4%	-19.1%	-14.1%	70.9%		-0.3%		

Annual Airline Enplanement Shares							**YTD Jul-Jan**	
Airline	**FY2017**	**FY2018**	**FY2019**	**FY2020**	**FY2021**	**FY2022**	**FY2022**	**FY2023**
American	0.0%	28.8%	33.0%	32.1%	29.6%	24.5%	24.8%	25.6%
United	29.7%	23.5%	21.0%	20.8%	15.1%	16.8%	16.8%	16.8%
Alaska	25.5%	17.3%	17.1%	16.8%	16.8%	15.0%	15.2%	13.2%
Southwest	0.0%	0.0%	0.0%	0.0%	4.4%	14.1%	12.8%	16.0%
Volaris	12.8%	8.3%	7.9%	8.7%	10.1%	9.6%	9.5%	10.5%
Other	31.9%	22.1%	21.0%	21.5%	23.9%	20.1%	20.9%	17.9%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Source: Airport records.
AGR = Annual growth rate
CAGR = Compound annual growth rate

3.6 | Scheduled Passenger Airline Service

Table 12 and Figure 48 shows the trends by calendar year from CY2017 to CY2023 in scheduled passenger airline service at FAT by the following measures: seats, aircraft departures, seats per departure, and nonstop destinations. Scheduled seat capacity has continuously grown since CY2017 (with the exception of CY2020), due to increases in flights and aircraft gauge—the airline industry's transition toward using aircraft with more seats. Airlines have been upgrading their fleet by putting more seats on each aircraft and by replacing smaller aircraft with larger aircraft to maximize financial returns on each flight.

The average number of seats per day at FAT—the most important measure of service capacity—increased 23.2 percent from CY2017 to CY2019 across all airlines. Due to the COVID-19 pandemic, however, the average number seats at the Airport fell 32.5 percent in CY2020, but quickly recovered over the next year with a 61.7 percent increase in CY2021 and further growth in the next two years, with its highest scheduled daily seat count yet in CY2023. This recovery and continued growth are helped by the addition of Southwest, which contributed an average daily seat count of 386, 597, and 479 in CY2021, CY2022, and CY2023 respectively on top of the recovery shown by other airlines. That said, at the time of this report, scheduled seats in 2023 are largely made up of advance schedules, which may or may not change as the year continues.

FAT's overall average daily departures have varied over the past six years, rising from CY2017 through CY2019 before falling in CY2020. This decline bounced back in CY2021, but has so far shown more minor decreases in CY2022 and CY2023. Throughout CY2023, United and American each operated an average of 8 departures per day, Alaska operated an average of 6 departures per day, Southwest operated an average of 3 departures per day, and Volaris operated an average of 2 departures per day. All other carriers combined operated an average of 5 flights per day. The continued rise in average daily seats while departures decrease implies that individual flights have been gradually rising in capacity over the years.

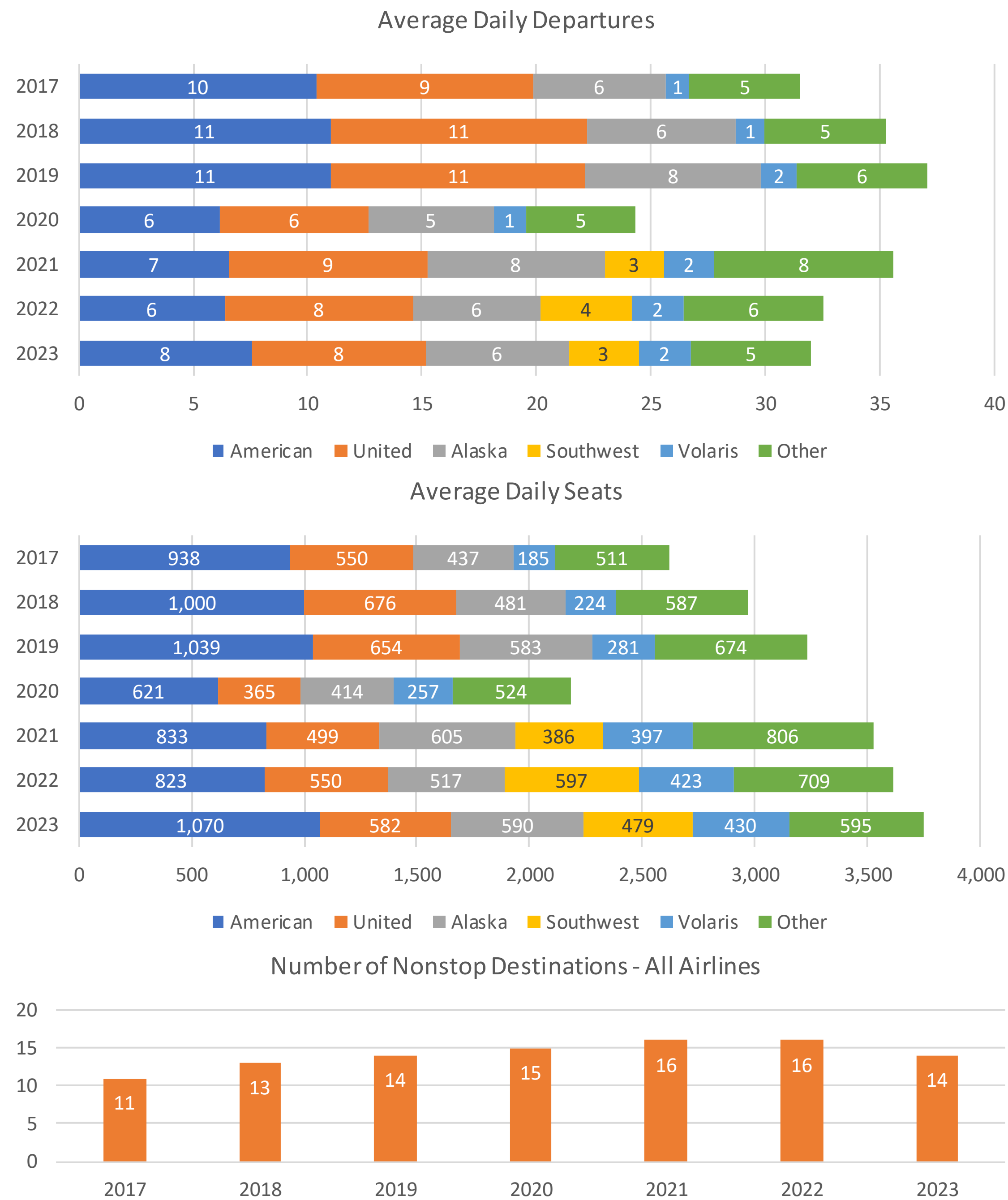
FAT's number of nonstop destinations increased from CY2017 to CY2022, rising from 11 total destinations across all airlines to 16, but decreased from that peak down to 14 as of current CY2023 advance schedules.

Table 12 | Trends in Scheduled Service at FAT, by Calendar Year

Trends in Scheduled Service at FAT (Calendar Year)							
Airline	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
American							
Number of Nonstop Destinations	3	3	3	3	3	2	2
Average Daily Departures	10	11	11	6	7	6	8
Average Daily Seats	938	1,000	1,039	621	833	823	1,070
United							
Number of Nonstop Destinations	4	4	4	4	4	4	4
Average Daily Departures	9	11	11	6	9	8	8
Average Daily Seats	550	676	654	365	499	550	582
Alaska							
Number of Nonstop Destinations	3	3	4	6	4	5	4
Average Daily Departures	6	6	8	5	8	6	6
Average Daily Seats	437	481	583	414	605	517	590
Southwest							
Number of Nonstop Destinations	0	0	0	0	2	3	2
Average Daily Departures	0	0	0	0	3	4	3
Average Daily Seats	0	0	0	0	386	597	479
Volaris							
Number of Nonstop Destinations	2	2	3	4	4	4	3
Average Daily Departures	1	1	2	1	2	2	2
Average Daily Seats	185	224	281	257	397	423	430
Other							
Number of Nonstop Destinations	3	4	4	5	7	5	3
Average Daily Departures	5	5	6	5	8	6	5
Average Daily Seats	511	587	674	524	806	709	595
All Airlines							
Number of Nonstop Destinations	11	13	14	15	16	16	14
Average Daily Departures	32	35	37	24	36	33	32
Average Daily Seats	2,622	2,969	3,231	2,181	3,526	3,617	3,746

Source: OAG Schedules Analyzer.

Figure 48 | Seats and Departures, Seats per Departure, and Nonstop Destinations, by Calendar Year



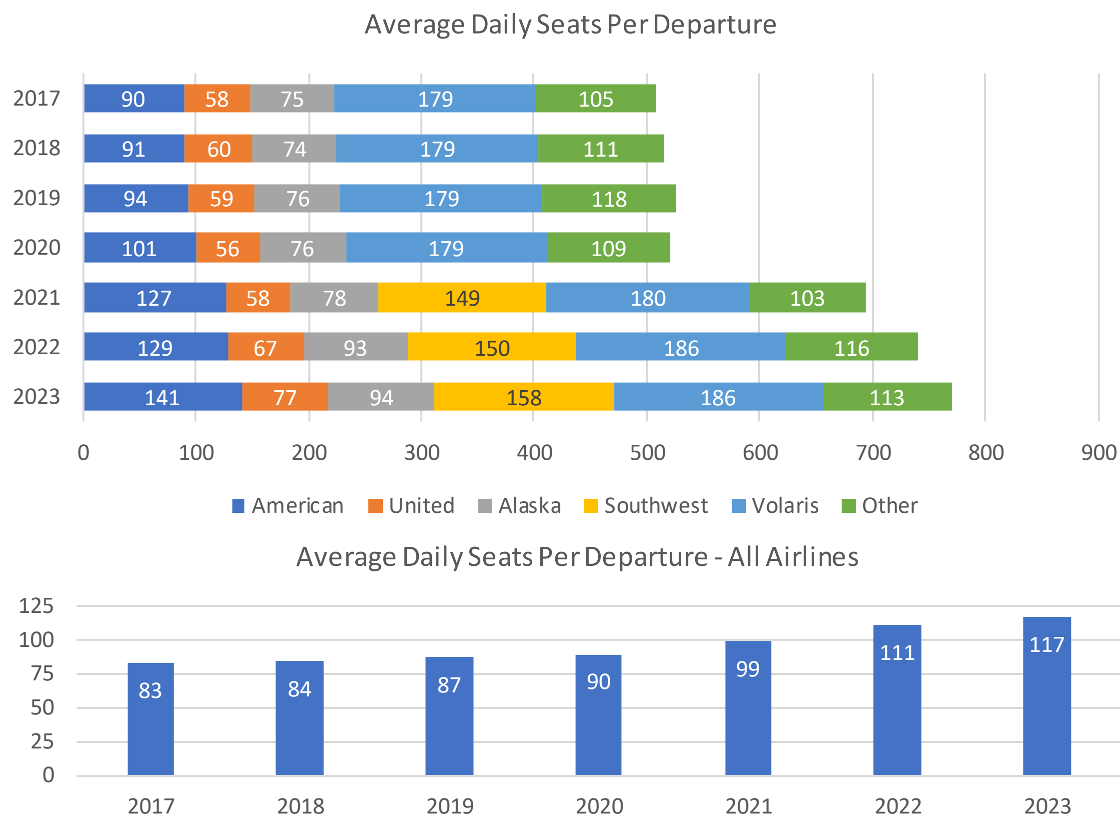
Source: OAG Schedules Analyzer.

Overall, the number of seats per departure has gradually increased at FAT over the years, indicating the use of larger aircraft or the placement of more seats within aircraft, most apparent in American Airlines (Figure 49). The Airport scheduled an average of 83 seats per departure in CY2017, and rose to 117 seats per departure in CY2023. This increase in seat capacity is largely attributed to American, which has grown from 90 seats per departure in CY2017 to 141 in CY2023, as well as

Southwest, which started service at FAT with an average of 149 seats per departure in CY2021 and grew to 158 in CY2023.

Starting in April 2023, American Airlines will begin utilizing larger airliners for its flights between Fresno and Dallas—its second most popular service at the FAT—and increasing its number of weekly flights to 24 round trips on that route per week. The 190-seat Airbus A321 will serve 13 of these weekly flights, which will result in an eventual net increase of 306 more available seats per week, likely explaining (at least in part) the rise in seats per departure for American in CY2023.[56]

Figure 49 | Average Daily Scheduled Seats Per Departure, by Calendar Year



Source: OAG Schedules Analyzer.

3.7 | Comparison with Peer Airports

In this section, FAT is compared with six peer airports in enplanement growth and trends in airfare and passenger yield. The following six peers are chosen based on their CY2019 enplanement totals being closest to FAT's: Bill and Hillary Clinton International Airport (LIT), Piedmont Triad International Airport (GSO), and Sarasota/Bradenton International Airport (SRQ) were the three

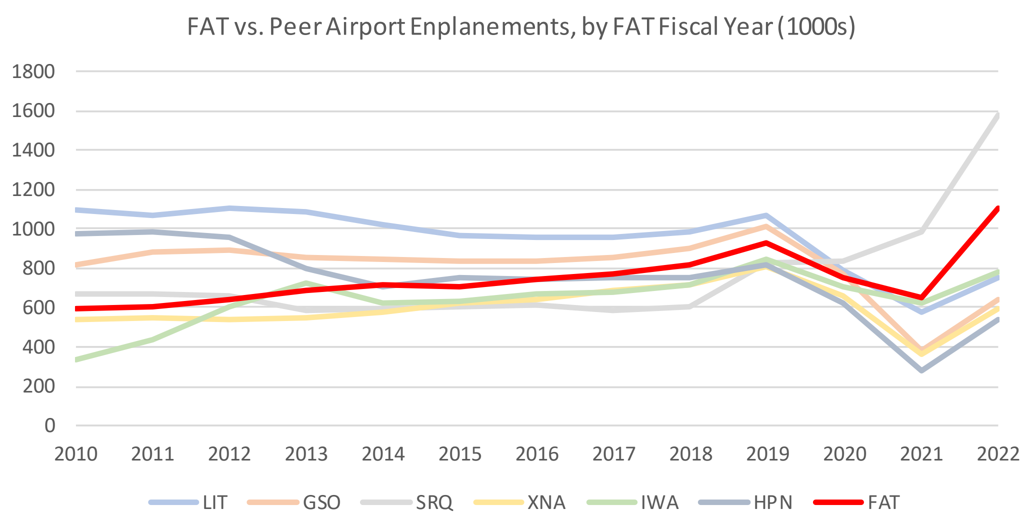
[56] "New Flights, Bigger Jets Coming to Fresno's Booming Airport. Here's When, Where, Why," Aviation Pros, February 23, 2023, https://www.aviationpros.com/airlines/news/53026384/new-flights-bigger-jets-coming-to-fresnos-booming-airport-heres-when-where-why.

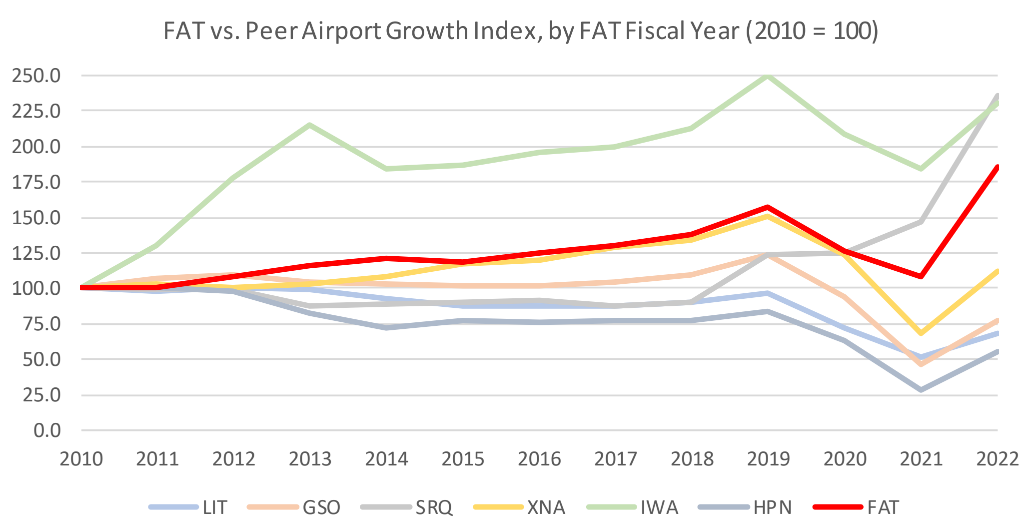
airports directly above FAT in CY2019 enplanements, while Northwest Arkansas Regional Airport (XNA), Phoenix-Mesa Gateway Airport (IWA), and Westchester County Airport (RDU) were the three airports directly below FAT in CY2019 enplanements.

3.7.1 | FAT vs. Peer Enplanement Growth

Figure 50 compares the enplanement trends of FAT with its six peer airports using annual totals based on FAT's fiscal year ending June 30. FAT started the last decade in the lower half of its peers—however, thanks to consistent growth, the Airport's enplanements grew to become the third highest by FY2019. Combined with more resistance to decline than most of the other airports during the start of the pandemic, as well as a strong recovery afterward, FAT reached the second highest position among its peers in FY2022, with a substantial lead over the airports below it. Only SRQ, which did not have a decline in enplanements in FY2020 and had unusually high growth in FY2021 and FY2022, has a higher enplanement count than FAT in FY2022.

Figure 50 | Annual Enplanement Growth Trends for FAT vs. Peer Airports, by FAT Fiscal Year



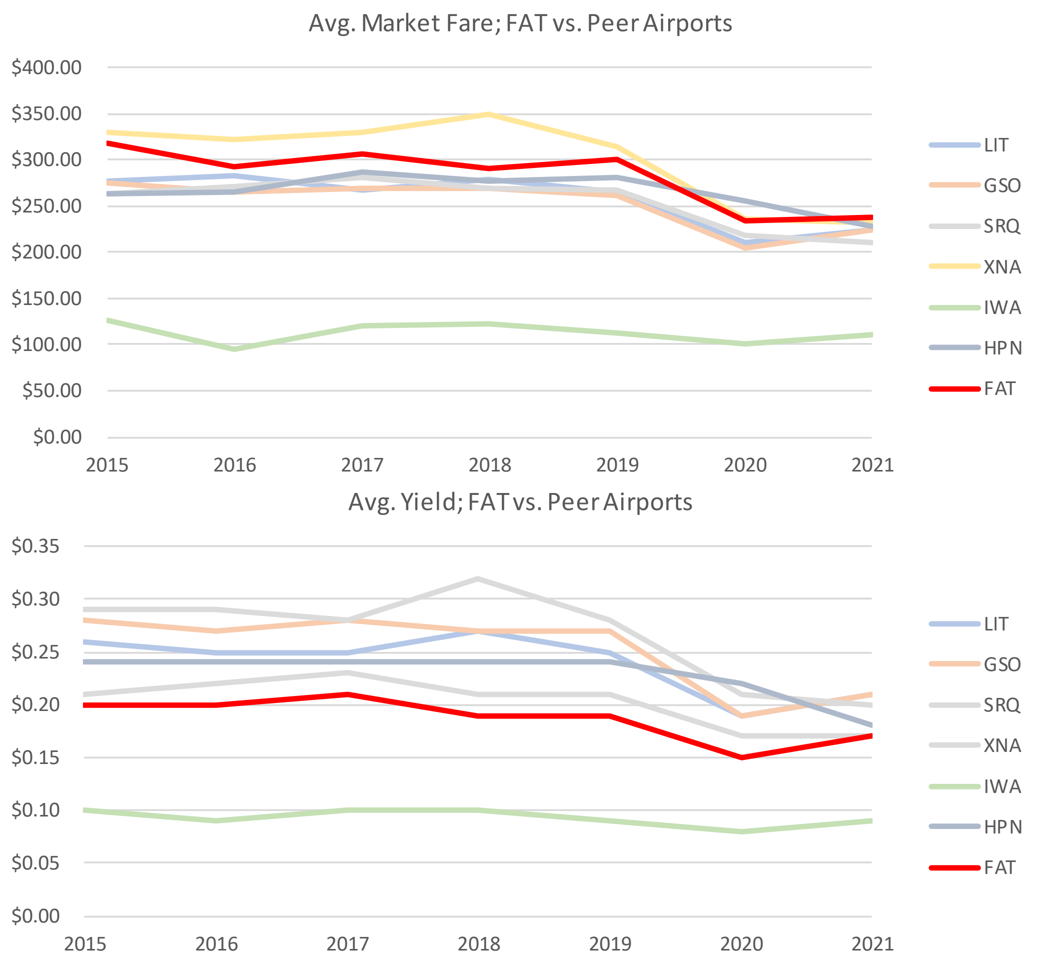


Sources: Bureau of Transportation Statistics for peer airport enplanements. For FAT, Bureau of Transportation Statistics for 2004 through 2012, and airport records for 2013 onward

3.7.2 | Passenger Market Fare and Yield

Lower airfares attract passengers. A common measure of airfares that controls for trip length is passenger yield—the average airline revenue per revenue passenger mile. Figure 51 compares the average calendar year domestic market fares and passenger yields at FAT with the same six peers that ranked closest in CY2019 enplanements. From CY2015 to CY2019, FAT had the second highest average market fare, just under XNA. However, after the decline in market fare across all seven airports in CY2020, FAT ended up with the new highest market fare in CY2021, mostly due to XNA having a bigger decline. On the other hand, FAT's average yield consistently remained the second lowest throughout the past seven years, only above IWA (which is significantly lower than all other peers).

Figure 51 | FAT vs. Peer Airports Average Domestic Market Fare and Yield, by Calendar Year

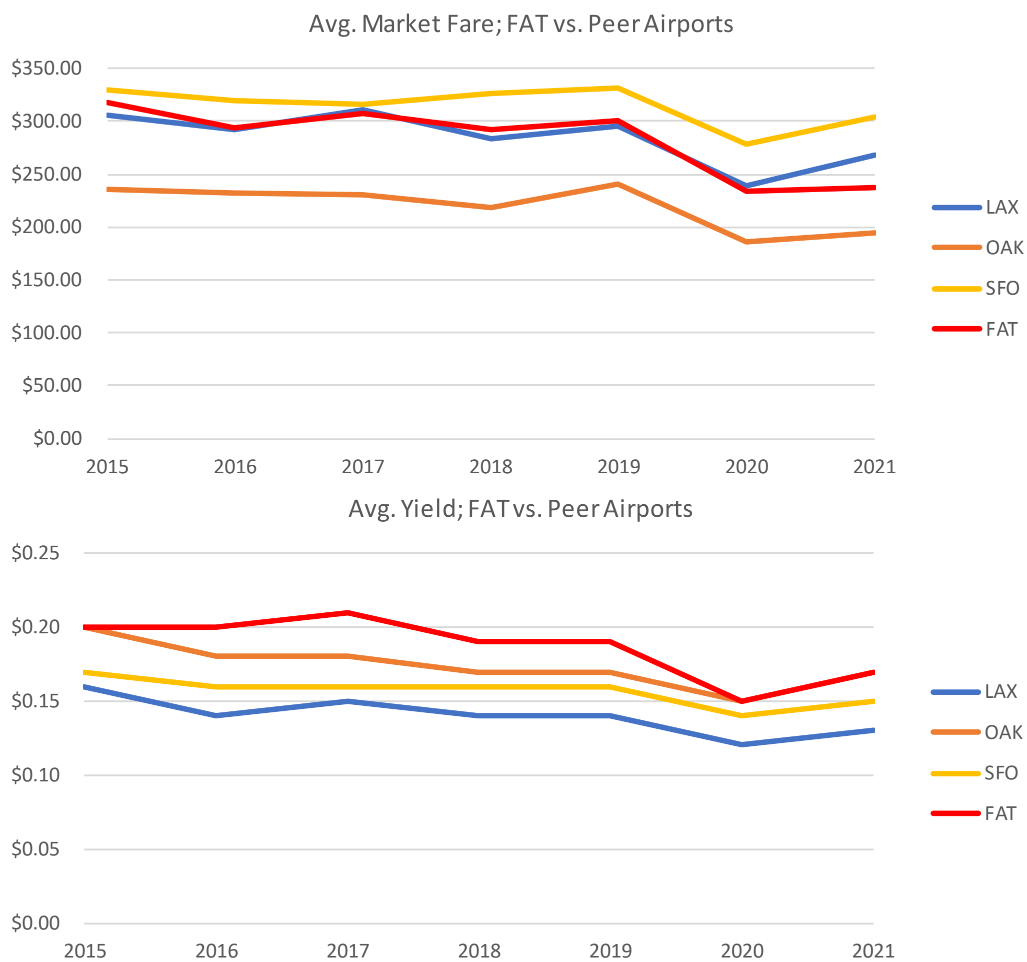


Source: U.S. Bureau of Transportation Statistics DB1B.

Comparison with Select California Airports

Figure 52 compares FAT's average domestic market fare and yield with three other California airports that attract the most passenger traffic leakage from FAT: Los Angeles International Airport (LAX), Oakland International Airport (OAK), and San Francisco International Airport (SFO). FAT's average domestic market fare is closest to that of LAX, staying within $10 of each other from 2016 through the decline of 2020. However, the average domestic market fare for LAX bounced back more than FAT in 2021, rising to $268 while FAT's market fare marginally rose to $237. FAT's average yield mostly stayed above those of the other three airports, with only OAK matching it in 2015, 2020, and 2021.

Figure 52 | FAT vs. Select California Airports Average Domestic Market Fare and Yield, by Calendar Year



Source: U.S. Bureau of Transportation Statistics DB1B.

3.8 | Aircraft Landings and Landed Weight

Table 13 shows aircraft landings at FAT by airline from FY2017 through FY2022 and the July through January year-to-date total of FY2023. Following two years of decline over the COVID-19 pandemic, FY2022 showed quick recovery back to just above FY2019. While American serves the most enplanements at the Airport, its landings did not return to pre-pandemic numbers—instead, American began offering more seats per flight using larger aircraft. United holds the most aircraft landings as of FY2022 with a 22.2 percent share of total aircraft landings at the Airport, mostly due to the use of smaller aircraft. Contributing to FAT's recent increase in landings is Southwest, as it has with most other aspects of the Airport's recovery, as well as the sharp rise in cargo landings from FY2020 to FY2021, which despite a minor decrease has been mostly maintained in FY2022.

Table 14 shows annual landed weight totals at FAT, broken down in the same manner as the previous table. Overall trends in FAT's total landed weight somewhat differ from that of landings, with no continued decline in FY2021, and FY2022 surpassing FY2019 by a larger margin in landed weight than in landings. Additionally, with an 18.6 percent share, American leads in landed weight rather than United, further indicating American's use of larger aircraft. Similar to its trend in landings, all-cargo aircraft landed weight also saw a substantial rise in FY2021, which continued with another slight increase in FY2022.

Table 13 | Annual Landings and Landing Shares, by Fiscal Year

Annual Landings by Fiscal Year							YTD Jul-Jan		CAGR	
Airline	**FY2017**	**FY2018**	**FY2019**	**FY2020**	**FY2021**	**FY2022**	**FY2022**	**FY2023**	**2019-2022**	**2017-2022**
American	705	3,108	4,093	3,169	2,048	2,391	1,460	1,445	-16.4%	27.7%
United	3,166	3,833	4,028	3,436	2,221	3,328	2,102	1,764	-6.2%	1.0%
Alaska	2,190	2,137	2,652	2,312	2,415	2,526	1,633	1,107	-1.6%	2.9%
Southwest	0	0	0	0	259	1,408	832	855		
Volaris	420	402	492	468	587	818	487	476	18.5%	14.3%
Other	4,774	2,583	2,028	1,778	2,314	2,637	1,711	1,229	9.1%	-11.2%
Subtotal	**11,255**	**12,063**	**13,293**	**11,163**	**9,844**	**13,108**	**8,225**	**6,876**	**-0.5%**	**3.1%**
Charter	917	633	463	303	415	532	380	259	4.7%	-10.3%
Cargo	1,280	1,161	930	973	1,471	1,334	945	722	12.8%	0.8%
Total	**13,452**	**13,857**	**14,686**	**12,439**	**11,730**	**14,974**	**9,550**	**7,857**	**0.6%**	**2.2%**
AGR		3.0%	6.0%	-15.3%	-5.7%	27.7%		-17.7%		

Annual Landings Market Shares							YTD Jul-Jan	
Airline	**FY2017**	**FY2018**	**FY2019**	**FY2020**	**FY2021**	**FY2022**	**FY2022**	**FY2023**
American	5.2%	22.4%	27.9%	25.5%	17.5%	16.0%	15.3%	18.4%
United	23.5%	27.7%	27.4%	27.6%	18.9%	22.2%	22.0%	22.5%
Alaska	16.3%	15.4%	18.1%	18.6%	20.6%	16.9%	17.1%	14.1%
Southwest	0.0%	0.0%	0.0%	0.0%	2.2%	9.4%	8.7%	10.9%
Volaris	3.1%	2.9%	3.4%	3.8%	5.0%	5.5%	5.1%	6.1%
Other	35.5%	18.6%	13.8%	14.3%	19.7%	17.6%	17.9%	15.6%
Subtotal	**83.7%**	**87.1%**	**90.5%**	**89.7%**	**83.9%**	**87.5%**	**86.1%**	**87.5%**
Charter	6.8%	4.6%	3.2%	2.4%	3.5%	3.6%	4.0%	3.3%
Cargo	9.5%	8.4%	6.3%	7.8%	12.5%	8.9%	9.9%	9.2%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Source: Airport records.

Table 14 | Annual Landed Weight and Landed Weight Shares, by Fiscal Year

Annual Landed Weight by Fiscal Year (1,000,000 lbs)							**YTD Jul-Jan**		**CAGR**	
Airline	**FY2017**	**FY2018**	**FY2019**	**FY2020**	**FY2021**	**FY2022**	**FY2022**	**FY2023**	**2019-2022**	**2017-2022**
American	100	283	348	291	222	275	172	174	-7.6%	22.4%
United	161	223	223	199	118	201	118	123	-3.5%	4.5%
Alaska	156	152	199	173	179	203	127	100	0.8%	5.5%
Southwest	0	0	0	0	34	185	109	113		
Volaris	61	58	72	68	85	119	71	69	18.5%	14.3%
Other	370	219	198	186	221	260	166	132	9.5%	-6.8%
Subtotal	**848**	**936**	**1,040**	**917**	**860**	**1,243**	**763**	**710**	**6.1%**	**8.0%**
Charter	21	25	14	11	13	18	13	10	8.2%	-2.8%
Cargo	139	156	113	144	201	212	137	112	23.5%	8.9%
Total	**1,007**	**1,117**	**1,167**	**1,073**	**1,074**	**1,473**	**912**	**832**	**8.1%**	**7.9%**
AGR		10.9%	4.5%	-8.0%	0.0%	37.2%		-8.8%		

Annual Landed Weight Market Shares							**YTD Jul-Jan**	
Airline	**FY2017**	**FY2018**	**FY2019**	**FY2020**	**FY2021**	**FY2022**	**FY2022**	**FY2023**
American	9.9%	25.4%	29.9%	27.2%	20.7%	18.6%	18.9%	20.9%
United	16.0%	20.0%	19.1%	18.5%	11.0%	13.6%	12.9%	14.7%
Alaska	15.5%	13.6%	17.0%	16.1%	16.7%	13.8%	13.9%	12.0%
Southwest	0.0%	0.0%	0.0%	0.0%	3.2%	12.6%	11.9%	13.6%
Volaris	6.1%	5.2%	6.1%	6.3%	8.0%	8.1%	7.8%	8.3%
Other	36.7%	19.6%	17.0%	17.3%	20.5%	17.7%	18.2%	15.8%
Subtotal	**84.2%**	**83.8%**	**89.1%**	**85.5%**	**80.0%**	**84.4%**	**83.6%**	**85.3%**
Charter	2.1%	2.2%	1.2%	1.1%	1.2%	1.2%	1.4%	1.2%
Cargo	13.8%	14.0%	9.6%	13.4%	18.8%	14.4%	15.0%	13.5%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Source: Airport records.

3.9 | Forecast Commercial Aviation Activity

Forecast development considers the recent pandemic impacts, demand and supply changes in the aviation industry, and changes in the business environment, as well as the fundamental drivers of growth in passenger traffic. We combine multiple forecasting methods and data sources in a hybrid modeling framework to project air traffic during different phases of recovery and growth.

Forecast development acknowledges high uncertainty in the development of the pandemic and the outlook for the aviation industry and the overall economy. We present three forecast scenarios—labeled "Base," "High," and "Low"—differentiated by the pace of air traffic growth through FY2023 and in long-term, beginning with FY2024. The Base scenario assumes a continuation of recent growth trends in the economy and air traffic. The High scenario provides an optimistic outlook for the economic and air traffic growth trends, assuming an easing of airline capacity constraint, downward pressure on inflation, and a boost in the labor market and national production. The Low scenario provides a conservative outlook for the economic and air traffic growth trends, accounting for the several adverse short-term factors, which include persistent labor and fleet constraints on airline capacity, upward inflationary pressures, and the slowing of the global economy, including the increased risk of a global economic recession.

The three scenarios provide a reasonable range for planning and sensitivity analysis. However, forecasts are inherently uncertain, and many factors can cause actual performance to fall outside the forecast range. At the time of forecast development, the airline industry and the broad economy are undergoing significant structural changes, elevating the various sources of risks and uncertainty, which will be discussed in detail at the end of the forecasting section.

3.9.1 | Forecast Methodology

A hybrid modeling framework leverages the strengths of different forecasting methods and data sources in projecting air traffic during different phases of growth (Figure 53). The forecast period is divided into two phases: a transition phase and a long-term growth phase.

For the transition phase, we analyze short-term air traffic growth trends and produce projections of flights, seats, and enplanements at the airline level using a combination of published airline schedules, schedule completion rates, and boarding load factors. During this phase, the ramp-up of passenger traffic is projected on a monthly frequency. Once the growth of projected monthly enplanements stabilizes, which reflects a return to historical growth patterns, the forecast period enters a long-term growth phase. In this phase, we use multivariate regression analysis to quantify the relationship between passenger demand for air travel and key market drivers and to project annual enplanement growth rates based on projected trends in the key market drivers.

Forecast development by phase considers the different factors that are expected to drive traffic trends across the phases. It tailors different methods, data, and assumptions to better model the effects of those factors on air traffic. For instance, in the transition phase, we consider the interplay between recent developments in the COVID-19 pandemic, the economy, and the capacity constraint of airlines in setting assumptions for forecast inputs, which include the projected schedule completion rates and boarding load factors. We apply these forecast inputs to advance airline schedules to project monthly enplanement levels.

In the long-run growth phase, the short-run factors, although still an important concern, will likely play less role in driving passenger traffic trends. Instead, market demand factors, such as income and price, will again become the primary drivers of growth in passenger traffic.

Figure 53 | Hybrid Forecast Development by Phase

TRANSITION PHASE

- Trend analysis of traffic recovery rates
- Use actual traffic data, TSA throughput, and airline schedules
- Project schedule completion rates and boarding load factors

POST-RECOVERY

- Multivariate time series regression analysis
- Market demand factors drive enplanement growth
- Forecast scenarios under constrained and unconstrained facility

Source: Unison Consulting, Inc.

3.9.2 | Transition Phase

In this phase, forecast development considers the recent progress in traffic recovery and growth. At the time of forecast development, data on actual airport activity (enplanements, departures, and landed weight) was available through December 2022. The TSA screening throughput data was available through February 11, 2023, reflecting FAT's near real-time passenger traffic patterns. Advance airline schedules (accessed in February 2023), supplemented with TSA screening throughput data, provide the starting point for projecting monthly flights, seats, and enplanements for the remainder of FY2023 (through June 2023). To project available seats, the published schedules are adjusted to anticipate cuts by applying schedule completion rates. Projections of boarding load factors (BLF) are then applied to available seats to project enplanements. The calculations are done on a monthly frequency.

Airlines adjusts their published schedules periodically depending on flight bookings and projected availability of aircraft and crew. Schedules for months farther into the future are often subject to greater adjustments until the date of operation. Changes to the schedules, mostly downward, were amplified during the COVID-19 pandemic, as airlines could no longer rely on advance bookings and predictable demand patterns in setting flight schedules. Because of these characteristics of published schedules, only schedules through June 2023 are used in forecast development.

In projecting seat capacity, we apply a completion factor to scheduled seats to anticipate such cuts in the advance schedules. These completion factors account for the countervailing effects of the strengthening in bookings in 2022 and the staffing and fleet constraints that have forced airlines to cut schedules. Table 15 shows the schedule completion rate assumptions, which begin to fall in 2023 and drop to as low as 90 percent in June 2023 in the Low scenario.

Table 15 | Projected Schedule Completion Rates and Seats

Month	Seat Completion Rate Scenario 1 Base	Seat Completion Rate Scenario 2 High	Seat Completion Rate Scenario 3 Low	Projected Seats Scenario 1 Base	Projected Seats Scenario 2 High	Projected Seats Scenario 3 Low
Jan-23	100.0%	100.0%	100.0%	102,767	102,767	102,767
Feb-23	100.0%	100.0%	98.5%	89,433	89,433	88,092
Mar-23	98.5%	100.0%	97.0%	104,578	106,171	102,986
Apr-23	97.0%	100.0%	94.0%	110,654	114,076	107,231
May-23	95.0%	98.0%	92.0%	115,563	119,212	111,913
Jun-23	93.0%	96.0%	90.0%	123,199	127,173	119,225

Source: OAG airline schedules and Unison Consulting, Inc.

The BLF assumptions in Table 16 reflect seasonal patterns as well as an overall improving trend. Since January 2022, FAT's monthly average BLF has steadily improved. Despite some fluctuations, the 2022 monthly BLFs were on average just 0.8 percentage points below 2019 levels.

In the forecast scenarios, monthly average BLFs are assumed to be near or above their 2019 levels, a continuation of current trends based on analysis of TSA throughput-to-seat ratios through February 2022. Between January and June 2023, the average monthly BLF is expected to be around 82 percent for the Base scenario, 84 percent for the High scenario, and 80 percent for the Low scenario, compared to an annual average of 83 percent for 2019.

Table 16 | Projected Boarding Load Factors (BLF), July 2022 – March 2023

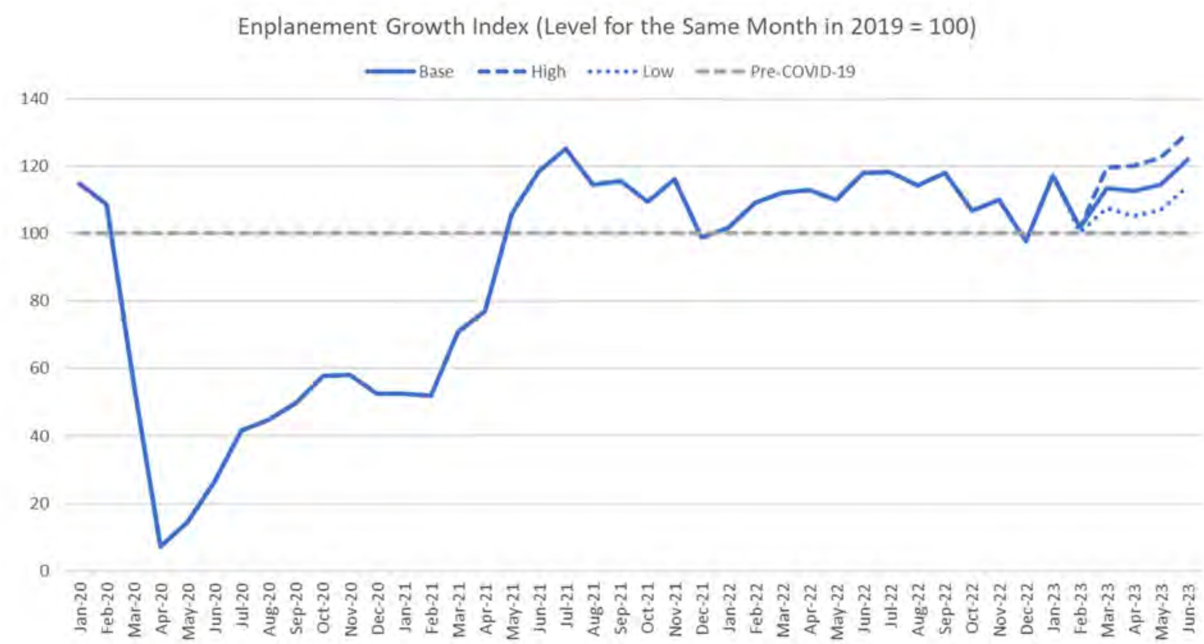
2019 and 2022 Boarding Load Factors				**2023 Boarding Load Factors**			
Month	**2019 BLF[1]**	**2022 BLF**	**Difference (pp)[2]**	**Month-Year**	**Scenario 1 Base**	**Scenario 2 High**	**Scenario 3 Low**
Jan	76.9%	67.6%	-9.2	Jan	79.4%	79.4%	79.4%
Feb	79.1%	72.8%	-6.2	Feb	73.8%	73.8%	73.8%
Mar	80.3%	79.2%	-1.0	Mar	80.3%	83.3%	77.3%
Apr	82.9%	85.4%	2.5	Apr	82.9%	85.9%	79.9%
May	86.1%	87.2%	1.2	May	86.1%	89.1%	83.1%
Jun	91.4%	89.6%	-1.8	Jun	90.0%	93.0%	87.0%
Jul	89.4%	85.8%	-3.6				
Aug	81.3%	76.4%	-4.9				
Sep	81.1%	86.1%	5.0				
Oct	83.8%	88.3%	4.5				
Nov	82.4%	89.2%	6.8				
Dec	85.6%	82.9%	-2.7				

[1] BLF = enplanements/seats.
[2] Percentage-point (pp) difference between the 2022 and 2019 monthly BLF. Negative values indicate lower 2022 BLF, compared to the 2019 levels.
Source: Unison Consulting, Inc.

Figure 54 shows the projected growth of monthly enplanements indexed to 2019 levels. With the commencement of Southwest's operation at the Airport in May 2021, monthly enplanements rose from 77 percent of the 2019 level in April 2021 to 106 percent of the 2019 level in the following month. Since then, monthly enplanements have largely stabilized. Between May 2021 and December 2022, despite some fluctuations, monthly enplanements hovered around 112 percent of 2019 levels.

Going forward, monthly enplanements in all three scenarios are expected to exceed to the 2019 levels for the remainder of FY2023. Between January and June 2023, monthly enplanements on average are projected to be around 114 percent of the 2019 levels in the Base scenario, around 119 percent of the 2019 levels in the High scenario, and 109 percent of the 2019 levels in the Low scenario. In all three scenarios, the trends indicate that FAT's monthly enplanement growth will have stabilized by the end of FY2023, at which point, annual enplanement growth is likely to be driven by market demand factors.

Figure 54 | Monthly Enplanements: Forecast Growth Indexed to 2019 Level



Source: Unison Consulting, Inc.

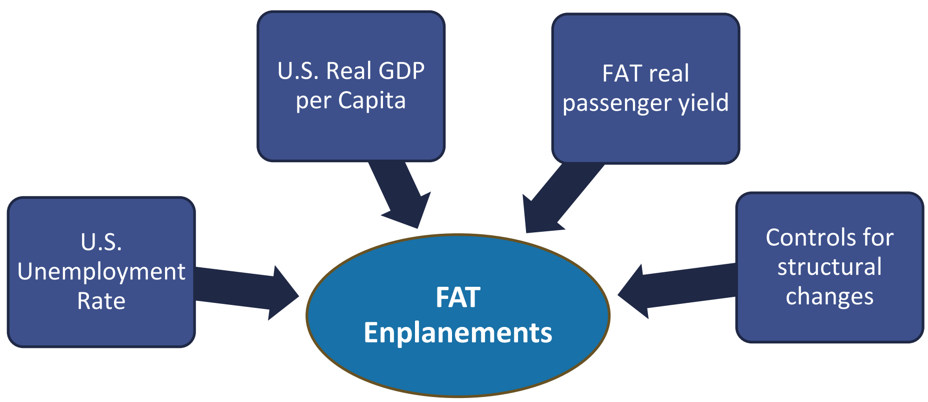
3.9.3 | Long-Term Growth Phase

The stabilization of monthly enplanement growth marks the end of the transition phase and the start of the long-term growth phase, reflecting a return to historical growth patterns. Under the current assumptions, the long-term growth phase begins after FY2023 in all three scenarios.

During this phase, the growth in passenger traffic is "demand-driven"—it is driven by market factors underlying the economics of air transportation. In particular, growth patterns are assumed to normalize, and the historical relationship between air traffic and economic drivers are expected to be restored. A critical assumption is the ability of airlines to adjust seat capacity to meet increasing air travel demand.

Multivariate time series regression analysis is used to link enplanement growth to changes in key market demand drivers (Figure 55). Regression analysis provides a rigorous and quantitative framework for measuring the contributions of individual demand drivers to enplanement growth, while accounting for structural changes at the Airport, such as the entry and exit of international airlines, and the national economy, historical enplanement trends, and serial correlation often found in time series data.

Figure 55| Key Drivers of Enplanement Growth



Source: Unison Consulting, Inc.

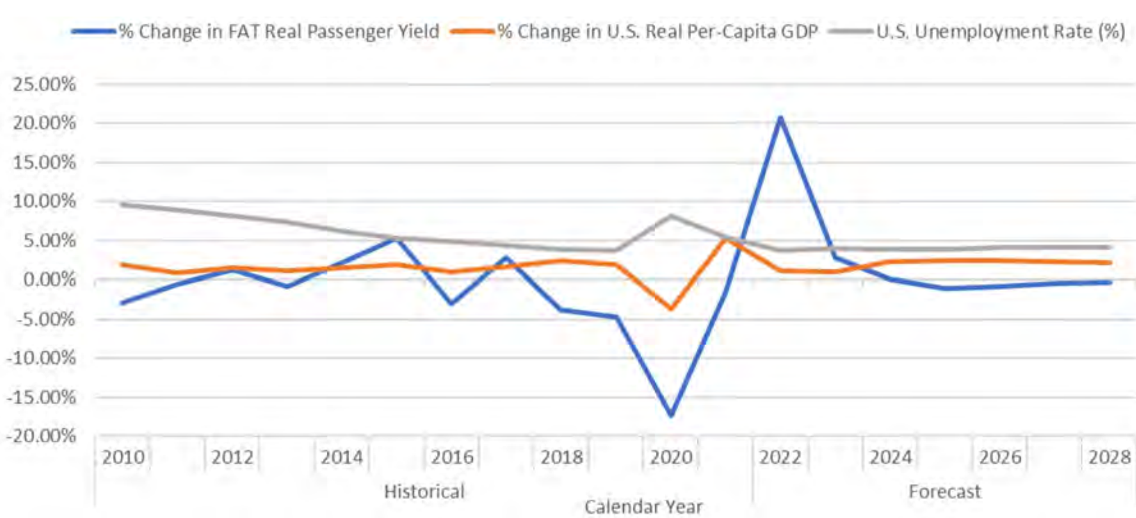
Forecasting using regression analysis is executed in two steps. In the first step, a regression equation is estimated using historical data on the model variables—in this case, from 2002 through 2019. Although the data series are available from 1993, we exclude pre-2002 data for three reasons. First, FAT's passenger traffic had been mostly flat before 2002—passenger traffic took an upward trajectory after 2002. Second, international service, which has become a significant segment of FAT's annual enplanements (over 14 percent in 2019), began after 2002. Third, including older data produced a worse fit in the regression model, indicating that that there have been significant changes in the relationships between FAT's passenger traffic and the explanatory variables since 2002. These changes make pre-2002 passenger traffic patterns less predictive of future growth patterns than more recent data.

The regression equation includes "coefficients" that measure the contributions of each driver in predicting annual enplanement at the Airport. The regression estimation method minimizes forecast errors—the difference between the actual and predicted enplanement levels. In the second step, the estimated regression coefficients are combined with projections of market drivers to forecast enplanement growth.

The specification of the regression model is informed by economic theory of consumer demand and observed structural changes at the Airport and the aviation industry. The regression model treats annual enplanement as the dependent variable. The key explanatory variables include two economic indicators (the U.S. real per-capita GDP and the U.S. unemployment rate) and a price indicator (FAT's real passenger yield). To capture structural changes in FAT's airline service during the estimation period (from 2002 to 2019), the regression model includes two additional explanatory variables: an indicator for the entry of Mexicana airline in 2006 and its subsequent exit in 2010 and an indicator for the entry of Aeroméxico and Volaris airlines in 2011.[57] Together, these five explanatory variables, which are discussed in detail below, prove to be strong predictors of FAT's historical enplanement levels.

Figure 56 presents the historical and forecast trends in the economic and price variables in the Base scenario. For readability, historical trends in the figure begin in 2010, even though the regression model employs historical data beginning in 2002. Alternative growth rates are used in the High and Low scenarios. These alternative growth rates, which are discussed below, are produced by adjusting the Base scenario's growth rates using the forecasts in the Wall Street Journal's October 2022 Economic Survey.

Figure 56 | Key Regression Model Explanatory Variables: Historical and Forecast Trends



Sources: Moody's Analytics, U.S. Department of Transportation, and Federal Aviation Administration.

[57] The entry of Southwest Airlines in 2021 is not included in the regression model. Its effect, which has contributed to FAT's significant enplanement growth since 2021, is captured by actual enplanement data through December 2022, airline schedules, and the analysis of the recovery trendline.

U.S. Real Per-Capita Gross Domestic Product

U.S. real per-capita GDP is a key indicator for national economic conditions. In general, the growth rate of real per-capita GDP reflects the pace of economic and income growth—factors that drive air travel demand. Holding all other factors constant, faster real per-capita GDP growth corresponds to faster enplanement growth. Conversely, contractions in real per-capita GDP reduce personal income and result in lower enplanements. The positive and statistically significant regression coefficient on U.S. real GDP confirms the positive relationship between U.S. real per-capita GDP and enplanement.

According to the forecasts of Moody's Analytics, U.S. real per-capita GDP in the Base scenario is expected to grow at a compound annual growth rate of 2.1 percent from 2022 to 2028. This growth rate is higher than the growth rate of the post-Great Recession expansion, during which U.S. real per-capita GDP grew at a compound annual growth rate of 1.6 percent from 2009 to 2019. Relative to the Base scenario, the 2022-2028 compound annual growth rate is assumed to be 0.5 percentage points higher in the High scenario (2.6 percent) and 0.5 percentage points lower in the Low scenario (1.6 percent).

U.S. Unemployment Rate

U.S. unemployment rate provides another key indicator for national economic conditions.[58] Falling unemployment rates indicate an expanding national economy, while rising unemployment rates indicate a slowing and contracting national economy. Passenger traffic trends track business cycles in the U.S. economy. A negative and statistically significant negative regression coefficient confirms the negative association between the unemployment rate and FAT passenger traffic.

Over the next six years, the U.S. unemployment rate in the Base scenario is expected to rise gradually from the current historic lows. According to the forecast by Moody's Analytics, the U.S. unemployment rate is projected to rise from 3.7 percent in 2022 to 4.1 percent in 2028. To produce alternative unemployment trajectories, we assume that the U.S. unemployment rate will rise slower in the High scenario and faster in the Low scenario. Relative to the Base scenario, the U.S. unemployment rate between 2022 and 2028 is expected to be around 0.4 percentage points lower and higher in the High scenario and in the Low scenario, respectively.

Real Passenger Yield at FAT

According to the theory of consumer demand, the quantity of air travel demand (passenger traffic) is inversely related to the price of air travel. Specifically, holding everything else constant, an

[58] We also test the regression model using the Fresno MSA unemployment rate. Ultimately, we choose to include U.S. unemployment rate in the regression model for two reasons. First, U.S. unemployment rate provides a slightly better fit in the model based on adjusted R-squared. Second, the variable conforms with the concept of the Fresno MSA being a leisure destination, whose air travel demand is closely linked with the national economy and labor market conditions. Because U.S. unemployment rate and the Fresno MSA unemployment rate are strongly correlated over the estimation period (the correlation coefficient is above 0.98), the Fresno MSA unemployment rate is excluded from the model to avoid multicollinearity.

increase in price decreases passenger traffic, while a decrease in price increases passenger traffic. Our measure of price is the average real passenger yield, which is calculated as total airline passenger revenues divided by revenue passenger miles, adjusted for inflation. This measure controls trip distance and serves as a better indicator for the price of air travel than average airfare. Here, economic theory is supported by the data: regression analysis yields a negative and statistically significant regression coefficient on the average real passenger yield at FAT.

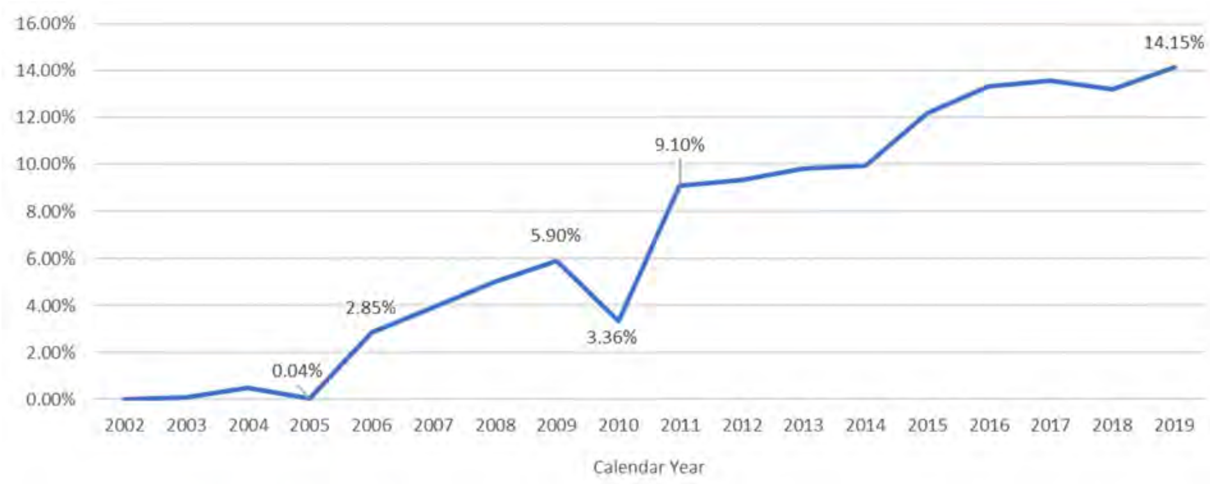
Since FY2000, except for a few years, FAT's real passenger yield had been relatively stable prior to the pandemic, ranging between $0.17 and $0.21. This stability was disrupted by the pandemic, as airlines significantly reduced air fares to raise passenger traffic. In FY2020 and FY2021, FAT's real passenger yield fell to $0.14, yielding a 2019-2022 compound annual growth rate of -6.6 percent. Compared to this steep decline, the real passenger yield only fell by a compound annual growth rate of 0.5 percent between FY2009 and FY2019.

Over the forecast horizon, the Airport's real passenger yield in the Base scenario is expected to increase in the near-term, before falling to and stabilizing at $0.17. In FY2023 and FY2024, we project that FAT's average real passenger yield will grow at annual rates of 2.8 percent and 0.1 percent, respectively, before it begins its downward trajectory, yielding a FY2022-2028 compound annual growth rate of 0.05 percent. Relative to the Base scenario, real passenger yield is projected to rise slower due to lower inflation in the High scenario and faster due to higher inflation in the Low scenario. By the end of the forecast period, FAT's real passenger yield is expected to be $0.16 in the High scenario and $0.18 in the Low scenario, yielding FY2022-2028 compound annual growth rates of -0.5 percent and 0.6 percent, respectively.

Structural Changes

As aforementioned, two additional explanatory variables are included in the regression model to capture important structural changes at the Airport between 2002 and 2019. The first variable controls for the entry and exit of Mexicana airline between 2006 and 2010, during which international enplanements ranged between 2.9 percent and 5.9 percent of annual enplanements, compared to less 0.1 percent in 2005 (Figure 57). The second variable controls for the entry of Aeroméxico and Volaris airlines in 2011, which filled the demand for international flights following the exit of Mexicana airline. With the introduction of these two airlines, international enplanements grew by 12 percent compounded annually from 2011 to 2019, rising from 55.6 thousand (9.1 percent of annual enplanements) to 136.5 thousand (14.2 percent of annual enplanements).

Figure 57 | International Share of FAT's Annual Enplanements



Source: Airport records and U.S. Department of Transportation.

3.9.4 | Forecast Results

Figure 58 presents the forecast results, compared with the FY2022 FAA Terminal Area Forecasts (TAF) published in February 2023. Table 17 to Table 28 present the forecast details.

- Scenario 1 (Base) – Partially due to the expected introduction of larger aircraft and new flights by American Airlines, enplanements in FY2023 are expected to grow by 0.1 percent year over year despite a July-January FYTD decrease of 0.35 percent.[59] Beyond FY2023, the growth of annual enplanement is projected to accelerate initially and exceed 3 percent annually, before tapering and converging to 3.7 percent by the end of the forecast horizon. In FY2028, annual enplanement is projected to reach 1.36 million, yielding a FY2022-2028 compound annual growth rate of 3.5 percent.

- Scenario 1 (High) – Annual enplanement is projected to reach 1.13 million in FY2023, which translates into a year-over-year growth of 2.3 percent. Beyond FY2023, lower inflation and unemployment rates and higher real per-capita GDP growth are expected to boost enplanement growth. In particular, annual growth rates are expected to surpass almost 4 percent. In FY2028, annual enplanement is projected to reach 1.44 million, yielding a FY2022-2028 compound annual growth rate of 4.6 percent.

- Scenario 2 (Low) – A near-term economic downturn, among other factors, is expected to lower annual enplanement from 1.11 million in FY2021 to 1.08 million in FY2022, a decrease of 2.2 percent. As inflation and labor market tightness ease, annual enplanement is expected to begin to recover in FY2024, rising by 0.9 percent year over year. Beyond FY2024, annual enplanement is expected to grow by at least 2.9 percent and reach 1.27

[59] American Airlines is expected to begin to replace the 172-seat B757-800s with the 190-seat A321s on some of its flights in March 2023. Additionally, American Airlines is expected to increase the number of flights between DFW and FAT beginning in April 2023. Both changes are expected to raise pa

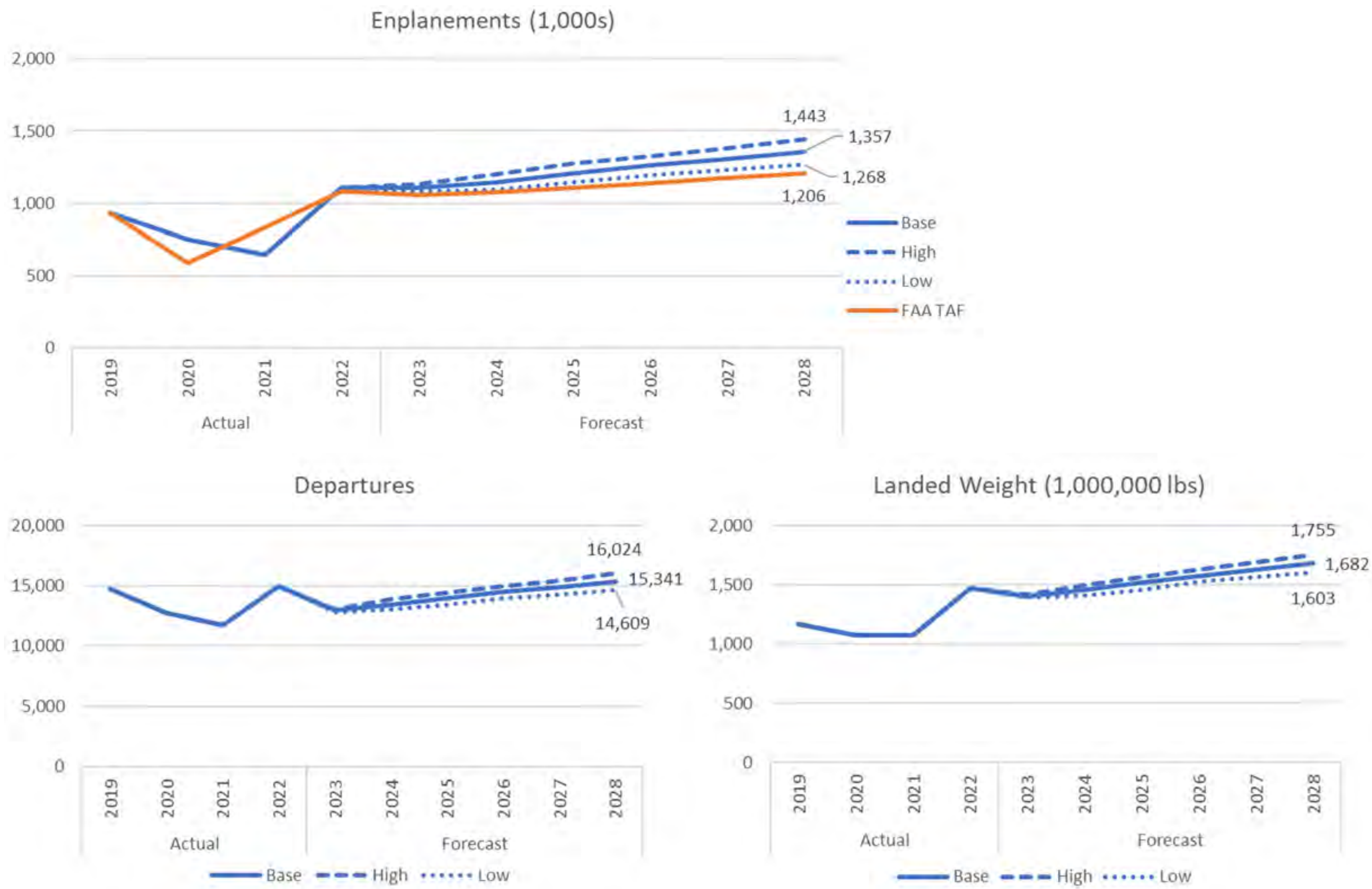
million by the end of the forecast period. The FY2022-2028 compound annual growth rate is 2.3 percent.

- 2022 FAA TAF, February 2023 Publication – The TAF projections are on a federal fiscal year basis that ends on September 30. Compared to this study's forecasts, the TAF projects slower growth over the forecast horizon, with projected annual enplanements approaching the Low scenario forecast enplanement by FY2028. At the end of the forecast period, the TAF projects FAT's annual enplanement is expected to be almost 1.20 million, or 5 percent below the Low scenario forecast, 11 percent below the Base scenario forecast, and 16 percent below the High scenario forecast.

The FY2024-2028 projections of seats and aircraft departures (landings) are based on annual enplanement forecasts, average seats per departure projections, and boarding load factors projections. Generally, flight departures are expected to grow slower than enplanements due to expected increases in average seats per departure and boarding load factors over time. By the end of the forecast period, annual aircraft departures are expected to reach 15,341 operations (or a 0.4 percent FY2022-2028 compound annual growth rate) in the Base scenario, 16,024 operations (or a 1.1 percent FY2022-2028 compound annual growth rate) in the High scenario, and 14,609 operations (or a -0.4 percent FY2022-2028 compound annual growth rate) in the Low scenario.

The FY2024-2028 projections of landed weight are derived from aircraft landings forecasts. Generally, landed weight increases faster than landings because of projected increases in average seats per landing, which raises the average weight per landing. By the end of the forecast period, landed weight will reach 1.682 billion lbs. (or a 2.2 percent FY2022-2028 compound annual growth rate) in the Base scenario, 1.755 billion lbs. (or a 3.0 percent FY2022-2028 compound annual growth rate) in the High scenario, and 1.603 billion lbs. (or a 1.4 percent FY2022-2028 compound annual growth rate) in the Low scenario.

Figure 58 | Forecast Commercial Aviation Activity at FAT



Source: Unison Consulting, Inc.

Table 17 | Forecast Enplanements - Scenario 1 (Base)

	Actual				Forecast						CAGR	
Fiscal Year	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2022-2028**	**2019-2028**
Enplanements (1,000s)												
Alaska Airlines	159	127	108	165	146	151	159	166	173	179	1.3%	1.3%
American Airlines	307	242	191	271	304	315	332	346	360	373	5.5%	2.2%
Delta Air Lines	56	49	63	90	68	70	74	77	80	83	-1.3%	4.6%
Southwest Airlines	0	0	29	156	172	178	187	195	203	210	5.1%	-
United Airlines	196	157	98	185	169	175	184	192	199	207	1.9%	0.6%
Volaris	73	66	66	106	119	124	130	136	141	147	5.6%	8.0%
Other	137	110	91	130	126	130	137	143	148	153	2.8%	1.3%
Subtotal-Scheduled Passenger	928	751	645	1,103	1,103	1,144	1,204	1,256	1,304	1,353	3.5%	4.3%
Subtotal-Charters	3	2	1	2	3	3	3	4	4	4	15.7%	3.3%
Total	930	753	647	1,105	1,106	1,147	1,208	1,260	1,308	1,357	3.5%	4.3%
Annual Growth Rate		-19.1%	-14.1%	70.9%	0.1%	3.7%	5.3%	4.3%	3.8%	3.7%		
Enplanement Shares												
Alaska Airlines	17.1%	16.8%	16.8%	15.0%	13.2%	13.2%	13.2%	13.2%	13.2%	13.2%		
American Airlines	33.0%	32.1%	29.6%	24.5%	27.5%	27.5%	27.5%	27.5%	27.5%	27.5%		
Delta Air Lines	6.0%	6.6%	9.7%	8.1%	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%		
Southwest Airlines	0.0%	0.0%	4.4%	14.1%	15.5%	15.5%	15.5%	15.5%	15.5%	15.5%		
United Airlines	21.0%	20.8%	15.1%	16.8%	15.2%	15.2%	15.2%	15.2%	15.2%	15.2%		
Volaris	7.9%	8.7%	10.1%	9.6%	10.8%	10.8%	10.8%	10.8%	10.8%	10.8%		
Other	14.7%	14.6%	14.0%	11.8%	11.4%	11.3%	11.3%	11.3%	11.3%	11.3%		
Subtotal-Scheduled Passenger	99.7%	99.7%	99.8%	99.9%	99.7%	99.7%	99.7%	99.7%	99.7%	99.7%		
Subtotal-Charters	0.3%	0.3%	0.2%	0.1%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%		
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%		

Source: Airport records, OAG airline seats, and forecasts by Unison Consulting, Inc.

Table 18 | Forecast Seats and Aircraft Departures – Scenario 1 (Base)

	Actual				Forecast						CAGR	
Fiscal Year	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2022-2028**	**2019-2028**
Seats (1,000s)												
Alaska Airlines	203	178	185	214	180	186	196	205	212	221	0.5%	0.9%
American Airlines	370	314	234	310	353	366	385	402	417	433	5.7%	1.7%
Delta Air Lines	61	67	108	107	75	78	82	86	89	93	-2.4%	4.7%
Southwest Airlines	0	0	39	207	215	222	234	244	254	263	4.1%	-
United Airlines	236	210	125	204	193	201	211	220	229	237	2.5%	0.1%
Volaris	88	97	121	156	152	157	165	172	179	186	2.9%	8.7%
Other	171	153	131	181	161	166	174	182	189	196	1.3%	1.6%
Subtotal-Scheduled Passenger	1,128	1,019	943	1,379	1,330	1,376	1,448	1,511	1,569	1,628	2.8%	4.2%
Subtotal-Charters	0	0	0	0	0	0	0	0	0	0	-	-
Total	1,128	1,019	943	1,379	1,330	1,376	1,448	1,511	1,569	1,628	2.8%	4.2%
Aircraft Departures (Landings)												
Alaska Airlines	2,652	2,324	2,415	2,526	1,902	1,958	2,051	2,135	2,208	2,284	-1.7%	-1.6%
American Airlines	4,093	3,299	2,048	2,391	2,501	2,584	2,711	2,817	2,914	3,013	3.9%	-3.3%
Delta Air Lines	1,035	958	1,513	1,494	1,028	1,063	1,115	1,159	1,199	1,239	-3.1%	2.0%
Southwest Airlines	0	0	259	1,408	1,394	1,435	1,504	1,565	1,619	1,675	2.9%	-
United Airlines	4,028	3,481	2,221	3,328	2,778	2,871	3,011	3,129	3,237	3,347	0.1%	-2.0%
Volaris	492	512	587	818	811	835	874	910	941	974	3.0%	7.9%
Other	993	901	801	1,143	977	992	1,039	1,081	1,118	1,157	0.2%	1.7%
Subtotal-Scheduled Passenger	13,293	11,475	9,844	13,108	11,391	11,738	12,305	12,795	13,237	13,688	0.7%	0.3%
Subtotal-Charters	463	303	415	532	430	481	455	468	462	465	-2.2%	0.0%
Subtotal-Cargo	560	659	716	711	672	691	681	686	684	685	-0.6%	2.3%
Subtotal-Other	370	314	755	623	441	532	487	509	498	504	-3.5%	3.5%
Total	14,686	12,751	11,730	14,974	12,933	13,442	13,928	14,459	14,880	15,341	0.4%	0.5%

OAG schedules do not report seat data for charters.
Source: Airport records, OAG airline seats, and forecasts by Unison Consulting, Inc.

Table 19 | Forecast Enplanement per Departure, Seats per Departure, and Boarding Load Factors - Scenario 1 (Base)

	Actual				Forecast					
Fiscal Year	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**
Enplanements per Departure										
Alaska Airlines	60	55	45	66	77	77	78	78	78	78
American Airlines	75	73	93	113	122	122	122	123	123	124
Delta Air Lines	54	52	41	60	66	66	67	67	67	67
Southwest Airlines	0	0	110	111	123	124	125	125	125	126
United Airlines	49	45	44	56	61	61	61	61	62	62
Volaris	149	128	112	129	147	148	149	149	150	150
Other	138	122	113	114	128	131	131	132	132	133
Subtotal-Scheduled Passenger	70	65	66	84	97	97	98	98	99	99
Seats per Departure										
Alaska Airlines	76	77	77	85	95	95	96	96	96	97
American Airlines	90	95	114	130	141	142	142	143	143	144
Delta Air Lines	59	70	71	72	73	74	74	74	74	75
Southwest Airlines	0	0	151	147	154	155	156	156	157	157
United Airlines	59	60	56	61	70	70	70	70	71	71
Volaris	179	189	206	191	187	188	189	189	190	191
Other	172	170	164	159	165	167	168	168	169	170
Subtotal-Scheduled Passenger	85	89	96	105	117	117	118	118	119	119
Boarding Load Factors										
Alaska Airlines	79%	71%	59%	77%	81%	81%	81%	81%	81%	81%
American Airlines	83%	77%	82%	87%	86%	86%	86%	86%	86%	86%
Delta Air Lines	91%	73%	58%	84%	90%	90%	90%	90%	90%	90%
Southwest Airlines	0%	0%	73%	75%	80%	80%	80%	80%	80%	80%
United Airlines	83%	75%	78%	91%	87%	87%	87%	87%	87%	87%
Volaris	83%	68%	54%	68%	79%	79%	79%	79%	79%	79%
Other	80%	72%	69%	72%	78%	78%	78%	78%	78%	78%
Subtotal-Scheduled Passenger	82%	74%	68%	80%	83%	83%	83%	83%	83%	83%

Source: Airport records, OAG airline seats, and forecasts by Unison Consulting, Inc.

Table 20 | Forecast Landed Weight and Average Weight per Landing - Scenario 1 (Base)

	Actual				Forecast						CAGR	
Fiscal Year	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2022-2028**	**2019-2028**
Landed Weight (1,000,000 lbs.)												
Alaska Airlines	198.8	173.3	179.3	203.3	171.6	177.4	186.5	194.8	202.2	209.9	0.5%	0.6%
American Airlines	348.4	291.4	221.9	274.7	316.8	328.7	346.1	361.0	374.8	388.8	6.0%	1.2%
Delta Air Lines	58.2	68.7	108.9	107.2	77.3	80.2	84.5	88.1	91.5	94.9	-2.0%	5.6%
Southwest Airlines	0.0	0.0	34.2	185.3	183.5	189.7	199.4	208.3	216.2	224.5	3.3%	-
United Airlines	223.3	198.6	118.2	200.9	194.2	201.5	212.1	221.2	229.7	238.3	2.9%	0.7%
Volaris	71.6	68.1	85.4	119.0	118.0	122.0	128.2	133.9	139.0	144.4	3.3%	8.1%
Other	140.0	117.3	111.7	152.9	137.4	141.5	148.9	155.4	161.4	167.5	1.5%	2.0%
Subtotal-Scheduled Passenger	1,040.4	917.5	859.5	1,243.3	1,198.9	1,241.0	1,305.7	1,362.8	1,414.8	1,468.3	2.8%	3.9%
Subtotal-Charters	14.2	11.5	12.9	17.9	16.6	18.6	17.7	18.3	18.1	18.3	0.3%	2.9%
Subtotal-Cargo	103.8	126.1	162.0	183.5	165.9	171.5	169.6	171.5	171.5	172.4	-1.0%	5.8%
Subtotal-Other	8.8	18.3	39.3	28.7	19.5	23.6	21.7	22.8	22.4	22.7	-3.8%	11.1%
Total	1,167.1	1,073.3	1,073.7	1,473.4	1,400.9	1,454.8	1,514.8	1,575.3	1,626.7	1,681.7	2.2%	4.1%
Average Weight per Landing (1,000 lbs.)												
Alaska Airlines	75.0	74.6	74.2	80.5	90.2	90.6	90.9	91.3	91.6	91.9	2.2%	2.3%
American Airlines	85.1	88.3	108.4	114.9	126.7	127.2	127.7	128.1	128.6	129.1	2.0%	4.7%
Delta Air Lines	56.3	71.7	71.9	71.7	75.2	75.5	75.8	76.0	76.3	76.6	1.1%	3.5%
Southwest Airlines	0.0	0.0	132.1	131.6	131.6	132.1	132.6	133.1	133.6	134.1	0.3%	-
United Airlines	55.4	57.1	53.2	60.4	69.9	70.2	70.5	70.7	71.0	71.2	2.8%	2.8%
Volaris	145.5	133.0	145.5	145.5	145.5	146.1	146.6	147.2	147.7	148.2	0.3%	0.2%
Other	141.0	130.2	139.4	133.8	140.6	142.7	143.3	143.8	144.3	144.8	1.3%	0.3%
Subtotal-Scheduled Passenger	78.3	80.0	87.3	94.8	105.2	105.7	106.1	106.5	106.9	107.3	2.1%	3.6%
Subtotal-Charters	30.6	37.9	31.0	33.7	38.6	38.8	38.9	39.1	39.2	39.3	2.6%	2.8%
Subtotal-Cargo	185.3	191.3	226.3	258.1	247.0	248.0	248.9	249.8	250.7	251.6	-0.4%	3.5%
Subtotal-Other	23.9	58.2	52.1	46.0	44.3	44.4	44.6	44.8	44.9	45.1	-0.3%	7.3%
Total	79.5	84.2	91.5	98.4	108.3	108.2	108.8	109.0	109.3	109.6	1.8%	3.6%

Source: Airport records, OAG airline seats, and forecasts by Unison Consulting, Inc.

Table 21 | Forecast Enplanements - Scenario 2 (High)

	Actual				Forecast						CAGR	
Fiscal Year	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2022-2028**	**2019-2028**
Enplanements (1,000s)												
Alaska Airlines	159	127	108	165	149	159	168	175	183	191	2.4%	2.0%
American Airlines	307	242	191	271	311	331	351	364	380	397	6.6%	2.9%
Delta Air Lines	56	49	63	90	69	74	78	81	85	88	-0.3%	5.3%
Southwest Airlines	0	0	29	156	175	186	197	205	214	224	6.2%	-
United Airlines	196	157	98	185	172	183	194	201	210	219	2.9%	1.3%
Volaris	73	66	66	106	122	130	138	143	149	156	6.7%	8.8%
Other	137	110	91	130	128	136	144	150	156	163	3.8%	2.0%
Subtotal-Scheduled Passenger	928	751	645	1,103	1,128	1,198	1,269	1,319	1,377	1,439	4.5%	5.0%
Subtotal-Charters	3	2	1	2	3	3	4	4	4	4	17.0%	4.0%
Total	930	753	647	1,105	1,131	1,202	1,273	1,323	1,381	1,443	4.6%	5.0%
Annual Growth Rate		-19.1%	-14.1%	70.9%	2.3%	6.3%	5.9%	3.9%	4.4%	4.5%		
Enplanement Shares												
Alaska Airlines	17.1%	16.8%	16.8%	15.0%	13.2%	13.2%	13.2%	13.2%	13.2%	13.2%		
American Airlines	33.0%	32.1%	29.6%	24.5%	27.5%	27.5%	27.5%	27.5%	27.5%	27.5%		
Delta Air Lines	6.0%	6.6%	9.7%	8.1%	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%		
Southwest Airlines	0.0%	0.0%	4.4%	14.1%	15.5%	15.5%	15.5%	15.5%	15.5%	15.5%		
United Airlines	21.0%	20.8%	15.1%	16.8%	15.2%	15.2%	15.2%	15.2%	15.2%	15.2%		
Volaris	7.9%	8.7%	10.1%	9.6%	10.8%	10.8%	10.8%	10.8%	10.8%	10.8%		
Other	14.7%	14.6%	14.0%	11.8%	11.3%	11.3%	11.3%	11.3%	11.3%	11.3%		
Subtotal-Scheduled Passenger	99.7%	99.7%	99.8%	99.9%	99.7%	99.7%	99.7%	99.7%	99.7%	99.7%		
Subtotal-Charters	0.3%	0.3%	0.2%	0.1%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%		
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%		

Source: Airport records, OAG airline seats, and forecasts by Unison Consulting, Inc.

Table 22 | Forecast Seats and Aircraft Departures – Scenario 2 (High)

	Actual				Forecast						CAGR	
Fiscal Year	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2022-2028**	**2019-2028**
Seats (1,000s)												
Alaska Airlines	203	178	185	214	182	193	204	212	222	232	1.4%	1.5%
American Airlines	370	314	234	310	356	379	401	417	435	455	6.6%	2.3%
Delta Air Lines	61	67	108	107	76	81	86	89	93	97	-1.6%	5.3%
Southwest Airlines	0	0	39	207	217	230	243	253	264	276	5.0%	-
United Airlines	236	210	125	204	195	207	220	228	238	249	3.4%	0.6%
Volaris	88	97	121	156	153	162	172	179	186	195	3.8%	9.3%
Other	171	153	131	181	162	171	181	189	197	206	2.2%	2.1%
Subtotal-Scheduled Passenger	1,128	1,019	943	1,379	1,342	1,424	1,507	1,567	1,636	1,710	3.6%	4.7%
Subtotal-Charters	0	0	0	0	0	0	0	0	0	0	-	-
Total	1,128	1,019	943	1,379	1,342	1,424	1,507	1,567	1,636	1,710	3.6%	4.7%
Aircraft Departures (Landings)												
Alaska Airlines	2,652	2,324	2,415	2,526	1,920	2,026	2,135	2,214	2,303	2,400	-0.8%	-1.1%
American Airlines	4,093	3,299	2,048	2,391	2,525	2,674	2,821	2,921	3,040	3,165	4.8%	-2.8%
Delta Air Lines	1,035	958	1,513	1,494	1,038	1,099	1,159	1,201	1,249	1,301	-2.3%	2.6%
Southwest Airlines	0	0	259	1,408	1,406	1,483	1,563	1,621	1,686	1,757	3.8%	-
United Airlines	4,028	3,481	2,221	3,328	2,801	2,966	3,130	3,241	3,372	3,511	0.9%	-1.5%
Volaris	492	512	587	818	819	863	910	944	982	1,023	3.8%	8.5%
Other	993	901	801	1,143	986	1,025	1,081	1,120	1,166	1,214	1.0%	2.3%
Subtotal-Scheduled Passenger	13,293	11,475	9,844	13,108	11,495	12,136	12,798	13,262	13,797	14,371	1.5%	0.9%
Subtotal-Charters	463	303	415	532	430	481	455	468	462	465	-2.2%	0.0%
Subtotal-Cargo	560	659	716	711	672	691	681	686	684	685	-0.6%	2.3%
Subtotal-Other	370	314	755	623	441	532	487	509	498	504	-3.5%	3.5%
Total	14,686	12,751	11,730	14,974	13,037	13,840	14,421	14,925	15,440	16,024	1.1%	1.0%

OAG schedules do not report seat data for charters.
Source: Airport records, OAG airline seats, and forecasts by Unison Consulting, Inc.

Table 23 | Forecast Enplanement per Departure, Seats per Departure, and Boarding Load Factors - Scenario 2 (High)

	Actual				Forecast					
Fiscal Year	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**
Enplanements per Departure										
Alaska Airlines	60	55	45	66	78	78	79	79	79	80
American Airlines	75	73	93	113	123	124	124	125	125	126
Delta Air Lines	54	52	41	60	67	67	67	67	68	68
Southwest Airlines	0	0	110	111	125	126	126	126	127	127
United Airlines	49	45	44	56	61	62	62	62	62	63
Volaris	149	128	112	129	149	150	151	151	152	152
Other	138	122	113	114	130	133	133	134	134	134
Subtotal-Scheduled Passenger	70	65	66	84	98	99	99	99	100	100
Seats per Departure										
Alaska Airlines	76	77	77	85	95	95	96	96	96	97
American Airlines	90	95	114	130	141	142	142	143	143	144
Delta Air Lines	59	70	71	72	73	74	74	74	74	75
Southwest Airlines	0	0	151	147	154	155	156	156	157	157
United Airlines	59	60	56	61	70	70	70	70	71	71
Volaris	179	189	206	191	187	188	189	189	190	191
Other	172	170	164	159	165	167	168	168	169	170
Subtotal-Scheduled Passenger	85	89	96	105	117	117	118	118	119	119
Boarding Load Factors										
Alaska Airlines	79%	71%	59%	77%	82%	82%	82%	82%	82%	82%
American Airlines	83%	77%	82%	87%	87%	87%	87%	87%	87%	87%
Delta Air Lines	91%	73%	58%	84%	91%	91%	91%	91%	91%	91%
Southwest Airlines	0%	0%	73%	75%	81%	81%	81%	81%	81%	81%
United Airlines	83%	75%	78%	91%	88%	88%	88%	88%	88%	88%
Volaris	83%	68%	54%	68%	80%	80%	80%	80%	80%	80%
Other	80%	72%	69%	72%	79%	79%	79%	79%	79%	79%
Subtotal-Scheduled Passenger	82%	74%	68%	80%	84%	84%	84%	84%	84%	84%

Source: Airport records, OAG airline seats, and forecasts by Unison Consulting, Inc.

Table 24 | Forecast Landed Weight and Average Weight per Landing - Scenario 2 (High)

	Actual				Forecast						CAGR	
Fiscal Year	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2022-2028**	**2019-2028**
Landed Weight (1,000,000 lbs.)												
Alaska Airlines	198.8	173.3	179.3	203.3	173.2	183.5	194.1	202.0	210.9	220.5	1.4%	1.2%
American Airlines	348.4	291.4	221.9	274.7	320.3	340.5	360.6	374.7	391.3	408.9	6.9%	1.8%
Delta Air Lines	58.2	68.7	108.9	107.2	78.0	82.9	87.8	91.3	95.3	99.6	-1.2%	6.1%
Southwest Airlines	0.0	0.0	34.2	185.3	185.1	196.0	207.3	215.8	225.3	235.6	4.1%	-
United Airlines	223.3	198.6	118.2	200.9	195.8	208.2	220.5	229.1	239.2	250.0	3.7%	1.3%
Volaris	71.6	68.1	85.4	119.0	119.1	126.1	133.4	138.9	145.0	151.6	4.1%	8.7%
Other	140.0	117.3	111.7	152.9	138.7	146.3	154.8	161.1	168.2	175.8	2.4%	2.6%
Subtotal-Scheduled Passenger	1,040.4	917.5	859.5	1,243.3	1,210.2	1,283.6	1,358.5	1,412.9	1,475.1	1,542.1	3.7%	4.5%
Subtotal-Charters	14.2	11.5	12.9	17.9	16.6	18.6	17.7	18.3	18.1	18.3	0.3%	2.9%
Subtotal-Cargo	103.8	126.1	162.0	183.5	165.9	171.5	169.6	171.5	171.5	172.4	-1.0%	5.8%
Subtotal-Other	8.8	18.3	39.3	28.7	19.5	23.6	21.7	22.8	22.4	22.7	-3.8%	11.1%
Total	1,167.1	1,073.3	1,073.7	1,473.4	1,412.2	1,497.3	1,567.6	1,625.4	1,687.1	1,755.4	3.0%	4.6%
Average Weight per Landing (1,000 lbs.)												
Alaska Airlines	75.0	74.6	74.2	80.5	90.2	90.6	90.9	91.2	91.6	91.9	2.2%	2.3%
American Airlines	85.1	88.3	108.4	114.9	126.8	127.3	127.8	128.3	128.7	129.2	2.0%	4.7%
Delta Air Lines	56.3	71.7	71.9	71.7	75.2	75.5	75.8	76.0	76.3	76.6	1.1%	3.5%
Southwest Airlines	0.0	0.0	132.1	131.6	131.6	132.1	132.6	133.1	133.6	134.1	0.3%	-
United Airlines	55.4	57.1	53.2	60.4	69.9	70.2	70.4	70.7	71.0	71.2	2.8%	2.8%
Volaris	145.5	133.0	145.5	145.5	145.5	146.1	146.6	147.2	147.7	148.2	0.3%	0.2%
Other	141.0	130.2	139.4	133.8	140.6	142.7	143.3	143.8	144.3	144.8	1.3%	0.3%
Subtotal-Scheduled Passenger	78.3	80.0	87.3	94.8	105.3	105.8	106.1	106.5	106.9	107.3	2.1%	3.6%
Subtotal-Charters	30.6	37.9	31.0	33.7	38.6	38.8	38.9	39.1	39.2	39.3	2.6%	2.8%
Subtotal-Cargo	185.3	191.3	226.3	258.1	247.0	248.0	248.9	249.8	250.7	251.6	-0.4%	3.5%
Subtotal-Other	23.9	58.2	52.1	46.0	44.3	44.4	44.6	44.8	44.9	45.1	-0.3%	7.3%
Total	79.5	84.2	91.5	98.4	108.3	108.2	108.7	108.9	109.3	109.5	1.8%	3.6%

Source: Airport records, OAG airline seats, and forecasts by Unison Consulting, Inc.

Table 25 | Forecast Enplanements - Scenario 3 (Low)

	Actual				Forecast						CAGR	
Fiscal Year	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2022-2028**	**2019-2028**
Enplanements (1,000s)												
Alaska Airlines	159	127	108	165	143	144	151	158	163	167	0.2%	0.5%
American Airlines	307	242	191	271	297	299	313	328	338	348	4.3%	1.4%
Delta Air Lines	56	49	63	90	66	67	70	74	76	78	-2.4%	3.8%
Southwest Airlines	0	0	29	156	168	169	177	186	191	197	4.0%	-
United Airlines	196	157	98	185	165	167	175	183	189	194	0.8%	-0.1%
Volaris	73	66	66	106	117	118	123	129	133	137	4.4%	7.2%
Other	137	110	91	130	123	124	129	135	140	144	1.6%	0.5%
Subtotal-Scheduled Passenger	928	751	645	1,103	1,078	1,088	1,138	1,192	1,229	1,265	2.3%	3.5%
Subtotal-Charters	3	2	1	2	3	3	3	3	4	4	14.7%	2.7%
Total	930	753	647	1,105	1,081	1,091	1,141	1,195	1,233	1,268	2.3%	3.5%
Annual Growth Rate		-19.1%	-14.1%	70.9%	-2.2%	0.9%	4.6%	4.7%	3.2%	2.9%		
Enplanement Shares												
Alaska Airlines	17.1%	16.8%	16.8%	15.0%	13.2%	13.2%	13.2%	13.2%	13.2%	13.2%		
American Airlines	33.0%	32.1%	29.6%	24.5%	27.4%	27.4%	27.4%	27.4%	27.4%	27.4%		
Delta Air Lines	6.0%	6.6%	9.7%	8.1%	6.1%	6.2%	6.2%	6.2%	6.2%	6.2%		
Southwest Airlines	0.0%	0.0%	4.4%	14.1%	15.5%	15.5%	15.5%	15.5%	15.5%	15.5%		
United Airlines	21.0%	20.8%	15.1%	16.8%	15.3%	15.3%	15.3%	15.3%	15.3%	15.3%		
Volaris	7.9%	8.7%	10.1%	9.6%	10.8%	10.8%	10.8%	10.8%	10.8%	10.8%		
Other	14.7%	14.6%	14.0%	11.8%	11.4%	11.3%	11.3%	11.3%	11.3%	11.3%		
Subtotal-Scheduled Passenger	99.7%	99.7%	99.8%	99.9%	99.7%	99.7%	99.7%	99.7%	99.7%	99.7%		
Subtotal-Charters	0.3%	0.3%	0.2%	0.1%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%		
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%		

Source: Airport records, OAG airline seats, and forecasts by Unison Consulting, Inc.

Table 26 | Forecast Seats and Aircraft Departures – Scenario 3 (Low)

	Actual				Forecast						CAGR	
Fiscal Year	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2022-2028	2019-2028
Seats (1,000s)												
Alaska Airlines	203	178	185	214	178	179	187	197	203	209	-0.4%	0.3%
American Airlines	370	314	234	310	349	352	368	385	398	409	4.7%	1.1%
Delta Air Lines	61	67	108	107	75	75	79	83	85	88	-3.3%	4.1%
Southwest Airlines	0	0	39	207	213	214	224	235	242	249	3.2%	-
United Airlines	236	210	125	204	191	193	202	212	218	225	1.6%	-0.5%
Volaris	88	97	121	156	150	151	158	165	171	176	2.0%	8.0%
Other	171	153	131	181	160	160	167	175	180	186	0.4%	0.9%
Subtotal-Scheduled Passenger	1,128	1,019	943	1,379	1,316	1,325	1,385	1,451	1,497	1,541	1.9%	3.5%
Subtotal-Charters	0	0	0	0	0	0	0	0	0	0	-	-
Total	1,128	1,019	943	1,379	1,316	1,325	1,385	1,451	1,497	1,541	1.9%	3.5%
Aircraft Departures (Landings)												
Alaska Airlines	2,652	2,324	2,415	2,526	1,881	1,885	1,961	2,049	2,106	2,161	-2.6%	-2.3%
American Airlines	4,093	3,299	2,048	2,391	2,474	2,488	2,592	2,705	2,780	2,850	3.0%	-3.9%
Delta Air Lines	1,035	958	1,513	1,494	1,018	1,024	1,067	1,113	1,144	1,173	-4.0%	1.4%
Southwest Airlines	0	0	259	1,408	1,381	1,384	1,439	1,504	1,546	1,586	2.0%	-
United Airlines	4,028	3,481	2,221	3,328	2,752	2,768	2,884	3,009	3,093	3,170	-0.8%	-2.6%
Volaris	492	512	587	818	802	804	836	874	898	922	2.0%	7.2%
Other	993	901	801	1,143	968	954	993	1,038	1,066	1,094	-0.7%	1.1%
Subtotal-Scheduled Passenger	13,293	11,475	9,844	13,108	11,276	11,307	11,773	12,293	12,634	12,956	-0.2%	-0.3%
Subtotal-Charters	463	303	415	532	430	481	455	468	462	465	-2.2%	0.0%
Subtotal-Cargo	560	659	716	711	672	691	681	686	684	685	-0.6%	2.3%
Subtotal-Other	370	314	755	623	441	532	487	509	498	504	-3.5%	3.5%
Total	14,686	12,751	11,730	14,974	12,818	13,011	13,396	13,956	14,277	14,609	-0.4%	-0.1%

OAG schedules do not report seat data for charters.
Source: Airport records, OAG airline seats, and forecasts by Unison Consulting, Inc.

Table 27 | Forecast Enplanement per Departure, Seats per Departure, and Boarding Load Factors - Scenario 3 (Low)

	Actual				Forecast					
Fiscal Year	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**
Enplanements per Departure										
Alaska Airlines	60	55	45	66	76	76	77	77	77	77
American Airlines	75	73	93	113	120	120	121	121	122	122
Delta Air Lines	54	52	41	60	65	66	66	66	66	66
Southwest Airlines	0	0	110	111	122	122	123	123	124	124
United Airlines	49	45	44	56	60	60	61	61	61	61
Volaris	149	128	112	129	145	147	147	148	148	149
Other	138	122	113	114	127	129	130	130	131	131
Subtotal-Scheduled Passenger	70	65	66	84	96	96	97	97	97	98
Seats per Departure										
Alaska Airlines	76	77	77	85	95	95	96	96	96	97
American Airlines	90	95	114	130	141	141	142	143	143	144
Delta Air Lines	59	70	71	72	73	74	74	74	74	75
Southwest Airlines	0	0	151	147	154	155	156	156	157	157
United Airlines	59	60	56	61	70	70	70	70	71	71
Volaris	179	189	206	191	187	188	189	189	190	191
Other	172	170	164	159	165	167	168	168	169	170
Subtotal-Scheduled Passenger	85	89	96	105	117	117	118	118	118	119
Boarding Load Factors										
Alaska Airlines	79%	71%	59%	77%	80%	80%	80%	80%	80%	80%
American Airlines	83%	77%	82%	87%	85%	85%	85%	85%	85%	85%
Delta Air Lines	91%	73%	58%	84%	89%	89%	89%	89%	89%	89%
Southwest Airlines	0%	0%	73%	75%	79%	79%	79%	79%	79%	79%
United Airlines	83%	75%	78%	91%	86%	86%	86%	86%	86%	86%
Volaris	83%	68%	54%	68%	78%	78%	78%	78%	78%	78%
Other	80%	72%	69%	72%	77%	77%	77%	77%	77%	77%
Subtotal-Scheduled Passenger	82%	74%	68%	80%	82%	82%	82%	82%	82%	82%

Source: Airport records, OAG airline seats, and forecasts by Unison Consulting, Inc.

Table 28 | Forecast Landed Weight and Average Weight per Landing - Scenario 3 (Low)

	Actual				Forecast						CAGR	
Fiscal Year	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2022-2028**	**2019-2028**
Landed Weight (1,000,000 lbs.)												
Alaska Airlines	198.8	173.3	179.3	203.3	169.7	170.8	178.3	187.0	192.9	198.6	-0.4%	0.0%
American Airlines	348.4	291.4	221.9	274.7	313.1	316.2	330.6	346.2	357.1	367.4	5.0%	0.6%
Delta Air Lines	58.2	68.7	108.9	107.2	76.5	77.3	80.8	84.6	87.3	89.8	-2.9%	4.9%
Southwest Airlines	0.0	0.0	34.2	185.3	181.7	182.8	190.9	200.3	206.5	212.6	2.3%	-
United Airlines	223.3	198.6	118.2	200.9	192.4	194.3	203.2	212.8	219.5	225.8	2.0%	0.1%
Volaris	71.6	68.1	85.4	119.0	116.8	117.4	122.6	128.6	132.7	136.6	2.3%	7.4%
Other	140.0	117.3	111.7	152.9	136.1	136.2	142.2	149.2	153.9	158.4	0.6%	1.4%
Subtotal-Scheduled Passenger	1,040.4	917.5	859.5	1,243.3	1,186.3	1,195.1	1,248.8	1,308.8	1,349.9	1,389.3	1.9%	3.3%
Subtotal-Charters	14.2	11.5	12.9	17.9	16.6	18.6	17.7	18.3	18.1	18.3	0.3%	2.9%
Subtotal-Cargo	103.8	126.1	162.0	183.5	165.9	171.5	169.6	171.5	171.5	172.4	-1.0%	5.8%
Subtotal-Other	8.8	18.3	39.3	28.7	19.5	23.6	21.7	22.8	22.4	22.7	-3.8%	11.1%
Total	1,167.1	1,073.3	1,073.7	1,473.4	1,388.3	1,408.8	1,457.8	1,521.3	1,561.8	1,602.6	1.4%	3.6%
Average Weight per Landing (1,000 lbs.)												
Alaska Airlines	75.0	74.6	74.2	80.5	90.2	90.6	90.9	91.3	91.6	91.9	2.2%	2.3%
American Airlines	85.1	88.3	108.4	114.9	126.6	127.1	127.5	128.0	128.5	128.9	1.9%	4.7%
Delta Air Lines	56.3	71.7	71.9	71.7	75.2	75.5	75.8	76.0	76.3	76.6	1.1%	3.5%
Southwest Airlines	0.0	0.0	132.1	131.6	131.6	132.1	132.6	133.1	133.6	134.1	0.3%	-
United Airlines	55.4	57.1	53.2	60.4	69.9	70.2	70.5	70.7	71.0	71.2	2.8%	2.8%
Volaris	145.5	133.0	145.5	145.5	145.5	146.1	146.6	147.2	147.7	148.2	0.3%	0.2%
Other	141.0	130.2	139.4	133.8	140.6	142.7	143.3	143.8	144.3	144.8	1.3%	0.3%
Subtotal-Scheduled Passenger	78.3	80.0	87.3	94.8	105.2	105.7	106.1	106.5	106.8	107.2	2.1%	3.6%
Subtotal-Charters	30.6	37.9	31.0	33.7	38.6	38.8	38.9	39.1	39.2	39.3	2.6%	2.8%
Subtotal-Cargo	185.3	191.3	226.3	258.1	247.0	248.0	248.9	249.8	250.7	251.6	-0.4%	3.5%
Subtotal-Other	23.9	58.2	52.1	46.0	44.3	44.4	44.6	44.8	44.9	45.1	-0.3%	7.3%
Total	79.5	84.2	91.5	98.4	108.3	108.3	108.8	109.0	109.4	109.7	1.8%	3.6%

Source: Airport records, OAG airline seats, and forecasts by Unison Consulting, Inc.

3.10 | Forecast Risk and Uncertainty

The forecasts are based on information available at the time of the study, measurable factors that drive air traffic, and assumptions about their future trends. Actual results could differ materially from the forecasts if any of the assumptions do not hold or if unexpected events cause traffic to decrease or increase significantly. The Airport operates in a dynamic business environment where a variety of factors are at play. Many of these factors, often intertwined, are subject to volatility and uncertainty, introducing risk—both downside and upside—to forecast activity levels.

3.10.1 | Disease Outbreaks

Passenger air travel demand is sensitive to disease outbreaks. Disease outbreaks pose an unpredictable danger in various ways, such as customer confidence, health and safety, international travel policies, and the well-being and availability of sufficient staffing and labor. In 2020, the COVID-19 pandemic developed to become a significant threat to the entire aviation industry and could remain a danger for some time. Widespread vaccination is key to containing the spread of the disease, restoring people's confidence in the public health and safety of air travel, and increasing people's comfort level with crowded spaces. The distribution of COVID-19 vaccines has aided the recovery of air travel and the overall U.S. economy. However, new variants of the disease, such as Delta and Omicron, and new waves of infection slow the recovery process and present uncertainty for the future. In January 2023, the Omicron subvariant XBB1.5 is diffusing rapidly across the United States. Continuous monitoring of COVID-19 will be essential to minimize serious illness, hospitalizations, and fatalities while maintaining public confidence.

3.10.2 | Economic Conditions

The aviation industry is pro-cyclical: aviation traffic grows during periods of economic expansion as consumer and business incomes grow, increasing overall demand, including for air travel. Conversely, aviation traffic declines during periods of economic recession, as consumer and business incomes fall, causing overall demand and the demand for air travel to fall.

Various factors can trigger an economic recession. In 2020, the COVID-19 pandemic and the extreme mitigation measures triggered a global economic recession. The U.S. economy recovered to its pre-COVID output level in the second quarter of 2021 and has continued to grow, though at a slower pace. While the pandemic has eased, the U.S. economy faces other economic risks. In the short-term, inflationary pressures and supply constraints remain the most pressing concerns. International trade tensions, continuing geo-political tensions, weakness in portions of the global economy, financial market volatility, and the high level of U.S. government and private debt present economic risks for the U.S. economy. COVID-19 policies internationally have the potential to strain global supply chains, disrupt international trade, and hinder economic growth.

The growth of the U.S. economy faces several headwinds resulting from unfavorable, long-term demographic shifts, including population aging and declining population growth. An aging population will raise government expenditures on social programs and exert upward budgetary pressure on the U.S. government. This pressure will add to high U.S. government debt levels, which increased during the pandemic with federal programs aimed at alleviating the impacts of the pandemic on individuals and businesses. In addition, a dwindling population base could gradually reduce the overall demand for consumer goods, including the demand for air travel.

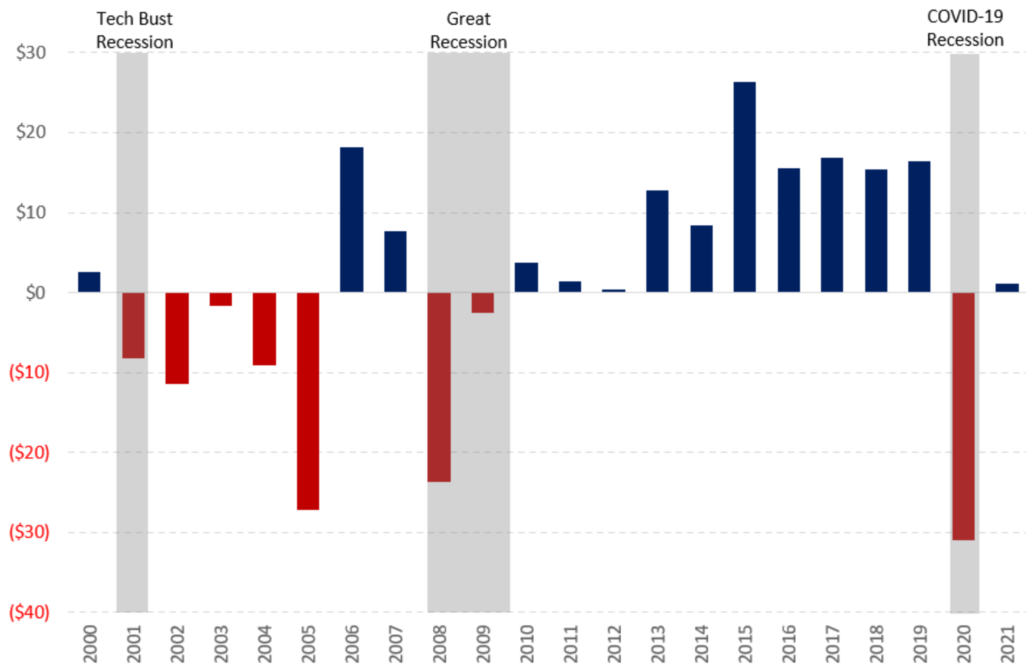
3.10.3 | U.S. Airline Industry Volatility

The U.S. airline industry is extremely volatile. It is vulnerable to many exogenous factors, such as economic downturns, sharp increases in oil prices, adverse weather, disease outbreaks, travel restrictions, terrorism threats, and geopolitical tensions. The volatility is reflected in the U.S. airline industry's balance sheet.

Over the two decades before the pandemic, the U.S. scheduled passenger airline industry incurred annual net losses in 7 years, netting a profit of $61.2 billion over the 20 years from 2000 through 2019 (Figure 59). After persistent losses during most of the 2000s, the U.S. scheduled passenger airline industry realized net profits almost yearly during the 2010s. The industry thrived amid the long economic expansion during the 2010s and the sharp decrease in fuel prices. The industry also reaped benefits from several business improvements made during the 2008-2009 Great Recession, including cost-cutting and productivity-enhancement measures. The improved financial performance enabled U.S. airlines to renew their fleets, increase scheduled flights and seats, and reduce capacity constraints.

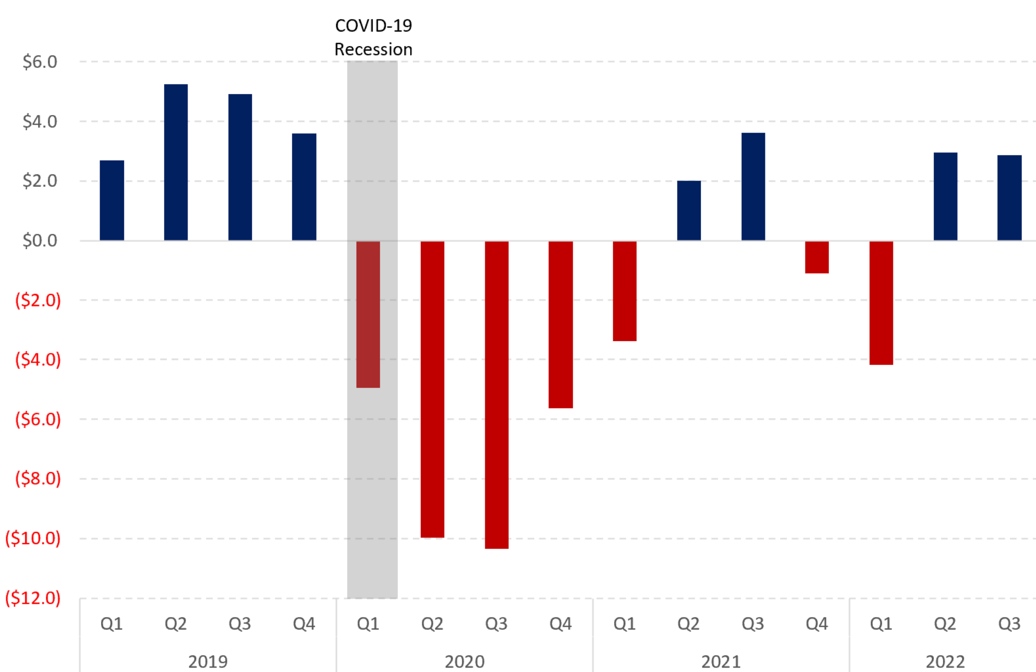
In 2020, the U.S. scheduled passenger airline industry outlook took a dramatic downturn with the spread of COVID-19 (Figure 60). As air travel slowed dramatically in the first half of 2020, U.S. scheduled passenger airlines incurred an annual net loss of more than $35 billion, the largest annual loss since 1977. However, in 2021, as air travel resumed, the industry began to recuperate some losses incurred in the previous year, operating a $1.2 billion profit. To alleviate the negative financial impact of the COVID-19 pandemic on U.S. airlines' finances, the U.S. federal government provided financial relief to the U.S. airlines in three federal aid packages: the Coronavirus Aid, Relief, and Economic Security Act (CARES Act); the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA); and the American Rescue Plan Act of 2021 (ARPA).

Figure 59 | Net Income, U.S. Scheduled Airlines, 2000-2021



Source: U.S. Bureau of Transportation Statistics (Form 41 Schedule P-1.2) and Unison Consulting, Inc. Gray areas indicate economic recession periods.

Figure 60 I Net Income, U.S. Scheduled Airlines, Q1 2019-Q3 2022



Source: U.S. Bureau of Transportation Statistics (Form 41 Schedule P-1.2) and Unison Consulting, Inc. Gray areas indicate economic recession periods.

3.10.4 | Volatility of Oil Prices and Implications for Aviation Fuel Cost

Volatility in oil prices directly affects aviation fuel costs, a significant component of airlines' operating costs (the correlation between prices is 0.95).[60] Increases in the price of oil (Figure 61), therefore, translate directly into higher airline fuel costs (Figure 62). In the 2000s, record oil price increases raised fuel costs, pressured airlines' finances, and contributed to extensive net losses industry-wide. However, oil prices fell steeply by 2015, contributing to sustained profitability in the U.S. airline industry in the 2010s.

In 2020, the global economic recession and the oil supply glut kept oil prices low. As a result, airlines enjoyed low fuel prices, providing some cost relief during the pandemic. In 2021, the global economic recovery began to push oil prices up. Oil prices rose to a high of $115bbl in June 2022, exacerbated by the Russia-Ukraine conflict. By December, prices had fallen to $75bbl and are currently forecast to decline to under $70bbl through 2024. Nevertheless, oil prices will continue to be affected by changing global economic conditions, geopolitical factors, and the unpredictability of actions taken by the Organization of the Petroleum Exporting Countries (OPEC).

Figure 61 | Crude Oil Price, West Texas Intermediate, $/Barrel, January 2000-December 2022 (Forecast to December 2024)

Source: U.S. Energy Administration and Unison Consulting, Inc.

[60] Based on data from the U.S. Energy Administration and U.S. Bureau of Transportation Statistics and calculations by Unison Consulting, Inc.

Figure 62 | Aviation Fuel, Price per Gallon, Monthly, 2000-2022

Source: U.S. Bureau of Transportation Statistics and Unison Consulting, Inc.

3.10.5 | Airline Market Concentration

Airline market concentration raises concerns if it could lead to the abuse of market power or excessive increases in prices. Monopoly market power is less of a concern at FAT given the relatively even distribution of market shares among airlines. American Airlines, the largest carrier in terms of market share, made up close to 25 percent of the Airport's total enplanements in FY2022, declining from a high of 33 percent in FY2019. Part of this decline was contributed by Southwest's entry in May 2021, whose market share increased from 4 percent in FY2021 to 14 percent in FY2022. No other airlines had more than 17 percent market share in FY2022.

3.10.6 | Airline Economics, Competition, and Airfares

Airfares have an important effect on passenger demand, particularly for relatively short trips where the automobile (or occasional bus or train) is a viable alternative. Fare levels are also particularly impactful for price-sensitive "discretionary" travel, such as vacation travel. Airfares are influenced by airline operating costs and debt burden, passenger demand, capacity and yield management, market presence, and competition.

The aviation activity forecasts for the Airport assume that, over the long term, annual increases in airfares will not exceed annual inflation. If they do, the increases in airfares would dampen forecast traffic growth.

3.10.7 | Airline Mergers

Over the long run, the airline industry has been consolidating in response to competition, cost, and regulatory pressure. Airline mergers affect service and traffic at airports when they consolidate facilities, optimize route networks, and route connecting traffic through other hubs. The impact on affected airports usually happens within a few years—sometimes immediately—following a merger. The impact can be significant or trivial, depending upon whether the merging airlines have a large market share at an airport and whether they carry significant connecting traffic through the airport.

3.10.8 | Structural Changes in Demand and Supply

Historically, major crises have prompted lasting structural changes on the aviation industry's demand and supply sides. For example, the 2001 terrorist attacks prompted more stringent airport security measures requiring passengers to arrive at the airport much earlier for departing flights. This reduced some of the time advantages of air travel over ground transportation for short-haul flights. While the effects of the COVID-19 pandemic on the aviation industry are still unfolding, some currently observed changes could be structural and permanent.

On the demand side, COVID-19 could usher in a "new normal" in consumer behavior, social interactions, and ways of conducting business that would permanently alter travel propensities and preferences. Public health and safety concerns may influence customers to consider ground transportation for longer distances previously traveled by air. For vacation travel, consumers are adapting to the COVID-19 environment by favoring destinations accessible by ground transportation. The accelerated adoption of technology for virtual meetings and conferences could result in a permanent downshift in business travel demand. These shifts in air travel demand can potentially delay the revitalization of the industry to pre-COVID traffic and growth levels.

On the supply side, U.S. airlines have taken steps to become smaller—accelerating the retirement of old aircraft, deferring new aircraft orders, and cutting workforces during the worst period of the COVID-19 pandemic. However, the streamlined fleet and workforce have constrained U.S. airlines in restoring adequate capacity to accommodate the strong rebound in air travel demand. Moreover, it could take years for U.S. airlines to resolve these capacity constraints amid supply chain problems in aircraft manufacturing, a pilot shortage, and an overall shortage in labor supply.

One favorable trend is the accelerated adoption of no-touch technologies by airlines, airports, and the TSA. These new technologies will help allay public health and safety concerns and speed up passenger processing. By saving passengers time and reducing uncertainty, these technologies could help restore the competitiveness of air travel against ground transportation and help stimulate traffic recovery and growth.

3.10.9 | Labor Supply Constraints

The COVID-19 pandemic and resulting recession led to employee layoffs across many airlines, and companies went into 2021 with a significantly smaller workforce than they had before the pandemic. In addition, the demand for leisure travel accelerated beginning in the first half of 2021, requiring airlines to adjust their workforce to meet demand. As a result, insufficient numbers of qualified employees could limit the airlines' ability to provide an adequate supply of flights and seats and, by extension, slow overall air traffic growth. Competition between companies to attract and retain skilled personnel has intensified and threatens to further impact industry growth.

Pilot shortages are a major concern for U.S. airlines. Several factors contribute to the shortage of pilots. First, approximately 5,000 experienced pilots accepted early retirement in response airlines' desire to cut staff during the pandemic. Second, many pilots historically gained their training via military service. However, the use of drones and reductions in military staff has limited that pathway. Third, the aviation industry is heavily gender-biased (women comprise only about 5 percent of the global pilot workforce). This failure to diversify severely reduces the size of the pilot labor force. Fourth, the working conditions and initial pay for new pilots are discouraging. The substantial investments in time, money and experience required to become a pilot can be a disincentive to joining the industry.

3.10.10 | Geopolitical Conflicts and the Threat of Terrorism

Geopolitical conflicts and acts of terrorism disrupt air transportation. The terrorist attacks of September 11, 2001, serve as a constant reminder of the serious threat that such acts have on the aviation industry. Travel threats and warnings elevate airport security measures, resulting in more meticulous passenger screening, longer waits at security screening lines, and increased passenger anxiety—all discouraging air travel.

The Russian invasion of Ukraine is the latest example of a geopolitical conflict affecting air transportation. The United States, Canada, and the European Union have closed their airspace to Russian aircraft, and in retaliation, Russia has limited the use of their airspace to the airlines of many countries. These constraints have significantly impacted flight routes and flight times for global travel.

SECTION 4 | FINANCIAL ANALYSIS

This section reviews the financial framework of the Department, including key provisions of the Indenture and the AULA, examines historical financial performance, analyzes the Department's ability to generate sufficient Revenues to meet the Rate Covenant in each year of the forecast period through FY2028, and discusses the information and assumptions under the financial forecasts, which include Revenues, Operating Expenses, Adjusted Debt Service, fund deposits, and other related metrics.

4.1 | Financial Framework

The Indenture and the AULA are two key documents governing the financial operations of the Department. Among other provisions, the Indenture governs the application of Revenues, provides an annual test that the Department must meet, and includes certain conditions before the Department can issue additional bonds. The AULA provides the methodology to calculate airline rates and charges, which is an important source of Revenues to meet the requirements in the Indenture.

4.1.1 | The Indenture

The proposed Series 2023 Bonds are limited obligations of the City secured by the Trust Estate, which includes Revenues and the balance of certain funds under the Indenture. Following are definitions of key terms established in the Indenture:

- Bond or Bonds are defined as senior lien obligations issued under the Indenture.
- Revenues are defined as all charges received for, and all other income and receipts derived by, the City from the ownership, operation and use of the City Airports, including certain interest incomes and Customer Facility Charge (CFC) revenues, and excluding PFC revenues and other sources, unless and until deposited in the Revenue Fund.
- Operating Expenses are defined as the reasonable and necessary costs of operating, maintaining and administering the City Airports, but exclude depreciation, debt service and other items as detailed in the Indenture.
- Net Revenues are defined as the Revenues less Operating Expenses.
- Adjusted Debt Service is defined as Debt Service, which includes principal and interest accruing during such period, less PFC revenues deposited to the PFC Debt Service Escrow Fund and capitalized interests, among other deductions.

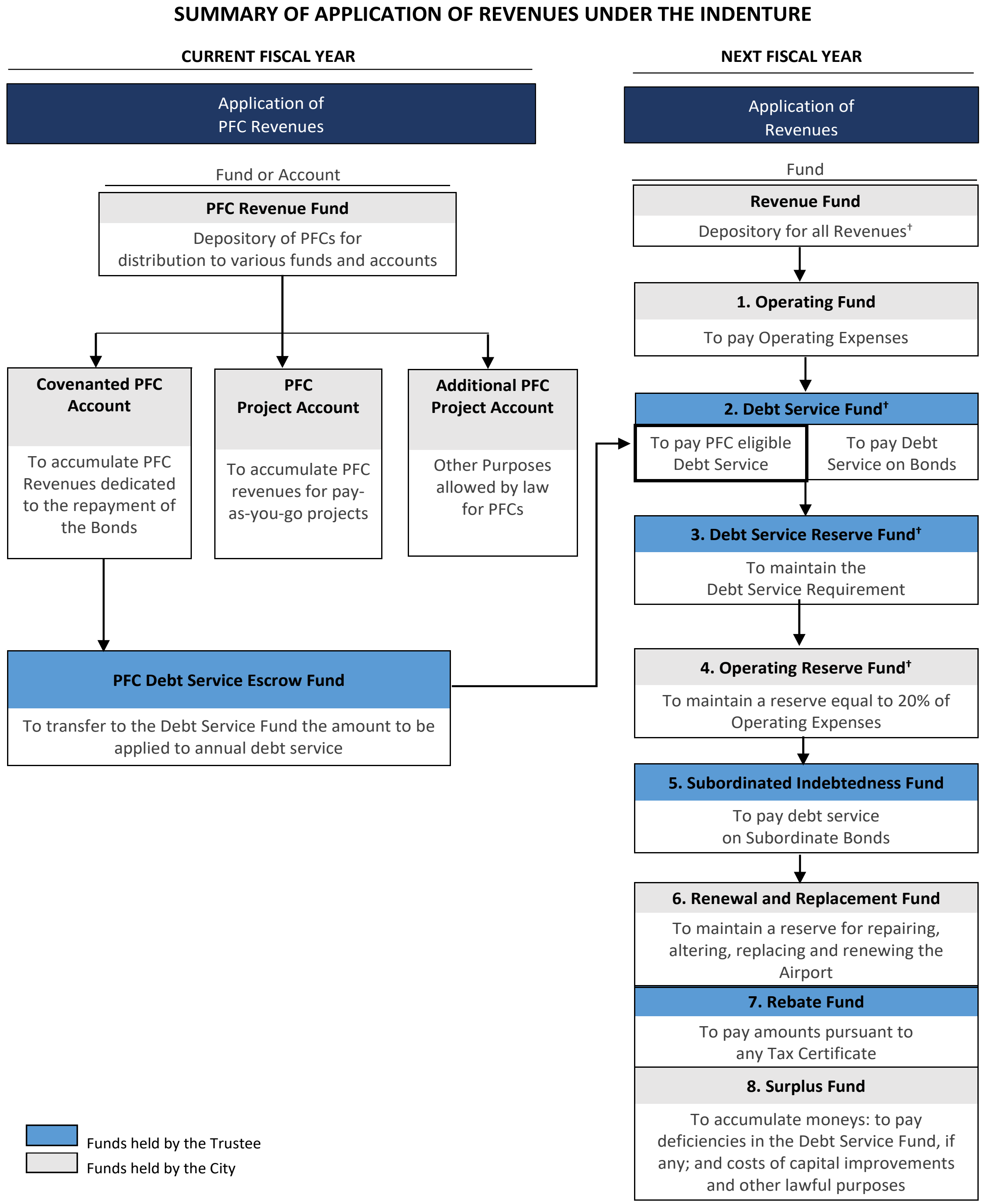
Application of Revenues

Section 6.5 of the Indenture provides the application of Revenues, also known as the flow of funds. The City shall withdraw from the Revenue Fund monthly and deposit in the following Funds and Accounting in the following order, as depicted in Figure 63.

1. To the Operating Fund to meet the required Operating Expenses

2. To the Debt Service Fund of the Bonds for debt service and other senior lien obligations
3. To the Debt Service Reserve Fund of the Bonds
4. To the Operating Reserve Fund to meet the Operating Reserve Requirement, defined as twenty percent of the annual budget for Operating Expenses
5. To meet the requirements of subordinate obligations, if any
6. To the Renewal and Replacement Fund to meet the Renewal and Replacement Fund Requirements, defined as $500,000 or any other amount established by resolution of the City
7. To the Rebate Fund pursuant to any Tax Certificate
8. To the Surplus Fund for any lawful purposes.

Figure 63 | Application of Revenues



† Revenues include CFC Revenues, which are exclusively pledged to the payment of Series 2007 Bonds Debt Service, and are not available to secure other Bonds.

Source: The Indenture; chart created by Unison Consulting, Inc. for summary and illustrative purposes only and is qualified in all respects by the terms of the Indenture, a summary of which is attached as Appendix D.

Rate Covenant

Section 8.11 provides that the City shall establish, fix, revise, prescribe and collect rentals, fees and charges to provide Revenues at least sufficient in each Fiscal Year for the payment of all of the following:

- Operating Expenses
- Adjusted Debt Service (Debt Service net of adjustments, such as capitalized interest and certain PFC revenues, as further discussed below)
- The amount, if any, for each Debt Service Reserve Fund
- The amount, if any, for Operating Reserve Account [Fund]
- The amount, if any, for the Subordinated Indebtedness Fund
- The amount, if any, for the Renewal and Replacement fund
- All other charges of amounts payable from Revenues

In addition, Section 8.11 provides that Net Revenues, together with Other Available Funds, shall equal to at least 125 percent of Adjusted Debt Service. Other Available Funds are defined as the amount of unencumbered funds in the Surplus Fund of the prior Fiscal Year designated by the City and transferred to the Revenue Fund, limited to twenty-five percent of Debt Service, which is prior to the deduction of any deposits from the PFC Debt Service Escrow Fund.

Additional Bond Test

The proposed Series 2023 Bonds are Additional Bonds to be issued under the Indenture. Section 2.2 of the Indenture provides the conditions before the City can issue any Additional Bonds. The City anticipates that it will meet such conditions using the test under Section 2.2(g) and demonstrate that the Net Revenues for FY2022, together with Other Available Funds, will be higher than one hundred twenty-five (125) percent of Maximum Annual Adjusted Debt Service, taking into consideration the proposed Series 2023 Bonds. Based on the City's FY2022 financial results and the estimated Maximum Annual Adjusted Debt Service including the effect of the proposed Series 2023 Bonds, it is estimated that FY2022 Net Revenues, together with Other Available Funds, will exceed 175 percent, which is higher than the 125 percent minimum requirement,

4.1.2 | The AULAs

All passenger carriers providing schedule services at the Airport have executed separate but substantially similar AULAs with the earliest expiration date of June 30, 2027 and two extension option of five years each. Such airlines include AeroMexico, Alaska Airlines, Allegiant Air, American Airlines, Delta Air Lines, Skywest Airlines, United Airlines, and Volaris (collectively, the "Signatory Airlines"). The Airline Agreements provide a hybrid compensatory ratemaking methodology, including a residual landing fee that is calculated to fully recover all allocable net costs, and a compensatory terminal rental rate that is calculated to recover a portion of allocable costs related to the airline used terminal space.

The airfield area net requirements include the allocable debt service net of PFC revenues, rolling debt service coverage, amortization charges, operating expenses and required deposits to the Operating Reserve Fund, minus certain airfield area credit and adjusted for prior year's true-up results. The landing fee rate is calculated as the airfield area net requirement divided by the landed weight of passenger and cargo carriers. The terminal rental rate is calculated as the similar cost requirements allocable to the terminal building cost center, divided by usable space. The fee rate for the Federal Inspection Service (FIS) is calculated as the similar cost requirements allocable to the FIS, divided by FIS users, but is limited to no more than $12 per FIS user before DBO of the terminal/FIS expansion project and no more than $15 thereafter.

The City provides a credit to the Signatory Airlines annually, which is calculated as the net remaining revenues of the prior Fiscal Year less a capital allowance of $4.0 million, with 50 percent of the remaining amount allocable to the Signatory Airlines. The Signatory Airlines' share is subject to a cumulative cap of $7.5 million during the term of the AULAs. The annual signatory credit is distributed 25 percent, 65 percent, and 10 percent based on landed weight, enplaned passengers, and FIS users respectively, and is limited to $2.0 million annually. The unused signatory credit is available for the remaining term of the AULAs.

The City may adjust the landing fee rate and terminal rental rate if the City expects the costs to vary by more than 10 percent. During any Fiscal Year, if the City anticipates that the minimum annual debt service coverage of 125 percent may not be met, the City will adjust airline rates as necessary, including using rentable space instead of usable space for the calculation of terminal rental rate, and modify airfield area credit, among other actions.

FedEx and UPS have executed a separate operating agreement with the earliest expiration date of June 30, 2026, and pay the same landing fee rate as Signatory Airlines but do not receive a share of signatory credit.

4.1.3 | Other Agreements

In addition to the Indenture and the AULAs, the City has also executed other agreements on behalf of the Department related to revenue generation, such as rental car agreements, terminal concession agreements, and other management and concession agreements, which expire from time to time. The Department expects to renew those agreements upon expiration with substantially similar terms, unless otherwise discussed in this Report.

4.2 | Prior Financial Management Related to COVID-19

The enplaned passenger count at the Airport declined in April 2020 to 7 percent of the April 2019 level, but it recovered above the 2019 level beginning May 2021. The City and the Department developed a financial strategy that includes the use of federal COVID-19 relief grant funds, reductions to Operating Expenses, temporary tenant rent relief, deferral of capital projects, a hiring freeze, and the prepayment of FY2021 Debt Service.

In FY2022, the enplaned passenger count was 1.1 million, or 19.1 percent above the FY2019 level. The Department had a balance of $42.2 million in the Surplus Fund as of June 30, 2022, or 584 days cash on hand using the FY2023 Operating Expenses of $26.4 million. Debt service coverage increased to 4.29x due to higher operating revenues and inclusion of $8.0 million of federal COVID-19 relief grants. For the remaining grants, the Department plans to include $5.2 million as Revenues in FY2023 and $6.3 million in FY2024.

4.3 | Debt Service

The Department has four series of fixed-rate Bonds outstanding as of November 2022 that are secured by Revenues:

1. Series 2007 Bonds are taxable bonds issued to fund certain rental car related projects, and the related debt service is payable from CFC revenues. The outstanding principal amount is $19.5 million with an expiration date of July 1, 2037. The debt service on the Series 2007 Bonds is additional payable from CFC Revenues, and the related CFC Revenues are included as Revenues

2. Series 2013A and Series 2013B Bonds are tax-exempt bonds with the outstanding principal amount of $20.1 million and an expiration date of July 1, 2030. A portion of the debt service on the Series 2013 Bonds is additionally payable from PFC Revenues, and the related PFC Revenues are recognized as a reduction to Adjusted Debt Service

3. Series 2019 Bonds are tax-exempt private placement bonds sold to the California Infrastructure and Economic Development Bank (the Bank) to fund the parking garage completed in 2021. The outstanding principal amount is $32.7 million with an expiration date of July 1, 2048

Raymond James Associates, Inc. has provided the estimated debt service for the proposed Series 2023 Bonds at $6.1 million annually, assuming 5.25 percent all-in true-interest-cost, a 30-year term, and a level debt service structure. The assumed rate is 50 basis points higher than the prevailing market rate on March 23, 2023.

Debt service payable from Revenues and PFC Revenues is expected to increase from $6.5 million in FY2023 to $12.7 to $12.9 million in FY2026-2030, and to decline below $11 million starting FY2031.

The Department does not have other senior or subordinated indebtedness as of the date of this report. The City plans to refund the Series 2013 Bonds as a part of this bond issuance. It was assumed that the refunding would occur for the purpose of this Report, but no refunding savings were reflected due to market uncertainties.

4.3.1 | PFC Revenues

The Department plans to apply approximately $1.6 million annually for the PFC-eligible debt service of the Series 2013 Bonds and the related refunding bonds. In addition, the Department plans to use PFC revenues to fund approximately 62 percent of the debt service on the “new money” portion of the Series 2023 Bonds, based on the PFC #5 approval and anticipated FAA approval of a future PFC application #6.

In addition to using PFC revenues for debt service, the Department has also planned the following pay-as-you-go expenditures of PFC revenues:

- $5.4 million in the PFC application #5 submitted approved on March 31, 2023 for $3.7 million of the design costs of the Terminal/FIS Expansion Project and other projects;
- $1.4 million additional costs for the Terminal/FIS Expansion Project, together with the $5.4 million, for a total of $6.8 million;
- $4.6 million for previously expired PFC collection authority, and
- $4.5 million for the future runway projects, and the costs for other PFC projects.

Table 29 presents the forecast collection and use of PFC revenues. From FY2018 to FY2021, 94.8 percent of enplaned passengers were subject to PFC collections, and 95.0 percent is assumed for FY2024 and beyond. The Department plans to prioritize the use of PFC revenues for debt service and, if necessary, defer the reimbursement of PFC-eligible expenditures until the DBO date of the Terminal/FIS Expansion Project. Therefore, only $6.8 million of pay-as-you-go amount is shown below.

Table 29 | PFC Revenues

	Actual	Forecast					
PFC Revenues (1,000s)	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**
PFC Collections							
Enplaned Passengers	1,105	1,106	1,147	1,208	1,260	1,308	1,357
PFC Eligibility [1]	104.7%	7.9%	95.0%	95.0%	95.0%	95.0%	95.0%
PFC Eligible Enplaned Passengers	965	88	1,090	1,147	1,197	1,242	1,289
Net PFC Level	$ 4.39	$ 4.39	$ 4.39	$ 4.39	$ 4.39	$ 4.39	$ 4.39
PFC Collection	$ 4,234	$ 384	$ 4,784	$ 5,037	$ 5,253	$ 5,454	$ 5,658
PFC Cashflow							
PFC Fund - Beginning Balance		$ 9,087	$ 8,099	$ 3,910	$ 7,445	$ 8,919	$ 9,226
Deposits:							
PFC Collections		$ 384	$ 4,784	$ 5,037	$ 5,253	$ 5,454	$ 5,658
Interest Earnings		227	202	98	186	223	231
Total Annual PFC Revenues		$ 612	$ 4,987	$ 5,135	$ 5,439	$ 5,677	$ 5,889
Annual Use of PFC Revenues							
Debt Service [2]		$ (1,600)	$ (1,600)	$ (1,600)	$ (3,965)	$ (5,370)	$ (5,369)
Paygo and Reimbursements [3]		-	(7,575)	-	-	-	-
Total Annual Use of PFC Revenues		$ (1,600)	$ (9,175)	$ (1,600)	$ (3,965)	$ (5,370)	$ (5,369)
PFC Fund - Ending Balance		$ 8,099	$ 3,910	$ 7,445	$ 8,919	$ 9,226	$ 9,745

[1] The high ratio in FY2022 is due to timing issues and the lower ratio in FY2023 is due to delay in collection approval.
[2] Assumes that 62 percent of the debt service on the "new money" portion of the Series 2023 Bonds will be funded with PFC revenues.

[3] Assumes that other PFC paygo expenses will be paid from the Surplus Fund when needed, and reimbursed in FY2026 or later, subject to PFC fund availability.
Sources: The Department records and Unison Consulting, Inc.

4.3.2 | Adjusted Debt Service

Table 30 presents the Adjusted Debt service through FY2028, which reflects the debt service on the Series 2007 Bonds payable from CFC Revenues, among other items. A portion of the CFC revenues are included as Revenues, instead of shown as a reduction to the Series 2007 Bonds debt service. The Department expects to use PFC Revenues to pay a portion of the debt service on the Series 2013 Bonds and the proposed Series 2023 Bonds, which will be excluded from the calculation of Net Debt Service.

Table 30 | Adjusted Debt Service

	Actual	Forecast					
Debt Service (1,000s)	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**
Debt Service Net of Capitalized Interests							
Series 2007 Bonds	$ 1,664	$ 1,705	$ 1,746	$ 1,789	$ 1,831	$ 1,879	$ 1,926
Series 2013A Bonds / Refunding Bonds [1]	975	973	971	973	973	974	974
Series 2013B Bonds / Refunding Bonds [1]	1,830	1,829	1,830	1,827	1,824	1,830	1,833
Series 2019 Bonds	1,959	1,957	1,954	1,952	1,949	1,946	1,943
Subtotal	$ 6,427	$ 6,463	$ 6,501	$ 6,540	$ 6,577	$ 6,629	$ 6,677
Proposed Series 2023 Bonds	-	-	-	-	3,826	6,099	6,098
Subtotal	$ 6,427	$ 6,463	$ 6,501	$ 6,540	$ 10,403	$ 12,729	$ 12,774
Less:							
PFC Contribution	(1,600)	(1,600)	(1,600)	(1,600)	(3,965)	(5,370)	(5,369)
Adjusted Debt Service	$ 4,827	$ 4,863	$ 4,901	$ 4,940	$ 6,438	$ 7,358	$ 7,405

[1] The City plans to refund the Series 2013 Bonds when issuing the Series 2023 Bonds. No refunding savings are assumed for the purpose of this Report.
Sources: Proposed Series 2023 Bonds - Raymond James Associates, Inc.; Other Sources - the Department records.

4.4 | Operating Expenses

Operating Expenses are defined as the reasonable and necessary costs of operating, maintaining and administering the City Airports but exclude depreciation, debt service and other items as detailed in the Indenture. Operating Expenses have increased from $17.3 million in FY2018 to $22.4 million in FY2022 at an average annual growth rate of 6.6 percent, as presented on Table 31. Personnel expenses contributed the highest amount, or $2.8 million, of the changes from FY2018 to FY2022, followed by the increase of $1.8 million in administration expenses and $0.3 million in all other expenses.

Table 31 | Historical Operating Expenses

	Average Annual Growth Rates	2018	2019	2020	2021	2022
Operating Expenses (1,000s)						
Personnel Services	7.7%	$ 8,176	$ 8,526	$ 9,196	$ 10,287	$ 11,008
Maintenance	-2.6%	734	628	634	618	661
Utilities (a)	4.3%	1,801	1,668	1,854	1,757	2,133
Rentals and Supplies	4.1%	913	1,098	1,034	983	1,073
Administration	7.2%	5,731	6,782	7,082	6,982	7,563
Operating Expenses	6.6%	$ 17,355	$ 18,701	$ 19,800	$ 20,626	$ 22,438
% Change			7.8%	5.9%	4.2%	8.8%

Source: The Department records.

The forecasts of Operating Expenses reflect the Department's plan to operate and maintain existing assets as well as manage the planned new facilities, as presented on Table 32. The Department estimates that Operating Expenses will increase by 17.5 percent in FY2023, reflecting the filling of vacant positions during the year, personnel cost-of-living adjustments, higher utility expenses, and higher administration expenses. The Department expects the FY2024 Operating Expenses to be $29.2 million, including full-year personnel expenses for the positions filled mid-FY2023 and higher utility expenses, among other increases.

Table 32 | Forecast Operating Expenses

	Average Annual	Actual	Forecast					
	Growth Rates	2022	2023	2024	2025	2026	2027	2028
Operating Expenses								
Personnel Services	8.0%	$ 11,008	$ 12,589	$ 14,398	$ 15,118	$ 15,874	$ 16,668	$ 17,501
Maintenance	8.1%	661	770	865	909	954	1,002	1,052
Utilities	7.7%	2,133	2,437	2,742	2,879	3,023	3,175	3,333
Rentals and Supplies	6.1%	1,073	1,387	1,262	1,325	1,392	1,461	1,534
Administration	8.0%	7,563	9,189	9,887	10,382	10,901	11,446	12,018
Base Expenses	7.9%	$ 22,438	$ 26,371	$ 29,156	$ 30,613	$ 32,144	$ 33,751	$ 35,439
Incremental Expenses	n.a.	-	-	-	-	1,041	2,187	2,296
Operating Expenses	9.1%	$ 22,438	$ 26,371	$ 29,156	$ 30,613	$ 33,185	$ 35,938	$ 37,735
% Change			17.5%	10.6%	5.0%	8.4%	8.3%	5.0%

Sources: The Department records and Unison Consulting, Inc.

4.4.1 | Personnel Services

Personnel services accounted for 49.1 percent of total Operating Expenses in FY2022. Personnel services include salaries and wages, pension and other fringe benefits, overtime, and other personnel related expenses. Salaries for regular employees accounted for approximately two-thirds of personnel services, with health benefits and pension accounting for approximately 13.0 percent.

The Department expects personnel services to increase from $11.0 million in FY2022 to $12.6 million in FY2023, or 14.4 percent, reflecting the costs to fill position vacancies and to increase the level of compensation per employee and related benefits, and to further increase to $14.4 million in FY2024. Personnel service expenses are forecast to increase 5 percent annually after FY2024.

4.4.2 | Maintenance

Maintenance expenses accounted for 2.9 percent of total Operating Expenses in FY2022. Maintenance expenses are related to landscaping and grounds, building, equipment, vehicle, and other maintenance services. The Department expects maintenance services to increase to $0.8 million in FY2023, $0.9 million in FY 2024, and to increase 5 percent annually after FY2023.

4.4.3 | Utilities

Utility accounted for 9.5 percent of total Operating Expenses in FY2022. Utility expenses include costs for electricity, gas, water and sewer, and other utility expenses. The Department expects utility expenses to be $2.4 million in FY2023, $2.7 million in FY 2024, and to increase 5 percent annually after FY2024.

4.4.4 | Rentals and Supplies

Rentals and supplies accounted for 4.8 percent of total Operating Expenses in FY2022. Rentals and supplies include space and equipment rentals, materials and parts for building maintenance, cleaning and janitorial supplies, and other miscellaneous expenses. The Department expects rentals and supplies to increase to $1.4 million in FY2023 due to higher rental expenses and equipment replacement costs and $1.3 million in FY2024. Rentals and supplies are forecast to increase 5 percent annually after FY2024.

4.4.5 | Administration

Administration expenses accounted for 33.7 percent of total Operating Expenses in FY2022, including (a) professional services such as services from U.S. Custom and Border Patrol, IT services, and parking management contract expenses ($3.1 million), (b) reimbursements to California Air National Guard (CANG) for providing aircraft rescue and firefighting (ARFF) services ($1.5 million), (c) prorated expense reimbursements to the City for providing certain services to the Department ($1.4 million), such as information and technology services, accounting services, and public relation and information services, and (d) other miscellaneous administration expenses. The Department expects administration expenses to increase to $9.2 million in FY2023, or 21.5 percent higher than FY2022 actual results, and $9.9 million in FY 2024. Administration services are forecast to increase 5 percent annually after FY2024.

4.4.6 | Incremental Expenses

The Department expects to incur additional expenses upon the DBO date of the Terminal/FIS Expansion Project for the operating and maintenance costs of the additional terminal space. The incremental expenses are assumed to be $2.1 million annually starting FY2026.

4.4.7 | Allocation of Operating Expenses

The Department allocates Operating Expenses to a set of cost centers, including airline cost centers to calculate airline rates and charges (Airfield Area, Terminal Building, and FIS Facility) and other nonairline cost centers (parking, rental car, FBO, cargo, non-aviation and FCH). Direct expenses are recorded to each cost center based on locations incurred, and indirect expenses are allocated based on management estimates.

4.5 | Fund Deposits

The Rate Covenant includes the deposit requirements of several funds and accounts, which includes, among other funds:

1. Operating Reserve Fund. The Operating Reserve Requirement equals to twenty percent of the Annual Budget for Operating Expenses, or $5.7 million for FY2023. The Department keeps the Operating Reserve Fund within the Surplus Fund. The Surplus Fund had a cash balance exceeding $42.2 million as of June 30, 2022.

2. Renewal and Replacement Fund. The Renewal and Replacement Fund Requirement equals $500,000 or any other amount established by the City, and was $500,000 as of June 30, 2022. The Department keeps the Renewal and Replacement Fund within a capital fund, which also includes funds for all other internal cash funded projects, and includes an allowance of $500,000 in the annual capital budget for potential spending from the Renewal and Replacement Fund.

4.6 | Revenues

Revenues are defined as all charges received for and all other income and receipts derived by the City from the City Airports, including certain interest incomes and Customer Facility Charge (CFC) revenues, and excluding PFC revenues and other sources, unless and until deposited in the Revenue Fund. As summarized on Table 33. Revenues include the following components:

- Airline revenues at the Airport, including:
    - Passenger airline landing fee revenues that are collected on landed weight
    - Terminal rents that are collected on airline rented space
    - Security fees that are collected on enplaned passengers
    - Federal inspection service fees that are collected on FIS users, and
    - Landing fee of cargo and other airfield users
- Nonairline revenues, including revenues from parking, rental car, airfield and landside space rentals, other miscellaneous fees at the Airport, and FCH revenues
- CFC revenues, limited to the annual debt service on the Series 2007 Bonds
- Federal COVID-19 operating grants that are used to reimburse a portion of Operating Expenses

Table 33 | Historical Revenues

	Average Annual Growth Rates	2018	2019	2020	2021	2022
Revenues (1,000s)						
Passenger Airline Revenues	10.3%	$ 6,395	$ 8,161	$ 7,198	$ 6,724	$ 9,465
Other Airline Revenues	10.3%	451	363	429	645	668
Total Airline Revenues	10.3%	$ 6,846	$ 8,524	$ 7,627	$ 7,369	$ 10,134
Nonairline Revenues	8.9%	16,229	16,278	17,397	15,322	22,842
Operating Revenues	9.3%	$ 23,075	$ 24,802	$ 25,024	$ 22,691	$ 32,975
CFC Revenues	2.5%	1,509	1,544	1,581	1,376	1,664
Interest Earnings	17.8%	55	89	107	44	107
Federal COVID-19 Relief Grants	n.a.	-	-	-	7,786	8,006
Revenues	14.8%	$ 24,640	$ 26,435	$ 26,711	$ 31,898	$ 42,752

Source: classified using internal records of the Department and may not match numbers in the annual disclosure documents.

Forecasts of revenues include airline revenues that are calculated using the rate methodologies in the AULAs and nonairline revenues that are driven by changes in enplaned passenger count, inflation, and facility improvements, among other factors. Table 34 presents a summary of forecast Revenues through FY2028.

Table 34 | Summary of Forecast Revenues

	Average Annual Growth Rates	Actual 2022	Forecast 2023	2024	2025	2026	2027	2028
Revenues (1,000s)								
Passenger Airline Revenues	13.2%	$ 9,465	$ 10,076	$ 11,338	$ 13,937	$ 16,945	$ 19,530	$ 19,930
Other Airline Revenues	9.3%	668	600	783	1,051	1,088	1,124	1,142
Total Airline Revenues	13.0%	$ 10,134	$ 10,676	$ 12,120	$ 14,988	$ 18,033	$ 20,654	$ 21,072
Nonairline Revenues	4.8%	22,842	24,749	25,116	26,415	27,729	29,035	30,239
Operating Revenues	7.6%	$ 32,975	$ 35,424	$ 37,236	$ 41,402	$ 45,763	$ 49,689	$ 51,311
CFC Revenues	2.5%	1,664	1,705	1,746	1,789	1,831	1,879	1,926
Interest Earnings	n.a.	107	73	200	200	200	200	200
Federal COVID-19 Relief Grants	n.a	8,006	5,218	6,299	-	-	-	-
Revenues	3.8%	$ 42,752	$ 42,420	$ 45,481	$ 43,391	$ 47,794	$ 51,769	$ 53,438

Sources: The Department records and Unison Consulting, Inc.

4.6.1 | Airline Revenues

Until June 30, 2022, the Department set airline rates and charges unilaterally after airline consultation. For Fiscal Years through FY2021, the Department adopted lower rates than the maximum rates that would otherwise be permissible under the FAA's rate policy. In June 2021, the City adopted an Airline Rate Setting Policy for Scheduled Air Carriers at Fresno Yosemite

International Airport (the Fresno Rate Policy), which increased the terminal rental rate per square foot from $52 in FY2021 to $68 in FY2022, among other changes.

The rate methodology in the Fresno Rate Policy was superseded in FY2023 by the methodology in the AULA. For the purposes of this Report, it was assumed that the City and the Signatory Airlines would execute the renewal options for FY2028 with a Signatory Credit of $2.0 million for FY2028, after the initial term expires in FY2027. If the AULAs are not renewed prior to FY2028, the City can set airline rates and charges pursuant to the Fresno Rate Policy, which would stop providing the Signatory Credit and produce higher rates, everything else being equal.

Airline revenues increased from $6.8 million in FY2018 to $10.1 million in FY2022, driven by higher costs and the changes in the airline rate methodology. Because airline revenues are calculated annually to recover a portion of allocable costs, future airline revenues are not directly correlated to the historical results.

Table 35 presents a summary of airline revenues during the forecast period, increasing from $10.1 million in FY2022 to $21.1 million in FY2028.

Table 35 | Forecast Airline Revenues

	Average Annual	Actual	Forecast					
	Growth Rates	2022	2023	2024	2025	2026	2027	2028
Airline Revenues (000s)								
Landing Fee Revenues	14.6%	$ 3,261	$ 3,296	$ 4,213	$ 6,156	$ 6,537	$ 7,079	$ 7,383
Terminal Rental Revenues	15.1%	3,514	3,964	3,927	4,414	6,334	8,221	8,159
Security Fees	3.5%	1,101	1,131	1,147	1,208	1,260	1,308	1,357
Federal Inspection Service Fees	11.4%	1,590	1,685	2,051	2,159	2,814	2,922	3,032
Passenger Airline Revenues	13.2%	$ 9,465	$ 10,076	$ 11,338	$ 13,937	$ 16,945	$ 19,530	$ 19,930
Other Landing Fee Revenues	9.3%	668	600	783	1,051	1,088	1,124	1,142
Total Airline Revenues	13.0%	$ 10,134	$ 10,676	$ 12,120	$ 14,988	$ 18,033	$ 20,654	$ 21,072

Sources: The Department records and Unison Consulting, Inc.

Landing Fee Revenues

The landing fee revenues are calculated to equal the total net costs allocable to the Airfield Area Cost Center, which include the allocable debt service net of PFC revenues, rolling debt service coverage, amortization charges, Operating Expenses and required deposits to the Operating Reserve Account, minus certain airfield area credit and adjusted for prior year's true-up results. So long as the Signatory Airlines are willing and able to pay the resulting landing fee rates, the landing fee revenues remain the same regardless of the landed weight at the Airport.

As presented on Table 36, the Airfield Area net requirement is forecast to increase from $4.8 million in FY2023 to $9.0 million in FY2028, net of the planned credits from the federal COVID-19 relief grants of $2.0 million in FY2023 and $1.9 million in FY2024. Operating Expenses allocable to the Airfield Area account for a majority of the requirements. Based on the forecast performance of the Department, up to $0.5 million of annual Signatory Credits are applied to reduce the landing fee rates. As discussed above, it was assumed that the City and the Signatory Airlines would exercise the renewal option for FY2028, with a $2.0 million total Signatory Credit in FY2028.

Table 36 | Calculation of Landing Fee Rates (in thousands except rates)

	Forecast					
	2023	2024	2025	2026	2027	2028
Airfield Area (1,000s)						
Existing Bonds Debt Service	$ 10	$ 10	$ 10	$ 10	$ 10	$ 10
Future Bonds Debt Service	-	-	-	-	-	-
Rolling Debt Service Coverage	-	(0)	(0)	(0)	0	0
Amortization Charges - Historical	-	-	-	-	-	-
Amortization Charges - Future	-	138	138	138	138	138
Subtotal Capital Costs	$ 10	$ 148	$ 148	$ 148	$ 148	$ 148
Operating Expenses	7,663	8,472	8,895	9,340	9,807	10,298
Operating Reserve Fund	282	162	85	89	93	98
Airfield Area Credit - Federal Relief	(2,016)	(1,885)	-	-	-	-
Airfield Area Credit - Other Credits	(1,314)	(1,373)	(1,407)	(1,442)	(1,478)	(1,515)
Annual True-up	165	-	-	-	-	-
Airfield Area Net Requirements	$ 4,789	$ 5,524	$ 7,721	$ 8,135	$ 8,570	$ 9,029
Landed Weight	1,400	1,455	1,515	1,575	1,627	1,682
Landing Fee Rate Before Credit	$ 3.42	$ 3.80	$ 5.10	$ 5.16	$ 5.27	$ 5.37
Signatory Credit from Previous Year	$ -	$ (500)	$ (500)	$ (500)	$ (375)	$ (500)
Signatory Landed Weight	1,198	1,241	1,306	1,363	1,415	1,468
Reduction in Rate	$ -	$ (0.40)	$ (0.38)	$ (0.37)	$ (0.27)	$ (0.34)
Signatory Landing Fee Rate	**$3.42**	**$3.39**	**$4.71**	**$4.80**	**$5.00**	**$5.03**

Source: Unison Consulting, Inc.

Terminal Rental Revenues

Terminal rental revenues are calculated to equal a portion of the net costs allocable to the Terminal Building Cost Center. Other than airline offices, airline spaces are used on a common use basis, including holdrooms, ticket counters, baggage makeup area, baggage claim area, passenger security screening, baggage screening and other common use space. The recovery ratio is the airline rented space as a percentage of total Usable Space, which is expected to increase from approximately 38 percent in FY2023 to 45 percent in FY2026 due to the planned expansion of the passenger security screening space and the baggage screening space, among other space changes. The costs of the common use space are allocated to each Signatory Airline based on a 80/20 formula after payments from other airlines: 20 percent based on the number of carriers, and 80 percent based on the enplaned passengers.

Table 37 presents the forecast Terminal Building requirements and rental rate for the forecast period. The City can include the amortization of internal cash funded assets in the calculation of airline rates and charges, such as the $10.5 million for the Terminal/FIS Expansion Project.

Table 37 | Calculation of Terminal Building Rental Rates (in thousands except rates)

	Forecast					
	2023	2024	2025	2026	2027	2028
Terminal Building (1,000s)						
Existing Bonds Debt Service	$ 765	$ 764	$ 764	$ 762	$ 767	$ 769
Future Bonds Debt Service	-	-	-	962	1,533	1,533
Rolling Debt Service Coverage	-	(0)	(0)	240	144	0
Amortization Charges - Historical	176	163	151	150	150	150
Amortization Charges - Future	-	78	78	382	686	686
Subtotal Capital Costs	$ 942	$ 1,005	$ 993	$ 2,496	$ 3,280	$ 3,138
Operating Expenses	12,996	14,368	15,086	16,535	18,091	18,995
Operating Reserve Fund	479	274	144	290	311	181
Terminal Building Credits - Federal Relief	(2,072)	(764)	-	-	-	-
Terminal Building Credits - Other Credits	(1,136)	(1,152)	(1,212)	(1,264)	(1,312)	(1,361)
Terminal Building Net Requirement	$ 11,209	$ 13,731	$ 15,011	$ 18,056	$ 20,370	$ 20,952
Usable Space	140.70	140.70	140.70	171.25	201.80	201.80
Terminal Building Rental Rate before Credit	$ 79.67	$ 97.59	$ 106.69	$ 105.44	$ 100.94	$ 103.83
Signatory Credit from Previous Year	$ -	$ (1,300)	$ (1,300)	$ (1,300)	$ (975)	$ (1,300)
Leased Premises	53.56	53.56	53.56	72.40	91.10	91.10
Reduction in Rates	$ -	$ (24.27)	$ (24.27)	$ (17.95)	$ (10.70)	$ (14.27)
Signatory Terminal Building Rental Rate	**$ 79.67**	**$ 73.32**	**$ 82.41**	**$ 87.48**	**$ 90.24**	**$ 89.56**
Leased Premises	53.56	53.56	53.56	72.40	91.10	91.10
Terminal Rental Revenues	$ 4,267	$ 3,927	$ 4,414	$ 6,334	$ 8,221	$ 8,159

Source: Unison Consulting, Inc.

The Terminal Building net requirement is forecast to increase from $11.2 million in FY2023 to $21.0 million in FY2028, net of the planned credits from the federal COVID-19 relief grants of $2.1 million in FY2023 and $0.8 million in FY2024. Operating Expenses allocable to the Terminal Building account for more than 80 percent of the requirements.

Security Fees

The Department has been collecting a security fee at $1.00 per enplaned passenger to recover a portion of safety and security costs, and continues including the fee in the AULAs. The collected security fee is a credit to the calculation of the Terminal Building requirements.

FIS Fees

The Department calculates a FIS Fee to recover the costs allocable to the FIS Facility, which is limited to a cap $12 per FIS User prior to the DBO date of the Terminal/FIS Expansion Project, and $15 after the DBO date. Based on the forecast requirements, the FIS Fee Rate will reach the cap during the forecast period starting FY2024.

Other Landing Fees

Cargo carriers pay the landing fee rate before adjustments for Signatory Credits, and non-signatory airlines pay a landing fee rate equaling to 125 percent of the cargo carrier landing fee rate. Those amounts totaled $0.7 million and are expected to increase to $1.1 million in FY2028.

4.6.2 | Nonairline Revenues

Nonairline revenues include revenues generated from tenants other than passenger and cargo airlines, such as revenues from other airfield users, terminal concession revenues, parking revenues, rental car revenues, nonairline rental revenues, ground transportation revenues, miscellaneous revenues and FCH revenues, each as discussed below. Nonairline revenues increased from $16.2 million in FY2018 to $22.8 million in FY2022, or at an average annual growth rate of 8.9 percent, primarily driven by the 7.9 percent increase in enplaned passengers and an increase in daily parking rates, among other factors. Table 38 presents a summary of historical nonairline revenues by category.

Table 38 | Historical Nonairline Revenues

	Average Annual Growth Rates	2018	2019	2020	2021	Revised 2022 [1]
Nonairline Revenues (1,000s)						
Other Airfield Revenues	-0.7%	$ 1,365	$ 1,311	$ 1,249	$ 1,323	$ 1,327
Terminal Concession Revenues	12.4%	1,031	1,124	1,122	1,025	1,648
Parking Revenues	15.0%	5,727	6,310	7,038	5,088	10,022
Rental Car Revenues	12.5%	3,063	3,198	2,824	2,795	4,909
Nonairline Rental Revenues	1.9%	4,012	3,473	4,017	4,098	4,332
Ground Transportation Revenues	n.a.	-	-	220	95	203
Miscellaneous Revenues	13.3%	626	507	527	493	1,033
FCH Revenues	-0.3%	405	355	399	406	400
Total Nonairline Revenues	10.1%	$ 16,229	$ 16,278	$ 17,397	$ 15,322	$ 23,874
% Change			0.3%	6.9%	-11.9%	55.8%
Enplaned Passengers (1,000s)		817	928	753	647	1,105
% Change			13.6%	-18.8%	-14.1%	70.9%

[1] The FY2022 amounts are revised to remove the federal COVID-19 concession relief grant.
Source: The Department records.

Forecasts of nonairline revenues, which are based on the Department's estimated FY 2023 financial results and the preliminary FY 2024 budget, are primarily driven by an assumed annual inflation rate of 2.5 percent and the changes in air traffic, if applicable. Table 39 presents a summary of forecasts of nonairline revenues.

Table 39 | Forecast Nonairline Revenues

	Average Annual	Revised	Forecast					
	Growth Rates	2022 [1]	2023	2024	2025	2026	2027	2028
Nonairline Revenues (1,000s)								
Other Airfield Revenues	2.2%	$ 1,327	$ 1,314	$ 1,373	$ 1,407	$ 1,442	$ 1,478	$ 1,515
Terminal Concession Revenues	7.7%	1,648	1,679	1,741	1,877	2,135	2,418	2,569
Parking Revenues	5.1%	10,022	11,318	11,412	12,014	12,530	13,009	13,496
Rental Car Revenues	4.4%	4,909	4,892	4,892	5,272	5,631	5,987	6,361
Nonairline Rental Revenues	1.7%	4,332	4,234	4,340	4,448	4,559	4,673	4,790
Ground Transportation Revenues	6.0%	203	269	254	264	272	280	288
Miscellaneous Revenues	-5.1%	1,033	575	682	700	717	735	753
FCH Revenues	2.6%	400	468	422	433	444	455	466
Total Nonairline Revenues	4.0%	$ 23,874	$ 24,749	$ 25,116	$ 26,415	$ 27,729	$ 29,035	$ 30,239
% Change			3.7%	1.5%	5.2%	5.0%	4.7%	4.1%
Enplaned Passengers (1,000s)	3.5%	1,105	1,106	1,147	1,208	1,260	1,308	1,357
% Change			0.1%	3.7%	5.3%	4.3%	3.8%	3.7%

[1] The FY2022 amounts are revised to remove the federal COVID-19 concession relief grant.
Source: The Department records.

Other Airfield Revenues

Other airfield revenues were $1.3 million in FY2022, or 4.0 percent of total operating revenues. Key components of other airfield revenues in FY2022 included military airport use fees ($704,000), federal airfield rental revenues ($295,000), FAA control tower utilities ($98,000), and general aviation fuel flowage fee. Other airfield revenues are forecast to increase 2.5 percent annually starting FY2024.

Terminal Concession Revenues

Terminal concession revenues were $0.9 million in FY2022, or $1.6 million before the application of Federal COVID-19 concession relief. Key components of terminal concession revenues in FY2022 before the relief credit included food and beverage revenues ($398,000), news and gifts revenues ($369,000), advertising revenues ($275,000), ground handling revenues ($349,000), and other concession and off-airport revenues. Anton Air Foods Inc. provides food and beverage concession operations at the Airport, and Hudson Group provides news and gifts concession operations. Both concession agreements are scheduled to expire in 2023. The Department published the request for proposals for both operations in September 2022 and began the evaluation process in 2023. Clear Channel/Interspace Airport Advertising provides advertising operations at the Airport. The Department also collects a concession fee for ground handling services, and from an off-airport gas station and an off-airport restaurant.

The forecasts of terminal concession revenues are driven by the assumed annual inflation rate of 2.5 percent and the passenger traffic growth. In addition, the Department expects higher concession revenues due to the recent rebid and higher concession revenues upon the DBO date of the Terminal/FIS Expansion Project. Therefore, it was assumed that the terminal concession revenues would increase by an additional 7 percent in FY2026 and 7 percent in FY2027.

Parking Revenues

Parking revenues were $10.0 Million in FY2022, or 30.4 percent of total operating revenues. Standard Parking Management, Inc. operates the parking lots at the Airport under a management agreement with the City. The maximum daily parking rate is $14.00 for the parking garage, the short-term lot, and the long-term lot, and is $8.00 for the remote economy lot. Approximately 6 percent of total parking revenues were generated from the economy lot in FY2022. The Department plans to increase the rates to $15.00 and $10.00 effective July 1, 2023.

Table 40 presents historical parking revenues and transactions. Parking revenues increased from $5.7 million in FY2018 and $6.3 million in FY2019 to $7.0 million in FY2020 despite an 18.8 percent decline in enplaned passengers in FY2020, primarily due to an increase in the maximum daily parking rate from $8.00 to $12.00. Average parking revenues per enplaned passenger increased from $7.01 in FY2018 and $6.80 in FY2019 to $9.35 in FY2020. The increase in average parking revenues per enplaned passenger of approximately 32 percent is lower than the increase in parking rates of 50 percent, which is likely due to the price sensitivity, competition from other modes of transportation, and traffic disruption due to the COVID-19 pandemic. Parking revenues declined to $5.1 million in FY2021, or $7.87 per enplaned passenger, but recovered to $10.0 million in FY2022, or $9.07 per enplaned passenger. The Department expects the parking revenues to increase to $11.3 million in FY2023 and has conservatively planned for $11.4 million in FY2024.

Table 40 | Historical Public Parking Statistics

	Average Annual Growth Rates	2018	2019	2020	2021	2022
Parking Statistics (1,000s except per e.p.)						
Maximum Daily Parking Rate	15.0%	$ 8.00	$ 8.00	$ 12.00	$ 12.00	$ 14.00
Parking Revenues per Transaction	16.9%	$ 14.01	$ 13.65	$ 18.25	$ 19.45	$ 26.17
Parking Transactions	-1.6%	409	462	386	262	383
Public Parking Revenues	15.0%	$ 5,727	$ 6,310	$ 7,038	$ 5,088	$ 10,022
Enplaned Passengers	7.9%	817	928	753	647	1,105
Parking Revenues per e.p.	6.6%	$ 7.01	$ 6.80	$ 9.35	$ 7.87	$ 9.07
Transactions per e.p.	-8.8%	50.1%	49.8%	51.2%	40.5%	34.7%

Source: The Department records.

The forecasts of parking revenues reflect the assumption that average parking revenues per enplaned passenger would be $9.95 starting FY2025, same as the results in FY2024. The Department may consider the second parking garage, as discussed in Section 1 of this Report, convert certain parking spaces into covered parking with solar panels, or evaluate alternative parking strategies including a higher parking rate for covered stalls, which have not been reflected in the forecasts of this Report.

Rental Car Revenues

Rental car revenues were $4.7 million in FY2022, or 14.1 percent of total operating revenues. Avis Budget Group, Inc., Enterprise Holdings, Inc., and Hertz Global Holdings, Inc. operate rental car concessions at the Airport, using the ticket counter adjacent to the central lobby, and rental car lots to the west of the terminal building. Rental car revenues in this category include the 10 percent concession privilege fees paid to the Department. The rental revenues for rental car facilities and service lots are included in nonairline rental revenues below.

Rental car revenues declined from $3.2 million in FY2019 to $2.8 million in FY2020 and FY2021, and increased to $4.7 million in FY2022, due to changes in passenger traffic activities and daily rental rates, among other factors. The Department has planned $4.9 million for FY2023 and FY2024. Rental car revenues per enplaned passenger increased from $3.75 in FY2018 to $4.22 in FY2022, and are expected to increase from $4.26 in FY2024 at the assumed annual inflation rate of 2.5 percent.

Non-terminal Rental Revenues

Nonairline rental revenues were $4.3 million in FY2022, or 13.1 percent of total operating revenues. The key components of the nonairline rental revenues include FBO rentals ($998,000), hangar rentals ($772,000), rental car facility and service lot rentals ($652,000), agriculture land rentals ($574,000), other land rentals ($419,000), and other miscellaneous rentals. Non-term rental revenues are forecast at the assumed annual inflation rate of 2.5 percent from FY2024.

Ground Transportation Revenues

Ground transportation revenues were $203,000 in FY2022, or 0.6 percent of total operating revenues. The Department began to collect a per-trip fee for transportation network companies (TNCs) starting FY2020 at $3.00 for each drop-off or pick-up at the Airport, which accounts for majority of the ground transportation revenues. Ground transportation revenues declined from $220,000 in FY2019 to $95,000 in FY2021, and recovered to $202,000 in FY2022. The forecasts of ground transportation revenues starting FY2024 are driven by the assumed annual inflation rate of 2.5 percent and the passenger traffic growth.

Miscellaneous Revenues

Miscellaneous revenues were $1.0 million in FY2022, or 3.1 percent of total operating revenues. Miscellaneous revenues include TSA reimbursements, utility reimbursements, rental car fuel facility maintenance, and other revenues, and are expected to be $0.6 million in FY2023 and $0.7 million in FY2024, and to increase at the assumed annual inflation rate of 2.5 percent.

FCH Revenues

FCH revenues were 400,000 in FY2022, or 1.2 percent of total operating revenues. FCH revenues include FBO rentals, hangar rentals, land rentals and other miscellaneous revenues, and are forecast to increase at the assumed annual inflation rate of 2.5 percent starting FY2024.

4.6.3 | Nonoperating Revenues

Nonoperating revenues include CFC revenues, interest earnings and federal COVID-19 relief grants included as Revenues.

CFC Revenues

The Department collects a CFC of $4.50 per CFC transaction day at the Airport, which generated $2.2 million in FY2022. CFC revenues are restricted for rental car related expenses and are not available for the payment of Operating Expenses or debt service other than the CFCs that have been used to pay debt service on the Series 2007 Bonds. Therefore, CFC revenues included as Revenues are limited to be no more than the debt service on the Series 2007 Bonds, or $1.7 million in FY2022. The final maturity of the Series 2007 Bonds is on July 1, 2037.

For the purpose of the Rate Covenant compliance, the Department includes a portion of CFC revenues as Other Available Funds, equaling 25 percent of the debt service on the Series 2007 Bonds.

Interest Earnings

Interest earnings included as Revenues are primarily derived from the Revenue Fund and totaled $0.1 million in FY2022. Interest earnings are expected to increase to $0.2 million annually starting FY2023.

Federal COVID-19 Relief Grants

The Department has received multiple federal operating grants related to the COVID-19 pandemic, and it used such grants for the reimbursement of operating expenses, debt service, and capital costs. The Department plans to use $5.2 million in FY2023 and $6.3 million FY2024 for the reimbursement of Operating Expenses and debt service, among other uses.

4.6.4 | Key Financial Indicators

This sub-section discusses the resulting key financial indicators including the application of revenues and the coverage test of the Rate Covenant, passenger airline payment per enplaned passenger, and changes of indicator under a sensitivity analysis.

Application of Revenues

Table 41 presents the application of Revenues, which is also the flow test of the Rate Covenant pursuant to Section 8.11 of the Indenture.

Table 41 | Application of Revenues

	Actual	Forecast					
	2022	2023	2024	2025	2026	2027	2028
Rate Covenant Compliance - Section 8.11-1 (1,000s)							
Revenues	$ 42,752	$ 42,420	$ 45,481	$ 43,391	$ 47,794	$ 51,769	$ 53,438
Less:							
Operating Expenses	(22,438)	(26,371)	(29,156)	(30,613)	(33,185)	(35,938)	(37,735)
Adjusted Debt Service	(4,827)	(4,863)	(4,901)	(4,940)	(6,438)	(7,358)	(7,405)
Deposit to Debt Service Reserve Fund	-	-	-	-	-	-	-
Deposit to Operating Reserve Fund	(362)	(972)	(557)	(292)	(514)	(551)	(359)
Deposit to Subordinated Indebtedness Fund	-	-	-	-	-	-	-
Deposit to Renewal and Replacement Fund	(500)	(500)	(500)	(500)	(500)	(500)	(500)
Other Charges	-	-	-	-	-	-	-
Remaining (Must Be No Less Than Zero)	$ 14,625	$ 9,714	$ 10,368	$ 7,046	$ 7,157	$ 7,422	$ 7,439

Sources: The Department records and Unison Consulting, Inc.

Rate Covenant

Table 42 presents the calculation of debt service coverage, which is the coverage test of the Rate Covenant. Other Available Funds included in the FY2028 coverage calculation equals approximately 6 percent of Adjusted Debt Service, and it could be increased to 25 percent if needed.

Table 42 | Debt Service Coverage

	Forecast					
	2023	2024	2025	2026	2027	2028
Debt Service Coverage - Section 8.11-2 (1,000s)						
Revenues	$ 42,420	$ 45,481	$ 43,391	$ 47,794	$ 51,769	$ 53,438
Less Operating Expenses	(26,371)	(29,156)	(30,613)	(33,185)	(35,938)	(37,735)
Net Revenues	$ 16,049	$ 16,326	$ 12,778	$ 14,609	$ 15,831	$ 15,703
Other Available Funds [1]	426	437	447	458	470	482
Total Available	$ 16,475	$ 16,762	$ 13,225	$ 15,066	$ 16,300	$ 16,184
Net Debt Service						
Series 2007 Bonds	$ 1,705	$ 1,746	$ 1,789	$ 1,831	$ 1,879	$ 1,926
Series 2013 Bonds	2,802	-	-	-	-	-
Series 2019 Bonds	1,957	1,954	1,952	1,949	1,946	1,943
Series 2023 Bonds [2]	-	2,800	2,800	6,623	8,903	8,904
Subtotal	$ 6,463	$ 6,501	$ 6,540	$ 10,403	$ 12,729	$ 12,774
PFC Contribution [3]	(1,600)	(1,600)	(1,600)	(3,965)	(5,370)	(5,369)
Adjusted Debt Service	$ 4,863	$ 4,901	$ 4,940	$ 6,438	$ 7,358	$ 7,405
Indenture Based Debt Service Coverage	**3.39**	**3.42**	**2.68**	**2.34**	**2.22**	**2.19**

[1] Other Available Funds equal 25% of debt service on the Series 2007 Bonds.
[2] Estimated by Raymond James and includes the debt service of the Series 2013 Bonds that are expected to be refunded with the Series 2023 Bonds.
[3] There is no assurance that the actual amounts will not vary from the amounts shown.
Sources: The Department records, Raymond James, and Unison Consulting, Inc.

Passenger Airline Payment per Enplaned Passenger

Table 43 presents the forecast passenger airline payment per enplaned passenger, commonly known as the CPEs. The average CPE is expected to increase from below $9 in FY2022 to $11.54 in FY2025, and to approximately $15 after DBO, primarily due to the recovery of higher Adjusted Debt Service and Operating Expenses allocable to the Terminal Building cost center.

Table 43 | Passenger Airline Payment per Enplaned Passenger (in thousands except CPE)

	Actual	Forecast					
	2022	2023	2024	2025	2026	2027	2028
Passenger Airline Payments (1,000s)							
Landing Fee Revenues	3,261	3,296	4,213	6,156	6,537	7,079	7,383
Terminal Rental Revenues	3,514	3,964	3,927	4,414	6,334	8,221	8,159
Security Fees	1,101	1,131	1,147	1,208	1,260	1,308	1,357
Federal Inspection Service Fees	1,590	1,685	2,051	2,159	2,814	2,922	3,032
Total	$ 9,465	$ 10,076	$ 11,338	$ 13,937	$ 16,945	$ 19,530	$ 19,930
Enplaned Passengers	1,105	1,106	1,147	1,208	1,260	1,308	1,357
Passenger Airline Payments per e.p.	$ 8.57	$ 9.11	$ 9.88	$ 11.54	$ 13.45	$ 14.93	$ 14.69

Sources: The Department records and Unison Consulting, Inc.

Sensitivity Analysis

A sensitivity analysis was prepared using hypothetical assumptions that enplaned passenger count would be 80 percent of that under the base case, and no Signatory Credit in FY2028. The projection of the key financial indicators under the sensitivity test, and for the comparative purposes, the base enplaned passenger forecast scenario, are summarized on Table 44. Debt Service coverage are projected to be 1.57x in FY2028, compared to 2.19x under the base case. The CPEs are projected to increase to $19.50, primarily due to the assumed decline in enplaned passengers. The metrics presented below have not reflected any potential actions to be taken by the Department during a hypothetical downturn. Among other actions, the Department may increase the rolling coverage amount to increase the FY2028 coverage from 1.57x to 1.76x.

Table 44 | Selected Financial Metrics – Sensitivity Scenario

	Actual	Projections					
	2022	2023	2024	2025	2026	2027	2028
Enplaned Passengers (000s)							
Base Case	1,105	1,106	1,147	1,208	1,260	1,308	1,357
Hypothetical Scenario	1,105	1,106	918	966	1,008	1,046	1,085
Total Revenues (000s)							
Base Case	$ 42,752	$ 42,420	$ 45,481	$ 43,391	$ 47,794	$ 51,769	$ 53,438
Hypothetical Scenario	42,752	42,420	41,270	38,924	44,434	48,395	50,188
Debt Service Coverage							
Base Case	4.29	3.39	3.42	2.68	2.34	2.22	2.19
Hypothetical Scenario	4.29	3.39	2.56	1.77	1.82	1.55	1.57
Passenger Airline Payment per e.p.							
Base Case	$ 8.57	$ 9.11	$ 9.88	$ 11.54	$ 13.45	$ 14.93	$ 14.69
Hypothetical Scenario	8.57	9.11	11.75	13.82	17.52	19.55	19.50

Sources: Unison Consulting, Inc.

4.6.5 | Summary

Certain findings of this Section are summarized as follows:

- Debt service coverage is expected to remain above 2.00x during the forecast period, compared to the requirement of 1.25x
- The average CPE is expected to increase from below $9 in FY2022 to approximately $15 after DBO
- Under the sensitivity analysis, projected debt service coverage would remain above 1.50x, or above 1.70x if the rolling coverage is increased to equal 25% of Adjusted Debt Service

HEADQUARTERS
150 N. Michigan, Suite 2930
Chicago, IL 60601
312.988.3360
www.unison-ucg.com

APPENDIX B

CITY OF FRESNO ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2022

[THIS PAGE INTENTIONALLY LEFT BLANK]

ANNUAL COMPREHENSIVE FINANCIAL REPORT

Photo by Brandon Johanson

Fresno, California

Fiscal Year Ended June 30, 2022

ANNUAL COMPREHENSIVE FINANCIAL REPORT

Fiscal Year Ended June 30, 2022
Prepared by the Finance Department

Fresno, California

Santino Danisi
Finance Director/Controller

Kaleb Neufeld
Assistant Finance Director/Controller

ANNUAL COMPREHENSIVE FINANCIAL TEAM

Roberta Cope, Principal Accountant

Phillip Hardcastle, Principal Accountant

Mang Thao, Administrative Manager

Oscar Ortega, Accountant-Auditor II

Jose Barboza, Accountant-Auditor II

Thomas Sisco, Accountant-Auditor II

Christina Estrada, Accountant-Auditor II

Quinn Ringgold, Accountant-Auditor II

Courtney Espinoza, Business Manager

Vanessa Bryant, Senior Management Analyst

Jane Mouanoutoua, Payroll Manager

Kriti Agrawal, Principal Internal Auditor

Susanne Galvan, Senior Accountant-Auditor

Scott Zulewski, Senior Accountant-Auditor

Lilly Banuelos, Executive Assistant

Mirissa Kao, Accountant-Auditor II

Indervir Boparai, Senior Accountant-Auditor

Karen Valle, Accountant-Auditor II

Timothy Tonel, Accountant-Auditor II

Lesa Nino, Accountant-Auditor II

Yvonne Dedmore, Business Manager

Veronica Diaz, Management Analyst II

Erica Garcia, Accountant-Auditor I

Isabel Merino, Internal Auditor

Special Thanks to

Corrina Barbarite, Treasury Officer
Mary Boyajian, Airports Business Manager
Shirley Tsutsui, Airports Property Specialist II
ACFR Grants & Capital Asset Contacts in all City Departments

Documents can be made accessible in alternative ADA Compliant format upon request.
To request documents in alternative ADA Compliant format contact
the Finance Department at (559) 621-7001 or via e-mail at finance@fresno.gov

INTRODUCTORY SECTION

TABLE OF CONTENTS

TABLE OF CONTENTS

TABLE OF CONTENTS

TABLE OF CONTENTS

OTHER SUPPLEMENTARY INFORMATION (continued) **PAGE**

Fiduciary Funds:

STATISTICAL SECTION

CONTROLLER'S TRANSMITTAL LETTER

Jerry Dyer
Mayor

Georgeanne A. White
City Manager

2600 Fresno Street, Suite 2156 - Fresno, California 93721-3622

January 21, 2022

The Honorable Mayor Jerry Dyer and Members of the City Council
Distinguished Citizens of the City of Fresno

We are pleased to present the Annual Comprehensive Financial Report (ACFR) of the City of Fresno, California (City) for the fiscal year ended June 30, 2022 (fiscal year 2021-2022), with the Independent Auditor's Report, submitted in compliance with City Charter Section 804(c) and Section 1216. The ACFR has been prepared by the Finance Department in conformance with the principles and standards for financial reporting set forth by the Governmental Accounting Standards Board (GASB).

Responsibility for both the accuracy of the data, as well as the completeness and fairness of the presentation, including all disclosures, rests with the City. The existing comprehensive structure of internal accounting controls in the City provides reasonable assurance that the financial statements are free of any material misstatements. Since the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The City recognizes that even sound internal controls have inherent limitations. We believe that the City's internal controls adequately safeguard assets, that the reported data is accurate in all material respects, and that its presentation fairly depicts the City's financial position and changes in its financial position as measured by the financial activity of its various funds. We are confident that the included disclosures provide the reader with an understanding of the City's financial affairs.

Accounting principles generally accepted in the United States (GAAP) require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditors, beginning on page 5.

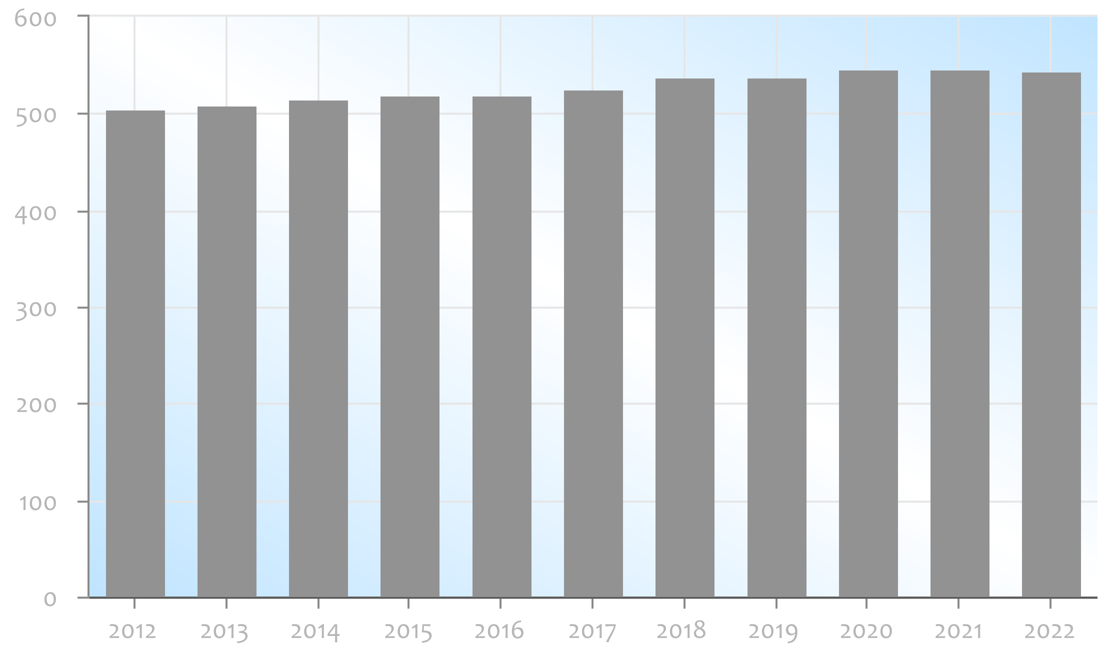
General Background

The City of Fresno is located near the geographical center of California, approximately 200 miles north of Los Angeles and 170 miles south of the State capital, Sacramento. The City has land area of 115.2 square miles. With over half a million residents (543,660 as of January 1, 2022), Fresno is the 5th largest city in California by population, and 35th largest in the nation. The City is part of the Fresno-Clovis metropolitan area, which is the second largest metropolitan area in the Central Valley after Sacramento.

With its close proximity to Yosemite National Park (60 miles), Fresno also serves as gateway to Sequoia National Park (75 miles), Sierra National Forest (40 miles) and Kings Canyon National Park (75 miles).

Named for the abundant ash trees lining the San Joaquin River, Fresno was founded in 1872 as a railway station of the Central Pacific Railroad before it was incorporated in 1885.

Population Growth (in thousands)



Government and Budget

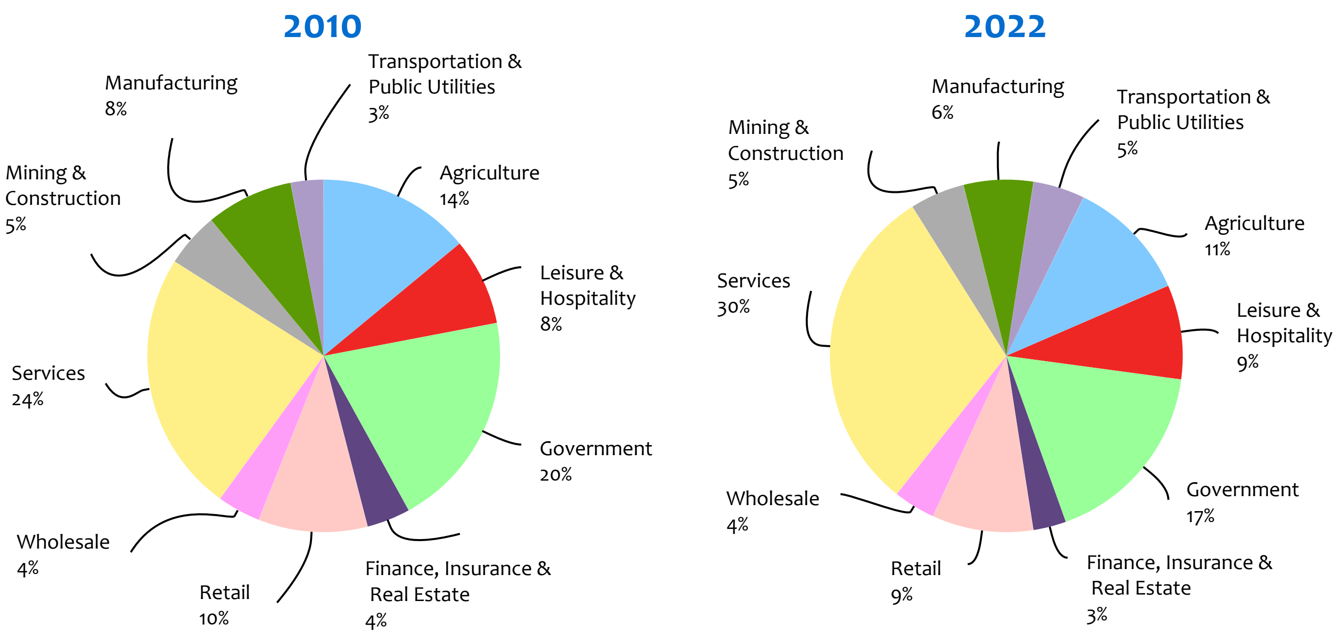
The City operates under the strong-Mayor form of government. Under this form of government, the Mayor serves as the City's Chief Executive Officer, appointing and overseeing the City Manager, recommending legislation, and presenting the annual budget to the City Council (Council).

The budget of the City of Fresno, within the meaning and context of Section 1205 of the City's Charter, must be adopted by Council resolution no later than June 30th of a given year. As provided by Section 1206 of the Charter, any adjustments in the amounts appropriated for the purposes indicated at the department/fund level shall be made only upon a motion to amend the resolution adopted by the affirmative votes of at least five Council members. Administrative changes within the department/fund level may be made without approval of Council within written guidelines established by the City Manager.

Industry and Economy

Fresno is the economic hub of Fresno County and the San Joaquin Valley, with much of the surrounding areas in the Metropolitan region predominantly tied to large-scale agricultural production. While agriculture still makes up a large component of the region's employment base (11% of jobs), the Fresno economy continues to diversify, as evidenced by the fact that services (30% of jobs) and government (17% of jobs) employ more people than agriculture.

2010 vs. 2022 Estimated Number of Workers by Industry



Source: CA Employment Development Department

Distribution is playing a growing role in the City's economy, as evidenced by the Old Navy Pacific Distribution Center, the Ulta Beauty Fulfillment Center, and the Amazon Fulfillment Center. Public sector and healthcare employment are also major contributors to the City's economy.

Principal Employers (Public & Private Sector)

Employer	Employees
Fresno Unified School District	13,669
Community Medical Centers	9,000
County of Fresno	8,870
Amazon	6,500
Clovis Unified School District	6,400
City of Fresno	4,605
Internal Revenue Service	4,230
Foster Farms	3,063
Valley Children's	3,000
Saint Agnes Medical Center	2,900

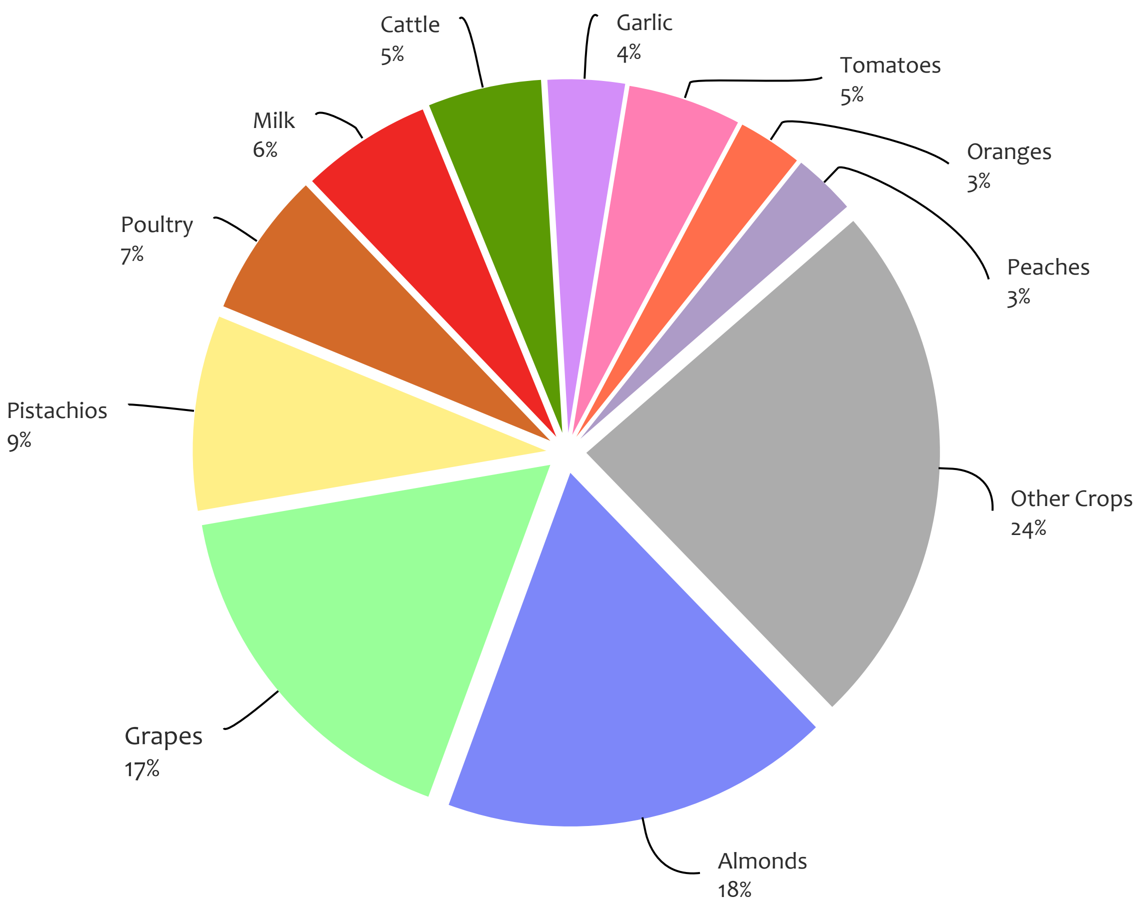
Economic Overview

Agriculture remains one of the backbones of the Fresno area's economy and continues to be robust. Fresno County's agricultural strength rests in its diversity with more than 400 commercial crops providing gross production of $8.08 billion in 2021, an increase of 1.47% from 2020.

Almonds continue to be the lead on Fresno County's Top Ten crop ranking with $1.4 billion gross value in 2021, followed by grapes at $1.35 billion.

California produces most of the grapes grown in the United States with 99.5% of raisins coming from Fresno County. Additionally, the region is a significant exporter to many countries throughout the world. In 2021, Fresno County exported 89 unique agricultural commodities to 96 countries around the world.

2022 Diversified Agricultural Base



Source: Fresno County Agriculture Department

Fiscal Year 2022 Economic Conditions & Financial Impact

The Fresno economy continued to steadily progress during fiscal year 2022 while continuing to recover from the effects of the COVID-19 pandemic , as is shown in the table below:

Economic Indicator	2021	2022	Change (%)
Assessed Value	$40,869,953,930	$42,380,247,793	3.7%
Taxable Sales	$17,279,862,069	$26,603,310,345	54.0%
Unemployment Rate	12.13%	5.60%	-53.84%
Building Permits	10,432	12,359	18.5%

Local economic improvements were similarly on display when considering key City of Fresno finance indicators as summarized below:

- Total Assets increased $868.0 million (21.7%) from the fiscal year 2021 year-end Total Assets balance of $4,001.0 million.
- Revenues increased $222.2 million (23.9%) from Revenues for fiscal year 2021, which totaled $930.5 million.
- Expenses declined $16.1 million ((1.7)%) to $927.5 million.
- Total Net Position increased $218.0 million (8.4%) from fiscal year 2021's total of $2,604.7 million.

Summarized below are key metrics reflecting changes within the City's General Fund:

- Total Assets increased $8.7 million (5.3%) over the fiscal year 2021 Total Assets year-end balance of $163.0 million. Growth in Unrestricted Cash of $6.9 million was the primary driver behind the overall growth in Total Assets.
- Total Liabilities increased $5.8 million (15.3%) from the fiscal year 2021 year-end Total Liabilities of $38.0 million. A $15.0 million increase in Deposits from Others was the primary reason.
- Revenues increased $30.6 million (8.1%) from fiscal year 2021's Revenues of $377.0 million. Significant growth was seen in the economy-driven revenues, such as Sales Tax.
- Expenditures decreased $-13.7 million (3.5%) from fiscal year 2021’s $388.1 million Expenditure level. Increases in Public Protection and Capital Outlay expenditures were the primary factors of the overall increase in General Fund Expenditures.

These results and others are discussed in greater detail in the Management’s Discussion & Analysis, which begins on page 5.

How Fresno Compares to the 25 Largest California Cities

Though improved, the City of Fresno's financial position still lags behind other large cities in California when it comes to assets available for use to support the City's population. As the table on page VII demonstrates, the difference between population ranking and assets per capita is one of the largest among the 25 largest California cities by population. It is important to note that the City's assets are augmented by the Net Pension Asset, which no other city in the survey possesses. The lack of assets puts the City of Fresno at a disadvantage when it comes to providing services to its citizens, because there is an inadequate asset base to efficiently address the needs. Thus, it is imperative that fiscal prudence is maintained and the plan to build all assets, especially cash and capital assets, is continued.

Subsequent Events

Summarized below are events that materially affected the City's finances, which occurred after June 30, 2022:

- Moody's upgraded the City's Lease Revenue Bond from A3 to A2, its Pension Obligation Bond rating from Baa1 to A1, and its General Obligation rating from A2 to A1 on December 19, 2022. All three ratings maintained a Stable outlook.
- Standard and Poor's upgraded the City's General Obligation rating from A+ to AA-, it's Pension Obligation Bond rating from A+ to AA-, and its Lease Revenue Bond from A to A+ on November 14, 2022. All three ratings maintained a Stable Outlook.
- The Fresno Yosemite International Airport expects to receive $70 million from the issuance of proposed Bonds to support design and construction of expansion projects.

All of these subsequent events are discussed in detail in Note 17, which begins on page 167.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its ACFR for the fiscal year ended June 30, 2021. This was the 29th consecutive year that the City has achieved this prestigious national award. The Certificate of Achievement is the highest form of recognition in the area of governmental accounting and financial reporting. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized ACFR whose contents conform to program standards. The ACFR must satisfy both Generally Accepted Accounting Principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of only one year. We believe that our current annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements, and are submitting it to the GFOA to determine its eligibility for another certificate.

Total Government-Wide Assets per Capita

Top 25 California Cities Comparison

City	Total Assets	ACFR Year	Population California Department of Finance As of January 1, 2020	Assets per Capita	Population Ranking	Per Capita Asset Rank	Net Pension Asset/(Liability)
Los Angeles	$ 87,447,834	2022	3,819,538	$ 23	1	3	$ (4,363,649)
San Diego	$ 17,528,167	2022	1,374,790	$ 13	2	9	$ (2,164,171)
San Jose	$ 11,157,765	2022	976,482	$ 11	3	10	$ (2,342,879)
San Francisco	$ 51,616,481	2022	804,534	$ 64	4	1	$ (341,625)
Fresno	$ 4,869,028	**2022**	543,660	**$ 9**	**5**	**15**	**$ 805,653,000****
Sacramento	$ 5,432,589	2021	518,037	$ 10	6	12	$ (936,885)
Long Beach	$ 11,142,130	2021	460,682	$ 24	7	2	$ (527,875)
Oakland	$ 4,340,474	2022	424,464	$ 10	8	13	$ (1,215,883)
Bakersfield	$ 2,943,909	2021	408,865	$ 7	9	20	$ (461,427)
Anaheim	$ 5,423,174	2022	341,245	$ 16	10	5	$ (510,106)
Stockton	$ 2,847,899	2022	322,489	$ 9	11	17	$ (321,906,746)
Riverside	$ 4,873,976	2022	317,847	$ 15	12	8	$ 140,293
Irvine*	$ 3,280,729	2022	310,250	$ 11	13	11	$ (36,051)
Santa Ana	$ 1,944,849	2022	308,459	$ 6	14	24	$ (498,810)
Chula Vista	$ 2,471,990	2022	276,785	$ 9	15	16	$ 160,774
Fremont*	$ 1,532,408	2022	229,476	$ 7	16	22	$ (272,253)
Santa Clarita	$ 1,722,317	2022	228,835	$ 8	17	18	$ 433
San Bernardino	$ 1,112,174	2021	220,840	$ 5	18	25	$ (473,070)
Modesto	$ 2,071,052	2022	217,880	$ 10	19	14	$ (249,804)
Fontana	$ 1,418,927	2021	212,809	$ 7	20	23	$ (177,214)
Moreno Valley	$ 1,411,693	2022	209,407	$ 7	21	21	$ (54,897)
Oxnard	$ 3,124,356	2022	200,050	$ 16	22	6	$ (191,104)
Huntington Beach	$ 1,418,959	2022	196,100	$ 7	23	19	$ (15,152)
Glendale	$ 2,811,745	2022	193,116	$ 15	24	7	$ (388,816)
Ontario	$ 2,881,638	2022	179,516	$ 16	25	4	$ 150,461

* These cities have Governmental Activities only.

** This figure represents the prefunded Net Pension Asset/overfunding applicable to future years. For peer cities, it represents the underfunding of pension liabilities.

Note: Only figures for each Primary Government were used as of June 30, 2022 AFCRs (2021 when 2022 not available). In cases where Component Units were reflected in separate Columns, Component Unit numbers were excluded.

Acknowledgments

The preparation and completion of the City of Fresno ACFR requires tremendous commitment and would not be possible without the dedication and professionalism of the City's Finance Department staff. This year presented extraordinary challenges for the team, yet they remained steadfast in their resolve to prepare and complete the report.

Additionally, staff throughout each department in the City provide significant supporting working with the Finance team to complete the report. Their invaluable contributions made the preparation of this report possible. Sincere appreciation goes out to the staff in all City departments for their cooperative efforts in responding to the many questions and requests for detailed information that accompanies each annual audit.

Lastly, thank you to the team at The Pun Group for their professional support in the preparation of the ACFR. And thank you to the Mayor, the City Council members, and the members of the City Manager's Office for their continued leadership and support in planning and conducting the City's financial operations.

Respectfully submitted,

Georgeanne A. White
City Manager

Santino Danisi
Finance Director/City Controller

CITY OPERATING FUND STRUCTURE

ENTERPRISE FUND

Proprietary Fund Types operate as if they were private businesses. One type is Enterprise Funds.

These funds provide services to other governmental and non-governmental entities, including individuals and businesses.

- Transportation (FAX)
- Convention Center
- Airports
- Economic Development
- Public Utilities
- Park (Golf Course)

GENERAL FUND

The General Fund is used to account for unrestricted revenues. Revenues received by the City that have no legal or contractual restriction are placed in the various funds within the General Fund.

Appropriations may be made from the General Fund for any legal City activity. Revenues such as sales tax, property tax, and business tax are a few examples of General Fund revenues.

- Mayor
- City Manager
- City Council
- City Clerk
- City Attorney
- Finance
- Fire
- Planning & Development
- General City Purpose
- PARCS
- Police
- Personnel Services

INTERNAL SERVICE FUND

The Proprietary Fund types operate as if they were private businesses. One type of Proprietary Fund is the Internal Service Funds that provide services to departments within the City.

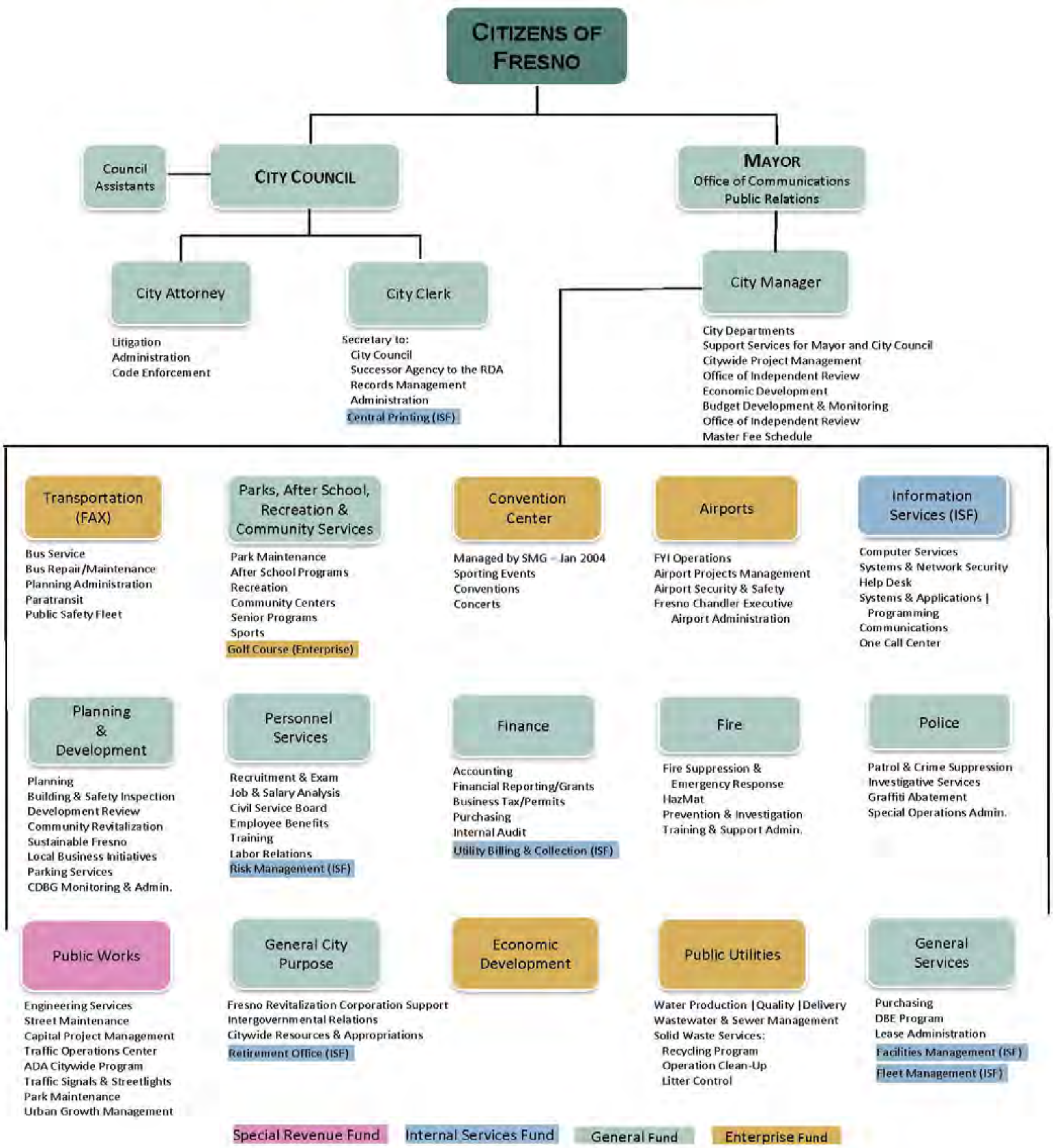
- Retirement
- Personnel Services (Risk Management)
- Transportation (Fleet Management)
- Information Services
- City Clerk (Central Printing)
- Finance (Utility Billing & Collection)
- Public Works (Facilities Management)

SPECIAL REVENUE FUND

This fund type accounts for a significant amount of revenue that the City receives which is restricted as to its use. Examples of this type of revenue would be assessment districts, Community Development Block Grant, and various gas taxes.

- Public Works

CITY ORGANIZATIONAL CHART



CITY OF FRESNO
DIRECTORY OF CITY OFFICIALS

As of January 5, 2023

ELECTED OFFICIALS

Jerry Dyer
Mayor

Analisa Perea
District 1

Mike Karbassi
District 2

Miguel Arias
District 3

Tyler Maxwell
District 4

Luis Chavez
District 5

Garry Bredefeld
District 6

Nelson Esparza
District 7

APPOINTED EXECUTIVE OFFICIALS

Georgeanne A. White, City Manager
Gregory Barfield, Assistant City Manager
TJ Miller, Assistant City Manager
Ruth F. Quinto, Assistant City Manager
Andrew Janz, City Attorney
Todd Stermer, City Clerk
Santino Danisi, Finance Director/Controller

This page intentionally left blank

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Fresno California

For its Comprehensive Annual Financial Report For the Fiscal Year Ended

June 30, 2021

Christopher P. Morrill

Executive Director/CEO

This page intentionally left blank

FINANCIAL SECTION

THE PUN GROUP
ACCOUNTANTS & ADVISORS

200 E. Sandpointe Avenue, Suite 600
Santa Ana, California 92707

www.pungroup.cpa

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members
of the City Council of the City of Fresno
Fresno, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fresno, California (the "City"), as of and for the year ended June 30, 2022, and the related notes to the basic financial statements, which collectively comprise the City'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, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Successor Agency to the Fresno Redevelopment Agency Private-Purpose Trust Fund (Successor Agency), the financial statements of the Low and Moderate Income Housing Asset Special Revenue Fund (Low and Moderate Income Housing), the financial statements of the Fire and Police Retirement System Pension Trust Fund (Fire and Police Pension Trust), or the financial statements of the Employees Retirement System Pension Trust Fund (Employee Pension Trust) which collectively represent the following percentages of assets/deferred inflows of resources, net position/fund balance, and expenditures/expenses of the following opinion unit as of June 30, 2022:

Opinion Unit	Assets/ Deferred Outflows of Resources	Net Position/ Fund Balance	Expenditures/ Expenses
Aggregate Remaining Fund Information	87.89%	96.12%	30.81%

Those statements were audited by other auditors whose report has been furnished to us, and our opinions, insofar as it relates to the amounts included for the Successor Agency, Low and Moderate Income Housing, Fire and Police Pension Trust, and Employee Pension Trust, are based solely on the report of the other auditors.

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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements 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.

Emphasis of Matter

Implementation of New GASB Pronouncements

As discussed in Note 1 to the basic financial statements, the City implemented Governmental Accounting Standards Board ("GASB") Statement No. 87, *Leases* during the year. Our opinion is not modified with respect to this matter.

Correction of Error

As discussed in Note 15, the City has restated its beginning net position/fund balance of the government-wide governmental activities, the governmental funds and the custodial funds, in order to correct the previously reported financial statements to comply with the GASB Statement No. 84, *Fiduciary Activities*, that was required to be implemented as of the year ended June 30, 2021. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 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 City'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.

Auditors' 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 auditing standards generally accepted in the United States of America 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 auditing standards generally accepted in the United States of America 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 City'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 City'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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Schedules, Schedule of Investment Returns, Schedules of Changes in Net Pension Liability and Related Ratios, Schedules of Contributions – Pension, Schedules of Changes in Net OPEB Liability and Related Ratios, and Schedule of Contributions – OPEB, as listed in the accompanying table of contents, be presented to supplement the basic financial statements. Such information, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Combining and Individual Non-major Fund Financial Statements and Schedules, are presented for purposes of additional analysis and are 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 Combining and Individual Non-Major Fund Financial Statements and Schedules are 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 and Statistical Sections 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 March 15, 2023, on our consideration of City'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 City'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 City's internal control over financial reporting and compliance.

The Pun Group, LLP

Santa Ana, California
March 15, 2023

Management's Discussion & Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Unaudited)

For the Fiscal Year Ended June 30, 2022

CITY OF FRESNO, CALIFORNIA

This section of the City of Fresno's (City) Annual Comprehensive Financial Report (ACFR) presents a narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2022. The reader is encouraged to consider the information presented here in conjunction with the City's financial statements, which follow this section, and the additional information that is furnished in the letter of transmittal at the front of this report. This discussion and analysis provides comparisons primarily for the previous two years; but, may include more extensive comparisons in some instances.

FINANCIAL HIGHLIGHTS

- The assets of the City stayed over $4 billion, reaching a total of $4,869.0 million.
- The City had record revenue of $1,152.8 million, primarily due to increases in the following areas: Sales Tax Revenue by $67.6 million (54%), Public Protection by $72.2 million (302.1%), and Community Development by $31.0 million (152.4%).
- The City continues to record a Net Pension Asset. For fiscal year 2022, the Net Pension Asset was $805.7 million. The City of Fresno remains one of very few government entities in the country with a Net Pension Asset.

OVERVIEW OF FISCAL YEAR 2022 FINANCIAL STATEMENTS

The Management's Discussion and Analysis is intended to serve as an introduction to the City's basic financial statements, which consist of three components: (1) **Government-Wide Financial Statements**, (2) **Fund Financial Statements** and (3) **Notes to the Financial Statements**. This report also contains other **Supplementary Information** in addition to the basic financial statements.

Government-Wide Financial Statements are designed to provide both long-term and short-term information about the City's overall financial status in a manner similar to a private-sector business.

- The ***Statement of Net Position*** presents information on all assets/deferred outflows of resources and liabilities/deferred inflows of resources. The difference between them is reported as net position. Over time, increases or decreases in *net position* may serve as a useful indicator of whether the City's financial position is improving or deteriorating.
- The ***Statement of Activities*** shows how the net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future periods. Examples include revenues pertaining to uncollected taxes and fees and expenses pertaining to earned but unused vacation and sick leave.

Both of the Government-Wide Financial Statements distinguish functions of the City that are principally supported by taxes and inter-governmental revenues (Governmental Activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (Business-Type Activities). The Governmental Activities of the City include general government, public protection, public ways and facilities, culture and recreation, and community development. The Business-Type Activities of the City include two airports, public transportation system, water, sewer, solid waste, community sanitation, convention center, stadium, and theatre.

The Government-Wide Financial Statements include not only the City (known as the primary government), but also legally separate component units including the Fresno Joint Powers Financing Authority, City of Fresno Fire and Police Retirement System, City of Fresno Employees Retirement System, City of Fresno Employees Healthcare Plan, Fresno Revitalization Corporation, and FRC Canyon Crest, LLC. The component units have been "blended" into the City's financial statements because the governing board (although legally separate from the City) is substantially the same as the City's, or they provide services entirely or almost exclusively for the benefit of the City even though they do not provide services directly to the City.

As of February 1, 2012, a Successor Agency was created to replace the Redevelopment Agency of the City of Fresno (RDA). Dissolution law provided that the Successor Agency would pay all "enforceable obligations" of the former RDA. The Successor Agency is considered a separate legal entity under Assembly Bill (AB) 1484 for financial presentation purposes. Effective June 30, 2012, the Successor Agency was reported as a Private-Purpose Trust Fund. This means that the Successor Agency's assets are considered to be held in a trustee or agency capacity for others and therefore cannot be used to support the City's own programs.

The Government-Wide Financial Statements can be found on pages 29-30 of this report.

Fund Financial Statements focus on individual parts of the City government, reporting the City's operations in more detail than the Government-Wide Financial Statements. They are used to maintain control over resources that have been segregated for specific activities or objectives and to ensure compliance with finance-related legal requirements. They can be divided into three categories:

- ***Governmental Funds*** are used to account for essentially the same functions reported as Governmental Activities in the Government-Wide Financial Statements (i.e., most of the City's basic services are reported in Governmental Funds). These statements, however, focus on (1) how cash and other financial assets can be readily converted to available resources, and (2) the balances left at year-end that are available for spending. Such information may be useful in determining what financial resources are available in the near future to finance the City's programs.

  Because the focus of Governmental Funds Financial Statements is narrower than that of the Government-Wide Financial Statements, it is helpful to compare the information presented for Governmental Funds with similar information presented for governmental activities in the Government-Wide Financial Statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the Governmental Funds

Balance Sheet and Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between Governmental Funds and Governmental Activities. These reconciliations may be found on pages 34 and 36.

The City maintains several individual Governmental Funds organized according to their type: general fund, special revenue, debt service, and capital projects. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund and Grants Special Revenue Fund (which are considered to be major funds). Data from the remaining Governmental Funds are combined into a single, aggregated presentation. Individual fund data for each of the Non major Governmental Funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget. The City's budget reflects its priorities and tells the taxpayers/ratepayers what is being done with their money. Budgetary comparison schedules for the General Fund and the Grants Special Revenue Fund demonstrate compliance with the budget, and also reflect where actual results deviated from expected budgetary estimates.

- ***Proprietary Funds*** are generally used to account for services for which the City charges customers (either outside customers, or internal units or departments of the City). Proprietary Funds provide the same type of information as shown in the Government-Wide Financial Statements: albeit in more detail. Proprietary Funds (Enterprise and Internal Service) utilize the same method used by the private sector businesses: the accrual basis of accounting. The City maintains the following two types of Proprietary Funds:

  † ***Enterprise Funds*** are used to report the same functions as Business-Type Activities in the Government-Wide Financial Statements. The City uses Enterprise Funds to account for the operations of the Public Utilities [**Water System, Sewer System, Solid Waste Management**], Fresno Area Express [**Transit**], Fresno International Airport (FYI) and the Fresno Chandler Downtown Airport (FCH) [**Airports**], **Fresno Convention Center**, and Chukchansi Park Stadium [**Stadium**], all of which are considered to be major funds of the City. **Community Sanitation** and **Parks and Recreation** are considered to be Non major Enterprise Funds of the City. In July 2022, **Parks and Recreation** finalized the acquisition of the Tower Theatre.

  † ***Internal Service Funds*** are used to report activities that provide supplies and services for certain City programs and activities. The City uses Internal Service Funds to account for its fleet of vehicles, management information systems, property maintenance, and electronics/ communication support (**General Services**); self-insurance (**Risk Management**); billing, collecting, and servicing activities for the Water, Sewer, Solid Waste and Community Sanitation Funds (**Billing and Collection**); and healthcare plans (**Employees Healthcare Plan**, **Retirees Healthcare Plan**, **Blue Collar Employees Healthcare Plan**). Because Risk Management, General Services and the healthcare plans predominantly benefit Governmental rather than Business-Type functions, they have been included within Governmental Activities in the Government-Wide Financial Statements, whereas Billing and Collection is included in the

Business-Type Activities in the Government-Wide Financial Statements. The Internal Service Funds are combined into a single, aggregated presentation in the Proprietary Fund Financial Statements. Individual Fund data for the Internal Service Funds is provided in the form of combining statements.

- ***Fiduciary Funds*** are used to account for resources held for the benefit of parties outside the City. Since the resources of Fiduciary Funds are not available to support the City's own programs, they are not reflected in the Government-Wide Financial Statements. The accounting used for Fiduciary Funds is much like that used for Proprietary Funds. The City maintains three types of Fiduciary Funds:

  † ***Pension Trust Funds*** consist of funds for Fire and Police and other Employees.

  † ***Private-Purpose Trust Fund*** is used to account for the assets and liabilities held in trust for the Successor Agency to the former RDA.

  † ***Custodial Funds*** consist of funds used to account for City-related trust activity, such as payroll withholding and bid deposits. Custodial Funds also include *Special Assessment Funds* that account for debt service transactions involving special assessment districts within the City.

The basic financial statements can be found on pages 29-168 of this report.

Notes to the Financial Statements

The Notes to the Financial Statements provide additional information that is essential to the full understanding of the data provided in all of the financial statements. The Notes to the Financial Statements can be found on pages 50-168 of this report.

Required Supplementary Information (RSI)

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information including budgetary comparison statements for major governmental funds as well as schedules of investment returns, changes in Net Pension Liability (Asset), employer contribution, and schedule of changes in Net Other Post-Employment Benefits (OPEB) Liability and related ratios. RSI and accompanying notes can be found on pages 171-184 of this report.

Combining and Individual Fund Statements and Schedules

The combining statements referred to earlier in connection with non major governmental funds, non major enterprise funds, internal service funds, fiduciary funds and the Discretely Presented Component Unit are presented immediately following the appropriately labeled tabs. Combining and individual fund statements and schedules can be found on pages 187-213 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City presents its financial statements under the reporting model required by the Governmental Accounting Standards Board Statement No. 34 (GASB 34), *Basic Financial Statements - and Management's Discussion and Analysis (MD&A) - for State and Local Governments.*

Net Position - Government-Wide / Primary Government

(in thousands)

	Governmental Activities		Business-Type Activities		Total		Total Change from Prior Year	
	2021	2022	2021	2022	2021	2022	$	%
Assets:								
Current and Other Assets	$ 636,312	$ 691,619	$ 568,880	$ 640,479	$ 1,205,192	$1,332,098	$ 126,906	10.5%
Net Pension Asset	78,323	644,438	14,875	161,215	93,198	805,653	712,455	764.5%
Capital Assets:								
Not Being Depreciated	334,143	356,254	481,193	315,804	815,336	672,058	(143,278)	(17.6)%
Net of Accumulated Depreciation	607,929	650,249	1,279,354	1,408,970	1,887,283	2,059,219	171,936	9.1%
Total Capital Assets	942,072	1,006,503	1,760,547	1,724,774	2,702,619	2,731,277	28,658	1.1%
Total Assets	1,656,707	2,342,560	2,344,302	2,526,468	4,001,009	4,869,028	868,019	21.7%
Deferred Outflows of Resources:								
Charge on Refunding	3,550	3,169	178	138	3,728	3,307	(421)	(11.3)%
Deferred Outflows - Pension	176,324	65,621	43,667	14,115	219,991	79,736	(140,255)	(63.8)%
Deferred Outflows - OPEB	26,069	22,208	10,917	9,338	36,986	31,546	(5,440)	(14.7)%
Total Deferred Outflows of Resources	205,943	90,998	54,762	23,591	260,705	114,589	(146,116)	(56.0)%
Liabilities:								
Long-Term Liabilities Due Within One Year	86,619	82,890	21,459	24,902	108,078	107,792	(286)	(0.3)%
Long-Term Liabilities Due in More than One Year	553,188	551,257	690,944	662,670	1,244,132	1,213,927	(30,205)	(2.4)%
Other Liabilities	166,233	164,384	96,945	102,174	263,178	266,558	3,380	1.3%
Total Liabilities	806,040	798,531	809,348	789,746	1,615,388	1,588,277	(27,111)	(1.7)%
Deferred Inflows of Resources:								
Pension Revenue Applicable to Future Years	16,075	372,040	534	91,838	16,609	463,878	447,269	2,692.9%
Unamortized OPEB Expense	17,662	51,193	7,318	22,487	24,980	73,680	48,700	195.0%
Total Deferred Inflows of Resources	33,737	423,623	7,852	114,325	41,589	537,948	496,359	1,193.5%
Net Position:								
Net Investment in Capital Assets	794,759	836,439	1,120,876	1,094,088	1,915,635	1,930,527	14,892	0.8%
Restricted	304,925	316,891	—	—	304,925	316,891	11,966	3.9%
Unrestricted	(76,811)	56,963	460,988	526,841	384,177	583,804	199,627	52.0%
Total Net Position	$1,022,873	$ 1,210,293	$ 1,581,864	$ 1,620,929	$ 2,604,737	$ 2,831,222	$ 226,485	8.7%

Changes in Net Position - Government-Wide / Primary Government

(in thousands)

	Governmental Activities		Business-Type Activities		Total		Total Change from Prior Year	
	2021	2022	2021	2022	2021	2022	$	%
Revenues								
Program Revenues:								
Charges for Services	$ 73,333	$ 159,176	$ 268,161	$ 331,195	$ 341,494	$ 490,371	$ 148,877	43.6%
Operating Grants & Contributions	40,393	74,245	56,334	71,273	96,727	145,518	48,791	50.4%
Capital Grants & Contributions	135,064	128,553	29,884	17,893	164,948	146,446	(18,502)	(11.2)%
General Revenues:								
Property Taxes	149,822	154,130	—	—	149,822	154,130	4,308	2.9%
Business Tax	20,577	21,764	—	—	20,577	21,764	1,187	5.8%
Sales Taxes - Shared Revenues	125,279	192,874	—	—	125,279	192,874	67,595	54.0%
Other Local Taxes	32,120	37,004	—	—	32,120	37,004	4,884	15.2%
Investment Earnings	1,786	(10,409)	(2,206)	(24,697)	(420)	(35,106)	(34,686)	8,258.6%
Other Financing Sources-Leases	—	—	—	(224)	—	(224)	(224)	
Total Revenues	578,374	757,337	352,173	395,440	1,420,918	1,152,777	(268,141)	(18.9)%
Expenses								
General Government	90,218	90,035	—	—	90,218	90,035	(183)	(0.2)%
Public Protection	305,172	270,465	—	—	305,172	270,465	(34,707)	(11.4)%
Public Ways and Facilities	123,068	101,306	—	—	123,068	101,306	(21,762)	(17.7)%
Culture and Recreation	30,882	30,324	—	—	30,882	30,324	(558)	(1.8)%
Community Development	41,053	57,123	—	—	41,053	57,123	16,070	39.1%
Interest on Long-Term Debt	12,552	12,683	—	—	12,552	12,683	131	1.0%
Sewer, Water and Solid Waste	—	—	216,322	232,765	216,322	232,765	16,443	7.6%
Transit	—	—	66,135	71,038	66,135	71,038	4,903	7.4%
Airports	—	—	41,090	40,413	41,090	40,413	(677)	(1.6)%
Fresno Convention Center	—	—	5,096	9,235	5,096	9,235	4,139	81.2%
Community Sanitation	—	—	8,698	8,743	8,698	8,743	45	0.5%
Parks and Recreation	—	—	572	416	572	416	(156)	(27.3)%
Stadium	—	—	2,739	2,925	2,739	2,925	186	6.8%
Total Expenses	602,945	561,936	340,652	365,535	943,597	927,471	(16,126)	(1.7)%
Increase (Decrease) in Net Position Before Transfers	(24,571)	195,401	11,521	29,905	(13,050)	225,306	238,356	(1,826.5)%
Transfers	(7,781)	(7,899)	7,781	7,899	—	—	—	—%
Change in Net Position	(32,352)	187,502	19,302	37,804	(13,050)	225,306	238,356	(1,826.5)%
Net Position - Beginning	1,055,225	1,022,873	1,562,562	1,581,864	2,617,787	2,604,737	(13,050)	(0.5)%
Change in Accounting Estimate	—	—	—	26	—	26	26	
Cumulative Effect of Accounting Change - GASB 87	—	(82)	—	1,235	—	1,153	1,153	—%
Net Position - Beginning Restated	1,055,225	1,022,791	1,562,562	1,583,125	2,617,787	2,605,916	(11,871)	(0.5)%
Net Position - Ending	$1,022,873	$ 1,210,293	$ 1,581,864	$1,620,929	$ 2,604,737	$ 2,831,222	$ 226,485	8.7%

Analysis of Changes in Government-Wide Net Position

The City's overall Net Position increased slightly to $2,831.2 million: a $218.0 million (8.4%) increase from fiscal year 2021's Net Position of $2,604.7 million. Most notably, the Unrestricted Net Position increased; going from $384.2 million in fiscal year 2021 to $583.8 million in fiscal year 2022.

Several factors contributed to the overall increase in Net Position:

- City Revenues grew $222.2 million (23.9%), going from $930.5 million in fiscal year 2021 to $1,152.8 million in fiscal year 2022. The overall growth in revenues was caused by a $148.9 (43.6%) increase in Charges for Services, a $48.8 million (50.4%) increase in Operating Grants, and $43.1 (13.2%) million of growth in General Revenues.

- City Expenses decreased from $943.6 million incurred in fiscal year 2021 to $927.5 million in fiscal year 2022. That overall decrease can be bifurcated as follows: Governmental Activities Expenses decreased $41.0 million (-6.8%), while Business-Type Activities Expenses increased $24.9 million (7.3%). The primary causes behind the decrease in Governmental Activities Expenses were a $34.7 million decrease in Public Protection expenses and a $21.8 million million reduction in Public Ways and Facilities expenses. On the Business-Type Activities side, a $12.1 million increase in the Water's expenses, $4.9 million rise in Transit's expenses, $4.1 million increase in the Convention Center expenses, and $4.2 million increase in expenditures in the Sewer Fund.

- Total Assets went from $4,001.0 million in fiscal year 2021 to $4,869.0 million in fiscal year 2022: a $868.0 million (21.7%) increase. The increase in Total Assets was due primarily to a $712.5 million increase in the Net Pension Asset (from $93.2 million in fiscal year 2021 to $805.7 million in fiscal year 2022: a 764.5% increase), which was partially offset by a decrease in two areas:
  - a $143.3 million decrease in Capital Assets not being depreciated (from $815.3 million in fiscal year 2021 to $672.1 million in fiscal year 2022: a -17.6% decrease); and,
  - a $4.3 million decrease in Net Receivables related to Loans, Notes, Leases, and Other (from $95.0 million in fiscal year 2021 to $90.7 million in fiscal year 2022: a -4.6% decrease)

- Total Deferred Outflows of Resources decreased by $146.1 million (-56.0%) from fiscal year 2021's figure of $260.7 million, mainly due to a $140.3 million decrease of Deferred Outflows - Pensions and a $5.4 million decline in Deferred Outflows - OPEB.

- Total Liabilities shrank $27.1 million (-1.7%) from $1,615.4 million in fiscal year 2021 to $1,588.3 million in fiscal year 2022. The overall decrease in Total Liabilities was mainly attributable to a decrease of $3.2 million in Accrued Liabilities (primarily caused by decreases in accounts payable and subsequent disbursements at the end of fiscal year 2022) and a decrease of $30.2 million in Long Term Liabilities (primarily due to a $16 million decrease in Net OPEB liability in addition to a $9.4 million decrease in long-term bonds payable due to normal debt service payments).

- A $522.5 million (1,256.4%) increase in the Deferred Inflows of Resources, specifically, the Pension Revenue Applicable to Future Years.

Governmental Activities

In fiscal year 2022, Governmental Activities increased their Net Position by $179.0 million (17.5%) to $1,201.8 million. The increase in Net Position occurred primarily within the Net Investment in Capital Assets, which grew by $41.7 million to fiscal year 2022's Net Investment in Capital Assets of $836.4 million, and the Unrestricted Net Position, which increased by $133.8 million to fiscal year 2022's Unrestricted Net Position Deficit of -$57.0 million. Key factors affecting the Unrestricted Net Position Deficit were:

- Revenues grew strongly, going from $578.4 million in fiscal year 2021 to $757.3 million in fiscal year 2022: a $179.0 million (30.9%) increase. The overall increase was primarily the product of growth in two revenue categories. First, Charges for Services rose $85.8 million (117.1%) to $159.2 million. Second, General Revenues increased by $65.8 million (20.0%): from $329.6 million in fiscal year 2021 to $395.4 million in fiscal year 2022. Almost all of the growth in this category can be attributed to a $67.6 million million increase in Sales Tax.

- Expenses decreased from $602.9 million in fiscal year 2021 to $561.9 million in fiscal year 2022, led by a -17.7% decrease in Public Ways and Facilities expenses (from $123.1 million in fiscal year 2021 to $101.3 million in fiscal year 2022), a -11.4% decrease in Public Protection expenses (from $305.2 million in fiscal year 2021 to $270.5 million in fiscal year 2022), and a -1.8% decrease in Culture and Recreation costs (from $30.9 million in fiscal year 2021 to $30.3 million in fiscal year 2022. Most of the decrease in the Public Protection and Public Ways and Facilities expenses can be attributed to decreased personnel Pension expenses. Decreases in Culture & Recreation expenses can be attributed to a reduction in council motion and Fleet Acquisition expenses.

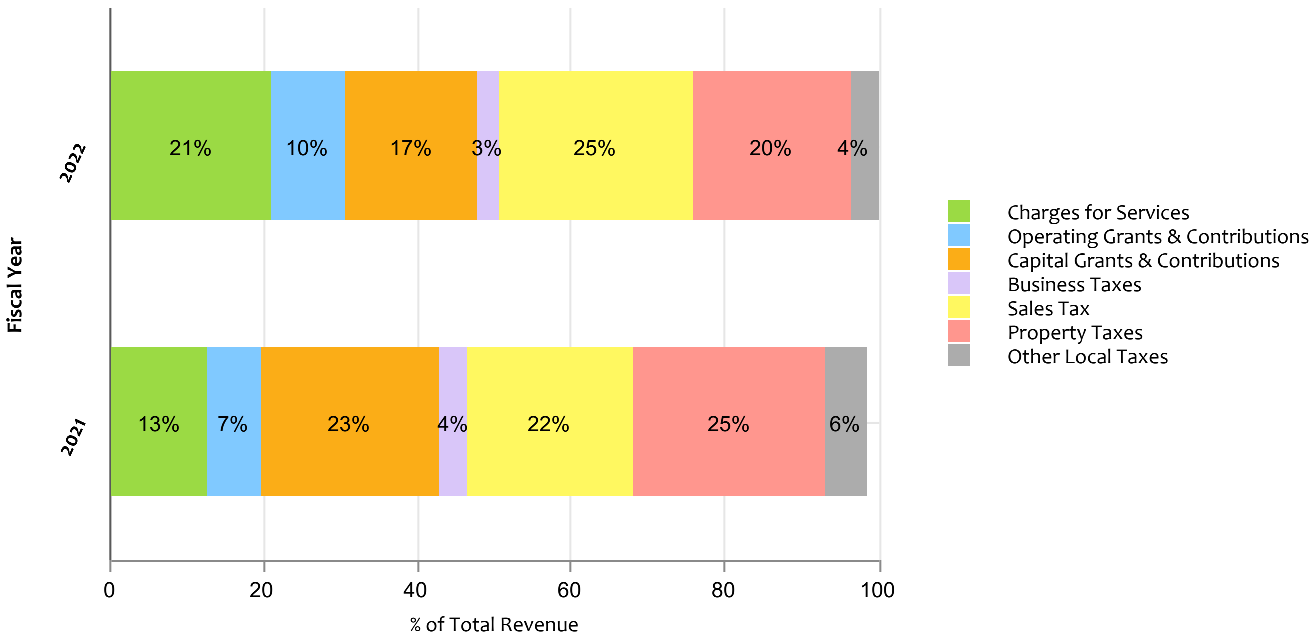
- Total Assets increased by $685.9 million (41.4%) from fiscal year 2021's Total Assets balance of $1,656.7 million. The overall increase in Total Assets was primarily caused by an increase of $566.1 million (722.8%) in the Net Pension Asset to $644.4 million. This increase was partially offset by a decrease in Restricted Cash of $30.0 million (-18.4%) to $133.2 million. The main driver of the decrease in restricted cash was the result of the distribution of American Rescue Plan Act funding to the residents of the City.

- Total Liabilities decreased by -0.9%, or $7.5 million, from fiscal year 2021's Total Liabilities of $806.0 million. A $7.1 million decrease in Unearned Revenue (from $113.8 million in fiscal year 2021 to $106.6 million in fiscal year 2022) generated by unspent grant funds and decrease in total Long-Term Liabilities (Due Within a Year and Due in More than One Year, combined) of $5.7 million (-0.9%) caused by normal debt service payments made during the year.

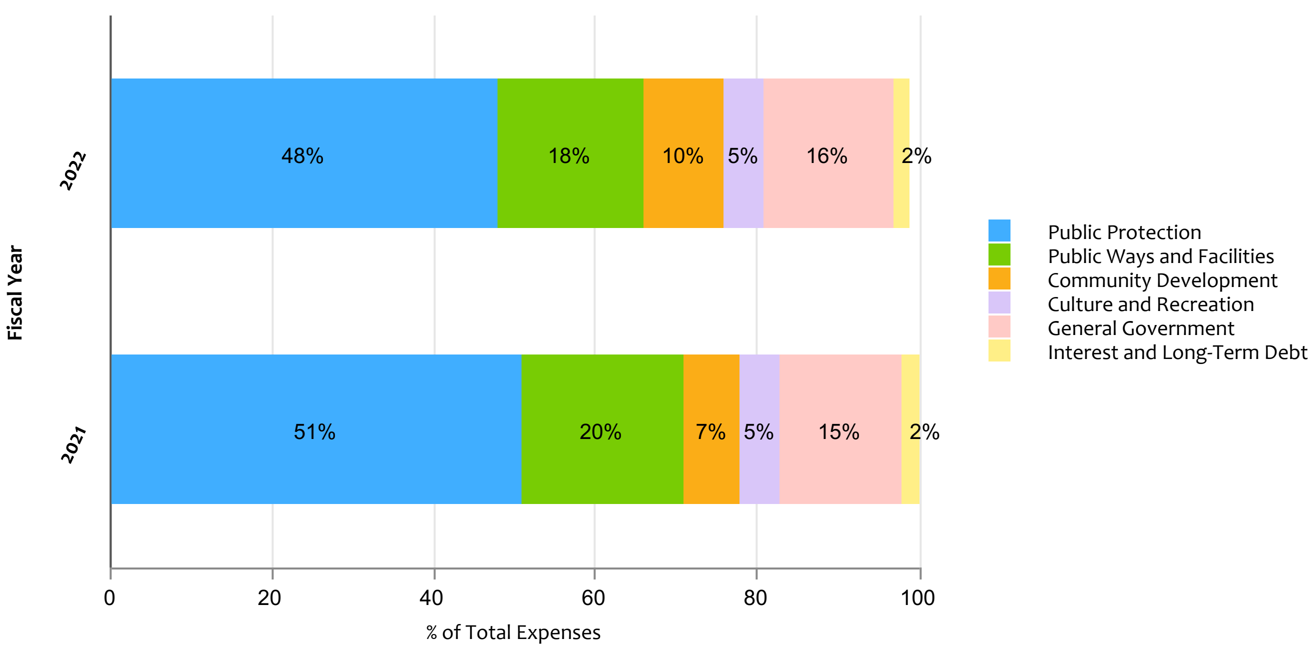
Governmental Activities - Charts and Graphs

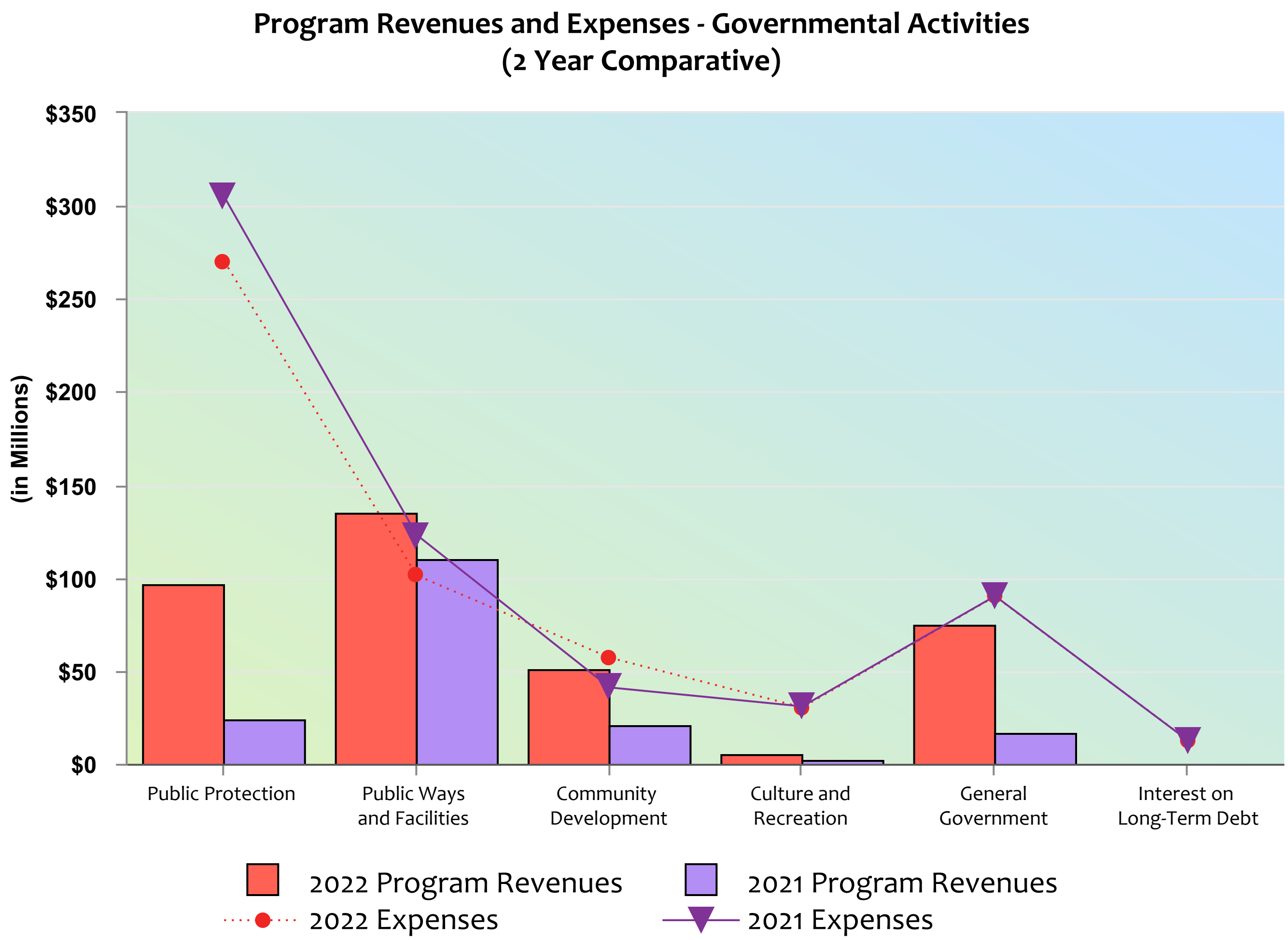
The following charts and graphs illustrate the City's governmental revenues by source and its expenses and revenues by function. As can be seen, Public Protection is by far the largest function reflecting the City's greatest overall expenses.

Governmental Activities
Revenue by Type (2 Year Comparative)



Governmental Activities
Expenses by Type (2 Year Comparative)





The following is an analysis of some of the funds within the Governmental Activities category:

General Fund

Fund Balance in the General Fund increased from $102.9 million in fiscal year 2021 to $104.7 million in fiscal year 2022. It is significant to note that the Unassigned Fund Balance decreased from $43.0 million in fiscal year 2021 to $37.1 million in fiscal year 2022: a $5.9 million (-13.8%) decrease.

Fiscal year 2022's revenues showed marked growth when compared to fiscal year 2021's revenues; increasing by $30.6 million (8.1%) from fiscal year 2021's total of $377.0 million. The increase was primarily in Taxes, which increased $35.2 million (10.8%). The main driver in the overall increase in Tax Revenue came from $67.6 million of growth in Sales Tax revenue. Additional growth in the Tax Revenue category was provided by Property Taxes, which grew $4.3 million due to increased property assessed valuations.

General Fund expenditures decreased by $13.7 million, or -3.5%, to a total of $374.4 million. The change in expenditures can be explained by the following factors:

- A decrease in General Government expenditures, which decreased from $58.6 million in fiscal year 2021 to $27.1 million in fiscal year 2022: a $31.5 million, or -53.7% decrease.
- A decrease in Culture and Recreation expenditures, which decreased from $23.7 million in fiscal year 2021 to $16.7 million in fiscal year 2022: a $7.0 million, or -29.6% decrease.
- The decreases in expenditures were offset by Public Protection expenditures, which increased from $250.5 million in fiscal year 2021 to $263.2 million in fiscal year 2022: a $12.7 million, or 5.1%, increase. The Public Protection increase was primarily due to additional personnel costs, which increased $15.2 million over fiscal year 2021's personnel costs. A rise of $6.3 million in Capital Outlay expenditures, which grew from $13.4 million to $19.6 million, or 47.0%. $7 million of the overall increase was primarily caused by the purchase of the Tower Theater. The Tower Theater purchase was funded with the City's allocation of Measure P dollars.

A large portion of the difference between actual expenditures and actual revenues was funded by transfers from other funds. Overall, Transfers In decreased $66.4 million (-88.5%) to $8.6 million.

The additional revenues produced a large increase in Total Assets, which grew $8.7 million (5.3%) to $171.6 million. The increase was driven by two accounts:

- Restricted Cash, which rose $7.5 million (18.5%) to $48.2 million
- Due from Other Funds, which increased $8.39 million (135.1%) to $14.6 million

While Total Assets grew significantly, the percentage growth in Total Liabilities exceeded that of Total Assets. Total Liabilities rose $5.8 million (15.3%) to $43.8 million. The overall increase in Total Liabilities can be attributed to an increase of $0.8 million in Unearned Revenue and an increase of $5.5 million (58.0%) in Deposits From Others. Deposits From Others increased due to an increase in the balance of deposits held from outside individuals and organizations tied to various City Fees.

Significant committed fund balance amounts of the General Fund include:

- $39.9 million for the General Fund Emergency Reserve,
- $4.5 million for the General Fund - Housing Reserve, and
- $2.57 for the 27th Pay Period Reserve.

General Fund Budget to Actual Comparison

The fiscal year 2022 Adopted Budget was made up of $492.6 million of budgeted revenues and $449.6 million of appropriations. After various amendments were made throughout the fiscal year, the General Fund ended the fiscal year with $630.8 million of budgeted revenues and $587.4 million of appropriations. Actual results on a budgetary (cash) basis of accounting were $560.3 million of revenues and $460.8 million of expenditures. Thus, the actual revenues were $70.5 million (-11.2%) under the fiscal year-end budgeted revenues, while the actual expenditures were $126.6 million (-21.6%) under fiscal year-end appropriations.

The major differences between the budget and the actual results are noted below:

Comparison of Revenues and Expenditures - Budget to Actual / General Fund (in thousands)					
	Budgeted Original	Budgeted Final	Actual Budgetary Basis	Over (Under) Final Budget	Explanation
Revenues:					
Property Taxes	$160,000	$160,000	$154,703	($5,297)	Slow down in housing market occurred after County's Assessed Tax Roll was published July 2021, which showed strong assessed valuations at the time.
Sales Tax	$116,096	$128,436	$148,766	$20,330	Higher than anticipated sales tax was received due to proceeds from increased local consumer spending.
Licenses and Permits	$14,215	$14,243	$9,047	($5,196)	Anticipated permit fees for cannabis dispensaries were not received during the fiscal year.
Transfers from Other Funds	$7,480	$114,217	$31,296	($82,921)	Lower than budgeted transfers of CARES and ARPA funds into the General Fund.
Expenditures:					
Other General Government	$37,664	$52,158	$32,070	($20,088)	COVID-19 mitigation expenditures, and costs for animal control services and shelter operations were less than budget.
Public Ways & Facilities	$26,308	$64,463	$19,173	($45,290)	Spending on street repair and replacement, median island maintenance, street sweeping, and ARPA funded neighborhood infrastructure projects was less than budget..
Community Development	$43,159	$62,034	$36,187	($25,847)	Expenditures for ARPA funded special projects and specialized services were less than budget.
Capital Outlay	$5,335	$44,100	$21,324	($22,776)	Expenditures for ARPA funded capital projects were lower than budget.

A more detailed look at the budget versus actual comparison for the General Fund can be found on page 171 in the Required Supplementary Information section.

Grants Special Revenue Fund

Fund Balance in the Grants Special Revenue Fund dropped from $52.6 million in fiscal year 2021 to $32.3 million in fiscal year 2022. Total Liabilities decreased from $124.0 million in fiscal year 2021 to $117.1 million in fiscal year 2022: a $6.9 million (-5.6%) Decrease. This is mainly due to Unearned Revenue decreasing from $109.9 million in fiscal year 2021 to $97.7 million in fiscal year 2022: a -11.1% decrease.

Fiscal year 2022 revenues in the Grants Special Revenue Fund were up $2.3 million (2.2%) to $105.0 million. Contributing to the increase in revenue was $4.6 million of Community Development Block Grant funds which was offset by corresponding expenditure growth. Expenditures grew $71.5 million (144.0%) from fiscal year 2021's level of $49.7 million to fiscal year 2022's total of $121.2 million. Large increases were seen in the General Government category (up $25.3 million, or 235.6%), Public Protection category (up $17.9 million, or 474.4%), Capital Outlay category (up $12.6 million, or 117.8%), and Community Development category (up $12.5 million, or 178.6%). The increase in the General Government category was due to $19.4 million of ERAP payments made to recipients and community based organizations. The increase in the Public Protection category was primarily due to $14.9 million increase for personnel costs.

Other Governmental Funds

Fund Balance for the Other Governmental Funds rose $60.8 million between fiscal year 2021 and fiscal year 2022 ($158.8 million versus $219.6 million, respectively). The growth in the Fund Balance was primarily due to a $31.2 million increase in Fund Balance for the Measure P fund, a $9.2 million increase in the UGM fund, and a $14.9 million increase in the Measure C fund. The Measure P fund is a source of revenue new to the City in 2022 which helps ensure Fresno's neighborhoods receive funding to improve and maintain parks and facilities, create new parks and trails, and fund recreation, community, and arts programs.

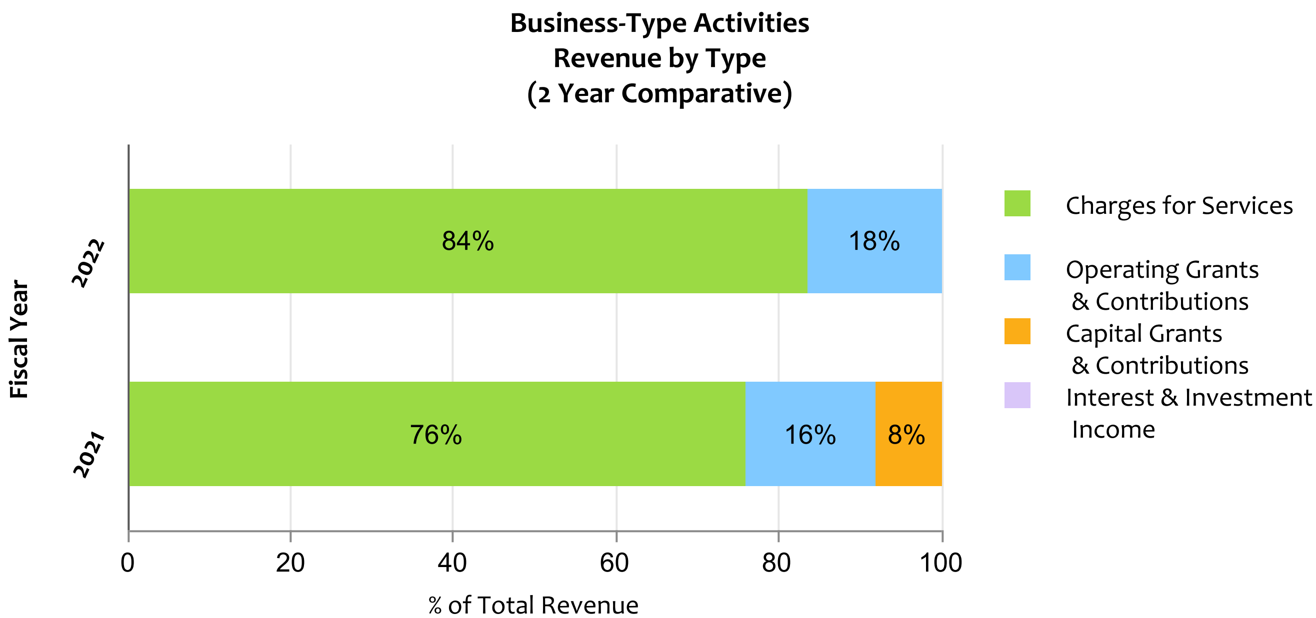
Business-Type Activities

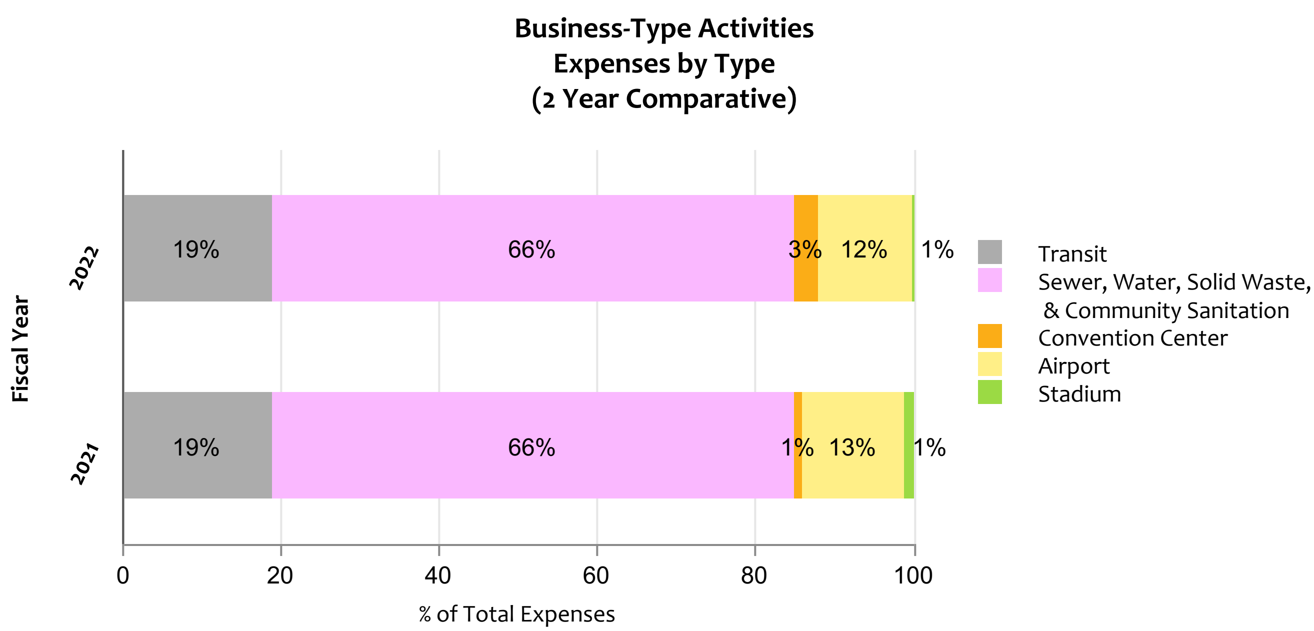
Business-Type Activities for fiscal year 2022 increased the Net Position by $39.1 million (2.5%) over fiscal year 2021's Business-Type Activities Net Position of $1,581.9 million. Key factors affecting the Net Position were:

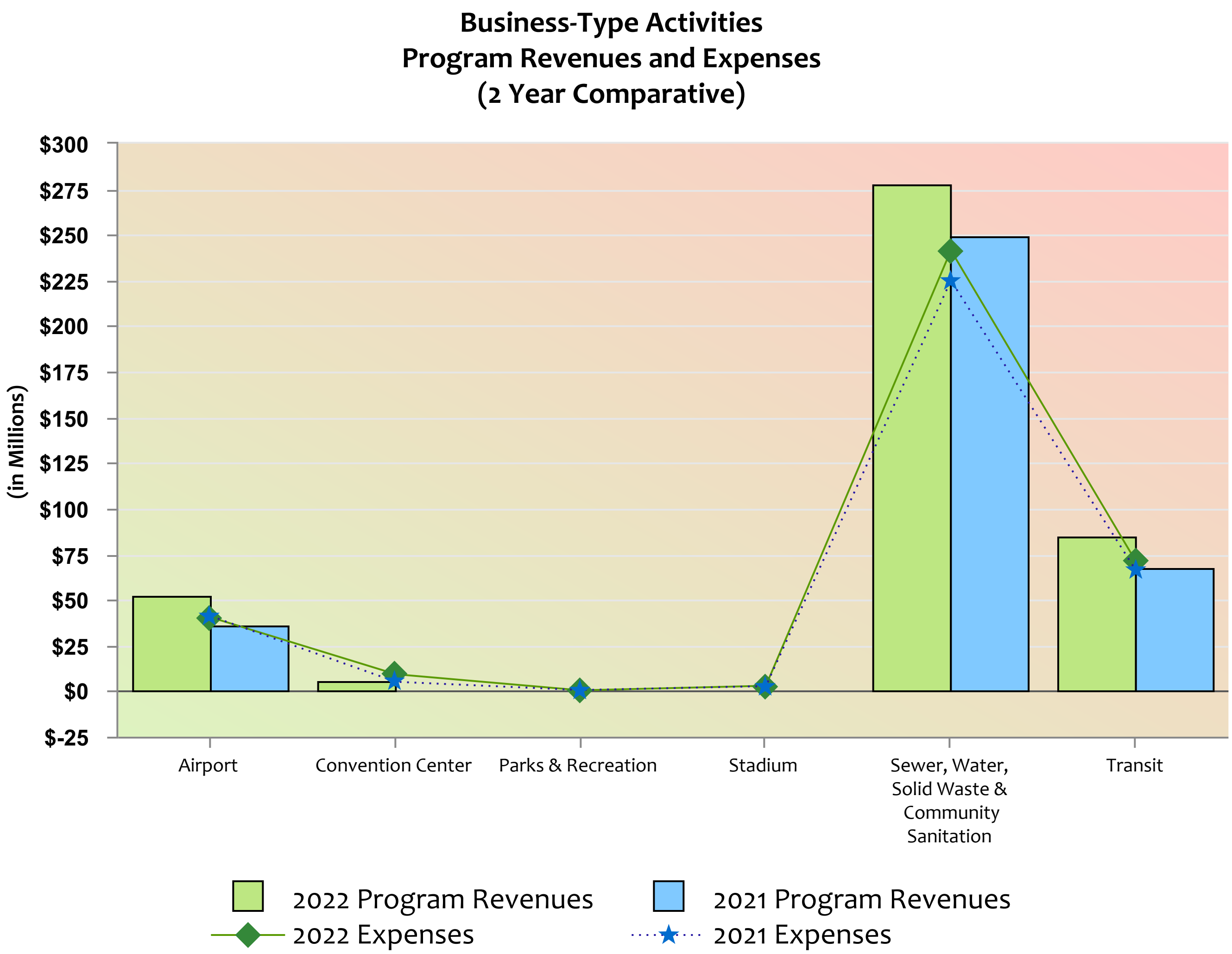
- Total Assets increased by $182.2 million (7.8%) from fiscal year 2021's Total Asset balance of $2,344.3 million. This rise was primarily due to an increase of $146.3 million (983.8%) in the Net Pension Asset to the fiscal year 2022 figure of $161.2 million and an increase of $129.6 million (10.1%) in the Net of Accumulated Depreciation to the fiscal year 2022 figure of $1,409.0 million. This was offset by a $165.4 million (-34.4%) decrease in assets Not Being Depreciated to the fiscal year 2022 figure of $315.8 million
- Total Liabilities fell by -2.4%, or $19.6 million, from fiscal year 2021's Total Liabilities of $809.3 million. The decline was primarily due to a $28.3 million (-4.1%) drop in Long-Term Liabilities.
- Revenues went from $352.2 million in fiscal year 2021 to $395.6 million in fiscal year 2022: a $43.4 million (12.3%) increase. This growth can be attributed to a $15.0 million (57.3%) increase in Transit Operating Grants. The City also saw a $63.0 million increase in Charges for Services. The increase in Charges for Services were primarily driven by Airports ($14.9 million, 57.3%) and Transit ($13.6 million, 582.9%). The increase Operating and Charges for Services revenue was offset by a $22.5 million decrease in General Revenues compared to the prior year.
- Expenses went from $340.7 million in fiscal year 2021 to $365.5 million in fiscal year 2022: a $24.9 million (7.3%) increase. The primary driver behind this increase was $12 million (12.1%) of growth in the Water Fund's expenses, partially due to an increase in the cost of purchasing water for the City's residents. Additionally, growth of $4.9 million (7.4%) in the Transit Fund's expenses and $4.2 million (5.7%) in the Sewer Fund's expenses. Increases in both Transit and Sewer are due mainly to increased cost of providing service, including repairs and maintenance and fuel cost) added to the overall increase in Business-Type Activities expenses.

Business-Type Activities - Charts and Graphs

The following charts and graphs illustrate the City's Business-Type revenues and expenses by both source and function. Sewer, Water, and Solid Waste are the largest Business-Type Activities reflecting the City's greatest overall expenses.







The following is an analysis of some of the funds within the Business-Type Activities category:

Water

The Water Fund's (Water) Net Position showed an increase over fiscal year 2021's levels. Net Position grew from $517.1 million in fiscal year 2021 to $534.8 million in fiscal year 2022: a $17.8 million (3.4%) increase. The change in net position was driven by the following factors:

- Water revenues increased from $127.7 million in fiscal year 2021 to $138.5 million in fiscal year 2022: a $10.8 million (8.5%) increase. The increase was driven by a $6.6 million rise in Pension revenue, and $1.8 million of growth in Water Infrastructure Development Charges.

- Water's Operating Expenses increased by $12.6 million (14.5%) to $99.4 million in fiscal year 2022. The increase in expenses was primarily the result of a $9.1 million (85.7%) increase in Administration costs (primarily in loans within the City) and a $3.7 million (8.0%) increase in Cost of Services (primarily in water purchases).

- Total Assets increased from $959.2 million in fiscal year 2021 to $996.4 million in fiscal year 2022, a $37.1 million (3.9%) increase. A $8.2 million increase in Unrestricted Cash was the primary cause of the overall decrease in Water's assets.

- Total Liabilities fell by $8.5 million (-1.9%) from $450.8 million in fiscal year 2021 to $442.4 million in fiscal year 2022. The overall decline in Total Liabilities was caused by a $9.5 million (-2.9%) decrease in the Long-Term Notes Payable in addition to a $2.5 million (-33.9%) decrease in Net OPEB Obligation.

Sewer

The Sewer Fund's Net Position increased by $6.4 million (0.9%), from $716.4 million in fiscal year 2021 to $722.7 million in fiscal year 2022. The driver behind the Net Position increase was an increase of $21.3 million (18.8%) in Current Assets, an increase of $11.0 million (21.0%) in Total Restricted Assets, and an increase of $19.6 million (83.0%). This was offset by a $20.1 million (1,664.7%) increase in Total Deferred Inflows, a $16.2 million (-2.5%) decrease in Capital Assets, and a $4.3 million (3.3%) increase in Total Liabilities from fiscal year 2021's figure of $131.8 million.

The growth in Current Assets and Total Other Assets powered an increase of $35.7 million (4.3%) in Total Assets to $876.4 million. The overall increase in Current Assets was primarily caused by a $10.1 million increase in Unrestricted Cash. The overall increase in Total Other Assets was due to a $24.15 million increase in Net Pension Asset. These increases were partially offset by a decrease in Capital Assets of $16.2 million (-2.5%). The decrease in Capital Assets was mainly caused by a $25.0 million (7.5%) increase in Accumulated Depreciation and a $82.4 million (-66.8%) decrease related to Construction in Progress.

The growth in Total Liabilities was primarily caused by a $7.8 million (9.0%) increase in Long-Term Notes Payable: specifically, those for the Southwest Recycled Water project. The growth in Long-Term Notes Payable was offset by a decrease in Other Liabilities caused by a decrease in the balance of Capacity Rights totaling $2.7 million (-65.8%) and a decrease in Net OPEB Obligation totaling $2.3 million (-34%).

The Unrestricted Cash was also bolstered by Operating Income of $11.7 million, which was an increase from fiscal year 2021's Operating Income of $8.4 million. Revenues were up slightly ($9.9 million, or 12.6%) due to increases in Charges for Services; specifically an increase in Customer User Charges of $4.2 million and an increase in Pension Revenue of $5.9 million. Operating Expenses grew by $6.6 million (9.5%). The Operating Expense growth consisted primarily of $5.8 million in Costs of Services such as an increase of $2.1 million in Utilities charges and a $3.1 million increase in repairs & maintenance adjustments.

Solid Waste Management

The Solid Waste Management Fund's (Solid Waste) Net Position declined from fiscal year 2021's figure of $32.7 million to fiscal year 2022's figure of $29.4 million: a $3.4 million (-10.2%) decrease. The Net Position decrease was primarily due to a $12.8 million (1,532.7%) increase in Total Deferred Inflows of Resources, which included a $11.2 million (20,443.6%) increase in Unamortized Pension Expense to the fiscal year 2022 total of $11.3 million. In addition, Total Restricted Assets decreased by $6.2 million (-37.7%) to $10.2 million and this was offset by a $17.9 million increase in Net Pension Asset to the fiscal year 2022 total of $20.2 million.

Solid Waste's operational results were reflected on the fund's Statement of Net Position by a decrease of $4.5 million in Cash and Investments and Total and a $6.2 million decrease in Total Restricted Assets, offset by a $17.9 million increase in Net Pension Asset and a $11.2 million increase in Unamortized Pension Expense.

Transit

The Transit Fund saw a bounce back from the prior years' impact caused by the COVID-19 pandemic, which had a major impact on the Transit Fund (Transit) during 2020 and 2021. Ridership increased in 2022. Transit transported 7.0 million passengers in fiscal year 2022, a 25% increase from fiscal year 2021's ridership 5.6 million passengers. The 5.6 million passengers was the lowest passenger count that Transit has experienced in over twenty years.

Transit's revenues increased $13.6 million (582.9%) to $11.2 million. The main driver of the increase in revenue was a $11.3 million increase in Pension Revenue. Operating Expenses grew $4.6 million (7.1%). Increases in contract transportation (up $1.0 million), and special projects expenses (up $0.8 million) were the main causes in Transit's overall Operating Expense increase.

Transit's operating results would have resulted in a significant reduction in Net Position were it not for a large influx of grant funding from federal and state agencies. That influx can be seen in a $15.0 million (31.3%) increase in Operating Grant Revenue to $62.9 million. These awards also drove growth in Total Restricted Cash, which went from $25.0 million in fiscal year 2021 to $53.80 million in fiscal year 2022: a $28.8 million (114.8%) increase. The increase in Total Restricted Cash was offset by a decrease in Grants Receivable of $26.3 million (-82.3%). The impact of additional grant funding caused the Transit Fund's Net Position to grow by $10.1 million (7.0%) from $144.6 million in fiscal year 2021 to $154.6 million in fiscal year 2022.

Airports

Airports' Fund saw a return to pre-pandemic passenger levels with fiscal year 2022's origin and destination passengers numbering 2,210,005, 70.0% higher than the prior fiscal year's passenger count of 1,294,591. The increase in passenger levels brings the ridership above levels seen prior to the pandemic.

The increase in passenger traffic had an impact on Operating Revenues, which increased $12.6 million (57.9%) to $34.4 million. The overall increase in Operating Revenues was powered by increases in passenger driven and airline activity revenues, particularly Parking Revenues, which rose to $4.9 million (26.4%). Yet, while revenues increased by 57.9%, Operating Expenses only increased by $1.8 million (5.4%) to a total of $34.6 million. The increase in Operating Expenses was primarily driven by an increase in professional consulting services.

The increase in revenues and small change in expenses had a predictable effect on Total Assets, which increased $32.8 million (11.8%) to $310.6 million. The overall increase in Total Assets was due to several factors:

- A $15.1 million (491.0%) increase in Net Receivables
- A $9.3 million (25.9) increase in Construction in Progress
- A $7.5 million (10.6%) increase in Infrastructure
- A $6.3 million (28.0%) increase in Current Unrestricted Cash.

In addition to the increase in Total Assets, Airports experienced a decrease in Total Liabilities, which shrank $6.1 million (-6.6%) to $86.4 million. Current Liabilities also decreased by $1.7 million (-15.8%) to $9.0 million; led by a $2.6 million decrease in Accounts Payable.

The increase in Total Assets and the decrease in Total Liabilities resulted in Total Net Position increasing by $9.6 million (5.0%) from fiscal year 2021's Net Position of $189.9 million to $199.5 million.

Convention Center

While the Convention Center Fund (Convention Center) was the City operation most impacted by COVID-19 restrictions during fiscal year 2021 when no events took place, fiscal year 2022 saw the return of events at the Convention Center. Consequently, Convention Center recorded $5.7 million of revenue in fiscal year 2022: a $5.7 million (287,300.0%) increase.

Along with an increase in revenues due to increased event activity, Convention Center's expenses also increased. The total increase of $4.4 million (107.2%) from fiscal year 2021's expenses of $4.1 million to a total of $8.4 million were led by a $2.3 million increase in Salaries/Benefits expenses and a $1.1 million increase in Repairs and Maintenance expenses.

Due to a greater increase in revenues than in expenses, the Convention Center's Net Position managed to go from -$1.2 million in fiscal year 2021 to $2.6 million in fiscal year 2022: a $3.8 million (318.9%) improvement. A drop of $7.1 million (-27.1%) in Total Liabilities, mainly caused by a $4.0 million decline in Bonds Payable as a result of scheduled debt service payments, contributed significantly to the improvement in Net Position. This decline in Bonds Payable was partially offset by an overall decline in Total Assets of $3.2 million (-12.9%) from fiscal year 2021's Total Assets figure of $24.9 million. An increase of $2.0 million (2.8%) in Accumulated Depreciation was the major contributor to the decline in Total Assets.

Stadium

Even though baseball was played at the stadium, financial results from those games were impacted both by COVID-19 restrictions and a new operating agreement with Major League Baseball. In December 2020, Major League Baseball completed its overhaul of the minor league system. As a result of that overhaul, Fresno's baseball team moved from a AAA affiliation to an A affiliation. This move to a lower affiliation resulted in modification to the operating lease between the City and the team. Among the changes to the terms of the lease were:

- Annual rent was reduced from $500,000/year to $100,000/year.
- City agreed to pay up to $300,000/year in utility costs.
- Annual capital contribution made by the team and the City decreased from $300,000/year to $50,000/year from each party.
- City will receive $15% of any naming rights revenues above $650,000/year (escalating 2% per year).
- Team will pay $1/ticket for any turnstile attendance over 150,000/year.

In spite of the reduced financial contribution from the team, the Stadium Fund continued to build on the improvement in Net Position it displayed in fiscal year 2021. Net Position grew from $5.1 million in fiscal year 2021 to $6.2 million in fiscal year 2022. Two factors drove the overall increase in Net Position:

- A $1.7 million (-6.7%) decrease in Total Liabilities, primarily Bonds Payable as a result of scheduled debt service payments.
- A $1.0 million (3.4%) increase in Total Assets, primarily $1.3 million of increased Accumulated Depreciation offset by $1.8 million of increased Construction in Progress and $1.2 million of increased Machinery and Equipment.

Internal Service Funds

The Net Position deficit in the Internal Service Funds grew by $15.3 million (37.1%) to -$56.6 million in fiscal year 2022. The increase in the Net Position deficit was primarily due to an increase of $25.0 million (17.2%) in the Short-Term and Long-Term (combined) Liability for Self-Insurance and $26.1 million (369.6%) increase in Due to Other Funds. Partially offsetting these liability increases were increases of $29.3 million (28.7%) in Unrestricted Cash and $11.9 million (14.4%) in Total Net Capital Assets.

The Internal Service Funds' Statement of Revenues, Expenses, and Changes in Net Position mirrored the results of the Statement of Net Position. Contributors to the increase in expenses are a $2.5 million increase of the Fleet Management Fund's fuel cost and a $3.4 million increase in Repairs and Maintenance expense from both the Information Services Internal Service Fund and the Fleet Management Fund.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets for its Governmental and Business-Type Activities, before Component Units, as of June 30, 2022, amount to $2,722.7 million (net of accumulated depreciation). Capital assets include land, buildings and improvements, machinery and equipment, park facilities, roads, streets, traffic signals, streetlights, bridges, and construction in progress. The City's capital assets net increase for the current fiscal year was approximately 1.1% (a 6.8% increase for Governmental Activities, a -2.0% decrease for Business-Type Activities) as shown in the table below. Capital assets for the fiscal year ended June 30, 2021 amounted to $2,702,619 million (net of accumulated depreciation). The net increase for 2021 was approximately 0.2% (a 0.3% decrease for Governmental Activities, a 0.4% increase for Business-Type Activities)

Changes in Capital Assets, Net of Depreciation

(in thousands)

Asset Category	Governmental Activities		Business-Type Activities		Total Government-Wide	
	2021	2022	2021	2022	2021	2022
Land	$263,040	$270,918	$54,426	$53,867	$317,466	$324,785
Intangibles (Indefinite Life)	—	—	17,949	18,897	17,949	18,897
Buildings and Improvements, Net	144,950	178,525	581,285	847,332	726,235	1,025,857
Machinery and Equipment, Net	60,872	65,982	37,733	39,798	98,605	105,780
Infrastructure	402,107	397,715	660,335	521,307	1,062,442	919,022
Construction In Progress	71,103	85,336	408,819	243,040	479,922	328,376
Total	$942,072	$998,476	$1,760,547	$1,724,241	$2,702,619	$2,722,717

Major capital asset events during fiscal year 2022, some of which were in progress during the previous fiscal year, included the following:

- ***South Van Ness Industrial Roadway and Utilities Infrastructure Improvement Project***
  The City's Public Works Department completed the South Van Ness Industrial Project, in coordination with and to benefit many of the South Van Ness industrial area businesses, under a grant from the U.S. Economic Development Administration (EDA). The project consisted of replacing or installing concrete curb and gutter, street widening or pavement replacement as needed and resurfacing, storm drain infrastructure, traffic access & circulation improvements, and safety enhancements for the South Van Ness Industrial Area in the City of Fresno.

- ***Housing for Homeless Assistance***
  In FY22, the City purchased multiple motels to provide emergency shelter for homeless residents. In total, the Valley Inn, Ambassador Inn, Villa Motel, and Parkway Inn provided shelter for more than 270 residents. The Travel Inn, purchased in FY21 finished being rehabilitated in FY 22 and provides shelter for more than 150 residents.

- ***Animal Control Facility***
  The Animal Control Facility is located on the 5.1-acre property with an address of 5277 E. Airways Blvd, Fresno, CA 93727. The facility will contain five buildings, ranging in sizes from approximately 6,650 to 14,897 sq. feet and a total building area of 51,928 sq. feet. The five buildings in the complex will consist of a main building for the administrative, operational, and customer service uses; a second building that will house the veterinarian services and isolation rooms for injured and recovering animals; and the remaining three buildings will provide animal housing. The facility allows for the annual intake of approximately 10,000-15,000 animals, with about 8,000-12,000 of those being dogs and 1,000-3,000 being cats. Staff worked with experts in the field to ensure the new facility will be meet the needs of the City of Fresno residents and allow for the humane care and treatment of all animals while they are in the City's animal shelter. The facility provides an adequate number of kennels and play yards for the animals, while also providing adequate space for personnel to intake animals and process adoptions. Additionally, the facility includes a medical suite for veterinarian services, including but not limited to, emergency care for injured animals, spay and neuter surgeries, and the delivery of vaccinations.

At June 30, 2022, the City had commitments related to various construction projects associated with Governmental Activities totaling $18.9 million. Commitments connected with Business-Type Activities at fiscal year-end amounted to $60.4 million. The most significant of the Governmental Activities projects were the installation of various traffic signals throughout Fresno ($13.8 million). The most significant of the Business-Type Activities projects were the Collection System Rehabilitation & Extensions ($11.0 million) and PTMISEA ($8.2 million). A complete list of projects appear in Note 13(H) - Commitments and Contingencies, page 160 under Construction and Other Significant Commitments.

Debt Administration

At the end of fiscal year 2022, the City had total long-term bond obligations, notes, and leases payable outstanding of $880.7 million. Of this amount, $88.6 million are obligation bonds, backed by the full faith and credit of the City, while $629.0 million are revenue bonds and notes of the City's business enterprises and $1.6 million are tax allocation debt issued by the Successor Agency of the Redevelopment Agency. The remaining $161.5 million includes lease revenue bonds, notes and capital leases for general governmental projects. For detailed information on the City's debt, see Note 7-Long Term Liabilities, pages 101-120.

During fiscal year 2022, the City's total bonded debt decreased by $16.7 million. This decrease was due to both normal debt service payments made during the year , netted by an increase in loans to the Water Division by the State Water Resources Control Board.

The City also took the following actions in fiscal year 2022:

- Drew down from the California State Water Resources Control Board an additional $13.3 million in already-approved loans for water transport projects and sewer projects.
- Borrowed an additional $4.6 million through the Master Equipment Lease Purchase Agreement with Banc of America Public Capital Corp for public safety vehicles.
- Borrowed $19.9 million for energy efficiency projects that will offset savings in expenses paid to PG&E.

The ratio of net general obligation bonded debt to taxable valuation and the amount of bonded debt per capita are useful indicators of the City's debt position to management, citizens and investors. A comparison of these indicators (as stated in thousands) follows:

	Fiscal Year					
		2022		2021		2020
General Bonded Debt (Par Amount)	$	88,640	$	98,395	$	107,555
General Bonded Debt Per Capita	$	163.00	$	180.00	$	197.00
Debt Service Tax Rate Per $100 Taxable Valuation	$	0.21	$	0.24	$	0.28

Although the City's Charter imposes a limit on the amount of general obligation bonds that the City can have outstanding at any given time of 20% of the assessed value of property in the City, the City realizes that it cannot currently support debt of that magnitude with its current tax base and is very cautious about issuing general obligation debt. Currently, there are no general obligation bonds outstanding other than Pension Obligation Bonds issued in 2002.

FINANCIAL OUTLOOK

The City continued to experience a strong rebound in financial performance from the impacts of the pandemic. Sales tax revenue experienced another record year of growth resulting in $192.9 million for fiscal year 2022. Meanwhile property taxes continued with steady growth due to assessed valuation increases resulting from sales. The City's local economy boasts the second strongest recovery in the United States, evidence of it's resiliency. Additionally, the City's allocation of the American Rescue Plan Act (ARPA) continue to support recovery efforts.

Nationally, risks to economic growth are increasingly present. Confronted with concerns of rising inflation, the Federal Reserve has raised interest rates multiple times in an effort to cool economic activity while avoiding a recession, a task the Legislative Analyst's Office labels as "narrow". Already, the effects of Federal Reserve actions can be seen statewide with decreases in home sales, car sales and stock prices. Unemployment rates remain at historic lows creating strain for employers to meet demand. These realities underscore the importance of prudent financial management with a sound reserve management policy. The City concluded the 2022 fiscal year with a $39.7 million General Fund Emergency Reserve.

The City will continue to monitor sources with particular expertise of influencing factors that may effect the fiscal condition and outlook of economic activity. Publications provided by the Legislative Analyst's Office, the UCLA Anderson Forecast and others provide invaluable insights that help shape planning.

CONCLUSION

Fiscal year 2022 continued to demonstrate financial stability along the path to broader economic recovery from the effects of the pandemic. Certainly these efforts have been significantly buoyed by State and Federal resources provided to mitigate the impacts of COVID. While encouraging, risks remain going forward. In addition to the aforementioned conditions facing the national economic landscape, significant geopolitical pressures exist threatening economic growth. These conditions cannot be understated and will surely shape planning going forward as the City seeks to provide stability in services for the citizens of Fresno.

REQUESTS FOR INFORMATION

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. Below is the contact information for questions about this report or requests for additional financial information.

Documents can be made accessible in alternative ADA compliant formats upon request. To request documents in alternative ADA Compliant formats, contact the Finance Department at Finance@*fresno.gov or (559) 621-7001.*

CITY OF FRESNO
Office of the Controller/Finance Department
2600 Fresno Street, Room 2156
Fresno, California 93721-3622

www.fresno.gov

GOVERNMENT-WIDE FINANCIAL STATEMENTS

This page intentionally left blank

CITY OF FRESNO, CALIFORNIA

Statement of Net Position

June 30, 2022

(in thousands)

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and Investments	$ 346,173	$ 307,108	$ 653,281
Accounts Receivables, Net	108,166	89,378	197,544
Internal Balances	22,403	(22,403)	—
Inventories	1,073	7,634	8,707
Prepaid Items	562	1,371	1,933
Other Assets	1,114	520	1,634
Property Held for Resale	3,600	—	3,600
Restricted Cash and Investments	133,207	241,030	374,237
Restricted Interest Receivable	—	465	465
Loans, Notes, Leases, and Other Receivables, Net	75,321	15,376	90,697
Net Pension Asset	644,438	161,215	805,653
Capital Assets:			
Not Being Depreciated	356,254	315,804	672,058
Net of Accumulated Depreciation	650,249	1,408,970	2,059,219
Total Assets	2,342,560	2,526,468	4,869,028
Deferred Outflows of Resources			
Charge on Refunding	3,169	138	3,307
Deferred Outflows - Pensions	65,621	14,115	79,736
Deferred Outflows - OPEB	22,208	9,338	31,546
Total Deferred Outflows of Resources	90,998	23,591	114,589
Liabilities			
Accrued Liabilities	42,829	26,415	69,244
Unearned Revenue	106,643	55,366	162,009
Deposits from Others	14,912	18,997	33,909
Other Liabilities	—	1,396	1,396
Long-Term Liabilities:			
Due Within One Year	82,890	24,902	107,792
Due in More than One Year	551,257	662,670	1,213,927
Total Liabilities	798,531	789,746	1,588,277
Deferred Inflows of Resources			
Deferred Inflows - Pension	372,040	91,838	463,878
Deferred Inflows - OPEB	51,193	22,487	73,680
Deferred Inflows - Leases	1,111	25,059	26,170
Total Deferred Inflows of Resources	424,734	139,384	537,948
Net Position			
Net Investment in Capital Assets	836,439	1,094,088	1,930,527
Restricted for:			
General Government	27,372	—	27,372
Public Protection	3,943	—	3,943
Public Ways and Facilities	128,694	—	128,694
Culture and Recreation	34,936	—	34,936
Community Development	73,586	—	73,586
Emergency Reserve	39,913	—	39,913
27th Pay Period Reserve	2,566	—	2,566
Housing Reserve	4,539	—	5,881
Asset Sale Reserve	1,342	—	1,342
Unrestricted (Deficit)	56,963	526,841	583,804
Total Net Position	$ 1,210,293	$ 1,620,929	$ 2,832,564

The notes to the financial statements are an integral part of this statement.

CITY OF FRESNO, CALIFORNIA

Statement of Activities

Fiscal Year Ended June 30, 2022

(in thousands)

		Program Revenue			Net (Expense) Revenue and Changes in Net Position — Primary Government		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government							
Governmental Activities							
General Government	$ 90,035	$ 22,040	$ 108	$ 52,274	$ (15,613)	$ —	$ (15,613)
Public Protection	270,465	62,152	30,645	3,306	(174,362)	—	(174,362)
Public Ways and Facilities	101,306	37,839	31,461	65,698	33,692	—	33,692
Culture and Recreation	30,324	4,840	720	(488)	(25,252)	—	(25,252)
Community Development	57,123	32,305	11,311	7,763	(5,744)	—	(5,744)
Interest on Long-term Debt	12,683	—	—	—	(12,683)	—	(12,683)
Total Governmental Activities	561,936	159,176	74,245	128,553	(199,962)	—	(199,962)
Business-Type Activities							
Water System	112,301	138,492	193	327	—	26,711	26,711
Sewer System	78,646	87,795	—	4,042	—	13,191	13,191
Solid Waste Management	41,818	35,423	206	—	—	(6,189)	(6,189)
Transit	71,038	11,242	62,915	10,253	—	13,372	13,372
Airports	40,413	40,884	7,959	3,221	—	11,651	11,651
Fresno Convention Center	9,235	5,744	—	—	—	(3,491)	(3,491)
Community Sanitation	8,743	10,706	—	—	—	1,963	1,963
Parks and Recreation	416	630	—	—	—	214	214
Stadium	2,925	279	—	50	—	(2,596)	(2,596)
Total Business-Type Activities	365,535	331,195	71,273	17,893	—	54,826	54,826
Total Primary Government	$ 927,471	$ 490,371	$ 145,518	$ 146,446	$ (199,962)	$ 54,826	$ (145,136)
General Revenues:							
Taxes and Licenses:							
Property Taxes					154,130	—	154,130
Sales Taxes - Shared Revenues					192,874	—	192,874
Franchise Taxes					18,271	—	18,271
Business Tax					21,764	—	21,764
Room Tax					15,205	—	15,205
Other Taxes					3,528	—	3,528
Investment Earnings					(10,409)	(24,697)	(35,106)
Transfers					(7,899)	7,899	—
Total General Revenues and Transfers					387,464	(16,798)	370,666
Change in Net Position					187,502	37,804	225,306
Net Position - Beginning, Restated					1,022,791	1,583,125	2,605,916
Net Position - Ending					$ 1,210,293	$ 1,620,929	$ 2,831,222

The notes to the financial statements are an integral part of this statement.

This page intentionally left blank

FUND FINANCIAL STATEMENTS

This page intentionally left blank

CITY OF FRESNO, CALIFORNIA

Balance Sheet

Governmental Funds

June 30, 2022

(in thousands)

	General Fund	Grants Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Investments	$ 47,810	$ 2,971	$ 184,518	$ 235,299
Receivables, Net	18,207	485	1,892	20,584
Grants Receivable	180	18,354	1,315	19,849
Intergovernmental Receivables	42,676	—	17,511	60,187
Due From Other Funds	14,591	1,749	2,782	19,122
Advances to Other Funds, Net	—	6,848	62	6,910
Property Held for Resale	—	—	3,600	3,600
Restricted Cash	48,180	82,852	1,286	132,318
Loans, Notes, Leases, Other Receivables, Net	—	54,460	20,084	74,544
Total Assets	$ 171,644	$ 167,719	$ 233,050	$ 572,413
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Accrued Liabilities	$ 12,835	$ 14,944	$ 5,303	$ 33,082
Unearned Revenue	4,101	97,749	15	101,865
Due to Other Funds	1,100	4,393	2,655	8,148
Advances From Other Funds	10,862	—	2,552	13,414
Deposits From Others	14,881	—	31	14,912
Total Liabilities	43,779	117,086	10,556	171,421
Deferred Inflows of Resources				
Unavailable Revenue - Property Tax	4,276	—	—	4,276
Unavailable Revenue - Other	18,898	18,334	2,927	40,159
Total Deferred Inflows of Resources	23,174	18,334	2,927	44,435
Fund Balances				
Restricted	—	32,299	184,623	216,922
Committed	48,360	—	—	48,360
Assigned	19,215	—	37,622	56,837
Unassigned	37,116	—	(2,678)	34,438
Total Fund Balances	104,691	32,299	219,567	356,557
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 171,644	$ 167,719	$ 233,050	$ 572,413

The notes to the financial statements are an integral part of this statement.

CITY OF FRESNO, CALIFORNIA

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

June 30, 2022

(in thousands)

Total Governmental Fund Balances	$	356,557
Amounts reported for Governmental Activities in the Statement of Net Position are different because:		
The Net Pension Asset is not a current financial resource, and therefore, is not reported in the funds.		644,438
Capital assets used in Governmental Activities are not current financial resources, and therefore, are not reported in the funds.		1,006,503
Prepaids in Governmental Activities are not current financial resources, and therefore, are not reported in the funds.		562
Deferred outflows of resources reported in the Statement of Net Position		90,998
Accrued interest on long-term debt is not accrued in the funds, but rather, it is recognized as an expenditure when due.		(1,955)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		(625,434)
Difference between deferred inflows of resources reported in the Statement of Net Position and unavailable revenue reported in the Balance Sheet - Governmental Funds		(380,299)
Prepaid bond insurance and original issue premium and discount represent costs associated with the issuance of long-term debt, which are deferred and amortized over the period the debt is outstanding. These costs are reported as expenditures of the current period in the funds.		(7,599)
Internal service funds are used by management to charge the costs of various activities, such as fleet and insurance to individual funds. Assets and liabilities of certain internal service funds are included in Governmental Activities in the Statement of Net Position.		126,522
Net Position of Governmental Activities	$	1,210,293

The notes to the financial statements are an integral part of this statement.

CITY OF FRESNO, CALIFORNIA

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

Fiscal Year Ended June 30, 2022

(in thousands)

	General Fund	Grants Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	$ 360,831	$ —	$ 91,410	$ 452,241
Licenses and Permits	8,332	—	—	8,332
Intergovernmental	5,398	99,134	34,142	138,674
Charges for Services	32,292	—	34,669	66,961
Fines	2,726	—	—	2,726
Use of Money and Property	(3,213)	1,262	(5,099)	(7,050)
Miscellaneous	1,191	4,630	2,615	8,436
Total Revenues	407,557	105,026	157,737	670,320
Expenditures				
Current:				
General Government	27,126	36,007	2,370	65,503
Public Protection	263,159	21,690	2,791	287,640
Public Ways and Facilities	11,311	19,532	42,600	73,443
Culture and Recreation	16,722	1,263	7,638	25,623
Community Development	33,443	19,493	4,408	57,344
Capital Outlay	19,645	23,233	32,563	75,441
Debt Service:				
Principal	2,580	—	18,202	20,782
Interest	389	—	11,968	12,357
Total Expenditures	374,375	121,218	122,540	618,133
Excess (Deficiency) of Revenues Over (Under) Expenditures	33,182	(16,192)	35,197	52,187
Other Financing Sources (Uses)				
Transfers In	8,587	2,100	54,013	64,700
Transfers Out	(40,021)	(6,238)	(28,431)	(74,690)
Total Other Financing Sources (Uses)	(31,434)	(4,138)	25,582	(9,990)
Net Changes in Fund Balances	1,748	(20,330)	60,779	42,197
Fund Balances - Beginning	102,943	52,629	158,788	314,360
Fund Balances - Ending	$ 104,691	$ 32,299	$ 219,567	$ 356,557

The notes to the financial statements are an integral part of this statement.

CITY OF FRESNO, CALIFORNIA

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

Fiscal Year Ended June 30, 2022

(in thousands)

Net change in fund balances - total governmental funds	$	42,197
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which cost of capital assets of $89,808 exceeded depreciation of $45,645 in the current period.		44,163
Some expenses, retention payable, and Net OPEB Liability reported in the Statement of Activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.		(1,897)
In the Statement of Net Position, acquiring debt increases Long-Term Liabilities and does not affect the Statement of Activities. Additionally, repayment of principal is an expenditure in the governmental funds but reduces liability in the Statement of Net Position.		20,721
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis of accounting, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues.		(12,594)
Changes to the net pension asset and pension related deferred outflows and inflows of resources do not provide current financial resources, and therefore, are not reported in the governmental funds.		94,670
Revenues recognized in the Statement of Activities in previous years and recognized in the governmental fund statements in the current year were less than revenues recognized in the Statement of Activities in the current year but not reported in the governmental funds as they do not provide current financial resources.		6,627
Internal Service Funds are used by management to charge the costs of certain activities, such as insurance and fleet, to individual funds. The net revenues of certain activities of internal service funds are reported with Governmental Activities in the Statement of Activities.		(6,385)
Change in net position of Governmental Activities	$	187,502

The notes to the financial statements are an integral part of this statement.

CITY OF FRESNO, CALIFORNIA

Statement of Net Position

Proprietary Funds

June 30, 2022

(in thousands)

	Business-Type Activities - Enterprise Funds				
	Water System	Sewer System	Solid Waste Management	Transit	Airports
Assets					
Current Assets:					
Cash and Investments	$ 129,493	$ 105,566	$ 2,250	$ 15,698	$ 28,840
Interest Receivable	664	533	85	240	238
Accounts Receivables, Net	25,359	15,903	6,607	211	18,161
Grants Receivable	—	—	—	5,671	763
Inventories	1,629	4,840	—	754	345
Prepaid Items	884	32	9	41	269
Intergovernmental Receivables	—	921	—	7,006	137
Due from Other Funds	9,816	6,713	3,024	161	443
Restricted Cash and Investments	—	—	—	—	—
Total Current Assets	167,845	134,508	11,975	29,782	49,196
Noncurrent Assets:					
Restricted:					
Cash and Cash Equivalents	67,638	63,405	10,207	53,804	38,313
Interest Receivable	245	220	—	—	—
Total Restricted Assets	67,883	63,625	10,207	53,804	38,313
Other Assets:					
Other Receivables	1,207	3,089	—	—	—
Other Assets	—	5	—	—	208
Net Pension Asset	30,283	27,792	20,173	51,631	14,704
Unamortized CVP Water Settlement	822	—	—	—	—
Solid Waste Rate Payers	—	—	10,258	—	—
Advances to Other Funds, Net	4,019	12,302	—	—	—
Total Other Assets	36,331	43,188	30,431	51,631	14,912
Capital Assets:					
Land and Intangibles	34,029	17,513	2,803	2,216	11,318
Buildings, Systems and Improvements	496,770	580,678	1,567	74,641	217,398
Machinery and Equipment	1,018	6,114	6,039	80,843	5,589
Infrastructure	318,442	348,797	—	—	78,321
Right to Use Assets Being Amortized	—	209	—	—	507
Construction in Progress	139,449	40,956	2,444	12,951	45,167
Less Accumulated Depreciation	(265,405)	(359,236)	(4,231)	(69,523)	(150,079)
Total Capital Assets, Net	724,303	635,031	8,622	101,128	208,221
Total Noncurrent Assets	828,517	741,844	49,260	206,563	261,446
Total Assets	996,362	876,352	61,235	236,345	310,642
Deferred Outflows of Resources					
Charge on Refunding	—	—	—	—	10
Pension Contributions	1,700	1,530	1,136	3,000	911
Deferred Outflows - Pension	883	801	571	1,499	501
Deferred Outflows - OPEB	1,517	1,413	979	3,400	804
Total Deferred Outflows of Resources	$ 4,100	$ 3,744	$ 2,686	$ 7,899	$ 2,226

The notes to the financial statements are an integral part of this statement.

Business-Type Activities - Enterprise Funds					
Fresno Convention Center	Stadium	Other Enterprise Funds	Total	Internal Service Funds	
					Assets
					Current Assets:
$ 1,942	$ 80	$ 2,767	$ 286,636	$ 131,346	Cash and Investments
—	6	18	1,784	521	Interest Receivable
317	2,052	3,511	72,121	1,825	Accounts Receivables, Net
—	—	—	6,434	—	Grants Receivable
66	—	—	7,634	1,073	Inventories
136	—	—	1,371	562	Prepaid Items
—	—	—	8,064	—	Intergovernmental Receivables
—	—	909	21,066	2,844	Due from Other Funds
598	—	—	598	—	Restricted Cash and Investments
3,059	2,138	7,205	405,708	138,171	Total Current Assets
					Noncurrent Assets:
					Restricted:
752	907	969	235,995	5,326	Cash and Investments
—	—	—	465	—	Interest Receivable
752	907	969	236,460	5,326	Total Restricted Assets
					Other Assets:
—	—	—	4,296	—	Other Receivables
102	191	14	520	—	Other Assets
—	—	6,825	151,408	38,678	Net Pension Asset
—	—	—	822	—	Unamortized CVP Water Settlement
—	—	—	10,258	—	Solid Waste Rate Payers
—	—	—	16,321	—	Advances to Other Funds, Net
102	191	6,839	183,625	38,678	Total Other Assets
					Capital Assets:
4,163	710	12	72,764	—	Land and Intangibles
86,632	43,489	3,743	1,504,918	12,526	Buildings, Systems and Improvements
309	2,783	67	102,762	147,710	Machinery and Equipment
—	—	—	745,682	—	Infrastructure
—	—	—	716	3,235	Right to Use Assets Being Amortized
—	2,028	—	242,995	27,304	Construction in Progress
(73,393)	(21,079)	(2,287)	(945,233)	(93,347)	Less Accumulated Depreciation
17,711	27,931	1,535	1,724,604	97,428	Total Capital Assets, Net
18,565	29,029	9,343	2,144,689	141,432	Total Noncurrent Assets
21,624	31,167	16,548	2,550,397	279,603	Total Assets
					Deferred Outflows of Resources
58	20	50	138	—	Charge on Refunding
—	—	392	8,669	2,403	Pension Contributions
—	—	222	4,477	1,247	Deferred Outflows - Pension
17	—	416	8,546	2,346	Deferred Outflows - OPEB
$ 75	$ 20	$ 1,080	$ 21,830	$ 5,996	Total Deferred Outflows of Resources

The notes to the financial statements are an integral part of this statement.

CITY OF FRESNO, CALIFORNIA

Statement of Net Position

Proprietary Funds

June 30, 2022 (continued)

(in thousands)

	Business-Type Activities - Enterprise Funds				
	Water System	Sewer System	Solid Waste Management	Transit	Airports
Liabilities					
Current Liabilities:					
Accrued Liabilities	$ 6,313	$ 5,721	$ 1,356	$ 4,169	$ 5,403
Accrued Compensated Absences and HRA	306	388	313	693	385
Liability for Self-Insurance	—	—	—	—	—
Unearned Revenue	7,597	12,907	—	33,796	—
Due to Other Funds	115	136	564	139	35
Bonds Payable	—	885	—	—	3,055
Accrued Closure Cost	—	—	800	—	—
Capital Finance Obligations	—	—	—	—	—
Notes Payable	11,604	1,013	—	—	—
Lease Liability	—	18	—	—	164
Total Current Liabilities	25,935	21,068	3,033	38,797	9,042
Noncurrent Liabilities					
Accrued Compensated Absences and HRA	1,944	1,860	1,442	2,907	1,536
Capital Finance Obligations	—	—	—	—	—
Liability for Self-Insurance	—	—	—	—	—
Bonds Payable	90,329	—	—	—	72,405
Accreted Interest Payable on Capital Appreciation Bonds	—	—	—	—	—
Notes Payable	318,081	94,643	—	—	—
CVP Litigation Settlement	127	—	—	—	—
Lease Liability	—	174	—	—	182
Pollution Remediation Obligation	—	—	—	—	406
Other Liabilities	—	1,396	—	—	—
Accrued Closure Costs	—	—	10,374	—	—
Advances from Other Funds	—	—	2,969	—	—
Net OPEB Liability	4,845	4,601	3,115	9,735	2,360
Deposits Held for Others	1,094	12,351	—	—	464
Total Noncurrent Liabilities	416,420	115,025	17,900	12,642	77,353
Total Liabilities	442,355	136,093	20,933	51,439	86,395
Deferred Inflows of Resources					
Deferred Inflows - Pension	16,765	15,210	11,299	29,833	9,033
Deferred Inflows - OPEB	3,485	3,271	2,318	8,334	1,942
Deferred Inflows - Leases	3,024	2,784	—	—	16,046
Total Deferred Inflows of Resources	23,274	21,265	13,617	38,167	27,021
Net Position					
Net Investment in Capital Assets	304,288	538,298	8,622	101,128	132,426
Unrestricted (Deficit)	230,545	184,440	20,749	53,510	67,026
Total Net Position (Deficit)	$ 534,833	$ 722,738	$ 29,371	$ 154,638	$ 199,452

The notes to the financial statements are an integral part of this statement.

Business-Type Activities - Enterprise Funds					
Fresno Convention Center	Stadium	Other Enterprise Funds	Totals	Internal Service Funds	
					Liabilities
					Current Liabilities:
$ 1,356	$ 836	$ 228	$ 25,382	$ 8,824	Accrued Liabilities
—	—	37	2,122	733	Accrued Compensated Absences and HRA
—	—	—	—	37,746	Liability for Self-Insurance
—	—	—	54,300	5,844	Unearned Revenue
—	—	645	1,634	33,147	Due to Other Funds
3,037	1,870	60	8,907	—	Bonds Payable
—	—	—	800	—	Accrued Closure Cost
—	—	—	—	6,925	Capital Lease Obligations
—	—	—	12,617	—	Notes Payable
—	—	—	182	407	Lease Liability
4,393	2,706	970	105,944	93,626	Total Current Liabilities
					Noncurrent Liabilities
—	—	327	10,016	5,246	Accrued Compensated Absences and HRA
—	—	—	—	29,843	Capital Lease Obligations
—	—	—	—	170,181	Liability for Self-Insurance
11,140	20,674	1,488	196,036	—	Bonds Payable
3,078	—	—	3,078	—	Accreted Interest Payable on Capital Appreciation Bonds
—	—	—	412,724	—	Notes Payable
—	—	—	127	—	CVP Litigation Settlement
—	—	—	356	2,431	Lease Liability
—	—	—	406	—	Pollution Remediation Obligation
—	—	—	1,396	—	Other Liabilities
—	—	—	10,374	—	Accrued Closure Costs
—	—	—	2,969	—	Advances from Other Funds
69	—	1,158	25,883	3,798	Net OPEB Liability
409	—	—	14,318	4,679	Deposits Held for Others
14,696	20,674	2,973	677,683	216,178	Total Noncurrent Liabilities
19,089	23,380	3,943	783,627	309,804	Total Liabilities
					Deferred Inflows of Resources
—	—	3,809	85,949	23,695	Deferred Inflows - Pension
25	—	982	20,357	8,381	Deferred Inflows - OPEB
—	1,648	1,557	25,059	343	Deferred Inflows - Leases
25	1,648	6,348	131,365	32,419	Total Deferred Inflows of Resources
					Net Position
3,591	5,407	158	1,093,918	57,822	Net Investment in Capital Assets
(1,006)	752	7,301	563,317	(114,446)	Unrestricted (Deficit)
$ 2,585	$ 6,159	$ 7,459	$ 1,657,235	$ (56,624)	Total Net Position (Deficit)

Some amounts reported for Business-Type Activities in the Statement of Net Position are different due to certain Internal Service Fund assets and liabilities being included with Business-Type Activities.	(36,306)
Net position of Business-Type Activities	$ 1,620,929

The notes to the financial statements are an integral part of this statement.

CITY OF FRESNO, CALIFORNIA

Statement of Revenues, Expenses and Changes in Fund Net Position

Proprietary Funds

Fiscal Year Ended June 30, 2022

(in thousands)

	Business-Type Activities - Enterprise Funds				
	Water System	Sewer System	Solid Waste Management	Transit	Airports
Operating Revenues:					
Charges for Services	$ 138,492	$ 87,795	$ 35,423	$ 11,242	$ 34,439
Operating Expenses:					
Cost of Services	50,163	33,868	21,677	46,059	14,820
Administration	19,691	17,220	16,614	16,014	7,949
Amortization	—	19	—	—	165
Depreciation	29,525	25,024	531	7,592	11,709
Total Operating Expenses	99,379	76,131	38,822	69,665	34,643
Operating Income (Loss)	39,113	11,664	(3,399)	(58,423)	(204)
Non-Operating Revenue (Expenses):					
Operating Grants	192	—	206	62,915	7,959
Interest Income	2,091	1,731	223	276	970
Net Increase (Decrease) in Cash Fair Value	(11,347)	(9,674)	(896)	(3,660)	(3,201)
Interest Expense	(11,137)	(336)	(48)	—	(5,114)
Other Financing Sources - Leases	—	—	—	—	(224)
Passenger Facility Charges	—	—	—	—	4,234
Customer Facility Charges	—	—	—	—	2,211
Gain (Loss) on Disposal of Capital Assets	—	(685)	—	—	—
Total Non-Operating Revenue (Expenses)	(20,201)	(8,964)	(515)	59,531	6,835
Income (Loss) Before Contributions & Transfers	18,912	2,700	(3,914)	1,108	6,631
Capital Contributions	328	4,042	—	10,253	3,221
Transfers In	1	1	1,594	—	—
Transfers Out	(1,473)	(346)	(1,033)	(1,453)	(268)
Change in Net Position	17,768	6,397	(3,353)	9,908	9,584
Total Net Position (Deficit) - Beginning Restated	517,065	716,341	32,724	144,730	189,868
Total Net Position (Deficit) - Ending	$ 534,833	$ 722,738	$ 29,371	$ 154,638	$ 199,452

The notes to the financial statements are an integral part of this statement.

Business-Type Activities - Enterprise Funds					
Fresno Convention Center	Stadium	Other Enterprise Funds	Totals	Internal Service Funds	
					Operating Revenues:
$ 5,744	$ 279	$ 11,335	$ 324,749	$ 195,712	Charges for Services
					Operating Expenses:
5,231	254	5,485	177,557	160,607	Cost of Services
1,156	172	3,033	81,849	34,447	Administration
—	—	—	184	—	Amortization
2,023	1,275	188	77,867	14,145	Depreciation
8,410	1,701	8,706	337,457	209,199	Total Operating Expenses
(2,666)	(1,422)	2,629	(12,708)	(13,487)	Operating Income (Loss)
					Non-Operating Revenue (Expenses):
—	—	—	71,272	—	Operating Grants
—	48	77	5,416	1,308	Interest Income
—	(89)	(168)	(29,035)	(5,243)	Net Increase (Decrease) in Cash Fair Value
(825)	(1,224)	(61)	(18,745)	(778)	Interest Expense
—	—	—	(224)	—	Other Financing Sources - Leases
—	—	—	4,234	—	Passenger Facility Charges
—	—	—	2,211	—	Customer Facility Charges
—	—	—	(685)	—	Gain (Loss) on Disposal of Capital Assets
(825)	(1,265)	(152)	34,444	(4,713)	Total Non-Operating Revenue (Expenses)
(3,491)	(2,687)	2,477	21,736	(18,200)	Income (Loss) Before Contributions & Transfers
—	50	—	17,894	—	Capital Contributions
6,122	3,694	1,300	12,712	4,130	Transfers In
—	—	(1,025)	(5,598)	(1,254)	Transfers Out
2,631	1,057	2,752	46,744	(15,324)	Change in Net Position
(46)	5,102	4,707		(41,300)	Total Net Position (Deficit) - Beginning Restated
$ 2,585	$ 6,159	$ 7,459		$ (56,624)	Total Net Position (Deficit) - Ending

Some amounts reported for Business-Type Activities in the Statement of Activities are different due to the net revenue (expenses) of certain Internal Service Funds being reported with Business-Type Activities.	(8,940)
Change in net position of Business-Type Activities	$ 37,804

The notes to the financial statements are an integral part of this statement.

CITY OF FRESNO, CALIFORNIA

Statement of Cash Flows

Proprietary Funds

Fiscal Year Ended June 30, 2022

(in thousands)

	Business-Type Activities - Enterprise Funds				
	Water System	Sewer System	Solid Waste Management	Transit	Airports
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash Received from Customers	$ 128,691	$ 82,806	$ 31,762	$ 11,607	$ 34,786
Cash Received from Interfund Services Provided	205	71	69	—	—
Cash Payments (to) from Suppliers for Services	(41,652)	(29,993)	(11,160)	(18,169)	(8,900)
Cash Paid for Interfund Services Used	(10,636)	(8,841)	(15,840)	(7,226)	(3,448)
Cash Payments to Employees for Services	(19,244)	(17,302)	(15,426)	(45,273)	(12,139)
Cash Payments for Claims and Refunds	—	—	—	—	—
Net Cash Provided by (Used for) Operating Activities	57,364	26,741	(10,595)	(59,061)	10,299
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Capital Contributions	328	5,880	—	10,089	3,568
Passenger and Customer Facility Charges					6,445
Interest Payments on Capital Debt	(11,050)	(268)	(47)	—	(3,465)
Proceeds from Issuance of Capital Debt	4,530	8,798	—	—	—
Payment for Cost of Issuance	—	—	—	—	—
Principal Payments on Capital Debt-Bonds	—	—	—	—	(2,885)
Principal Payments on Capital Debt-Notes	(11,537)	(1,003)	—	—	—
Principal Payments on Capital Lease Obligations	—	—	—	—	—
Proceeds (Loss) from Sale of Capital Assets	—	24,826	—	—	(241)
Acquisition and Construction of Capital Assets	(12,182)	(35,451)	(125)	(9,426)	(15,486)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(29,911)	2,782	(172)	663	(12,064)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:					
Operating Grants	192	—	206	107,456	9,000
Borrowing Receipt from (Payment to) Other Funds	—	—	—	—	—
Change in Accounting Estimate	—	(10)	—	—	—
Transfers In	1	1	1,594	—	—
Transfers Out	(1,473)	(346)	(1,033)	(1,453)	(268)
Net Cash Provided by (Used for) Non-Capital Financing Activities	(1,280)	(355)	767	106,003	8,732
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest and Dividends Received (Paid) on Investments	(9,303)	(8,025)	(624)	(3,484)	(2,279)
Net Cash Provided by (Used for) Investing Activities	(9,303)	(8,025)	(624)	(3,484)	(2,279)
Net Increase (Decrease) in Cash and Cash Equivalents	16,870	21,143	(10,624)	44,121	4,688
Cash and Cash Equivalents, Beginning of Year	180,261	147,828	23,081	25,381	62,465
Cash and Cash Equivalents, End of Year	$ 197,131	$ 168,971	$ 12,457	$ 69,502	$ 67,153

The notes to the financial statements are an integral part of this statement.

Business-Type Activities - Enterprise Funds					
Fresno Convention Center	Stadium	Other Enterprise Funds	Totals	Internal Service Funds	
					CASH FLOWS FROM OPERATING ACTIVITIES:
$ 3,741	$ 344	$ 10,707	$ 304,444	$ 113,684	Cash Received from Customers
—	—	—	345	144,337	Cash Received from Interfund Services Provided
(3,141)	(679)	(2,792)	(116,486)	(44,601)	Cash Payments (to) from Suppliers for Services
—	—	(2,059)	(48,050)	(20,865)	Cash Paid for Interfund Services Used
(2,939)	—	(5,084)	(117,407)	(37,330)	Cash Payments to Employees for Services
—	—	—	—	(119,279)	Cash Payments for Claims and Refunds
(2,339)	(335)	772	22,846	35,946	**Net Cash Provided by (Used for) Operating Activities**
					CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:
1,235	50	—	21,150	19,071	Capital Contributions
		—	6,445	—	Passenger and Customer Facility Charges
(1,380)	(1,443)	(78)	(17,731)	(631)	Interest Payments on Capital Debt
—	—	—	13,328	—	Proceeds from Issuance of Capital Debt
—	—	5	5	—	Payment for Cost of Issuance
(3,784)	(1,770)	(55)	(8,494)	—	Principal Payments on Capital Debt-Bonds
—	—	—	(12,540)	—	Principal payments on Capital Debt-Notes
—	—	—	—	(6,276)	Principal Payments on Capital Lease Obligations
—	—	—	24,585	—	Proceeds from Sale of Capital Assets
—	(2,367)	(53)	(75,090)	(22,962)	Acquisition and Construction of Capital Assets
(3,929)	(5,530)	(181)	(48,342)	(10,798)	**Net Cash Provided by (Used for) Capital and Related Financing Activities**
					CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:
	—	—	116,854	—	Operating Grants
	—	(512)	(512)	4,506	Borrowing Receipt from (Payment to) Other Funds
—	—	—	(10)	—	Change in Accounting Estimate
6,122	3,694	1,300	12,712	4,130	Transfers In
—	—	(1,025)	(5,598)	(1,254)	Transfers Out
6,122	3,694	(237)	123,446	7,382	**Net Cash Provided by (Used for) Non-Capital Financing Activities**
					CASH FLOWS FROM INVESTING ACTIVITIES:
—	(31)	(93)	(23,839)	(3,978)	Interest and Dividends Received (Paid) on Investments
—	(31)	(93)	(23,839)	(3,978)	**Net Cash Provided by (Used for) Investing Activities**
(146)	(2,202)	261	74,111	28,552	**Net Increase (Decrease) in Cash and Cash Equivalents**
3,438	3,189	3,475	449,118	108,120	**Cash and Cash Equivalents, Beginning of Year**
$ 3,292	$ 987	$ 3,736	$ 523,229	$ 136,672	**Cash and Cash Equivalents, End of Year**

(Continued)

The notes to the financial statements are an integral part of this statement.

CITY OF FRESNO, CALIFORNIA

Statement of Cash Flows

Proprietary Funds

Fiscal Year Ended June 30, 2022 (Continued)
(in thousands)

	Business-Type Activities - Enterprise Funds				
	Water System	Sewer System	Solid Waste Management	Transit	Airports
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:					
Operating income (loss)	$ 39,113	$ 11,664	$ (3,399)	$ (58,423)	$ (204)
Adjustment to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation expense	29,525	25,024	531	7,592	11,709
Amortization Expense	—	19	—	—	165
Change in assets and liabilities:					
Decrease (increase) in accounts receivable	(3,687)	(4,274)	(641)	165	(15,088)
Decrease (increase) in other receivables	21	2,752	914	—	—
Decrease (increase) in due from other funds	(9,816)	(6,713)	(3,024)	(160)	(443)
Decrease (increase) in due from other governments	—	(46)	—	(11,934)	—
Decrease (increase) in material and supplies inventory	134	(111)	—	(86)	(21)
Decrease (increase) in prepaid items	383	59	34	(22)	191
Decrease (increase) in net pension asset & deferred outflows	(20,995)	(19,183)	(14,227)	(37,501)	(11,220)
Decrease (increase) in advances to other funds	946	1,115	(742)	—	—
Decrease (increase) in prepaid insurance	—	9	—	—	18
(Decrease) increase in accounts payable	2,346	1,279	7	(175)	188
(Decrease) increase in salaries payable	97	266	298	829	173
(Decrease) increase in due to other funds	(205)	(158)	(534)	(69)	(51)
(Decrease) increase in other liabilities	—	(2,689)	—	—	—
(Decrease) increase in retention payable	—	—	—	(47)	60
(Decrease) increase in accrued closure costs			(929)		
(Decrease) increase in unearned revenue	—	—	—	11,497	—
(Decrease) increase in liability for self-insurance					
(Decrease) increase in deposits	—	—	—	—	8
(Decrease) increase in pollution remediation liability					(45)
(Decrease) increase in net OPEB liability	(2,486)	(2,332)	(1,666)	(6,116)	(1,417)
(Decrease) increase in deferred inflows of resources	21,988	20,060	12,783	35,389	26,276
Net Cash Provided by (Used For) Operating Activities	$ 57,364	$ 26,741	$ (10,595)	$ (59,061)	$ 10,299
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:					
Cash and Investments:					
Unrestricted	$ 129,493	$ 105,566	$ 2,250	$ 15,698	$ 28,840
Restricted - Current and Noncurrent	67,638	63,405	10,207	53,804	38,313
Cash and Cash Equivalents at End of Year on Statement of Cash Flows	$ 197,131	$ 168,971	$ 12,457	$ 69,502	$ 67,153
Noncash Investing, Capital, and Financing Activities:					
Acquisition/construction of capital assets on accounts payable	$ 1,036	$ 2,632	$ 49	$ 988	$ 1,756
Amortization of bond premium, discount and loss on refunding	88	—	—	—	(39)
Borrowing under capital financing	—	—	—	—	—
Decrease (increase) in fair value of investments	(9,100)	(7,830)	(597)	(3,331)	(2,643)
Decrease in unamortized CVP water settlement receivable and decrease in CVP litigation settlement payable	(127)				

The notes to the financial statements are an integral part of this statement.

	Business-Type Activities - Enterprise Funds				
	Fresno Convention Center	Stadium	Other Enterprise Funds	Totals	Internal Service Funds
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:					
Operating income (loss)	$ (2,666)	$ (1,422)	$ 2,629	$ (12,708)	$ (13,487)
Adjustment to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation expense	2,023	1,275	188	77,867	14,145
Amortization expense	—	—	—	184	—
Change in assets and liabilities:					
Decrease (increase) in accounts receivable	1,042	(1,584)	(1,767)	(25,834)	(173)
Decrease (increase) in other receivables	—	—	—	3,687	—
Decrease (increase) in due from other funds	—	—	(910)	(21,066)	1,315
Decrease (increase) in due from other governments	—	—	—	(11,980)	—
Decrease (increase) in material and supplies inventory	(35)	—	—	(119)	(186)
Decrease (increase) in prepaid items	15	—	6	666	22
Decrease (increase) in net pension asset & deferred outflows	4	—	(4,774)	(107,896)	(29,686)
Decrease (increase) in advances to other funds	—	21	—	1,340	—
Decrease (increase) in prepaid insurance	—	—	1	28	—
(Decrease) increase in accounts payable	334	(273)	(202)	3,504	(2,153)
(Decrease) increase in salaries payable	(28)	—	(112)	1,523	765
(Decrease) increase in due to other funds	—	—	421	(596)	21,396
(Decrease) increase in other liabilities	—	—	—	(2,689)	—
(Decrease) increase in retention payable	—	—	—	13	—
(Decrease) increase in accrued closure costs			—	(929)	—
(Decrease) increase in unearned revenue	(23)	—	—	11,474	4,290
(Decrease) increase in liability for self-insurance			—	—	15,694
(Decrease) increase in deposits	(3,002)	—	—	(2,994)	195
(Decrease) increase in pollution remediation liability			—	(45)	—
(Decrease) increase in net OPEB liability	(15)	—	(717)	(14,749)	(6,761)
(Decrease) increase in deferred inflows of resources	12	1,648	6,009	124,165	30,570
Net Cash Provided by (Used For) Operating Activities	$ (2,339)	$ (335)	$ 772	$ 22,846	$ 35,946
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:					
Cash and Investments:					
Unrestricted	$ 1,942	$ 80	$ 2,767	$ 286,636	$ 131,346
Restricted - Current and Noncurrent	1,350	907	969	236,593	5,326
Cash and Cash Equivalents at End of Year on Statement of Cash Flows	$ 3,292	$ 987	$ 3,736	$ 523,229	$ 136,672
Noncash Investing, Capital, and Financing Activities:					
Acquisition/construction of capital assets on accounts payable	$ —	$ 578	$ —	$ 7,039	$ 2,899
Amortization of bond premium, discount and loss on refunding	(260)	(207)	(16)	(434)	—
Borrowing under capital financing	—	—	—	—	20,827
Decrease (increase) in fair value of investments	—	(47)	(133)	(23,681)	(4,283)
Decrease in unamortized CVP water settlement receivable and decrease in CVP litigation settlement payable			—	(127)	—

The notes to the financial statements are an integral part of this statement.

CITY OF FRESNO, CALIFORNIA

Statement of Fiduciary Net Position

Fiduciary Funds - Trust and Custodial Funds

June 30, 2022

(in thousands)

	Pension Trust Funds	Successor Agency to the Fresno Redevelopment Agency Private-Purpose Trust Fund	Custodial Funds
Assets			
Cash and Investments	$ 1,968	$ 3,182	$ 3,300
Restricted Cash and Investments Held by Fiscal Agent	—	443	554
Total Cash and Investments	1,968	3,625	3,854
Receivables:			
Receivables for Investments Sold	28,983	—	—
Interest and Dividends Receivable	5,598	—	9
Other Receivables	2,339	47	—
Due from Other Governments	—	—	379
Total Receivables	36,920	47	388
Investments, at Fair Value:			
Short-Term Investments	13,112	—	—
Domestic Equity	1,055,209	—	—
Corporate Bonds	371,511	—	—
International Developed Market Equities	443,289	—	—
Government Bonds	205,016	—	—
Alternatives	848,560	—	—
Real Estate	532,153	—	—
Total Investments	3,468,850	—	—
Collateral Held for Securities Lent	131,286	—	—
Capital Assets, Net of Accumulated Depreciation	964	—	—
Other Assets	312	—	—
Property Held for Resale	—	293	—
Total Assets	3,640,300	3,965	4,242
Deferred Outflows of Resources			
Charge on Refunding	—	2	—
Pension Contributions	—	109	—
Total Deferred Outflows of Resources	—	111	—
Liabilities			
Accrued Liabilities	52,128	181	20
Collateral Held for Securities Lent	131,286	—	—
Due To Other Funds			103
Due to Other Governments	—	—	3
Other Liabilities	3,623	—	—
Long-Term Debt:			
Due Within One Year	—	512	—
Due in More than One Year	—	1,098	—
Advances From Other Funds (Due to City of Fresno)	—	6,848	—
Net Pension Liability	—	318	—
Total Liabilities	187,037	8,957	126
Deferred Inflows of Resources			
Unamortized Pension Expense	—	335	—
Net Position			
Restricted for Pension Benefits	3,453,263	—	—
Restricted for Individuals, Organizations, and Other Governments			4,116
Held in Trust for Redevelopment Dissolution	—	(5,216)	—
Total Net Position	$ 3,453,263	$ (5,216)	$ 4,116

The notes to the financial statements are an integral part of this statement.

CITY OF FRESNO, CALIFORNIA

Statement of Changes in Fiduciary Net Position

Fiduciary Funds - Trust Funds

Fiscal Year Ended June 30, 2022

(in thousands)

	Pension Trust Funds	Successor Agency to the Fresno Redevelopment Agency Private-Purpose Trust Fund	Custodial Funds
Additions			
Contributions:			
Employer	$ 49,573	$ —	$ —
System Members	26,466	—	—
Total Contributions	76,039	—	—
Investment Income:			
Net Appreciation in Fair Value of Investments	(305,756)	—	—
Interest	18,399	—	23
Dividends	30,943	—	—
Other Investment Related	124	—	—
Total Investment Income	(256,290)	—	23
Less Investment Expense	(37,447)	—	—
Total Net Investment Income	(293,737)	—	23
Securities Lending Income:			
Securities Lending Earnings	884	—	—
Less Securities Lending Expense	(291)	—	—
Net Securities Lending Income	593	—	—
Property Taxes	—	3,365	
Taxes Collected for Organizations and Other Governments			701
Fees Collected for Organizations and Other Governments			4,744
Other Income	—	43	—
Total Additions	(217,105)	3,408	5,468
Deductions			
Benefit Payments (including post retirement supplemental benefits)	145,049	—	—
Refund of Contributions	2,014	—	—
Redevelopment Expenses	—	167	—
General and Administrative Expenses	4,176	304	—
Deposits Held for Others	—	—	4,883
Principal on Debt			270
Interest on Debt	—	193	167
Total Deductions	151,239	664	5,320
Change in Net Position	(368,344)	2,744	148
Net Position - Beginning, Restated	3,821,607	(7,960)	3,968
Net Position - Ending	$ 3,453,263	$ (5,216)	$ 4,116

The notes to the financial statements are an integral part of this statement.

This page intentionally left blank

NOTES TO THE FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

The financial statements of the City of Fresno (City) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant accounting policies of the City are described below.

A. Reporting Entity

The City is a political subdivision chartered by the State of California and, as such, can exercise the powers specified by the Constitution and laws of the State of California. The City operates under its own Charter and is governed by a directly elected strong Mayor and a seven-member City Council (Council). The City Manager serves as the head of the administrative branch of the City and is appointed by the Mayor.

As required by GAAP, these basic financial statements present the financial status of the City (the primary government) and its component units (entities for which the City is considered to be financially accountable). The blended component units, although legally separate entities, are substantially part of the City's operations. Thus, data from these units are combined with data of the primary government.

As a government agency, the City is exempt from both federal income taxes and state franchise taxes.

B. Government-Wide and Fund Financial Statements

The Government-Wide Financial Statements (the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government and its blended component units. For the most part, the effect of interfund activity has been removed from these statements. Interfund services provided and used are not eliminated in the consolidation process. Governmental Activities, which normally are supported by taxes and inter-governmental revenues, are reported separately from Business-Type Activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the clearly identifiable direct expenses of a given function or segment is offset by program revenues. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported instead as general revenues. The accounts of the City are organized on the basis of funds. A fund is a separate accounting entity with a self-balancing set of accounts. Each fund was established for the purpose of accounting for specific activities in accordance with applicable regulations, restrictions, or limitations. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds (though the latter are excluded from the Government-Wide Financial Statements). Major individual governmental funds and major individual enterprise funds are reported by separate columns in the Fund Financial Statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Government-Wide, Proprietary Fund, and Trust Fund Financial Statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. Proprietary Funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal, ongoing operations. The principal operating revenues of the City's enterprise and internal service funds are charges to customers for sales and for services. Operating expenses for enterprise funds and internal service funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Custodial Fund Financial Statements use the accrual basis of accounting and a measurement focus on the periodic determination of additions, deductions, and net position restricted for benefits.

Governmental Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers property tax revenues, local taxes, licenses, interest, and other intergovernmental revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when the City receives cash. Expenditures generally are recorded when a liability is incurred. However, debt service, vacation, sick leave, claims and judgments expenditures are recorded only when payment is due.

The City reports on the following major governmental funds, proprietary (enterprise) funds, and fiduciary funds:

1. Major Governmental Funds

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

Grants Special Revenue Fund accounts for grants received from federal, state, and other agencies, which are to be used for various purposes identified within the confines of the individual grant.

2. Major Proprietary (Enterprise) Funds

Water System Fund accounts for the construction, operation, and maintenance of the City's water distribution system. Revenues are derived from water service fees and various installation charges.

Sewer System Fund accounts for the construction, operation, and maintenance of the City's sewer system. Revenues are derived from sewer service fees and various installation charges.

Solid Waste Management Fund accounts for the operations of the City's residential solid waste disposal service. Revenues are primarily derived from solid waste service fees.

Transit Fund accounts for the operation and maintenance of the City's mass transportation service. Primary revenue sources are rider fares, federal grants, and state operating grants.

Airports Fund accounts for the City's two airport operations. Revenues are primarily derived from fees and rents.

Fresno Convention Center Fund accounts for the operation and maintenance of the City's convention center. Revenues are primarily derived from fees charged for using the facilities, supplemented by General Fund support.

Stadium Fund accounts for the construction, operation and maintenance of the City's baseball stadium. Revenues are derived from the leasing of the facilities, supplemented by General Fund support.

3. Nonmajor Governmental Funds

Nonmajor Special Revenue Funds are used to account for the proceeds of revenue sources that are restricted or committed to expenditure for specified purposes other than debt service and capital projects. Funds listed under Special Revenue Funds include High Speed Rail Fund, Fresno Revitalization Corporation Fund, Special Gas Tax Fund, Measure C Fund, Community Services Fund, Urban Growth Management (UGM) Impact Fees Fund, Low and Moderate Income Housing Fund, and Special Assessments Fund.

Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest. Numbers for City debt and Financing Authorities/Corporations debt are presented in separate columns on the financial statements.

Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays.

4. Nonmajor Proprietary Funds

Nonmajor Enterprise Funds account for operations that are financed and operated in a manner similar to private business enterprises. Costs are financed or recovered primarily through user charges. Funds listed under Nonmajor Enterprise Funds include Community Sanitation Fund and Parks and Recreation Fund.

Internal Service Funds account for the financing of goods or services provided by one City department to another City department on a cost reimbursement basis. The General Services Fund accounts for the activities of the equipment maintenance services, centralized telecommunications, information services, and central printing. The Risk Management Fund accounts for the City's self-insurance, including provision for losses on property, liability, workers' compensation, and unemployment compensation. The Billing and Collection Fund accounts for the billing, collecting, and servicing activities for the Water System, Sewer System, Solid Waste Management, and Community Sanitation Funds.

The Employees' Healthcare Plan Fund and the Retirees' Healthcare Plan Fund account for the assets held on behalf of the City of Fresno Employees' Healthcare Plan for claim payments on behalf of qualified employees and retirees. While there is only one plan, there is separate accounting for active employees and retirees. There are no standalone financial reports issued for either Healthcare Plan Fund.

5. Fiduciary Funds

Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. Fiduciary Funds are not reflected in the Government-Wide Financial Statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for other Proprietary Funds.

The City Departmental and Special Purpose Fund account for City-related trust activity, such as fees collected for other entities. The Special Assessments District Fund accounts for the receipts and disbursements for the debt service activity of bonded assessment districts within the City. Custodial Funds use the economic resources measurement focus.

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

Pension Trust Funds account for the assets held on behalf of the City of Fresno Fire and Police Retirement System and the City of Fresno Employees Retirement System for pension benefit payments to qualified employees and retirees. Pension Trust Funds are accounted for in essentially the same manner as other Proprietary Funds.

- ***City of Fresno Fire and Police Retirement System (Fire and Police):*** Fire and Police was established on July 1, 1955, to provide benefits to the public safety employees and retirees of the City. Fire and Police is maintained and governed by Articles 3 and 4 of Chapter 3 of the Fresno Municipal Code. Fire and Police responsibilities include: administration of the trust fund; delivery of retirement, death and disability benefits to eligible members; administration of programs; and general assistance in retirement and related benefits. The governing board is made up of two members appointed by the Mayor, an elected police member, an elected fire member and a board-appointed member.

The activity for Fire and Police is reflected within Fiduciary Funds. Separate financial statements are prepared for the Fire and Police Retirement System and may be obtained from the Retirement Office at 2828 Fresno Street, Fresno, CA 93721-3604 or at https://www.cfrs-ca.org/fire-and-police-retirement-system/financial/.

- ***City of Fresno Employees Retirement System (Employees):*** Employees was established on June 1, 1939, to provide benefits to the general employees and retirees of the City. Employees is governed by Article 5 of Chapter 3 of the Fresno Municipal Code. Employees responsibilities include: administration of the trust fund; delivery of retirement, disability, and death benefits to eligible members; administration of programs; and general assistance in retirement and related benefits. The governing board is made up of two Mayor-appointed members, two elected members and one board-appointed member. The activity for Employees is reflected within Fiduciary Funds. Separate financial statements are prepared for the Employees Retirement System and may be obtained from the Retirement Office at 2828 Fresno Street, Fresno, CA 93721-3604, or at https://www.cfrs-ca.org/employee-retirement-system/ers-financial/.

Private-Purpose Trust Funds account for the custodial responsibilities that are assigned to the Successor Agency to the Redevelopment Agency with the passage of the Redevelopment Dissolution Act.

Custodial Funds account for assets held by the City in a custodial capacity on behalf of individuals or other governmental units.

6. Component Units

In addition to the primary governmental unit, the City also has several component units whose functions are described below:

a. Blended Component Units

Although the following component units are legally separate from the City, the component units have been "blended" into the City's basic financial statements for financial reporting purposes because the governing board is substantially the same as the City Council, there is a financial benefit/burden relationship between the component unit and the City, or City management has the operational responsibility for the component unit. In addition, the component unit provides services exclusively to the primary government or the component unit's total debt outstanding is expected to be repaid with resources of the primary government.

All potential component units were evaluated, resulting in the inclusion of the following entities in the basic financial statements.

Fresno Joint Powers Financing Authority (Authority): The Authority, an independent public entity created in 1988, acquires telecommunications equipment, office furniture, and streetlights; constructs facilities; and installs street improvements through the issuance of limited obligation bonds, certificates of participation and revenue bonds. The Authority currently is leasing these assets to the City. The Authority's three member governing board, consisting of the Mayor and two Council Members, is responsible for the Authority's fiscal and administrative decisions. The financial activity for the Authority is included in the Financing Authorities and Corporations Debt Service Fund. All lease obligations between the Authority and the City have been eliminated in the financial statements. The Authority does not issue separate financial statements.

City of Fresno Employees Healthcare Plan: This component unit provides healthcare to City employees not represented by the Stationary Engineers Local and retired employees who elect to be covered or are covered by the Fresno City Employees Health and Welfare Trusts (Trusts). The Trusts are self-insured trusts administered by an outside third party administrator. The activity for the Trusts is reflected within Internal Service Funds.

Fresno Revitalization Corporation: The Fresno Revitalization Corporation (FRC) is a non-profit public benefit corporation created in 1995 for the purpose of developing a revitalization policy and assisting with the downtown Fresno area development, redevelopment and renewal. The organization received a substantial portion of its support from the former Redevelopment Agency (RDA) and the general public. The seven Council Members of the City and the Mayor became members of the FRC's Governing Board on January 26, 2012.

FRC Canyon Crest, LLC: FRC Canyon Crest, LLC is a special purpose limited liability company owned by the FRC. The purpose of FRC Canyon Crest, LLC was to acquire, operate, maintain, and rehabilitate a 118-unit low income multi-family complex. The complex was owned by a lender in Chicago as a result of a foreclosure of the previous owner. On March 4, 2010, the City Council approved the award of $2.7 million in Neighborhood Stabilization Program (NSP) set aside funds to the FRC to acquire the property. FRC Canyon Crest, LLC acquired the property, while the RDA guaranteed the loan from the seller. The RDA also provided administrative, financial, and technical support to FRC Canyon Crest, LLC in the acquisition and operation of the property through a contractual services agreement. The Agency Loan Guarantee and Operating Agreement also contained a Declaration of Restrictions creating the affordability covenants and long-term maintenance and operating restrictions, which were recorded against and run with the property.

The RDA and FRC Canyon Crest, LLC marketed the property for sale upon rehabilitation and stabilization to a qualified affordable housing developer for ongoing management and property improvements. In September 2011, the FRC and FRC Canyon Crest, LLC entered into an Assignment/Assumption Agreement with a developer as required by the U.S. Department of Housing and Urban Development (HUD). Final purchase of the property by the developer occurred on April 2012. However, the FRC and FRC Canyon Crest, LLC still hold a $500,000 residual receipts note on the property.

As the City is the sole member of FRC Canyon Crest, LLC, the seven City Council members and the Mayor are Board members of FRC Canyon Crest, LLC, the activities of FRC Canyon Crest, LLC are blended into the FRC (and, by extension, the City) because: (1) its governing board is substantially the same as the City Council; (2) it provides services exclusively or almost exclusively for the benefit of the City even though it does not provide services directly to the City; and (3) the City is financially accountable for FRC Canyon Crest, LLC.

Fresno Enhanced Infrastructure Financing District (Fresno EIFD): On September 17, 2020, the Fresno City Council approved the creation of the Fresno EIFD. The Fresno EIFD is intended to serve as a catalyst for private sector investment and critical infrastructure in the City's Downtown Planning Area and the southern portion of the Blackstone Avenue Bus Rapid Transit (BRT) Corridor as characterized in the City General Plan. The Fresno EIFD encompasses approximately 4,237 acres of land, representing approximately 5.8% of the City's total (approximately) 73,400 acres. The Fresno EIFD obtains its funding through property tax increment that is generated above the base fiscal year (2021) amount of property tax. The Fresno EIFD intends to utilize the tax increment revenue stream to issue bonds that will fund approximately $100 million (present value dollars) in multi-modal transportation, mobility, and related improvements, including but not limited to the following:

- Safety and accessibility improvements for car, bicycle, and pedestrian travel modes.
- Roadway and bus infrastructure investments.
- Streetscape, urban greening, and lighting enhancements.
- Improved gateway and wayfinding signage.

The Fresno EIFD is governed by a five member board, which is made up of three City councilmembers and two appointed members of the public that live within the Fresno EIFD.

While there are no financial results from the Fresno EIFD in the Fiscal Year 2022 Annual Comprehensive Financial Report (ACFR), there will be results in future fiscal years as the district receives tax increment, issues bonds, and completes projects. The Fresno EIFD will be reported as a Debt Service Fund.

b. Fiduciary Component Unit

Successor Agency to the Redevelopment Agency of the City of Fresno (Successor Agency): The Successor Agency was created to serve as custodian for the assets and to wind down the affairs of the former RDA. The Governing Board of the Successor Agency consists of the City Council. Over the Successor Agency's Governing Board is the Countywide Oversight Board, which replaced the fifteen oversight boards previously created by successor agencies in Fresno County. Fresno County Oversight Board is comprised of six-member representatives: a representative from the County Board of Supervisors, a representative from the cities within Fresno County, a representative from the independent special district within Fresno County, a representative from the County Office of Education, a representative of the California Community College districts in Fresno County, and a resident of Fresno County.

In general, the Successor Agency's assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments). In future fiscal years, the Successor Agency will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former RDA until all of those enforceable obligations have been paid in full and all assets have been liquidated.

The City became the Housing Successor Agency and has the sole legal authority to administer the former RDA's housing assets. The City may move forward with completing projects under contract at the time of the dissolution and liquidate surplus real estate for the purpose of distributing proceeds to taxing entities, pursuant to approval of repayment of the RDA's obligations to the City.

The Successor Agency is a separate legal entity under Assembly Bill (AB) 1484. The Successor Agency is reported as a Private-Purpose Trust Fund in the City's financial statements. This means that the Successor Agency's assets are considered to be held in a trustee or agency capacity for others and cannot be used to support the City's government's own programs. The housing activity of the former RDA is presented within the Low and Moderate Income Housing Fund, a special revenue fund.

Separate financial statements are prepared for the Successor Agency and can be obtained from the Successor Agency Office at 2344 Tulare Street, Suite 200, Fresno, CA 93721. There is no separate financial report prepared for the Housing Successor Agency.

D. Budgetary Data

The budget of the City is a detailed operating plan which identifies estimated costs and results in relation to estimated revenues. The budget includes (1) programs, projects, services, and activities to be provided during the fiscal year, (2) the estimated resources (inflow) and amounts available for appropriation, and (3) the estimated charges to appropriations. The budget represents a process through which policy decisions are made, implemented, and controlled. The City Charter prohibits expending funds for which there is no legal appropriation.

1. Fund Structure

The budget document is organized to reflect the fund structure of the City's finances. Fund revenues and expenditures are rolled up to the various object levels by division and department for presentation of information to the public. Budget adoption and subsequent administration is carried out on a fund basis.

2. Basis of Accounting

The City adopts annual budgets for most governmental and business-type funds (except Financing Authorities/Corporations and City Debt Service) on the cash basis of accounting plus encumbrances. Major General Fund revenues, such as sales tax and property tax, are budgeted on the modified accrual basis of accounting. Supplemental appropriations during the year must be approved by the City Council. Budgeted amounts are reported as amended.

Encumbrances are commitments related to executed contracts for goods or services. Encumbrance accounting is utilized for budgetary control and accountability and to facilitate cash planning and control. Encumbrances outstanding at year-end are reported as part of restricted, committed, or assigned fund balance. As of June 30, 2022, encumbrances totaled $19.2 million in the General Fund, $53.1 million in the Grants Special Revenue Fund, and $51.8 million in the Non major Governmental Funds.

3. Revenue Estimation

The methodology for calculating revenue estimates varies depending on the source of revenue. Considerable weight generally has been given to historical trends. This emphasis on historical trends is used because of the composition of the Fresno economy, which differs from California in general.

The General Fund is the City's most versatile funding source, since it has the fewest restrictions. Its revenue comes from property and sales taxes, business tax fees, room tax (Transient Occupancy Tax), charges for services, development fees, and revenues from other governmental agencies. Property tax is the largest revenue source in the General Fund. The main source for projecting this revenue is assessed value information received from the County of Fresno.

Revenue estimates for Enterprise and Internal Service Funds are also rooted in historical trends. As those funds are generally self-supporting (meaning, they do not generally receive tax dollars to cover operational costs), revenue estimates also take into account any adjustments to fees assessed by the Enterprise or the Internal Service Funds. Additionally, any anticipated changes in service levels are also reflected in the revenue estimates.

4. Budget Administration

The budget establishes appropriation and expenditure levels. Expenditures may be below budgeted amounts at year-end due to unanticipated or mandated savings. The existence of a particular appropriation in the budget does not automatically mean funds are expended. Because of the time span between preparing the budget and the subsequent adoption by the governing body, actual expenditures are likely to be different than the budgeted amounts.

Each expenditure is reviewed prior to any disbursement. These expenditure review procedures assure compliance with the City's requirements and provide some degree of flexibility for modifying programs to meet changing needs and priorities.

E. New Accounting Pronouncements - Implemented

1. GASB Statement No. 87 - *Leases*

The objective of GASB Statement No. 87 is to better meet the informational needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It also establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Implementation of this Statement had a significant effect on the City's financial statements for the year ended June 30, 2022.

2. GASB Statement No. 89 - *Accounting for Interest Cost Incurred Before the End of a Construction Period*

Under this GASB Statement, the City will no longer book capitalized interest with respect to construction cost and said interest will no longer be capitalized as part of the assets implementation costs. This statement is effective for reporting periods beginning after December 15, 2020 (was originally December 15, 2019), which for the City is June 30, 2022. The City early implemented GASB Statement No. 89 in fiscal year 2019.

3. GASB Statement No. 92 - Omnibus 2020

The primary objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. Application of this statement did not have a material effect on the City's financial statements for the fiscal year ending June 30, 2022.

4. GASB Statement No. 93 - *Replacement of Interbank Offered Rates*

Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR)—most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. Application of this statement did not have a material effect on the City's financial statements for the fiscal year ending June 30, 2022.

5. **GASB Statement No. 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**

   The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. Application of this statement did not have a material effect on the City's financial statements for the fiscal year ending June 30, 2022.

F. New Accounting Pronouncements - Issued But Not Yet Adopted

The City is assessing what effect, if any, the implementation of the following standards will have on the City's financial statements.

1. **GASB Statement No. 91 - *Conduit Debt Obligations***

   The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. Application of this statement is effective for the City's fiscal year ending June 30, 2023.

2. **GASB Statement No. 94 - *Public-Private and Public-Public Partnerships and Availability Payment Arrangements***

   The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Application of this statement is effective for the City's fiscal year ending June 30, 2023.

3. **GASB Statement No. 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. Application of this statement is effective for the City's fiscal year ending June 30, 2023.

4. **GASB Statement No. 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. Application of this statement is effective for the Authority's fiscal year ending June 30, 2023.

5. **GASB Statement No. 100 - *Accounting Changes and Error Corrections – an Amendment of GASB Statement No. 62***

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. Application of this statement is effective for the Authority's fiscal year ending June 30, 2024.

6. **GASB Statement No. 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. Application of this statement is effective for the Authority's fiscal year ending June 30, 2025.

G. Deposits and Investments

1. **Investment in the Treasurer's Pool** - The City Controller/Treasurer invests on behalf of most funds of the City in accordance with the City's investment policy and the California Government Code Section 53601. The City Treasurer, who reports investments and earnings on a monthly basis to the City Council, manages the Treasurer's Investment Pool. The Treasurer's Investment Pool consists of two components: 1) pooled deposits and investments and 2) dedicated investment funds. The dedicated investment funds represent restricted funds related to bond issuances of Enterprise Funds. In addition to the Treasurer's Investment Pool, the City has other funds that are held by trustees. These funds are related to the issuance of Non-Enterprise Fund bonds and certain loan programs of the City.

2. **Investment Valuation** - The City categorizes its investments at fair value measurement within the fair value hierarchy established by generally accepted accounting principles as codified in GASB Statement No. 72, *Fair Value Measurement and Application.*

   All City investments are authorized by statute. The City is invested in the following authorized investment instrumentalities: obligations of the U.S. Treasury, agencies, state and local agencies, and supranationals, negotiable and non-negotiable certificates of deposit, medium term corporate notes, money market mutual funds, and the State Treasurer's investment pool. All are stated at fair value except for the non-negotiable certificates of deposit and money mutual fund which are stated at amortized cost.

3. **Investment Income** - Cash balances of each of the City's funds, except for certain Trust and Custodial Funds and other restricted accounts, are pooled and invested by the City. Interest income from pooled investments is allocated to the individual funds based on the fund participant's average daily cash balance at month end in relation to total pooled investments. The City's policy is to charge interest to those funds that have a negative average daily cash balance at month end. Fiscal year-end deficit cash balances are reclassified as Due to Other Funds and funded by operating funds with positive cash balances.

H. Loans Receivable

For the purposes of the Fund Financial Statements, Special Revenue and Capital Projects Funds expenditures relating to long-term loans arising from loan subsidy programs are recorded as loans receivable net of an estimated allowance for potentially uncollectible loans. In some instances, amounts due from external participants are recorded with an offset to an allowance account. The balance of long-term loans receivable includes loans that may be forgiven if certain terms and conditions of the loans are met.

I. Inventories

Inventories recorded in the Proprietary Funds primarily consist of construction materials and maintenance supplies. Generally, Proprietary Funds value inventory at cost or average cost. Inventory is expensed as it is consumed (the consumption method of inventory accounting). The City uses the purchases method of accounting for inventories in governmental fund types, whereby inventory items are considered expenditures when purchased and are not reported in the balance sheet.

J. Former Redevelopment Agency Property Held for Resale

Property of the former RDA, some of which was allocated to Low and Moderate Income Housing (LMIH) ($3.6 million) and some to the Successor Agency ($0.3 million), is being held for resale per the law dissolving the RDA. The property is recorded at the current determination of the lower of estimated cost or market as documented in its approved Long-Range Property Management Plan (LRPMP). The LRPMP addresses the anticipated disposition and use of the real properties of the former RDA. At June 30, 2022, the adjusted value of the property was $3.9 million.

Property held for sale may, during the period it is held by the City, generate rental income. This rental income is recognized as it becomes due and is considered collectible. The property held by the LMIH appears on the Nonmajor Governmental Fund Financial Statements and Government-Wide Financial Statements as Property Held for Resale. Property held for resale by the Successor Agency is included in the fiduciary funds.

K. Restricted Assets

Restricted cash is classified as restricted assets on the financial statements because it is maintained in separate bank accounts or tracked separately in the City Treasury group of accounts. Use of the proceeds is limited by applicable bond covenants and resolutions. Restricted assets account for the principal and interest amounts accumulated to pay debt service, unspent bond proceeds and amounts restricted for future capital projects. Restricted grants and interest receivable represent cash and receivables contributed for capital projects and the associated interest.

L. Capital Assets

Capital assets, which include land, buildings and improvements, machinery and equipment, infrastructure, and intangible assets, are reported in the applicable Governmental Activities or Business-Type Activities columns in the Government-Wide Financial Statements and in the Private-Purpose Trust Fund (former RDA). All land not included in property held for resale is defined as Capital Assets, regardless of the acquisition cost of the land. All other acquisitions or constructions (excluding Infrastructure) with an initial cost of $15,000 or more (excluding bundled purchases) and having an estimated useful life in excess of two years are defined as Capital Assets. Computer purchases acquired through a capital lease are capitalized in bulk and not on an individual basis.

Infrastructure with an initial cost of more than $50,000 is capitalized. Improvements that extend an asset's life or efficiency by over 25% are also capitalized. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed unless they fall below the initial cost threshold.

Asset Category	Capitalization Threshold
Land	All Land
Buildings, Improvements, and Machinery & Equipment	More than $15,000
Infrastructure	More than $50,000

Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are recorded at acquisition value at the date of donation. Capital outlay is recorded as expenditures of the General, Special Revenue, and Capital Projects Funds and as assets in the Government-Wide Financial Statements to the extent the City's capitalization threshold is met. In prior years, interest cost incurred during the construction phase of capital assets of Business-Type Activities was included as part of the capitalized value of the assets constructed. Amortization of assets acquired under capital lease is included in depreciation and amortization.

Buildings and improvements, infrastructure, and machinery and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated used lives:

Asset Category	Useful Life (Years)
Buildings and Improvements	20 to 40
Infrastructure	15 to 55
Machinery and Equipment	3 to 12

Works of art and historical treasures held for public exhibition, education, or research in furtherance of public service, rather than financial gain, are not capitalized. These items are protected, kept unencumbered, cared for and preserved by the City.

Airports Department capitalizes noise mitigation costs consistent with GASB Statement No. 51 - *Intangible Assets.* Water Rights, in the Water Fund, are also capitalized as Intangible Assets with indefinite useful lives and no amortization. The Airports' Noise Mitigation program consists of improvements made to properties falling within Federal Aviation Administration (FAA) designated high noise impact areas. Although the properties do not belong to Airports, noise insulation measures are installed to reduce the impact of sound decibels inside properties located within the flight path of the airport. In exchange, property owners grant aviation easements to the Airports Department with the easement having an indefinite life. Funding for the program is provided through federal grants.

As of fiscal year end 2022, $18.9 million has been capitalized as an intangible asset. Included in this amount are noise mitigation assets of $2.7 million and Water Rights in the amount of $16.2 million.

Capital Financing Activities

Property, plant and equipment include the following property held under capital financing obligation at June 30, 2022 (in thousands):

	Governmental Activities
Machinery and Equipment	$ 42,215
Less: Accumulated Depreciation	(27,013)
Net Machinery and Equipment	$ 15,202

M. Bond Prepaid Insurance, Bond Premiums and Discounts and Accreted Interest Payable

In the Government-Wide Financial Statements, as well as in the Proprietary Fund type and the Fiduciary Fund type in the Fund Financial Statements, long-term debt and other long-term obligations are reported as liabilities in the applicable Governmental Activities, Business-Type Activities, or

Proprietary Fund and Fiduciary Fund Statement of Net Position. Bond prepaid insurance is reported as other assets and amortized over the term of the related debt. Bond issuance premiums and discounts are amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond issuance premium or discount. Interest accrued on capital appreciation bonds is reported as accreted interest payable in the Proprietary Fund and as Long-Term Liabilities, Due In More Than One Year in the Government-Wide Statements.

N. Deferred Outflows of Resources

1. Refunding of Debt

The City records deferred outflows of resources in its Proprietary, Fiduciary, and Government-Wide Financial Statements which represent a consumption of net assets that applies to future periods. These financial statement elements are distinct from assets.

Unamortized losses occurring from advance refunding of debt are reported as deferred outflows of resources. As of June 30, 2022, the ending balance of refunding charges yet to be amortized into expense consists of the following (in thousands):

Bonds	Charge on Refunding
Governmental Activities:	
Lease Revenue Bonds 2017 A&B, NNLB	$ 14
Lease Revenue Bonds 2017, Parks Impact	716
Lease Revenue Bonds 2017, Various Capital Projects	15
Lease Revenue Bonds 2017, City Hall Chiller	35
Lease Revenue Bonds 2017, Public Safety	2,389
Total Governmental Activities	3,169
Business-Type Activities:	
Airport Revenue Refunding Bonds 2013	10
Lease Revenue Bonds 2017, Convention Center	(4)
Convention Center Improvements 2008 E&F	6
Lease Revenue Bonds 2017, Stadium	20
Lease Revenue Bonds 2017, Exhibit Hall	56
Lease Revenue Bonds 2017, Golf Course	50
Total Business-Type Activities	138
Fiduciary Funds:	
Successor Agency to the Fresno Redevelopment Agency:	
Tax Allocation Bonds Series 2003, Mariposa Project Area	2
Total Charge on Refunding	$ 3,309

2. Pension and OPEB

In the Government-Wide Financial Statements and the Proprietary Fund type in the Fund Financial Statements, deferred outflows of resources are recorded for the current year employer pension contributions to the retirement systems, which represent contributions made after the measurement period in accordance with GASB Statement No. 71. For the OPEB plan, the the employer contribution made after the measurement period is the implicit subsidy for the current fiscal year. Refer to Note 1 (V) and 1 (W) for additional information.

O. Unearned Revenues

Unearned revenues arise when resources are received by the City before it has a legal claim to them (i.e., upfront grants or when the City bills certain fixed rate services in advance). Amounts billed, but not yet earned, are amortized over the service period.

P. Deferred Inflows of Resources

The City records deferred inflows of resources in its Governmental, Proprietary, and Government-Wide Financial Statements which represent an acquisition of net assets that applies to future periods. In the Government-Wide Financial Statements and the Proprietary Fund type in the Fund Financial Statements, deferred inflows of resources are recorded for unamortized pension revenue and unamortized OPEB expense.

In the governmental fund statements, deferred inflows of resources consist of revenues not collected within the availability period after fiscal year-end. The deferred inflows of resources balance as of June 30, 2022 consists of the following unavailable resources (in thousands):

	Deferred Inflows of Resources			
	General Fund	Grants Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Property Taxes	$ 4,276	$ —	$ —	$ 4,276
Franchise Taxes	3,123	—	—	3,123
Business Tax	5,210	—	—	5,210
Measure C and Other Tax	—	—	1,321	1,321
Code Enforcement Revenue	8,641	—	—	8,641
Fire Revenue	857	—	—	857
Grant Revenue	180	18,334	953	19,467
Parking Citations, Fines and Other Revenue	682	—	—	682
Leases	205	—	653	858
Total	$ 23,174	$ 18,334	$ 2,927	$ 44,435

Q. Interfund Transfers

Interfund transfers are generally recorded as transfers in (out). The following types of transactions would not be considered Interfund Transfers, and therefore would not be recorded as an interfund item in the external financial statements. These exceptions include the following:

1. Charges for services are recorded as both revenues of the performing fund and expenditures of the requesting fund. Unbilled costs are recognized as an asset of the performing fund at the end of the fiscal year.

2. Reimbursements for expenditures initially made by one fund which are properly applicable to another fund are recorded both as expenditures in the reimbursing fund and as a reduction of expenditures in the fund that is reimbursed.

R. Fund Balance (Deficit)

In the fund financial statements, fund balances of the governmental funds are reported in a hierarchy of classifications which are based on the extent to which the City is bound to honor constraints on the specific purposes for which the amounts in the funds can be spent. Governmental fund balance classifications consist of the following:

1. ***Nonspendable*** - Includes amounts that are either not in spendable form or are legally/contractually required to be maintained intact. These items include those not expected to be converted to cash, such as inventories, prepaid items, and certain long-term receivables.

2. ***Restricted*** - Includes amounts which have constraints placed on the use of the resources. The constraints are either externally imposed by creditors, grantors, contributors, the legally enforceable laws or regulations of other governments, or by the legally enforceable laws or enabling legislation of the government itself.

3. ***Committed*** - Includes amounts that can only be used for specific purposes. Various reserves, including the City's Emergency Reserve, are included as a committed reserve.

   Resolution No. 2011-64 established the Reserve Management Act which set forth policy with stringent limitations on the reserve funds. This Act increased the minimum reserve balance to 10% of the adopted budget for the next year's General Fund appropriations.

   A November 16, 2012 ballot measure amended Section 1212 of the City Charter to require that the Council establish a policy for managing the City Reserves. The measure also defined several "qualifying events" under which the City's Emergency Reserve could be used. Qualifying events were deemed to be 1) Natural catastrophe; 2) An immediate threat to health and public safety; or 3) A significant decline in General Fund Revenues, which in the opinion of the City Manager, impairs his/her ability to administer the Council adopted budget. All qualifying events must be declared by the Mayor and ratified by a super majority Council vote.

   The Reserve Management Act (the Act) was further amended through Resolution 2015-77, which was adopted on May 15, 2015. The amendment to the Act permitted the use of the Emergency Reserve for year-end cash balancing purposes, with the approval of the Council.

   On June 30, 2022, the Reserve balance identified as Committed Fund Balance was at $48.4 million, including $39.9 million for the General Fund Emergency Reserve.

   On December 7, 2017, with the adoption of Resolution No. 2017-334, the Act was again amended. The Resolution stated that any real or personal asset sale of City property with proceeds greater than $15,000, which would otherwise be deposited into the General Fund, shall instead be deposited into an Asset Sale/Special Windfall Reserve Fund. Proceeds deposited into this new fund are amortized over a five-to-ten year period and used to provide a revenue stream for General Fund items deemed necessary to deliver core City services for the protection and benefit of the citizens of Fresno. Monies from the Asset Sale/Special Windfall Reserve Fund are currently being used to fund salaries of additional police dispatchers. The Committed Fund Balance as of June 30, 2022 includes $1.3 million within this fund.

In addition to the City's Emergency Reserve, the Committed Fund Balance as of June 30, 2022 also consists of $2.6 million designated exclusively for use in a year when a 27th pay period occurs. Monies are set aside each year to fund the extra pay period that is a product of paying employees bi-weekly. The next fiscal year containing a 27th pay period is fiscal year 2028.

The Committed Fund Balance as of June 30, 2022 also includes $4.5 million for the Housing Reserve. Funds in this reserve are to be used exclusively for construction of low-income housing, or subsidizing private sector development of low-income housing.

4. ***Assigned -*** Includes amounts that are not classified as nonspendable, restricted, or committed, but which are intended by the City to be used for specific purposes. Intent is expressed by legislation or action of the City Council, the Mayor, or the City Manager which legislation has delegated the authority to assign amounts for specific purposes.

5. ***Unassigned*** - The residual classification for fund balance, which includes all amounts not reported as nonspendable, restricted, committed, or assigned. The General Fund may report either a positive or negative unassigned fund balance. Unassigned amounts are available for any purpose. Other governmental funds may report only negative unassigned fund balances if expenditures incurred for specific purposes exceeded amounts restricted, committed or assigned for those purposes.

When multiple classifications of resources are available for use, it is the City's policy to use resources in the order of restricted, committed, assigned, and unassigned.

Fund Balances of the governmental funds at June 30, 2022 consisted of the following (in thousands):

	General Fund	Grants Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Fund Balances:				
Restricted:				
Debt Service	$ —	$ —	$ 5,020	$ 5,020
CDBG and Home Loans	—	8,995	—	8,995
Revitalization	—	—	627	627
Culture and Recreation	—	—	31,203	31,203
Street Works	—	—	16,337	16,337
Transportation	—	—	25,548	25,548
Pedestrian and Bicycle Program	—	—	1,166	1,166
Prop 42 Traffic Congestion Relief	—	—	215	215
AD #131 UGM Reimbursement	—	—	1,868	1,868
Forfeitures	—	—	39	39
CASP Program Senate Bill 1186	—	—	758	758
Grants	—	3,202	—	3,202
CARES, Emergency Rental Assist, ARPA Grants	—	11,086	—	11,086
Housing and NSP Grants	—	9,016	—	9,016
Impact Fees	—	—	54,133	54,133
Special Assessment Projects	—	—	13,959	13,959
Low to Moderate Income Housing	—	—	33,750	33,750
Committed:				
27th Pay Period Reserve	2,566	—	—	2,566
Emergency Reserve General Fund	39,913	—	—	39,913
Asset Sale Reserve Fund	1,342	—	—	1,342
Housing Reserve	4,539	—	—	4,539
Assigned:				
Public Works Maintenance	3,355	—	—	3,355
Median Island Maintenance	—	—	4	4
Parks Maintenance	1,654	—	1,085	2,739
Right of Ways Acquisition	—	—	2,556	2,556
Street Tree Fees	—	—	86	86
Public Protection	309	—	1,026	1,335
Public Works Projects	—	—	2,388	2,388
General Purpose	11,648	—	—	11,648
Enterprise Zone	—	—	4	4
City Hall Improvements	—	—	176	176
Various Capital Projects	—	—	678	678
Miscellaneous Paving	—	—	4,233	4,233
PD Capital Projects	—	—	126	126
Fire Capital Projects	—	—	25,246	25,246
Parking Garage 7	—	—	108	108
Woodward & Japanese Garden Projects	—	—	92	92
Police Administration & Patrol	454	—	—	454
Planning & Community Revitalization	1,795	—	—	1,795
Local Agency Protects	—	—	6	6
Unassigned	37,116	—	(2,678)	34,438
Total Fund Balance (Deficit)	$ 104,691	$ 32,299	$ 219,567	$ 356,557

S. Net Position/(Deficit)

Net position/(deficit) represents the difference between assets/deferred outflows of resources and liabilities/deferred inflows of resources in the Government-Wide and Proprietary Fund Statements of Net Position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the reported restricted assets. Unrestricted net position represents net position elements which are not restricted.

T. Cash Flows

The Statements of Cash Flows are presented for Proprietary Fund types. Cash and cash equivalents include all unrestricted and restricted highly liquid investments with original purchase maturities of three months or less. Pooled cash and investments in the City's Treasury represent monies in a cash management pool and such accounts are similar in nature to demand deposits.

U. Regulatory Assets and Liabilities

At June 30, 2022, the Statement of Net Position Business-Type Activities reflected approximately $0.8 million in regulatory assets related to the Central Valley Project (CVP) Water Settlement. These assets will continue to have an impact on water rates which are to be charged to customers over approximately the next 20 years. The settlement for past deficiencies was negotiated between the City and the United States Bureau of Reclamation (USBR). Under GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance*, regulatory assets represent future revenue associated with certain costs (CVP Litigation Settlement) that will be recovered from customers through the ratemaking process.

V. Pensions

For purposes of measuring the net pension asset, deferred outflows/inflows of resources related to pensions and pension revenue/expense, information about the fiduciary net position of the City's two pension plans, City of Fresno Employees Retirement System and the City of Fresno Fire and Police Retirement System (Plans), and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans, which is the accrual basis of accounting. Employer and employee contributions are recognized as revenue when due. Contributions are recorded in the period the related salaries are earned and become measurable. Investment income is recognized when it is earned. The net appreciation in fair value of investments held by the Plans is recorded as an increase to investment income based on the valuation of investments at fiscal year-end, which includes both realized and unrealized gains and losses on investments. Retirement benefits and refunds are recognized when due and payable under the terms of the Plans.

W. Other Post-Employment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows/inflows of resources related to OPEB, and OPEB revenue/expense, information about the fiduciary net position of the City's OPEB Plan, and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis, which is the accrual basis of accounting. For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms. While participant retirees pay 100% of their premium costs, they are allowed to purchase insurance at blended premium rates. Thus, the City's contribution is deemed to be equal to the implicit subsidy, which is that portion of retiree claims costs over premiums contributed by retirees.

X. Estimates

The preparation of financial statements, in conformity with GAAP, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2. Cash and Investments

A. City Cash and Investments

1. Sponsored Investment Pool

As part of the City's total cash and investment portfolio, the Treasury Officer and staff, under the supervision of the Controller, manage an investment pool that includes only internal investors and is available for use by all funds. The pool is not registered with the Securities and Exchange Commission as an investment company. Investment activity is reported monthly to the City Council by posting reports to the City's web page and annually through an investment policy submitted to the Council for review and approval. The investments are reported at fair value, which is determined monthly. Participants' shares are determined by the daily cash balance deposited in the pool (the value of its pool shares). Investment income earned by the pooled investments is allocated to the various funds on a monthly basis, based on each fund's daily cash balance. Interest payments are paid to the various funds also on a monthly basis. The value of the pool shares is based upon amortized cost in day-to-day operations, but is adjusted to the fair value at year-end. The value of the shares is supported by the value of the underlying investments. Each fund type's portion of this pool is displayed on the financial statements as "Cash and Investments." In addition, certain funds related to debt issues have investments with trustees.

The following is a summary of cash, deposits, and investments at June 30, 2022 (in thousands):

(in thousands)	Primary Government			
Category	Governmental Activities	Business-Type Activities	Fiduciary Funds	Total
Cash and Investments	$ 346,173	$ 307,108	$ 8,450	$ 661,731
Restricted Cash and Investments	133,207	241,030	997	375,234
Pension Trust Investments at Fair Value	—	—	3,468,850	3,468,850
Collateral Held for Securities Lent	—	—	131,286	131,286
Total	$ 479,380	$ 548,138	$ 3,609,583	$ 4,637,101

2. Cash and Deposits

At year-end, the City's bank balance was $63.1 million inclusive of Successor Agency to the Fresno Redevelopment Agency Private-Purpose Trust Fund and pension trust funds. The recorded balance reflected in the June 30, 2022 financial statements was $65.2 million. The difference is due to deposits in transit and outstanding checks.

3. Fair Value Hierarchy

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. These principles recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Investments reflect prices quoted (unadjusted) for identical assets or liabilities in active markets.
- Level 2: Inputs other than quoted prices included in Level 1 that are observable for an asset or liability, either directly or indirectly. Inputs to the valuation include prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active.
- Level 3: Inputs are unobservable inputs for an asset or liability where there are little market activities. The inputs into the determination of fair value are based upon unobservable sources and may require estimation.

The City uses the market approach as a valuation technique in the application of GASB Statement No. 72. This method uses prices and other relevant information generated by market transactions involving identical or comparable assets or group of assets. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Securities listed on the fair value hierarchy are valued by the custodial bank using Data Feed purchased from Interactive Data Corporation (IDC). The Level 2 Data Feed provides end of day independent valuations utilizing rules based on logic and standard valuation techniques. It maximizes the use of relevant observable inputs including quoted prices for similar assets, benchmark yield curves, and market corroborated inputs.

The following is a summary of the fair value of the City's investments using the hierarchy previously discussed (in thousands):

Pooled Investments by Fair Value Level	June 30, 2022	Level 1	Level 2
Federal Farm Credit Bank Bonds	$ 105,015	$ —	$ 105,015
Federal Home Loan Bank Bonds	170,113	—	170,113
Federal Home Loan Mortgage Corporation Bonds	33,193	—	33,193
Federal National Mortgage Association Bonds	23,149	—	23,149
Federal Ag Mortgage Corporation	23,326	—	23,326
U.S. Treasury Securities	82,243	82,243	—
U.S. Sovereign Bonds	4,981	—	4,981
Medium Term Corporate Notes	255,296	—	255,296
Negotiable Certificates of Deposit	54,041	—	54,041
Total Pooled Investments by Fair Value	751,357	82,243	669,114
Pooled Investments Not Subject to the Fair Value Hierarchy			
State Local Agency Investment Fund (LAIF)	42,296		
Time Deposits	2,800		
Municipal Bonds	113,360		
Supranationals	27,928		
Money Market Funds	6,000		
Total Pooled Investments Not Subject to the Fair Value Hierarchy	192,384		
Total Pooled Investments	943,741		
Investments Held Outside the Treasurer's Pool by Fair Value Level			
U.S. Treasury Securities	443	443	
Investments Held Outside the Treasurer's Pool Not Subject to the Fair Value Hierarchy			
Money Market Mutual Funds	27,371		
Total Investments Held Outside the Treasurer's Pool Not Subject to the Fair Value Hierarchy	27,371		
Total Investments Held Outside the Treasurer's Pool	27,814		
Grand Total of Investments	$ 971,555	$ 82,686	$ 669,114

Note: There are no level 3 investments.

According to GASB Statement No. 72, money market investments and participating interest-earning investment contracts that have a remaining maturity at the time of purchase of one year or less should be measured at amortized cost, and as such, are not shown in the fair value hierarchy. In addition, the City's investment in LAIF is also not subject to the fair value hierarchy, as the amount available for withdrawal is based on the amortized cost.

4. Cash, Deposits, and Investments

Cash includes amounts in demand and time deposits. Investments are reported in the accompanying financial statements at fair value, except for certain certificates of deposit and investment contracts that are reported at cost because they are not transferable and they have terms that are not affected by changes in market interest rates.

Changes in fair value that occur during a fiscal year are recognized as income from property and investments. Income from property and investments includes interest earnings; changes in fair value; any gains or losses realized upon the liquidation, unrealized gains and losses, maturity, or sales of investments; property rentals and the sale of City owned property.

5. Investments Authorized by the California Government Code and the City's Investment Policy

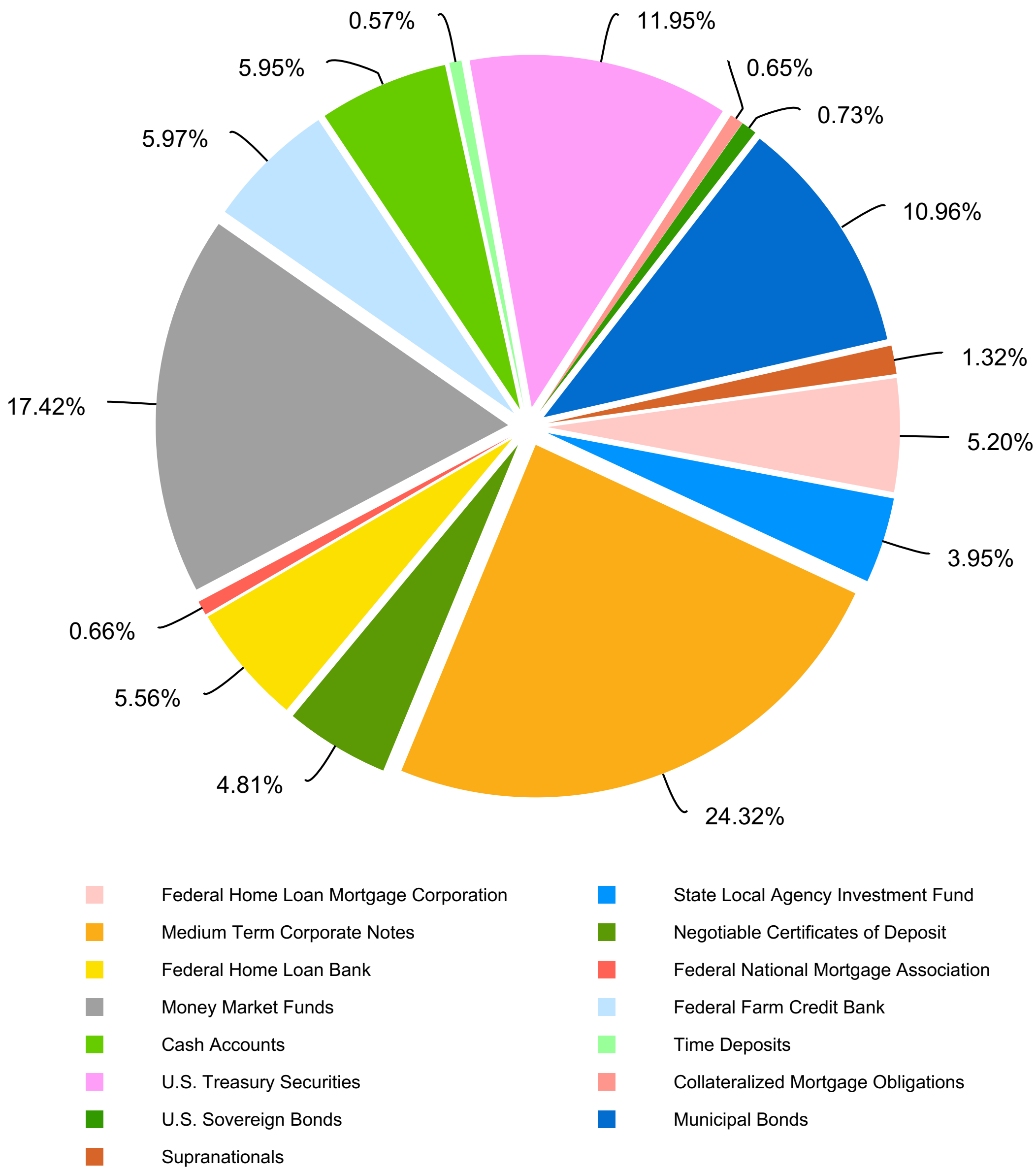
The City maintains a formal investment policy, which is adopted annually by the City Council. All investments held in the Treasurer's Pool are consistent with the City's investment policy objectives of preservation of principal, adequacy of liquidity, and achievement of an average market rate of return.

The policy addresses the soundness of financial institutions in which the City will deposit funds, types of investment instruments as permitted by the California Government Code, and the percentage of the portfolio that may be invested in certain instruments with longer terms to maturity. A copy of the City's current investment policy can be found at **www.fresno.gov/finance/investmentpolicy.pdf.**

The following graphs depict the allocation of the Treasury Pool's assets among the various authorized investments, as well as maturity periods, as of June 30, 2021 and June 30, 2022:

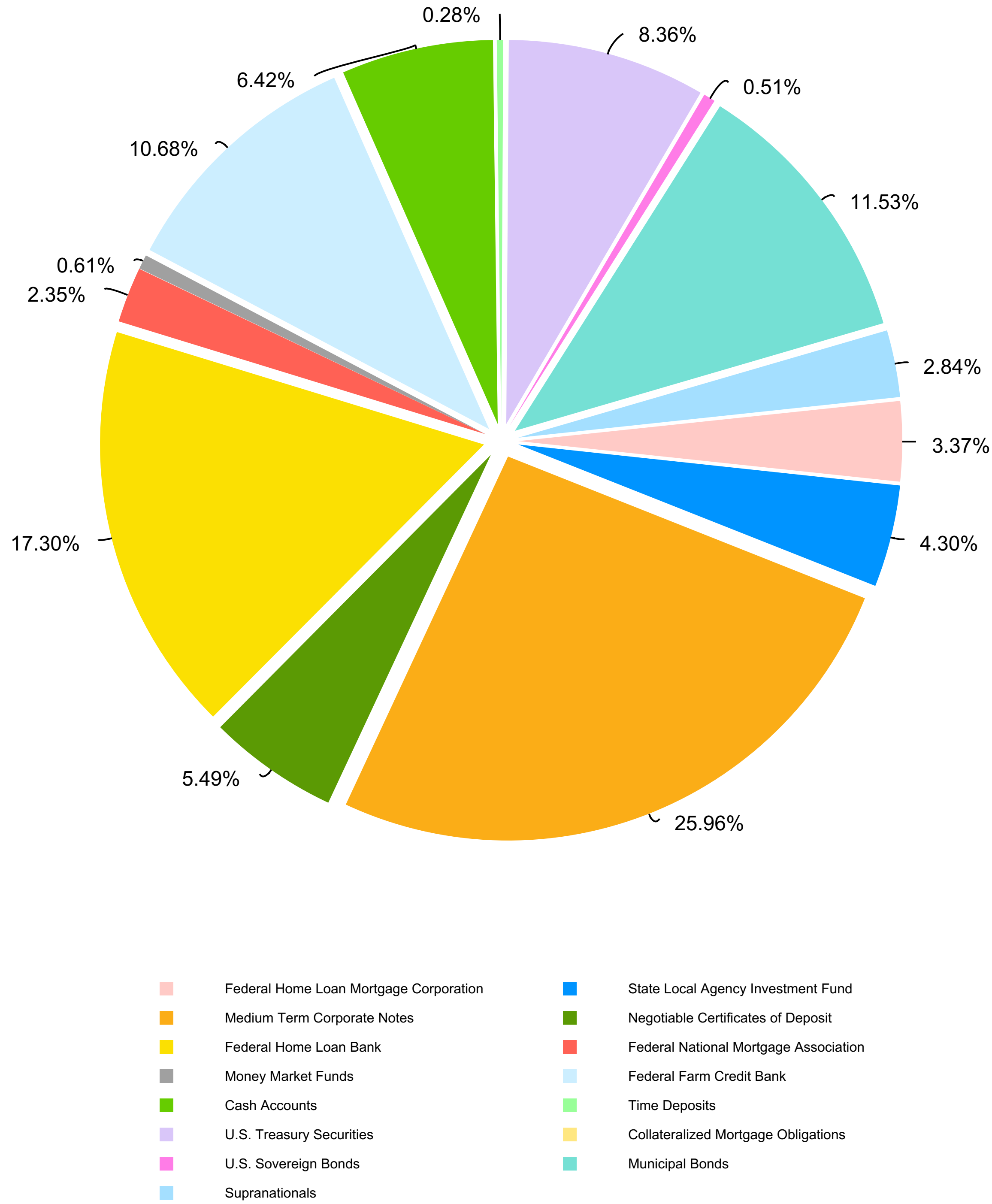
City of Fresno Treasurer's Pool (Fair Value)

June 30, 2022



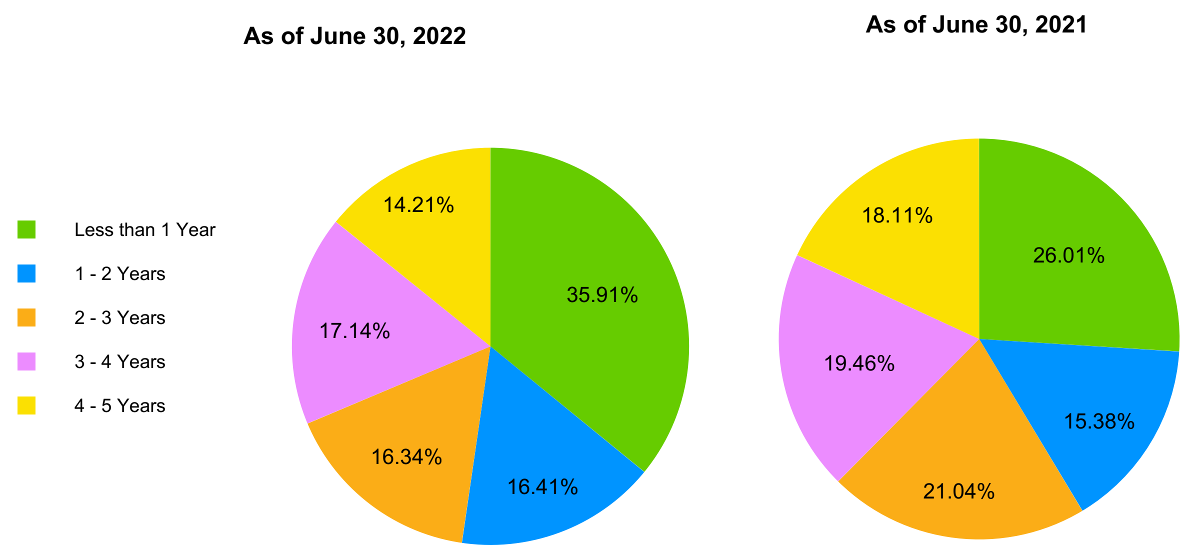
City of Fresno Treasurer's Pool (Fair Value)

June 30, 2021



City of Fresno

Treasurer's Pool Maturity Schedule



B. Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustees is governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. Investments held outside the Treasurer's Pool consist mainly of required reserve funds for various bond issues. They are held by trustees, and are not available for the City's general expenditures.

Investment agreements are used for the investment of bond proceeds in accordance with the permitted investment provisions of the specific bond indentures, which are prepared in accordance with numerous safeguards to reduce the risk associated with a provider's ability to meet its contractual obligations.

The City has invested bond trust monies into securities with maturity periods of one to three years under a "ladder" approach to investing. Such a structure allows for reinvestment in the short-term until interest rates begin to rise. Staff believes that investing in the long-term at this time would commit the City into low earnings, instead of taking advantage of opportunities in case rates begin to rise. During fiscal year 2022, total interest of $0.02 million was earned from the following instruments:

- Money Market Funds - $0.02 million

C. Types of Risk Associated with the Treasury Pool's Investments

1. Investment Risk

The City invests in no derivatives other than structured (step-up) notes, which guarantee coupon payments. These are minimal risk instruments. All investments are held by a third-party custodian in the City's name.

2. Deposit and Investment Risk

The risk disclosures below apply to the City's internal investment pool and deposits as well as investments held by trustees for debt service funds or bond proceeds. Portfolio investments are exposed to four main types of risk: concentration, interest rate, default, and custodial risk. Deposits are exposed primarily to custodial credit risk.

3. Concentration of Credit Risk

The investment policy of the City contains limitations on the amount that can be invested in any one issuer, which are more restrictive than those stipulated by the California Government Code. While the State has no limit on the percentage of the portfolio that can be invested in a single U.S. Government Agency Security, the City's Investment Policy limits investment in any one issuer to 50% of the portfolio. Also, while the State limits investments to 30% of the Portfolio for any single issuer of Medium Term Notes, the City's Investment Policy limits investments to 20% of the portfolio invested in any single issuer. Investments in any one issuer (other than U.S. Treasury securities, money market funds, and external investment pools) that represent 5% or more of the total Treasurer's Pool investments or investments with trustees are as follows (in thousands):

Treasurer's Pool Investments

Issuer	Investment Type	Amount	% of Total
Treasurer's Pool Investments:			
Federal Farm Credit Bank	U.S. Government Agency	$ 105,015	10.43 %
Federal Home Loan Bank	U.S. Government Agency	170,113	16.90 %
Federal Home Loan Mortgage Corp. (FHLMC)	U.S. Government Agency	33,193	3.30 %
Federal National Mortgage Association (FNMA)	U.S. Government Agency	23,149	2.30 %
Federal Ag Mortgage Corporation	U.S. Government Agency	23,326	2.32 %
		$ 354,796	35.25 %

4. **Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally the longer the maturity of an investment, the greater will be the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments. Another way the City mitigates this risk is by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time to provide the cash flow and liquidity needed for operations. The City monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The Investment Policy limits the portfolio's weighted average maturity to three years, except for debt agreements held by trustees which are governed by the indentures and may be longer.

Interest rate risk for the Treasurer's Pool and for investments with trustees is disclosed in the following table. As of June 30, 2022, the City had the following cash and investments in its portfolio (in thousands):

		Investment Maturities			
Treasurer's Pool	**Fair Value**	**Less than 1 Year**	**1 to 5 Years**	**5 to 10 Years**	**More than 10 Years**
Cash Accounts	$ 63,120				
Treasurer's Pool Investments					
U.S. Government Agencies:					
Federal Farm Credit Bank	105,015	$ 14,564	$ 90,451	$ —	$ —
Federal Home Loan Bank	170,113	14,957	155,156	—	—
Federal Home Loan Mortgage Corp.	33,193	—	33,193	—	—
Federal National Mortgage Association	23,149	—	23,149	—	—
Federal Ag Mortgage Corporation	23,326	—	23,326	—	—
Subtotal of U.S. Government Agencies	354,796	29,521	325,275	—	—
U.S. Treasury Securities	82,243	24,915	57,328	—	—
U.S. Sovereign Bonds	4,981	—	4,981	—	—
Medium Term Corporate Notes	255,296	37,700	217,596	—	—
Negotiable Certificates of Deposit	54,041	4,966	49,075	—	—
State Local Agency Investment Fund (CA LAIF)	42,296	42,296	—	—	—
Time Deposits	2,800	2,800	—	—	—
Municipal Bonds	113,360	17,644	95,716	—	—
Supranationals	27,928	4,957	22,971	—	—
Money Market Mutual Funds	6,000	6,000	—	—	—
Total Treasurer's Pool Investments	1,006,861	$ 170,799	$ 772,942	$ —	$ —
Investments Held Outside the Treasurer's Pool					
Debt Service Funds/Bond Proceeds:					
Mutual Funds	27,371	27,371	—	—	—
U.S. Government & Agency Securities	443	443	—	—	—
		$ 27,814	$ —	$ —	$ —
Other Deposits	16,993				
Outstanding Checks	(16,748)				
Deposits in Transit	1,868				
Petty Cash	177				
Pension Trust Assets (See separate ACFRs)	3,600,136				
Total Cash and Investments	$ 4,637,101				

5. Default Credit Risk

Generally, default credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This risk is measured by the assignment of a rating by a nationally recognized statistical rating organization.

The following table represents the minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating as of year-end for each investment type:

Issuer	Amount (in thousands)	Minimum Legal Rating	Rating at Year-End	% of Treasurer's Pool
Treasurer's Pool Investments:				
U.S. Government Agency Securities:				
Federal Farm Credit Bank	$ 105,015	A	AA+	10.43%
Federal Home Loan Bank	170,113	A	AA+	16.90%
Federal Home Loan Mortgage Corporation	33,193	A	AA+	3.30%
Federal National Mortgage Association	23,149	A	AA+	2.30%
Federal Ag Mortgage Corporation	23,326	Unrated	Unrated	2.32%
U.S. Treasury Securities	82,243	A	Aaa	8.17%
U.S. Sovereign Bonds	4,981	A	AA+U	0.49%
Medium Term Corporate Notes:				
AIG Global Funding	4,674	A	A+	0.46%
Apple Inc	18,057	A	AA+	1.79%
Bank of America	17,909	A	A-	1.78%
Bank of New York	7,554	A	A	0.75%
Berkshire Hathaway Inc	5,000	A	AA	0.50%
Caterpillar, Inc.	4,740	A	A	0.47%
Chevron Corp	4,996	A	AA-	0.50%
CIT Group Holdings Inc	10,017	A	A	0.99%
Credit Suisse	4,894	A	A	0.49%
Equitable Financial Life	4,796	A	A+	0.48%
Estee Lauder Co	5,000	A	A+	0.50%
Exxon Mobil Corporation	4,925	A	AA-	0.49%
Florida Power & Light	4,913	A	A+	0.49%
Harvard Pres & Fellows	3,976	A	AAA	0.39%
HSBC USA Inc.	4,972	A	A-	0.49%
JP Morgan Chase	9,036	A	A-	0.90%
Lloyds Bank	4,950	A	A+	0.49%
Massmutual Global Fund	4,886	A	AA+	0.49%
Met Life Global	4,544	a	AA-	0.45%
New York Life	17,766	A	AA+	1.76%
Novartis Capital Corp	5,002	A	AA-	0.50%
Pacific Life	4,832	A	AA-	0.48%
Pricoa Global Funding	5,001	A	AA-	0.50%
Principal Lfe Glb Fnd	4,596	A	A+	0.46%
Protective Life	4,517	A	AA-	0.45%
Royal Bank of Canada	14,053	A	A	1.40%
Sanofi Pharmaceutical	5,002	A	AA	0.50%
Shell International Fin	9,894	A	A+	0.98%
Toyota Motor Credit Corp	25,454	A	A+	2.53%
U.S. Bank Corp	9,637	A	A+	0.96%
UBS Finance Delaware	4,840	A	A+	0.48%
U.S. Bank Na Cincinnati	9,890	A	AA-	0.98%
Wal-Mart Stores	4,974	A	AA	0.49%

Issuer	Amount (in thousands)	Minimum Legal Rating	Rating at Year-End	% of Treasurer's Pool
Municipal Bonds				
Antelope Valley Union High	1,722	NA	NA	0.17%
Chaffey Community College	2,688	NA	NA	0.27%
City of Vallejo	1,481	NA	AA	0.15%
County of Riverside Ca	4,851	NA	AA	0.48%
County of Westchester Ny	1,801	NA	AA+	0.18%
Golden State Tobacco	1,828	NA	A+	0.18%
Golden State Tobacco	5,760	NA	A+	0.57%
Los Altos School Dist	4,769	NA	NA	0.47%
Los Angels Unified School Dist	3,132	NA	Aa3	0.31%
Los Angels Unified School Dist	14,563	NA	A+	1.45%
New York State Dormitory	1,534	NA	AA+	0.15%
New York State Dormitory	980	NA	AA+	0.10%
New York State Urban Dev	4,898	NA	Aa1	0.49%
New York State Urban Dev	1,230	NA	Aa1	0.12%
State of California	4,951	NA	AA-	0.49%
State of California	4,980	NA	AA-	0.49%
State of California	9,468	NA	AA-	0.94%
State of Connecticut	5,007	NA	A+	0.50%
State of Hawaii	5,786	NA	AA+	0.57%
State of New York	6,644	NA	AA+	0.66%
State of Wisconsin	3,969	NA	AA	0.39%
Texas A&M University	4,977	NA	AAA	0.49%
Texas A&M University	2,965	NA	AAA	0.29%
University of California	13,375	NA	AA	1.33%
Supranational				
Inter American Development Bank	9,827	AA	AAA	0.98%
International Bank for Reconstruction & Dev	18,101	AA	AAA	1.80%
Negotiable Certificates of Deposit	54,041	NA	Unrated	5.37%
State Local Agency Investment Pool	42,296	NA	Unrated	4.20%
Time Deposits	2,800	NA	Unrated	0.28%
Money Market Mutual Funds	6,000	NA	Unrated	0.60%
Total Treasurer's Pool Investments	$ 943,741			93.75%

Issuer	Amount (in thousands)	Minimum Legal Rating	Rating at Year-End	% of Investments with Trustees
Investments with Trustees:				
Money Market Funds	$ 27,371	NA	Unrated	98.41%
U.S. Government & Treasury Securities	443	NA	AAA	1.59%
Total Investments with Trustees	$ 27,814			100.00%

[1]Standard & Poor's rating of SP-1 indicates a strong capacity to pay principal and interest. An issue determined to possess a very strong capacity to pay debt service is given a plus (+) designation.

The City of Fresno’s Investment Policy requires that the City only invest in high quality obligations, which means only those with a rating category of “A” or better by a nationally recognized rating service.

6. Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The City maintains cash accounts at Bank of America. The City maintains separate accounts for payment of general accounts payable checks, payroll checks, and utility refund checks. Amounts in excess of $250,000 are securitized in accordance with California Government Code Section 53652. The California Government Code and the City’s investment policy contain legal or policy requirements that limit the exposure to custodial credit risk for deposits. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. The collateral pledged to cover the public fund deposits in California is held in the name of the California Collateral Pool Administrator and is held in their name by the Federal Reserve Bank as custodian. The City had no uncollateralized cash at June 30, 2022. As of June 30, 2022, the City’s deposits with institutions in excess of federal depository insurance limits were $59.9 million held in accounts collateralized in accordance with California law as described above.

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to the transaction, a government will not be able to recover the value of its investment of securities that are in the possession of the counterparty. As of June 30, 2022, in accordance with the City's investment policy, none of the City's investments were held with a counterparty. All of the City's investments were held with an independent third party custodian bank. The City uses Bank of New York Trust Company (BNY) as a third-party custody and safekeeping service for its investment securities. Custodial credit risk is the risk that the City will not be able to recover the value of its investments in the event of a BNY failure. All City investments held in custody and safe-keeping by BNY are held in the name of the City and are segregated from securities owned by the bank. This is the lowest level of custodial credit risk exposure.

D. Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF), which is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on a fair value cost basis. The total amount invested by all public agencies in LAIF as of June 30, 2022, was $35.8 billion. LAIF is part of the California Pooled Money Investment Account (PMIA), which at June 30, 2022, had a balance of $234.5 billion. Of that amount, 1.88% was invested in medium-term and short-term structured notes and asset-backed securities. The average maturity of PMIA investments was 311 days as of June 30, 2022.

LAIF has the following restrictions on withdrawals:

- For same day transactions, the requesting agency must contact LAIF by 10 a.m. PST.
- Transaction calls received after 10 a.m. are processed the following business day.
- A requesting agency can only conduct a maximum of 15 transactions (combination of deposits and withdrawals) per month.
- 24-hour notice is needed for withdrawals of $10 million or more.
- The minimum transaction amount is $5,000, with amounts above the minimum transacted in increments of $1,000.
- Prior to the funds transfer, an authorized person from the requesting agency must call LAIF to do a verbal transaction.

E. Pension Trust (Retirement Systems) Deposits and Investments

The investment guidelines for the City of Fresno's Retirement Systems (Systems) reflect the duties imposed by an investment standard known as the "prudent expert rule." The prudent expert rule includes anyone who has discretionary authority with respect to the Systems' investments.

The Fire and Police Retirement System's Investment Policy can be found at https://www.cfrs-ca.org/fire-and-police-retirement-system_investments, while the Employees Retirement System's Investment Policy can be found at https://www.cfrs-ca.org/employee-retirement-system/investments. Both investment policies can also be obtained by contacting the Retirement Office at 2828 Fresno Street, Suite 201, Fresno, CA 93721.

Northern Trust serves as custodian of the Systems' investments. The Systems' asset classes include U.S. Equity, International Equity, U.S. Fixed Income, International Fixed Income, Direct Lending, and Real Estate. Any class may be held in direct form, pooled form, or both. The Systems have 15 external investment managers, managing 19 individual portfolios.

Investments at June 30, 2022 consist of the following (in thousands):

Investments at Fair Value		
Domestic Equity	$	1,055,209
International Developed Market		443,289
Real Estate		532,153
Government Bonds		205,016
Corporate Bonds		371,511
Short-Term Investments		13,112
Alternatives		848,560
Total Investments at Fair Value	$	3,468,850

Both Retirement Boards have established policies for investing, specifying the following target allocations with a minimum and maximum range for each of these asset classes:

Asset Class	Minimum	Target	Maximum
Domestic Large Cap Equities	15.0%	25.0%	36.0%
International Developed Market Equities	10.0%	23.0%	25.0%
Core Fixed Income	5.0%	13.0%	20.0%
High Yield Bonds	0.0%	3.0%	5.0%
Core Real Estate	5.0%	10.0%	15.0%
Value Add Real Estate/REITs	2.0%	4.0%	8.0%
Infrastructure	2.0%	5.0%	10.0%
MLPs	0.0%	4.0%	7.0%
Private Equity	0.0%	3.0%	10.0%
Direct Lending/Private Debt	5.0%	10.0%	20.0%
		100.0%	

The Retirement Systems have investments in Tiers 1, 2, and 3 as defined under GASB Statement No. 72. For further information regarding the Retirement Systems' classification of investment, please see the Retirement Systems' Annual Comprehensive Financial Reports (Systems' ACFRs).

Investments of the Systems are exposed to custodial credit risk, credit and interest rate risk, concentration risk, and foreign currency risk. In addition to those risks, the Systems are also exposed to credit risk and market risk associated with their derivatives investments. For a detailed description of all of the risks associated with the Systems' investments, please see the Systems' ACFRs which can be found at https://www.cfrs-ca.org/fire-and-police-retirement-system/financial/ and https://www.cfrs-ca.org/employee-retirement-system/ers-financial/ or by contacting the Retirement Office at 2828 Fresno Street, Suite 201 Fresno, CA 93721.

F. Stewardship, Compliance and Accountability

There have been no material violations of finance-related legal or contractual provisions.

G. Restricted Assets

Restricted cash includes funds held by trustees relating to bonds payable and those amounts held by each fund for which a specific, non-operating use has been determined. Restricted interest receivable is interest earned with the trustee.

Restricted assets are reported in the following funds at June 30, 2022 (in thousands):

	Cash and Investments Current and Noncurrent	Interest Receivable	Total
Governmental Activities:			
General Fund	$ 48,180	$ —	$ 48,180
Grants Special Revenue Fund	82,852	—	82,852
Nonmajor Governmental Funds	1,286	—	1,286
Internal Service Funds	889	—	889
Subtotal	133,207	—	133,207
Business-Type Activities			
Water System	67,638	245	67,883
Sewer System	63,405	220	63,625
Solid Waste Management	10,207	—	10,207
Transit	53,804	—	53,804
Airports	38,313	—	38,313
Convention Center	1,350	—	1,350
Stadium	907	—	907
Nonmajor Enterprise Funds	969	—	969
Internal Service Funds	4,437	—	4,437
Subtotal	241,030	465	241,495
Fiduciary:			
Private-Purpose Trust Fund	443	—	443
Custodial Funds	554	—	554
Subtotal	997	—	997
Total	$ 375,234	$ 465	$ 375,699

Note 3. Property Taxes

Article XIII of the California Constitution (Proposition 13) limits ad valorem taxes on real property to 1% of value plus taxes necessary to pay indebtedness approved by voters prior to July 1, 1978. The Article also established the 1975/1976 assessed valuation as the base and limits annual increases to the cost-of-living adjustment, not to exceed 2% for each year thereafter. Property may also be reassessed to full market value after a sale, transfer of ownership, or completion of new construction. The State is prohibited under the Article from imposing new ad valorem, sales, or transaction taxes on real property. Local government may impose special taxes (except on real property) with the approval of two-thirds of the qualified electors.

All property taxes are collected and allocated by the County of Fresno to the various taxing entities. Property taxes are determined annually as of January 1 and attached as enforceable liens on real property. Taxes are due November 1 and February 1 and are delinquent if not paid by December 10 and April 10, respectively. Secured property taxes become a lien on the property on January 1. Property taxes on the unsecured roll are due on the January 1 (lien date) and become delinquent if unpaid on August 31. Property tax revenues are recognized in the governmental funds in the fiscal period for which they are levied and collected, adjusted for any amounts deemed uncollectible and amounts expected to be collected more than 60 days after the fiscal year.

Note 4. Receivables

Receivables are presented in the financial statements net of the allowance for uncollectible accounts. The uncollectible accounts related to accounts receivable at June 30, 2022 were $3.4 million for the General Fund, $3.5 million for Water System, $3.7 million for Sewer System, $2.8 million for Solid Waste Management, $0.4 million for Airports, and $2.5 million for Other Enterprise Funds. The uncollectible accounts related to notes receivable at June 30, 2022 were $8.4 million for Grants Special Revenue Fund and $1.8 million for Other Governmental Funds. Accounts not scheduled for collection during the subsequent year are $75.1 million for Governmental notes and loans and $17.4 million for Business-Type notes and loans.

The allowance for doubtful accounts is a Statement of Net Position and/or Balance Sheet account that reduces the reported amount of a receivable. Providing an allowance for doubtful accounts presents a more realistic picture of how much of the receivable is likely to be turned into cash, particularly in the near term. The amount of the allowance for each fund is a determination made by management at the end of the fiscal year through a review of past collections received on each account. This analysis includes reviewing the aging of the receivable balance, past account write-offs and other known variables.

Receivables, net of amounts uncollectible, (in thousands) as of June 30, 2022 were as follows:

	Interest	Accounts Receivable	Grants Receivable	Intergovernmental Receivable		Notes, Loans & Other Receivable	Operating Lease Receivable	Total
				Property Taxes	Other			
Governmental Activities								
General Fund	$ 382	$ 17,617	$ 180	$ 8,041	$ 34,635	$ —	$ 208	$ 61,063
Grants Special Revenue Fund	485	—	18,354	—	—	54,460	—	$ 73,299
Other Governmental Funds	686	637	1,315	—	17,511	20,084	569	$ 40,802
Internal Service Funds	426	945	—	—	—	—	—	$ 1,371
Subtotal	$ 1,979	$ 19,199	$ 19,849	$ 8,041	$ 52,146	$ 74,544	$ 777	$ 176,535
Advances to Successor Agency and Due To(From) Fiduciary Funds								6,953
Total								$ 183,488
Business-Type Activities								
Water System	$ 909	$ 22,325	$ —	$ —	$ —	$ 2,029	$ 3,034	$ 28,297
Sewer System	753	13,103	—	—	921	3,089	2,800	$ 20,666
Solid Waste Management	85	6,607	—	—	—	10,258	—	$ 16,950
Transit	240	211	5,671	—	7,006	—	—	$ 13,128
Airports	238	1,944	763	—	137	—	16,217	$ 19,299
Fresno Convention Center	—	317	—	—	—	—	—	$ 317
Stadium	6	397	—	—	—	—	1,655	$ 2,058
Other Enterprise Funds	18	1,914	—	—	—	—	1,597	$ 3,529
Internal Service Funds	95	533	—	—	—	—	347	$ 975
Total	$ 2,344	$ 47,351	$ 6,434	$ —	$ 8,064	$ 15,376	$ 25,650	$ 105,219

Receivables are presented on the Statement of Net Position as follows (in thousands):

	Governmental Activities	Business-Type Activities	Total
Accounts Receivables, Net	$ 108,166	$ 89,378	$ 197,544
Restricted Interest Receivable	—	465	465
Loans, Notes, Leases and Other Receivables, Net	75,321	15,376	90,697
Total	$ 183,487	$ 105,219	$ 288,706

Note 5. Property, Plant and Equipment - Capital Assets

A. Citywide Capital Assets

The following is a summary of capital assets as of June 30, 2022 (in thousands):

	Primary Government			
	Governmental Activities	Business-Type Activities	Fiduciary Funds	Total
Capital Assets Not Being Depreciated:				
Land	$ 270,918	$ 53,867	$ —	$ 324,785
Intangibles (Indefinite Life)	—	18,897	—	18,897
Construction in Progress	85,336	243,040	—	328,376
Total Capital Assets Not Being Depreciated	356,254	315,804	—	672,058
Capital Assets Being Depreciated:				
Buildings and Improvements	346,036	1,505,044	—	1,851,080
Machinery and Equipment	184,421	102,881	2,978	290,280
Infrastructure	1,485,807	745,682	—	2,231,489
Total Capital Assets Being Depreciated	2,016,264	2,353,607	2,978	4,372,849
Less: Accumulated Depreciation for:				
Buildings and Improvements	(167,511)	(657,712)	—	(825,223)
Machinery and Equipment	(118,439)	(63,083)	(2,014)	(183,536)
Infrastructure	(1,088,092)	(224,375)	—	(1,312,467)
Total Accumulated Depreciation	(1,374,042)	(945,170)	(2,014)	(2,321,226)
Total Capital Assets Being Depreciated, Net	642,222	1,408,437	964	2,051,623
Total Capital Assets, Net	$ 998,476	$ 1,724,241	$ 964	$ 2,723,681
Right to Use Assets Being Amortized				
Land	1,273	209	—	(63)
Buildings and Improvements	6,039	508	—	(976)
Machinery and Equipment	1,962	—	—	(392)
Total Right to Use Assets Being Amortized	9,274	717	—	9,991
Less: Accumulated Amortization for:				
Land	(44)	(19)	—	(63)
Buildings and Improvements	(811)	(165)	—	(976)
Machinery and Equipment	(392)	—	—	(392)
Total Accumulated Amortization	(1,247)	(184)	—	(1,431)
Total Right to Use Assets, Net	$ 8,027	$ 533	$ —	$ 8,560
Total Capital and Right to Use Assets	$ 1,006,503	$ 1,724,774	$ 964	$ 2,732,241

B. Governmental Activities

Capital asset activity related to governmental activities for the fiscal year ended June 30, 2022 was as follows (in thousands):

	Beginning Balance as restated	Increases	Transfers	Decreases	Ending Balance
Capital Assets Not Being Depreciated:					
Land	$ 263,040	$ 7,878	$ —	$ —	$ 270,918
Construction in Progress	71,103	51,580	—	(37,347)	85,336
Total Capital Assets Not Being Depreciated	334,143	59,458	—	(37,347)	356,254
Capital Assets Being Depreciated:					
Buildings and Improvements	307,178	46,992	(8,134)	—	346,036
Machinery and Equipment	165,773	19,404	(682)	(74)	184,421
Infrastructure	1,451,934	25,057	8,816	—	1,485,807
Total Capital Assets Being Depreciated	1,924,885	91,453	—	(74)	2,016,264
Less: Accumulated Depreciation for:					
Buildings and Improvements	(162,229)	(9,498)	4,216	—	(167,511)
Machinery and Equipment	(104,901)	(14,237)	625	74	(118,439)
Infrastructure	(1,049,826)	(33,425)	(4,841)	—	(1,088,092)
Total Accumulated Depreciation	(1,316,956)	(57,160)	—	74	(1,374,042)
Total Capital Assets Being Depreciated, Net	607,929	34,293	—	—	642,222
Total Capital Assets, Net	$ 942,072	$ 93,751	$ —	$ (37,347)	$ 998,476
Right to Use Assets Being Amortized					
Land	1,273	—	—	—	1,273
Buildings and Improvements	6,039	—	—	—	6,039
Machinery and Equipment	1,962	—	—	—	1,962
Total Right to Use Assets Being Amortized	9,274	—	—	—	9,274
Less: Accumulated Amortization for:					
Land	—	(44)	—	—	(44)
Buildings and Improvements	—	(811)	—	—	(811)
Machinery and Equipment	—	(392)	—	—	(392)
Total Accumulated Amortization	—	(1,247)	—	—	(1,247)
Total Right to Use Assets Being Amortized, Net	$ 9,274	$ (1,247)	$ —	$ —	$ 8,027
Total Capital and Right to Use Assets	$ 951,346	$ 92,504	$ —	$ (37,347)	$ 1,006,503

Depreciation/Amortization was charged to functions as follows (in thousands):

Function	Amount
General Government	$ 13,503
Public Protection	4,688
Public Ways and Facilities	35,206
Culture and Recreation	4,242
Community Development	768
Total Governmental Activities Depreciation and Amortization Expense	$ 58,407

C. Business-Type Activities

Capital asset activity related to Business-Type Activities for the fiscal year ended June 30, 2022 was as follows (in thousands):

	Beginning Balance as restated	Increases	Transfers	Decreases	Ending Balance
Capital Assets Not Being Depreciated:					
Land	$ 54,426	$ —	$ (559)	$ —	$ 53,867
Intangibles (Indefinite Life)	17,949	389	559	—	18,897
Construction in Progress	408,819	44,741	—	(210,520)	243,040
Total Capital Assets Not Being Depreciated	481,194	45,130		(210,520)	315,804
Capital Assets Being Depreciated:					
Buildings and Improvements	1,041,179	4,016	459,849	—	1,505,044
Machinery and Equipment	94,579	7,691	611	—	102,881
Infrastructure	1,011,057	195,085	(460,460)	—	745,682
Total Capital Assets Being Depreciated	2,146,815	206,792	—	—	2,353,607
Less: Accumulated Depreciation for:					
Buildings and Improvements	(459,892)	(46,939)	(150,881)	—	(657,712)
Machinery and Equipment	(56,846)	(5,688)	(549)	—	(63,083)
Infrastructure	(350,722)	(25,083)	151,430	—	(224,375)
Total Accumulated Depreciation	(867,460)	(77,710)	—	—	(945,170)
Total Capital Assets Being Depreciated, Net	1,279,355	129,082	—	—	1,408,437
Total Capital Assets, Net	$ 1,760,549	$ 174,212	$ —	$ (210,520)	$ 1,724,241
Right to Use Assets Being Amortized					
Land	209	—	—	—	209
Buildings and Improvements	508	—	—	—	508
Machinery and Equipment	—	—	—	—	—
Total Right to Use Assets Being Amortized	717	—	—	—	717
Less: Accumulated Amortization for:					
Land	—	(19)	—	—	(19)
Buildings and Improvements	—	(165)	—	—	(165)
Machinery and Equipment	—	—	—	—	—
Total Accumulated Amortization	—	(184)	—	—	(184)
Total Right to Use Assets Being Amortized, Net	$ 717	$ (184)	$ —	$ —	$ 533
Total Capital and Right to Use Assets	$ 1,761,266	$ 174,028	$ —	$ (210,520)	$ 1,724,774

Depreciation/Amortization was charged to functions as follows (in thousands):

Function	Amount
Water System	$ 29,525
Sewer System	25,188
Solid Waste Management	531
Transit	7,435
Airports	11,729
Fresno Convention Center	2,023
Stadium	1,275
Other Enterprise Funds	188
Total Business-Type Activities Depreciation and Amortization Expense	$ 77,894

D. Fiduciary Funds

Capital asset activity related to fiduciary funds for the fiscal year ended June 30, 2022 was as follows (in thousands):

	Beginning Balance	Increases	Transfers	Decreases	Ending Balance
Capital Assets Being Depreciated:					
Machinery and Equipment	$ 2,850	$ 128	$ —	$ —	$ 2,978
Less: Accumulated Depreciation for:					
Machinery and Equipment	(1,742)	(272)	—		(2,014)
Total Capital Assets Being Depreciated, Net	1,108	(144)	—	—	964
Total Capital Assets, Net	$ 1,108	$ (144)	$ —	$ —	$ 964

Depreciation was charged to functions as follows (in thousands):

Function	Amount
Fire & Police Retirement System Pension Trust Funds	$ 136
Employee Retirement System Pension Trust Funds	136
Total Fiduciary Activities Depreciation Expense	$ 272

E. Construction in Progress

At June 30, 2022, Construction in Progress consisted of the following (in thousands):

Project Title		Construction Costs To Date*
Governmental Activities:		
Bike/Trail Projects	$	294
Neighborhood Improvements		1,775
Public Works Projects		47,919
Parks General Improvements		575
Fire Station Construction Projects		7,516
Other Miscellaneous Projects		27,257
Total Governmental Activities	$	85,336
Business-Type Activities:		
Water Capital Projects	$	139,450
Sewer/Wastewater/Solid Waste Capital Projects		43,400
Airports Capital Projects		45,166
Transit Capital Projects		12,951
Miscellaneous Projects		2,073
Total Business-Type Activities	$	243,040
Total Construction in Progress	$	328,376

Note 6. Leases

A. Leases

The City has adopted the following policies to account for agreements in accordance with the requirements of GASB 87. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right-to-use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

B. Basis of Lease Classification

In accordance with GASB No. 87, the City does not recognize a lease receivable and a deferred inflow of resources for short-term leases. Short-term leases are certain leases that, at the commencement of the lease term, has a maximum possible term under the lease contract of 12 months or less, including any options to extend, regardless of their probability of being exercised. The City, being a lessee and lessor, recognizes short-term lease payments as outflows of resources (expenditures) or inflows of resources (revenue), respectively, based on the payment provisions of the lease contract.

C. Term

At the time of lease commencement or conversion, the term of the lease will include possible extension periods that are deemed to be reasonably certain given all available information, regarding the likelihood of renewal.

D. Discount Rate

Unless explicitly stated in the lease agreement, known by the City, or the City is able to determine the rate implicit within the lease, the discount rate used to calculate lease right-to-use assets and liabilities and related lease receivable is the City's incremental borrowing rate at the end of each fiscal year. As of June 30, 2022, the City's incremental borrowing rate was 2.21%. This was the discount rate utilized for applicable leases reported in fiscal year 2022.

E. Variable Payments

Variable payments based on the future performance of the lessee or lessor or usage of the underlying asset are not included in the measurement of lease assets or liabilities.

F. The City of Fresno as Lessee

The City, as lessee, has entered into various agreements for land and buildings with lease terms expiring between 2022 and 2053, with some leases containing options to renew. The terms and conditions for these leases vary by the type of underlying asset. All these agreements have fixed, periodic payments over the lease term, and do not contain variable payments or guaranteed residual values in the lease agreements. For those agreements that are cancellable by the lessors or the City with an advance notice, they are considered as non-cancellable in accordance with GASB Statement No. 87. In accordance with GASB No. 87, as lessee, the City recognized $1.4 million of amortization expense in the year ended June 30, 2022. More information on the value of leased assets and their associated amortization can be found in Note 5, beginning on page 93.

Future payments, under these non-regulated leases for each of the next five years and in five- year increments thereafter are as follows (amounts in thousands):

	Beginning Balance	Payments	Interest	Ending Balance
2023	$ 8,688	$ 1,518	$ 178	$ 7,348
2024	7,348	1,448	148	6,048
2025	6,048	1,220	122	4,951
2026	4,950	1,179	98	3,869
2027	3,869	747	79	3,200
2028-2032	3,200	2,425	225	1,001
2033-2037	1,001	395	90	695
2038-2042	695	313	63	445
2043-2047	445	313	34	167
2048-2052	167	172	5	—

G. The City of Fresno as Lessor

The City, as a lessor, recognizes a lease receivable and a deferred inflow of resources at the commencement of the lease term, with certain exceptions for regulated leases and short-term leases. As lessor, the asset underlying the lease is not derecognized. The lease receivable is measured at the present value of the lease payments expected to be received during the lease term. The leases typically include provisions for rent changes based on the consumer price index or other market indexes, resulting in additional variable lease revenues that are not included in the measurement of the lease receivables. These variable payments based on index are considered to be 'fixed in substance' and are included in the calculation of the lease receivable. The deferred inflow of resources is measured at the value of the lease receivable in addition to any payments received at or before the commencement of the lease term that relate to future periods.

Future receipts, under these non-regulated leases for each of the next five years and in five- year increments thereafter are as follows (amounts in thousands):

	Beginning Balance	Lease Receipt	Interest Income	Ending Balance
2023	$ 26,427	$ 5,181	$ 518	$ 21,765
2024	21,765	5,192	415	16,987
2025	16,987	2,410	337	14,915
2026	14,915	1,720	304	13,499
2027	13,499	1,679	274	12,095
28-32	12,095	5,455	1,022	7,662
33-37	7,662	4,170	642	4,134
38-42	4,134	2,567	332	1,899
43-47	1,899	1,320	107	508
48-52	508	471	30	67
53-57	67	68	1	—

H. Regulated Leases

In accordance with GASB Statement No. 87, The City does not recognize a lease receivable and a deferred inflow of resources for regulated leases. Regulated leases are certain leases that are subject to external laws, regulations, or legal rulings, e.g. the U.S. Department of Transportation and the Federal Aviation Administration, regulated aviation leases between airports and air carriers and other aeronautical users.

During the year ended June 30, 2022, the City recognized the following related to its regulated lease agreements:

Regulated – Hangar Rentals (Fixed)

Lease revenue	$2,161,472
Revenue from variable payments excluded from the schedule of expected future minimum payments	$36,277

Future expected minimum payments related to the City's regulated leases at June 30, 2022 are as follows:

Regulated – Hanger Rentals (Fixed)

	Principal	Interest	Total
2023	$ 1,828	$ —	$ 1,828
2024	1,613	—	1,613
2025	1,599	—	1,599
2026	1,590	—	1,590
2027	3,989	—	3,989
2028	701	—	701
2029	85	—	85
Report Total	$ 13,424	$ —	$ 13,424

Note 7. Long-Term Liabilities

A. Summary of Long-Term Liabilities

The following is a summary of the City's Long-Term Liabilities as of June 30, 2022 (in thousands):

	Primary Government			
	Governmental Activities	Business-Type Activities	Fiduciary Funds	Total Primary Government
Long-Term Debt				
Revenue and Other Bonds	$ 196,090	$ 170,220	$ —	$ 366,310
Bonds From Direct Placements	—	33,464	—	33,464
Tax Allocation Bonds	—	—	418	418
Notes Payable From Direct Borrowings	1,440	425,341	1,137	427,918
Subtotal Net Principal Due	197,530	629,025	1,555	828,110
Accreted Interest	—	3,078	—	3,078
Issuance Premiums (Discounts)	8,712	1,259	(1)	9,970
Subtotal Accreted Interest, Issuance Prem/(Disc)	8,712	4,337	(1)	13,048
Capital Financing Activities	52,568	—	—	52,568
Total Long-Term Debt	258,810	633,362	1,554	893,726
Other Long-Term Liabilities				
Retention Payable	3,460	—	—	3,460
Compensated Absences and Health Retirement Arrangement (HRA)	84,121	13,883	56	98,060
Net OPEB Liability	71,680	28,080	—	99,760
Liabilities for Self-Insurance	207,927	—	—	207,927
CVP Litigation Settlement	—	127	—	127
Accrued Closure Cost	—	11,174	—	11,174
Pollution Remediation	—	407	—	407
Operating Leases	8,149	539		8,688
Total Other Long-Term Liabilities	375,337	54,210	56	429,603
Total Long-Term Liabilities Government-Wide Statement of Net Position	$ 634,147	$ 687,572	$ 1,610	$ 1,323,329
Due Within One Year	$ 82,890	$ 24,902	$ 512	$ 108,304
Due Within More Than One Year	551,257	662,670	1,098	1,215,025
Total Long-Term Liabilities Government-Wide Statement of Net Position	$ 634,147	$ 687,572	$ 1,610	$ 1,323,329

Internal service funds (ISFs), except for Utility Billing and Collection, primarily serve the governmental funds. Accordingly, Long-Term Liabilities for ISFs are included as part of the above totals for governmental activities, while the long-term liabilities for Utility Billing and Collection are included as part of the totals for Business-Type Activities. Governmental Activities also reflect compensated absences which are generally liquidated by the General Fund, claims/judgments which are liquidated by Risk Management and the Employees Healthcare Plan, and net OPEB liability which is liquidated by the Employees Healthcare Plan.

Activity of Long-Term Liabilities - Governmental (In Thousands)

	Beginning Balance as restated	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds Payable (Revenue and Other Bonds):					
Lease Revenue Bonds, Series 2004	$ 10,625	$ —	$ 935	$ 9,690	$ 990
Taxable Pension Obligation Bonds Refunding Series 2002	98,395	—	9,755	88,640	10,385
Lease Revenue Bonds 2017A, City Hall Refunding, Fresno Bee Building, Granite Park, Improvements	19,240	—	1,645	17,595	1,690
Lease Revenue Bonds, Series 2017A, City Hall Chiller	2,710	—	—	2,710	610
Lease Revenue Bonds, Series 2017A Parks Projects	20,775	—	805	19,970	845
Lease Revenue Bonds, Series 2017A&B, NNLB	5,535	—	2,705	2,830	2,830
Lease Revenue Bonds, Series 2017A, Police and Fire/Public Safety	28,875	—	1,170	27,705	1,230
Lease Revenue Bonds, Series 2017A, Various	10,785	—	605	10,180	635
Lease Revenue Bonds, Series 2020A, Animal Svcs	17,145	—	375	16,770	395
Total Revenue and Other Bonds	214,085	—	17,995	196,090	19,610
Less: Unamortized Amounts:					
For Issuance Premiums/(Discounts)	9,774	—	1,062	8,712	—
Notes Payable From Direct Borrowings:					
California Infrastructure Bank - City	1,397	—	87	1,310	90
HUD Sec 108 Note Neighborhood Streets/Parks	251	—	121	130	130
Total Notes Payable From Direct Borrowings	1,648	—	208	1,440	220
Capital Financing Activities	41,153	20,827	9,412	52,568	9,654
Total Long-Term Debt	266,660	20,827	28,677	258,810	29,484
Other Liabilities:					
Retention Payable	2,358	1,102	—	3,460	3,460
Compensated Absences and Health Retirement Arrangement	70,378	25,791	12,049	84,120	11,042
Net OPEB Liability	108,178	—	36,498	71,680	—
Liability for Self-Insurance	192,233	95,695	80,001	207,927	37,746
Operating Leases	9,275	—	1,126	8,149	1,158
Total Other Liabilities	382,422	122,588	128,548	367,187	53,406
Governmental Long-Term Liabilities Total	$ 649,082	$ 143,415	$ 157,225	$ 625,997	$ 82,890

Activity of Long-Term Liabilities - Business-Type (In Thousands)

	Beginning Balance as restated	Additions	Reductions	Ending Balance	Due Within One Year
Business-Type Activities:					
Bonds Payable (Revenue and Other Bonds):					
Water System Revenue Bonds 2010	$ 91,340	$ —	$ —	$ 91,340	$ —
Sewer System Revenue Bonds 1993 A	885	—	—	885	885
Lease Revenue Bonds 1998 - Exhibit Hall Expansion	1,569	—	234	1,335	222
Airport Revenue Refunding Bonds 2013	23,515	—	1,670	21,845	1,750
Lease Revenue Bonds 2001 A and B - Stadium	12,750	—	925	11,825	985
Airport Revenue Bonds 2007 - Cons. Rental Car	20,385	—	435	19,950	500
Lease Revenue Bonds 2008 - Convention Center	3,545	—	2,175	1,370	1,370
Lease Revenue Bonds 2017A - Exhibit Hall Expansion	9,060	—	950	8,110	1,000
Lease Revenue Bonds 2017A - Convention Center	2,880	—	425	2,455	445
Lease Revenue Bonds 2017A - Stadium	10,550	—	845	9,705	885
Lease Revenue Bonds 2017A - Riverside Golf Course	1,455	—	55	1,400	60
Total Revenue and Other Bonds	177,934	—	7,714	170,220	8,102
Bonds Payable From Direct Placements:					
Airport Revenue Bonds 2019 - Airport Parking	34,244	—	780	33,464	804
Plus Accreted Interest:					
Accreted Interest on Capital Appreciation Bonds	3,355	239	516	3,078	—
Less: Unamortized Amounts					
For Issuance Premiums/(Discounts)	1,693	—	434	1,259	—
Notes Payable From Direct Borrowings:					
Construction of Water Supply Disinfection Buildings	1,133	—	96	1,037	99
Improvements on the Enterprise and Jefferson Canals	724	—	62	662	63
Water Meter Project	33,414	—	2,571	30,843	2,570
Southeast Surface Water Treatment Facility	163,753	—	4,740	159,013	4,820
Tertiary Treatment Facility	28,336	—	1,003	27,333	1,013
Enterprise Canal Raw Water Pipeline	19,693	—	588	19,105	598
Regional Transmission Mains	64,787	—	1,810	62,977	1,839
Kings River Pipeline	53,187	10	1,590	51,607	1,615
Southwest Quadrant Recycled Water Dist. System	59,525	8,798	—	68,323	—
Northeast Surface Water Treatment Facility	—	4,520	79	4,441	—
Total Notes Payable From Direct Borrowings	424,552	13,328	12,539	425,341	12,617
Total Long-Term Debt	641,778	13,567	21,983	633,362	21,523
Other Long-Term Liabilities:					
Compensated Absences & Health Retirement Arrangement	13,530	3,151	2,798	13,883	2,397
Net OPEB Liability	44,426	—	16,346	28,080	—
CVP Litigation Settlement	113	14	—	127	—
Accrued Closure Cost	12,104	—	930	11,174	800
Pollution Remediation	452	—	45	407	—
Operating Leases	716	—	177	539	182
Total Other Long-Term Liabilities	71,341	3,165	20,296	54,210	3,379
Business-Type Long-Term Liabilities Total	$ 713,119	$ 16,732	$ 42,279	$ 687,572	$ 24,902

Activity of Long-Term Liabilities - Fiduciary (In Thousands)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Fiduciary Funds:					
Successor Agency to the Fresno Redevelopment Agency:					
Tax Allocation Bonds:					
Series 2003, Mariposa Project Area	$ 815	$ —	$ 397	$ 418	$ 418
Total Tax Allocation Bonds	815	—	397	418	418
Less: Unamortized Amounts:					
For Issuance Premiums/(Discounts)	(1)	—	1	—	—
Total Unamortized Amounts	(1)	—	1	—	—
Notes Payable From Direct Borrowings:					
California Infrastructure Bank	1,212	—	75	1,137	78
Total Notes Payable From Direct Borrowings	1,212	—	75	1,137	78
Total Long-Term Debt	2,026	—	473	1,555	496
Other Liabilities:					
Compensated Absences	56	14	15	55	16
Total Other Long-Term Liabilities	56	14	15	55	16
Fiduciary Funds Long-Term Liabilities Total	$ 2,082	$ 14	$ 488	$ 1,610	$ 512

The following is a description of Long-Term Debt, Excluding Capital Financing Obligations, which had activity in 2022 (in thousands):

	Series	Purpose	Rate Range	Issue Date	Maturity Date	Note	Annual Principal	Outstanding Principal	Issuance Disc/(Prem) Accreted Int	Net Principal Due	Payments to Maturity	Fiscal Year 2022 Debt Service Payment
						Governmental						
Revenue and Other Bonds												
Taxable Pension Obligation Bonds 2002	$205,335 taxable	Refund 2000 Taxable Pension Obligation Bonds	6.55%	2/21/2002	6/1/2029	Repayment of bonds not limited to any special source of City funds. Principal due annually, interest due semiannually. City uses funds throughout the City based on full-time employees assigned to funds. For the General Fund, the City uses dedicated Property Tax Override (PTO) revenue first, and then other General Fund revenues to make its portion of the bond payment. Other citywide revenues make up the difference between total debt service and the General Fund portion. During 2022 $14,033 of PTO revenue was used. In addition to PTO revenue, $0 of General Fund and $2,158 of Enterprise Fund/Internal Service Fund revenues were used to make the 2022 debt service payment of $16,191.	$10,385 to $15,195	$ 88,640	$ 0	$ 88,640	$ 113,332	$ 16,191
Fresno Joint Powers Financing Authority: Lease Revenue Refunding Bonds 2017 A&B, No Neighborhood Left Behind (NNLB)	A = $11,010 tax-exempt; B = $1,940 taxable	Refinance No Neighborhood Left Behind Projects	3.18% to 5.00%	5/10/2017	4/1/2023	Repayment payable solely by revenues pledged under Master Facilities Sublease agreement, primarily Base Rental Payments. Principal due annually, interest due semiannually. Lease revenue of $2,966 was equal to debt service in 2022.	$2,830	2,905	(75)	2,830	2,964	2,966
Fresno Joint Powers Financing Authority: Lease Revenue Refunding Bonds (Chiller) 2017 A, City Hall Chiller	A = $2,710 tax-exempt	Refinance City Hall Chiller	5.000%	5/10/2017	4/1/2024	Repayment payable solely by revenues pledged under Master Facilities Sublease agreement, primarily Base Rental Payments. Principal due annually, interest due semiannually. Lease revenue of $136 was equal to debt service in 2022.	$610 to $2,100	2,838	(128)	2,710	2,951	136
Fresno Joint Powers Financing Authority: Lease Financing Refunding 2017 A&B, City Hall, Garage #7, Bee Bldg & Granite Park	A = $10,125 tax-exempt; B = $21,980 taxable	Refinance City Hall, Parking Garage #7, Fresno Bee Building and Granite Park	3.18% to 4.16%	5/10/2017	4/1/2031	Repayment payable solely by revenues pledged under Master Facilities Sublease agreement, primarily Base Rental Payments. Principal due annually, interest due semiannually. Lease revenue of $2,364 was equal to debt service in 2022.	$1,690 to $2,270	17,595	0	17,595	21,273	2,364
Fresno Joint Powers Financing Authority: Lease Revenue Refunding Bonds 2017 A, Various Capital Projects	A = $12,435 tax-exempt	Refinance Various Capital Improvement Projects	5.000%	5/10/2017	4/1/2035	Repayment payable solely by revenues pledged under Master Facilities Sublease agreement, primarily Base Rental Payments. Principal due annually, interest due semiannually. Lease revenue of $1,144 was equal to debt service in 2022.	$40 to $1,785	11,342	(1,162)	10,180	14,917	1,144
Fresno Joint Powers Financing Authority: Lease Revenue Bonds 2004 A,B,C, Various Capital Projects	A = $15,810 tax-exempt; B = $8,100 tax-exempt; C = $28,870 taxable	Calcot Project, Fire Department Projects, Downtown Parking Projects, Santa Fe Depot Project, Roeding Business Park Project Area, other capital projects	5.900%	4/28/2004	10/1/2034	Repayment payable solely by revenues pledged under Master Facilities Sublease agreement, primarily Base Rental Payments. Principal due annually, interest due semiannually. Lease revenue of $1,534 was equal to debt service in 2022.	$990 to $1,400	9,697	(7)	9,690	12,132	1,534
Fresno Joint Powers Financing Authority: Lease Revenue Refunding Bonds (Parks Projects) 2017 A, Parks Impact Fee Projects	A = $22,965 tax-exempt	Refinance Improvements to Various Park Facilities	5.000%	5/10/2017	4/1/2038	Repayment payable solely by revenues pledged under Master Facilities Sublease agreement, primarily Base Rental Payments. Principal due annually, interest due semiannually. Lease revenue of $1,822 was equal to debt service in 2022.	$845 to $1,755	22,072	(2,102)	19,970	29,131	1,822
Fresno Joint Powers Financing Authority: Lease Revenue Refunding Bonds 2017 A, Police and Fire/Public Safety	A = $32,065 tax-exempt	Refinance Public Safety Capital Improvement Projects (Police & Fire)	5.000%	5/10/2017	4/1/2039	Repayment payable solely by revenues pledged under Master Facilities Sublease agreement, primarily Base Rental Payments. Principal due annually, interest due semiannually. Lease revenue of $2,557 was equal to debt service in 2022.	$1,115 to $2,300	30,431	(2,726)	27,705	40,750	2,557

	Series	Purpose	Rate Range	Issue Date	Maturity Date	Note	Annual Principal	Outstanding Principal	Issuance Disc/(Prem) Accreted Int	Net Principal Due	Payments to Maturity	Fiscal Year 2022 Debt Service Payment
Fresno Joint Powers Financing Authority: Lease Revenue Bonds 2020 A, Animal Services Facility	A = $17,145,000 tax-exempt	Animal Services Facility	4.00% to 5.00%	11/3/2020	4/1/2046	Repayment payable solely by revenues pledged under Master Facilities Sublease agreement, primarily Base Rental Payments. Principal due annually, interest due semiannually. Lease revenue of $1,120 was equal to debt service in 2022.	$395 to $1,075	$ 19,282	$ (2,512)	$ 16,770	$ 26,874	$ 1,120
Revenue and Other Bonds Total								$ 204,802	$ (8,712)	$ 196,090	$ 264,324	$ 29,834
Notes Payable												
HUD: Neighborhood Streets/Parks	$1,500 Loaned	Section 108 Note to be used for improvements to various neighborhood streets & parks	6.12%	8/8/2002	8/1/2022	Annual principal payments, semiannual interest payments.	$121 to $130	$ 130	$ 0	$ 130	$ 134	$ 133
Roeding Business Park	$2,441 Loaned	Loaned from the California Infrastructure and Economic Development Bank to be used to complete the Roeding Business Park	3.53%	3/18/2004	8/1/2033	Secured by Facility Lease on City Hall Annex. Annual principal payments, semiannual interest payments.	$87 to $131	1,310	0	1,310	1,607	134
Notes Payable Total								$ 1,440	$ 0	$ 1,440	$ 1,741	$ 267
Governmental Total								$ 206,242	$ (8,712)	$ 197,530	$ 266,065	$ 30,101
						Business-Type						
Revenue and Other Bonds												
Water System Revenue Bonds (Taxable Build America Bonds) 2010 A-2, Water	A-2 = $91,340 taxable	Improvements to the Water System	6.50% to 6.75%	2/3/2010	6/1/2040	Repayment of bonds solely from revenues derived from the operation of the City Water System, except connection fees and charges, refundable deposits and capital contributions. Principal payable annually, interest semiannually. During Fiscal Year 2022, a federal Build America Bonds subsidy of $2,017 was received.	$4,090 to $7,715	$ 90,329	$ 1,011	$ 91,340	$ 161,213	$ 6,097
Sewer System Revenue Bonds 1993 A	A = $196,280 tax-exempt	Rehabilitation and expansion of the City's Wastewater Treatment Facility	4.50%	10/6/1993	9/1/2023	Repayment of bonds solely from revenues derived from the operation of the City Sewer System, except connection fees and charges, refundable deposits and capital contributions. Principal payable annually, interest semiannually.	$885	885	0	885	905	40
Fresno Joint Powers Financing Authority: Lease Revenue Refunding Bonds 2017 A, Convention Center	A = $4,260 tax-exempt	Refinance Convention Center Improvement Projects (Phase I)	5.00%	5/10/2017	4/1/2027	Repayment payable solely by revenues pledged under Master Facilities Sublease agreement, primarily Base Rental Payments. Principal due annually, interest due semiannually. During 2022 the City chose to make these lease payments from the General Fund in the amount of $569, which was equal to debt service in 2022. While the City has the right to use any unencumbered funding source it wishes to use for future lease payments, it is anticipated that General Fund revenues will be used to make these future payments, which the Authority will then use to make the debt service payment.	$445 to $540	2,649	(194)	2,455	2,835	569
Fresno Joint Powers Financing Authority: Lease Revenue Bonds (Conv. Ctr.) 2008 F, Convention Center	F = $21,410 taxable	Refund a portion of 2006 Convention Center Bonds & finance various Convention Center improvements	6.70%	8/14/2008	4/1/2023	Repayment payable solely by revenues pledged under Master Facilities Sublease agreement, primarily Base Rental Payments. Principal due annually, interest due semiannually. During 2022, the City chose to make these lease payments from the General Fund in the amount of $2,413, which was equal to debt service in 2022. While the City has the right to use any unencumbered funding source it wishes to use for future lease payments, it is anticipated that General Fund revenues will be used to make these future payments, which the Authority will then use to make the debt service payment.	$1,370	1,369	1	1,370	1,462	2,413

	Series	Purpose	Rate Range	Issue Date	Maturity Date	Note	Annual Principal	Outstanding Principal	Issuance Disc/(Prem) Accreted Int	Net Principal Due	Payments to Maturity	Fiscal Year 2022 Debt Service Payment
Fresno Joint Powers Financing Authority: Lease Revenue Refunding Bonds 2017 A, Exhibit Hall Expansion Project Refunding	A = $11,665 tax-exempt	Refinance Exhibit Hall Expansion Project	5.00%	5/10/2017	4/1/2029	Repayment payable solely by revenues pledged under Master Facilities Sublease agreement, primarily Base Rental Payments. Principal due annually, interest due semiannually. Lease revenue of $1,403, which was equal to debt service in 2022. While the City has the right to use any unencumbered funding source it wishes to use for future lease payments, it is anticipated that General Fund revenues will be used to make these future payments, which the Authority will then use to make the debt service payment.	$1,000 to $1,330	$ 8,869	$ (759)	$ 8,110	$ 9,809	$ 1,403
Fresno Joint Powers Financing Authority: Lease Revenue Bonds 1998, Exhibit Hall Expansion Project	$32,610 tax-exempt	Construction of an Exhibit Hall	N/A	9/1/1998	9/1/2028	Current Interest Serial Bonds ($25,395) and Capital Appreciation Serial Bonds ($7,215). Repayment payable solely by revenues pledged in trust agreement, primarily Base Rental Payments pursuant to a Facilities Lease. Principal due annually, Interest due semiannually. During 2022, the City chose to make these lease payments from the General Fund in the amount of $750, which was equal to the debt service payment. All remaining bonds are Capital Appreciation Bonds, so interest is accreted. While the City has the right to use any unencumbered funding source it wishes to use for future lease payments, it is anticipated that General Fund revenues will be used to make future lease payments, which the Authority will then use to make the debt service payment.	$162 to $222	4,368	(3,033)	1,335	5,250	750
Fresno Joint Powers Financing Authority: Lease Revenue Refunding Bonds 2017 A, Stadium Project	A = $13,510 tax-exempt	Refinance MultiPurpose Stadium Project	5.00%	5/10/2017	4/1/2031	Repayment payable solely by revenues pledged under Master Facilities Sublease agreement, primarily Base Rental Payments. Principal due annually, interest due semiannually. During 2022, the City chose to make these lease payments from the General Fund in the amount of $1,373, which was equal to the debt service payment. While the City has the right to use any unencumbered funding source it wishes to use for future lease payments, it is anticipated that General Fund revenues will be used to make future lease payments, which the Authority will then use to make the debt service payment.	$885 to $1,300	10,708	(1,003)	9,705	12,287	1,373
Fresno Joint Powers Financing Authority: Lease Revenue Bonds 2001 A & B, Stadium Project	A = $23,615 tax-exempt; B = $22,235 taxable	Acquire and construct a MultiPurpose Outdoor Stadium	6.93% to 7.03%	6/12/2001	6/1/2031	Repayment payable solely by revenues pledged in trust agreement, primarily Base Rental Payments pursuant to a Facilities Lease. Principal due annually, interest due semiannually. During 2022, the City chose to make these lease payments from the General Fund in the amount of $1,819, which was equal to the debt service payment. While the City has the right to use any unencumbered funding source it wishes to use for future lease payments, it is anticipated that General Fund revenues will be used to make future lease payments, which the Authority will then use to make the debt service payment.	$985 to $1,700	11,836	(11)	11,825	16,355	1,819
Fresno Joint Powers Financing Authority: Lease Revenue Refunding Bonds (Riverside Golf Course) 2017 A, Riverside Golf Course	A = $1,615 tax-exempt	Refinance Improvements to Riverside Golf Course	5.00%	5/10/2017	4/1/2038	Repayment payable solely by revenues pledged under Master Facilities Sublease agreement, primarily Base Rental Payments. Principal due annually, interest due semiannually. During 2022, the City chose to make these lease payments from the General Fund in the amount of $126, which was equal to the debt service payment. While the City has the right to use any unencumbered funding source it wishes to use for future lease payments, it is anticipated that General Fund revenues will be used to make future lease payments, which the Authority will then use to make the debt service payment.	$60 to $125	1,548	(148)	1,400	2,040	126
Airport Revenue Refunding Bonds 2013, Concourse Expansion	A = $10,810 Non-AMT; B = $22,820 AMT (Subject to Alternative Minimum Tax)	Refund 2000 Airport Revenue Bonds	4.00% to 5.125%	8/6/2013	7/1/2030	Repayment of bonds solely from operation of the City Airport System. Bond Indenture requires a minimum $1,600 of PFC Contribution toward annual debt service from Passenger Facility Charges (PFC). During Fiscal Year 2022 $1,600 of PFC and $1,163 of eligible Airports operation revenues were used to make the debt service payment.	$1,750 to $5,335	22,045	(200)	21,845	27,497	2,763

	Series	Purpose	Rate Range	Issue Date	Maturity Date	Note	Annual Principal	Outstanding Principal	Issuance Disc/(Prem) Accreted Int	Net Principal Due	Payments to Maturity	Fiscal Year 2022 Debt Service Payment
Airport Revenue Bonds 2007, Consolidated Rental Car Facility	$22,000 taxable	Construction of a Consolidated Rental Car Facility and related improvements	5.83%	6/14/2007	7/1/2037	Repayment of bonds solely from operation of the City Airport System. While not required under the Bond Indenture, Airports uses Customer Facility Charge (CFC) revenues first to meet the debt payment, and then uses other permitted revenues to cover any difference between CFC's and the debt payment. Principal due annually, interest due semiannually. During Fiscal Year 2022 $1,611 of CFC revenues was used to fully cover the debt service payment.	$500 to $2,265	$ 19,950	$ 0	$ 19,950	$ 31,566	$ 1,611
Airport Revenue Bonds 2019, Airport Parking	$35,000 taxable	Construction of a Parking Garage	3.450%	5/3/2019	7/1/2048	Bonds privately placed with the California Infrastructure and Development Bank (I-Bank). Interest rate includes 3.15% charged by the I-Bank for interest plus 0.30% charged by the I-Bank as a fee. Repayment of bonds solely from operation of the City Airport System. Principal due annually, interest due semiannually.	$804 to $1,802	33,464	0	33,464	51,197	1,948
Revenue and Other Bonds Total								$ 208,020	$ (4,336)	$ 203,684	$ 322,416	$ 20,912
Notes Payable												
Water: Safe-Drinking Water Program	$51,405 Loaned	Contract between the State Water Resources Control Board and the City for installation of water meters throughout the City of Fresno	0.00%	4/10/2012	10/1/2022	No interest loan. Repayment of the loan is funded from revenues of the Water Fund. Pledged in parity with the pledges securing the 2010 Bonds and other State loans for Water. Principal due in semiannual installments of $1,285.	$2,570	$ 30,843	$ 0	$ 30,843	$ 30,843	$ 2,570
Water: Safe Drinking Water Program	$1,947 Loaned	Contract between the State Water Resources Control Board and the City to protect the City's drinking water supplies from Possible Contaminating Activities (PCA's)	2.29%	7/1/2009	7/1/2031	Repayment of loan is funded from revenues of the Water Fund. Pledged in parity with the pledges securing the 2010 Bonds and other State loans for Water. Principal and interest due in semiannual installments of $61.	$61 to $119	1,037	0	1,037	1,160	122
Water: Safe Drinking Water Program	$1,245 Loaned	Contract between the State Water Resources Control Board and the City for improvements on the Enterprise and Jefferson Canals	2.29%	7/1/2009	1/1/2032	Repayment of loan is funded from revenues of the Water Fund. Pledged in parity with the pledges securing the 2010 Bonds and other State loans for Water. Principal and interest due in semiannual installments of $39.	$39 to $76	662	0	662	741	78
Water: Drinking Water State Revolving Fund Project 1010007-029C	$26,520 Loaned	Contract between the State Water Resources Control Board and the City for construction of the Friant-Kern Canal Raw Water Pipeline	1.60%	4/5/2016	7/1/2048	Repayment of loan is funded from the revenues of the Water Fund. Pledged in parity with the pledges securing the 2010 Bonds and other State loans for Water. Principal and interest due in semiannual installments of $451.	$588 to $889	19,105	0	19,105	23,258	901
Water: Drinking Water State Revolving Fund Project 1010007-028C	$195,489 Loaned	Contract between the State Water Resources Control Board and the City for construction of a Southeast Surface Water Treatment Facility	1.66%	7/15/2015	1/1/2049	Repayment of loan is funded from the revenues of the Water Fund. Pledged in parity with the pledges securing the 2010 Bonds and other State loans for Water. Principal and interest due in semiannual installments of $3,631. $3 million of the loan was forgiven by the State Water Resources Control Board.	$3,691 to $7,292	159,013	0	159,013	187,065	7,444

	Series	Purpose	Rate Range	Issue Date	Maturity Date	Note	Annual Principal	Outstanding Principal	Issuance Disc/(Prem) Accreted Int	Net Principal Due	Payments to Maturity	Fiscal Year 2022 Debt Service Payment
Water: Drinking Water State Revolving Fund Project 1010007-030C	$75,900 Loaned	Contract between the State Water Resources Control Board and the City for construction of a raw water pipeline to replace the Enterprise Canal for the Northeast Surface Water Treatment Facility	1.60%	8/23/2016	1/1/2049	Repayment of loan is funded from the revenues of the Water Fund. Pledged in parity with the pledges securing the 2010 Bonds and other State loans for Water. Principal and interest due in semiannual installments $1,413.	$1,409 to $2,784	$ 62,977	$ 0	$ 62,977	$ 61,916	$ 2,840
Water: Drinking Water State Revolving Fund Project 1010007-031C	$65,876 Loaned	Contract between the State Water Resources Control Board and the City for construction of a Kings River Pipeline	1.60%	4/5/2016	7/1/2048	Repayment of loan is funded from the revenues of the Water Fund. Pledged in parity with the pledges securing the 2010 Bonds and other State loans for Water. Principal and interest due in semiannual installments of $1,217.	$1,589 to $2,415	51,607	0	51,607	56,859	2,434
Water: Drinking Water State Revolving Fund Project 1010007-032C	$14,000 Loaned	Contract between the State Water Resources Control Board and the City for construction of a Northeast Surface Water Treatment Facility	1.80%	11/26/2016	1/1/2051	Repayment of loan is funded from the revenues of the Water Fund. Pledged in parity with the pledges securing the 2010 Bonds and other State loans for Water. Project is not yet complete.Principal and interest due in semiannual installments to begin once project is completed and continue for 30 years. Until completion, interest is due semiannually on the amount drawn down through the interest payment date.	No amortiza-tion schedule available until project is complete.	4,441	0	4,441	4,441	100
Sewer: Clean Water State Revolving Fund Project	$33,213 Loaned	Contract between the State Water Resources Control Board and the City for construction of a tertiary treatment facility	1.00%	10/17/2015	7/12/2046	Repayment of loan solely from all revenues derived from the operation of the City Sewer System, except connection fees and charges, refundable deposits and capital contributions. Pledged subordinate to the pledge securing the 1993 Bonds and in parity with State loans for Sewer. Principal and interest due in annual installments of $1,286.	$1,003 to $1,282	27,333	0	27,333	30,881	1,286
Sewer: Clean Water State Revolving Fund Project No. 8061-110	$70,600 Loaned	Contract between the State Water Resources Control Board and the City for construction of a recycled water distribution system in the southwest quadrant of the City	1.00%	8/19/2015	5/30/2047	Repayment of loan solely from all revenues derived from the operation of the City Sewer System, except connection fees and charges, refundable deposits and capital contributions. Pledged subordinate to the pledge securing the 1993 Bonds, and in parity with State loans for Sewer. Principal and interest due in semiannual installments to begin once project is completed and continue for 30 years. Until completion, interest is due semiannually on the amount drawn down through the interest payment date.	No amortiza-tion schedule available until project is complete.	68,323	0	68,323	68,323	0
Notes Payable Total								$ 425,341	$ 0	$ 425,341	$ 465,487	$ 17,775
Business-Type Total								$ 633,361	$ (4,336)	$ 629,025	$ 787,903	$ 38,687

Fiduciary

Tax Allocation Bonds	Series	Purpose	Rate Range	Issue Date	Maturity Date	Note	Annual Principal	Outstanding Principal	Issuance Disc/(Prem) Accreted Int	Net Principal Due	Payments to Maturity	Fiscal Year 2022 Debt Service Payment
Tax Allocation Refunding Bonds 2003, Mariposa Project Area	$5,005 tax-exempt	Refund the Agency's 1993 Tax Allocation Bonds (Mariposa Project Area)	5.625%	2/1/2012	2/1/2023	Principal is due in annual installments, interest is due semiannually. Repayment of bonds is payable solely from tax increment revenues allocated by the Successor Agency to the City of Fresno Redevelopment Agency's Mariposa Project area. All such revenues are pledged. Tax increment in Mariposa Project Area of $443 was equal to debt service in 2022.	$418	$ 418	$ 0	$ 418	$ 442	$ 443
Tax Allocation Bonds Total								$ 418	$ 0	$ 418	$ 442	$ 443
Notes Payable												

	Series	Purpose	Rate Range	Issue Date	Maturity Date	Note	Annual Principal	Outstanding Principal	Issuance Disc/(Prem) Accreted Int	Net Principal Due	Payments to Maturity	Fiscal Year 2022 Debt Service Payment
RDA: Roeding Business Park	$2,118 Loaned	Loaned from the California Infrastructure and Economic Development Bank to be used to complete the Roeding Business Park	3.530%	3/18/2004	8/1/2033	Principal and interest due in annual installments. Secured by Tax Increment revenue received into the Roeding Business Park Project area.	$75 to $114	$ 1,137	$ 0	$ 1,137	$ 1,394	$ 117
Notes Payable Total								$ 1,137	$ 0	$ 1,137	$ 1,394	$ 117
Fiduciary Total								$ 1,555	$ 0	$ 1,555	$ 1,836	$ 560
Grand Total								$ 841,158	$ (13,048)	$ 828,110	$ 1,055,804	$ 69,348

B. Debt Service Requirements (Excluding Capital Financing Activities)

The annual debt service requirements excluding capital financings for the City's long-term debt outstanding as of June 30, 2022 are as follows (in thousands):

Year Ending June 30	Governmental Activities		Business-Type Activities			Fiduciary Funds	
	Principal	Interest	Principal	Interest Accretion	Interest	Principal	Interest
2023	$ 19,610	$ 10,830	$ 8,102	$ 526	$ 10,809	$ 418	$ 24
2024	19,045	9,716	6,177	539	10,399	—	—
2025	17,940	8,610	10,614	551	10,091	—	—
2026	18,270	7,546	11,149	561	9,500	—	—
2027	19,370	6,450	11,700	570	8,872	—	—
2028-2032	61,450	16,548	57,353	1,167	32,094	—	—
2033-2037	25,810	6,460	40,550	—	16,126	—	—
2038-2042	10,535	1,658	24,575	—	3,109	—	—
2043-2047	4,060	414	—	—	—	—	—
2048-2052	—	—	—	—	—	—	—
2053-2057	—	—	—	—	—	—	—
Subtotal	196,090	68,232	170,220	3,914	101,000	418	24
	Direct Borrowings Principal	**Direct Borrowings Interest**	**Direct Borrowings Principal**		**Direct Borrowings Interest**	**Direct Borrowings Principal**	**Direct Borrowings Interest**
2023	220	49	12,617		5,059	78	39
2024	92	41	12,776		4,899	81	36
2025	96	38	12,938		4,737	83	33
2026	99	35	13,103		4,573	86	30
2027	103	31	13,270		4,405	89	27
2028-2032	572	97	68,858		19,421	496	84
2033-2037	258	9	64,789		14,878	224	8
2038-2042	—	—	64,513		10,013	—	—
2043-2047	—	—	136,826		4,746	—	—
2048-2052	—	—	25,651		383	—	—
2053-2057	—	—	—		—	—	—
Subtotal	1,440	300	425,341		73,114	1,137	257
Issuance Premiums/ (Discounts)	8,712	—	1,259	—	—	—	—
Unaccreted Interest	—	—	—	(837)	—	—	—
Total	$ 206,242	$ 68,532	$ 596,820	$ 3,078	$ 174,114	$ 1,555	$ 281

C. Debt Compliance

There are a number of limitations and restrictions contained in the various loan, note and bond indentures. The City believes it is in compliance with all significant limitations, restrictions and covenants.

D. Debt Management Policy

The City maintains a Debt Management Policy (Policy) which sets forth certain debt management objectives, establishes overall parameters, and provides general direction in the planning, issuing, and administering of the City's debt. The purpose of the Policy is to assist in the City's ability to incur debt and other long-term obligations at favorable interest rates for capital improvements, facilities and equipment which are beneficial to the City and necessary for providing essential services.

The Policy integrates the best practices of other debt management plans utilized by similar California cities and is consistent with the provisions of the City Charter, and any enabling legislation.

As part of the Lease Revenue Bond refinancing that took place in 2017, the City's Debt Management Policy was reviewed to ensure compliance with Senate Bill 1029 (SB 1029). That update was approved by Council on April 6, 2017.

E. Legal Debt Limit and Legal Debt Margin

Article XVI, Section 18 of the California Constitution, (the "debt limit") prohibits cities (including chartered cities), counties, and school districts from entering into indebtedness or liability that in any year exceeds the income and revenue provided for such year unless the local agency first obtains two-thirds voter approval for the obligation. This general limitation has several important exceptions as described below. It is important to remember that this limitation applies not only to traditional bonds, but could apply to many forms of indebtedness or liability, such as installment payment obligations, long-term service or construction contracts, letter-of-credit reimbursement agreements, and other types of arrangements commonly seen in public finance transactions. In determining whether the arrangement under consideration might pose a problem under the debt limit it is useful to ask the following questions:

- Does the arrangement provide for payment in future fiscal years that comes out of revenue generated in those years?
- Does the arrangement call for payments by a city, county, or school district (as opposed to other types of governmental agencies)?

If the answer to these two questions is "yes", then the analysis should proceed to determine if one of the exceptions to the debt limit applies. There are three major exceptions to the debt limit that have been recognized by California courts: the Offner-Dean lease exception, the special fund doctrine, and the "obligations imposed by law" exception.

As of June 30, 2022, the City's debt limit (20% of valuation subject to taxation) was $8.48 billion. This number was calculated by taking the Total Assessed Values (Gross) from the County of Fresno Tax Rate Book, page 14 multiplied by 20%. This is in comparison with debt limits of $8.17 billion in 2021. The City's legal debt margin is equal to the City's debt limit because it has no debt subject to the limitation.

F. Arbitrage

Under U.S. Treasury Department regulations, all governmental tax-exempt debt issued after August 31, 1986 is subject to arbitrage rebate requirements. The requirements stipulate, in general, the earnings from the investment of tax-exempt bond proceeds that exceed related interest expenditures on the bonds must be remitted to the federal government on every fifth anniversary of each bond issue. The City has evaluated each general obligation bond and lease revenue bond issue subject to the arbitrage rebate requirements and has deferred credits and other liabilities in the governmental funds. Each Enterprise Fund has performed a similar analysis of the debt the respective enterprise has issued which is subject to arbitrage rebate requirements. Any material arbitrage liability related to the debt of the Enterprise Funds has been recorded as a liability in the respective fund. In addition, the Successor Agency to the former Redevelopment Agency records any arbitrage liability in deferred credits and other liabilities. As of June 30, 2022, the City had an arbitrage liability of $68,919 related to the 1993A Sewer Revenue Bonds.

G. State Loan Program (Projects Currently In Progress)

On July 15, 2015, the City entered into a 30-year agreement to borrow $195,489,000 from the California State Water Resources Control Board for construction of a new surface water treatment facility in southeast Fresno. The interest rate is fixed at 1.663% for the term of the loan. Principal and interest is due in semiannual installments for 30 years. As of June 30, 2022, the City has received $177,894,081 in proceeds. This amount is net of $3,000,000 in loan forgiveness by the State Water Resources Control Board. The loan forgiveness was part of the loan agreement with the State. Debt service payments will be funded from revenues of the Water Enterprise. Construction is now complete and annual debt service is $7,262,903.

On August 19, 2015, the City entered into a 30-year agreement to borrow $70,600,000 from the California State Water Resources Control Board's Clean Water State Revolving Fund for construction of a recycled water distribution system in the southwest quadrant of the City. The interest rate is fixed at 1.0% for the term of the loan. Principal and interest is due in semiannual installments on the amount received by the City through the interest payment date. As of June 30, 2022, the City has received $68,322,664 in proceeds. Debt service payments will be funded from revenues of the Sewer Enterprise. Once construction is completed, annual debt is estimated to be $2,028,979.

On April 5, 2016, the City entered into a 30-year agreement to borrow $26,520,000 from the California State Water Resources Control Board for construction of a raw water pipeline to replace the Enterprise Canal as a primary conveyance system for the Northeast Surface Water Treatment Facility. The interest rate is fixed at 1.6% for the term of the loan. Principal and interest is due in semiannual installments for 30 years. As of June 30, 2022, the City has received $21,379,590 in proceeds. Debt service payments will be funded from revenues of the Water Enterprise. Construction is now completed, the annual debt is $1,116,533.

On April 5, 2016, the City entered into a 30-year agreement to borrow $65,875,669 from the California State Water Resources Control Board for construction of a pipeline from Kings River to the Southeast Water Treatment Facility. The interest rate is fixed at 1.6% for the term of the loan. Principal and interest is due in semiannual installments for 30 years. As of June 30, 2022, the City has received $57,615,335 in proceeds. Debt service payments will be funded from revenues of the Water Enterprise. The project is now complete and the annual debt is $2,773,546.

On August 23, 2016, the City entered into a 30-year agreement to borrow $75,900,000 from the California State Water Resources Control Board for construction of regional transmission mains to transport water from facilities throughout the City. The interest rate is fixed at 1.6% for the term of the loan. Principal and interest is due in semiannual installments for 30 years. As of June 30, 2022, the City has received $67,436,972 in proceeds. Debt service payments will be funded from revenues of the Water Enterprise. The project is now complete and the annual debt is $3,195,506.

On November 26, 2016, the City entered into a 30-year agreement to borrow $14,000,000 from the California State Water Resources Control Board for construction of a new surface water treatment facility in the northeast portion of the City. The interest rate is fixed at 1.6% for the term of the loan. Principal and interest due in semiannual installments will begin once the project is completed and continue for 30 years. Until completion, interest is due semiannually on the amount received by the City through the interest payment date. As of June 30, 2022, the City has received $4,520,433 in proceeds. Debt service payments will be funded from revenues of the Water Enterprise. Even though the project was not fully completed, the City was required to make a payment of $79,570 plus interest of $20,303. Once construction is completed, the annual debt is estimated to be $606,000.

H. Capital Financing Activities

The City has entered into several Master Lease Agreements that allowed for a set amount of financing over the term of the Master Lease. Several financings took place under these Master Leases whose maturities exceeded the term of the agreement. These agreements qualify as capital financing activities for accounting purposes. Prior capital financing agreements with outstanding balances are with Community Leasing Partners and Key Government Finance, Inc.

On December 13, 2013, the City entered into a Master Lease Agreement with Dell Financial Services to finance the purchase of computers. Each schedule represents a separate capital financing purchase with annual upfront payment terms provided by the lender at the time the computers are purchased. To date, there have been forty-five schedules executed totaling $1,166,318 with interest rates ranging from 3.96% to 10.15% and terms between three and five years. As of June 30, 2022, four of these financed purchases remain outstanding.

On January 13, 2017, the City entered into a Master Equipment Lease-Purchase Agreement with Banc of America Public Capital Corp. (BAPCC). Each schedule represents a separate capital financing with annual upfront payment terms provided by the lender at the time the equipment is purchased. There were nineteen schedules executed totaling $25,184,972 with interest rates ranging from 1.92% to 3.16% and terms between five and ten years. Early in fiscal year 2019, the City reached the maximum amount available to borrow under this master agreement which was $25 million.

On December 6, 2018, the City entered into a new Master Equipment Lease-Purchase Agreement with BAPCC. This agreement expired at an aggregate on December 31, 2021. There were twenty schedules executed totaling $17,832,047 with interest rates ranging between 0.91% and 2.83%.

On October 14, 2019, the City entered into a new $134,076 lease purchase agreement with AT&T Capital Services, Inc. at a rate of 3.87%. The funds were used to update communication equipment on fire vehicles.

On February 21, 2020, the City entered into a new $5.6 million lease purchase agreement with Alliance Funding Solution, Inc., at a rate of 2.95%. The funds were used to install solar equipment and other energy efficient equipment at both City Hall and the City's Municipal Service Center.

On January 13, 2022, the City entered into a new Master Equipment Lease-Purchase Agreement with BAPCC. Each schedule represents a separate capital financing with annual upfront payment terms provided by the lender at the time of financing. The purpose of these finance purchases is to finance new and replacement equipment throughout the City. To date, there have been three schedules executed totaling $4.4 million with interest rates ranging from 1.66% to 2.76% and terms of five years. This new master agreement will expire at an aggregate of $35 million financed or December 31, 2024, whichever comes first.

On February 10, 2022, the city entered into a 15-year agreement to borrow $19.9 million from Alliance Building Solutions, Inc for a design-build contract to build turn-key PARCS and Public Safety facilities which will include upgrades to lighting to convert to LED efficient lighting, HVAC upgrades and replacements, system controls and monitoring, lighting controls, and transformer upgrades for implementation of a robust list of energy related and sustainability services. The interest rate is fixed at 2.62% for the term of the lease. Principal and interest due in semiannual installments that begin on August 16, 2022. Expected energy bill savings are expected to exceed $23 million over the life of the agreement by creating 3.5 million kilowatt hours per year, which is equivalent to taking 539 gas-powered vehicles off the road every year or powering nearly 300 homes annually. This aligns with the City's GHG Reduction Plan (Climate Action Plan) Municipal Strategies section 5.1.7 which targets GHG emissions generated at City facilities and operations.

The following table lists the City's capital financing activities by lender as of June 30, 2022 (in thousands):

Lender	Date of Loan	Term (Years)	Purchased	Interest Rate	Annual (P&I Payment)
Community First National Bank	7/13/2015	10	2015 Smeal Engines on Spartan Metrostar Chassis (4)	2.92%	$ 105
Community First National Bank	9/22/2015	10	2015 Smeal Engines on Metrostar (3) & Aerial on Gladiator (1)	2.69%	340
Community First National Bank	2/22/2016	10	2015 Smeal Engine & 2016 Water Tender on Kenworth	2.09%	157
Dell Financial Services	9/1/2018	5	Dell OptiPlex 5050SFF(36) & Latitude 3580 (6)	5.63%	10
Dell Financial Services	3/1/2020	4	Dell Latitude Laptops (3)	3.96%	1
Dell Financial Services	5/1/2020	4	Computers Various Models (55)	4.28%	14
Dell Financial Services	5/1/2020	3	Computers Various Models (85)	5.32%	37
Key Government Finance, Inc.	4/10/2019	5	City-Wide Date System	3.88%	1,950
Banc of America Public Capital Corp	4/10/2017	5	Fire Chevy Silverado Pickup	2.07%	10
Banc of America Public Capital Corp	5/2/2017	10	Fire Engines & Pumpers	2.52%	464
Banc of America Public Capital Corp	5/11/2017	5	Police Vehicles (84)	1.96%	692
Banc of America Public Capital Corp	11/20/2017	5	Police Vehicles (55)	2.14%	587
Banc of America Public Capital Corp	8/1/2017	5	Police Motorcycles (14) & Fire Vehicles (9)	1.92%	164
Banc of America Public Capital Corp	11/29/2017	5	DARM Ford F-150 Pickup Trucks (24)	2.14%	115
Banc of America Public Capital Corp	11/23/2017	7	Microwave Date & Radio Console Network	2.46%	783
Banc of America Public Capital Corp	2/2/2018	5	Police MAGEC Vehicles (4)	2.44%	28
Banc of America Public Capital Corp	4/24/2018	5	DARM Ford-150 Pickup Trucks (14) & Parks (4)	2.62%	95
Banc of America Public Capital Corp	6/26/2018	10	Fire Ladder Truck & Pumpers (3)	3.16%	371
Banc of America Public Capital Corp	7/2/2018	5	Police CIT Vehicles (5)	2.76%	134
Banc of America Public Capital Corp	7/17/2018	5	Parks Ford Transit Wagon (1)	2.74%	4
Banc of America Public Capital Corp	7/17/2018	5	Police MAGEC Vehicle (1)	2.74%	7
Banc of America Public Capital Corp	9/14/2018	5	Fire Light Duty Vehicles (5)	2.73%	34
Banc of America Public Capital Corp	9/28/2018	5	Parks John Deere Tractor (1)	2.75%	9
Banc of America Public Capital Corp	10/5/2018	5	Police Vehicles (50)	2.84%	540
Banc of America Public Capital Corp	10/11/2018	5	Police Motorcycles (10)	2.86%	67
Banc of America Public Capital Corp	11/2/2018	5	DARM Ford-150 Pickup Trucks (27)	2.91%	147
Banc of America Public Capital Corp	11/9/2018	5	Police Undercover Vehicles (33)	2.90%	193
Banc of America Public Capital Corp	3/20/2019	5	Police SRO Vehicles (16) & Undercover (2)	2.73%	204
Banc of America Public Capital Corp	4/2/2019	5	Police F-150 Super Crew Pickup Trucks (15)	2.72%	118
Banc of America Public Capital Corp	5/29/2019	10	Fire Pumper Trucks (3)	2.83%	239
Banc of America Public Capital Corp	6/6/2019	5	Police Undercover Vehicles (10)	2.43%	109
Banc of America Public Capital Corp	8/30/2019	5	2019 Police Motorcycles (10)	1.90 %	75
Banc of America Public Capital Corp	11/12/2019	5	2020 Fire Ford Escapes (4), Ford F-250's (2)	1.95 %	60
Banc of America Public Capital Corp	2/11/2020	5	2020 Police U.C. Vehicles (28)	1.97 %	197
Banc of America Public Capital Corp	4/10/2020	5	2020 Police Vehicles (30)	1.11 %	359
Banc of America Public Capital Corp	4/21/2020	5	2020 Police U.C. Vehicles (3)	1.09 %	26
Banc of America Public Capital Corp	5/4/2020	5	2020 Fire Ford F-350 (1) & Ford Interceptor (1)	1.03 %	31
Banc of America Public Capital Corp	5/15/2020	10	2020 Fire Engines (4)	1.34 %	311
AT&T Capital Services, Inc.	10/14/2019	5	Cradlepoint System	3.87 %	33
Alliance Funding Solutions, Inc.	2/21/2020	15	Energy Efficient Equipment and Solar PPA (City Hall & MSC)	2.95 %	417
Banc of America Public Capital Corp	8/17/2020	10	Type III Fire Engines (2)	1.26%	82
Banc of America Public Capital Corp	11/19/2020	5	PARCS Ford Transit Van (1)	0.92%	8
Banc of America Public Capital Corp	11/19/2020	5	Freightliner Street Sweepers (2)	0.92%	163
Banc of America Public Capital Corp	1/19/2021	5	Fire Ford F-250 (1)	0.91%	10
Banc of America Public Capital Corp	2/19/2021	5	Fire Squad Vehicle (1)	0.92%	29
Banc of America Public Capital Corp	3/25/2021	5	IPS Parking Meters	1.03%	413
Banc of America Public Capital Corp	6/9/2021	10	Fire Engines (2) & Truck (1)	1.73%	319
Banc of America Public Capital Corp	6/18/2021	5	Fire Light Duty Vehicle (3)	1.06%	60
Banc of America Public Capital Corp	11/3/2021	5	2021 Undercover Vehicles (5)	1.32%	21

Lender	Date of Loan	Term (Years)	Purchased	Interest Rate	Annual (P&I Payment)
Banc of America Public Capital Corp	2/8/2022	5	2021 Fire Ford F-350 Chassis (8)	1.66%	730
Banc of America Public Capital Corp	5/11/2022	5	2022 Fire Ford Vehicles (13)	2.76%	757
Banc of America Public Capital Corp	6/16/2022	5	2022 Dodge Durangos (33)	2.70%	2,891
			Total		$ 14,720

Capital Financing Activities debt service requirements are presented below (in thousands). Interest rates range from 0.91% to 5.63%.

Year Ended	Governmental Activities	
June 30	Principal	Interest
2023	$ 9,654	$ 1,218
2024	9,326	993
2025	6,246	785
2026	4,959	653
2027	4,057	544
2028-2032	10,231	1,712
2033-2037	8,095	573
Total	$ 52,568	$ 6,478

I. General Fund Short-Term Borrowing Obligations

The City did not issue any short-term debt during fiscal year 2022 and did not have any short-term debt outstanding during the fiscal year.

J. Unused Lines of Credit

The following table lists the City's unused lines of credit as of June 30, 2022 (in thousands):

Line of Credit	Contract Amount	Used	Unused
CA State Water Resources Control Board			
Drinking Water State Revolving Fund (1010007-32C)	$ 14,000	$ 4,520	$ 9,480
Banc of America Public Capital Corporation			
Police Vehicles	9,233	5,626	3,607
Fire Vehicles	583	517	66
Microwave Data & Radio Console Network	5,018	4,685	333
Key Government Finance, Inc			
Citywide Data System	9,500	9,189	311
Alliance Funding Solutions, Inc.			
Energy Efficient Equipment & Solar	21,803	9,361	12,442
Total	$ 60,137	$ 33,898	$ 26,239

K. Debt Collateral

The following table lists the City's assets that are pledged as collateral for various City debts:

Debt	Asset Pledged	Expiration Date
JPFA Lease Revenue Bonds		
1998 B Exhibit Hall Expansion Project	Fresno Convention Center, 848 M. Street	September 1, 2028
2001 A&B Stadium Project	Fire Station #19, 2187 W. Belmont Ave	June 1, 2031
	Saroyan Theater, 730 M. Street	June 1, 2031
2004 A,B,C Various Capital Projects	Convention Center Parking Garage, Inyo & O Streets	October 1, 2034
	Fire Station #15, 5630 E. Park Circle	October 1, 2024
	Fire Station #17, 10512 N. Maple Ave	October 1, 2024
2008 F Convention Center	Fresno City Hall, 2600 Fresno Street	April 1, 2046
2017 A Various Refunding Bond	Fire Station #16, 2510 N. Polk Ave	April 1, 2039
	Fresno Memorial Auditorium, 2425 Fresno Street	April 1, 2039
	Fresno Municipal Center, 1325 El Dorado Street	April 1, 2039
	Parking Garage #4, 1919 Tulare Street	April 1, 2039
	Parking Garage #8, 1077 Van Ness Ave	April 1, 2024
	Police Regional Training Center, 6375 W. Central Ave	April 1, 2039
	Selland Arena, 700 M Street	April 1, 2024
	Chukchansi Park, 1800 Tulare Street	April 1, 2031
	Valdez Hall, 702 M Street	April 1, 2039
	Southern Portion of Woodward Park, 7775 N. Friant Road	April 1, 2024
2020 A Animal Services Center	Fresno City Hall, 2600 Fresno St.	April 1, 2046
California Infrastructure & Development Bank		
Roeding Business Park Loan	City Hall Annex, 2326 Fresno Street	August 1, 2033
U.S. Department of Housing and Urban Development		
Neighborhood Streets & Parks Loan	Al Radka Park, 5897 E. Belmont Ave	August 1, 2022
	Jaswant Singh Khalra Park, 3861 W. Clinton Ave	August 1, 2022
	Todd Beamer Park, 1890 E. Plymouth Way	August 1, 2022
	Romain Playground, 745 N. First Ave	August 1, 2022

L. Significant Events of Default, Termination and Subjective Acceleration Clauses

The City’s debt agreements contain the following terms regarding significant Events of Default, Termination and Subjective Acceleration Clauses:

Bonds

For all City bonds, an Event of Default is generally classified as one or more of the following (1) nonpayment or late payment of principal and/or interest due on the bonds, (2) failure to be in compliance with debt covenants and agreements, and (3) the City filing for bankruptcy. If an Event of Default occurs, the majority owners of the bonds (not less than 51%) may declare the principal amount of all bonds outstanding and the interest accrued on them to be due and payable immediately. This applies to all City bonds except for the Series 2003 Tax Allocation Bonds. Only 25% of bond owners are required to declare the bonds due and payable immediately.

The City's bond agreements do not contain Subjective Acceleration Clauses.

Notes & Loans

For City loans associated with the construction of Water Supply Disinfection Buildings, improvements to the Enterprise and Jefferson Canals, and the City's Water Meter Project, an Event of Default is generally classified as one or more of the following: (1) nonpayment of any installment when due, (2) failure to make any remittances required by the agreement, (3) substantial breach to the agreement, (4) making any false warranty, representation, or statement with respect to the agreement, and (5) loss, theft or damages to any collateral given as security under the agreement. In an Event of Default, the State of California may do any or all of the following: (1) declare the City's obligations due and payable immediately, (2) terminate any obligation to make further cash disbursements to the City, and (3) exercise all rights and remedies available to a secured creditor after default.

For City loans associated with the Southeast Surface Water Treatment Facility, the Regional Transmission Mains, the Enterprise Canal Raw Water Pipeline, the Kings River Pipeline, the Southwest Quadrant Recycled Water Distribution System, and the Tertiary Treatment Facility, the agreements can be terminated by the State Water Resources Control Board (SWRCB) if the City violates any material provision of the agreement. Some examples of violations would be if the City fails to notify the SWRCB of (1) principal and interest payment delinquencies, (2) unscheduled draws on debt service reserves, (3) bankruptcy or insolvency of the City. If a termination event occurs, the City can be demanded by the SWRCB to immediately repay an amount equal to the funds disbursed to them plus accrued interest and penalties.

For City loans associated with HUD Section 108, an Event of Default under these agreements is generally classified as one or more of the following: (1) failure to pay an installment of principal or interest due, (2) failure to properly comply with any covenant or condition of the agreement, and (3) failure to comply substantially with Title I of The Housing and Community Development Act of 1974. In an Event of Default, the Department of Housing and Urban Development Secretary (Secretary) may do any or all of the following: (1) use funds or security pledged under the agreement to (a) continue to make payments due on the note, (b) make an acceleration payment of the principal amount subject to Optional Redemption, (c) pay any interest due for late payment, or (d) pay any other expense incurred by the Secretary as a result of the City's default; (2) withhold the grants not yet disbursed; (3) direct the City's financial institution to refuse to honor any draws on the Guaranteed Loan Funds Account or the Loan Repayment Account by the City; (4) accelerate the note amount subject to Optional Redemption, and (5) exercise any other remedies available by law including recovery of Guaranteed Loan Funds or reimburse any expense incurred as a result of City's default.

For the City loan associated with Roeding Business Park, an Event of Default under this agreement is classified as one or more of the following: (1) failure to pay principal and interest on the loan, (2) the occurrence of an event of default with any parity debt or subordinate debt which causes all principal of parity or subordinate debt to become due and payable immediately, (3) failure to comply with any of the covenants or conditions of the agreement, (4) filing for bankruptcy, (5) any false representation by the City, and (6) failure to pay amounts due under any other City debt if unpaid amount shall exceed $50,000. In an Event of Default, the California Infrastructure Bank may (1) declare the principal of the loan and the accrued interest on all unpaid balances to be due and payable immediately and (2) exercise any other remedies available by law.

The City’s note and loan agreements do not contain Subjective Acceleration Clauses.

Capital Financing Activities

For all City's financed purchases associated with Banc of America Public Capital Corp (BAPCC), an Event of Default is classified as one or more of the following: (1) failure to pay in full the rental payment due, (2) failure to comply with any covenant or agreement of the lease, (3) filing for bankruptcy, (4) any warranty, representation or statement made by the City to be found materially incorrect, (5) any default occurring under any other debt agreement the City has, and (6) the City selling, leasing, or encumbering any of the equipment under the lease. In an Event of Default, BAPCC may do any or all of the following: (1) immediately terminate the lease and repossess the equipment and (2) exercise any other remedies available by law.

For the City's financed purchases associated with Key Government Finance, Inc., an Event of Default is classified as one or more of the following: (1) failure to pay any rental payment, (2) failure to observe and perform any covenant or condition under the agreement, (3) any warranty, representation or statement made by the City to be found materially incorrect, and (4) filing for bankruptcy by the City. In an Event of Default, Key Government Finance, Inc. may do any or all of the following: (1) declare all rental payments and other amounts payable to the end of the then current budget year to be due, (2) retake possession of the property under the lease, (3) instruct the escrow agent to release all proceeds and any earnings thereon to Key Government Finance, Inc. and (4) take any action that is permitted by law to protect its rights under the agreement.

For the City's financed purchases associated with Alliance Funding Solutions, Inc., an Event of Default is classified as one or more of the following: (1) failure to make rental payments when due, (2) failure to maintain insurance on leased property, (3) failure to perform or observe any obligations, covenants or conditions under the lease, (4) filing for bankruptcy by the City, and (5) any warranty, representation or statement made by the City to be found materially incorrect. In an Event of Default, lessor may do any or all of the following: (1) require the City to pay all amounts currently due and all payments remaining due during the fiscal year in which default occurs, (2) exercise any other remedies available under the law, (3) take possession of the equipment and sell or lease it to pay for past due lease payments owed by the City, (4) terminate the lease, and (5) terminate the escrow fund and apply any remaining amount to the balance owed by the City.

The City’s capital lease agreements do not contain Subjective Acceleration Clauses.

Note 8. Interfund Activity

A. Due to/from Other Funds

Due to/from Other Funds represents short-term borrowings resulting from a fund's temporary need for additional cash. Primarily, these amounts have been recorded when timing differences between when the services are provided and when they are paid for/reimbursed causes the funds to temporarily overdraw their share of pooled cash. These balances are generally expected to be repaid within the next few months and not longer than a 12-month fiscal operating cycle.

The composition of interfund balances as of June 30, 2022, is as follows (in thousands):

Receivable Fund	Payable Fund	Amount
General Fund	Grants Special Revenue Fund	$ 3,734
	Nonmajor Governmental Funds	2,310
	Nonmajor Enterprise Funds	512
	Internal Service Funds	8,035
		14,591
Grants Special Revenue Fund	Internal Service Funds	1,749
Nonmajor Governmental Funds	Grants Special Revenue Fund	161
	Internal Service Funds	2,518
	Fiduciary Funds	103
		2,782
Water System	Grants Special Revenue Fund	78
	Internal Service Funds	9,738
		9,816
Sewer System	Grants Special Revenue Fund	88
	Solid Waste Management	1
	Internal Service Funds	6,624
		6,713
Solid Waste	Grants Special Revenue Fund	41
	Internal Service Funds	2,983
		3,024
Transit	Grants Special Revenue Fund	107
	Internal Service Funds	54
		161

Receivable Fund	Payable Fund	Amount
Airports	Grants Special Revenue Fund	43
	Internal Service Funds	400
		443
Nonmajor Enterprise Funds	Grants Special Revenue Fund	8
	Internal Service Funds	901
		909
Internal Service Funds	General Fund	1,100
	Grants Special Revenue Fund	133
	Nonmajor Government Funds	345
	Water System	115
	Sewer System	136
	Solid Waste Management	563
	Transit	139
	Airports	35
	Nonmajor Enterprise Funds	133
	Internal Service Funds	145
		2,844
Total Due to/from Other Funds		$ 43,032

B. Advances

Advances represent long-term borrowing between funds.

Fire Headquarters

In fiscal year 2018, the General Fund borrowed $3.1 million from the Wastewater Operation Fund and the Sewer Stabilization Fund in order to provide sufficient funding for the purchase of the Fire Department's Headquarters Building. The governing resolution formalizing this advance was adopted by Council on May 10, 2018. The term of the advance is five years and the rate of interest is equal to the rate of interest paid on the City's pooled deposits and investments. As of the effective date of the agreement (June 25, 2018) the interest rate was 1.35%. As of June 30, 2022, $2.5 million has been repaid and $0.6 million remains outstanding.

Fire Station No. 18

On November 14, 2019, a loan was executed between the City's UGM Area Wide Oversized Sewer fund, the City's UGM Wellhead Treatment Area 101S Fund, and the City of Fresno's Fire Station 18 Construction Fund, whereby funds were loaned to the Fire Station 18 Construction Fund to cover building costs of Fire Station 18. An amount not to exceed $2.4 million was borrowed from the UGM Area Wide Oversized Sewer Fund and $1.46 million was borrowed from the UGM Wellhead Treatment Area 101S Fund. The term of the loan will be not more than five (5) years and shall be repaid in full by July 31, 2024. Interest will accrue at a rate equal to the City's Pooled Investment Rate, which was 2.325% as of the effective date of the Loan Agreement. Each year, Fire Station 18 Construction Fund shall pay at least 1/5th of the principal balance of the loan plus interest accrued to the payment date. To the UGM Area Wide Oversized Sewer Fund, the annual principal payment is $480,000, while the annual payment to the UGM Wellhead Treatment Area 101S Fund is $291,450. As of June 30, 2022, $3.9 million of proceeds from this loan had been transferred to the Fire Station 18 Construction Fund and $1.4 million had been repaid.

Animal Shelter

On June 1, 2020, a loan was budgeted between the City's Water Enterprise Fund and the City of Fresno Animal Shelter Construction Fund, whereby funds were loaned to the Animal Shelter Construction Fund to cover building costs of a new Animal Shelter. An amount not to exceed $18.5 million was budgeted to be borrowed from the Water Enterprise Fund. The term of the loan will be not more than five (5) years. Interest will accrue at a rate equal to the City's Pooled Investment Rate, which was 2.042% as of March 2020. Each year, the Animal Shelter Construction Fund shall pay at least 1/5th of the principal balance of the loan plus interest accrued to the payment date. During fiscal year 2021, bond proceeds from the 2020-A Animal Services Facility Lease Revenue Bonds became available to fund construction. As of June 30, 2021, no proceeds from the Water Fund had been or are expected to be transferred to the Animal Shelter Construction Fund.

DPU Facility

On April 1, 2021, a loan was executed between the City's Water Division and the Solid Waste Division, whereby $3.7 million was loaned to the Solid Waste Division for the joint purchase of a facility to bring all Utilities services that can be merged into one facility. The term of the loan will be 5 years from the effective date of the loan, or April 1, 2026, and will accrue interest at a rate equal to the City's pooled rate, which was 1.78% as of the effective date of the loan agreement. The Solid Waste Division shall make principal payments in the amount of 1/10th of the loan amount and interest payments twice per year on October 1 and April 1 of each fiscal year. As of June 30, 2022, all $3.7 million of proceeds from this loan had been transferred to the Solid Waste Fund and $0.7 million had been repaid.

Valley Inn

On June 29, 2021, a loan was executed between the City's Sewer Operations Fund and the General Fund, whereby $10 million was loaned to the General Fund for the purchase of a local motel for the purpose of housing the City's homeless population, as well as providing rehabilitation and property management services. The term of the loan was originally set to expire on June 30, 2022 but was amended in FY '22 and now will expire on December 31, 2022. The loan will accrue interest at a rate equal to the City's pooled rate, which was 1.78% as of the effective date of the loan agreement. As of June 30, 2022, all $10 million of proceeds from this loan had been transferred to the General Fund and $0 had been repaid.

Redevelopment Agency

Advances over the years between the City and the former Redevelopment Agency (RDA) were made to provide funds for the purpose of eliminating blight and developing, constructing, rehabilitating, and revitalizing Fresno’s inner city neighborhoods, downtown, and industrial areas. The advances had all been secured by and payable from the incremental property tax revenues of the redeveloped properties. Interest rates varied between 5% and 9%, with payments on the advances and related interest based upon budgetary priority as approved by the former RDA.

In June 2011, all California RDAs were required to dissolve effective February 1, 2012. The law dissolving the RDAs called for the creation of a Successor Agency (SA) to wind down RDA business.

The initial dissolution law provided that the SA would pay “enforceable obligations” of the former RDA. However, the law initially excluded debt a former agency owed to the city that created it from the definition of enforceable obligations, unless the debt was created in the first two years following the agency’s creation or was debt that represented third party obligations. Subsequent legislation allowed limited, conditional repayment of loans by the SA to the community that created it.

When the RDA dissolution process began, City staff considered it to be premature to consider the debt owed by the former RDA to the City as being current. Thus, an allowance for doubtful accounts was created by the City, which at June 30, 2011, totaled $80.1 million. This amount, which was equal to the calculated amount of the debt, was reflective primarily of principal and interest accrued over the years on the advances. As payments on the debt have been received and legal decisions have been rendered, which further defined an "enforceable obligation", staff revisited that initial allowance for doubtful accounts amount and refined it. At the end of fiscal year 2022, the allowance for doubtful accounts stood at $6.5 million.

As the funds are received, 20% of any loan repayment received by the City must be deducted from the loan repayment amount and be transferred to the Low and Moderate Income Housing Fund. In fiscal year 2022, this amount totaled $0.4 million. The repayment is reflected on the ACFR on the Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds, under the Special Revenue Low and Moderate Income Housing Fund.

On June 23, 2016, the City Council approved a resolution requiring any amount of the annual repayments of RDA debt that are received and not related to Enterprise Funds related loans would go toward the rebuilding of the City's Emergency Reserve Fund. Through June 30, 2022, the City had received $32.4 million in loan repayments from the SA. With the adoption of the fiscal year 2019 budget and the corresponding achievement of a 10% reserve, these repayments became a General Fund revenue source.

City of Fresno Advances to Former Redevelopment Agency (In Thousands)

	Principal Cumulative				Interest Cumulative				Total		
Receivable Fund	Beginning Balance	Advances/ Adjustments	Payments/ Write-offs	Ending Balance	Beginning Balance	Accruals/ Adjustments	Payments/ Write-offs	Ending Balance	Total Receivable	Allowance for Doubtful	Receivable (Net of Allowance)
General Fund:											
General Fund	$ 838	$ —	$ —	$ 838	$ 621	$ 25	$ —	$ 646	$ 1,484	$ (1,484)	$ —
Parking Trust	150	—	—	150	111	5	—	116	266	(266)	—
	988	—	—	988	732	30	—	762	1,750	(1,750)	—
Grants Special Revenue Fund	4,769	—	—	4,769	6,273	143	(2,165)	4,251	9,020	(2,172)	6,848
Nonmajor Governmental Funds:											
Gas Tax	1,150	—	—	1,150	858	34	—	892	2,042	(2,043)	(1)
	1,150	—	—	1,150	858	34	—	892	2,042	(2,043)	(1)
Fresno Convention Center	304	—	—	304	219	9	—	228	532	(532)	—
	304	—	—	304	219	9	—	228	532	(532)	—
Total	$ 7,211	$ —	$ —	$ 7,211	$ 8,082	$ 216	$ (2,165)	$ 6,133	$ 13,344	$ (6,497)	$ 6,847

Subsequent to fiscal year-end, the City received a reimbursement on loans made to the former RDA. The amount received was $2.3 million, of which $1.9 million was paid to the City and $0.5 million was paid to the Housing Successor.

Redevelopment Agency - Housing Assets

The City became the "Housing Successor" of the former RDA's Housing Assets. These assets were transferred to the City, who has sole legal authority to administer housing assets pursuant to the Redevelopment Dissolution Laws. This allows the City to complete projects under contract, liquidate surplus real estate and distribute proceeds to taxing entities, pursue repayment of RDA obligations to the City, and administer housing assets.

Other Advances

The Sewer System sold land to the General Fund for the purpose of constructing a regional public safety training facility. Interest for the advance is equal to two percent (2%) above the City's monthly Pooled Investment Rate. The first interest only payment was due July 31, 2008. Principal, at not less than 1/29th of the original principal, and interest payments are due annually thereafter. The remaining advances are interest free and payable on demand. The amounts are not expected to be repaid within the next twelve-month fiscal operating cycle.

The composition of interfund balances (advances from/to other funds) as of June 30, 2022, is as follows (in thousands):

Receivable Fund	Payable Fund	Amount
Grants Special Revenue Fund	Fiduciary Funds	$ 6,848
Nonmajor Governmental Funds	Nonmajor Governmental Funds	62
Water System	Nonmajor Governmental Funds	1,050
	Solid Waste	2,969
		4,019
Sewer System	General Fund	10,862
	NonMajor Governmental Funds	1,440
		12,302
Total Advances		$ 23,231

C. Transfers

Transfers represent subsidies by one fund to another in accordance with the budget and provide for various City programs and provide resources for the payment of debt service.

The following is a summary of interfund transfers for the fiscal year ended June 30, 2022 (in thousands):

Receiving Fund	Paying Fund	Amount
General Fund	Grants Special Revenue Fund	$ 4,291
	Nonmajor Governmental Funds	2,643
	Solid Waste Management	708
	Transit	597
	Internal Service Funds	348
		8,587
Grants Special Revenue Fund	General Fund	334
	Nonmajor Governmental Funds	1,748
	Internal Service Funds	18
		2,100
Nonmajor Governmental Funds	General Fund	26,120
	Grants Special Revenue Fund	695
	Nonmajor Governmental Funds	24,040
	Water System	378
	Sewer System	346
	Solid Waste Management	325
	Transit	856
	Airports	268
	Nonmajor Enterprise Funds	97
	Internal Service Funds	888
		54,013
Water System	General Fund	1
Sewer System	General Fund	1
Solid Waste Management	General Fund	666
	Nonmajor Enterprise Funds	928
		1,594
Airports	General Fund	—
Fresno Convention Center	General Fund	6,122
Stadium	General Fund	3,694
Nonmajor Enterprise Funds	General Fund	1,300
Internal Service Funds	General Fund	1,783
	Grants Special Revenue Fund	1,252
	Water System	1,095
		4,130
Total Transfers		$ 81,542

The General Fund transferred $26.1 million to Nonmajor Governmental Funds to provide support for debt service payments and capital projects; $6.1 million to the Convention Center for debt service as well as general operating support; $1.8 million to Internal Service Funds for provided services; $0.7 million to Solid Waste for transverse charges and $3.7 million to the Stadium Fund for debt service payments.

The Grants Special Revenue Fund transferred $68.3 million to the General Fund, $0.1 million to Nonmajor Governmental Funds, and $7.4 million to Proprietary Funds for Coronavirus Aid Relief, and Economic Security (CARES) Act eligible expenses.

Nonmajor Governmental Funds transferred $28.4 million for debt service and miscellaneous purposes. Internal Service Funds transferred $0.9 million to Nonmajor Governmental Funds for debt service payments. Enterprise Funds transferred $2.3 million to Nonmajor Governmental Funds for debt service payments.

D. Recap of Interfund Activity

The following schedule recaps Interfund Activity at June 30, 2022 (in thousands):

	Due from Other Funds	Due to Other Funds	Advances Receivable from Other Funds	Advances Payable to Other Funds	Transfers In	Transfers Out
Governmental Funds:						
General Fund	$ 14,591	$ 1,100	$ —	$ 10,862	$ 8,587	$ 40,021
Grants Special Revenue Fund	1,749	4,393	6,848	—	2,100	6,238
Nonmajor Governmental Funds	2,782	2,655	62	2,552	54,013	28,431
Total Governmental Funds	19,122	8,148	6,910	13,414	64,700	74,690
Proprietary Funds:						
Water System	9,816	115	4,019	—	1	1,473
Sewer System	6,713	136	12,302	—	1	346
Solid Waste Management	3,024	564	—	2,969	1,594	1,033
Transit	161	139	—	—	—	1,453
Airports	443	35	—	—	—	268
Fresno Convention Center	—	—	—	—	6,122	—
Stadium	—	—	—	—	3,694	—
Nonmajor Enterprise Funds	909	645	—	—	1,300	1,025
Internal Service Funds	2,844	33,147	—	—	4,130	1,254
Total Proprietary Funds	23,910	34,781	16,321	2,969	16,842	6,852
Fiduciary Funds:						
Major Governmental Funds	—	—	—	6,848	—	—
Total Fiduciary Funds	—	103	—	6,848	—	—
Total	$ 43,032	$ 43,032	$ 23,231	$ 23,231	$ 81,542	$ 81,542

Note 9. Defeasances

Current Year Defeasances

The City had no defeasance or refunding of debt for the fiscal year ending June 30, 2022.

Note 10. Risk Management Fund

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; automobile liability and accident claims; natural disasters; employee health benefit claim payments; and injuries to employees (workers' compensation). With certain exceptions, it is the policy of the City to use a combination of self-insurance and purchased commercial insurance against property, liability, or workers' compensation risks. The City believes it is more economical to manage its risks internally and set aside funds as needed for estimated current claim settlements and unfavorable judgments through annual appropriations and supplemental appropriations. The City maintains limited coverage for certain risks that cannot be eliminated. The Risk Management Division investigates and manages all liability claims and property losses, evaluates risk exposure and insurance needs, protects against contractual loss by reviewing/preparing insurance and indemnification portions of contractual documents, emphasizes ongoing operational loss control, and purchases all insurance coverage for the City.

The City maintains General Liability insurance, with limits of liability of $25 million per occurrence and $35 million aggregate in Excess Liability coverage. There is a $5 million self-insured retention (SIR). Coverage is provided by the Safety National Insurance Company ($2 million/$4 million) or Safety Specialty ($2 million), depending on the line of coverage, and thereafter Safety Specialty Insurance Company ($3 million/$6 million), Allied Insurance Company ($10 million/$10 million), Hallmark Insurance ($5 million / $5 million) and Gemini Insurance ($5 million/$5 million). The City has procured Automobile Physical Damage coverage through Hanover Insurance Company with a $10 million limit. For this policy, the deductible is $50,000 for vehicles valued at less than $150,000, while the deductible is $100,000 for vehicles valued at $150,000 or more. The City carries Government Crime coverages with a $5 million limit secured through Zurich Insurance Company with a $50,000 deductible. The City has Cyber liability coverage under AXA XL with a $500,000 SIR and a $5 million limit and excess Cyber liability coverage under Illinois Union Insurance Company ($5 million /$5 million). The City also maintains Airport Owners and Operators General Liability insurance and Aviation (Aircraft Liability), with limits of liability of $100 million. There is no deductible or SIR. Coverage is provided by Old Republic Insurance Company through Phoenix Aviation Managers (Texas), Inc.

Furthermore, the City maintains Property insurance and Boiler and Machinery insurance with Travelers Insurance, with total insured values of $2,189,263,752 and limits of liability of $500,000,000. There is a $100,000 deductible for most losses. Flood losses have a $250,000 deductible. Property insurance does not cover losses due to seismic events. Finally, the City maintains Aviation (Aircraft Hull) insurance for two helicopters, with limits of liability of $50 million. There is a 1.0% of insured value each claim, subject to a maximum of $15,000, rotors in-motion deductible and $0 rotors not in-motion deductible of each helicopter. Coverage is provided by Old Republic Insurance Company through Phoenix Aviation Managers (Texas), Inc.

The City's Workers' Compensation Program consists of $2 million SIR, with purchased excess insurance layers up to the statutory limits. Settled claims have not exceeded the SIR in any of the last five fiscal years. The claims liabilities and workers' compensation liabilities reported on the Statement of Net Position have been actuarially determined and include an estimate of incurred but not reported losses.

The estimated liabilities of the Risk Management ISF as of June 30, 2022 are determined by the City based on recommendations from an independent actuarial evaluation. The liabilities are based on estimates of the ultimate cost of claims (including future claim adjustments expenses) that have been reported but not settled, and claims that have been incurred but not reported (IBNR). The claims liability of $200.5 million reported in the Risk Management Internal Service Fund at June 30, 2022 is based on the requirement that claims be reported if information prior to the issuance of the financial statements indicates it is probable that a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated.

The recorded liabilities for each program at June 30, 2022 are as follows (in thousands):

Workers' Compensation *	$	145,151
Liability and Property Damage *		55,376
Total	$	200,527

* The liabilities for workers' compensation and general liability are presented at present value, using a discount rate of 3%.

Changes in the funds claims liability amount for the last two fiscal years are as follows (in thousands):

Fiscal Year Ended June 30	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	End of Fiscal Year Liability
2021	$ 150,308	$ 59,722	$ 24,297	$ 185,733
2022	$ 185,733	45,009	30,215	200,527

See Note 10 Section G for changes in funds claims liability related to Employees Healthcare Plan.

Note 11. Employee Benefit Programs

A. Retirement Plans

The City sponsors two single-employer, contributory, defined benefit pension plans. The City of Fresno Employees Retirement System and the City of Fresno Fire and Police Retirement System (Systems) were established under Charter Section 910 and are governed by Article 5 Chapter 3 (Employees) and Articles 3 and 4 Chapter 3 (Fire and Police) of the City of Fresno Municipal Code, respectively. The Systems provide lifetime retirement, disability, and death benefits to its members.

The Systems are administered by their respective Retirement Boards (Boards) which operate in compliance with the City of Fresno Municipal Code, and also in accordance with the California Pension Protection Act of 1992. The Boards do not operate under the control of the City Council. Rather, the Boards have the sole and exclusive responsibility to administer the respective Systems in a manner that will assure prompt delivery of benefits and related services to the members and their beneficiaries.

Membership and Benefit Eligibility

All permanent full-time employees of the City, except sworn Fire and Police personnel, are eligible to participate in the Employees' plan. The Fire and Police is one System with two tiers. Effective August 28, 2008, the City of Fresno added the Fire and Police Tier 2 for all full-time sworn Fire, Police and Airport safety personnel hired on or after that date (and closed the Fire and Police Tier 1 to new entrants). Employees become eligible for membership on their first day of full-time regular employment, and become fully vested after earning 5 years of service credit. Employees working in limited, interim, provisional, temporary, seasonal or part-time positions are not eligible to participate in the Systems. Participation is mandatory if an employee is eligible, except in the case of the City Manager, City Attorney, City Clerk, Department Heads and Council Assistants who may negotiate other retirement benefits if such an agreement is established by resolution of the Council as provided for in the Fresno Municipal Code (FMC) Section 5-318.

Total participants in each System were comprised of the following, as of June 30, 2022:

	Employees	Fire & Police	Total
Active Members			
Vested	1,384	856	2,240
Non-Vested	1,051	280	1,331
Total Active Members	2,435	1,136	3,571
Retirees and Beneficiaries of Deceased Retirees			
Retirees, Currently Receiving Benefits	2,167	1,154	3,321
Inactive Vested Members	202	58	260
Total Retirees and Inactive Members	2,369	1,212	3,581
Grand Total	4,804	2,348	7,152

Benefit Provisions

The retirement (pension) benefits that Employees members receive are based upon a combination of age at retirement, years of credited service, final average monthly salary, and the distribution option selected by the participant. For Fire and Police, the benefits are further based upon the tier and option selected by the participant. Members' contributions, including interest, are 100% vested at all times. Employer contributions do not become vested until completion of five years of credited service, and are not payable until the member attains the age of 55. Effective January 28, 2008, members may retire between ages 50-55 with an actuarially equivalent service retirement benefit. For Fire and Police, the employer contributions do not become vested until completion of ten years of credited service under Tier 1 and five years of credited service under Tier 2. Those benefits are not payable until the member attains the age of 50 under both tiers. Contributions are made by the members and the employer at rates recommended by the Systems' actuary and adopted by the Boards.

Member Retirement Benefits

Employee members are eligible for service retirement benefits upon completion of at least five years of service upon termination of service (if they have left their contributions and interest with the System) and are at least age 55. They are also eligible if their permanent termination from City service was caused by a layoff. In those cases, they can retire at age 50 at a reduced benefit. They may also be eligible for service retirement benefit if they have less than five years of service with the City, have established reciprocity with a prior employer, and are eligible to retire from that agency.

The service retirement monthly benefit calculated pursuant to the provisions of the Fresno Municipal Code is equal to 2% of final compensation times each of the first 25 years of accrued retirement service credit plus 1% of final compensation times any years of accrued retirement service credit in excess of 25 years, multiplied by the age factor at retirement age. Final average compensation consists of the highest average consecutive 36 months of earnable compensation calculated using the rate of pay in effect at the time of retirement.

Fire and Police members of Tier 1 are eligible to retire once they attain the age of 65 regardless of service, or at age 50 and have acquired ten or more years of retirement service credit. The Tier 1 monthly benefit for a member with at least 20 years of service who retires from active status is equal to 55% of final compensation plus 2% of final compensation for each year of service in excess of 20 years completed after age 50. For Tier 1, final average compensation consists of the final highest consecutive 36 months of compensation earnable calculated using the rate of pay actually earned by the member in effect at the time of retirement. Some members can elect to have their final compensation based on a rank average. Members of Tier 2 are eligible to retire once they attain the age of 65 regardless of service or at age 50 and have acquired 5 or more years of retirement service credit. The Tier 2 monthly benefit for a member who is age 55 or older is equal to 2.70% of final compensation times years of accrued retirement service credit. The maximum monthly retirement allowance is 75% of final compensation. Tier 2 final average compensation consists of the highest consecutive 36 months of compensation earnable before the date of retirement.

The members of each System may elect an unmodified retirement allowance, or choose one of four optional retirement allowances. Each of the optional retirement allowances require a reduction in the unmodified retirement allowance in order to allow the members the ability to provide certain benefits to a surviving spouse, domestic partner, or named beneficiary having an insurable interest in the life of the member. For Employee members, the unmodified retirement allowance provides the highest monthly benefit and 50% continuance to an eligible surviving spouse or domestic partner. For Fire and Police members, the unmodified retirement allowance also provides the highest monthly benefit and a 66 2/3% continuance to an eligible surviving spouse or domestic partner.

The Municipal Code provides that the Retirement staff must research the percentage change in the Consumer Price Index (CPI) (US city-average for urban wage earners and clerical workers - all items) and propose that percentage to the appropriate Boards as the cost-of-living adjustments (COLA) to be adopted for the following year. This procedure must be completed by the end of April of each year for implementation in July (employees) or January (public safety). The COLA is limited to a 5% maximum change per year (employee) or 3% maximum change (public safety). Any excess over the maximum change is "banked" for use in a year where the percent of CPI change is less than the maximum.

The Fire and Police Tier 1 COLA depends on the type of method chosen by the member at retirement. If the member chose the Career Rank method, the COLA is a recalculation of his/her retirement based on the new salaries adopted for the current year. If the method chosen by the retiree is the final 3-year method, the COLA is based on the change in the weighted mean average compensation attached to all ranks in the department, with a cap of 5% per year. Any excess over the 5% is "banked" for use in years when the COLA calculated is less than 5%.

Each System also has a Deferred Retirement Option Program (DROP), which is an optional voluntary program that allows the member to have his or her retirement benefits deposited in a special account within the Systems while the member continues to work in his or her current position. It is a voluntary method of receiving a distribution of their retirement benefits; it is not an additional retirement benefit. Additional information on DROP may be found in the ACFR for each respective System.

Terminated Member Benefits

If a member terminates before earning five years of credited service, the member forfeits the right to receive his or her service retirement benefit and is entitled to withdraw refundable contributions made, together with accumulated interest. If the member enters a reciprocal retirement system within 180 days (6 months) of terminating employment with the City and elects to leave their accumulated contributions on deposit with the System, then the member will receive a deferred retirement allowance when eligible.

Death and Disability Benefits

Death benefits are based upon whether the death occurred before or after retirement. Disability benefits are based upon whether the member has at least ten years of credited service, over or under age 55 and whether the permanent incapacity is found to be service or non-service connected.

Basis of Accounting

The Systems' financial statements are prepared using the accrual basis of accounting and in accordance with generally accepted accounting principles in the United States of America (GAAP), under which revenues are recognized when earned and deductions are recorded when the liability is incurred. Securities lending transactions are accounted for in accordance with GASB Statement No. 28, *Accounting and Financial Reporting for Securities Lending Transactions.*

Valuation of Investments

For financial reporting purposes, the Systems' investments are reported at fair value. Fair value for investments of publicly traded securities is based upon closing sales prices reported on recognized securities exchanges on the last business day of the period or, for listed securities having no sales reported and for unlisted securities, based upon last reported bid prices. All purchases and sales of securities are accounted for on a trade date basis. Dividends declared but not received are accrued on the ex-dividend date. Short-term investments are reported at cost, which approximates fair value. Securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates. Investments in both bonds and mortgage backed pass-through certificates are carried at fair value. Cost values are derived from Master Custodial Transaction Records. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair values.

For asset/liability calculation purposes and for actuarial purposes, asset valuation is based on market value of assets less unrecognized returns from each of the last five years. Unrecognized returns are equal to the difference between the actual market return and the expected return on a market value basis and are recognized over a five-year period. The Actuarial Value of Assets is reduced by the value of the non-valuation reserves.

Rate of Return

For the fiscal year ended June 30, 2022, the annual money-weighted rate of return on pension plan investments, net of investment expense was 7.28%, for the Employees and Fire and Police. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Reporting

The following data is for employer reporting as required by GASB Statement No. 68 as of June 30, 2022. The results used in preparing the GASB Statement No. 68 report are comparable to those used in preparing the GASB Statement No. 67 report for the plan based on a reporting date and measurement date as of June 30, 2021. The valuation is based upon:

- The benefit provisions of the Systems as administered by the Boards;
- The characteristics of covered active members, terminated vested members, and retired members and beneficiaries as of June 30, 2021;
- The assets of each Plan as of June 30, 2021;
- Economic assumptions regarding future salary increases and investment earnings; and
- Other actuarial assumptions, regarding employee termination, retirement, death, etc.

The Total Pension Liability (TPL) and the Plans' Fiduciary Net Positions include liabilities and assets held for DROP, Post-Retirement Supplemental Benefits (PRSB) and City Surplus reserves. The Net Pension Liability (NPL) is equal to the difference between the TPL and the each Plan's Net Position. Each Plan's Fiduciary Net Position is equal to the market value of assets and, therefore, the NPL measure is very similar to an Unfunded/(Prefunded) Actuarial Accrued Liability calculated on a market value basis. The NPL was measured as of June 30, 2021 and determined from the actuarial valuations as of June 30, 2021. The Plans' Fiduciary Net Positions (Plan Assets) were valued as of the measurement dates. Consistent with the provisions of GASB Statement No. 68, the assets and liabilities measured as of June 30, 2021 were not adjusted or rolled forward to the June 30, 2022 reporting date. The discount rates used for each Plan to determine the TPL and NPL as of June 30, 2021 was 7.00%, following the same assumptions used by the Retirement Systems in the funding valuations as of the same dates.

Funding Policy

The City contributes to the retirement plans based upon actuarially determined contribution rates adopted by the Boards. Employer contribution rates are adopted annually based upon recommendations received from the Retirement Systems' actuary after the completion of the annual actuarial valuation.

For the Employees System, the average employer contribution rate as of June 30, 2022, for 2021-2022 (based on the June 30, 2019 valuation) was 13.35% of compensation. The average employee member contribution rate as of June 30, 2022 for 2021-2022 (based on the June 30, 2019 valuation) was 9.49% of compensation.

For the Fire and Police System, the average employer contribution rate as of June 30, 2022, for 2021-2022 (based on the June 30, 2019 valuation) was 22.56% of compensation. The average employee member contribution rate as of June 30, 2022 for 2021-2022 (based on the June 30, 2019 valuation) was 8.89% of compensation.

All active Fire and Police members are required to make contributions to the System. Employee contribution rates vary in the First Tier according to entry age. The Tier 1 average member contribution rate as of June 30, 2022 for 2021-2022 (based on the June 30, 2019 valuation) was 0.00% of compensation. Employee contribution rates in the Second Tier are established at 9% of pensionable base pay.

The aggregate employer contribution rate for the Fire and Police System as of June 30, 2022 for 2021-2022 (based on the June 30, 2019 valuation) was 22.56% of compensation.

Actuarial Funding Policy and Actuarial Cost Methodology for Funding Purposes

The City currently funds, at a minimum, the amounts recommended by the actuary and approved by the Boards. These minimum contributions are recognized currently in each System’s statement of changes in fiduciary net position. Employees' contributions are funded and recognized currently through payroll deductions in amounts recommended by the actuary. Costs of administering the System are charged against System assets.

Funding Status and Method

The Employees System Board adopted a Comprehensive Actuarial Funding Policy on November 7, 2012. For the Employees Retirement System, this policy included a change in actuarial cost methodology from the Projected Unit Credit (PUC) method previously used for funding purposes to the Entry Age Normal (EAN) method.

On the same date, the Fire and Police Board adopted a Comprehensive Actuarial Funding Policy. For the Fire and Police Retirement System, this policy included a change in actuarial cost methodology from the aggregate EAN funding method to the individual EAN method. The Boards made the change due to the adoption of GASB Statement No. 67 in fiscal year 2014.

Funding Requirements and Policy Components

The Systems’ annual funding requirements are comprised of a payment of the Normal Cost and a payment on the Unfunded Actuarial Accrued Liability (UAAL), if applicable. The Normal Cost and the amount of the payment on UAAL are determined by three components of the respective Board’s funding policy: 1) Actuarial Cost Method - the techniques used to allocate the cost/liability of retirement benefits to a given period; 2) Asset Smoothing Method - the techniques that spread the recognition of investment gains or losses over a period of time for the purposes of determining the Actuarial Value of Assets used in the actuarial valuation process; and 3) Amortization Policy - the decisions on how, in terms of duration and pattern, to fund the difference between the UAAL and the Actuarial Value of Assets in a systematic manner.

As of June 30, 2022, the Systems did not have UAAL.

The Boards adopted an Amortization Policy, which sets forth the amortization procedures for funding any UAAL or amortization and allocation of any available Surplus in the Systems. A detailed description of the policy can be found in the Notes to the Financial Statements for the Retirement Systems, which are located at http://www.cfrs-ca.org/Employee/Communications/Reports.asp for the Employees System or at http://www.cfrs-ca.org/Fire-Police/Communications/Reports.asp for the Fire and Police System.

The Systems use a 5-year smoothing of market gains and losses above and below the assumed actuarial rate of return to derive the actuarial value of assets. As of the fiscal year ended June 30, 2022, the actuarial valuation value of the Employees' System assets was $1.450 billion with a funded percentage of 113.7% on a valuation value of assets, whereas the actuarial value of Fire and Police assets was $1.791 billion with a funded percentage of 120.5% on a valuation value of assets.

Contributions Required and Contributions Made

The employer's required normal contributions to the Systems have two components: basic and COLA. For fiscal year 2022, the City's required normal contributions (basic and COLA) to the Systems were as follows (in thousands):

	Normal Cost Employees System	
	FY 2022	
Employer Contributions	$	21,950
Prior Year Contribution (Surplus)/Shortfall		70
Net Employer Contributions	$	22,020
Pensionable Payroll	$	154,031
Member Contributions	$	15,493
Employer Contribution Rate		13.33%

Employer and employee contributions represented 13.35% and 9.49% respectively, of the fiscal year 2022 covered payroll for the Employees System.

	Normal Cost Fire and Police System (In Thousands)					
	FY 2022					
	Tier 1		Tier 2		Total	
Employer Contributions	$	340	$	30,594	$	30,934
Prior Year Contribution (Surplus)/Shortfall		(93)		(3,285)		(3,378)
Net Employer Contributions	$	247	$	27,309	$	27,556
Pensionable Payroll	$	1,563	$	121,070	$	122,633
Member Contributions	$	92	$	10,881	$	10,973
Employer Contribution Rate		28.76%		25.27%		

Employer and employee contributions represented 22.56% and 8.89%, respectively, of the fiscal year 2022 covered payroll for the Fire and Police System.

Net Pension Asset

The net pension liability (asset) reported as of June 30, 2022 was measured as of June 30, 2021, and determined based upon the total pension liability (on GASB Statement No. 68 basis) from actuarial valuations as of June 30, 2021.

The City's total pension liability, plan fiduciary net position, and net pension liability (asset) for each System as of June 30, 2022 were as follows (in thousands):

	Employees System	Fire and Police System
Total Pension Liability	$ 1,379,432	$ 1,636,521
Plan Fiduciary Net Position	(1,731,238)	(2,090,370)
Net Pension Liability (Asset)	$ (351,806)	$ (453,849)
Plan Fiduciary Net Position as a percentage of the total pension liability	125.5%	127.73%

Changes in Net Pension Liability (Asset)

The components of the net pension liability (asset) for each System as of June 30, 2022 and a measurement date of June 30, 2021 were as follows (in thousands):

	Employees System	Fire and Police System
Total Pension Liability (Asset)		
Beginning Balance	$ 1,337,308	$ 1,565,630
Service Cost	30,993	37,563
Interest	93,357	109,740
Differences Between Expected & Actual Experience	(12,980)	(5,449)
Benefit Payments, Including Refunds	(69,246)	(70,963)
Changes of Assumptions	—	—
Net Change in Total Pension Liability	42,124	70,891
Ending Balance	$ 1,379,432	$ 1,636,521
Plan Fiduciary Net Position		
Beginning Balance	$ 1,360,837	$ 1,635,300
Contributions - Employer	20,144	26,315
Contributions - Employee	13,750	10,256
Net Investment Income	407,811	491,744
Benefit Payments (Including Refunds, PRSB)	(69,246)	(70,963)
Administrative & Professional Expense	(2,058)	(2,282)
Net Change in Plan Fiduciary Net Position	370,401	455,070
Ending Balance	1,731,238	2,090,370
Net Pension Liability (Asset)	$ (351,806)	$ (453,849)

Discount Rate and Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The discount rate used to measure the TPL was 7.00% as of June 30, 2021 and June 30, 2020. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarial determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension Plan Fiduciary Net Position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL as of both June 30, 2021 and June 30, 2020.

The following presents the NPL of the Employees and Fire and Police Retirement Systems as of June 30, 2021. The Systems use the current discount rate to measure the TPL for the measurement date of June 30, 2021, as well as what the NPL would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

NPL of Employees and Fire and Police Retirement Systems
As of June 20, 2021
(In Thousands)

	1% Decrease	Current Discount Rate	1% Increase
	6.00%	7.00%	8.00%
Employees System	$ (190,533)	$ (351,806)	$ (483,823)
Fire and Police System	(228,661)	(453,849)	(634,724)

Long-Term Expected Real Rate of Return

The long-term expected rate of return on the Systems' investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and net of inflation) are developed for each major asset class. This information is combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and deducting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before deducting investment expense, used in the derivation of the long-term expected rate of return assumption are summarized in the following table:

Asset Class/Target Allocation/Long-Term Expected Rate Return Table

As of June 30, 2022

Asset Class	Target Asset Allocation	Weighted Average Long-Term Expected Rate of Return (Arithmetic)
Large Cap U.S. Equity	18.0%	5.4%
Small Cap U.S. Equity	3.0%	6.17%
Developed International Equity	13.0%	6.13%
Emerging Market Equity	5.0%	8.17%
Private Equity	8.0%	7.18%
U.S. Core Bonds	1.3%	9.53%
Domestic Fixed Income	12.0%	39%
High Yield Bonds	—%	—%
Private Debt/Direct Lending	14.0%	5.93%
Midstream Energy	—%	—%
Real Estate	15.0%	4.59%
Private Real Assets - Infrastructure/Land	7.0%	6.19%
Private Credit - Credit Opportunities	2.5%	7.18%
Hedge Fund Macro	1.3%	2.72%
Total	100.0%	

Mortality Rates

For the Employees System, the mortality rates used in the latest actuarial valuation are based on Pub-2010 General Healthy Retiree Amount-Weighted Mortality Table (separate tables for males and females) times 105% for healthy members and beneficiaries, projected generationally with the two-dimensional mortality improvement scale MP-2018. For disabled members, the mortality rates used in the latest actuarial valuation are based on Pub-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Table (separate tables for males and females), projected generationally with the two-dimensional mortality improvement scale MP-2018.

For the Fire and Police System the mortality rates used in the latest actuarial valuation are based on Pub-2010 Safety Healthy Retiree Amount-Weighted Mortality Table (separate tables for males and females) for healthy members, projected generationally with the two-dimensional mortality improvement scale MP-2018. For Beneficiaries, Pub-2010 General Healthy Retiree Amount Weighted Mortality Table (separate tables for males and females) times 105%, projected generationally with the two-dimentional mortality improvement scale MP-2018. For disabled members, Pub-2010 Safety Disabled Retiree Amount-Weighted Mortality Table (separate tables for males and females), projected generationally with the two dimensional mortality improvement scale MP-2018. These mortality tables were adjusted to future years using the generational projection to reflect future mortality improvement between the measurement date and those years.

Actuarial Assumptions

The TPL as of June 30, 2021 was determined by an actuarial valuation as of June 30, 2021. The actuarial assumptions used in the valuation were based on the results of an experience study for the period from July 1, 2015 through June 30, 2018.

In particular, the following actuarial assumptions were applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	3.75% to 11.25%, varying by service, including inflation (Employees). 4.00% to 12.75%, varying by service, including inflation (Fire and Police).
Investment rate of return	7.00%, net of pension plan investment expense, including inflation.
Other assumptions	See the Employees' Plan and the Fire and Police Plan June 30, 2022 Actuary Reports for the service retirement rates after they have been adjusted to treat DROP participation as service retirement.

Net Position Restricted for Pension Benefits

Net position restricted for pension benefits is segregated into Active Members Reserve (members' accumulated contributions) and reserves established by the Boards for various benefit payments. Reserves are established by the Systems from member and employer contributions and the accumulation of investment income after satisfying investment and administrative expenses.

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the fiscal year ending June 30, 2022, the City incurred pension expense of $36.2 million for the employees Plan and $39.6 million for the Fire and Police Plan for a total pension expense of $75.8 million.

As of June 30, 2022, the City has deferred outflows and deferred inflows of resources related to the pensions as follows:

Pension Expense and Deferred Outflows and Inflows of Resources (in thousands) Components of Pension Expense		Employees System		Fire and Police System
Service cost	$	30,993	$	37,563
Interest on the total pension liability		93,357		109,740
Expensed portion of current-period difference between expected and actual experience in the Total Pension Liability		(3,489)		(1,261)
Actual member contributions		(13,750)		(10,256)
Projected earnings on plan investments		(93,949)		(113,187)
Expensed portion of current-period differences between actual and projected earnings on plan investments		(62,772)		(75,711)
Expensed portion of current-period effects of Assumption Changes		—		—
Administrative expense		2,058		2,282
Recognition of beginning of year deferred outflows of resources as pension expense		31,922		39,207
Recognition of beginning of year deferred inflows of resources as pension expense		(20,541)		(28,024)
Pension Expense	$	(36,171)	$	(39,647)
Deferred Outflows of Resources and Deferred Inflows of Resources				
Deferred Outflows of Resources				
Contributions subsequent to Measurement Date	$	20,805	$	25,539
Changes of assumptions or other outputs		7,605		21,889
Difference between expected and actual experience in the Total Pension Liability		2,564		1,335
Net difference between projected and actual earnings on pension plan investments		—		—
Deferred Outflows of Resources	$	30,974	$	48,763
Deferred Inflows of Resources				
Net difference between projected and actual earnings on pension plan investments	$	198,793	$	240,358
Changes of assumptions		—		8,249
Difference between expected and actual experience in the Total Pension Liability		9,585		6,893
Deferred Inflows of Resources	$	208,378	$	255,500

The $20.8 million and $25.5 million reported as deferred outflows of resources related to contributions subsequent to the June 30, 2021 measurement date will be recognized as a reduction of the total Pension liability during the fiscal year ending June 30, 2023. Deferred outflows of resources and deferred inflows of resources related to pension will be recognized as follows:

2022		N/A		N/A
2023	$	(40,299)	$	(48,268)
2024		(44,873)		(47,169)
2025		(50,265)		(60,724)
2026		(62,772)		(76,115)
Thereafter		—		—

Any differences between projected and actual investment earnings on pension plan investments are recognized over a period of five years beginning with the year in which they occur. Differences between expected and actual experiences are recognized over the average of the expected remaining service lives of all employees that are provided with pensions through the Retirement Systems determined as of June 30, 2020 (the beginning of the measurement period ending June 30, 2021) and is 3.61 years for the Employees System and 4.32 years for the Fire & Police System.

Administrative Expenses

The Fresno Municipal Code (FMC) provides that all administrative costs of the Systems shall be a charge against the assets of the Systems. Per the FMC, the Administrative expenses are a component of the City's contribution calculation.

The Systems issue publicly available financial reports that include financial statements and required supplementary information for the Employees Retirement System and the Fire and Police Retirement System. The reports may be obtained by writing the City of Fresno Retirement Office, 2828 Fresno Street, Suite 201, Fresno, California 93721, or by visiting:

https://www.cfrs-ca.org/employee-retirement-system/ers-financial/ for the Employee System, or
https://www.cfrs-ca.org/fire-and-police-retirement-system/financial/ for the Fire and Police System.

Successor Agency Retirement Plan

The Successor Agency participates in a public agency cost-sharing multiple-employer defined benefit pension plan (the Plan) administered by the California Public Employees' Retirement System (CalPERS). Employer contribution rates are determined on an annual basis by an actuary and are effective on the July 1 following notice of a change in the rate.

The Plan fiduciary net position disclosed in the Successor Agency's accounting valuation may differ from the Plan assets reported in the Successor Agency's funding actuarial valuation report due to CalPERS keeping various items included in its fiduciary net position which are excluded for rate setting purposes in the Successor Agency's funding actuarial valuation. Differences may also result from timing of financial reporting by CalPERS and final reconciled reserves.

As of the beginning of the measurement period (July 1, 2021), the net pension liability for the Plan is $574,573. For the measurement period ended June 30, 2022 (the measurement date), the net pension liability for the Plan is $317,599 and the Successor Agency incurred pension expense of $83,431 for the Plan.

As of June 30, 2022, the Successor Agency reports other amounts for the Plan as deferred outflows and deferred inflows of resources related to pensions as follows (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions made after the measurement date	$ 53	$ —
Difference between expected and actual experience	36	—
Changes in assumptions	—	—
Net difference between projected and actual earnings on pension plan investments		277
Changes in employer's proportions	20	—
Difference between the employer's contributions and the employer's proportionate share of contributions	—	58
Total	$ 109	$ 335

For more detailed information related to the Successor Agency's retirement plan, refer to the Successor Agency's separate audited financial statements which can be obtained by contacting the Successor Agency at 2344 Tulare Street, Suite 200, Fresno, CA 92721.

B. Deferred Compensation Plan

The City offers its employees a deferred compensation plan in accordance with Internal Revenue Code (IRC) Section 457. The deferred compensation plan (the Plan), available to all permanent full-time and part-time employees and Council Members, permits deferral of a portion of the employee's salary into a tax-deferred program. The deferred compensation is not available to employees or other beneficiaries for withdrawal until termination, retirement, death, or unforeseeable emergency, or loan program. Upon separation from employment with the City, an individual may roll over their deferred account into another IRS Allowable Plan or, upon receipt, the distribution will become taxable.

The Deferred Compensation Board contracted with Fidelity Management Trust Company (Fidelity) as the trustee and plan administrator. The City's Retirement System Administration assists Fidelity in the administration of the Plan. In addition to the Retirement Office, City staff in the Payroll section of the Finance Department, the City Attorney's Office, and Information Services Department all assist in the administration of the Plan. The City has no fiduciary accountability for the Plan. Accordingly, the Plan assets and related liabilities to Plan participants are not included in the basic financial statements.

C. Compensated Absences

Vacation pay, which may be accumulated up to 600 hours depending on an employee's bargaining group and length of service, is payable upon termination. Sick leave, which may be accumulated up to 12 hours per month, has no maximum. If eligible, most bargaining units receive a portion of the value of their sick leave balance at termination in their Health Reimbursement Account (HRA). Otherwise, employees do not receive any value from their sick leave balances at termination.

Annual leave, which may be accumulated up to 1,200 hours, depending upon bargaining unit and length of service, is payable upon termination or retirement. Holiday leave may be accumulated indefinitely depending upon the bargaining groups and is payable for active employees as well as at

termination or retirement. Annual leave allows for the cashing out of the higher of 10% of the accumulated balance or 48 hours, once per fiscal year. Supplemental sick leave is awarded to unrepresented management, professionals and to white collar employees at the rate of 40 hours at the beginning of each fiscal year. The balance can only be used after other leave balances are exhausted, or for other specific reasons outlined in the various Memoranda of Understanding (MOU's) or the current Salary Resolution. The balance is payable at termination/retirement or is accounted for as part of an HRA which is unfunded and expended on a pay-as-you-go basis.

Starting in fiscal year 2006, some bargaining units selected to account for some or all of their sick leave and supplemental sick leave balances as an HRA. The book value of these balances is accounted for (by employee) in off-line spreadsheets, administered by HealthComp, is given credit for calculated interest, and is used to pay health premiums for the employee, their spouse and dependents until their individual balance is exhausted. The HRA is not held in a trust, but is funded on a pay-as-you-go-basis.

The portion of the City's obligation relating to employees' rights to receive compensation for leave balances attributable to services already rendered is accrued when incurred in the Government-Wide, Proprietary, and Fiduciary Fund Financial Statements. Compensated absences upon termination are funded through a cost allocation formula which is based upon a citywide history of payouts (approximately $2 million per year). Accruals are reviewed by bargaining unit and the $2 million base is allocated in proportion to each unit's current liability for a contribution per unit cost. This unit cost is then converted to a cost per employee and becomes part of the budgeted employee service cost in each department's annual base budget.

Accrued Employee Leave balances as of June 30, 2022, are as follows (in thousands):

Department/Activity	Total Accrued Vacation, Sick Leave, and HRA	Current Portion
Governmental Activities:		
General Fund	$ 74,959	$ 10,070
Grants Special Revenue Fund	1,399	104
High Speed Rail	—	2
Special Gas Tax	902	100
Measure C	1,692	210
Measure P	269	4
Community Services	394	45
City Combined	—	47
Special Assessment	272	1
General Services	4,021	420
Risk Management	212	39
Total Governmental Activities	$ 84,120	$ 11,042
Business-Type Activities:		
Water System	$ 2,250	$ 306
Sewer System	2,248	388
Solid Waste Management	1,755	313
Transit	3,600	693
Airports	1,921	385
Convention Center	—	—
Community Sanitation	359	36
Parks and Recreation	4	1
Billing and Collection	1,746	275
Total Business-Type Activities	$ 13,883	$ 2,397
Fiduciary Funds:		
Private-Purpose Trust Fund	$ 56	$ 16
Total	$ 98,059	$ 13,455

Accrued employee leave balances related to governmental activities are recorded in the Government-Wide Financial Statements under Long-Term Liabilities.

D. Termination Benefits

During fiscal year 2022, there were no employees who received severance pay.

E. Health Benefit Plan

The City offers its employees participation in the Fresno City Employees Health and Welfare Trust Plan (Trust). The Trust offers a self-insured medical plan for full-time and permanent part-time employees and their dependents. The Trust also provides dental, vision, pharmacy, mental health, and chiropractic coverage.

There are two medical plan options available to employees. Employees have the opportunity, on an annual basis, to elect either a higher benefit level Preferred Provider Organization (PPO) option or a reduced benefit level PPO option. Employees electing to receive the higher benefit level option pay a percentage of the monthly premium through payroll deductions. Employees electing the lower benefit level pay nothing for their coverage.

The first option is a higher benefit level PPO plan which has a $200 individual annual deductible and a $600 family maximum annual deductible. Under this option, the plan pays 80% of covered charges and the employee is responsible for 20% of the covered charges. Once a covered member incurs $15,000 in covered charges, the plan then pays 100% until the end of the plan year.

The second option is a reduced benefit level PPO plan which has a $1,300 individual annual deductible with a $2,600 family maximum annual deductible. The benefit reduction amount is set by the Board of Trustees for the plan and depends on the amount of contributions received by the Trust on behalf of the employee.

The percentage of the premium the employee is required to pay to receive the higher benefit level is negotiated by each bargaining unit.

During fiscal year 2014, a number of units negotiated a 75% - 25% contribution split. For these units, the City contributes 75% of the premium and the employees, if they wish to have the higher benefit level PPO, contribute 25% of the premium. If they choose not to make the contribution, the medical benefits are reduced by 30%. This reduction results in the plan paying 56% of covered charges and the employee is responsible for 44% of covered charges.

Only one bargaining unit continues to have a different contribution amount than the balance of the Unions. For Fresno City Employees Association, Inc. (FCEA) employees hired after July 11, 2011, the City contributes 70% of the premium and the employees, if they wish to have the higher benefit level PPO, contribute 30% of the premium. If they choose not to make the contribution, the medical benefits are reduced by 35%. This reduction results in the plan paying 52% of covered charges and the employee is responsible for 48% of covered charges. Employees in the FCEA hired before July 11, 2011, continue to have an 80% - 20% contribution split as described above.

City retirees are also eligible for participation in the plans by paying the full blended premium cost. The City continues to assess the impact of the federal healthcare reform legislation on the City's liabilities.

The Health and Welfare Trust Board approved the purchase of a $500,000 stop-loss insurance policy on May 11, 2016. The policy was purchased in fiscal year 2017. The purpose of the policy was to protect the Trust from having to pay any claim or series of claims associated with one case that totaled more than $500,000. In addition to the stop-loss insurance, the Health and Welfare Trust Board also approved a policy of setting aside a portion of the Health and Welfare Trust Fund's fund balance for the payment of catastrophic health claims.

F. Other Post-Employment Benefits

Plan Description

The City of Fresno Retirees Healthcare Plan is a single-employer defined benefit medical plan administered by HealthComp and funded through the City of Fresno Health and Welfare Trust. It is reported as an Internal Service Fund of the City and provides Other Post-Employment Benefits (OPEB) to eligible retirees and his/her dependents, spouse or domestic partner. The City does not accumulate assets in a dedicated trust, or equivalent arrangement, for the purpose of funding its retirement healthcare obligation. Therefore, the actuarial value of plan assets are zero. The trust does not issue separate publicly available financial statements.

GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions*, requires governments to account for OPEB on an accrual basis of accounting, rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially determined expense on the Statement of Activities when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefits. The post-employment benefit liability is recognized on the Statement of Net Position over time.

Contributions

The City provides post-employment healthcare benefits for certain eligible retirees. OPEB includes the authorization for retirees to purchase health insurance through the plan at current employee rates. The establishment and amendment of benefit provisions are negotiated between the employee bargaining units and the City, and are recommended by the City Manager subject to the approval of the Mayor and the City Council. While participant retirees pay 100% of their premium costs, they are allowed to purchase insurance at blended premium rates. Thus, the City's contribution is deemed to be that portion of retiree claims costs over premiums required to be contributed by retirees. Currently, the City does not pre-fund retiree health benefits and instead provides for benefits on a pay-as-you-go basis.

Employees Covered

As of July 1, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	234
Inactive employees entitled to but not yet receiving benefit payments	—
Active employees	3,308
Total participants covered by OPEB Plan	3,542

Net OPEB Liability

The City's net OPEB liability of $99.8 million was measured as of June 30, 2021, and was determined by an actuarial valuation as of that date to determine the June 30, 2022 total OPEB liability.

Actuarial Assumptions and Other Inputs

The net OPEB liability was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Reporting Date	June 30, 2022
Measurement Date	June 30, 2021
Valuation Date	July 1, 2021
Discount Rate	3.54%
Healthcare Cost Trend Rates:	
Current Year Trend	0
Second Year Trend	7.00% / 4/24%
Decrement	NA
Ultimate Trend	4.24%
Year Ultimate Trend is Reached	2090 / 2023
Salary Increases	3.00%
Actuarial Cost Method	Entry Age Normal (Percent of Salary)

The discount rate was based on the index provided by *Bond Buyer 20-Year General Obligation Index* based on the 20 year AA municipal bond rate as of June 30, 2020.

Mortality rates were based on the SOA RP-2014 Total Dataset Mortality with Scale MP-2019 (Base Year 2006).

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The July 1, 2021 valuation was prepared using a discount rate of 3.54%. If the discount rate were 1% higher than what was used in this valuation, the Net OPEB Liability would decrease to $87.8 million or by (12.02)%. If the discount rate were 1% lower than was used in this valuation, the Net OPEB Liability would increase to $114.4 million, or by 14.70%.

	1% Decrease	Current Discount Rate	1% Increase
	2.54%	3.54%	4.54%
Net OPEB Liability (in thousands)	$ 114,428	$ 99,761	$ 87,774

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The July 1, 2021 valuation was prepared using an initial trend rate of 0.0%. If the trend rate were 1% higher than what was used in this valuation, the Net OPEB Liability would increase to $118.6 million or by (18.93)%. If the trend rate were 1% lower than was used in this valuation, the Net OPEB Liability would decrease to $84.9 million or by 14.94%.

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
	-1%	0.0%	1%
Net OPEB Liability (in thousands)	$ 84,858	$ 99,761	$ 118,649

Changes in the Net OPEB Liability

The changes in the Net OPEB Liability for the City OPEB Plan are as follows:

	Net OPEB Liability
	Increase / (Decrease) (in thousands)
Net OPEB Liability as of June 30, 2021	$ 152,604
Changes for the Year:	
Service Cost	6,604
Interest	3,221
Assumption Changes	(40,728)
Benefit Payments	(2,912)
Net Changes	(52,843)
Net OPEB Liability as of June 30, 2022	$ 99,761

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources

For the year ended June 30, 2022, the City recognized an OPEB expense of $13.7 million. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB Contributions Subsequent to the Measurement Date	$ 2,078	$ —
Changes of Assumptions	29,252	(51,472)
Difference Between Actual and Expected Experience	217	(22,208)
Total	$ 31,547	$ (73,680)

The $2.1 million reported as deferred outflows of resources related to contributions subsequent to the June 30, 2021 measurement date will be recognized as a reduction of the total OPEB liability during the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (in thousands):

Fiscal Year	Deferred Outflows/(Inflows) of Resources
2023	$ (6,452)
2024	(6,452)
2025	(6,452)
2026	(6,452)
2027	(4,992)
Thereafter	(13,410)
Total:	$ (44,210)

G. Healthcare Plan Claims Liability

The recorded liability for the Employees Healthcare Plan at June 30, 2022 for employee health benefit claim payments for direct provider care is $7.4 million.

Changes in the funds claims liability amount for the last two fiscal years are as follows (in thousands):

Fiscal Year Ended June 30	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	End of Fiscal Year Liability
2021	$ 4,100	$ 52,046	$ 49,646	$ 6,500
2022	6,500	50,685	55,732	7,400

Note 12. No-Commitment Debt

The City is not liable for repayment of any of the following bonds, and accordingly, they are not reflected in the accompanying basic financial statements.

A. Special District Debt

The City is not obligated in any manner for the Special District debt, but is acting as an agent for property owners in collecting the taxes/assessments, forwarding the collections to the trustee/paying agent, and initiating foreclosure proceedings, if appropriate. Special District debt payable to bond holders was $2.57 million at June 30, 2022, as compared to $2.83 million at June 30, 2021.

Note 13. Commitments and Contingencies

A. Closure and Post-Closure Care Cost

The City continues to monitor a former landfill site as part of the Environmental Protection Agency's (EPA) Superfund program. Management estimates the remaining monitoring costs as of June 30, 2022 to be $11.2 million. A liability in this amount has been recorded in the Solid Waste Management Fund. It is anticipated that approximately $0.8 million in monitoring costs and landfill site closure costs will be paid in fiscal year 2023. The former landfill site has not received solid waste since 1987. It was redesigned as part of a 350-acre “green” facility to integrate the former landfill site into a championship caliber sports complex/regional park. The estimated total remaining post-closure care costs are based on the equipment, facilities, and services required to monitor/maintain the closed landfill. The liability for post-closure care costs is an estimate and subject to change resulting from inflation, deflation, technology or changes in applicable laws.

Fees paid by utility users will be used to cover the remaining monitoring costs. A receivable totaling $10.3 million has been recorded in the Solid Waste Management Fund.

B. CVP Water Contract

The City’s 60,000 acre-foot water supply entitlement from the United States Bureau of Reclamation (USBR, or the Bureau) is equivalent to approximately 40% of the City’s annual water demand. This supply, derived from the Friant Dam on the San Joaquin River, is the primary resource for the operation of the City’s current and future surface water treatment facilities.

The City and the Bureau have what is known as a Repayment Contract. While most traditional federal Reclamation Law provisions continue to apply, the City receives some important benefits by utilizing the Repayment Contract, including:

1. **Permanent water supply** - The Repayment Contract provides for an ongoing, permanent annual supply of up to 60,000 acre-feet of water from the Friant Division of the CVP. No further periodic renewal negotiations are required.

2. **Pricing benefits** - Certain components of the Bureau water rate structure, such as tiered pricing, are eliminated.

3. **Financing cost savings** - Under the previous Bureau rate structure, the City paid certain financing costs and interest on the outstanding capital and operation and maintenance obligations that the Bureau attributed to the City. Under a Repayment Contract, those costs are not passed on to the City.

Because repayment contracts do not require periodic renewal, compliance with the California Environmental Quality Act (CEQA) and the National Environmental Policy Act (NEPA) need not be repeated. This obligation is amortized and included in the volumetric water rates the City pays the USBR. The present value of the City’s debt obligation to the Bureau has been fully capitalized in the

Water Fund under the caption "Unamortized CVP Water Settlement", and is being amortized against expected future revenues generated through water rates. The "Unamortized CVP Water Settlement" totaled $0.8 million on June 30, 2022, while the related liability reported as "CVP Litigation Settlement" totaled $0.1 million on June 30, 2022.

C. Other Litigation

There are various other lawsuits and claims pending against the City. Although the outcome of these claims and lawsuits is not presently determinable, management, after consultation with legal counsel, is of the opinion that a majority of these matters will not have a material adverse effect on the financial condition of the City at June 30, 2022.

D. Toxics Mitigation

Old Hammer Field

Contamination, primarily from the common solvent trichloroethylene (TCE), was discovered and identified in 1989 in soils and groundwater beneath property currently owned by the City. The site known as Old Hammer Field (OHF), a prior Army military base in the 1940's, was the subject of investigation and cleanup efforts which had previously been jointly funded by the Boeing Company (Boeing), the U.S. Army Corps of Engineers and the City of Fresno. The area had been used for the repair, overhaul, maintenance, refurbishing and construction of aircraft during and after World War II. The California Department of Toxic Substances Control (DTSC) was the lead regulatory agency overseeing site cleanup.

After years of legal negotiations, a settlement agreement between the U.S. Army Corps of Engineers, the Boeing Company, and the City was reached. The settlement called for the Airports Department to be responsible, going forward, for 10% of the cleanup costs. The settlement also called for the U.S. Army Corps of Engineers and Boeing to make a joint one-time payment of $1,350,000 for past costs. This payment was made in fiscal year 2011.

The Court approved the settlement agreement which included the one-time payment noted above, covenants not to sue and an operating agreement for purposes of coordinating further efforts to implement the State-Approved Remedial Action Plan to obtain Site Closure. All parties agreed to bear their own costs and expenses, including attorney's fees in the case.

A liability for future cleanup costs on the Old Hammer Field site is recorded on the fiscal year 2022 ACFR in the amount of $405,932. Total costs have been estimated to range between $10 and $20 million, with the City's share of cleanup costs to be 10%. The cleanup time frame has also been estimated and is expected to continue for 20 to 40 years. Cleanup costs totaled $45,187 in fiscal year 2022.

The City will re-evaluate this accrual annually and make adjustments as necessary.

DBCP Groundwater Contamination

The occurrence of DBCP, an agricultural pesticide, in certain groundwater has been identified throughout the Fresno Metropolitan Area. At various City well sites, DBCP exceeds drinking water limits and is removed by Granular Activated Carbon (GAC) treatment. The City fronted the costs of clean up with respect to the known wells and reimbursed itself from a litigation settlement in an original amount of approximately $21 million. $10 million was stipulated to be used toward past costs, and $11 million was to be applied toward the installation of additional GAC treatment units, all of which have been completed. Subject to numerical limits, the settlement arrangement also provides for the City to be reimbursed for the capital costs of the installation of GAC treatments at wells exceeding maximum contaminant levels, with reimbursements ranging from $337,500 to $540,000 depending on the well site. Funding also is provided for the ongoing operation and maintenance cleanup costs of approximately $27,900 to $31,000 per contaminated well (depending on type), adjusted for inflation, with such payment obligations ending on June 26, 2035. The City is not responsible for “cleanup” in the context common to hazardous material remediation.

The City can elect to treat wells or simply shut them down. Future costs to clean up and monitor new discoveries of contamination at existing sites or additional sites that may be identified are eligible for reimbursement under the settlement agreement through June 26, 2035.

An obligating event as defined by GASB Statement No. 49 has not occurred during the fiscal year; therefore, no liability exists.

Pollution Remediation

Although the Successor Agency is generally not involved with operations that pose a high risk for environmental liabilities, properties acquired for redevelopment purposes could be contaminated or may contain hazardous substances, such as petroleum products, lead, and/or asbestos. The former RDA’s due diligence property acquisition policies required that the RDA obtain a Phase I Environmental Site Assessment (ESA) report on all properties to be acquired by the RDA to minimize or avoid potential environmental liabilities. If the Phase I ESA findings and conclusions indicate the need for further environmental investigation, a Phase II ESA is commissioned. In the event of an acquisition leading to demolition, the former RDA obtained a Phase I and/or Phase II report and, if necessary, remediated the property according to state and federal laws prior to demolition. In instances where hazardous substances or petroleum products were detected by the Phase II ESA, environmental remediation (cleanup) is subsequently planned and executed. The Phase II ESA and cleanup work are normally supervised and sanctioned by local environmental agencies such as the California Regional Water Quality Control Board (RWQCB). This agency accepts the completion of the cleanup work by issuing a “Case Closure” letter that officially declares the property free of hazardous substances or petroleum products.

During fiscal year 2016, the Successor Agency held one parcel subject to environmental investigation at 655 “G” Street - Chinatown. In February 2009, the City transferred title to four parcels in the Chinatown project area to the RDA. In October 1995, a Phase II ESA was completed for the four parcels. The parcel at 718 "F" Street and two parcels at 705 "G" Street were free of hazardous substances or petroleum products. The fourth parcel at 655 "G" Street was found to be in need of further assessment (Phase II ESA) because suspected leaking gasoline tanks had been removed from the site. The RWQCB advised the City that additional assessment was necessary to further evaluate impacted soils and groundwater and required a work plan outlining the assessment. Recently, the Successor Agency obtained an EPA grant to assess 655 "G" Street, as required by the RWQCB. The work plan and field work have been completed and test results have been received. Monitoring wells have been installed at the site and water samples are to be tested quarterly. RWQCB will review the results and advise if further action is needed. At this time, any potential costs cannot be estimated with any degree of certainty. Until such time as the costs can be estimated with more certainty, no liability will be accrued.

E. Measure Z, Zoo Accreditation, Fresno Chaffee Zoo Corporation

In accordance with an agreement between the City and the Fresno Chaffee Zoo Corporation (FCZC), a California benefit corporation, a non-profit board operates the Chaffee Zoo (Zoo). The City and the FCZC also negotiated a lease and a financing arrangement.

The lease agreement, dated January 1, 2006, was negotiated for a 30-year period. There is also a 25-year renewal of the term if the Zoo Tax was reinstated after its initial 10-year term, or two additional 10-year renewal options if the tax was not renewed. On November 4, 2014, a new incarnation of Measure Z which extends the tax for another 10 years was passed triggering the 25-year lease renewal. The lease rate is at $1.00 per year.

The lease agreement sets forth the terms and conditions between the City and FCZC, with respect to the Zoo premises and any expansion that might occur in a designated expansion area. The City is responsible for all maintenance and operation costs in the expansion area, until such time as the FCZC takes possession of the expansion area by exercising its rights in accordance with lease provisions.

The City retained ownership of the land, buildings, structures, permanent fixtures, and improvements in existence at the commencement date of the lease, while the FCZC is the owner of all buildings, structures, and improvements constructed thereafter until the end of the lease term.

The Financing Agreement conveyed the Zoo animals and Zoo personal property to the FCZC, along with all obligations the City had with respect to the animals exhibited, housed or otherwise kept or cared for at the Zoo during the term of the lease. At the termination of the lease or the end of the lease term, should the City decide not to continue operations of the Zoo, the FCZC has the right to sell or dispose of the Zoo animals and keep the proceeds of any sale or disposition at its sole cost or expense. The FCZC also has the authority to acquire, sell or dispose of Zoo animals in the course of the lease so long as the compliment of animals at all times is similar in type and proportion to the Zoo animals on hand upon commencement of the lease.

The FCZC must maintain Association of Zoo & Aquariums (AZA) accreditation of the Chaffee Zoo.

F. Granite Park

In 2005, the City entered into a Contingent Debt Purchase Agreement guaranteeing a loan regarding a 20-acre sports-related complex under development and adjacent to office and commercial retail amenities, known as Granite Park.

On June 30, 2009, a formal demand was made on the City to purchase the Loan Package for a stipulated purchase price. On September 17, 2009, the City deposited $5,105,271 in a loan purchase escrow. The City utilized funds from its cash pool with the intention of ultimately issuing long-term bonds to finance the acquisition over 30 years.

The City proceeded to purchase the Granite Park property at a unified foreclosure sale and took title to and possession of Granite Park sports fields pursuant to a Trustee’s Deed recorded in Fresno County on March 16, 2010. The City paid $5,105,218 and holds the property for possible use, development and/or disposition.

The City entered into a 25-year ground lease and 10-year service contract with Central Valley Community Sports Foundation (CVCSF) on September 24, 2015. The ground lease calls for the CVCSF to make rent payments of $62,500/year, which are increased annually by 2.75%/year. The CVCSF is responsible for maintenance of Granite Park's sports-related complex, as well as the financing of various capital improvements. Under the service contract, the City pays the CVCSF $150,000/year to provide a variety of sports and recreational programming.

G. Construction and Other Significant Commitments

At June 30, 2022, the City had commitments for the following major construction projects (in thousands):

Project Title	Remaining Construction Committed
Governmental:	
Ericson Elementary Neighborhood Reconstruction	$ 1,065
UGM Fire Station #18	1,153
Pedestrian Trls and Bicycle Lanes-Various Locations	1,381
Fire Regional Training Center Construction	1,449
Traffic Signals- Various Locations	13,819
Total Governmental	18,867
Proprietary:	
TCP Plan & Remediation	224
Surface Water Treatment	472
SW Recycled Water Dist Syst	604
South East Fresno Surface Water Treatment Facility	982
Pump Rehabilitations	1,052
Veteran's Boulevard Sewer	1,210
DPU Substation Expansion	2,225
TIRCP- South West Community Connector	3,369
Terminal Renovations & Expansion	3,726
Water Well Construction & Rehabilitation	5,620
FAT Parking Garage	6,512
Regional Wastewater Reclamation Facility Renovations	7,181
Water Main Renewal & Extensions	8,019
PTMISEA	8,236
Collection System Rehabilitation & Extensions	10,995
Total Proprietary	60,427
Total Major Construction Projects	**$ 79,294**

H. Discolored Water

In February 2016, the City undertook a broad investigation into reports of discolored water and the presence of lead in drinking water in certain homes located in Northeast Fresno. The City conducted the investigation with oversight from the State Water Resources Control Board - Division of Drinking Water (DDW), Fresno County Department of Public Health, and the U.S. Environmental Protection Agency (EPA). The investigation has included, for example, water quality sampling, soil sampling, pipe testing, field investigations and home inspections, consultations with national corrosion experts, multiple community meetings and presentations, and public distribution of information and education materials.

In early 2017, the EPA conducted a comprehensive review of the City and the State of California's oversight of the City's drinking water treatment and testing program. The EPA concluded that the City has historically complied with the regulatory action level for lead, and that the City's water system has been optimized for corrosion control since 1996.

In September 2016 and May 2017, groups of residents filed two lawsuits against the City and other parties seeking damages for harm allegedly caused by the City's water supply. Litigation is currently ongoing. The City will continue to vigorously defend itself in these matters.

The City continues to work with residents by regularly monitoring their water. For more information regarding the City's continued efforts to resolve discolored water issues, please see https://www.fresno.gov/publicutilities/water-quality-operations-testing/.

The City has spent $5,120,931 through June 30, 2022 to investigate and address the discolored water complaints. All of these costs have been and will continue to be recorded in the Water Fund.

Note 14. Securities Lending

The City does not engage in securities lending with any investment instruments that it holds. The City's Retirement Systems are permitted under the City's Municipal Code and Retirement Boards' policies to enter into securities lending transactions. For a detailed description of the Retirement Systems' security lending policies and the financial effect of such lending, please see the Retirement Systems' ACFRS, which can be found at https://www.cfrs-ca.org/fire-and-police-retirement-system/financial/ for the Fire and Police Retirement System and https://www.cfrs-ca.org/employee-retirement-system/ers-financial/ for the Employees Retirement System.

Note 15. Other Information

Construction Retainage Escrow Accounts

The City enters into construction contracts with various outside third-party contractors with respect to major capital projects. As the construction progresses, progress payments are made to the contractors. Portions of the payments, called retention payments, are paid into an escrow account. While these funds are earned by the contractors, generally 5% to 10% of the contract amount, they are not released out of the escrow account to the contractor until some agreed upon date, usually the completion of the job. These amounts are retained for a variety of reasons, as an incentive to complete the job in a timely manner, or as a fund for the benefit of suppliers and subcontractors. The City may not convert the funds in these escrow accounts for its use unless a breach of contract occurs.

COVID-Related Funding

The City has received a substantial amount of funding from the Federal and State government since the beginning of the COVID-19 pandemic to offset the pandemic's health and economic impacts. The following are the major COVID-19 mitigation funding sources that have been awarded to/received by the City as of June 30, 2022.

Coronavirus Aid, Relief, and Economic Security (CARES) Act – The City received $92.8 million in CARES funding in April 2020 and has fully expended all CARES funding as of December 30, 2021. Funding has been used for services such as expanded COVID testing and contact tracing for residents, food assistance, homeless transitional housing, small business assistance, and residential housing retention grants.

Transit CARES - The City's Transportation Department (Transit) was awarded $32.5 million to assist in Fixed Route Operation, Handy Ride Operating Support, and bus purchases. This funding was intended to offset funding losses caused due to COVID-related shutdowns of service or ridership restrictions. As of June 30, 2022, Transit has received $31.8M of the awarded amount, which reimbursed expenses incurred in FY20 and FY21.

American Rescue Plan Act (ARPA) – In March 2021, the City was awarded $170.8 million of ARPA funding and has allocated all funding to various City led and Community Based Organization led projects. As of June 30, 2022, the City has expended $223,865.31 in ARPA funding and continues to implement identified projects throughout the City of Fresno.

Emergency Rental Assistance Program (ERAP) – The City was awarded $69.3 million in ERAP funding: $35.6 million from the Federal government and $33.7 million from the State. As of June 30, 2022, the City had received $54.5 million of its awarded total with the remaining amount expected by December 31, 2022. The program is designed to assist qualified residents in retaining housing and utilities by reimbursing landlords and utility providers for past due billings. As of June 30, 2022, the City had spent $41.7 million of its awarded amount, with $34.6 million paid directly to landlords and utility providers for delinquent rent and utilities.

Coronavirus Response and Relief Supplemental Appropriation Act (CRRSAA) - The City's Transit Department was awarded $5.6 million in CRRSAA funds in 2021. The funds are to be spent on operating expenses incurred during fiscal year 2022. The City's Airports Department was awarded $4.6 million in CRRSAA funds. A portion of the funding ($0.2 million) is reserved for concession relief. The remaining funds can be spent on debt service payments, COVID-related expenses and operating expenses. As of June 30, 2022, Airports has expended their CRRSAA award in full. As of June 30, 2022 Transit has not received their CRRSAA award.

Prior Period Adjustments

Government-Wide Financial Statements – The beginning net position at July 1, 2021 of the Government-Wide Financial Statements was restated as follows:

	Governmental Activities	Business-Type Activities
Net position, as previously reported, at July 1, 2021	$ 1,022,873	$ 1,581,864
Change in accounting estimate, corrections to capital asset useful life and construction in progress		26
Cumulative effect of accounting change related to revenue recognition - Convention Center		1,235
To implement GASB 87	(82)	
Net position at July 1, 2021, as restated	$ 1,022,791	$ 1,583,125

Proprietary Fund Financial Statements – The beginning fund balance at July 1, 2021 of the Proprietary Fund Financial Statements was restated as follows:

	Sewer System	Transit	Airports	Fresno Convention Center	Totals
Net position, as previously reported, at July 1, 2021	$ 716,351	$ 144,577	$ 189,885	$ (1,181)	
Change in accounting estimate, corrections to capital asset useful life and construction in progress	(10)	153	(17)	(100)	$ 26
Cumulative effect of accounting change related to revenue recognition				1,235	1,235
Net position at July 1, 2021, as restated	$ 716,341	$ 144,730	$ 189,868	$ (46)	

Fiduciary Fund Financial Statements – The beginning net position at July 1, 2021 of the Fiduciary Fund Financial Statements was restated as follows:

	City Departmental	Special Assess Dists	Total Custodial Funds
Net position, as previously reported, at July 1, 2021	$ —	$ —	$ —
To implement GASB 84. GASB 84 was not fully implemented as required in fiscal year 2021	2,428	1,540	3,968
Net position at July 1, 2021, as restated	$ 2,428	$ 1,540	$ 3,968

Note 16. Deficit Fund Equity

The Risk Management Internal Service Fund and High Speed Rail Fund had deficit net position/fund balances as of June 30, 2022.

The deficit net position in the Risk Management Fund at June 30, 2022 was $192.9 million, an increase of $19.5 million. The increase was due to the City reflecting a Liability for Self-Insurance on its Combining Statement of Net Position in the amount of $200.5 million. This liability grew by $14.8 million between fiscal years 2021 and 2022. .

The deficit net position in the High Speed Rail Fund at June 30, 2022 was $2.7 million. The deficit net position of this fund at the end of fiscal year 2021 was $3.3 million. The decrease in the deficit net position of $0.6 million is due to a $10 million increase in capital outlay construction projects alongside a $13 million increase in federal reimbursements.

The City management continues to carefully monitor these funds and evaluate strategies for reducing and eliminating these deficit fund equity balances.

Note 17. Subsequent Events

In compliance with accounting standards, management has evaluated events that have occurred after fiscal year-end to determine if these events are required to be disclosed in the basic financial statements. Events were considered through March 17, 2023, which is the date the financial statements were available to be issued.

A. Bond Ratings

Moody's upgraded the City's Lease Revenue Bond from A3 to A2, its Pension Obligation Bond rating from Baa1 to A1, and its General Obligation rating from A2 to A1 on December 19, 2022. All three ratings maintained a Stable outlook. Moody's cited the City's strengthened financial performance, conservative debt profile, and growing economy among the reasons why they upgraded the City's credit ratings.

Standard and Poor's upgraded the City's General Obligation rating from A+ to AA-, its Pension Obligation Bond rating from A+ to AA-, and its Lease Revenue Bond from A to A+ on November 14, 2022. All three ratings maintained a Stable outlook. As justification for the rating action, the agency cited the recovery in passenger traffic along with the corresponding improvement in revenues and liquidity.

The most current City ratings are as follows:

Rating Agency	Effective Date	Rating	Outlook
Lease Revenue Bonds			
Fitch	6/2016	A-	Stable
Standard & Poor’s	11/2022	A+	Stable
Moody’s	12/2022	A2	Stable
General Obligation (GO)			
Fitch	6/2016	A	Stable
Standard & Poor’s	11/2022	AA-	Stable
Moody’s	12/2022	A1	Stable

A. Terminal/Federal Inspection Service (FIS) Expansion Project

The Fresno Yosemite International Airport expects to receive $70 million from the issuance of proposed Series 2023 Bonds for the capital costs of the Terminal/FIS Expansion Project, net of fund deposits and

Issuance Costs. The total estimated cost of the project is anticipated to be $145.1 million and will provide the design and construction of:

- An expanded security checkpoint to provide a minimum of 5 lanes and related offices for Transportation Security Administration (TSA).
- A new concourse to the east of the expanded security checkpoint, with two additional gates on the second floor equipped with loading bridges.
- A new FIS facility with a target throughput of 400 arrivals per hour compared to the current capacity of 150 arrivals per hour, with a baggage claim unit located on the first floor of the new concourse and the processing facility to the east.
- An in-line baggage screening facility between the expanded security checkpoint and the new concourse.
- Additional airline ticket offices in the existing ticket lobby, converted from prior baggage makeup and screening space.
- Other supporting concession space.

This page intentionally left blank

REQUIRED SUPPLEMENTARY INFORMATION

This page intentionally left blank

CITY OF FRESNO, CALIFORNIA

Schedule of Revenues and Expenditures - Budget and Actual
(Non-GAAP Budgetary Basis) - General Fund
Fiscal Year Ended June 30, 2022
(in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Over (Under) Final Budget
	Original	Final		
Budgetary Fund Balance, July 1	$ 71,154	$ 90,081	$ 90,983	$ 902
Resources (inflows):				
Taxes:				
Property Taxes	160,000	160,000	154,703	(5,297)
Sales Taxes	116,096	128,436	148,766	20,330
Other Taxes	39,031	39,031	42,127	3,096
Franchise Taxes	14,483	14,483	15,732	1,249
Licenses and Permits	14,215	14,243	9,047	(5,196)
Intergovernmental:				
State Motor Vehicle In-Lieu	348	348	632	284
Other State Revenue	1,491	1,504	2,346	842
Other Intergovernmental	3,653	3,779	2,966	(813)
Charges for Services:				
Charges for Services	34,238	34,238	33,721	(517)
Fines and Violations	2,641	2,641	2,586	(55)
Use of Money and Property	1,199	1,199	1,615	416
Miscellaneous	26,554	26,646	23,808	(2,838)
Other Financing Sources:				
Transfers from Other Funds	7,480	114,217	31,296	(82,921)
Total Available for Appropriations	492,583	630,846	560,328	(70,518)
Charges to Appropriations (outflows):				
General Government:				
Mayor and City Council	11,237	12,484	8,742	(3,742)
Other General Government	37,664	52,158	32,070	(20,088)
Public Protection:				
Police Department	198,425	212,095	209,055	(3,040)
Fire Department	71,969	80,272	79,407	(865)
Public Ways & Facilities	26,308	64,463	19,173	(45,290)
Culture and Recreation	23,107	23,928	16,977	(6,951)
Community Development	43,159	62,034	36,187	(25,847)
Capital Outlay	5,335	44,100	21,324	(22,776)
Other Financing Uses:				
Transfers to Other Funds	32,396	35,863	37,823	1,960
Total Charges to Appropriations	449,600	587,397	460,758	(126,639)
Less Estimated Attrition Savings	—	—	—	—
Excess Resources Over Appropriations	$ 42,983	$ 43,449	$ 99,570	$ 56,121

See accompanying notes to the required supplementary information.

CITY OF FRESNO, CALIFORNIA

Schedule of Revenues and Expenditures - Budget and Actual

(Non-GAAP Budgetary Basis) - General Fund

Fiscal Year Ended June 30, 2022 (Continued)

(in thousands)

Explanation of differences between budgetary inflows and outflows and GAAP Revenues and Expenditures:

Sources/Inflows of Resources:

Actual amounts (budgetary basis) available for appropriation from the Budget to Actual Comparison Schedule.	$ 560,328
Differences - Budget to GAAP: The City budgets for taxes, intergovernmental and miscellaneous revenue on the cash basis of accounting, rather than on the modified accrual basis of accounting.	(6,863)
Interfund reimbursements are not revenues and are expenditures for financial reporting.	(20,591)
Carryovers are inflows of budgetary resources but are not revenues for financial reporting purposes.	(90,983)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes.	(31,296)
Nonreciprocal interfund activity is not revenue and is a transfer for financial reporting.	(3,038)
Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds.	$ 407,557

Uses/Outflows of Resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the Budget to Actual Comparison Schedule.	$ 460,758
Differences - Budget to GAAP: The City budgets for expenditures on the cash basis of accounting, rather than on the modified accrual basis of accounting.	(19,459)
Interfund reimbursements are a reduction of expenditures for financial reporting.	(20,591)
Pension Obligation bond debt payments and City Hall rent are recognized as transfers out to other funds.	(13,575)
Transfers to other funds are outflows of budgetary resources, but are not expenditures for financial reporting purposes.	(37,823)
Return on capital asset as offset for Advances to Other Funds	
Capital financing activity additions are expenditures for financial reporting purposes.	5,065
Total charges to appropriations as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds.	$ 374,375

See accompanying notes to the required supplementary information.

CITY OF FRESNO, CALIFORNIA

Schedule of Revenues and Expenditures - Budget and Actual
(Non-GAAP Budgetary Basis) - Grants Special Revenue Fund
Fiscal Year Ended June 30, 2022
(in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Over (Under) Final Budget
	Original	Final		
Budgetary Fund Balance, July 1	$ (25,018)	$ 55,308	$ 76,059	$ 20,751
Resources (inflows):				
Intergovernmental:				
Federal Grants	100,846	151,309	38,651	(112,658)
State Grants	38,753	60,780	46,548	(14,232)
Local Support	10	1,854	1,843	(11)
Charges for Services	1,405	1,405	1,379	(26)
Use of Money and Property	(41)	(41)	2,291	2,332
Miscellaneous	—	25	4,688	4,663
Other Financing Sources:				
Transfers from Other Funds	193	390	2,387	1,997
Total Available for Appropriations	116,148	271,030	173,846	(97,184)
Charges to Appropriations (outflows):				
General Government	30,273	63,170	36,028	(27,142)
Public Protection	4,889	5,955	4,943	(1,012)
Public Ways & Facilities	46,083	47,703	20,288	(27,415)
Culture and Recreation	3,776	4,998	2,061	(2,937)
Community Development	54,908	63,142	16,985	(46,157)
Capital Outlay	61,207	64,238	17,883	(46,355)
Other Financing Uses:				
Transfers to Other Funds	—	106,644	19,329	(87,315)
Total Charges to Appropriations	201,136	355,850	117,517	(238,333)
Excess (Deficit) Resources Over Appropriations	$ (84,988)	$ (84,820)	$ 56,329	$ 141,149

See accompanying notes to the required supplementary information.

CITY OF FRESNO, CALIFORNIA

Schedule of Revenues and Expenditures - Budget and Actual
(Non-GAAP Budgetary Basis) - Grants Special Revenue Fund
Fiscal Year Ended June 30, 2022 (Continued)
(in thousands)

Explanation of differences between budgetary inflows and outflows and GAAP Revenues and Expenditures:

Sources/Inflows of Resources:	
Actual amounts (budgetary basis) available for appropriation from the Budget to Actual Comparison Schedule.	$ 173,846
Differences - Budget to GAAP: Grant reimbursements are budgeted on the cash basis of accounting rather than on the modified accrual basis of accounting.	12,066
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes.	(2,387)
Interfund reimbursements are not revenues and are expenditures for financial reporting.	(1,378)
Carryovers are inflows of budgetary resources but are not revenues for financial reporting purposes.	(76,059)
Payments from the Successor Agency to the Fresno Redevelopment Agency on advances with full allowance are revenues.	(33)
The receipt of loan payments are inflows of budgetary resources but are not revenues for financial reporting purposes.	(1,029)
Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds.	$ 105,026
Uses/Outflows of Resources:	
Actual amounts (budgetary basis) "total charges to appropriations" from the Budget to Actual Comparison Schedule.	$ 117,517
Differences - budget to GAAP: The City budgets for expenditures on the cash basis of accounting rather than on the modified accrual basis of accounting.	24,367
Interfund reimbursements are a reduction of expenditures for financial reporting.	(1,378)
Pension Obligation bond debt, HUD debt, and City Hall rent are recognized as transfers out to other funds.	(102)
Changes in allowance for doubtful accounts on notes receivable, notes that should become grants, and adjustments are expenditures for financial reporting purposes.	143
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.	(19,329)
Total charges to appropriations as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds.	$ 121,218

See accompanying notes to the required supplementary information.

Notes to the Required Supplementary Information

A. Budgetary Data

The City of Fresno (the City) operates under the Strong-Mayor form of government. Under the Strong-Mayor form of government, the Mayor serves as the City's Chief Executive Officer, appointing and overseeing the City Manager, recommending legislation, and presenting the annual budget to the City Council.

The City adopts annual budgets for all governmental and business-type funds (except Fresno Revitalization Corporation, Financing Authorities and Corporations, and City Debt Service) on the cash basis of accounting plus encumbrances. The budget includes: (1) the programs, projects, services, and activities to be provided during the fiscal year, (2) the estimated resources (inflows) and amounts available for appropriation, and (3) the estimated charges to appropriations. The budget represents a process through which policy decisions are made, implemented, and controlled. The City Charter (the Charter) prohibits expending funds for which there is no legal appropriation.

The budget of the City of Fresno, within the meaning and context of Section No. 1205 of the Charter, must be adopted by resolution of the City Council by June 30 of a given year. The following procedures are used in establishing the budgetary data reflected in the budgetary comparison schedules.

As provided by Section No. 1206 of the Charter, any adjustments in the amounts appropriated for the purposes indicated at the department/fund level are made only upon a motion to amend the resolution adopted by the affirmative votes of at least five City Council members.

B. Budget Development

The preparation of the budget document is the result of a Citywide effort. Each department is presented with an operating base budget that is used as the foundation for building their requests for the operations of their organizations. All one-time expenditure increases are removed, except for those demonstrable and mandatory. A five-year capital budget is required from all departments. The purpose is to give the Mayor and City Council a tool to plan for the future as well as to more realistically reflect the timing of many capital projects that take more than one year to complete.

Departments submit their requests to be analyzed and reviewed by the City's Budget and Management Studies Division (BMSD). Requests are evaluated based on individual operations, City funding resources, and the goals and strategies identified by each organization related to the impact on performance measures. Recommendations are presented to the Mayor and City Manager in a series of review meetings comprised of the Mayor, Mayor's Chief of Staff, City Manager, Assistant City Managers, Budget Manager, Department Directors and representatives from each department, and BMSD. Upon final decisions of format and content, the Mayor's Recommended Budget Document is printed and presented to the City Council for deliberation and adoption.

C. Original Budget

Prior to June 1, the Mayor submits to the City Council a recommended detailed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.

Public hearings are conducted to obtain taxpayer comment on the proposed annual budget. The Mayor and his staff analyze, review, and refine the budget submittals.

Prior to July 1, the budget is legally enacted through adoption of a resolution by the City Council.

D. Final Budget

Certain annual appropriations are budgeted on a project or program basis. If such projects or programs are not completed at the end of the fiscal year, unexpended appropriations are carried forward to the following year though either an encumbrance or an amendment to the budget. In certain circumstances, other programs and regular annual appropriations may be carried forward after appropriate approval. Annually appropriated funds not authorized to be carried forward lapse at the end of the fiscal year. Appropriations carried forward from the prior year are included in the final budgetary data.

The City Manager is authorized to transfer funds already appropriated within a department's budget within a fund. However, any revisions that alter the total appropriations of a department within a fund must be approved by the City Council. Expenditures may not legally exceed budgeted appropriations at the department level within a fund.

The City adopts an annual budget for all governmental and business-type funds. The Adopted Budget Document is prepared to include all the various changes approved by the City Council. No budgets are legally adopted for Fresno Revitalization Corporation, Financing Authorities and Corporations, and City Debt Service. Budgeted amounts are reported as amended. During the year, several supplementary appropriations were necessary, but were not material in relation to the original appropriations.

E. Budgetary Results Reconciliation

1. Basis Differences

The City's budgetary process is based upon an accounting basis other than generally accepted accounting principles (GAAP). The results of operations (actual) are presented in the budget and actual comparison schedule in accordance with the budgetary process (Budget basis) to provide a meaningful comparison with the budget, while the financial statements are presented using the GAAP basis. Loan proceeds, loan repayments, transfers, and interfund reimbursements primarily cause the basis differences.

2. Timing Differences

One of the major differences between the Budget basis and GAAP basis are timing differences. Timing differences represent transactions that are accounted for in different periods for the Budget basis as opposed to the GAAP basis of reporting. Revenues such as grant revenues recognized on a cash basis are unavailable for GAAP reporting, while various expenditures not recognized on a cash basis have been accrued for GAAP reporting.

Administrative amendments within the same department/fund level may be made without approval of the City Council within written guidelines established by the Chief Administrative Officer/City Manager.

For accounting and auditing convenience, appropriations for capital improvements may be established in two or more different funds for the same capital project.

The objective of budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. Activities of the General Fund and Special Revenue Funds are included in the annual appropriated budget. Project-length financial plans are adopted for certain capital projects. The level of budgetary controls (the level at which expenditures cannot legally exceed the appropriated amount) is maintained at the department level by major expenditure category. Purchase orders that result in an overrun (encumbrance exceeding available appropriations) of department-level balances by object are not released until additional appropriations are made available. Open encumbrances at June 30 are reported as restricted, committed, or assigned fund balance in the governmental funds Balance Sheet.

The City assumed an attrition savings amount of $6.9 million in its fiscal year 2022 budget. The amount was in recognition of the fact that not all positions budgeted in the General Fund are filled during the entire fiscal year. The attrition savings was established as a negative appropriation in each General Fund department's Personnel Services budget. However, no actual savings accrued against the attrition savings account. For purposes of the Budget-to-Actual report in the Required Supplementary Information, the difference between the negative appropriation and the actual lack of activity results in the account appearing to be over-budget.

Actual Transfers from Other Funds were $(82.9) million lower than budgeted levels in fiscal year 2022. The overage was mostly due to transfers from the CARES Grant fund for eligible expenditures.

Schedule of Investment Returns

PENSION TRUST FUNDS
EMPLOYEES, FIRE AND POLICE RETIREMENT SYSTEMS
Last Ten Fiscal Years

Fiscal Year Ending June 30	Annual Money-Weighted Rate of Return Gross of Investment Expenses	Annual Money-Weighted Rate of Return Net of Investment Expense
2022	(7.12)%	(7.28)%
2021	30.85%	30.43%
2020	1.61%	1.26%
2019	5.54%	5.20%
2018	8.93%	8.57%
2017	17.73%	14.35%
2016	0.82%	0.53%
2015	3.32%	2.93%
2014	17.61%	17.16%
2013	13.65%	13.20%

The Schedule of Investment Returns above shows the annual money-weighted rate of return on the assets of the Systems, both gross and net of investment expense for ten fiscal years (2012-2021). The money-weighted rate of return expresses investment performance adjusted for timing of cash flows and the changing amounts actually invested. These returns differ slightly from the time-weighted rate of returns calculated and reported by the Systems' custodian, Northern Trust, and as independently reported by the Systems' investment consulting firm, NEPC, LLC. The Systems' custodian and investment consulting firm must use time-weighted returns as opposed to money-weighted returns in order to meet Global Investment Performance Standards for the purposes of effectively evaluating and reporting the performance of the Systems' investment managers.

The time-weighted return method is a measure of the compound rate of return of a portfolio over a stated period of time. It requires a set of sub-period returns to be calculated whenever there is an external cash flow, such as a deposit or withdrawal from the portfolio. In essence, it calculates the geometric total and mean return as opposed to the arithmetic total and mean return. This method does not include or have any distortions created when money is deposited or withdrawn from a portfolio. This is in contrast to money-weighted returns.

Schedule of Changes in the Net Pension Liability (Asset) and Related Ratios

PENSION TRUST FUNDS
FIRE AND POLICE RETIREMENT SYSTEMS

Schedule of Changes in the Net Pension Liability (Asset) and Related Ratios(2)

Change in Net Pension Liability (in thousands)				
For the Fiscal Year Ended:	6/30/2022	6/30/2021	6/30/2020	6/30/2019
Reporting Date:	6/30/2022	6/30/2021	6/30/2020	6/30/2019
Measurement Date:	6/30/2021	6/30/2020	6/30/2019	6/30/2018
Total Pension Liability				
Service Cost	$ 37,563	$ 37,619	$ 33,211	$ 30,298
Interest	109,740	105,570	100,609	95,274
Differences between expected & actual experience	(5,449)	260	(7,067)	6,722
Changes of assumptions	—	(14,745)	55,856	2,891
Benefit payments, including refunds	(70,963)	(67,202)	(65,962)	(63,071)
Net Change in Total Pension Liability	70,891	61,502	116,647	72,114
Total Pension Liability - Beginning	1,565,631	1,504,129	1,387,482	1,315,368
Total Pension Liability - Ending (a)*	$1,636,522	$1,565,631	$1,504,129	$1,387,482
Plan Fiduciary Net Position				
Contributions - employer	$ 26,315	$ 22,324	$ 20,604	$ 19,697
Contributions - employee	10,256	10,012	9,597	8,964
Net Investment Income	491,744	24,206	82,872	129,163
Benefit Payments including Refunds, PRSB	(70,963)	(67,202)	(65,962)	(63,071)
Administrative & Professional Expense	(2,282)	(1,839)	(1,897)	(1,710)
Net Change in Plan Fiduciary Net Position	455,070	(12,499)	45,214	93,043
Plan Fiduciary Net Position - Beginning	1,635,301	1,647,800	1,602,586	1,509,543
Plan Fiduciary Net Position - Ending (b)	$2,090,371	$1,635,301	$1,647,800	$1,602,586
Plan Net Pension Liability (Asset) - Ending (a) - (b)	$(453,849)	$ (69,670)	$(143,671)	$(215,104)
Plan Fiduciary Net Position as a percentage of Total Pension Liability	127.73 %	104.45 %	109.55 %	115.50 %
Covered Payroll (1)	$ 115,341	$ 113,843	$ 109,803	$ 103,934
Plan Net Pension Liability as a percentage of covered payroll	(393.48)%	(61.20)%	(130.84)%	(206.96)%

* Data above is provided in accordance with provisions of GASB Statement No. 68 for determining Total Pension Liability which for financial reporting purposes uses a version of the Entry Age method whereby the Actuarial Accrued Liability is fully accrued when a member either enters DROP or is expected to elect DROP.

(1) Covered payroll represents payroll in which contributions to the Systems are based.

(2) Ten year data will be presented in future years as information becomes available.

PENSION TRUST FUNDS
FIRE AND POLICE RETIREMENT SYSTEMS

Schedule of Changes in the Net Pension Liability (Asset) and Related Ratios (cont)

				Change in Net Pension Liability (in thousands)
6/30/2018	6/30/2017	6/30/2016	6/30/2015	For the Fiscal Year Ended:
6/30/2018	6/30/2017	6/30/2016	6/30/2015	Reporting Date:
6/30/2017	6/30/2016	6/30/2015	6/30/2014	Measurement Date:
				Total Pension Liability
$ 28,838	$ 26,569	$ 26,518	$ 28,058	Service Cost
90,185	88,363	86,771	86,092	Interest
10,896	(42,952)	(36,528)	(49,879)	Differences between expected & actual experience
—	49,427	—	—	Changes of assumptions
(59,273)	(56,581)	(54,612)	(52,720)	Benefit payments, including refunds
70,646	64,826	22,149	11,551	**Net Change in Total Pension Liability**
1,244,722	1,179,896	1,157,747	1,146,196	Total Pension Liability - Beginning
$1,315,368	$1,244,722	$1,179,896	$1,157,747	Total Pension Liability - Ending (a)*
				Plan Fiduciary Net Position
$ 18,543	$ 18,738	$ 18,967	$ 18,575	Contributions - employer
8,169	7,748	7,385	7,294	Contributions - employee
192,315	6,063	39,164	201,838	Net Investment Income
(59,273)	(56,581)	(54,612)	(52,720)	Benefit Payments including Refunds, PRSB
(1,500)	(1,397)	(1,108)	(1,119)	Administrative & Professional Expense
158,254	(25,429)	9,796	173,868	**Net Change in Plan Fiduciary Net Position**
1,351,289	1,376,718	1,366,922	1,193,054	Plan Fiduciary Net Position - Beginning
$1,509,543	$1,351,289	$1,376,718	$1,366,922	Plan Fiduciary Net Position - Ending (b)
$(194,175)	$(106,567)	$(196,822)	$(209,175)	Plan Net Pension Liability (Asset) - Ending (a) - (b)
114.76 %	108.56 %	116.68 %	118.07 %	Plan Fiduciary Net Position as a percentage of Total Pension Liability
$ 97,369	$ 94,266	$ 91,075	$ 91,721	Covered Payroll (1)
(199.42)%	(113.05)%	(216.11)%	(228.06)%	Plan Net Pension Liability as a percentage of covered payroll

PENSION TRUST FUNDS
EMPLOYEES RETIREMENT SYSTEMS

Schedule of Changes in the Net Pension Liability (Asset) and Related Ratios(2)

Change in Net Pension Liability (in thousands)				
For the Fiscal Year Ended:	6/30/2022	6/30/2021	6/30/2020	6/30/2019
Reporting Date:	6/30/2022	6/30/2021	6/30/2020	6/30/2019
Measurement Date:	6/30/2021	6/30/2020	6/30/2019	6/30/2018
Total Pension Liability				
Service Cost	$ 30,993	$ 28,762	$ 23,509	$ 21,275
Interest	93,358	89,222	86,110	82,833
Differences between expected & actual experience	(12,980)	5,748	(446)	(4,164)
Changes of assumptions	—	—	35,773	2,939
Benefit payments, including refunds	(69,246)	(64,519)	(62,144)	(57,666)
Net Change in Total Pension Liability	42,125	59,213	82,802	45,217
Total Pension Liability - Beginning	1,337,309	1,278,096	1,195,294	1,150,077
Total Pension Liability - Ending (a)*	$1,379,434	$1,337,309	$1,278,096	$1,195,294
Plan Fiduciary Net Position				
Contributions - employer	$ 20,144	$ 16,554	$ 14,627	$ 14,609
Contributions - employee	13,750	11,028	10,515	10,330
Net Investment Income	407,811	20,109	69,389	108,915
Benefit Payments including Refunds, PRSB	(69,246)	(64,519)	(62,144)	(57,666)
Administrative & Professional Expense	(2,058)	(1,749)	(1,663)	(1,619)
Net Change in Plan Fiduciary Net Position	370,401	(18,577)	30,724	74,569
Plan Fiduciary Net Position - Beginning	1,360,838	1,379,415	1,348,691	1,274,122
Plan Fiduciary Net Position - Ending (b)	$1,731,239	$1,360,838	$1,379,415	$1,348,691
Plan Net Pension Liability (Asset) - Ending (a) - (b)	$(351,805)	$ (23,529)	$(101,319)	$(153,397)
Plan Fiduciary Net Position as a percentage of Total Pension Liability	125.50 %	101.76 %	107.93 %	112.83 %
Covered Payroll (1)	$ 154,031	$ 149,403	$ 138,396	$ 128,461
Plan Net Pension Liability as a percentage of covered payroll	(228.40)%	(15.75)%	(73.21)%	(119.41)%

* Data above is provided in accordance with provisions of GASB Statement No. 68 for determining Total Pension Liability which for financial reporting purposes uses a version of the Entry Age method whereby the Actuarial Accrued Liability is fully accrued when a member either enters DROP or is expected to elect DROP.

(1) Covered payroll represents payroll in which contributions to the Systems are based.
(2) Ten year data will be presented in future years as information becomes available.

PENSION TRUST FUNDS
EMPLOYEES RETIREMENT SYSTEMS

Schedule of Changes in the Net Pension Liability (Asset) and Related Ratios (cont)

				Change in Net Pension Liability (in thousands)
6/30/2018	6/30/2017	6/30/2016	6/30/2015	For the Fiscal Year Ended:
6/30/2018	6/30/2017	6/30/2016	6/30/2015	Reporting Date:
6/30/2017	6/30/2016	6/30/2015	6/30/2014	Measurement Date:
				Total Pension Liability
$ 18,885	$ 18,687	$ 18,476	$ 19,342	Service Cost
79,266	79,763	78,212	77,010	Interest
5,263	(24,394)	(24,691)	(29,889)	Differences between expected & actual experience
—	9,612	—	—	Changes of assumptions
(55,550)	(52,529)	(50,546)	(48,581)	Benefit payments, including refunds
47,864	31,139	21,451	17,882	**Net Change in Total Pension Liability**
1,102,213	1,071,074	1,049,623	1,031,741	Total Pension Liability - Beginning
$1,150,077	$1,102,213	$1,071,074	$1,049,623	Total Pension Liability - Ending (a)*
				Plan Fiduciary Net Position
$ 15,205	$ 13,060	$ 12,327	$ 11,440	Contributions - employer
10,181	9,098	8,750	7,945	Contributions - employee
162,374	5,089	33,310	172,773	Net Investment Income
(55,550)	(52,529)	(50,546)	(48,581)	Benefit Payments including Refunds, PRSB
(1,387)	(1,346)	(1,071)	(1,086)	Administrative & Professional Expense
130,823	(26,628)	2,770	142,491	**Net Change in Plan Fiduciary Net Position**
1,143,299	1,169,927	1,167,157	1,024,666	Plan Fiduciary Net Position - Beginning
$1,274,122	$1,143,299	$1,169,927	$1,167,157	Plan Fiduciary Net Position - Ending (b)
$(124,045)	$ (41,086)	$ (98,853)	$(117,534)	Plan Net Pension Liability (Asset) - Ending (a) - (b)
110.79 %	103.73 %	109.23 %	111.20 %	Plan Fiduciary Net Position as a percentage of Total Pension Liability
$ 119,007	$ 108,541	$ 105,820	$ 103,597	Covered Payroll (1)
(104.23)%	(37.85)%	(93.42)%	(113.45)%	Plan Net Pension Liability as a percentage of covered payroll

Schedule of Employer Contribution - Pension Trust Funds

FIRE AND POLICE RETIREMENT SYSTEM
Schedule of Employer Contributions
Last Ten Fiscal Years
(in thousands)

Fiscal Year Ending June 30	Actuarially Determined Contribution (ADC)[1]	Contributions in Relation to the ADC	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2021	$ 26,315	$ 26,315	$ —	$ 115,341	22.81%
2020	22,324	22,324	—	113,843	19.61%
2019	20,604	20,604	—	109,803	18.76%
2018	19,697	19,697	—	103,934	18.95%
2017	18,543	18,543	—	97,369	19.04%
2016	18,738	18,738	—	94,266	19.88%
2015	18,967	18,967	—	91,075	20.83%
2014	18,575	18,575	—	91,721	20.25%
2013	18,725	18,725	—	94,368	19.84%
2012	22,875	22,875	—	96,195	23.78%

EMPLOYEES RETIREMENT SYSTEM
Schedule of Employer Contributions
Last Ten Fiscal Years
(in thousands)

Fiscal Year Ending June 30	Actuarially Determined Contribution (ADC)[1]	Contributions in Relation to the ADC	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2021	$ 20,144	$ 20,144	$ —	$ 154,031	13.08%
2020	16,554	16,554	—	149,403	11.08%
2019	14,627	14,627	—	138,396	10.57%
2018	14,609	14,609	—	128,461	11.37%
2017	15,205	15,205	—	119,007	12.78%
2016	13,060	13,060	—	108,541	12.03%
2015	12,327	12,327	—	105,820	11.65%
2014	11,440	11,440	—	103,597	11.04%
2013	13,330	13,330	—	105,509	12.63%
2012	11,374	11,374	—	110,492	10.29%

[1] Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported. As such, the actuarial valuation dated June 30, 2020, will impact the contribution rate for the fiscal year ended June 30, 2022.

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
For Fiscal Year Ending June 30

(in thousands)

	2018	2019	2020	2021	2022
Net OPEB Liability Beginning of Year	$ 84,639	$ 92,820	$ 113,700	$ 148,672	$ 152,605
Changes for the Year:					
Service Cost	$ 4,769	$ 5,777	$ 10,885	$ 10,052	$ 6,603
Interest	2,995	3,688	3,012	3,045	3,221
Difference between Actual and Expected Experience	417	—	(7,800)	—	(19,028)
Assumption Changes		13,406	30,936	(6,622)	(40,728)
Benefit Payments	—	(1,991)	(2,061)	(2,543)	(2,912)
Net Changes	8,181	20,880	34,972	3,932	(52,844)
Net OPEB Liability End of Year	$ 92,820	$ 113,700	$ 148,672	$ 152,604	$ 99,761
Covered-Employee Payroll as of December 31[1]	$ 229,256	$ 236,134	$ 250,860	$ 257,132	$ 294,493
Net OPEB Liability as a percentage of covered-employee payroll	40.49%	48.15%	59.26%	59.35%	33.88%

Notes to Schedule

Historical information is required only for measurement periods for which GASB Statement No. 75 is applicable.

Future years information will be displayed up to 10 years as information becomes available.

The City does not accumulate assets in a dedicated trust, or equivalent arrangement, for the purpose of funding its retiree healthcare obligation. Therefore, the actuarial value of plan assets is zero.

[1]Covered-employee payroll used in the most recent valuation was calculated based on mid-year, as it was considered representative of the payroll during the fiscal year.

This page intentionally left blank

NONMAJOR GOVERNMENTAL FUNDS

This page intentionally left blank

CITY OF FRESNO, CALIFORNIA

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2022

(in thousands)

	Special Revenue						
	High Speed Rail	Fresno Revitalization Corporation	Special Gas Tax	Measure C	Measure P	Community Services	UGM Impact Fees
Assets							
Cash and Investments	$ —	$ 676	$ 15,280	$ 19,836	$ 23,633	$ 12,039	$ 54,912
Receivables, Net	—	—	74	80	78	722	776
Grants Receivable	953	—	—	—	—	89	—
Intergovernmental Receivables	—	—	1,992	7,859	7,511	8	—
Due From Other Funds	—	103	587	109	529	243	1,200
Advances to Other Funds	—	—	—	—	—	—	—
Property Held for Resale	—	—	—	—	—	—	—
Restricted Cash	—	—	—	—	—	108	—
Loans, Notes, Leases, Other Receivables, Net	—	—	—	—	—	—	—
Total Assets	$ 953	$ 779	$ 17,933	$ 27,884	$ 31,751	$ 13,209	$ 56,888
Liabilities							
Accrued Liabilities	$ 368	$ 90	$ 1,432	$ 891	$ 536	$ 1,309	$ 265
Unearned Revenue	—	—	—	—	—	15	—
Due to Other Funds	2,310	—	164	124	12	—	—
Advances From Other Funds	—	62	—	—	—	—	2,490
Deposits From Others	—	—	—	—	—	31	—
Total Liabilities	2,678	152	1,596	1,015	548	1,355	2,755
Deferred Inflows of Resources							
Unavailable Revenue-Other	953	—	—	1,321	—	653	—
Total Deferred Inflows of Resources	953	—	—	1,321	—	653	—
Fund Balances							
Restricted	—	627	16,337	25,548	31,203	4,046	54,133
Assigned	—	—	—	—	—	7,155	—
Unassigned (Deficit)	(2,678)	—	—	—	—	—	—
Total Fund Balances	(2,678)	627	16,337	25,548	31,203	11,201	54,133
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 953	$ 779	$ 17,933	$ 27,884	$ 31,751	$ 13,209	$ 56,888

Low and Moderate Income Housing	Special Assessments	Debt Service: City Debt	Debt Service: Financing Authorities and Corporations	Capital Projects: City Combined	Total Nonmajor Governmental Funds	
						Assets
$ 10,004	$ 14,030	$ 4	$ 3,820	$ 30,284	$ 184,518	Cash and Investments
—	64	4	14	80	1,892	Receivables, Net
—	—	—	—	273	1,315	Grants Receivable
—	141	—	—	—	17,511	Intergovernmental Receivables
—	11	—	—	—	2,782	Due From Other Funds
62	—	—	—	—	62	Advances to Other Funds
3,600	—	—	—	—	3,600	Property Held for Resale
—	—	2	1,176	—	1,286	Restricted Cash
20,084	—	—	—	—	20,084	Loans, Notes, Leases, Other Receivables, Net
$ 33,750	$ 14,246	$ 10	$ 5,010	$ 30,637	$ 233,050	Total Assets
						Liabilities
$ —	$ 242	$ —	$ —	$ 170	$ 5,303	Accrued Liabilities
—	—	—	—	—	15	Unearned Revenue
—	45	—	—	—	2,655	Due to Other Funds
—	—	—	—	—	2,552	Advances From Other Funds
—	—	—	—	—	31	Deposits From Others
—	287	—	—	170	10,556	Total Liabilities
						Deferred Inflows of Resources
—	—	—	—	—	2,927	Unavailable Revenue-Other
—	—	—	—	—	2,927	Total Deferred Inflows of Resources
						Fund Balances
33,750	13,959	10	5,010	—	184,623	Restricted
—	—	—	—	30,467	37,622	Assigned
—	—	—	—	—	(2,678)	Unassigned (Deficit)
33,750	13,959	10	5,010	30,467	219,567	Total Fund Balances
$ 33,750	$ 14,246	$ 10	$ 5,010	$ 30,637	$ 233,050	Total Liabilities, Deferred Inflows of Resources and Fund Balances

CITY OF FRESNO, CALIFORNIA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

Fiscal Year Ended June 30, 2022

(in thousands)

	Special Revenue						
	High Speed Rail	Fresno Revitalization Corporation	Special Gas Tax	Measure C	Measure P	Community Services	UGM Impact Fees
Revenues							
Taxes	$ —	$ —	$ 22,226	$ 23,771	$ 43,125	$ 2,288	$ —
Intergovernmental	6,291	—	—	—	—	2,819	4
Charges for Services	436	210	—	—	—	6,206	21,240
Use of Money and Property	—	103	(725)	230	125	(143)	(2,647)
Miscellaneous	(3)	281	282	1,076	14	21	14
Total Revenues	6,724	594	21,783	25,077	43,264	11,191	18,611
Expenditures							
Current:							
General Government	—	—	—	—	886	1,236	—
Public Protection	—	—	—	—	—	2,621	170
Public Ways and Facilities	1,055	—	15,860	13,099	24	2,698	4,438
Culture and Recreation	—	—	—	—	6,114	1,142	382
Community Development	23	214	—	—	—	2,989	—
Capital Outlay	4,972	—	3,613	1,106	5,028	405	441
Debt Service:							
Principal	—	—	—	—	—	—	—
Interest	—	—	—	—	—	—	68
Total Expenditures	6,050	214	19,473	14,205	12,052	11,091	5,499
Excess (Deficiency) of Revenues Over (Under) Expenditures	674	380	2,310	10,872	31,212	100	13,112
Other Financing Sources (Uses)							
Transfers In	30	—	27	2,074	—	246	1,363
Transfers Out	(86)	—	(1,764)	(3,743)	(9)	(646)	(5,279)
Total Other Financing Sources (Uses)	(56)	—	(1,737)	(1,669)	(9)	(400)	(3,916)
Net Change in Fund Balances	618	380	573	9,203	31,203	(300)	9,196
Fund Balances (Deficit) - Beginning	(3,296)	247	15,764	16,345	—	11,501	44,937
Fund Balances (Deficit) - Ending	$ (2,678)	$ 627	$ 16,337	$ 25,548	$ 31,203	$ 11,201	$ 54,133

		Debt Service		Capital Projects		
Low and Moderate Income Housing	Special Assessments	City Debt	Financing Authorities and Corporations	City Combined	Total Nonmajor Governmental Funds	
						Revenues
$ —	$ —	$ —	$ —	$ —	$ 91,410	Taxes
28	—	—	—	25,000	34,142	Intergovernmental
—	6,577	—	—	—	34,669	Charges for Services
14	(693)	7	35	(1,405)	(5,099)	Use of Money and Property
—	6	—	—	924	2,615	Miscellaneous
42	5,890	7	35	24,519	157,737	Total Revenues
						Expenditures
						Current:
229	—	7	12	—	2,370	General Government
—	—	—	—	—	2,791	Public Protection
—	5,426	—	—	—	42,600	Public Ways and Facilities
—	—	—	—	—	7,638	Culture and Recreation
1,182	—	—	—	—	4,408	Community Development
—	6	—	—	16,992	32,563	Capital Outlay
						Debt Service:
—	—	9,962	8,240	—	18,202	Principal
—	—	6,496	5,404	—	11,968	Interest
1,411	5,432	16,465	13,656	16,992	122,540	Total Expenditures
(1,369)	458	(16,458)	(13,621)	7,527	35,197	Excess (Deficiency) of Revenues Over (Under) Expenditures
						Other Financing Sources (Uses)
433	—	16,465	14,752	18,623	54,013	Transfers In
—	(746)	—	(15,380)	(778)	(28,431)	Transfers Out
433	(746)	16,465	(628)	17,845	25,582	Total Other Financing Sources (Uses)
(936)	(288)	7	(14,249)	25,372	60,779	Net Change in Fund Balances
34,686	14,247	3	19,259	5,095	158,788	Fund Balances (Deficit) - Beginning
$ 33,750	$ 13,959	$ 10	$ 5,010	$ 30,467	$ 219,567	Fund Balances (Deficit) - Ending

CITY OF FRESNO, CALIFORNIA

Schedule of Revenues and Expenditures - Budget and Actual
(Non-GAAP Budgetary Basis) - High Speed Rail - Special Revenue Fund
Fiscal Year Ended June 30, 2022
(in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Over (Under) Final Budget	Budget To GAAP Reconciliation	Actual Amounts GAAP Basis
	Original	Final				
Budgetary Fund Balance, July 1	$ (12,369)	$ (12,369)	$ (8,770)	$ 3,599	$ 8,770	$ —
Resources (inflows):						
Intergovernmental	8,830	10,780	6,291	(4,489)	—	6,291
Charges for Services	680	680	436	(244)	—	436
Use of Money and Property	(43)	(43)	(29)	14	29	—
Miscellaneous	—	—	(3)	(3)	—	(3)
Other Financing Sources: Transfers from Other Funds	45	45	30	(15)	—	30
Total Available for Appropriations	(2,857)	(907)	(2,045)	(1,138)	8,799	6,754
Charges to Appropriations (outflows):						
Public Ways and Facilities	1,304	1,304	1,013	(291)	42	1,055
Community Development	330	330	23	(307)	—	23
Capital Outlay	—	1,950	5,849	3,899	(877)	4,972
Other Financing Uses: Transfers to Other Funds	—	—	86	86	—	86
Total Charges to Appropriations	1,634	3,584	6,971	3,387	(835)	6,136
Excess (Deficit) Resources Over (Under) Appropriations	$ (4,491)	$ (4,491)	$ (9,016)	$ (4,525)	$ 9,634	$ 618

CITY OF FRESNO, CALIFORNIA

Schedule of Revenues and Expenditures - Budget and Actual
(Non-GAAP Budgetary Basis) - Special Gas Tax - Special Revenue Fund
Fiscal Year Ended June 30, 2022
(in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Over (Under) Final Budget	Budget To GAAP Reconciliation	Actual Amounts GAAP Basis
	Original	Final				
Budgetary Fund Balance, July 1	$ 4,205	$ 6,109	$ 8,221	$ 2,112	$ (8,221)	$ —
Resources (inflows):						
Taxes	23,065	23,065	22,524	(541)	(298)	22,226
Use of Money and Property	171	170	180	10	(905)	(725)
Miscellaneous	219	219	317	98	(35)	282
Other Financing Sources:						
Transfers From Other Funds	—	32	28	(4)	(1)	27
Total Available for Appropriations	27,660	29,595	31,270	1,675	(9,460)	21,810
Charges to Appropriations (outflows):						
Public Ways and Facilities	19,703	21,526	16,428	(5,098)	(568)	15,860
Capital Outlay	5,796	7,150	4,223	(2,927)	(610)	3,613
Other Financing Uses: Transfers to Other Funds	43	43	1,611	1,568	153	1,764
Total Charges to Appropriations	25,542	28,719	22,262	(6,457)	(1,025)	21,237
Excess (Deficit) Resources Over (Under) Appropriations	$ 2,118	$ 876	$ 9,008	$ 8,132	$ (8,435)	$ 573

CITY OF FRESNO, CALIFORNIA

Schedule of Revenues and Expenditures - Budget and Actual
(Non-GAAP Budgetary Basis) - Measure C - Special Revenue Fund
Fiscal Year Ended June 30, 2022
(in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Over (Under) Final Budget	Budget To GAAP Reconciliation	Actual Amounts GAAP Basis
	Original	Final				
Budgetary Fund Balance, July 1	$ (2,776)	$ (2,317)	$ 3,039	$ 5,356	$ (3,039)	$ —
Resources (inflows):						
Taxes	22,192	22,673	20,197	(2,476)	3,574	23,771
Use of Money and Property	199	199	230	31	—	230
Miscellaneous	1,551	1,701	1,089	(612)	(13)	1,076
Other Financing Sources: Transfers from Other Funds	17	125	2,903	2,778	(829)	2,074
Total Available For Appropriations	21,183	22,381	27,458	5,077	(307)	27,151
Charges to Appropriations (outflows):						
Public Ways and Facilities	15,675	16,740	13,310	(3,430)	(211)	13,099
Capital Outlay	31,572	31,855	1,177	(30,678)	(71)	1,106
Other Financing Uses: Transfers to Other Funds	250	250	4,343	4,093	(600)	3,743
Total Charges to Appropriations	47,497	48,845	18,830	(30,015)	(882)	17,948
Excess (Deficit) Resources Over (Under) Appropriations	$ (26,314)	$ (26,464)	$ 8,628	$ 35,092	$ 575	$ 9,203

CITY OF FRESNO, CALIFORNIA

Schedule of Revenues and Expenditures - Budget and Actual
(Non-GAAP Budgetary Basis) - Measure P - Special Revenue Fund
Fiscal Year Ended June 30, 2022
(in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Over (Under) Final Budget	Budget To GAAP Reconciliation	Actual Amounts GAAP Basis
	Original	Final				
Budgetary Fund Balance, July 1	$ —	$ —	$ —	$ —	$ —	$ —
Resources (inflows):						
Taxes	29,573	29,723	35,614	5,891	7,511	43,125
Use of Money and Property	—	—	125	125	—	125
Miscellaneous	—	—	14	14	—	14
Other Financing Sources: Transfers from Other Funds	—	2	—	(2)	—	—
Total Available For Appropriations	29,573	29,725	35,753	6,028	7,511	43,264
Charges to Appropriations (outflows):						
General Government	1,043	1,043	882	(161)	4	886
Public Ways and Facilities	—	902	217	(685)	(193)	24
Culture and Recreation	10,476	12,657	6,314	(6,343)	(200)	6,114
Capital Outlay	10,653	10,958	4,623	(6,335)	405	5,028
Other Financing Uses: Transfers to Other Funds	—	—	5	5	4	9
Total Charges to Appropriations	22,172	25,560	12,041	(13,519)	20	12,061
Excess (Deficit) Resources Over (Under) Appropriations	$ 7,401	$ 4,165	$ 23,712	$ 19,547	$ 7,491	$ 31,203

CITY OF FRESNO, CALIFORNIA

Schedule of Revenues and Expenditures - Budget and Actual
(Non-GAAP Budgetary Basis) - Community Services - Special Revenue Fund
Fiscal Year Ended June 30, 2022
(in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Over (Under) Final Budget	Budget to GAAP Reconciliation	Actual Amounts GAAP Basis
	Original	Final				
Budgetary Fund Balance, July 1	$ 1,516	$ 2,539	$ 4,048	$ 1,509	$ (4,048)	$ —
Resources (inflows):						
Taxes	2,500	2,500	2,471	(29)	(183)	2,288
Intergovernmental	4,162	4,262	2,834	(1,428)	(15)	2,819
Charges for Services	6,788	16,282	6,134	(10,148)	72	6,206
Use of Money and Property	351	351	575	224	(718)	(143)
Miscellaneous	5	6	21	15	—	21
Other Financing Sources: Transfers from Other Funds	495	495	289	(206)	(43)	246
Total Available For Appropriations	15,817	26,435	16,372	(10,063)	(4,935)	11,437
Charges to Appropriations (outflows):						
General Government	1,250	1,250	1,235	(15)	1	1,236
Public Protection	3,116	3,511	2,687	(824)	(66)	2,621
Public Ways and Facilities	4,111	4,639	1,747	(2,892)	951	2,698
Culture and Recreation	1,552	1,837	964	(873)	178	1,142
Community Development	3,152	3,152	2,989	(163)	—	2,989
Capital Outlay	18,690	28,231	455	(27,776)	(50)	405
Other Financing Uses: Transfers to Other Funds	598	598	616	18	30	646
Total Charges to Appropriations	32,469	43,218	10,693	(32,525)	1,044	11,737
Excess (Deficit) Resources Over (Under) Appropriations	$ (16,652)	$ (16,783)	$ 5,679	$ 22,462	$ (5,979)	$ (300)

CITY OF FRESNO, CALIFORNIA

Schedule of Revenues and Expenditures - Budget and Actual

(Non-GAAP Budgetary Basis) - UGM Impact Fees - Special Revenue Fund

Fiscal Year Ended June 30, 2022

(in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Over (Under) Final Budget	Budget To GAAP Reconciliation	Actual Amounts GAAP Basis
	Original	Final				
Budgetary Fund Balance, July 1	$ 44,884	$ 45,757	$ 44,420	$ (1,337)	$ (44,420)	$ —
Resources (inflows):						
Charges for Services	19,335	20,081	20,917	836	323	21,240
Use of Money and Property	452	452	594	142	(3,241)	(2,647)
Other Financing Sources: Transfers from Other Funds	32	32	1,654	1,622	(291)	1,363
Total Available for Appropriations	64,703	66,322	67,603	1,281	(47,629)	19,974
Charges to Appropriations (outflows):						
Public Protection	170	170	170	—	—	170
Culture and Recreation	184	201	52	(149)	330	382
Public Ways and Facilities	11,823	12,601	4,423	(8,178)	15	4,438
Capital Outlay	21,581	22,162	907	(21,255)	(466)	441
Debt Service Interest	—	—	—	—	68	68
Other Financing Uses: Transfers to Other Funds	3,628	6,129	6,320	191	(1,041)	5,279
Total Charges to Appropriations	37,386	41,263	11,872	(29,391)	(1,094)	10,778
Excess (Deficit) Resources Over (Under) Appropriations	$ 27,317	$ 25,059	$ 55,731	$ 30,672	$ (46,535)	$ 9,196

CITY OF FRESNO, CALIFORNIA

Schedule of Revenues and Expenditures - Budget and Actual

(Non-GAAP Budgetary Basis) - Low and Moderate Income Housing - Special Revenue Fund

Fiscal Year Ended June 30, 2022

(in thousands)

	Budgeted Amounts	Actual Amounts Budgetary Basis	Over (Under) Final Budget	Budget To GAAP Reconciliation	Actual Amounts GAAP Basis
	Original				
Budgetary Fund Balance, July 1	$ —	$ —	$ —	$ —	$ —
Resources (inflows):					
Intergovernmental	28	28	—	—	28
Use of Money and Property	534	14	(520)	—	14
Other Financing Sources: Transfers from Other Funds	830	433	(397)	—	433
Total Available for Appropriations	1,392	475	(917)	—	475
Charges to Appropriations (outflows):					
General Government	217	229	12	—	229
Community Development	30	1,182	1,152	—	1,182
Total Charges to Appropriations	247	1,411	1,164,000	—	1,411
Excess (Deficit) Resources Over (Under) Appropriations	$ 1,145	$ (936)	$ (2,081)	$ —	$ (936)

CITY OF FRESNO, CALIFORNIA

Schedule of Revenues and Expenditures - Budget and Actual
(Non-GAAP Budgetary Basis) - Special Assessments - Special Revenue Fund
Fiscal Year Ended June 30, 2022
(in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Over (Under) Final Budget	Budget To GAAP Reconciliation	Actual Amounts GAAP Basis
	Original	Final				
Budgetary Fund Balance, July 1	$ 11,741	$ 12,507	$ 14,023	$ 1,516	$ (14,023)	$ —
Resources (inflows):						
Charges for Services	6,040	6,102	6,577	475	—	6,577
Use of Money and Property	211	211	166	(45)	(859)	(693)
Miscellaneous	10	10	7	(3)	(1)	6
Other Financing Sources: Transfers from Other Funds	379	397	377	(20)	(377)	—
Total Available for Appropriations	18,381	19,227	21,150	1,923	(15,260)	5,890
Charges to Appropriations (outflows):						
Public Ways and Facilities	9,162	10,014	5,407	(4,607)	19	5,426
Capital Outlay	1,767	1,766	1	(1,765)	5	6
Other Financing Uses: Transfers to Other Funds	377	377	1,072	695	(326)	746
Total Charges to Appropriations	11,306	12,157	6,480	(5,677)	(302)	6,178
Excess (Deficit) Resources Over (Under) Appropriations	$ 7,075	$ 7,070	$ 14,670	$ 7,600	$ (14,958)	$ (288)

CITY OF FRESNO, CALIFORNIA

Schedule of Revenues and Expenditures - Budget and Actual
(Non-GAAP Budgetary Basis) - City Combined - Capital Projects Fund
Fiscal Year Ended June 30, 2022
(in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Over (Under) Final Budget	Budget To GAAP Reconciliation	Actual Amounts GAAP Basis
	Original	Final				
Budgetary Fund Balance, July 1	$ (13,306)	$ (12,895)	$ (11,742)	$ 1,153	$ 11,742	$ —
Resources (inflows):						
Intergovernmental	—	25,000	25,000	—	—	25,000
Use of Money and Property	42	42	132	90	(1,537)	(1,405)
Miscellaneous	3,219	5,602	16,294	10,692	(15,370)	924
Other Financing Sources:						
Transfers Budgeted as Bond Proceeds	15,609	18,109	3,520	(14,589)	15,103	18,623
Total Available for Appropriations	5,564	35,858	33,204	(2,654)	9,938	43,142
Charges to Appropriations (outflows):						
Capital Outlay	3,835	34,791	18,593	(16,198)	(1,601)	16,992
Other Financing Uses: Transfers to Other Funds	—	—	1,031	1,031	(253)	778
Total Charges to Appropriations	3,835	34,791	19,624	(15,167)	(1,854)	17,770
Excess (Deficit) Resources Over (Under) Appropriations	$ 1,729	$ 1,067	$ 13,580	$ 12,513	$ 11,792	$ 25,372

This page intentionally left blank

NONMAJOR ENTERPRISE FUNDS

CITY OF FRESNO, CALIFORNIA
Combining Statement of Net Position
Nonmajor Enterprise Funds
June 30, 2022
(in thousands)

	Business-Type Activities - Enterprise Funds		
	Community Sanitation	Parks and Recreation	Total Nonmajor Enterprise Funds
Assets			
Current Assets:			
Cash and Investments	$ 2,767	$ —	$ 2,767
Interest Receivable	15	3	18
Accounts Receivable, Net	1,915	1,596	3,511
Due from Other Funds	909	—	909
Total Current Assets	5,606	1,599	7,205
Noncurrent Assets:			
Restricted:			
Cash and Investments	—	969	969
Total Restricted Assets	—	969	969
Other Assets:			
Other Assets	—	14	14
Net Pension Asset	6,825	—	6,825
Total Other Assets	6,825	14	6,839
Capital Assets:			
Land and Intangibles	—	12	12
Buildings, Systems and Improvements	—	3,743	3,743
Machinery and Equipment	67	—	67
Infrastructure	—	122	122
Less Accumulated Depreciation	(62)	(2,225)	(2,287)
Total Capital Assets, Net	5	1,652	1,657
Total Noncurrent Assets	6,830	2,635	9,465
Total Assets	12,436	4,234	16,670
Deferred Outflows of Resources			
Charge on Refunding	—	50	50
Deferred Outflows - Pensions	614	—	614
Deferred Outflows - OPEB	416	—	416
Total Deferred Outflows of Resources	1,030	50	1,080
Liabilities			
Current Liabilities:			
Accrued Liabilities	157	71	228
Accrued Compensated Absences and HRA	36	1	37
Due to Other Funds	133	512	645
Bonds Payable	—	60	60
Total Current Liabilities	326	644	970
Noncurrent Liabilities:			
Accrued Compensated Absences and HRA	324	3	327
Bonds Payable	—	1,488	1,488
Net OPEB Liability	1,158	—	1,158
Total Noncurrent Liabilities	1,482	1,491	2,973
Total Liabilities	1,808	2,135	3,943
Deferred Inflows of Resources			
Unamortized Pension Expense	3,809	—	3,809
Unamortized OPEB Expense	982	—	982
Deferred Inflows - Leases	—	1,557	1,557
Total Deferred Inflows of Resources	4,791	1,557	6,348
Net Position			
Net Investment in Capital Assets	5	153	158
Unrestricted	6,862	439	7,301
Total Net Position	$ 6,867	$ 592	$ 7,459

CITY OF FRESNO, CALIFORNIA

Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Nonmajor Enterprise Funds
Fiscal Year Ended June 30, 2022
(in thousands)

	Business-Type Activities - Enterprise Funds		
	Community Sanitation	Parks and Recreation	Total Nonmajor Enterprise Funds
Operating Revenues:			
Charges for Services	$ 10,705	$ 630	$ 11,335
Operating Expenses:			
Cost of Services	5,377	108	5,485
Administration	2,971	62	3,033
Depreciation	3	185	188
Total Operating Expenses	8,351	355	8,706
Operating Income (Loss)	2,354	275	2,629
Non-Operating Revenue (Expenses):			
Interest Income	36	41	77
Net Increase (Decrease) in Cash Fair Value	(168)	—	(168)
Interest Expense	—	(61)	(61)
Total Non-Operating Revenue (Expenses)	(132)	(20)	(152)
Income (Loss) Before Transfers	2,222	255	2,477
Transfers In	1,300	—	1,300
Transfers Out	(1,025)	—	(1,025)
Change in Net Position	2,497	255	2,752
Total Net Position - Beginning	4,370	337	4,707
Total Net Position - Ending	$ 6,867	$ 592	$ 7,459

CITY OF FRESNO, CALIFORNIA

Combining Statement of Cash Flows

Nonmajor Enterprise Funds

Fiscal Year Ended June 30, 2022

(in thousands)

	Business-Type Activities - Enterprise Funds		
	Community Sanitation	Parks and Recreation	Total Nonmajor Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from Customers	$ 9,563	$ 1,144	$ 10,707
Cash Payments to Suppliers for Services	(2,486)	(306)	(2,792)
Cash Paid for Interfund Services Used	(2,059)	—	(2,059)
Cash Payments to Employees for Services	(5,084)	—	(5,084)
Net Cash Provided by (Used for) Operating Activities	(66)	838	772
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Interest Payments on Capital Debt	—	(78)	(78)
Payment for Cost of Issuance	—	5	5
Principal Payments on Capital Debt-Bonds	—	(55)	(55)
Acquisition and Construction of Capital Assets	—	(53)	(53)
Net Cash Provided by (Used for) Capital and Related Financing Activities	—	(181)	(181)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Borrowing Receipt from (Payment to) Other Funds	—	(512)	(512)
Transfers In	1,300	—	1,300
Transfers Out	(1,025)	—	(1,025)
Net Cash Provided by (Used for) Non-Capital Financing Activities	275	(512)	(237)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest and Dividends Received (Paid) on Investments	(135)	42	(93)
Net Cash Provided by (Used for) Investing Activities	(135)	42	(93)
Net Increase (Decrease) in Cash and Cash Equivalents	74	187	261
Cash and Cash Equivalents, Beginning of Year	2,693	782	3,475
Cash and Cash Equivalents, End of Year	$ 2,767	$ 969	$ 3,736

Combining Statement of Cash Flows

Nonmajor Enterprise Funds

Fiscal Year Ended June 30, 2022 (Continued)

	Business-Type Activities - Nonmajor Enterprise Funds		
	Community Sanitation	Parks and Recreation	Total Nonmajor Enterprise Funds
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Operating income (loss)	$ 2,354	$ 275	$ 2,629
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation expense	3	185	188
Change in assets and liabilities:			
Decrease (increase) in accounts receivable	(171)	(1,596)	(1,767)
Decrease (increase) in prepaid items	6	—	6
Decrease (increase) in net pension asset and deferred outflows pensions	(4,774)	—	(4,774)
Decrease (increase) in prepaid insurance	—	1	1
(Decrease) increase in accounts payable	(74)	(128)	(202)
(Decrease) increase in salaries payable	(103)	(9)	(112)
(Decrease) increase in due to other funds	(132)	553	421
(Decrease) increase in net OPEB liability	(717)	—	(717)
(Decrease) increase in deferred inflows of resources pensions	4,452	1,557	6,009
Net Cash Provided by (Used for) Operating Activities	$ (66)	$ 838	$ 772
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:			
Cash and Investments:			
Unrestricted	$ 2,767	$ —	$ 2,767
Restricted - Current and Noncurrent	—	969	969
Cash and Cash Equivalents at End of Year on Statement of Cash Flows	$ 2,767	$ 969	$ 3,736
Noncash Investing, Capital, and Financing Activities:			
Amortization of bond premium, discount and loss on refunding	—	(16)	(16)
Decrease (increase) in fair value of investments	(133)	—	(133)

INTERNAL SERVICE FUNDS

CITY OF FRESNO, CALIFORNIA
Combining Statement of Net Position
Internal Service Funds
June 30, 2022
(in thousands)

	Billing and Collection	General Services	Risk Management	Employees Healthcare Plan	Retirees Healthcare Plan	Totals
Assets						
Current Assets:						
Cash and Investments	$ 20,472	$ 72,047	$ 8,222	$ 30,605	$ —	$ 131,346
Interest Receivable	95	214	51	161	—	521
Accounts Receivable, Net	880	370	248	327	—	1,825
Inventories	—	1,073	—	—	—	1,073
Prepaid Items	—	562	—	—	—	562
Due from Other Funds	186	2,650	8	—	—	2,844
Total Current Assets	21,633	76,916	8,529	31,093	—	138,171
Noncurrent Assets:						
Restricted:						
Cash and Investments	4,437	—	889	—	—	5,326
Total Restricted Assets	4,437	—	889	—	—	5,326
Other Assets:						
Net Pension Asset	9,807	28,871	—	—	—	38,678
Total Other Assets	9,807	28,871	—	—	—	38,678
Capital Assets:						
Buildings, Systems & Improvements	125	12,401	—	—	—	12,526
Machinery & Equipment	121	147,589	—	—	—	147,710
Right to Use Assets Being Amortized	—	3,235	—	—	—	3,235
Construction in Progress	45	27,259	—	—	—	27,304
Less Accumulated Depreciation and Amortization	(121)	(93,226)	—	—	—	(93,347)
Total Capital Assets, Net	170	97,258	—	—	—	97,428
Total Noncurrent Assets	14,414	126,129	889	—	—	141,432
Total Assets	36,047	203,045	9,418	31,093	—	279,603
Deferred Outflows of Resources						
Pension Contributions	612	1,791	—	—	—	2,403
Deferred Outflows - Pension	357	890	—	—	—	1,247
Deferred Outflows - OPEB	792	1,406	148	—	—	2,346
Total Deferred Outflows of Resources	1,761	4,087	148	—	—	5,996

CITY OF FRESNO, CALIFORNIA
Combining Statement of Net Position
Internal Service Funds
June 30, 2022
(in thousands)

	Billing and Collection	General Services	Risk Management	Employees Healthcare Plan	Retirees Healthcare Plan	Totals
Liabilities						
Current Liabilities:						
Accrued Liabilities	1,033	6,604	1,187	—	—	8,824
Accrued Compensated Absences & HRA	274	420	39	—	—	733
Liability for Self-Insurance	—	—	30,346	7,400	—	37,746
Unearned Revenue	1,066	4,778	—	—	—	5,844
Due to Other Funds	18,085	15,062	—	—	—	33,147
Capital Finance Obligations	—	6,925	—	—	—	6,925
Lease Liability	—	407	—	—	—	407
Total Current Liabilities	20,458	34,196	31,572	7,400	—	93,626
Noncurrent Liabilities:						
Accrued Compensated Absences & HRA	1,472	3,601	173	—	—	5,246
Capital Lease Obligations	—	29,843	—	—	—	29,843
Liability for Self-Insurance	—	—	170,181	—	—	170,181
Lease Liability	—	2,431	—	—	—	2,431
Net OPEB Liability	2,198	2,328	(728)	—	—	3,798
Deposits Held for Others	4,679	—	—	—	—	4,679
Total Noncurrent Liabilities	8,349	38,203	169,626	—	—	216,178
Total Liabilities	28,807	72,399	201,198	7,400	—	309,804
Deferred Inflows of Resources						
Unamortized Pension Expense	5,889	17,806	—	—	—	23,695
Unamortized OPEB Expense	2,130	4,976	1,275	—	—	8,381
Deferred Inflows - Leases	—	343	—	—	—	343
Total Deferred Inflows of Resources	8,019	23,125	1,275	—	—	32,419
Net Position						
Net Investment in Capital Assets	170	57,652	—	—	—	57,822
Unrestricted (Deficit)	812	53,956	(192,907)	23,693	—	(114,446)
Total Net Position (Deficit)	$ 982	$ 111,608	$ (192,907)	$ 23,693	$ —	$ (56,624)

CITY OF FRESNO, CALIFORNIA

Combining Statement of Revenues, Expenses and Changes in Fund Net Position

Internal Service Funds

Fiscal Year Ended June 30, 2022

(in thousands)

	Billing and Collection	General Services	Risk Management	Employees Healthcare Plan	Retirees Healthcare Plan	Totals
Operating Revenues:						
Charges for Services	$ 12,531	$ 80,288	$ 42,559	$ 53,003	$ 7,331	$ 195,712
Operating Expenses:						
Cost of Services	6,860	45,983	52,032	48,987	6,745	160,607
Administration	5,182	13,834	9,459	5,386	586	34,447
Depreciation	—	14,145	—	—	—	14,145
Total Operating Expenses	12,042	73,962	61,491	54,373	7,331	209,199
Operating Income (Loss)	489	6,326	(18,932)	(1,370)	—	(13,487)
Non-Operating Revenue (Expenses):						
Interest Income	226	563	117	402	—	1,308
Net Increase (Decrease) in Cash Fair Value	(1,303)	(3,325)	(615)	—	—	(5,243)
Interest Expense	—	(778)	—	—	—	(778)
Gain (loss) on Disposal of Capital Assets	—	—	—	—	—	—
Total Non-Operating Revenue (Expenses)	(1,077)	(3,540)	(498)	402	—	(4,713)
Income (Loss) Before Contributions & Transfers	(588)	2,786	(19,430)	(968)	—	(18,200)
Transfers In	1,095	3,035	—	—	—	4,130
Transfers Out	(310)	(914)	(30)	—	—	(1,254)
Change in Net Position	197	4,907	(19,460)	(968)	—	(15,324)
Total Net Position (Deficit) - Beginning	785	106,701	(173,447)	24,661	—	(41,300)
Total Net Position (Deficit) - Ending	$ 982	$ 111,608	$ (192,907)	$ 23,693	$ —	$ (56,624)

CITY OF FRESNO, CALIFORNIA

Combining Statement of Cash Flows
Internal Service Funds
Fiscal Year Ended June 30, 2022
(in thousands)

	Billing and Collection	General Services	Risk Management	Employees Healthcare Plan	Retirees Healthcare Plan	Total
CASH FLOWS FROM OPERATING ACTIVITIES:						
Cash Received from Customers	$ 32,050	$ 64,893	$ —	$ 11,815	$ 4,926	$ 113,684
Cash Received from Interfund Services Provided	33	25,351	75,359	41,189	2,405	144,337
Cash Payments from (to) Suppliers for Services	8,799	(38,343)	(9,331)	(5,140)	(586)	(44,601)
Cash Paid for Interfund Services Used	(15,840)	(4,857)	(168)	—	—	(20,865)
Cash Payments to Employees for Services	(8,113)	(22,808)	(6,409)	—	—	(37,330)
Cash Payments for Claims and Refunds			(63,546)	(48,988)	(6,745)	(119,279)
Net Cash Provided by (Used for) Operating Activities	16,929	24,236	(4,095)	(1,124)	—	35,946
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Capital Contributions	—	19,071	—	—	—	19,071
Interest Payments on Capital Debt	—	(631)	—	—	—	(631)
Principal Payments on Capital Lease Obligations	—	(6,276)	—	—	—	(6,276)
Acquisition and Construction of Capital Assets	(27)	(22,935)	—	—	—	(22,962)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(27)	(10,771)	—	—	—	(10,798)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:						
Borrowing Receipt from (Payment to) Other Funds	(186)	4,692	—	—	—	4,506
Transfers In	1,095	3,035	—	—	—	4,130
Transfers Out	(310)	(914)	(30)	—	—	(1,254)
Net Cash Provided by (Used for) Non-Capital Financing Activities	599	6,813	(30)	—	—	7,382
CASH FLOWS FROM INVESTING ACTIVITIES:						
Interest and Dividends Received (Paid) on Investments	(1,088)	(2,820)	(476)	406	—	(3,978)
Net Cash Provided by (Used for) Investing Activities	(1,088)	(2,820)	(476)	406	—	(3,978)
Net Increase (Decrease) in Cash and Cash Equivalents	16,413	17,458	(4,601)	(718)	—	28,552
Cash and Cash Equivalents, Beginning of Year	8,496	54,589	13,712	31,323	—	108,120
Cash and Cash Equivalents, End of Year	$ 24,909	$ 72,047	$ 9,111	$ 30,605	$ —	$ 136,672

CITY OF FRESNO, CALIFORNIA

Combining Statement of Cash Flows

Internal Service Funds

Fiscal Year Ended June 30, 2022 (Continued)

	Billing and Collection	General Services	Risk Management	Employees Healthcare Plan	Retirees Healthcare Plan	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:						
Operating income (loss)	$ 489	$ 6,326	$ (18,932)	$ (1,370)	$ —	$ (13,487)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:						
Depreciation expense	—	14,145	—	—	—	14,145
Change in assets and liabilities:						
Decrease (increase) in accounts receivable	541	(348)	(39)	(327)	—	(173)
Decrease (increase) in due from other funds	—	1,323	(8)	—	—	1,315
Decrease (increase) in material and supplies inventory	—	(186)	—	—	—	(186)
Decrease (increase) in prepaid items	(1)	(2)	25	—	—	22
Decrease (increase) in net pension asset and deferred outflows pensions	(7,313)	(22,352)	(21)	—	—	(29,686)
(Decrease) increase in accounts payable	(792)	(969)	(65)	(327)	—	(2,153)
(Decrease) increase in salaries payable	(111)	765	111	—	—	765
(Decrease) increase in due to other funds	18,062	3,334	—	—	—	21,396
(Decrease) increase in unearned revenue	89	4,201	—	—	—	4,290
(Decrease) increase in liability for self-insurance	—	—	14,794	900	—	15,694
(Decrease) increase in deposits	195	—	—	—	—	195
(Decrease) increase in net OPEB liability	(1,596)	(4,007)	(1,158)	—	—	(6,761)
(Decrease) increase in deferred inflows of resources pensions	7,366	22,006	1,198		—	30,570
Net Cash Provided by (Used for) Operating Activities	$ 16,929	$ 24,236	$ (4,095)	$ (1,124)	$ —	$ 35,946
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:						
Cash and Investments:						
Unrestricted	$ 20,472	$ 72,047	$ 8,222	$ 30,605	$ —	$ 131,346
Restricted - Current and Noncurrent	4,437	—	889	—	—	5,326
Cash and Cash Equivalents at End of Year on Statement of Cash Flows	$ 24,909	$ 72,047	$ 9,111	$ 30,605	$ —	$ 136,672
Noncash Investing, Capital, and Financing Activities:						
Acquisition and construction of capital assets on accounts payable	$ 45	$ 2,854	$ —	$ —	$ —	$ 2,899
Borrowing under capital financing	—	20,827	—	—	—	20,827
Decrease (increase) in fair value of investments	(1,193)	(2,653)	(437)	—	—	(4,283)

FIDUCIARY FUNDS

CITY OF FRESNO, CALIFORNIA

Combining Statement of Fiduciary Net Position

Fiduciary Funds - Pension Trust Funds

June 30, 2022

(in thousands)

	Pension Trust Funds		
	Fire and Police Retirement System	Employees Retirement System	Total
Assets			
Cash and Investments	$ 1,095	$ 873	$ 1,968
Receivables:			
Receivables for Investments Sold	15,858	13,125	28,983
Interest and Dividends Receivable	3,066	2,532	5,598
Other Receivables	1,281	1,058	2,339
Total Receivables	20,205	16,715	36,920
Investments, at Fair Value:			
Short-Term Investments	7,182	5,930	13,112
Domestic Equity	577,968	477,241	1,055,209
Corporate Bonds	203,487	168,024	371,511
International Developed Market Equities	242,802	200,487	443,289
Government Bonds	112,293	92,723	205,016
Alternatives	464,780	383,780	848,560
Real Estate	291,143	241,010	532,153
Total Investments, at Fair Value	1,899,655	1,569,195	3,468,850
Collateral Held for Securities Lent	71,909	59,377	131,286
Capital Assets, Net of Accumulated Depreciation	482	482	964
Other Assets	156	156	312
Total Assets	1,993,502	1,646,798	3,640,300
Liabilities			
Accrued Liabilities	28,552	23,576	52,128
Collateral Held for Securities Lent	71,909	59,377	131,286
Other Liabilities	1,965	1,658	3,623
Total Liabilities	102,426	84,611	187,037
Net Position			
Net Position Restricted for Pension Benefits	$ 1,891,076	$ 1,562,187	$ 3,453,263

CITY OF FRESNO, CALIFORNIA

Combining Statement of Changes in Fiduciary Net Position
Fiduciary Funds - Pension Trust Funds
Fiscal Year Ended June 30, 2022
(in thousands)

	Pension Trust Funds		
	Fire and Police Retirement System	Employees Retirement System	Total
Additions			
Contributions:			
Employer	$ 27,556	$ 22,017	$ 49,573
System Members	10,973	15,493	26,466
Total Contributions	38,529	37,510	76,039
Investment Income:			
Net Appreciation in Fair Value of Investments	(167,440)	(138,316)	(305,756)
Interest	10,070	8,329	18,399
Dividends	16,940	14,003	30,943
Other Investment Related	67	57	124
Total Investment Income	(140,363)	(115,927)	(256,290)
Less Investment Expense	(20,480)	(16,967)	(37,447)
Total Net Investment Income	(160,843)	(132,894)	(293,737)
Securities Lending Income:			
Securities Lending Earnings	484	400	884
Less Securities Lending Expense	(159)	(132)	(291)
Net Securities Lending Income	325	268	593
Total Additions	(121,989)	(95,116)	(217,105)
Deductions			
Benefit Payments (including post retirement supplemental benefits)	74,810	70,239	145,049
Refund of Contributions	369	1,645	2,014
General and Administrative Expenses	2,126	2,050	4,176
Total Deductions	77,305	73,934	151,239
Change in Net Position	(199,294)	(169,050)	(368,344)
Net Position - Beginning	2,090,370	1,731,237	3,821,607
Net Position - Ending	$ 1,891,076	$ 1,562,187	$ 3,453,263

CITY OF FRESNO, CALIFORNIA

Combining Statement of Fiduciary Net Position

Custodial Funds

Fiscal Year Ended June 30, 2022

(in thousands)

	City Departmental	Special Assessment District	Total Custodial Funds
Assets			
Cash and Investments	$ 3,073	$ 227	$ 3,300
Restricted Cash and Investments Held by Fiscal Agent	—	554	554
Interest Receivable	9	—	9
Due From Other Governments	—	379	379
Total Assets	$ 3,082	$ 1,160	$ 4,242
Liabilities			
Accrued Liabilities	$ 20	$ —	$ 20
Due to Other Funds	103	—	103
Due to Other Governments	3	—	3
Total Liabilities	$ 126	$ —	$ 126
Net Position			
Restricted for:			
Individuals, Organizations, and Other Governments	2,956	1,160	4,116
Total Net Position	$ 2,956	$ 1,160	$ 4,116

CITY OF FRESNO, CALIFORNIA
Combining Statement of Changes in Fiduciary Net Position
Custodial Funds
Fiscal Year Ended June 30, 2022
(in thousands)

	City Departmental	Special Assessment District	Total Custodial Funds
Additions:			
Fees Collected for Organizations and Other Governments	$ 4,744	$ —	$ 4,744
Taxes Collected for Organizations and Other Governments	601	—	601
Special Assessments for Organizations and Other Governments	—	100	100
Investment Income	22	1	23
Total Additions	5,367	101	5,468
Deductions:			
Payments on Conduit Bonds - Principal	$ —	$ 270	$ 270
Payments on Conduit Bonds - Interest	—	167	167
Payments to Individuals, Organizations, and Other Governments	4,839	44	4,883
Total Deductions	4,839	481	5,320
Change in Net Position	528	(380)	148
Net Position:			
Beginning of Year, Restated	2,428	1,540	3,968
Restricted for Individuals, Organizations, and Other Governments	$ 2,956	$ 1,160	$ 4,116

STATISTICAL SECTION

Statistical Section

This section of the City's Annual Comprehensive Financial Report (ACFR) presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's financial health.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time. (pages 215-219)

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue source: The property tax. (pages 220-223)

Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future. (pages 224-232)

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place. (pages 233-234)

Operating Information

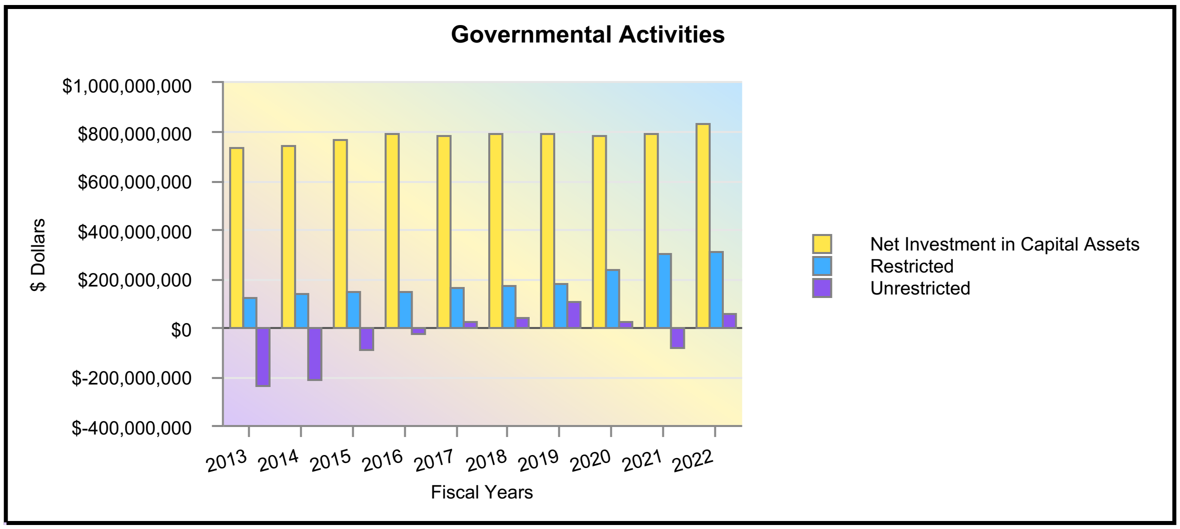
These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs. (pages 235-239)

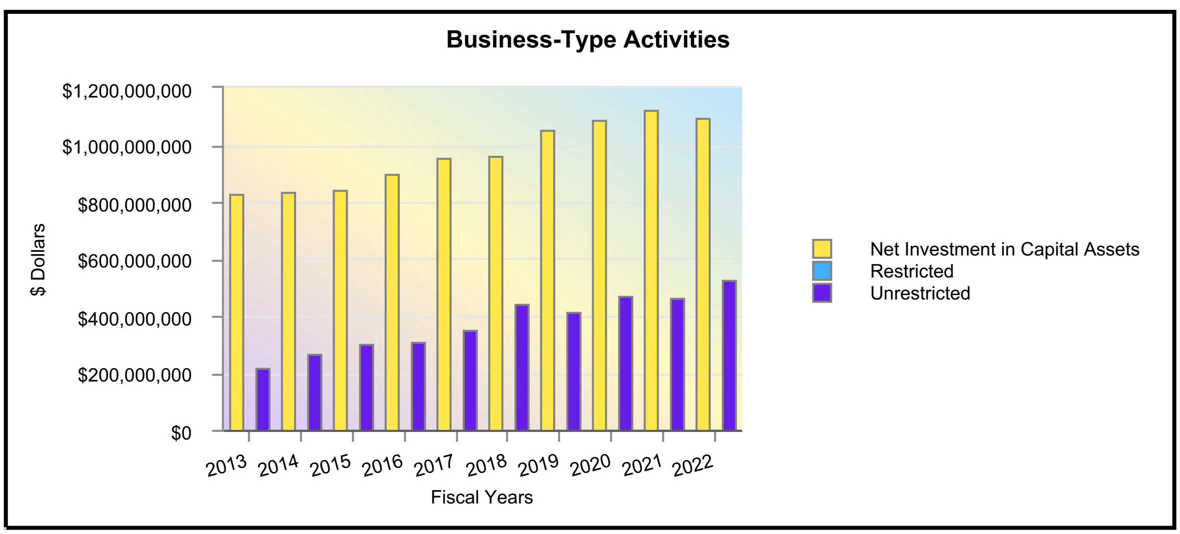
Source(s):
Unless otherwise noted, the information in these schedules is derived from the annual comprehensive financial reports for the relevant year.

CITY OF FRESNO, CALIFORNIA
Net Position By Component
Last Ten Fiscal Years
(dollars in thousands)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Governmental Activities										
Net Investment in Capital Assets	$ 733,961	$ 744,074	$ 771,198	$ 795,884	$ 787,522	$ 796,242	$ 793,963	$ 787,395	$ 794,759	$ 836,439
Restricted	125,618	141,123	146,174	151,345	168,927	171,473	178,858	239,898	304,925	308,444
Unrestricted (Deficit)	(235,759)	(215,416)	(86,424)	(22,058)	28,252	43,380	105,676	27,932	(76,811)	56,963
Total Governmental Activities	$ 623,820	$ 669,781	$ 830,948	$ 925,171	$ 984,701	$ 1,011,095	$ 1,078,497	$ 1,055,225	$ 1,022,873	$ 1,201,846
Business-Type Activities										
Net Investment in Capital Assets	$ 829,455	$ 835,290	$ 841,773	$ 896,818	$ 955,128	$ 958,169	$ 1,054,185	$ 1,090,352	$ 1,120,876	$ 1,094,088
Restricted	—	—	—	—	—	—	—	—	—	—
Unrestricted (Deficit)	219,983	264,090	300,296	307,315	353,436	440,872	414,184	472,210	460,988	526,841
Total Business-Type Activities	$ 1,049,438	$ 1,099,380	$ 1,142,069	$ 1,204,133	$ 1,308,564	$ 1,399,041	$ 1,468,369	$ 1,562,562	$ 1,581,864	$ 1,620,929
Primary Government										
Net Investment in Capital Assets	$ 1,563,416	$ 1,579,364	$ 1,612,971	$ 1,692,702	$ 1,742,650	$ 1,754,411	$ 1,848,148	$ 1,877,747	$ 1,915,635	$ 1,930,527
Restricted	125,618	141,123	146,174	151,345	168,927	171,473	178,858	239,898	304,925	308,444
Unrestricted (Deficit)	(15,776)	48,674	213,872	285,257	381,688	484,252	519,860	500,142	384,177	583,804
Total Primary Government	$ 1,673,258	$ 1,769,161	$ 1,973,017	$ 2,129,304	$ 2,293,265	$ 2,410,136	$ 2,546,866	$ 2,617,787	$ 2,604,737	$ 2,822,775

Source(s): City of Fresno, Finance Department





CITY OF FRESNO, CALIFORNIA

Change in Net Position

Last Ten Fiscal Years

(dollars in thousands)

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Expenses										
Governmental Activities:										
General Government	$ 34,308	$ 26,997	$ 28,590	$ 32,206	$ 44,157	$ 31,319	$ 42,785	$ 46,114	$ 90,218	$ 90,035
Public Protection	190,050	192,124	177,829	187,733	196,006	206,163	214,903	271,085	305,172	270,465
Public Ways and Facilities	69,771	68,914	64,430	60,875	72,984	76,289	80,369	93,243	123,068	101,306
Culture and Recreation	16,704	17,895	20,036	20,223	23,500	19,771	23,809	26,039	30,882	30,324
Community Development	26,280	23,757	29,257	28,789	28,913	30,412	29,188	31,102	41,053	57,123
Redevelopment	—	—	—	—	—	—	—	—	—	—
Interest on Long-Term Debt	21,037	20,275	19,519	18,787	18,658	14,413	14,101	13,652	12,552	12,683
Total Governmental Activities	358,150	349,962	339,661	348,613	384,218	378,367	405,155	481,235	602,945	561,936
Business-Type Activities:										
Water System	60,749	63,375	62,205	64,454	63,753	73,677	94,066	101,406	100,181	112,301
Sewer System	63,736	65,145	66,148	63,980	64,124	65,991	71,793	65,166	74,428	78,646
Solid Waste Management	30,257	33,345	32,976	26,650	26,605	30,353	31,702	36,915	41,713	41,818
Transit	48,398	45,287	45,435	44,191	47,958	53,937	57,864	62,016	66,135	71,038
Airports	32,413	28,498	28,164	28,509	29,938	31,192	33,262	35,984	41,090	40,413
Fresno Convention Center	14,928	9,982	10,147	9,750	10,798	8,856	8,701	7,108	5,096	9,235
Community Sanitation	7,848	7,949	8,235	6,904	8,978	10,077	10,093	9,147	8,698	8,743
Parking	—	—	—	—	—	—	—	—	—	—
Parks and Recreation	812	372	340	316	410	283	502	586	572	416
Development Services	—	—	—	—	—	—	—	—	—	—
Stadium	3,463	3,336	3,266	3,191	3,539	2,710	2,600	2,702	2,739	2,925
Total Business-Type Activities	262,604	257,289	256,916	247,945	256,103	277,076	310,583	321,030	340,652	365,535
Total Primary Government Expenses	$ 620,754	$ 607,251	$ 596,577	$ 596,558	$ 640,321	$ 655,443	$ 715,738	$ 802,265	$ 943,597	$ 927,471
Program Revenues										
Governmental Activities:										
Charges for Services:										
General Government	$ 18,634	$ 17,038	$ 23,194	$ 22,580	$ 46,742	$ 17,171	$ 19,075	$ 14,805	$ 15,315	$ 22,040
Public Protection	20,924	18,898	31,872	44,037	22,382	32,275	40,945	15,599	16,544	62,152
Public Ways and Facilities	16,669	14,898	17,426	20,468	21,911	21,009	20,461	22,219	27,060	37,839
Culture and Recreation	3,021	4,680	4,577	4,949	3,645	3,935	3,711	1,742	1,364	4,840
Community Development	19,529	19,432	21,130	25,239	23,496	23,033	20,347	19,400	13,050	32,305
Operating Grants and Contributions	36,639	48,503	39,550	34,015	25,016	26,488	40,278	39,037	40,393	74,245
Capital Grants and Contributions	35,623	49,651	62,472	57,955	44,586	38,584	37,525	49,161	135,064	128,553
Total Governmental Activities Program Revenues	151,039	173,100	200,221	209,243	187,778	162,495	182,342	161,963	248,790	361,974
Business-Type Activities:										
Charges for Services:										
Water System	71,667	90,096	74,285	77,959	101,895	107,377	119,029	120,252	127,651	138,492
Sewer System	76,324	76,201	81,955	78,186	83,635	81,651	81,085	77,249	77,940	87,795
Solid Waste Management	29,797	29,404	31,208	31,975	31,170	30,100	31,804	29,546	29,132	35,423
Transit	11,054	10,914	13,089	12,479	11,452	10,746	9,348	2,516	(2,328)	11,242
Airports	23,329	24,991	25,670	27,646	27,835	29,634	32,011	29,192	25,991	40,884
Fresno Convention Center	2,594	2,626	2,960	3,634	3,752	3,318	3,796	2,415	(2)	5,744
Community Sanitation	9,108	8,956	9,746	9,733	9,613	9,422	9,841	8,982	8,786	10,706
Parking	—	—	—	—	—	—	—	—	—	—
Parks and Recreation	736	329	329	325	340	323	410	278	411	630
Development Services	—	—	—	—	—	—	—	—	—	—
Stadium	1,089	798	1,248	677	1,082	238	406	344	580	279
Operating Grants and Contributions	40,850	44,211	40,215	29,190	37,187	22,939	37,910	80,766	56,334	71,273
Capital Grants and Contributions	22,224	14,754	14,791	18,015	47,576	69,570	33,249	38,027	29,884	17,893
Total Business-Type Activities Program Revenues	288,772	303,280	295,496	289,819	355,537	365,318	358,889	389,567	354,379	420,361
Total Primary Government Program Revenues	$ 439,811	$ 476,380	$ 495,717	$ 499,062	$ 543,315	$ 527,813	$ 541,231	$ 551,530	$ 603,169	$ 782,335

CITY OF FRESNO, CALIFORNIA

Change in Net Position

Last Ten Fiscal Years (Continued)

(dollars in thousands)

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Net (Expense)/Revenue										
Governmental Activities	$(207,111)	$(176,862)	$(139,440)	$(139,370)	$(196,440)	$(215,872)	$(222,813)	$(319,272)	$(354,155)	$(199,962)
Business-Type Activities	26,168	45,991	38,580	41,874	99,434	88,242	48,306	68,537	13,727	54,826
Total Primary Government Net Expense	$(180,943)	$(130,871)	$(100,860)	$ (97,496)	$ (97,006)	$(127,630)	$(174,507)	$(250,735)	$(340,428)	$(145,136)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Property Taxes	$ 103,745	$ 107,635	$ 113,655	$ 117,048	$ 123,858	$ 130,109	$ 138,201	$ 142,250	$ 149,822	$ 154,130
Sales Taxes - Shared Revenues	56,474	59,328	61,571	74,010	86,128	85,512	96,939	98,531	125,279	192,874
In-Lieu Sales Tax	18,216	19,190	19,907	10,559	—	—	—	—	—	—
Franchise Taxes	12,503	12,751	13,469	13,722	14,335	14,811	14,493	16,101	17,729	18,271
Business Tax	16,470	18,868	17,781	16,879	19,101	20,982	18,162	20,868	20,577	21,764
Room Tax	9,560	10,019	11,006	12,045	13,127	13,936	13,998	12,453	12,566	15,205
Other Taxes	2,104	2,324	2,407	2,521	2,348	2,304	2,855	2,241	1,825	3,528
Investment Earnings	1,889	795	879	1,652	1,215	1,348	8,413	11,863	1,786	(10,409)
Gain on Sale of Capital Assets	416	42	402	218	214	223	2,517	2	—	—
Special Item - Loss on Receivable/ Transfer of Assets	—	—	—	—	—	(8,152)	—	—	—	—
Extraordinary (Loss):										
Redevelopment Agency Net Position										
Distributed to Successor Agency	—	—	—	—	—	—	—	—	—	—
Transfers:	(15,662)	(5,699)	(6,290)	(15,061)	(4,356)	(4,820)	(5,363)	(8,309)	(7,781)	(7,899)
Total Governmental Activities	205,715	225,253	234,787	233,593	255,970	256,253	290,215	296,000	321,803	387,464
Business-Type Activities:										
Investment Earnings	1,596	2,316	2,998	5,129	641	2,614	15,624	17,316	(2,206)	(24,697)
Debt Forgiveness	—	—	—	—	—	—	—	—	—	—
Gain on Sale of Capital Assets	3,832	1	38	—	—	36	35	31	—	—
Transfers:	15,662	5,698	6,290	15,061	4,356	4,820	5,363	8,309	7,781	7,899
Total Business-Type Activities	21,090	8,015	9,326	20,190	4,997	7,470	21,022	25,656	5,575	(16,798)
Total Primary Government	$ 226,805	$ 233,268	$ 244,113	$ 253,783	$ 260,967	$ 263,723	$ 311,237	$ 321,656	$ 327,378	$ 370,666
Change in Net Position										
Governmental Activities	$ (1,397)	$ 48,391	$ 95,347	$ 94,223	$ 59,530	$ 40,381	$ 67,402	$ (23,272)	$ (32,352)	$ 187,502
Business-Type Activities	47,259	54,006	47,906	62,064	104,431	95,712	69,328	94,193	19,302	38,028
Total Primary Government	$ 45,862	$ 102,397	$ 143,253	$ 156,287	$ 163,961	$ 136,093	$ 136,730	$ 70,921	$ (13,050)	$ 225,530

Source(s): City of Fresno, Finance Department

CITY OF FRESNO, CALIFORNIA

Fund Balances, Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

(dollars in thousands)

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General Fund										
Nonspendable	$ 12,691	$ 12,691	$ 12,691	$ 12,691	$ 18,417	$ 3,919	$ 2,071	$ —	$ —	$ —
Restricted	435	7	105	11	37	16	10	6	—	—
Committed	1,903	2,351	5,207	1,610	22,104	25,565	37,004	37,718	40,655	48,360
Assigned	1,095	1,006	1,874	2,811	3,890	2,845	4,562	5,158	19,249	19,215
Unassigned	(9,355)	8,192	24,643	31,808	26,749	19,533	25,312	33,046	43,039	37,116
Total General Fund	$ 6,769	$ 24,247	$ 44,520	$ 48,931	$ 71,197	$ 51,878	$ 68,959	$ 75,928	$ 102,943	$ 104,691
All other Governmental Funds										
Restricted	$ 128,100	$ 145,763	$ 146,002	$ 151,726	$ 163,802	$ 166,207	$ 172,587	$ 197,325	$ 255	$ 216,922
Assigned	17,624	15,752	15,928	15,847	12,177	16,115	16,137	11,194	13	37,622
Unassigned	(5,196)	(7,749)	(9,670)	(6,284)	(788)	(809)	(1,950)	(5,590)	(57)	(2,678)
Total all other Governmental Funds	$ 140,528	$ 153,766	$ 152,260	$ 161,289	$ 175,191	$ 181,513	$ 186,774	$ 202,929	$ 211	$ 251,866

Source(s): City of Fresno, Finance Department

CITY OF FRESNO, CALIFORNIA

Changes in Fund Balances, Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

(dollars in thousands)

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenues										
Taxes	$237,956	$263,470	$276,847	$266,521	$298,425	$289,140	$315,903	$330,423	$366,645	$452,241
Licenses and Permits	5,097	6,331	6,569	7,102	7,291	7,829	7,337	7,915	9,276	8,332
Intergovernmental	37,032	48,910	41,915	39,036	38,770	39,318	41,706	55,879	126,391	138,674
Charges for Services	49,995	46,277	44,692	46,398	49,538	51,294	57,413	53,493	64,462	66,961
Fines	4,193	3,746	3,392	4,271	3,487	3,872	3,643	3,315	1,792	2,726
Use of Money and Property	2,539	1,585	1,643	2,105	1,285	1,305	6,542	9,538	1,684	(7,050)
Contributions and Donations	—	—	—	—	—	—	—	—	—	—
Miscellaneous	6,146	5,612	8,800	8,156	36,448	4,504	3,640	2,017	3,125	8,436
Total Revenues	342,958	375,931	383,858	373,589	435,244	397,262	436,184	462,580	573,375	670,320
Expenditures										
General Government	13,039	11,742	13,841	17,490	26,257	21,285	28,077	29,286	71,211	65,503
Public Protection	187,189	185,911	188,050	201,656	212,828	221,043	226,108	243,099	256,635	287,640
Public Ways and Facilities	33,332	39,190	35,607	38,293	42,430	41,682	50,561	53,686	63,186	73,443
Culture and Recreation	13,177	14,247	15,433	17,735	16,928	18,257	18,140	20,911	26,131	25,623
Community Development	25,685	23,666	30,320	29,511	29,360	31,483	30,961	32,970	39,983	57,344
Capital Outlays	19,919	28,375	38,984	23,145	29,990	31,401	26,168	27,605	54,776	75,441
Debt Service:										
Principal	17,484	17,814	19,218	17,435	19,196	17,568	18,956	19,911	21,191	20,782
Interest	21,134	20,347	19,511	18,629	17,779	14,752	14,515	13,692	12,602	12,357
Total Expenditures	330,959	341,292	360,964	363,894	394,768	397,471	413,486	441,160	545,715	618,133
Excess (Deficiency) of Revenues Over (Under) Expenditures	11,999	34,639	22,894	9,695	40,476	(209)	22,698	21,420	27,660	52,187
Other Financing Sources (Uses)										
Transfers In	46,827	42,716	44,695	45,251	55,930	49,397	41,142	51,823	116,697	64,700
Transfers Out	(66,633)	(47,267)	(50,573)	(49,446)	(59,055)	(57,418)	(46,110)	(59,145)	(128,855)	(74,690)
Discount on Debt Issued	—	—	—	—	835	—	—	—	—	—
Issuance of Refunding Bonds	—	—	—	—	108,903	—	—	—	—	—
Refunded Bond Redeemed	—	—	—	—	(128,621)	—	—	—	—	—
Long-Term Debt Issued	—	—	—	—	—	—	—	—	17,145	—
Premium on Debt Issued	—	—	—	—	11,528	—	—	—	2,773	—
Capital Lease Financing	—	621	966	7,331	4,126	3,162	2,228	9,026	83	—
Proceeds for Capital Lease Obligations	1,088	—	—	—	—	—	—	—	—	—
Sale of Capital Assets	1,346	8	785	609	2,046	223	2,382	—	—	—
Total Other Financing Sources (Uses)	(17,372)	(3,922)	(4,127)	3,745	(4,308)	(4,636)	(358)	1,704	7,843	(9,990)
Special Item										
Loss on Receivable	—	—	—	—	(8,152)	—	—	—	—	—
Net Change in Fund Balances	$ (5,373)	$ 30,717	$ 18,767	$ 13,440	$ 36,168	$ (4,845)	$ 22,340	$ 23,124	$ 35,503	$ 42,197
Debt Service as a Percentage of Non-Capital Expenditures	12.35 %	12.45 %	11.94 %	11.00 %	10.29 %	9.11 %	8.83 %	8.16 %	6.55 %	6.27 %

Source(s): City of Fresno, Finance Department

Note(s): To properly calculate the ratio of total debt service expenditures to non-capital expenditures, only governmental fund expenditures for the acquisition and construction of assets that are classified as capital assets for reporting in the Government-Wide Financial Statements have been subtracted from the total governmental fund expenditures. These figures by fiscal year are as follows: (2012) $15,973,001; (2013) $18,151,306; (2014) $34,893,624; (2015) $46,135,229; (2016) $35,295,704; (2017) $35,500,989; (2018) $42,738,629; (2019) $34,667,433; (2020) $29,289,000 and (2021) $29,973,000.

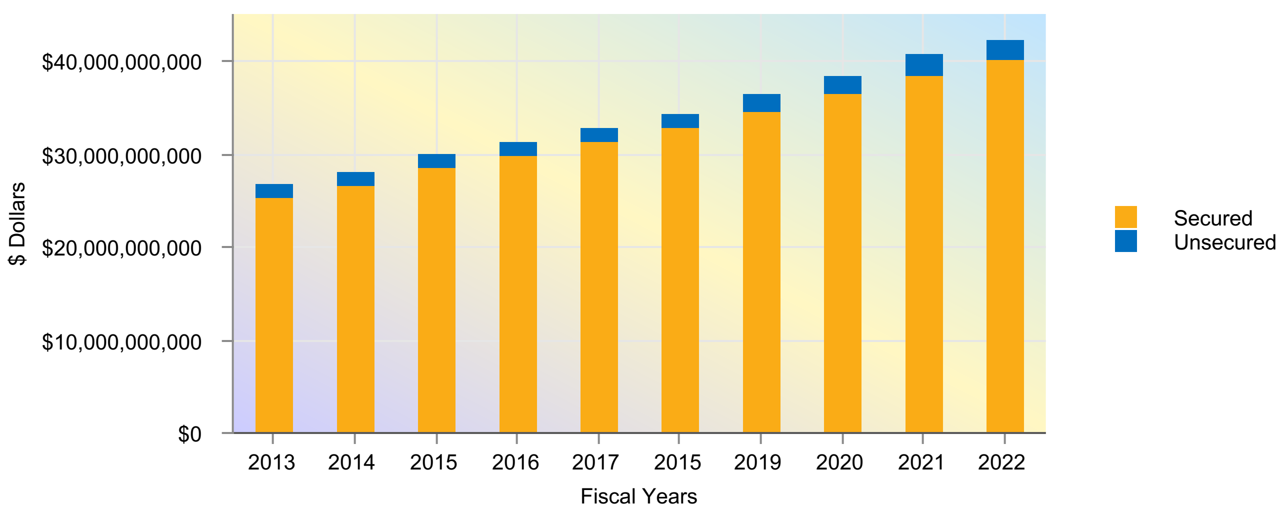
CITY OF FRESNO, CALIFORNIA

Gross Assessed Value and Estimated Actual Value of Taxable Property

Last Ten Fiscal Years

Fiscal Year	Secured Estimated Actual	Unsecured Estimated Actual	Total Taxable Assessed Value	Total Direct Tax Rate	Assessed Value as a Percent of Estimated Actual Value
2013	$ 25,446,100,571	$ 1,511,385,533	$ 26,957,486,104	1.032438	100%
2014	26,754,005,601	1,449,421,705	28,203,427,306	1.032438	100
2015	28,638,669,937	1,444,805,569	30,083,475,506	1.032438	100
2016	30,026,361,027	1,500,061,596	31,526,422,623	1.032438	100
2017	31,344,820,623	1,596,315,117	32,941,135,740	1.032438	100
2018	32,837,504,668	1,616,397,886	34,453,902,554	1.032438	100
2019	34,713,392,408	1,899,808,202	36,613,200,610	1.032438	100
2020	36,659,070,484	1,899,510,831	38,558,581,315	1.032438	100
2021	38,644,667,812	2,225,286,118	40,869,953,930	1.032438	100
2022	40,198,896,767	2,181,351,026	42,380,247,793	1.032438	100

Estimated Value of Taxable Property



Source(s): County of Fresno

Note(s): Fresno County does not collect Actual Value (Market Value) information on taxable properties or on tax exempt properties. The estimated actual value of taxable property is the same as the gross assessed value.

CITY OF FRESNO, CALIFORNIA

Direct and Overlapping Property Tax Rates

Last Ten Fiscal Years

(Percentage per $100 of Assessed Value)

	City Direct Rate			Overlapping Rates: Schools		
Fiscal Year	Property Tax Rate	Fresno Pension	Total Direct Tax Rate	Fresno Unified School District	State Center Community College District	Total Direct and Overlapping Property Tax Rate
2013	1.0	0.032438	1.032438	0.188860	0.009358	1.230656
2014	1.0	0.032438	1.032438	0.188834	0.009602	1.230874
2015	1.0	0.032438	1.032438	0.188860	0.009308	1.230606
2016	1.0	0.032438	1.032438	0.188860	0.008064	1.229362
2017	1.0	0.032438	1.032438	0.188864	0.008480	1.229782
2018	1.0	0.032438	1.032438	0.188864	0.025934	1.247236
2019	1.0	0.032438	1.032438	0.188864	0.022966	1.244268
2020	1.0	0.032438	1.032438	0.178012	0.025786	1.236236
2021	1.0	0.032438	1.032438	0.188864	0.025786	1.247088
2022	1.0	0.032438	1.032438	0.213864	0.018088	1.264390

Source(s): County of Fresno

Note(s): On June 6, 1978, California voters approved a constitutional amendment to Article XIIIA of the California Constitution, commonly known as Proposition 13, which limits the taxing power of California public agencies. Legislation enacted by the California Legislature to implement Article XIIIA (Statutes of 1978, Chapter 292, as amended) provides that, notwithstanding any other law, local agencies may not levy any property tax except to pay debt service on indebtedness approved by voters prior to July 1, 1978, and that each county will levy the maximum tax permitted by Article XIIIA of $1.00 per $100.00 of full cash value. Assessed value is equal to full cash value, pursuant to Senate Bill 1656, Statutes of 1978.

CITY OF FRESNO, CALIFORNIA

Principal Property Taxpayers

Current Year and Nine Years Ago

		2022			2013		
Taxpayer	Type of Business	Taxable Assessed Value	Rank	% of Total County Assessed Value	Taxable Assessed Value	Rank	% of Total County Assessed Value
River Park Properties	Commercial, Miscellaneous	$ 175,887,278	1	0.42 %	$ 142,041,335	1	0.53 %
Gap Inc.	Commercial	167,478,600	2	0.40 %	115,758,800	4	0.43 %
Macerich Fresno Limited Partnership	Commercial	147,314,193	3	0.35 %	132,334,400	2	0.49 %
Meganova LP	Apartments	145,406,430	4	0.34 %	—	—	— %
Gallo E & J Winery	Commercial, Unsecured	143,042,960	5	0.34 %	116,631,937	3	0.43 %
Colony 2019 3 Bulk Industrial LLC	Commercial	100,583,357	6	0.24 %	—	—	—
Comcast of Fresno Inc.	No Secured Property	95,262,900	7	0.22 %	83,053,900	5	0.0031
Amazoncom Services Inc.	No Secured Property	84,989,400	8	0.20 %	—	—	—
Foster Poultry Farms	Industrial	74,725,472	9	0.18 %	—	—	— %
RPI Fig Garden LP	Commercial	73,268,402	10	0.17 %	—	—	— %
Donahue Schriber Realty Group		—	—	—	62,854,390	6	0.23 %
M L Street Properties		—	—	—	52,142,312	7	0.19 %
Capri Sun Inc.		—	—	—	51,025,117	8	0.19 %
Zinkin De Wayne & Sandra		—	—	—	50,723,447	9	0.19 %
Fresno Supreme Inc.		—	—	—	49,755,354	10	0.18 %
Total		$ 1,207,958,992		2.8600 %	$ 856,320,992		3.1700 %

Source(s): Avenu Insights & Analytics and California Municipal Statistics, Inc., as compiled by Willdan Financial Services.

Note(s): 2021/22 Taxable Assessed Valuation: $42,380,247,793

2012/13 Taxable Assessed Valuation: $26,957,486,104.

CITY OF FRESNO, CALIFORNIA

Property Tax Levies and Collections

Last Ten Fiscal Years

Fiscal Year	Total Net Tax Levy (Original Levy)	Supplemental Assessments	Redevelopment Return of Increment	Total Adjusted Tax Levy	Current Tax Collections: Amount Collected	Current Tax Collections: Percentage of Net Tax Levy	Delinquent Tax Collections	Total Tax Collections	Percent of Collection of Adjusted Tax Levy
2013	$ 86,530,712	$ 10,098,582	$ 2,478,235	$ 99,107,529	$ 98,239,898	99.12 %	$ 867,631	$ 99,107,529	100.00 %
2014	90,601,174	9,698,694	2,171,963	102,471,831	101,452,992	99.01	421,496	101,874,488	99.42
2015	96,468,363	11,900,327	1,609,109	109,977,799	106,989,456	97.28	395,578	107,385,034	97.64
2016	100,946,941	12,082,212	2,306,017	115,335,170	113,633,713	98.52	508,181	114,141,894	98.97
2017	105,199,432	13,077,130	2,014,329	120,290,891	119,336,199	99.21	386,236	119,722,435	99.53
2018	109,890,834	13,565,677	2,278,284	125,734,795	123,764,163	98.43	649,161	124,413,324	98.95
2019	116,141,387	14,916,496	2,786,268	133,844,151	132,157,601	98.74	543,876	132,701,477	99.15
2020	122,120,737	14,809,607	3,366,768	140,297,112	136,883,021	97.57	745,241	137,628,262	98.10
2021	128,697,400	17,130,950	5,378,795	151,207,145	144,896,990	95.83	1,443,494	146,340,484	96.78
2022	133,834,626	14,994,674	5,750,554	154,579,854	145,788,069	94.31	41,485	145,829,554	94.34
							Average Collections		98.29 %

Source(s): County of Fresno

Note(s):

Supplemental Assessments include voter approved indebtedness for Fire and Police Pensions and supplemental assessments added whenever new construction is completed and whenever real property changes ownership under Chapter 3.5 of Part 0.5 of Division 1 of the California Revenue and Taxation Code.

Beginning in fiscal year 2014, Delinquent Tax Collections do not include penalties and interest. Property tax collection for fiscal years prior to fiscal year 2014 have been adjusted so as not to exceed the levy.

Beginning in fiscal year 2014, collections only reflect those dollars that are related to the fiscal period in which the tax was levied.

CITY OF FRESNO, CALIFORNIA

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

(dollars in thousands, except per capita)

	Governmental Activities						Business-Type Activities			
Fiscal Year	General Obligation Bonds	Lease Revenue Bonds	Tax Allocation Bonds	Certificates of Participation	Notes Payable	Capital Leases	Airport Revenue Bonds	Solid Waste Revenue Bonds	Sewer Revenue Bonds	Water Revenue Bonds
2013	$ 160,278	$180,456	$ —	$ —	$ 6,111	$ 6,718	$ 56,459	$ —	$222,109	$156,274
2014	153,930	171,806	—	—	5,283	7,738	56,138	—	215,611	152,785
2015	147,177	161,435	—	—	4,569	10,113	54,590	—	207,280	147,569
2016	139,999	153,279	—	—	3,813	17,220	53,098	—	198,436	142,148
2017	131,840	144,697	—	—	3,016	20,884	51,508	—	189,134	136,569
2018	124,245	136,021	—	—	2,466	28,271	49,825	—	179,351	130,774
2019	116,160	126,191	—	—	2,033	39,338	83,039	—	34,943	124,759
2020	107,555	116,139	—	—	1,846	43,121	81,145	—	6,934	118,501
2021	98,395	125,464	—	—	1,648	41,153	78,383	—	885	90,241
2022	88,640	116,162	—	—	1,440	52,568	75,459	—	885	90,329

Source(s): Debt Information - City of Fresno, Finance Department

Population Information - State of California Department of Finance, Demographic Research Unit

Note(s): See the Schedule of Demographic and Economic Statistics for personal income and population data on page 233.

Information pertaining to Personal Income is obtained from the Bureau of Economic Analysis (BEA).

Personal income and Per Capita Personal Income figures for fiscal year 2021 & 2022 are not currently available from the BEA.

The City is not obligated in any manner for the Special Assessment debt, but is acting as an agent for property owners in collecting the assessments and forwarding the collections to the trustee or paying agent and initiating foreclosure proceedings, if appropriate.

Beginning in fiscal year 2012, the Tax Allocation Bonds are no longer reported on this schedule, due to the dissolution of the Redevelopment Agency, effective February 1, 2012. The bonds are assumed by the Successor Agency.

CITY OF FRESNO, CALIFORNIA

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years (Continued)

(dollars in thousands, except per capita)

	Business-Type Activities					Primary Government		
Fiscal Year	Lease Revenue Bonds	Accreted Interest	Certificates of Participation	Notes Payable	Capital Leases	Total Primary Government	Percentage of Personal Income	Net Debt per Capita
2013	$ 87,675	$ —	$ —	$ 46,880	$ —	$ 922,960	2.77 %	$ 1,815
2014	84,106	—	—	54,929	—	902,326	2.57 %	1,750
2015	79,908	—	—	52,080	—	864,721	2.31 %	1,662
2016	75,465	—	—	82,795	—	866,253	2.20 %	1,664
2017	69,492	—	—	208,855	—	955,995	2.33 %	1,818
2018	61,242	—	—	364,624	—	1,076,819	2.51 %	2,000
2019	55,832	—	—	403,612	—	985,907	2.17 %	1,837
2020	50,211	3,595	—	407,096	—	936,143	1.93 %	1,715
2021	44,362	3,355	—	424,550	—	908,436	1.74 %	1,661
2022	38,270	0	—	425,341	—	889,094	N/A	1,635

CITY OF FRESNO, CALIFORNIA

Ratios of General Bonded Debt Outstanding

Last Ten Fiscal Years

Fiscal Year	General Bonded Debt Outstanding					
	General Bonded Debt	Tax Allocation Bonds	Total	Percent of Actual Taxable Value of Property	Population	Net Debt per Capita
2013	$ 160,277,894	$ —	$ 160,277,894	0.595 %	508,453	$ 315
2014	153,930,355	—	153,930,355	0.546 %	515,609	299
2015	147,177,000	—	147,177,000	0.489 %	520,159	283
2016	139,998,791	—	139,998,791	0.444 %	520,453	269
2017	131,840,000	—	131,840,000	0.400 %	525,832	251
2018	124,245,000	—	124,245,000	0.361 %	538,330	231
2019	116,160,000	—	116,160,000	0.317 %	536,683	216
2020	107,555,000	—	107,555,000	0.279 %	545,769	197
2021	98,395,000	—	98,395,000	0.241 %	546,770	180
2022	88,640,000	—	88,640,000	0.209 %	543,660	163

Source(s): General Bonded Debt Information - City of Fresno Department of Finance

Population Information - State of California Department of Finance, Demographic Research Unit

Note(s): Details regarding the City's outstanding debt can be found in the notes to the basic financial statements.

See Gross Assessed Value and Estimated Actual Value of Taxable Property schedule for property value information on page 220.

Beginning in fiscal year 2012, the Tax Allocation Bonds are no longer reported on this schedule, due to the dissolution of the Redevelopment Agency, effective February 1, 2012. The bonds were assumed by the Successor Agency.

CITY OF FRESNO, CALIFORNIA

Direct and Overlapping Governmental Activities Debt

As of January 10, 2022

	Estimated Percent Applicable	Debt Applicable
2021-22 Gross Assessed Valuation:	$42,380,247,793	
Combined Direct Debt		
City of Fresno Pension Obligation	100%	$ 88,640,000
Lease Revenue Bonds	100	116,162
Notes Payable	100	1,440
Capital Leases	100	52,568
Total Combined Direct Debt		88,810,170
Overlapping Tax, and Assessment Debt		
City of Fresno Community Facilities District No. 4	100%	$ 815,000
City of Fresno Community Facilities District No. 5	100	690,000
City of Fresno Community Facilities District No. 7	100	1,220,000
State Center Community College District	42.443	135,970,395
Clovis Unified School District	47.921	173,661,370
Fresno Unified School District	84.495	631,424,048
Central Unified School District	81.471	194,740,296
Other School Districts	Various	79,190,507
California Statewide Communities Development Authority Community Facilities District No. 2012-01	100	4,050,000
Total Overlapping Tax, and Assessment Debt		1,221,761,616
Overlapping General Fund Obligation Debt		
Fresno County Pension Obligations	46.526%	$ 94,692,269
Fresno County General Fund Obligations	46.526	12,648,093
Clovis Unified School District Certificates of Participation	47.921	57,795,122
Fresno Unified School District Certificates of Participation	84.495	5,289,387
Central Unified School District Certificates of Participation	81.471	22,691,196
Other School District Certificates of Participation	Various	13,416,045
Total Overlapping General Fund Debt		206,532,112
Overlapping Tax Increment Debt (Successor Agency)		
Fresno Redevelopment Mariposa Medical Project Area	100%	$ 1,185,000
Total Overlapping Tax Increment Debt		1,185,000
Total Overlapping Tax and Assessment, General Fund and Tax Increment Debt		1,429,478,728
Total Overlapping and Direct Debt		$1,518,288,898
Ratios to 2021-22 Assessed Valuation:		
Combined Direct Debt		0.210 %
Overlapping Tax, and Assessment Debt		2.883 %
Combined Total Overlapping and Direct Debt		3.580 %
Overlapping Tax Increment Debt (Successor Agency)		0.003 %

Note(s): Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Fresno. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account.

The percentage of overlapping debt applicable to the City of Fresno is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of overlapping district's taxable assessed value that is within the boundaries of the City of Fresno divided by the District's total taxable assessed value.

The Direct and Overlapping Governmental Activities Debt excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations. Qualified Zone Academy Bonds are included based on principal due at maturity.

The Overlapping Tax, Assessment Debt and General Fund Debt percentages and figures are provided by Cal Municipal Services, Inc. and are as of January 10, 2022. Direct Debt figures are provided by the Finance Department at the City of Fresno and are as of June 30, 2022.

CITY OF FRESNO, CALIFORNIA

Debt Coverage Ratio - Airports

Last Ten Fiscal Years (in thousands)

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenues (1) (2)	$ 19,876	$ 21,216	$ 21,802	$ 22,976	$ 24,500	$ 25,022	$ 27,308	$ 26,789	$ 33,470	$ 41,093
Less Operating Expenses (3)	14,322	14,262	14,428	14,934	16,117	17,355	18,701	19,962	20,626	21,290
Plus: Other Available Funds (4)	51	95	350	359	368	377	386	395	—	416
Net Revenues	$ 5,605	$ 7,049	$ 7,724	$ 8,401	$ 8,751	$ 8,044	$ 8,993	$ 7,222	$ 12,844	$ 20,219
Adjusted Debt Service										
Series 2000 Bonds	$ 3,012	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Series 2013 Bonds (5)	—	3,288,000	2,805	2,808	2,803	2,801	2,802	2,801	—	2,804
Less										
Minimum PFC Contribution (6)	(1,100)	(1,600)	(1,600)	(1,600)	(1,600)	(1,600)	(1,600)	(1,600)	(1,600)	(1,600)
Additional PFC Contribution	(500)	(231)	—	(200)	—	—	—	—	—	—
Net Series 2000/2013 Debt Service	$ 1,412	$ 1,457	$ 1,205	$ 1,008	$ 1,203	$ 1,201	$ 1,202	$ 1,201	$ (1,600)	$ 1,204
Series 2007 Bonds (5)	1,332	1,369	1,399	1,437	1,472	1,509	1,544	1,581	—	1,664
2019 Bonds (5)	—	—	—	—	—	—	—	—	2,141	—
Annual Adjusted Debt Service (7)	$ 2,744	$ 2,826	$ 2,604	$ 2,445	$ 2,675	$ 2,710	$ 2,746	$ 2,782	$ 541	$ —
Annual Adjusted Debt Service Coverage (8)	**2.02**	**2.46**	**2.83**	**3.44**	**3.27**	**2.97**	**3.27**	**2.60**	**23.74**	**7.05**

Note(s):

(1) State of California law requires the exclusion of Customer Facility Charge (CFC) Revenues from the calculation of Debt Service coverage in excess of annual Debt Service on the Series 2007 Bonds.

(2) Fiscal year 2021 Revenues include $7.7 million of CARES Act monies. The Indenture of Trust defines Federal operating grants as Revenues.

(3) For all fiscal years, reflects Operating Expenses in operating funds only and does not include costs expensed out of Airports capital funds, such as Federal grant-funded Master Plan in fiscal year 2018 and fiscal year 2019.

(4) Per the Indenture, unencumbered funds equal to 25% of Adjusted Debt Service may be designated by the City as Other Available Funds prior to the beginning of any fiscal year, and transferred to the Revenue Fund at the beginning of such fiscal year. Since fiscal year 2015, the City's policy has been to annually designate available CFC funds equal to 25 percent of debt service associated with 2007 Bonds as Other Available Funds.

(5) Fiscal year 2021 Debt Service associated with Series 2013 Bonds, Series 2007 Bonds, and 2019 Bonds was prepaid on September 2020 with existing cash balances.

(6) Under the Supplemental Indenture that authorized the 2013 Bonds, the Minimum Passenger Facility Charge (PFC) Contribution was increased from $1.1 million to $1.6 million.

(7) Fiscal year 2021 Adjusted Debt Service was prepaid with existing cash balances (and was not paid with fiscal year 2021 Net Revenues).

(8) Had fiscal year 2021 Adjusted Debt Service not been prepaid, fiscal year 2021 Debt Service coverage would have been 2.77.

CITY OF FRESNO, CALIFORNIA

Debt Coverage Ratio - Water System

Last Ten Fiscal Years (in thousands)

	Fiscal Year 2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenues										
Charges for Services and Other Operating Revenue	$ 71,667	$ 90,096	$ 74,285	$ 77,959	$ 101,895	$ 107,377	$ 119,029	$ 120,252	$ 127,651	$ 138,341
Less: Connection Fee Charges for Services	(1,331)	(1,667)	(1,496)	(1,563)	(1,917)	(2,531)	(2,138)	(2,596)	(1,835)	(1,641)
Net Charges for Services (1)	70,336	88,429	72,789	76,396	99,978	104,846	116,891	117,656	125,816	136,700
Other Operating Revenues and Interest Income	720	329	573	1,147	17	(238)	4,974	6,906	(627)	(9,378)
Total Revenues	71,056	88,758	73,362	77,543	99,995	104,608	121,865	124,562	125,189	127,322
Operating Expenses										
Labor and Benefits	12,679	13,525	11,378	12,437	12,401	12,176	14,581	13,075	15,428	15,171
Pumping Power	9,113	9,292	8,501	8,150	9,064	9,550	8,358	9,419	10,252	11,516
Source of Supply	6,318	1,780	5,613	6,630	4,188	9,751	6,536	9,027	6,531	8,699
All Other Operating and Maintenance (2)	16,821	18,151	17,473	17,166	21,547	17,692	35,143	26,148	24,728	31,266
Total Operating Expenses (3)	44,931	42,748	42,965	44,383	47,200	49,169	64,618	57,669	56,939	66,652
Net Current Revenue	$ 26,125	$ 46,010	$ 30,397	$ 33,160	$ 52,795	$ 55,439	$ 57,247	$ 66,893	$ 68,250	$ 60,670
Senior Bond Debt Service (4)	$ 1,376	$ 1,378	$ 1,374	$ 1,381	$ 1,380	$ 1,376	$ 1,379	$ 1,379	$ —	$ —
State Loans Debt Service (5)	259	120	120	120	—	—	—	—	—	—
Total Senior Debt Service	1,635	1,498	1,494	1,501	1,380	1,376	1,379	1,379	—	—
Senior Coverage Ratio	15.98	30.71	20.35	22.09	38.26	40.29	41.51	48.51	Not Applicable	Not Applicable
Net Revenue Available for Parity Debt Service	$ 24,490	$ 44,512	$ 28,903	$ 31,659	$ 51,415	$ 54,063	$ 55,868	$ 65,514	$ 68,250	$ 60,670
2010 Series A Bond Debt Service (6)	$ 12,507	$ 12,509	$ 12,509	$ 12,531	$ 12,508	$ 12,509	$ 12,504	$ 12,510	$ 7,020	$ 6,097
State Loans Debt Service (5)	338	338	2,770	2,786	3,533	6,021	10,937	18,562	16,190	16,489
Total Parity Debt Service	$ 12,845	$ 12,847	$ 15,279	$ 15,317	$ 16,041	$ 18,530	$ 23,441	$ 31,072	$ 23,210	$ 22,586
Parity Coverage Ratio	**1.96**	**3.46**	**1.89**	**2.07**	**3.21**	**2.92**	**2.38**	**2.11**	**2.94**	**2.69**

Note(s): (1) 1993 Indenture defines "Current Revenues" as all revenue from the operation of the Water System except for connection fees and charges.

(2) All other operating and Maintenance includes Fleet Depreciation Charge (vehicle replacement fees paid to the Fleet Department).

(3) 1993 Indenture defines "Maintenance and Operation Costs" as all costs incurred for maintaining and operating the Water System except for Debt Service, Depreciation and Amortization.

(4) 2003 Water Bonds were the only remaining Senior Bond Debt Service after FY 2016, and were paid off in fiscal year 2020.

(5) Paid off remaining 2010 Series A-1 Bonds in fiscal year 2021 with surplus cash.

CITY OF FRESNO, CALIFORNIA

Debt Coverage Ratio - Sewer System

Last Ten Fiscal Years (in thousands)

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Charges for Services (1)	$ 76,324	$ 76,201	$ 81,955	$ 78,186	$ 83,635	$ 81,651	$ 81,085	$ 77,249	$ 77,940	$ 87,795
Interest Income	485	1,547	1,787	2,779	492	2,046	5,548	4,702	(720)	(7,943)
Less: Wastewater Facility Connection Fee	(1,853)	(1,981)	(1,709)	(1,844)	(1,968)	(1,996)	(3,290)	(2,600)	(3,426)	(3,393)
Total Senior Lien Revenues	74,956	75,767	82,033	79,121	82,159	81,701	83,343	79,351	73,794	76,459
Operating Expenses (2)	36,431	36,339	37,391	35,935	38,058	37,237	45,835	43,522	44,630	51,088
Net Income Before Debt Service	$ 38,525	$ 39,428	$ 44,642	$ 43,186	$ 44,101	$ 44,464	$ 37,508	$ 35,829	$ 29,164	$ 25,371
Senior Lien Debt Service (3)	10,724	10,714	10,695	10,387	10,712	10,701	10,684	373	6,234	40
Coverage Ratio (4)	3.59	3.68	4.17	4.16	4.12	4.16	3.51	96.06	4.68	634.28
100% Coverage-Subordinate Lien:										
Net Current Revenue after Senior Lien Debt (before Connection Fees)	$ 27,801	$ 28,714	$ 33,947	$ 32,799	$ 33,389	$ 33,763	$ 26,824	$ 35,456	$ 22,930	$ 25,331
Available from Senior Lien Revenues	$ 27,802	$ 28,714	$ 33,947	$ 32,799	$ 33,389	$ 33,763	$ 26,824	$ 35,456	$ 22,930	$ 25,331
Subordinate Lien Debt Service (5)	$ 7,949	$ 7,949	$ 7,949	$ 7,949	$ 7,949	$ 7,949	$ 667	$ 2,280	$ —	$ —
State Loan Debt Service (6)	—	—	—	—	—	1,280	1,286	2,573	1,286	1,286
Coverage Ratio	3.50	3.61	4.27	4.13	4.20	4.25	40.22	15.55	17.83	19.70
120% & 125% Coverage Subordinate Lien:										
Net Current Revenue (Excluding Connection Fees)	$ 27,802	$ 28,714	$ 33,947	$ 32,799	$ 33,389	$ 33,763	$ 26,824	$ 35,456	$ 22,930	$ 25,331
Wastewater Facility Connection Fee	1,853	1,981	1,709	1,844	1,968	1,996	3,290	2,600	3,426	3,393
Transfers From/To Rate Stabilization Fund	—	—	—	—	—	—	—	—	—	—
Net Current Revenue (Including Connection Fees)	$ 29,655	$ 30,695	$ 35,656	$ 34,643	$ 35,357	$ 35,759	$ 30,114	$ 38,056	$ 26,356	$ 28,724
Available From Senior Lien Revenues	$ 29,655	$ 30,695	$ 35,656	$ 34,643	$ 35,357	$ 35,759	$ 30,114	$ 38,056	$ 26,356	$ 28,724
Subordinate Lien Debt Service (5)	$ 7,949	$ 7,949	$ 7,949	$ 7,949	$ 7,949	$ 7,949	$ 7,949	$ 7,949	$ —	$ —
State Loan Debt Service (6)	—	—	—	—	—	1,280	1,286	2,573	1,286	1,286
Coverage Ratio	**3.73**	**3.86**	**4.49**	**4.36**	**4.45**	**3.87**	**3.26**	**3.62**	**20.49**	**22.34**
Net Income After Debt Service (7)	**$ 21,706**	**$ 22,746**	**$ 27,707**	**$ 26,694**	**$ 27,408**	**$ 26,530**	**$ 20,879**	**$ 27,534**	**$ 25,070**	**$ 27,438**

Note(s): (1) Includes revenue paid by the City of Clovis for Operations & Maintenance pursuant to the 1977 Fresno-Clovis Sewerage System Joint Powers Agreement.

(2) The 1993 Indenture specifically excludes from Operating Expenditures: Debt Service, Amortization and Depreciation.

(3) 1993 Sewer System Revenue Bonds, Series A

(4) Coverage Ratio is calculated by dividing Net Income before Debt Service by Senior Lien Debt Service.

(5) 2008 Sewer System Revenue Refunding Bonds, Series A.

(6) State Loan Debt Service

(7) Net Income after Debt Service and before cash financed capital expenditures and any other expenditures for lawful purposes.

CITY OF FRESNO, CALIFORNIA

Pledged Revenue Coverage - GASB 44 Methodology

Last Ten Fiscal Years (in thousands)

Fresno Convention Center Revenue Bonds

				Debt Service		
Fiscal Year	Charges for Services	Less: Operating Expenses	Net Available Revenue	Principal	Interest	Coverage
2013	$ 2,594	$ 3,836	$ (1,242)	$ 3,308	$ 2,708	(0.21)
2014	2,626	3,710	(1,084)	2,799	2,586	(0.20)
2015	2,960	3,844	(884)	2,904	2,469	(0.16)
2016	3,634	4,929	(1,295)	3,030	2,346	(0.24)
2017	3,752	4,929	(1,177)	22,762	2,213	(0.05)
2018	3,318	3,958	(640)	2,189	1,171	(0.19)
2019	3,796	4,350	(554)	3,260	1,882	(0.11)
2020	1,911	3,528	(1,617)	3,422	1,716	(0.31)
2021	(2)	1,719	(1,721)	3,596	1,541	(0.34)
2022	5,744	6,387	(643)	3,784	1,351	(0.13)

Stadium Bonds

				Debt Service		
Fiscal Year	Charges for Services	Less: Operating Expenses	Net Available Revenue	Principal	Interest	Coverage
2013	$ 1,089	$ 9	$ 1,080	$ 1,120	$ 2,322	0.31
2014	798	30	768	1,185	2,260	0.22
2015	1,248	31	1,217	1,255	2,189	0.35
2016	677	224	453	1,335	2,114	0.13
2017	1,082	224	858	17,210	1,597	0.05
2018	2,488	90	2,398	1,355	1,714	0.78
2019	406	111	295	1,490	1,705	0.09
2020	644	51	593	1,575	1,616	0.19
2021	580	154	426	1,670	1,522	0.13
2022	279	426	(147)	1,770	1,422	(0.05)

Park Bonds

				Debt Service		
Fiscal Year	Charges for Services	Less: Operating Expenses	Net Available Revenue	Principal	Interest	Coverage
2013	$ 736	$ 416	$ 320	$ 50	$ 106	2.06
2014	329	82	247	50	104	1.61
2015	329	65	264	55	102	1.68
2016	325	102	223	55	100	1.44
2017	340	102	238	2,030	98	0.11
2018	323	38	285	60	73	2.15
2019	410	256	154	50	79	1.19
2020	278	345	(67)	55	77	(0.51)
2021	411	326	85	55	74	0.66
2022	630	170	460	55	71	3.65

Note(s) Operating Expenses do not include interest, amortization or depreciation expenses.

The City issued new lease-revenue bonds to refinance several existing lease-revenue bonds for economic savings on May 10, 2017. Any bonds that were callable and produced savings were included, even if it meant redeeming one project in part because there was a non-callable portion that could not be redeemed.

CITY OF FRESNO, CALIFORNIA

Legal Debt Margin Information

Last Ten Fiscal Years

(Dollars in Thousands)

Legal Debt Limit Calculation for Fiscal Year 2022		
Assessed Value	$	42,380,248
Debt Limit (20% of assessed value, pursuant to City Charter)		8,476,050
Debt applicable to the limit:		
General obligation bonds		—
repayment of general obligation debt		—
Total net debt applicable to limit		—
Legal debt margin	$	8,476,050

Fiscal Year	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Total Net Debt Applicable to the Limit as a Percentage of Debt Limit
2013	$ 5,391,497	$ —	$ 5,391,497	0.00 %
2014	5,640,685	—	5,640,685	0.00
2015	6,016,695	—	6,016,695	0.00
2016	6,305,285	—	6,305,285	0.00
2017	6,588,227	—	6,588,227	0.00
2018	6,890,781	—	6,890,781	0.00
2019	7,322,640	—	7,322,640	0.00
2020	7,711,716	—	7,711,716	0.00
2021	8,173,990	—	8,173,990	0.00
2022	8,476,049	—	8,476,049	0.00

Source(s): Assessed Valuation Information - County of Fresno, Tax Rate Book

Note(s): The City's Judgment and Pension obligation bonds were the result of legal judgments that were financed to be paid out over a period of time. Per Article XVI, Section 18 of the California Constitution "obligations imposed by law" are deemed exceptions to the debt limit.

CITY OF FRESNO, CALIFORNIA

Demographic and Economic Statistics

Last Ten Calendar Years

Calendar Year	Population	Personal Income	Per Capita Personal Income	Unemployment Rate	Area Square Miles
2013	508,453	$ 33,354,677,000	$ 34,886	13.250%	113.13
2014	515,609	35,172,162,000	36,448	11.580%	113.13
2015	520,159	37,359,815,000	38,323	10.200%	114.20
2016	520,453	39,295,335,000	40,101	9.500%	114.34
2017	525,832	41,024,000,000	41,470	8.480%	114.67
2018	538,330	42,842,800,000	43,084	7.500%	115.21
2019	536,683	45,445,944,000	45,487	7.300%	116.48
2020	545,769	48,539,267,000	48,495	12.124%	116.48
2021	546,770	52,120,107,000	51,422	12.131%	116.93
2022	543,660	Not yet available	Not yet available	5.600%	116.93

Source(s): Population Information - State of California Department of Finance, Demographic Research Unit

Unemployment Information - California Employment Development Department (EDD), Labor Market Information Division

Per Capita Income and Personal Income - Bureau of Economic Analysis (BEA).

Note(s): Personal Income and Per Capita Personal Income information pertains to Fresno, CA, Metropolitan Statistical Area (MSA).

2020-2022 Personal Income and Per Capita Income data is not yet available from the BEA.

The 2022 Unemployment Rate is the average of estimates for the first 8 months of calendar year 2022 as provided by California Employment Development Department as of October 2022.

The 2022 Population is as of 1/1/2022.

CITY OF FRESNO, CALIFORNIA

Principal Employers

Current Year and Nine Years Ago

Employer	2022 Employees	2022 Rank	2022 Percent of Total City Employment	2013 Employees	2013 Rank	2013 Percent of Total City Employment
Fresno Unified School District	13,669	1	3.55%	—	—	—
Community Medical Centers	9,000	2	2.34%	3,589	2	1.83%
County of Fresno	8,870	3	2.30%	6,064	1	3.10%
Amazon	6,500	4	1.69%	—	—	—
Clovis Unified School District	6,400	5	1.66%	—	—	—
City of Fresno	4,605	6	1.20%	3,100	3	1.58%
Internal Revenue Service	4,230	7	1.10%	—	—	—%
Foster Farms	3,063	8	0.80%	—	—	—%
Valley Children's	3,000	9	0.78%	—	—	—%
Saint Agnes Medical Center	2,900	10	0.75%	1,906	4	0.97%
California State University, Fresno	—	—	—	1,525	5	0.78%
Kaiser Permanente Medical Center	—	—	—	1,012	7	0.52%
Lyons Magnus	—	—	—	600	8	0.31%
Guarantee Real Estate	—	—	—	455	9	0.23%
Total	62,237		16.17%	19,628		10.03%
Fresno City Employment	384,900			195,800		

Source(s): Employer Information - Fresno County Economic Development Corporation (EDC)

City of Fresno Employment information - Employment Development Department (EDD) - Labor Market Information, State of California

Note(s): Fiscal year 2022 employer information provided by the Fresno County Economic Development Corporation (EDD) and represents private and public sector full-time employees.

The fiscal year 2022 employer information for the County of Fresno is estimated to be within the City of Fresno.

The Employer Information for the Internal Revenue Service includes employees from all Fresno offices.

Fiscal year 2022 Fresno City Employment figures are for June 2022 as currently available from the California EDD for Fresno (MSA).

CITY OF FRESNO, CALIFORNIA

Full-Time Equivalent City Government Employees by Function/Program
Last Ten Fiscal Years

	Fiscal Year									
General Government	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Management	78.80	79.50	79.50	80.25	85.25	96.84	101.50	189.00	199.00	226.25
Finance	56.00	56.00	58.00	58.75	60.75	54.75	55.00	118.00	116.00	115.75
Other	89.75	94.80	95.00	96.25	103.50	106.00	112.00	117.00	121.00	130.00
Enterprise Functions										
Transportation										
Airports										
Sworn	5.00	5.00	15.00	15.00	19.00	19.00	19.00	19.00	19.00	21.00
Civilian	72.30	77.40	72.00	72.00	77.35	80.05	82.00	85.65	99.40	95.40
FAX Department	407.00	407.00	422.00	435.50	492.25	508.00	515.50	533.00	534.00	541.00
Public Utilities	602.25	614.75	634.75	640.50	643.80	643.80	646.80	587.75	589.00	613.50
Economic Growth and Expansion										
Development and Resource Management Department	163.10	166.60	174.60	184.60	204.80	218.70	—	—	—	
Planning and Development Services	—	—	—	—	—	—	218.20	138.70	141.20	161.35
Public Works	268.00	272.50	292.75	288.75	305.25	315.25	339.50	356.75	358.00	392.50
Culture and Recreation										
Parks, Recreation and Community Services	52.00	52.00	66.00	71.00	73.50	75.00	75.75	76.00	88.00	72.00
Public Protection										
Police										
Sworn	748.00	717.00	717.00	775.00	804.00	830.00	835.00	835.00	838.00	850.00
Civilian	202.00	238.00	278.80	244.56	274.65	270.34	273.75	292.00	297.60	316.90
Fire										
Sworn	309.00	304.00	310.00	314.00	334.00	334.00	334.00	302.00	305.00	347.00
Civilian	42.75	42.20	46.75	45.00	42.91	47.75	42.50	43.50	45.30	48.50
Total	3,095.95	3,126.75	3,262.15	3,321.16	3,521.01	3,599.48	3,650.50	3,693.35	3,750.50	3,931.15

Source(s): City of Fresno Budget Management & Studies Division - Adopted Budgets, Authorized Positions.

Note(s): Figures for Full-Time Equivalents (FTE's) include Permanent and Permanent Part-Time employees only.

Authorized Positions are established by resolution of the City Council and represent the total number of permanent, permanent part-time and permanent intermittent positions in which persons may be employed by the City during a Fiscal Year. Changes in the total number of positions can only be accomplished by resolution of the City Council.

Total permanent positions for each fiscal year are represented as of the following dates: fiscal year 2012 as of May 2012; fiscal year 2013 as of September 2012; fiscal year 2014 as of June 2013; fiscal year 2015 as of September 2014; fiscal year 2016 as of September 2015; fiscal year 2017 as of June 2017; fiscal year 2018 as of June 2018; fiscal year 2019 as of June 2019; fiscal year 2020 as of June 2020 and fiscal year 2021 as of June 2021.

In fiscal year 2017, the Transportation FAX Department added service, management and support staff positions for a variety of service additions such as Bus Rapid Transit (BRT), extended night and weekend service, and increased frequencies on four major avenues.

In fiscal year 2017, positions were added to address reductions that occurred in recent years. Additions to the Police Department included Police Officer Recruits, Police Officer Cadets and a Police Sergeant. Additions to the Fire Department included Firefighters and an administrative position.

In fiscal year 2018, the Budget and Management Studies Division was relocated from the Finance Department to the City Manager's Office.

In fiscal year 2019, Development and Resource Management Department (DARM) became Planning & Development Services.

CITY OF FRESNO, CALIFORNIA

Operating Indicators by Function/Program

Last Ten Fiscal Years

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General Government										
Building Permits Issued										
Commercial	1,756	1,835	1,878	1,641	1,948	1,876	1,688	1,731	1,387	1,322
Residential	7,167	7,931	9,084	8,313	11,227	10,998	7,770	9,753	9,045	9,458
Police										
Physical Arrests	35,489	39,689	43,729	37,816	26,893	27,920	28,337	20,885	18,006	10,939
Traffic Violations (citations issued)	53,485	51,940	44,954	58,927	58,927	39,488	57,691	43,992	21,769	22,892
Calls Received for Police Service	945,989	957,532	950,099	1,026,458	950,099	1,013,411	924,016	920,020	905,206	1,256,230
Fire										
Emergency Medical Service Calls	18,129	19,413	20,191	19,174	21,773	21,430	32,071	27,964	21,640	25,487
Fire Incidents	14,518	15,953	16,326	18,257	16,702	16,830	25,194	14,906	19,352	22,281
Fire Inspections	12,414	11,187	9,780	12,581	13,292	12,679	12,747	13,692	11,329	14,871
Fire Hydrant Inspections	30,342	30,420	26,811	17,025	17,000	17,252	17,252	17,381	17,859	17,004
Wastewater Treatment										
Average Daily Sewage Treatment (million gallons per day)	61.9	60.2	57.2	55.9	56.9	57.1	56.2	56.1	58	57.38
Wastewater Treatment Capacity (million gallons per day)	80	80	80	80	80	80	92	91.5	91.5	94.5
Solid Waste										
Refuse Collected (tons per day)	477	451	505	623	650	648	662	650	750	750
Recyclables Collected (tons per day)	147	116	117	154	156	154	156	159	179	180
Green Waste Collected (tons per day)	378	293	275	348	358	353	365	366	368	359
Other Public Works										
Street Resurfacing (miles)	10.2	12.3	17.0	18.6	16.8	15.1	28.3	13.8	91.4	13.1
Parking Violations (citations issued)	45,730	49,313	49,326	47,531	53,760	54,865	45,407	34,514	16,524	29,251
Parks and Recreation										
Athletic Field Permits Issued	3,281	4,317	5,921	6,949	8,332	5,392	6,795	5,182	556	2,967
Memorial Auditorium User Groups	20	26	16	27	18	13	23	8	1	8
Memorial Auditorium, Audience	15,500	21,600	21,000	45,900	18,900	16,500	19,500	10,800	1,106	5,225
Senior Hot Meal Participants (All Sites)	40,788	38,874	38,103	45,070	44,686	47,605	46,604	29,007	—	—
Meals Served (Not Senior Hot Meals)	—	—	—	—	32,328	40,830	26,879	22,878	—	—
Picnic Shelter/Table Reservations (Roeding & Woodward)	2,754	3,058	2,194	2,457	2,053	1,907	1,841	2,438	21	4,838
Average Daily Attendance (Neighborhood Parks with Centers)	—	—	—	1,653	1,732	1,976	2,083	1,656	357	20

CITY OF FRESNO, CALIFORNIA
Operating Indicators by Function/Program
Last Ten Fiscal Years (Continued)

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Convention Center										
Event Days	360	322	297	209	313	300	296	170	—	155
Gross Ticket Sales	$ 4,987,646	$ 7,905,120	$ 5,594,470	$ 7,272,305	$ 8,049,133	$ 6,741,116	$12,048,880	$ 3,792,771	$ —	$ 8,537,274
Attendance	553,443	442,070	428,086	455,491	455,587	417,918	478,541	278,299	—	234,718
Water										
Number On-Service Accounts	130,530	131,910	133,163	134,381	135,448	136,408	137,251	138,332	140,140	141,196
Main/Service Leaks Repaired	639	705	558	378	408	663	737	776	842	541
Average Daily Per Capita Consumption (gallons)	241	231	208	183	198	208	189	197	203	198
Peak Daily Consumption (MGD - Million Gallons per Day)	200.46	199.4	187.36	169.88	180.6	183.42	156.91	170.01	174.2	172.44
Transportation										
Airports										
Number of Commercial Airlines	10	10	9	8	8	8	8	8	9	9
Number of Cargo Carriers	3	3	3	3	3	3	3	3	3	2
Total Number Tenant Aircraft	405	408	408	320	303	277	301	287	287	287
Annual Fuel Consumption (gallons)	9,613,371	10,454,758	9,548,919	10,541,916	10,592,430	8,698,431	2,648,061	2,002,465	2,247,020	2,549,932
Origin and Destination Passengers										
Domestic	1,249,960	1,283,770	1,252,962	1,292,784	1,328,929	1,423,248	1,621,990	1,298,554	1,094,020	1,907,434
International	124,453	147,094	153,244	182,225	208,947	212,075	235,667	207,037	200,785	302,571
Origin and Destination Mail (lbs.)	6,661	183	—	316	17,818	9,362	12,649	—	—	—
Origin and Destination Freight (lbs.)	23,621,976	24,393,421	25,843,389	24,546,856	19,873,695	20,965,016	22,399,354	34,921,956	33,956,904	34,348,311
Fresno Area Express (FAX)										
Actual Route Miles	4,151,476	4,218,412	4,157,174	4,175,783	4,208,890	4,337,684	4,649,397	4,701,969	4,693,498	4,788,756
Passengers	12,442,248	12,059,050	11,364,431	10,672,577	9,622,874	9,750,800	10,551,665	9,058,367	5,604,780	6,985,740
Mini-Buses - Purchased Transportation	44	48	50	58	63	69	56	48	43	40

Source(s): City of Fresno - Various Departments

Note(s): Building Permits Issued includes individual units and structures and is a composite of new construction, additions, alterations, repairs and relocations.

Police department figures are based on calendar year and are as of January 1 of reported year. FY2020 physical arrest figures are reported as of September 2019.

Information is combined for Fresno Yosemite International (FYI) and Chandler Executive Airport (FCH) for Number of Cargo Carriers, Number of Tenant Aircraft, Annual Fuel Consumption and Origin and Destination Freight.
Fire inspection figures reflect only those performed in the City of Fresno and excludes service calls for neighboring fire districts.

Fire hydrant inspections decreased in FY2016 because of an inspection schedule change. Beginning in FY2016, fire hydrant inspections are scheduled for annual inspections instead of bi-annual inspections.

The FY2016 Mini bus figure includes 8 sedans as is consistent with National Transit Database (NTD) reporting.

The FY2019 increase in FAX functional areas was due to a steady increase in FAX ridership due to strategic planning efforts, namely the addition of Bus Rapid Transit service in February 2018 and an additional line (Route 12) west of highway 99.

The FY2019 drop in fuel consumption was due to a loss of a large fixed based operator and a significant drop in the extent of fires, resulting in less military and forest service.

The FY2020 & FY2021 reduction in parking violations was related to relaxed enforcement due to COVID-19.

The FY2021 decrease in number of mini-buses was due to life cycle retirements. Passenger decrease was a direct result of COVID-19, ridership was restricted to allow for social distancing. Beginning March 2020, the passenger limit affected subsequent months and continued through June 20, 2021.

The FY2021 reduction of Parks & Recreation operations was due to the shuttering of facilities due to COVID-19.

The FY2021 increase in street resurfacing miles was due to the inclusion of Street Paving, Slurry & Construction Management miles.

The FY2021 decrease of Convention Center operations was due to the reduction of events hosted in response to COVID-19.

The FY2021 decrease in Police traffic violations was due to less people on the roads in response to COVID-19

The FY2022 increase of Convention Center operations was due to the increase of events hosted.

Information was not available for all years for all categories.

CITY OF FRESNO, CALIFORNIA

Capital Asset Statistics by Function/Program

Last Ten Fiscal Years

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Police Department										
Stations	4	4	4	4	5	5	5	5	5	5
Patrol Bureaus	4	4	4	4	5	5	5	5	5	5
Vehicular Patrol Units	261	261	257	276	334	360	356	390	388	435
Plain Cars (No specialty vehicles)	197	175	175	173	198	197	200	228	239	64
Motorcycles	70	71	85	72	70	74	70	66	74	57
Helicopters	2	2	2	2	2	2	2	2	2	2
Fixed Wing Aircraft	1	1	1	1	1	1	—	—	—	—
Fire Department										
Fire Stations	20	20	20	20	20	20	20	20	20	20
Squad Companies	—	—	—	—	—	—	—	—	—	3
Engine Companies	16	16	18	18	17	17	18	18	18	18
Truck Companies	4	4	4	4	5	5	5	5	5	5
Public Works										
Streets (miles)	1,497	1,490	1,672	1,500	1,511	1,692	1,700	1,714	1,721	1,721
Street Lights	41,556	41,500	42,051	42,207	42,405	43,318	43,450	43,570	43,811	44,048
Traffic Signals	468	466	489	467	468	481	488	486	488	493
Solid Waste Division										
Collection Trucks	83	83	84	89	81	85	86	86	88	88
Water Division										
Water Mains (miles)	1,782	1,803	1,799	1,801	1,809	1,827	1,859	1,871	1,880	1,889
Wells	273	271	260	261	260	263	262	262	264	271
Fire Hydrants	13,001	13,139	13,170	13,218	13,332	13,484	13,536	13,638	13,717	13,784
Sewer Maintenance Division										
Sewer Mainlines (miles)	1,521	1,529	1,533	1,536	1,539	1,613	1,558	1,628	1,579	1,593
Manholes	23,384	23,644	23,776	22,834	23,947	24,146	24,359	25,546	25,546	25,046
Lift Stations	15	15	15	15	15	15	14	16	16	17
Parks										
Metropolitan Parks (Regional)	3	3	3	3	3	3	3	3	3	3
Neighborhood Parks	31	31	32	33	34	34	34	34	34	34
Pocket Parks	21	21	21	21	21	21	21	21	21	21
Zoo	1	1	1	1	1	1	1	1	1	1
Golf Courses	2	2	2	2	2	2	2	2	2	2
Community Parks	1	1	1	1	1	1	1	1	1	1
Skate Parks	6	6	6	8	8	8	8	8	8	8
Tennis Courts	40	40	40	42	42	42	42	42	42	42
Acres of Parks	1,535	1,535	1,384	1,392	1,393	1,393	1,393	1,393	1,393	1,393
Neighborhood Centers	12	12	12	12	12	12	12	12	12	12
Community Center	5	5	5	5	5	7	7	7	7	7
Swimming Pools	5	9	9	9	9	9	8	8	8	8

CITY OF FRESNO, CALIFORNIA

Capital Asset Statistics by Function/Program

Last Ten Fiscal Years (continued)

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Transportation										
Airports	2	2	2	2	2	2	2	2	2	2
Municipal Airport Total Acreage	1,875	1,875	1,875	1,875	1,875	2,050	2,050	2,050	2,050	2,050
Length of Longest Runway (surfaced) - Linear Feet	9,227	9,539	9,539	9,539	9,539	9,539	13,165	13,165	13,165	13,165
Number of Runways	3	3	3	3	3	3	3	3	3	3
Number of Terminals	2	2	2	2	2	2	2	2	2	2
Terminals (square footage)	193,364	193,364	193,364	193,364	193,364	193,364	193,364	193,364	193,364	193,364
Number of Parking Spaces (surface lot)	2,365	2,365	2,365	2,355	2,664	2,664	2,664	2,812	3,074	4,038
Air Cargo Ramp Spaces	9	9	9	8	8	9	9	9	8	8
Air Cargo Ramp (surface square footage)	806,390	806,390	806,390	806,390	806,390	806,390	806,390	806,390	806,390	806,309
Number of Hangars	302	302	302	303	303	303	303	303	303	303
Buses - Directly Operated	110	111	105	105	129	138	102	100	102	105

Source(s): City of Fresno - Various Departments

Note(s): Information combined for Fresno Yosemite International (FYI) and Chandler Executive Airport (FCH).

The FY2016 reduction in Street(miles) is due to the non-inclusion of secondary segments on the major divided roads and is not associated with any road removal.

The Regional Sports Complex reported acreage was reduced from 268 acres to 114. While part of the Complex footprint, 154 acres are presently not available for public access.

Three acres were added due to the opening of Martin Ray Reilly Park in FY2015. 8.3 acres were added in FY2016 due to the opening of Inspiration Park.

In FY2020, Airports added stalls to a designated area not previously used for parking. This increased the number of stalls and had no affect on acreage.

In FY2022, there was a significant increase in the number of parking stalls at the airport due to completion of the new parking garage on the current parking lot location. Parking stalls no longer designated Hourly/Daily. They are now Daily/Economy.

In FY2022, Squad companies were established to respond to medical and fire calls in a pickup rather than an engine or a truck.

Information not available for all years for all categories.

This page intentionally left blank

City of Fresno
Finance Department
2600 Fresno Street , Room 2156
Fresno, CA 93721
(559) 621-7001

APPENDIX C

CITY INVESTMENT POLICY

[THIS PAGE INTENTIONALLY LEFT BLANK]

2022-2023

City of Fresno

Investment Policy

Effective July 1, 2022

____

Michael A. Lima
Controller/Finance Director/(ex-officio)Treasurer

PREFACE

"I'm not as concerned about the return on my principal as I am about the return of my principal."

Will Rogers

It is the Policy of the City of Fresno, that giving due regard to the safety and risk of investment, all available funds shall be managed in conformance with these legal and administrative guidelines (the Policy) and, to the maximum extent possible, surplus funds shall be invested at the highest rates obtainable at the time of investment. Adequate operating funds shall be maintained in a depository institution(s) which affords the City safety with respect to its funds, as well as the ability to meet all the City's cash receipt and disbursement needs.

Effective cash management is recognized as essential to good fiscal management. A conscientious cash management and investment policy will be adopted to meet the City's financial obligations and take advantage of investment interest as available and material revenue for all operating and capital funds. The City's Portfolio shall be designed and managed in a manner responsive to the public trust and consistent with State and local law.

Investments of surplus funds shall be made with the primary objectives of:

- Compliance with all legal requirements
- Preservation of capital and protection of principal
- Maintenance of liquidity essential to fund operations
- Maximization of return on the Portfolio
- Development of the local economy

Earnings from investments will be used in a manner that will best serve the interests of the citizens of Fresno.

(Note: A Glossary of cash management and investment terms is included in Appendix C.)

TABLE OF CONTENTS

EXECUTIVE SUMMARY

- Investments of surplus funds and deposits of operating funds by local agencies in California are primarily governed by State laws found in Government Code (GC) Section 53600, et.seq.

- GC Section 53646 encourages, and Fresno Municipal Code (FMC) 7-104 requires, that Council annually adopt a Policy applicable to City of Fresno investments of surplus funds and deposits of operating funds.

- In addition, the Governmental Accounting Standards Board (GASB) requires extensive reporting and disclosure regarding the City's investment program through GASB Statements 3, 31, 40, and 72.

- As stated in the Policy, the objectives of the City's investments program for surplus funds are (1) safety of capital (2) adequate liquidity (3) market yield and (4) local economic development.

- Legal compliance is assured because the investments authorized for the City are either approved with the same parameters permitted by State law or have more stringent parameters. For example, State law has no limits on the number of Agency Notes. The City's Policy limits no more than 70 percent of the Portfolio to Agency Notes, with no more than 50 percent for any one issuer.

- Safety of capital is assured by managing financial credit risk (the risk of default by the issuer), custodial credit risk, (the risk of losing investments not held in the City's name), concentration of credit risk, (the risk of not adequately diversifying), interest rate risk (the risk of declines in market value when interest rates rise), and foreign currency risk (the risk of loss due to fluctuations in the value of foreign debt instruments.)

- Financial credit risk is managed by limiting investment choices to those authorized by State law. Custodial risk is managed by requiring a third-party custodian for all investments. Concentration of credit risk is managed by assuring adequate diversification as noted above, for example, with regard to Agency Notes. Interest rate risk is managed by limiting the portfolio to a weighted average maturity not to exceed three years. Foreign currency risk is managed by limiting investments to only dollar denominated instruments.

- Adequate liquidity is assured by maintaining an adequate balance of operating funds in the City's bank account, and with respect to surplus funds, by owning marketable securities which can easily be liquidated or sold, by maintaining a maturity schedule that assures a regular stream of cash flow, and by maintaining a sufficient amount of funds in immediately liquid accounts such as the Local Agency Investment Fund (LAIF).

- Investment return objectives are achieved by analysis of the market and the investments available, by maintaining an active style of investment management, by swapping bonds if advantageous, by requiring competitive bidding and negotiation when appropriate, and by engaging in securities lending if appropriate.

- The objective of local economic development is pursued by allowing up to $15,000,000 of the Portfolio for purchases of Certificates of Deposit from local financial institutions.

- The cash management function is organized by the City (ex-officio) Treasurer ("the Treasurer"), who also serves as the City's Controller. The Treasurer sets overall policy and objectives for the cash management program. The Treasury Officer and Treasury staff, determine and take action to meet the City's operating fund needs. If surplus funds are available, the Treasury Officer selects investments, with the approval of the Treasurer or Assistant Controller. One of the Treasury staff other than the Treasury Officer performs the accounting for the Portfolio and prepares monthly reports of investment activity. This segregation of duties is integral to strong internal control in the cash management program.

- The Treasury Officer, with the advice and direction of the Treasurer, performs the day-to-day management of the Portfolio. The markets and economic activity are monitored daily along with possible investments and actions that would benefit the Portfolio. Data are analyzed and investment decisions are made by the Treasury Officer and approved by the Treasurer or Assistant Controller.

- Reports of the results of the cash management program are made monthly. The Reports detail the disposition of all the City's surplus funds. Reports show the categories of the investments. Holdings in the Portfolio, including the par, book, and market value of each investment are also shown. The Reports also show the asset mix in the Portfolio, the range of maturities and a comparison of earned interest for the current month and earned interest for the fiscal year to prior year numbers.

- After adoption of this Policy by Council, any material changes must be approved by Council.

I. INVESTMENT RESONSIBILITIES

A. Legal Requirements

The primary sources of law regarding the investment practices and procedures for the City of Fresno are laws passed by the State of California, the Fresno City Charter and the FMC. Federal law and Fresno County ordinances are not generally a source of direction with regard to the management of the City of Fresno deposit and investment program.

The State has declared its intention to govern investment and deposit activity for local agencies under various California GC Sections. GC Sections 53630.1 and 53600.6 state that: “The Legislature hereby finds that the solvency and creditworthiness of each individual local agency can impact the solvency and creditworthiness of the state and other local agencies within the state. Therefore, to protect the solvency and creditworthiness of the state and all its political subdivisions, the Legislature hereby declares that the deposit and investment of public funds by local officials and local agencies is an issue of statewide concern.”

1. Investment Authority

a. State Law

GC Section 41001 identifies the city treasurer as the city official responsible for receiving and safekeeping all money received as treasurer. GC Section 41006 authorizes the city treasurer to appoint “deputies” for whose acts the treasurer and their bondsmen are responsible. GC Section 53601 authorizes the legislative body of a local agency to invest “surplus funds,” money not required for the immediate needs of the local agency. GC 53607 authorizes the City Council to delegate its authority to invest to the treasurer of the local agency for a one-year period.

b. City Law

Section 804 of the Charter of the City of Fresno creates the position of City Controller, who shall be appointed by the Chief Administrative Officer with the approval of the City Council. The Controller is to have charge of the financial affairs of the City under the Chief Administrative Officer.

Section 7-901 of the FMC appoints the Controller as the (ex-officio) Treasurer of the City and requires that all funds received by the City be promptly paid into the City’s Treasury.

2. Investment Policy

a. State Law

GC Section 53646 encourages local agencies to prepare an annual investment policy to be submitted to the agency’s legislative body for its consideration at a public meeting.

b. City Law

FMC Section 7-104 requires that the Controller shall annually prepare and submit an investment policy to the City Council for its approval. The policy is to include a policy statement, policy scope, policy objectives, and various other investment provisions addressing authorized investments, portfolio diversification, internal controls and other requirements as deemed appropriate by the Controller.

3. Investment Reporting

a. State Law

GC Section 53646 encourages that a quarterly investment report be prepared by the treasurer or chief financial officer and submitted to the City Council within 30 days following the end of the quarter covered by the report. GC 53607 requires that the treasurer make a monthly report of investment transactions to the City Council.

b. City Law

Although there is no legal requirement set forth in the City Charter or the FMC to do so, the Treasurer of the City of Fresno follows State law and submits monthly reports of investment activity to the City Council, in accordance with Section VI.A. of this Policy within 30 days after the end of the month covered by the report or as soon thereafter as the month is closed and it is practicable.

4. Authorized Investments

a. State Law

GC Section 53601 establishes the types of investments allowed, the maximum allowable percentage limits for each investment type, acceptable maturities, quality of ratings allowed, and maximum allowable percentage by issuer. GC Section 53601.8 provides for the investment of a portion of the City's surplus funds in certificates of deposit at a commercial bank, savings bank, savings and loan association, or credit union that uses a private sector entity that assists in the placement of certificates of deposit. In addition, GC 16429.1 authorizes local agencies like the City to invest monies in the LAIF established by the State Treasurer for the benefit of local agencies.

b. City Law

The City Charter and municipal code do not deal with the types of investments permitted for the City of Fresno. Through this Policy, the City of Fresno conforms to State Law with regard to authorized investments. (See Section III.A.1. Also, Appendix D contains a comparison of State and City authorized investments).

c. Grandfather Clause

Any investment held by the City of Fresno at the time this Policy is adopted shall not be sold to conform to any part of this Policy unless its sale is judged to be prudent by the City Treasurer.

5. Collateral Requirements

a. State Law

There are no collateral requirements for investments of surplus funds held in the City's treasury in accordance with GC Section 53601. GC Section 53601.8 (c) requires that the full amount of principal and interest accrued on local agency funds invested in certificates of deposit in accordance with the provisions of GC Section 53601.8 shall at all times be insured by the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Administration (NCUA).

GC Section 53635.2 requires that funds not invested in accordance with GC Section 53601, should "as far as possible" be deposited in eligible financial institutions in California. This money constitutes the City's operating funds. For public operating funds in demand deposit accounts with financial institutions, GC Section 53652 requires that such funds must be collateralized by the institution with a market value of eligible securities listed in GC Section 53651, in excess of the total amount of all deposits secured by such eligible securities, by varying percentage amounts, depending on the type of security. Depository institutions are required to contribute such collateral to a pool of securities held in the name of and administered by the California Collateral Pool Administrator, an official with the California Department of Financial Institutions, and held by the Federal Reserve Bank as custodian.

b. City Law

FMC Section 7-101 governs the collection and custody of City moneys and requires all such funds to be paid promptly into the City's Treasury, for deposit into financial institutions as determined to be most advantageous to the City by the Controller, with the approval of the City Council.

6. Prudent Person Rule

a. State Law

GC Section 53600.3 identifies those who invest money on behalf of local agencies as trustees and therefore fiduciaries subject to the prudent investor standard. A trustee is required to survey general economic conditions and the anticipated needs of the agency, and act in accordance with a level of care, skill, prudence and diligence under the circumstances then prevailing, in order to safeguard the principal of the investment and maintain the liquidity needs of the agency.

b. City Law

The City Charter and the FMC do not specifically address the requirement for City personnel engaged in the investment process to act in accordance with the prudent person rule. However, this Policy does require the Prudent Person standard of behavior with respect to the City's Investment Portfolio. (See Section I.C.1.)

7. Investment Objectives

a. State Law

GC Section 53600.5 requires that a trustee investing public funds must have the following objectives with regard to investment activities in the priority stated: Safety of principal, (First priority), Liquidity needs of the local agency (Second priority), and a Return on the funds under his/her control (Third priority). Also, with regard to the Return on investments, GC Section 53601.6(b) prohibits a local agency from investing funds in any security that could result in a zero-interest accrual if held until maturity.

b. City Law

The City Charter and the FMC do not specifically note these requirements, but this Policy states that Safety, Liquidity and Yield constitute the first three objectives of the City's investment program. In addition, this Policy prohibits investing in any investment that could result in a zero-interest accrual. (See Section III.)

8. Securities Dealers

a. State Law

GC Section 53601.5 requires that any investments purchased by a local agency, must be obtained from either the issuer, or, if in the secondary market, from an institution licensed by the State as a broker-dealer, as defined in Section 25004 of the Corporation Code, or from a member of a federally regulated securities exchange, from a national or state-chartered bank, from a savings association or federal association (as defined by Section 5102 of the Financial Code) or from a brokerage firm designated as a primary government dealer by the Federal Reserve Bank.

b. City Law

The Charter and the FMC do not directly cover the requirements for broker-dealers, but this Policy conforms to State Law with regard to those who wish to maintain a broker-dealer relationship with the City. (See Section V.C.)

9. Prohibited Investments

   a. State Law

      GC Section 53601.6 (a) prohibits a local agency from investing any public funds in inverse floaters, range notes, or mortgage-derived, interest-only strips.

   b. City Law

      While the Charter and the FMC do not specifically deal with this issue, this Policy does conform to State Law and prohibits investment in inverse floaters, range notes, or mortgage-derived, interest-only strips. (See Section III.A.1.b.)

10. Trading Securities

   a. State Law

      GC Sections 53603, 53604, and 53605 combined permit an investment strategy other than "buy and hold." These Code sections allow the purchase of an investment when issued or in the market, after it has been issued, and they also permit selling or exchanging an investment prior to maturity, in order to raise capital for the original purpose of the investment, or as otherwise desired.

   b. City Law

      The Charter and the FMC do not discuss the circumstances under which investments will be bought and sold, but this Policy follows State Law in permitting the City to trade securities if it is advantageous to the City to do so, and will not constitute a deviation from other Sections of this Policy. (See Sections III.C. and V.E.)

11. Safekeeping

   a. State Law

      GC Section 53608 permits the safekeeping function for a local agency to be delegated by the City Council to the City Treasurer. Securities may be deposited in a number of institutions including a Federal or State association (as defined by Section 5102 of the Financial Code), a trust company or a State or national bank located in California, with any branch of the Federal Reserve Bank, or with any State or national bank located in a (Federal) reserve city. By implication, what is not permitted is the deposit of securities with a "counterparty" or the broker-dealer from whom the securities were purchased.

   b. City Law

      Neither the Charter nor the FMC prescribe standards regarding the safekeeping of securities. However, this Policy conforms to State Law and requires City securities to be held by a third party custodian. (See Section III.A.2.)

B. Scope

1. Applicability

a. Investment Pool

This Policy applies to all monies under the control of the Treasurer of the City of Fresno, normally used in the day-to-day operations of the City, or which are not required for immediate use. The former funds are defined herein as “operating funds.” The latter funds are referred to in GC Section 53601 as “surplus funds.” Operating funds shall be deposited in the City’s demand deposit account (checking account) with its depository institution, in accordance with Section I.A.5. of this Policy. The amount of funds kept on deposit in this account shall be determined by the Treasurer, and the Treasurer’s deputies, to meet the demands of the City’s daily operations. This practice meets the responsibility delegated to the Treasurer by the Fresno City Council, in accordance with Section I.A.1.a. and Section IV.B. of this Policy.

In meeting this same responsibility with respect to surplus funds, all such monies entrusted to the Treasurer will be pooled in a diversified portfolio (Investment Pool or the Portfolio). The City Treasurer and staff will monitor economic and other conditions, and manage the Portfolio on an active basis.

b. Fund Accounting

The monies covered by this Policy are accounted for in the City’s General Ledger, and reported in the City’s Annual Comprehensive Financial Report (ACFR). These financial assets are accounted for by means of fund accounting, in accordance with Generally Accepted Accounting Principles (GAAP) for Governmental entities. The Fund types used to account for them are:

- General Fund
- Special Revenue Funds
- Capital Projects Funds
- Enterprise Funds
- Internal Service Funds
- Fiduciary-Agency Funds

2. Exclusions

a. Deferred Compensation Funds

The assets and investments comprising the Deferred Compensation Fund are specifically excluded from coverage by this Policy. Investment of these funds is directed by each employee in accordance with the rules of the Deferred Compensation Plan of the City.

b. Successor Agency to the Redevelopment Agency of the City of Fresno

In addition, this Policy is not applicable to funds held by the Successor Agency to the Redevelopment Agency (RDA) of the City of Fresno. Although a component unit of the City of Fresno, the RDA administers its funds separately from the City, and does not come under the authority of the City Treasurer.

c. Retirement Systems

Also excluded are all investments of the City of Fresno Retirement Systems, including the assets held in the General Employees System, and both Police and Fire Systems. These assets, both City and employee contributions, are governed by and are under the control of the Retirement Systems Board of Directors.

d. Bond or Loan Proceeds

Bond or other proceeds resulting from the City's indebtedness, held by a trustee on behalf of the City's creditors, or in accordance with federal requirements, typically to be used in conjunction with the construction of various capital projects, are also specifically excluded from the scope of this Policy. Furthermore, monies held by a trustee or fiscal agent and pledged to the payment or security of bonds or other indebtedness, known as "Reserve Funds," or obligations under a lease, installment sale, or other agreement of the City, or certificates of participation in those bonds, indebtedness, or lease installment sale, or other agreements are also excluded from the scope of this Policy. Pursuant to GC Section 53601(m), such funds may be invested in accordance with the statutory provisions governing the issuance of those bonds, indebtedness, or lease installment sale, or other agreement, or to the extent not inconsistent therewith or if there are no specific statutory provisions, in accordance with the ordinance, resolution, indenture, or agreement of the City in providing for the issuance, rather than through the application of this Policy.

C. Standards of Conduct

1. Prudent Investor Rule

The standard of prudence to be used by investment officials for the City of Fresno shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. Per GC Section 53600.3, the "prudent person" standard states that "When investing, reinvesting, purchasing, acquiring, exchanging, selling or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency." Investment officers acting in accordance with written procedures and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

2. Ethical Standards

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Officers and employees shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the City.

3. Conflicts of Interest, Gifts, Gratuities

The City fully supports the disclosure process required by the Political Reform Act and each individual involved in the City's investment program shall be required to complete Form 700, Statement of Economic Interests, annually, in accordance with GC Sections 87100-87350. Employees and investment officers shall disclose any material financial interests in firms that conduct business within the City's jurisdiction, and shall further disclose any personal financial/investment positions that could be related to the performance of the City's Portfolio. A single gift or multiple gifts from a single donor, whose value exceeds $50 during a calendar year must be reported. Also, the limit on gifts or gratuities from a single source during a single year is a total of $500. These limits shall be strictly observed.

II. INVESTMENT OBJECTIVES

A. Compliance with Legal and Professional Direction

In conducting its investment program, the City shall comply with all State and City legal directives, conform to GAAP as promulgated by the GASB, particularly GASB Statements 3, 31, 40, and 72, and avail itself of guidance furnished by governmental and industry professional organizations, including but not limited to the California Debt and Investment Advisory Commission (CDIAC), the Government Finance Officers Association (GFOA), the California Municipal Treasurer's Association (CMTA), the California Society of Municipal Finance Officers (CSMFO), the Municipal Treasurers Association of the United States and Canada (MTAUS&C), the Association of Finance Professionals (AFP) and the Public Treasury Institute (PTI). It shall be the Policy of the City to ensure that staff involved in the investment program have regular training and adequate information resources provided by the preceding governmental and industry professional organizations.

B. Safety of Capital

The City of Fresno's first and most important objective in conducting its investment program is to ensure the safety of principal, considering the portfolio as a whole. In a well-diversified portfolio, at any particular point in time, security valuations may be impacted either favorably or unfavorably by changes in interest rates and economic conditions. Specific policies to ensure the safety of principal are presented in Section III.A. "Policies to Ensure Legal Compliance and Safety of Principal."

C. Maintenance of Adequate Liquidity

The City's Investment Portfolio must be structured in a manner that will provide the liquidity necessary to pay obligations as they become due. This is the second objective of the investment program. Specific policies by which the City ensures the maintenance of adequate liquidity are described in Section III.B. "Policies to Ensure Adequate Liquidity."

D. Return on Investments

The City shall seek to optimize return on investments within the constraints of safety and liquidity. This third objective of the City investment program shall be to achieve a rate of return on funds that is comparable to that achieved by LAIF. Specific policies regarding investment rate of return are presented in Section III.C. "Policies to Achieve Investment Return Objectives."

E. Local Development Program

Fourth, the City of Fresno seeks to promote local economic development through various programs and activities. Included is the Treasurer's program of placing funds with local financial institutions who demonstrate a commitment to private economic growth, local housing investment and other community services. While investment in local financial institutions may result in a lower net yield for the Portfolio, the benefit to be derived is a potential expansion of the City's tax base. Specific policies regarding local investments are presented in Section III.D, "Policies to Promote Local Economic Development."

III. INVESTMENT POLICIES

A. Policies to Ensure Legal Compliance and Safety of Principal

Ensuring compliance with State law and safety of principal are accomplished by minimizing three types of risk: credit risk, interest rate risk and foreign currency risk. There are three sub-types of credit risk: financial risk, custodial credit risk, and concentration of credit risk. Financial risk is the risk that the issuer of an investment instrument will default on it and not pay the debt. Custodial credit risk is the risk of losing an ownership interest in a security because it was held in the name of the selling firm in the transaction, and that firm experienced financial stress, making access to the security impossible. Concentration of credit risk refers to the risk of owning too many investments of one issuer. Interest rate risk is the risk of the loss of market value of an investment if interest rates should rise after the purchase. Foreign currency risk is the risk of the possible loss of an investment's value when it is converted from a foreign currency into U.S. dollars.

1. Managing Financial Credit Risk

a. Authorized Investments

The most effective method for minimizing the risk of default by an issuer is to invest in high quality obligations. Also, since these obligations are the only ones permitted by State law, investing in them is also the most effective way to maintain legal compliance. Therefore, it is the Policy of the City of Fresno to purchase only those obligations specified in GC Section 53601, GC Section 53601.8, and GC Section 16429.1. These are as follows:

(1.) City of Fresno bonds, including revenue bonds, maturing within five years of the date of purchase. There shall be no percentage limitation of the Portfolio that can be invested in this category.

(2.) United States Treasury notes, bonds, bills, or certificates of indebtedness, or those for which the faith and credit of the United States are pledged for the payment of principal and interest, maturing within five years of the date of purchase. There shall be no percentage limitation of the Portfolio that can be invested in this category.

(3.) Registered California warrants, treasury notes or bonds, including revenue bonds maturing within five years of the date of purchase. There shall be no percentage limitation of the Portfolio that can be invested in this category.

(4.) Registered treasury notes or bonds of any of the other 49 United States in addition to California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the other 49 United States, in addition to California, maturing within five years of the date of purchase. There shall be no percentage limitation of the Portfolio that can be invested in this category.

(5.) Bonds, notes, warrants or other evidences of indebtedness of any local agency within California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority of the local agency, maturing within five years of the date of purchase. There shall be no percentage limitation of the Portfolio that can be invested in this category.

(6.) Federal Agency or United States Government-Sponsored Enterprise obligations, participations, or other instruments including those issued by or fully guaranteed as to principal and interest by Federal agencies or United State Government-Sponsored Enterprises, maturing within five years of the date of purchase. These include, among others, issues of the Government National Mortgage Association (GNMA), the Federal Farm Credit Bank System (FFCB), the Federal Home Loan Bank Board (FHLB), the Federal Home Loan Mortgage Corporation (FHLMC), the Federal National Mortgage Association (FNMA), the Student Loan Marketing Association (SLMA), and the Federal Housing Administration (FHA). According to the Government Code, there is no percentage limitation of the Portfolio that can be invested in this category. However, the City Policy is that no more than 70 percent of the City Portfolio shall be composed of investments in this category. Likewise, although the Government Code has no limitation on the percentage of the Portfolio that can be invested in any one of the issuers referenced in this paragraph, the Policy of the City of Fresno is to limit the percentage of the City's Portfolio that can be invested in any one of these issuers to 50 percent.

(7.) Banker's Acceptances are bills of exchange or time drafts drawn on and accepted by a commercial bank. Banker's Acceptances may not exceed 180 days to maturity at the time of purchase. No more than 40 percent of the Portfolio may be invested in this category, with no more than 30 percent of the Portfolio invested in the obligations of any one bank. Only Banker's Acceptances eligible for purchase by the Federal Reserve System meet the eligibility requirements for investment in the Portfolio.

(8.) Commercial Paper ranked "P-1" by Moody's Investor Services or "A-1" by Standard and Poor's and issued by a domestic corporation having assets in excess of $500,000,000 and having an "A" or better rating on its long-term debentures as provided by Moody's or Standard and Poor's. Purchases of eligible commercial paper may not exceed 25 percent of the Portfolio, nor have a term to maturity at time of purchase in excess of 270 days. The City is limited to purchasing no more than 10 percent of the outstanding commercial paper of any one issuer.

(9.) Negotiable Certificates of Deposit issued by nationally or State-chartered banks, savings associations, or a federal association (as defined by Section 5102 of the California Financial Code), a state or federal credit union, or by a state-licensed branch of a foreign bank, not to exceed the net equity of the financial institution, and not to exceed a total concentration of 30 percent of the Portfolio and maturing within five years of the date of purchase. These are not Time Deposits that would ordinarily be purchased from banks (See Section III.D.4. for information about the City's Time Deposit investments.) Also, Negotiable CDs cannot be purchased from institutions for which City investment officials serve as members of the governing board.

(10.) Investments in repurchase agreements, reverse repurchase agreements, or securities lending agreements of any securities authorized by this Policy. The term for repurchase agreements may not exceed one year, and the market value of the underlying securities must maintain a value of 102 percent or greater of the funds borrowed against those securities. Conditions for reverse repurchase agreements and securities lending agreements are that the securities to be sold or lent must have been owned for a minimum of 30 days prior to the transaction, the total amount of securities must not exceed 20 percent of the Portfolio, the agreement must not exceed a term of 92 days, unless there is a guaranteed spread for the entire period, the borrowed funds will not be invested for more than 92 days, unless, again, there is a guaranteed spread for the entire period, and, finally, these agreements may only be made with the prior approval of the City Council.

(11.) Medium-term notes are all corporate and depository institution debt securities with a maximum of five years or less remaining to the date of maturity at the time of purchase, issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Notes eligible for investment shall be rated in a rating category of “A” or better by a nationally recognized rating service. No more than 30 percent of the Portfolio may be invested in medium-term notes. Likewise, the State limits investments in the medium-term notes of a single issuer to no more than 30 percent of the Portfolio. However, this Policy further limits investment in the medium-term notes of any one issuer to no more than 20 percent of the Portfolio. The limit on the amount of a single issuer’s debt which may be purchased remains the same as that of the State, 100 percent.

(12.) Shares of beneficial interest issued by diversified management companies, otherwise known as Mutual Funds, who invest in the securities and obligations authorized by this Policy. To be eligible for investment, these companies shall either: (1) attain the highest ranking or the highest letter and numerical rating provided by two of the largest nationally recognized rating services, or (2) have an investment adviser registered with the Securities and Exchange Commission with at least five years’ experience investing in the securities authorized by this Policy, and with assets under management in excess of $500,000,000. Investment in any one Mutual Fund shall not exceed 10 percent of the Portfolio, while the total of all Mutual Fund investments shall not exceed 20 percent of the Portfolio. Also, the purchase price of shares shall not include any commission that the companies may charge.

(13.) Shares of beneficial interest issued by diversified management companies that are Money Market Funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940. To be eligible for investment, these companies shall either (1) attain the highest ranking or the highest letter and numerical rating provided by not less than two nationally recognized statistical rating organizations, or (2) retain an investment adviser registered or exempt from registration with the securities and Exchange Commission with not less than five years’ experience managing Money Market Mutual Funds with assets under management in excess of $500,000,000. Investment in Money Market Funds shall not exceed 20 percent of the Portfolio, and shall not include in the purchase price of shares any commission that the companies may charge.

(14.) Any mortgage pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable pass-through certificate, or consumer receivable-backed bond of a minimum of five years’ maturity at the time of purchase. Securities eligible for investment under this subdivision shall be issued by an issuer having an “A” or higher rating for the issuer’s debt as provided by a nationally recognized rating service and rated in a rating category of “AA” or its equivalent or better by a nationally recognized rating service. Purchase of securities authorized by this Policy may not exceed 20 percent of the Portfolio.

(15.) Shares of beneficial interest issued by a joint powers authority organized pursuant to GC Section 6509.7 that invests in the securities and obligations authorized in paragraphs (1.) to (14.), inclusive. Each share shall represent an equal proportional interest in the underlying pool of securities owned by the joint powers authority. To be eligible under this section, the joint powers authority issuing the shares shall have retained an investment advisor that meets all of the following criteria: (i) the adviser is registered or exempt from registration with the Securities and Exchange Commission (ii) the adviser has not less than five years of experience investing in the securities and obligations authorized in paragraphs (1.) to (14.), inclusive, and (iii) the adviser has assets under management in excess of five hundred million dollars ($500,000,000). In accordance with State Law, there are no limits on the percentage of the Portfolio that may be invested in these shares.

(16.) Deposits made with a “selected” depository institution, in accordance with GC Section 53601.8, that uses a private entity that assists in the placement of certificates of deposit with one or more commercial banks, savings banks, savings and loan associations, or credit unions. Such deposits shall at all times be insured by the Federal Deposit Insurance Corporation or the National Credit Union Administration. The selected depository institution shall serve as custodian for each certificate of deposit that is issued with placement service for the local agency’s account.

(17.) Deposits in LAIF, up to the maximum permitted by the State Treasurer, currently $75,000,000 per account, for the purpose of investment. The City considers LAIF to be an external investment pool subject to the reporting requirements of GASB Statement 31, which requires that LAIF deposits be reported at fair market value.

(18.) United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank, with a maximum remaining maturity of five years or less, and eligible for purchase and sale within the United States. Investments under this subdivision shall be rated “AA” or better by an NRSRO and shall not exceed 30 percent of the Portfolio.

b. Prohibited Investments

(1.) The City shall not invest any funds in investment instruments not listed in Section III.A.1.a.

(2.) The City shall not invest any funds in those investment instruments identified as “inverse floaters,” “range notes,” or “mortgage-derived, interest-only strips.”

(3.) The City shall not invest any funds in any security that could result in zero interest accrual if held to maturity.

2. Managing Custodial Credit Risk

To protect against fraud, embezzlement, or potential losses resulting from the financial collapse of securities dealers, all securities owned by the City shall be held in the name of the City for safekeeping by a third-party bank trust department, acting as agent for the City under the terms of a custody agreement or professional services agreement, executed by the bank and the City. All securities will be purchased and delivered using standard delivery-versus-payment (DVP) procedures through the City’s safekeeping agent. No outside broker/dealer or advisor may have access to City funds, accounts or investments, and no direct transfers of funds to an outside broker/dealer are permitted. Only indirect transfers may be made, through the City’s safekeeping agent.

Upon purchase, sale, or maturity of investment securities, standing settlement instructions are provided to the servicing banks and broker/dealers involved in the transactions. Adherence to these standing settlement instructions ensures accurate and timely settlement of investment security transactions. Standing settlement instructions are restricted in nature, ensuring investment settlements are with established institutions.

Deposits with financial institutions, and with LAIF, in accordance with GC Section 53601.8, GC Section 53635.2 and GC Section 16429.1, shall be evidenced by a certificate or official statement of the City’s account, issued by the financial institution or by LAIF, and retained in possession of the City.

3. Managing Concentration of Credit Risk

The City believes that the most important means for ensuring safety of principal consists of purchasing investments of high credit quality, namely, those listed in Section III.A.1.a. At the same time, the City believes in the importance of a well-diversified Portfolio. It is the policy of the City to diversify its Investment Portfolio so that reliance on any one issuer or broker-dealer will not place an undue financial burden on the City. Accordingly, the permitted concentrations of investments, as a percentage of the Portfolio and per individual issuer, are as indicated in Section III.A.1.a.. They are also presented in a table in Appendix D, which compares them with the limits imposed by the State.

4. Managing Interest Rate Risk

Interest rate risk is also referred to as “market risk.” It is the risk that, when selling an investment in the Portfolio, the price and the proceeds received will be less than the purchase price and amount invested. This results in the erosion of principal, or the realization of a capital loss. The longer the maturity date of bonds, the greater the price volatility, and the greater is the risk of principal erosion or selling the bond at a loss. Therefore, it is the City's Policy to concentrate its investment portfolio in shorter-term securities in order to limit principal risk caused by changes in interest rates. In no event will the City exceed the guidelines established by State law and invest in any security whose maturity date at the time of purchase is in excess of five years. In addition, the City manages interest rate risk by measuring the weighted average maturity of the Portfolio as a method of gauging the degree of interest rate risk to which the Portfolio is exposed. The weighted average maturity is a mathematical calculation wherein the average of the number of days or years to the maturity dates of all the investments in the Portfolio is weighted by the amounts of each investment. The greater the amount of the investment, the greater the role it plays in determining the average number of days to maturity. For the City of Fresno, the weighted average maturity of its Portfolio shall not exceed three years. By maintaining the weighted average maturity of the Portfolio below three years, the City successfully minimizes potential losses from interest rate increases.

5. Managing Foreign Currency Risk

   The City only invests in U.S. dollar denominated obligations. This successfully eliminates all risk of principal erosion due to fluctuations in the values of foreign currencies.

B. Policies to Ensure Adequate Liquidity

1. Depository Balances

   On a daily basis, the Treasurer and Treasury Deputies shall review the status of the City's demand deposit account, the expected inflows of cash from various sources, and the expected uses of cash for the day. The amount of funds needed for daily operations is determined, as is the amount of funds available to meet expected requirements. As a general rule, staff believes that an average balance of $15,000,000 in the City's bank account is a reasonable target depository balance to meet operating fund requirements on any given day. The difference between expected sources and uses of cash determines whether there is a need for additional operating funds or there are surplus funds available for investment. Based on this analysis, the Treasurer and Treasury Staff seek to generate additional cash inflows or surveys the financial markets for suitable investments. In achieving the former, staff may determine that selling an investment is the most advantageous course to take, or selling shares in a money market fund, or LAIF. In achieving the latter, staff may consult with broker-dealers, review the financial markets via the news media or email communications, or conduct research via the City's financial subscription service. At all times, staff shall endeavor to achieve a balance ensuring that operating funds remain sufficient to meet the City's obligations, while any surplus funds are invested to achieve a financial return consistent with this Policy.

2. Repurchase Agreement Maturities

   Because no secondary market exists for repurchase agreements, the maximum maturity for repurchase agreements in the Portfolio is one year.

3. Security Marketability

Liquidity is very closely correlated with the marketability of investments in the Portfolio. Liquidity can be defined as the ability to sell an investment at or near the original purchase price paid for it, whenever desired. This can only occur if there is an active market for the type of security to be sold. Such a market only exists for high quality types of investments. Thus, in addition to the objectives of legality and safety, the City also ensures adequate liquidity by investing only in obligations permitted by GC 53601, GC 53601.8, and GC 16429.1 as described above in Section III.A.1.a. Authorized Investments.

4. Scheduling Maturities Or Maintaining A “Barbell”

The Policy of the City is to maintain a schedule of maturities such that cash flow through maturities occurs in a manner adequate to fund City operations. As an alternative strategy, the City may maintain a “barbell” structure such that maturities are equally weighted toward a very short-term horizon (to provide liquidity) and a longer-term horizon (to provide higher yields). The Treasurer will determine which strategy will be most effective given current market conditions.

5. Investments in LAIF

While the City maintains a high-quality Portfolio, which will normally ensure the maintenance of adequate liquidity, either through a scheduled or “barbell” approach, the City must also be prepared for market aberrations which might serve to dampen liquidity, if only temporarily. Therefore, it is the Policy of the City to maintain an amount invested with LAIF that will provide adequate liquidity, as determined by the Treasurer, in the event that maturities in the Portfolio are not sufficient to fund operations, and securities cannot be sold to generate additional cash.

C. Policies To Achieve Investment Return Objectives

The policies set forth in this Section enable the City to achieve the yield objectives established for the Portfolio.

1. Yield Objective

The City’s Portfolio is structured to attain a market-average rate of return through the ups and downs of various economic cycles. The performance measure used for the Portfolio is the yield achieved by the LAIF. This portfolio, managed by the California State Treasurer’s Office, establishes a standard for public funds in California.

2. Portfolio Management Style

Management styles for fixed income portfolios range from a passive “buy and hold” approach to an extremely active “day trader” approach. It is the Policy of the City to manage the Portfolio in a semi-active style, in order to enhance the overall yield on the Portfolio. In employing a semi-active style, investments will not be purchased with the sole objective of holding them until maturity. Investments can and will be sold prior to maturity if advantageous to the City. At the same time, however, buying solely in order to arbitrage and resell the investment constitutes speculation, and this practice is expressly prohibited.

3. Portfolio Maturity Management

   As stated in Sections III.A.4. and III.B.3., when structuring the maturity composition of the Portfolio it is the Policy of the City to minimize interest rate risk and ensure adequate liquidity. Likewise, it is City Policy to evaluate current and expected interest rate yields and to invest accordingly, recognizing that the longer the time remaining to maturity for a security, the greater the price fluctuation which could occur, given changes in economic conditions and interest rate levels.

4. Bond Swaps

   The City takes advantage of security swap opportunities to improve Portfolio yield. A swap that improves Portfolio yield may be selected even if the transaction results initially in a loss. (See Section V.E.)

5. Competitive Bidding, Negotiation

   It is recognized that competitive bidding and negotiation for lower prices are two techniques that can enhance overall Portfolio yields. It is the Policy of the City to utilize one or both techniques, depending on the circumstances surrounding the transaction, when obtaining offers for the purchase of securities, or bids for the sale of securities.

6. Securities Lending

   a. Overview

      A securities loan is a transaction in which the owner of a security (the City) agrees to lend a security to a borrower (broker/bank) under terms negotiated at the time of the loan. During the period that a security is out on loan, the lender continues to have all the benefits of ownership. All interest or dividend income belongs to the lender. During the term of the loan, the borrower (broker/bank) pays a fee or interest to the lender (the City). During the term of the loan, the borrower must post collateral in the form of either cash or direct U.S. government and agency securities. The required collateral will always be in excess of the borrowed amount and be monitored by both parties. The term of the loan can be as short as overnight but usually averages 5 to 10 days.

   b. Policy

      It is the City’s Policy to enter into a securities lending program to enhance investment return. Securities lending will only be transacted with a written agreement approved by the City Attorney. The written agreement will detail:

(1.) Acceptable types of collateral

(2.) Standards of collateral custody and control

(3.) Collateral valuation and initial margin

(4.) Accrued interest, mark-to-market, and margin calls

(5.) Method for transmitting security income

(6.) Acceptable methods for delivery of securities and collateral

(7.) Conditions that will terminate the loan

D. Policies To Encourage Local Development

1. Program Description

In accordance with current Council policies on the facilitation of local economic development, and the legal direction cited in Section I.A.5. of this Policy, local financial institutions will be utilized to provide investment products for a portion of the City's Portfolio. Such products will not necessarily result in maximum earnings for the Portfolio. However, the loss of short-term investment yields may be offset by the potential expansion of the tax base. Local financial institutions eligible for participation in this program are defined as: any financial institution whose deposits are insured by the Federal Deposit Insurance Corporation (for commercial and savings banks), the Savings Association Insurance Fund (for savings and loan associations), and the National Credit Union Share Insurance Fund (for credit unions) and organized and chartered under the laws of the United States or the State of California (collectively, the Institution), which also satisfies each of the following: (i) the Institution was founded and is headquartered in Fresno, Madera, Merced, Kings or Tulare County; (ii) the Institution shall be able to collateralize City funds in accordance with California GC Section 53652; and/or the Institution shall be able to use a private sector entity that assists in the placement of certificates of deposit in accordance with California GC Section 53601.8; (iii) if the Institution is a commercial bank, it shall have and maintain a Community Reinvestment Act (CRA) assessment area that includes all or substantially all of the low and moderate income census tracts in Fresno County and its most recent publicly available CRA rating in California is Satisfactory or Outstanding; and (iv) if the Institution is a credit union, a savings and loan association, or a savings bank, it shall have met the minimum operating standards required by its appropriate Federal or State regulatory body . Local broker-dealers may be used if they can supply the requisite investment instruments needed for the Investment Portfolio.

2. Program Objectives

The objectives of the Program are to partner with local financial institutions with invested funds to be used for the economic development, housing investment and other community services for Fresno, and to achieve a local preference for Fresno broker-dealers who can provide the necessary financial products to the City.

3. Apportionment

   The Program will earmark up to fifteen million dollars ($15,000,000) of the Portfolio for placement with local financial institutions.

4. Program Conditions For Local Financial Institutions

   a. Financial Institution Questionnaire

      All local financial institutions interested in the Program must complete a Depository Questionnaire (See Appendix A) and provide current and prior year audited financial statements, as well as the most recent quarterly statement of financial conditions. In the case of a bank, the bank's latest CRA Report shall be submitted. For all other local financial institutions, their latest publicly available regulatory report shall be submitted. (See also Section V.C.1.)

   b. Collateral Requirements

      A local financial institution participating in the Program must be willing and able to collateralize City deposits in accordance with California GC Section 53652. Alternatively, the local financial institution must be able to use a private sector entity that assists in the placement of certificates of deposit, in accordance with GC Section 53601.8.

   c. Economic Development

      Time deposits, as evidenced by a certificate, or a statement of the City's deposit, may be placed with those local financial institutions who qualify by certifying in the Depository Questionnaire that they have made loan(s) amounting to at least $250,000 in any of the City of Fresno's low-income census tracts. If applicable, qualified institutions offering the highest interest rates will be given preference.

   d. Other Conditions

      (1.) An executed Contract For Deposit of Moneys per GC Section 53649

      (2.) Collateralization required in accordance with GC Section 53652 or FDIC insurance in accordance with GC Section 53601.8 (c.)

      (3.) Waiver of collateral permissible per GC Section 53653

      (4.) A certificate or statement evidencing the deposit and its terms is required

      (5.) No pending bank material adverse financial events

      (6.) No conflicts of interest with City officials

(7.) Satisfactory Community Reinvestment Act rating

5. Program Conditions For Broker-Dealers

a. Selection of Participant(s)

Local broker-dealers will be surveyed and selected in accordance with Section V.C.2. of this Policy.

b. Maintenance of "Good Standing"

The successful broker-dealer(s) and their firm must remain in good standing with the Securities and Exchange Commission (the "SEC"), the National Association of Securities Dealers (the "NASD"), and the State of California, in accordance with Section 25004 of the Corporations Code.

c. Selection of Investment Instruments

Investment instruments will be selected in accordance with Section III.A.1.a. of this Policy.

IV. INVESTMENT FUNCTION ORGANIZATIONAL STRUCTURE

A. Department of Finance

The Director of the City of Fresno's Department of Finance serves as the City's Controller and Treasurer. He/she is responsible for providing the necessary organization and resources to maintain the City's financial standing. Divisions reporting to the Director are:

1. Financial Services Division

a. Accounting Section

This Section is responsible for central financial management functions, such as processing accounts payable, fixed asset management, enterprise and general accounting, grants management, and preparation of the City's ACFR and State Controller's Report.

b. Payroll Section

This Section is responsible for processing the City's bi-weekly payroll and ensuring adherence to and proper application of all bargaining unit agreements.

c. Treasury Section

This Section is responsible for management of the City's Investment Portfolio, daily cash management, debt administration, and bank reconciliations.

d. Collections Section

This Section is responsible for collection of various City of Fresno delinquent claims against others.

e. Business Tax & Permits Section

This Section is responsible for collecting taxes on business enterprises in the City of Fresno and issuing licenses and permits for certain regulated activities and events.

f. Purchasing Section

The Purchasing Section is responsible for providing prompt and effective procurement services which meet the needs of City Departments in accordance with the spirit and requirements of the City Charter and Municipal Code while affording equal access to all entities seeking to do business with the City of Fresno.

B. Treasury Section Responsibilities and Staffing – Investment Program Per GC 41006

1. Treasurer

The Director of Finance/City Controller also serves as the City's Treasurer. The Treasurer establishes overall policy, direction, and strategy for the City's investment program. He/she also sets overall policy, direction and strategy with regard to cash receipts processing and coordination of bank relations. The Treasurer may approve investments made by the Treasury Officer. The Treasurer establishes internal controls to the maximum extent permitted by budgetary constraints for the safeguarding and protection of all City assets. A primary method of effecting good internal controls is a segregation of duties as detailed in this Section IV of the Policy.

2. Assistant Controller (a deputy per GC 41006)

The Assistant Controller may approve investments made by the Treasury Officer.

3. Treasury Officer (a deputy per GC 41006)

The Treasury Officer is responsible for executing the policies/strategies developed by the Treasurer and monitors the daily operations of the Treasury Section. The Treasury Officer monitors daily market activity, confers with broker-dealers and banks, and selects investments for the City's Investment Portfolio. The Treasury Officer makes recommendations for policy changes, strategies and procedures for accomplishing Treasury goals and objectives.

4. Accountant-Auditor II (a deputy per GC 41006)

   Two Accountant-Auditor IIs in the Treasury Section, under the supervision of the Treasury Officer, are responsible for daily cash management. They are also responsible for accounting for investment transactions and preparing the monthly investment reports.

C. Compensation Agreement

The Treasurer will charge all City Departments with funds in the Portfolio for administrative and overhead costs to manage the Portfolio. The Treasurer shall annually prepare a proposed budget, providing a detailed itemization of all estimated costs that comprise the administrative fee charged. Costs include, but are not limited to, Portfolio management, bank and custodial fees, software maintenance fees, and other indirect costs incurred in connection with handling or managing funds. The administrative fee may be subject to change and may be increased or decreased throughout the year in order to cover the costs of managing the Portfolio.

V. INVESTMENT OPERATING PROCEDURES

A. Investment Program Development

1. Overview

   The investments of the City of Fresno are administered according to an investment program. The program is formulated by the Treasurer with the overall review and approval of the City Manager. The Treasurer shall evaluate the program at least monthly and recommend any changes that he/she feels to be warranted.

2. Program Organization

   The Treasury Officer shall review the investment program daily to analyze performance and monitor any variances from the Policy. Results will be reported monthly to the Treasurer, and, in turn, the City Manager, Mayor and the City Council.

3. Program Operations

   The investment program is developed by the Treasurer, Assistant Controller, Treasury Officer, Senior Accountant-Auditor or Accountant-Auditor II through the following procedures:

   a. Observe and summarize economic and market analysis

   b. Forecast available cash for investment. See III. B. 1.

   c. Formulate strategies concerning

      (1.) Asset mix

      (2.) Investment instruments

      (3.) Maturities

(4.) Target yields

d. Monitor performance against the current investment program

e. Evaluate any reasons for variance

B. Market and Economic Analysis

1. Overview

The Treasury Officer will be responsible for routinely performing market and economic analysis to support investment strategy development and program planning. This analysis will be performed using information obtained from investment advisors and brokers, as well as original data. The objective of the market and economic analysis will be to forecast probable market conditions for the period for which investments are planned.

2. Data Analysis

Economic and market analysis is performed routinely by assembling and analyzing current and trend data. Market analysis utilizes, for example, the following types of data:

a. Basis point changes

b. Tracking of individual securities

c. Shape of the yield curve

d. Yield curve movements

C. Selection Criteria For Local Financial Institutions and Broker-Dealers

1. Selection Criteria for Local Financial Institutions

a. Minimum Criteria For Selection

The Treasurer may approve a local financial institution if all the following criteria are met:

(1.) The financial institution must provide insurance to its depositors through the FDIC, the Savings Association Insurance Fund (SAIF), or the National Credit Union Share Insurance Fund (NCUSIF).

(2.) Only local financial institutions organized and chartered under the laws of the State of California or the laws of the United States shall be appointed as depositories of City funds.

(3.) The institution must be willing and able to collateralize City funds in accordance with California GC Section 53652.

(4.) Alternatively, an institution must be able to use a private sector entity that assists in the placement of certificates of deposit that will be insured in accordance with GC Section 53601.8 (c).

(5.) The institution must complete a City of Fresno Deposit Questionnaire. (See Appendix A)

2. Selection Criteria For Broker-Dealers

The Treasurer shall maintain an approved list of securities broker-dealers with whom the City may conduct security transactions. Only those broker-dealers on the approved list are entitled to submit quotations and transact business with the City. Any broker-dealer failing to maintain the minimum criteria outlined below will be deleted from the approved list.

a. Regulated Broker-Dealers

Only approved broker-dealers will be used for investment transactions. Broker-dealers must be regulated by the SEC, be members in good standing of the NASD, and be licensed by the State of California.

b. Broker-Dealer Certification

Each broker-dealer must complete the Broker-Dealer Certification (Appendix B) before conducting investment business with the City.

c. Broker-Dealer Diversification

There is no minimum or maximum number of broker-dealers that may be used by the City. The Treasurer may limit the number of broker-dealers with whom the City may do business.

d. Removal From Approved List

If, in the judgment of the Treasurer, a broker-dealer is considered to be placing the City's investments at risk, removal from the approved list can be done immediately.

D. Instrument Selection

1. Liquidity Needs

Investments are ordinarily selected according to anticipated cash needs. The City's normal operating cycle results in a larger need for liquidity during the months of November, December, and June. Investments shall be made with these requirements in mind.

2. Portfolio Structure and Policy Guidelines

   The Treasury Officer will consider the composition of the current Portfolio and determine whether the securities being considered will maintain the Portfolio within Policy guidelines.

3. Current and Expected Yield Curve Analysis

   The Treasury Officer will monitor the current and expected yield curves. When interest rates are expected to <u>decline</u>, consideration will be given to <u>extending</u> weighted average maturity of the Portfolio within Policy constraints. When interest rates are expected to <u>increase</u>, consideration will be given to <u>shortening</u> the weighted average maturity of the Portfolio.

4. Yield Spread Analysis

   The Treasury Officer will monitor yield spreads among various Government Agency issues and U.S. Notes and Bonds.

E. Bond Swaps

1. Overview

   One element of active investment management includes swapping a bond held in the City's Portfolio for a comparable bond in the marketplace. The purpose of such a transaction is to enhance the overall yield on the Portfolio.

2. Criteria For Swaps

   A security swap may be considered if:

   a. The overall yield of the Portfolio after the swap does not decrease

   b. The maturity date of the new security is not more than two years longer than the maturity of the old security.

3. Criteria For Analyzing Swap Candidates

   Documentation of the incremental gain from doing a swap, as shown through an analysis similar to that provided by Bloomberg's "Swap-Switch Book Analysis" will be maintained with the City's permanent accounting documents.

4. Identification of Swap Candidates

   Swaps may also be suggested by broker-dealers who are on the City's approved list. Consistent with other parts of this Policy, all purchases and sales can be competitively bid. If a particular swap is recommended by a broker-dealer, and that broker-dealer has the best bid as determined by the Treasury Officer, the broker-dealer who made the recommendation will be awarded the swap.

5. Categories of Swaps

The basic types of swaps are as follows:

a. Swaps to Increase Yield

Aberrations in the market are often caused by supply and demand conditions for particular securities. If a short supply exists in a particular maturity range, for example, it may often be advantageous to swap out the security in short supply for another similar security in a different maturity range.

b. Swaps to Increase Portfolio Quality

Occasionally the demand for a particular security can create a situation where the security yields the same or less than an equivalent security with a higher rating. An improvement in Portfolio quality can thus be obtained by swapping the former security for the latter issue.

F. Certification

A copy of this Policy will be provided to the senior management of any financial institution, dealer, or broker-dealer wishing to transact investment business with the City in order that it be apprised of the investment goals of the City. Before business is transacted with the firm, a certification must be signed by a senior member of the firm.

VI. PERFORMANCE EVALUATION AND REPORTING

Investment performance is continually monitored and evaluated by the Treasurer and Treasury staff. Investment performance statistics and activity reports are generated by the City's automated investment accounting system. The Treasury Section will produce summary reports on a monthly basis for review by the Mayor, City Manager, City Council and Internal Auditor.

A. Standard Monthly Reports

The following reports will be produced monthly and be included among the Treasurer's monthly activity reports.

1. Month-end Report

The month-end balance of operating funds, in the form of the bank balance, which has been reconciled with the balance in the City's Munis accounting system, will be reported. (The bank reconciliation shall be available upon request.)

The month-end Portfolio holdings will be shown by category of investment, showing the total book value, the total par value, the total market value, and the total expected returns of each category of investment. The rate of return on the Portfolio will be presented, both month-to-date and for the previous rolling twelve months. Additionally, the total earned interest on the Portfolio is shown, both month-to-date and year-to-date. (More detailed reports concerning the investments themselves shall be available upon request.)

2. Maturity Distribution Report

The month-end Portfolio holdings will be shown in a table by category of investment and grouped by the remaining maturity. A bar chart will also show the distribution of the par value by maturity.

3. Portfolio Position Detail

The complete list of month-end Portfolio holdings will be shown by category of investment. The listing will display each holding's issuing institution, CUSIP number, coupon rate, yield to maturity, purchase date, maturity date, par value, amortized value, market value, and ending unit price.

4. Custom Reports Are Available On Request

B. Changes To The Policy

The City Council is encouraged by GC Section 53646 and required by FMC Section 7-104 to consider and approve an Investment Policy at least annually. Following adoption of the Policy, the Council must approve material changes or revisions to the Policy as well.

APPENDIX A

CITY OF FRESNO
FINANCE DIVISION/TREASURY SECTION
2600 FRESNO STREET, ROOM 2156
FRESNO, CALIFORNIA 93721

DEPOSITORY QUESTIONNAIRE AND CERTIFICATION

(Please type in response.)

1. Name of Depository

   ____

2. Address: ____________________ Corporate: ____________________

   ____________________ ____________________

   ____________________ ____________________

3. Primary Representative: Alternate:

   Name: ____________________ Name: ____________________

   Title: ____________________ Title: ____________________

   Phone: (800) ____________________ Phone: (800) ____________________

4. Check the investment instruments offered by your institution.

Instrument Types	
U.S. Treasuries	
Government Sponsored Corporations	
Bankers Acceptances	
Commercial Paper	
Certificates of Deposit	
Repurchase Agreements	
Reverse Repurchase Agreements	
Medium-term Corporate Notes/Bonds	
Mutual Fund Shares	
Asset-Backed Securities	

5. Explain your collateral practices and policies for public fund deposits. Does the depository consistently have collateral available in amounts exceeding $1 million? In what form are public deposits collateralized?

6. Does the depositor have the option to select the type of collateral? If so, does the interest rate vary according to the collateral? Explain.

7. Does the bank utilize a private sector company that assists in the placement of certificates of deposit, with Insuring Institutions such as Promontory Interfinancial Corporation LLC, through its Certificate of Deposit Account Registry Service ("CDARS")?

8. Explain your methodology for establishing interest rates on public fund deposits. Are rates driven off a standardized market index? Are rates set in correlation with specific loan demands upon the depository?

9. As of your last fiscal year end, did the depository exceed the minimum standards established by thrift regulators for tangible capital, core capital, and risk-based capital? If not, explain. Include annual reports for the last three years.

10. Has your depository ever been subject to an investigation or receivership proceedings by a regulatory agency? If so, explain.

11. Does your depository prepare periodic announcements or press releases relating to the performance of the depository? If so, please include the most recent release.

12. Are there any fees or charges for doing business with your institution? Discuss your policy on early withdrawals of time deposits. Include the contract your depository uses for public fund deposits.

13. Has your depository ever been subject to an investigation or found to be in violation of the Community Reinvestment Act of 1977, or any other pertinent regulatory agency laws or regulations? Explain your policies (if applicable) for compliance with this Act.

14. Within the preceding year, has your depository made a loan or loans amounting to at least $250,000 in a low-income census tract within the City of Fresno?

15. Please describe any of the depository's business development or job creation programs.

16. Is your depository founded and headquartered in any one of the five counties of Fresno, Madera, Tulare, Kings, or Merced?

Certification

(To be signed by a person authorized by corporate resolution or by similar proceedings to make representations on behalf of the responding institution.)

I hereby certify that I have personally read the Investment Policy and Objectives of the City of Fresno for Fiscal Year ________, ending June 30, ________, and have directed staff assigned to the City's account to do the same. The standards of this Policy will apply to all investments subsequent to its effective date as determined by the Fresno City Council. Furthermore, I agree to personally read any changes or amendments to this Investment Policy which may be submitted by the City. This institution has in place procedures and a system of controls to preclude imprudent investment activities arising out of transactions conducted between our institution and the City of Fresno. All assigned personnel to the City's account will be routinely informed of the City's investment objectives, horizon, strategies and risk constraints whenever I am so advised by City personnel. Either I, or an assigned representative, will notify City staff immediately by telephone and in writing in the event of a material adverse change in our financial condition. I pledge to exercise due diligence in informing City staff of all foreseeable risks associated with financial transactions conducted with this institution. I attest to the accuracy of the responses within this questionnaire.

Signed: ___________________________ Name: ____________________________________

Title: ______________________________ Date: ______________________________________

Attest:_____________________________ Name: ____________________________________

Title:______________________________ Date: ______________________________________

APPENDIX B

City of Fresno Finance Department
2600 Fresno Street, Room 2156
Fresno, California 93721
(559) 621-7004, fax (559) 488-4636
www.fresno.gov

BROKER/DEALER REQUEST FOR INFORMATION

SECTION 1: STATEMENT OF POSITION AND GENERAL REQUIREMENTS

The City of Fresno (hereinafter referred to as the "Government") is a statutory (home rule) Government operating under the laws of the State of California. The Government manages an operational portfolio ranging in size from 250 million to 300 million dollars, which is comprised mainly of U.S. agency obligations, corporate notes, treasury notes, and selected money market instruments. The Government has adopted a written Investment Policy which regulates the standards and procedures used in its cash management activities. A copy of the Investment Policy is attached as an Appendix to this document.

The Government maintains relationships with qualified members of the broker/dealer community who, in their opinion, understand the needs, constraints, and goals of the Government.

Broker/dealers will be notified of their approval by the Government in writing. No transactions will be conducted with an approved broker/dealer until all paperwork required by both parties has been executed. The Government solicits competitive bids and offers on the majority of its transactions. All securities will be delivered against payment to the third-party custodian named by the Government. Government personnel will review and substantiate all information and references requested in the document; therefore, please answer all questions as thoroughly as possible.

SECTION II - PART I: REQUEST FOR GENERAL INFORMATION FROM BROKER/DEALER CANDIDATE

1. Name of Firm ______________________________

2 Address-Local ______________________________

Headquarters ______________________________

____

____

(Provide both street address and/or P.O. Box No., if applicable)

3. Telephone No. Local ( ) ______________________________

(800) ______________________________

Headquarters ( ) ______________________________

4. Contact personnel: (provide as an attachment if more space is required)

Name ____________________

Title ____________________

Telephone No. ____________________

Name ____________________

Title ____________________

Telephone No. ____________________

Name ____________________

Title ____________________

Telephone No. ____________________

4a. Provide background information concerning the account representative listed in No. 4 above. Please include information on the individual's employment history as it relates to the securities industry, official licenses and certificates, the history and details of any disciplinary actions or complaints and the disposition of each as well as the history of any arbitration or litigation, the nature of the case and status or disposition.

____

____

____

____

5. Please provide the following information regarding at least four comparable clients with whom any of the representatives listed in No. 4 has an established relationship. We would prefer public sector clients in our geographical area, if possible.

Client Name ____________________

Address ____________________

Person to contact ____________________

Telephone No. ____________________

Length of relationship ____________________

Client Name ______________________________

Address ______________________________

Person to contact ______________________________

Telephone No. ______________________________

Length of relationship ______________________________

Client Name ______________________________

Address ______________________________

Person to contact ______________________________

Telephone No. ______________________________

Length of relationship ______________________________

Client Name ______________________________

Address ______________________________

Person to contact ______________________________

Telephone No. ______________________________

Length of relationship ______________________________

6. Has/have the representative(s) listed in No. 4 above been authorized by the firm to be account representative(s) for City of Fresno, California?

   Yes __________ No ______________

   If yes, by whom? ______________________________

   ____

7. Please list the name of the immediate supervisor of the account representative(s) named in your response to No. 4 above.

   ____

   ____

   ____

8. Briefly describe any formal program of supervision of the account representative(s) named in No. 4, if your firm has established such a program.

____

____

____

9. Is the firm either licensed or supervised by the Securities Exchange Commission and the National Association of Securities Dealers? If not, why not?

____

____

____

10. Place an "X" by each regulatory agency that your firm is examined by and/or is subject to its rules and regulations.

FDIC _______________ SEC _______________ NYSE _______________

Comptroller of Currency _____________ Federal Reserve System ____________

Other (example: State Regulatory Agency). Multi-state firms please note: It is not necessary to include regulatory agencies which do not have jurisdiction over your firm's activities in Fresno, California.

11. Have you obtained all required licenses to operate as a broker/dealer in the state of California?

Yes __________ No _____________

12. If you are not a Bank, please provide the following information regarding your principal banking relationship.

Bank Name ____

Address ____

Person to contact ____

Telephone No. ____

Length of relationship ____

13. Is the firm a primary dealer in U.S. Government Securities?

Yes __________ If so, how many years? __________ No _______

14. Indicate the investment instruments offered regularly by the firm by placing a check-mark next to the type of instrument. Is the firm a primary dealer in U.S. Government Securities?

Instrument Types	Check if Applicable
U.S. Treasuries	
Government Sponsored Corporations	
Bankers Acceptances	
Commercial Paper	
Certificates of Deposit	
Repurchase Agreements	
Reverse Repurchase Agreements	
Medium-term Corporate Notes/Bonds	
Mutual Fund Shares	
Asset-Backed Securities	

15. Does your firm specialize in any of the instruments listed above? If so, please specify which ones.

____

____

____

16. Has the firm ever been notified in writing by a public-sector client that the firm or a firm representative was in part responsible for a loss on a securities transaction? If so, explain.

____

____

____

17. Has the firm ever been subject to a regulatory or state or federal agency investigation for alleged improper, fraudulent or disreputable activities in connection with a public-sector client? If so, explain.

____

____

____

18. To the best of your knowledge, has there been any "material" litigation, arbitration or regulatory proceedings, either pending, adjudicated or settled, that your firm has been subject to within the last five years that involved issues concerning the suitability of the sale or purchase of securities to institutional clients or fraudulent or unfair practices related to the sale of securities to an institutional client? If so, please describe each such matter briefly. For purposes of this section, proceedings are "material" if your independent accountant applying generally accepted accounting principles determines that such proceedings required disclosure on your financial statements.

____

____

____

19. Explain the firm's practices for monitoring credit quality of institutions. Does the firm have internal expertise in this area?

____

____

____

20. What was the firm's capital position as of last fiscal year end?

____

____

____

21. Are there any fees or charges for doing business with your institution? If so, include a complete schedule of fees and charges.

____

____

____

22. Please provide certified audited financial statements for the last three years. In addition, for those dealers preparing and submitting financial statements to the following organizations, please provide publicly available financial documents filed with these agencies for the previous two years:

National Association of Securities Dealers
Securities and Exchange Commission
New York Stock Exchange
Federal Deposit Insurance Corp.

CERTIFICATION

(To be signed by a person authorized by corporate resolution or by similar proceedings to make representations on behalf of the responding institution.)

I hereby certify that I have personally read the Investment Policy and Objectives of the City of Fresno for Fiscal Year ___________, ending June 30, ___________, and have directed staff assigned to the City's account to do the same. The standards in this Policy will apply to all investments subsequent to its effective date, as determined by the Fresno City Council. Furthermore, I agree to personally read any changes or amendments to this Investment Policy, which may be submitted by the City. This firm has in place procedures and a system of controls to preclude imprudent investment activities arising out of transactions conducted between our institution and the City of Fresno. All assigned personnel to the City's account will be routinely informed of the City's investment objectives, horizons, strategies and risk constraints whenever I am so advised by City personnel. Either I or an assigned representative will notify City staff immediately by telephone and in writing in the event of a material adverse change in our financial condition. I pledge to exercise due diligence in informing City staff of all foreseeable risks associated with financial transactions conducted with this institution. I attest to the accuracy of the responses within this questionnaire.

Signed:______________________________ Name:____________________________________

Title:_________________________________ Date:_____________________________________

Attest:_______________________________ Name:____________________________________

Title:_________________________________ Date:_____________________________________

APPENDIX C

Glossary of Cash Management Terms

The following is a glossary of key investment terms, many of which appear in the City of Fresno Investment Policy.

Accrued Interest - The accumulated interest due on a bond as of the last interest payment made by the issuer.

Agency Note (or Federal Agency or United States Government-Sponsored Enterprise) - A debt security issued by a federal or federally sponsored agency. Federal agencies are backed by the full faith and credit of the U.S. Government. Federally sponsored agencies (FSAs) are backed by each particular agency with a market perception that there is an implicit government guarantee. An example of federal agency is the Government National Mortgage Association (GNMA). An example of a FSA is the Federal National Mortgage Association (FNMA).

All Available Funds – All monies deposited in the City of Fresno Treasury at any one time, which may be used for operations or are available for investment. The total amount of surplus funds and operating funds which the City of Fresno may legally claim at any one time.

Amortization - The systematic reduction of the amount owed on a debt issue through periodic payments of principal.

Average Life - The average length of time that an issue of serial bonds and/or term bonds with a mandatory sinking fund feature is expected to be outstanding.

Banker's Acceptance - Bill of exchange or time draft drawn on and accepted by a commercial bank. With the credit strength of the bank behind it, the banker's acceptance usually qualifies as a money market instrument.

Barbell – Portfolio management strategy in which funds are concentrated in both short term and long-term type of investments, with little to nothing in mid-term securities. Designed to provide liquidity while at the same time capturing higher yields from longer term investments.

Basis Point - A unit of measurement used in the valuation of fixed-income securities equal to 1/100 of 1 percent of yield, e.g., "1/4" of 1 percent is equal to *25* basis points.

Bid - The indicated price at which a buyer is willing to purchase a security or commodity.

Book Value - The value at which a security is carried on the inventory lists or other financial records of an investor. The book value may differ significantly from the security's current value in the market.

Broker-Dealer – An investment securities sales firm that has the ability to both arrange for sales of securities, as well as buying securities for its inventory.

Callable Bond - A bond issue in which all or part of its outstanding principal amount may be redeemed before maturity by the issuer under specified conditions.

Call Price - The price at which an issuer may redeem a bond prior to maturity. The price is usually at a slight premium to the bond's original issue price to compensate the holder for loss of income and ownership.

Call Risk - The risk to a bondholder that a bond may be redeemed prior to maturity.

Capital – Funds which may be invested in various projects, ventures, or enterprises.

Cash Sale/Purchase - A transaction which calls for delivery and payment of securities on the same day that the transaction is initiated.

CDARS – Certificate of Deposit Account Registry Service is the copyrighted deposit placement service offered through Promontory Interfinancial Network LLC (Promontory). Through this service, Promontory attempts to place time deposits (CDs) issued by Insured Institutions within the Promontory network in principal amounts that will not exceed the Standard Maximum Insurance Amount (SMDIA) for deposits of one depositor at one Insured Institution (currently $250,000). CDARS is a proprietary process owned by Promontory that allocates orders submitted by participating financial institutions on behalf of their depositors on dates (Order Dates) specified by Promontory.

CDARS Deposit Placement Agreement – Contract between depositor and participating depository financial institution for the placement of time deposits with other participating depository financial institutions by the contracted participating depository financial institution, through Promontory Interfinancial Network LLC (Promontory), utilizing Promontory's Certificate of Deposit Account Registry Service (CDARS).

Certificates of Deposit (non-negotiable) – Receipts for funds deposited in a bank or savings and loan association for a specified period of time at a specified rate of interest. The first $250,000 is guaranteed by the Federal Deposit Insurance Corporation (FDIC) for banks, the Federal Savings and Loan Insurance Corporation (FSLIC) for savings and loan associations and the National Credit Union Share Insurance Fund (NCUSIF) for credit unions.

Collateralization - Process by which a borrower pledges securities, property, or other deposits for the purpose of securing the repayment of a loan and/or security.

Collateralized Mortgage Obligation – Mortgage-backed bond separating mortgage pools into different maturity classes.

Commercial Paper - An unsecured short-term promissory note issued, with maturities ranging from 1 to 270 days, issued by banks, corporations, and other borrowers to investors with temporarily idle cash. Such instruments are unsecured and usually discounted.

Consumer Receivable-backed Bond - See Consumer Receivable Pass Through.

Consumer Receivable Pass Through – Debt instrument secured by consumer receivables such as credit card receivables. Payments are passed through to the investor direct from the underlying receivable.

Convexity - A measure of a bond's price sensitivity to changing interest rates. A high convexity indicates greater sensitivity of a bond's price to interest rate changes.

Coupon Rate - The annual rate of interest received by an investor from the issuer of certain types of fixed-income securities. Also known as the "interest rate."

Counterparty – Other party to a transaction. Buyers and sellers are counterparties to each other, for example.

Credit Quality - The measurement of the financial strength of a bond issuer. This measurement helps an investor to understand an issuer's ability to make timely interest payments and repay the loan principal upon maturity. Generally, the higher the credit quality of a bond issuer, the lower the interest rate paid by the issuer because the risk of default is lower. Credit quality ratings are provided by nationally recognized rating agencies.

Credit Risk - The risk to an investor that an issuer will default in the payment of interest and/or principal on a security.

Current Yield (Current Return) - A yield calculation determined by dividing the annual interest received on a security by the current market price of that security

Custodian – Bank or other financial institution having custody or possession of the assets of another business or individual for the purpose of safekeeping.

Debt Instrument – Any of a number of obligations to repay funds or monies borrowed, usually with interest. Examples include loans, mortgages, bonds, debentures, and certificates of deposit.

Default – Failure to repay a debt obligation.

Delivery Versus Payment (DVP) - A type of securities transaction in which the purchaser pays for the securities when they are delivered either to the purchaser or his/her custodian.

Discount - The amount by which the par value of a security exceeds the price paid for the security.

Diversification - A process of investing assets among a range of security types by sector, maturity, and quality rating.

Equipment Lease-backed Security – Debt instrument backed by equipment leases. Repayment comes from lease payments by the lessee on equipment leased.

Fair Value - The amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

FDIC – Federal Deposit Insurance Corporation. An agency of the United States Government that insures bank deposits against loss of principal in the accounts of the bank's depositors, up to a maximum amount of funds deposited per account (currently $100,000).

Federal Funds - Fed Funds - Funds placed in Federal Reserve banks by depository institutions in excess of current reserve requirements. These depository institutions may lend fed funds to each other overnight or on a longer basis. They may also transfer funds among each other on a same-day basis through the Federal Reserve banking system. Fed funds are considered to be immediately available funds.

Federal Funds Rate - Interest rate charged by one institution lending federal funds to the other.

GASB – Governmental Accounting Standards Board

GASB 3 – GASB Pronouncement providing direction and guidance on how a government's cash and investments are to be presented in the government's Comprehensive Annual Financial Report.

GASB 31 – GASB Pronouncement providing further direction and guidance on how a government's cash and investments are to be presented in the government's Comprehensive Annual Financial Report. It requires that the fair value of the government's investments be presented.

GASB 40 – Revises GASB 3 to require additional disclosure of the degree of risk associated with a government's investment portfolio.

GASB 72 - GASB Pronouncement with respect to a government's cash and investments. It provides guidance for determining a fair value measurement for financial reporting purposes.

Government Securities - An obligation of the U.S. government, backed by the full faith and credit of the government. These securities are regarded as the highest quality of investment securities available in the U.S. securities market. See "Treasury Bills, Notes, and Bonds."

Government Sponsored Enterprise – See Agency Notes.

Indenture – Agreement between bondholders, trustee and issuer, in which issuer agrees to repay monies borrowed from bondholders. Specifies how proceeds of bond issue may be used.

Insured Institution – Term used to describe a financial institution that is one of the participants in the Promontory Interfinancial Network, LLC. These are banks who agree to accept a time deposit and issue a Certificate of Deposit ("CD") to a depositor in an account that is insured by the Federal Deposit Insurance Corporation ("FDIC"). The principal, along with aggregated interest in this account, shall not exceed the Standard Maximum Deposit Insurance Amount ("SMDIA") offered by the FDIC (currently $100,000 per account.)

Interest Rate - See "Coupon Rate."

Interest Rate Risk - The risk associated with declines or rises in interest rates which cause in investment in a fixed-income security to increase or decrease in value.

Inverted Yield Curve - A chart formation that illustrates long-term securities having lower yields than short-term securities. This configuration usually occurs during periods of high inflation coupled with low levels of confidence in the economy and a restrictive monetary policy.

Investment Company Act of 1940 - Federal legislation which sets the standards by which investment companies, such as mutual funds, are regulated in the areas of advertising, promotion, performance reporting requirements, and securities valuations.

Investment Policy - A concise and clear statement of the objectives and parameters formulated by an investor or investment manager for a portfolio of investment securities.

Investment-grade Obligations - An investment instrument suitable for purchase by institutional investors under the prudent person rule. Investment-grade is restricted to those obligations rated BBB or higher by a rating agency.

Inverse Floaters – Debt securities paying an interest rate that floats inversely with a specified index, such as the T-Bill rate. For example, as the T-Bill rate rises, the Inverse Floater rate will decline.

Issuer – An issuer of debt, for example, bonds, is a borrower of funds in the debt markets.

Liquidity - An asset that can be converted easily and quickly into cash.

Local Agency Investment Fund (LAIF) – Fund managed by the California Treasurer's Office, offering local agencies the opportunity to invest surplus funds at better than average market rates of return with same-day liquidity.

Mark-to-market - The process whereby the book value or collateral value of a security is adjusted to reflect its current market value.

Market Risk - The risk that the value of a security will rise or decline as a result of changes in market conditions.

Market Value - Current market price of a security.

Maturity - The date on which payment of a financial obligation is due. The final stated maturity is the date on which the issuer must retire a bond and pay the face value to the bondholder. See "Weighted Average Maturity."

Medium-term Notes - All corporate and depository institution debt securities with a maximum of five years or less remaining to the date of maturity at the time of purchase, issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States.

Money Market Mutual Fund - Mutual funds that invest solely in money market instruments (short-term debt instruments, such as Treasury bills, commercial paper, bankers' acceptances, repos and federal funds).

Mortgage-derived Interest-only Strips - Derivative investment consisting of a series of interest payments from mortgages. Risky because original investment may or may not be paid back.

Mortgage Pass-through security – Security that pays investors everything received. All principal and interest received is passed through to the investor.

Mortgage-backed Bond – Bond securitized by mortgages. Issued by FNMA and FHLMC for example.

Mutual Fund - An investment company that pools money and can invest in a variety of securities, including fixed-income securities and money market instruments. Mutual funds are regulated by the Investment Company Act of 1940 and must abide by the following Securities and Exchange Commission (SEC) disclosure guidelines:

1. Report standardized performance calculations.
2. Disseminate timely and accurate information regarding the fund's holdings, performance, management and general investment policy.
3. Have the fund's investment policies and activities supervised by a board of trustees, which are independent of the adviser, administrator or other vendor of the fund.
4. Maintain the daily liquidity of the fund's shares.
5. Value their portfolios on a daily basis.
6. Have all individuals who sell SEC-registered products licensed with a self-regulating organization (SRO) such as the National Association of Securities Dealers (NASD).
7. Have an investment policy governed by a prospectus which is updated and filed by the SEC annually.

National Association of Securities Dealers (NASD) - A self-regulatory organization (SRO) of brokers and dealers in the over-the-counter securities business. Its regulatory mandate includes authority over firms that distribute mutual fund shares as well as other securities.

Nationally Recognized Statistical Rating Organization (NRSRO) – Commonly known as a "rating agency," an organization issuing credit ratings or scores with regard to the credit quality of the debt instruments issued by both public and private entities. Best known examples include Moody's, Standard and Poor's, and Fitch.

Negotiable Certificate of Deposit – Large dollar amount, short-term certificate of deposit issued by large banks and bought mainly by corporations and institutional investors. They are payable to the bearer or to the order of the depositor and, being negotiable, they are traded in an active market and usually have a maturity less than six months.

Net Asset Value - The market value of one share of an investment company, such as a mutual fund. This figure is calculated by totaling a fund's assets which includes securities, cash, and any accrued earnings, subtracting this from the fund's liabilities and dividing this total by the number of shares outstanding. This is calculated once a day based on the closing price for each security in the fund's portfolio. (See below.) [(Total assets) - (Liabilities)]/(Number of shares outstanding)

Nominal Yield - The stated rate of interest that a bond pays its current owner, based on par value of the security. It is also known as the "coupon," "coupon rate," or "interest rate."

Offer - An indicated price at which market participants are willing to sell a security or commodity. Also referred to as the "Ask price."

Operating Funds – Amount of money needed to meet the operating needs of the City on a daily, weekly, monthly or annual basis. This includes the amount of money needed to pay vendors, employees, bondholders, and other creditors. This is the amount of money normally kept in the City's bank account to pay City obligations. As specified in the Policy, the target amount for this balance is $15,000,000, on any given day. By contrast, see "Surplus Funds."

Par - Face value or principal value of a bond, typically $1,000 per bond.

Pay-through Bond – Bond whose cash flow generated by its underlying security is paid through to investors

Positive Yield Curve - A chart formation that illustrates short-term securities having lower yields than long-term securities.

Premium - The amount by which the price paid for a security exceeds the security's par value.

Primary Government Dealer – A well-capitalized securities brokerage firm that is required to participate in U.S. Treasury auctions of its debt instruments.

Principal - The face value or par value of a debt instrument. Also, may refer to the amount of capital invested in a given security.

Promontory Interfinancial Network – A private sector firm that places time deposits ("CDs"), with participating Insured Institutions through Promontory's CDARS. California Government Code Sections 53601.8 and 53635.8 permit the City to place funds for the purchase of time deposits with Insured Institutions through private sector firms such as Promontory Interfinancal Network.

Prospectus - A legal document that must be provided to any prospective purchaser of a new securities offering registered with the SEC. This can include information on the issuer, the issuer's business, the proposed use of proceeds, the experience of the issuer's management, and certain certified financial statements.

Prudent Person Rule - An investment standard outlining the fiduciary responsibilities of public funds investors relating to investment practices.

Range Note – Investment whose coupon payment varies depending on whether the current benchmark falls within a specified range. If it does not, then there is no requirement to pay any interest at all. Range notes have a high coupon as long as a market index remains below a specified level or within a specified range, but a zero percent coupon if it does not.

Regular Way Delivery – Securities settlement that calls for delivery and payment on the third business day following the trade date (T+3); payment on a T+1 basis is currently under consideration. Mutual funds are settled on a same day basis; government securities are settled on the next business day.

Reinvestment Risk - The risk that a fixed-income investor will be unable to reinvest income proceeds from a security holding at the same rate of return currently generated by that holding.

Repurchase Agreement (repo RP) - An agreement of one party to sell securities at a specified price to a second party and a simultaneous agreement of the first party to repurchase the securities at a specified price or at a specified later date.

Return on Investment – Interest earnings on other gains as measured a percentage basis with respect to the amount of the investment.

Reverse Repurchase Agreement (Reverse Repo) - An agreement of one party to purchase securities at a specified price from a second party and a simultaneous agreement by the first party to resell the securities at a specified price to the second party on demand or at a specified date.

Rule 2a-7 of the Investment Company Act - Applies to all money market mutual funds and mandates such funds to maintain certain standards, including a 13- month maturity limit and a 90-day average maturity on investments, to help maintain a constant net asset value of one dollar ($1.00).

Safekeeping - Holding of assets (e.g., securities) by a financial institution.

Securities Lending Agreement – Agreement between investors and other owners of securities to lend them to broker-dealers and other institutions for short periods of time, in exchange for a negotiable fee.

Safety – An objective of portfolio management. Most often refers to maintenance of principal or the prevention of the loss of capital.

Selected depository institution- as defined by California GC Sections 53601.8(a) and 53635.8 (a), a nationally or state chartered commercial bank, savings bank, savings and loan association, or credit union within California, that has been contracted by a local agency, to submit local agency funds to a private sector entity that assists in the placement of certificates of deposit (time deposits) with other commercial banks, savings banks, savings and loan associations, or credit unions that are located in the United States, for the local agency's account. The selected depository institution shall serve as a custodian for each certificate of deposit that is issued with the placement service for the local agency's account.

SMDIA- Standard Maximum Deposit Insurance Amount. This term is defined by Promontory Interfinancial Network LLC as the current FDIC limit of $100,000 per account deposited in a bank account and insured by the FDIC against loss of principal.

Surplus Funds – As specified in State law, funds which are not required for the immediate needs of the local agency. The City may invest any portion of these funds it deems wise or expedient in investments set forth in this Policy. See III. A. 1.a. (Contrast operating funds.)

Swap - Trading one asset for another.

Term Bond - Bonds comprising a large part or all of a particular issue which come due in a single maturity. The issuer usually agrees to make periodic payments into a sinking fund for mandatory redemption of term bonds before maturity.

Total Return - The sum of all investment income plus changes in the capital value of the portfolio. For mutual funds, return on an investment is composed of share price appreciation plus any realized dividends or capital gains. This is calculated by taking the following components during a certain time period. (Price Appreciation) + (Dividends paid) + (Capital gains) = Total Return

Treasury Bills - Short-term U.S. government non-interest bearing debt securities with maturities of no longer than one year and issued in minimum denominations of $10,000. Auctions of three- and six-month bills are weekly, while auctions of one-year bills are monthly. The yields on these bills are monitored closely in the money markets for signs of interest rate trends.

Treasury Notes - Intermediate U.S. government debt securities with maturities of one to 10 years and issued in denominations ranging from $1,000 to $1 million or more.

Treasury Bonds - Long-term U.S. government debt securities with maturities often years or longer and issued in minimum denominations of $1,000. Currently, the longest outstanding maturity for such securities is 30 years.

Uniform Net Capital Rule - SEC Rule 15C3-1 outlining capital requirements for broker/dealers.

Volatility - A degree of fluctuation in the price and valuation of securities.

Weighted Average Maturity (WAM) - The average maturity of all the securities that comprise a portfolio. According to SEC rule 2a-7, the WAM for SEC registered money market mutual funds may not exceed 90 days and no one security may have a maturity that exceeds 397 days.

When Issued (WI) - A conditional transaction in which an authorized new security has not been issued. All "when issued" transactions are settled when the actual security is issued.

Yield - The current rate of return on an investment security generally expressed as a percentage of the security's current price.

Yield-to-call (YTC) - The rate of return an investor earns from a bond assuming the bond is redeemed (called) prior to its nominal maturity date.

Yield Curve - A graphic representation that depicts the relationship at a given point in time between yields and maturity for bonds that are identical in every way except maturity. A normal yield curve may be alternatively referred to as a positive yield curve.

Yield-to-maturity - The rate of return yielded by a debt security held to maturity when both interest payments and the investor's potential capital gain or loss are included in the calculation of return.

Zero-coupon Securities - Security that is issued at a discount and makes no periodic interest payments. The rate of return consists of a gradual accretion of the principal of the security and is payable at par upon maturity.

APPENDIX D

INVESTMENT POLICY STATE-FRESNO LIMITS BY INVESTMENT TYPE

Authorized Investments	Maximum Maturity	Quality Rating	Maximum % Limit Of Portfolio State	Maximum % Limit Of Portfolio Fresno	Maximum % Limit Of Portfolio Per Single Issuer State	Maximum % Limit Of Portfolio Per Single Issuer Fresno	Maximum % of Single Issuer's Debt State/Fresno
City of Fresno Debt	5 Years	N/A	100%	100%	100%	100%	100%
U.S. Treasuries	5 Years	N/A	100%	100%	100%	100%	100%
California Debt	5 Years	N/A	100%	100%	100%	100%	100%
Other 49 States Debt	5 Years	N/A	100%	100%	100%	100%	100%
Cal Local Agency Debt	5 Years	N/A	100%	100%	100%	100%	100%
GSE Agencies	5 Years	N/A	100%	70%	100%	50%	100%
Banker's Acceptances	180 Days	N/A	40%	40%	30%	30%	100%
Commercial Paper	270 Days	A-1/P-1	25%	25%	25%	25%	10%
Certificates of Deposit	5 Years	Insured	30%	30%	30%	30%	Shareholders Equity
Negotiable CDs	5 Years	N/A	30%	30%	30%	30%	Shareholders Equity
Time Deposits	5 Years	Collateral	100%	100%	100%	100%	Shareholders Equity
Shares of Section 6509.7 JPAs	N/A	N/A	100%	100%	100%	100%	100%
GC 53601.8 CDs	5 Years	Insured	30%	30%	30%	30%	Shareholders Equity
Repurchase Agmnts	1 Year	Collateral	100%	100%	100%	100%	100%
Reverse Repurchase Agmnts	92 Days	N/A	20%	20%	N/A	N/A	100%
Securities Lending Agmnts	92 Days	N/A	20%	20%	N/A	N/A	100%
Medium-Term Notes	5 Years	A	30%	30%	30%	20%	100%
Mutual Funds	N/A	AAA	20%	20%	10%	10%	100%
Money Market Funds	N/A	AAA	20%	20%	20%	20%	100%
Mortgage/Asset Backed Debt	5 Years	AA	20%	20%	20%	20%	100%
LAIF	N/A	N/A	100%	100%	100%	100%	100%
International Bank Recon & Dev	5 Years	AA	30%	30%	30%	30%	100%
International Finance Corp	5 Years	AA	30%	30%	30%	30%	100%
Inter-American Development Bank	5 Years	AA	30%	30%	30%	30%	100%

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

(THIS PAGE INTENTIONALLY LEFT BLANK)

TABLE OF CONTENTS

Page

The Indenture sets forth the terms of the 2023 Bonds, the nature and extent of the security, various rights of the Bondholders, rights, duties and immunities of the Trustee and the rights and obligations of the City. The following is a summary (the "Summary") of certain provisions of the Indenture. <u>This Summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the Indenture</u>.

DEFINITIONS

"Account" means an account, including subaccounts, in any of the Funds held and maintained under the Indenture.

"Accountant's Certificate" means a certificate signed by an Independent Certified Public Accountant or a firm of Independent Certified Public Accountants, selected by the City.

"Accreted Value" means, with respect to any Capital Appreciation Bond and as of any date of calculation, the sum of the Initial Amount of such Bond and the interest accreted and compounded thereon to such date of calculation determined by reference to the applicable Accreted Value Table for the dates indicated thereon and as provided in the Indenture with respect to any other date.

"Accreted Value Table" means, with respect to the Capital Appreciation Bonds, the table attached to the Supplemental Indenture authorizing such Bonds pursuant to the Indenture, indicating as to the smallest Authorized Denomination of such Capital Appreciation Bonds, the Initial Amount thereof, the Accreted Value of such Capital Appreciation Bonds on each date on which interest on such Capital Appreciation Bonds is compounded, and the Accreted Value thereof on the maturity date thereof.

"Additional Bonds" means all Bonds, whether issued in one or more Series, authenticated and delivered on original issuance pursuant to the Indenture, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the Indenture.

"Adjustable Rate Bond" means, as of any date, any Bond not bearing interest from such date to the maturity thereof at a specified rate. Whenever the amount of interest due on Adjustable Rate Bonds is to be determined for purposes of the Indenture, the interest rate to be borne by such Bonds during any period as to which such interest rate has not been established will, except as otherwise provided in the Indenture, be deemed to be the most recently published <u>Bond Buyer</u> 25 Bond Revenue Index (or comparable index if no longer published) plus fifty basis points.

"Adjusted Debt Service" means, as of any date of calculation, with respect to any period, and with respect to any Bonds, an amount equal to the Debt Service accruing on such Bonds during such period adjusted as follows:

(i) interest on Adjustable Rate Bonds will be determined as provided in the definition thereof;

(ii) the amount of interest accruing on such Bonds during all or any portion of such period that an Integrated Swap Agreement is in effect with respect to such Bonds will be deemed to equal the amount to be paid by the City pursuant to such Integrated Swap Agreement;

(iii) the Principal Installments and interest (as allowed by the Federal Aviation Administration) on Grant Bonds will be deleted from such Debt Service;

(iv) net amounts to be paid by the City pursuant to Swap Agreements, other than Integrated Swap Agreements, during such period will be added to Debt Service;

(v) PFC Revenues deposited (or for the purpose of certain provisions of the Indenture dealing with issuance of Additional Bonds, projected to be deposited) to the PFC Debt Service Escrow Fund for such period will be applied as a reduction to Debt Service;

(vi) amounts in the applicable Debt Service Reserve Fund (excluding Financial Guaranties) which are available, together with amounts available in the Debt Service Fund, in accordance with the Indenture or Supplemental Indenture, to pay in full all Outstanding Bonds of a Series, will be applied as a reduction to Debt Service, for that Series of Bonds for the Fiscal Year in which such amounts are to be applied;

(vii) if any Bonds include an option or an obligation to tender all or a portion of such Bonds to the City, the Trustee or another fiduciary or agent and require that such Bonds or portion thereof be purchased if properly presented, then for purposes of determining the amounts of principal and interest due, the options or obligations to tender will be treated as a principal maturity occurring on the first date on which holders or owners thereof may or are required to tender, except that any such option or obligation to tender will be ignored and not treated as a principal maturity, if (1) such Bonds are rated in one of the two highest long-term rating categories by Moody's and by S&P or such Bonds are rated in the highest short-term, note or commercial paper rating categories by Moody's and by S&P and (2) funds for the purchase price are to be provided by a letter of credit or standby bond purchase agreement and the obligation of the City with respect to the provider of such letter of credit or standby bond purchase agreement, other than its obligations on such Bonds, will be subordinated to the obligation of the City on the Bonds or, if not subordinate, will be incurred (assuming such immediate tender) under the conditions and meeting the test for the issuance of parity debt set forth in the provision of the Indenture described in clause (g) of subsection 2 under the section of this Summary entitled "General Provisions for Issuance of Bonds; Additional Bonds"; and

(viii) amounts representing capitalized interest or other interest during construction, and other amounts escrowed with the Trustee or an escrow agent for the payment of debt service for a particular Series of Bonds, will be applied as a reduction to Debt Service for that Series of Bonds.

“Annual Budget” means the annual budget, as amended or supplemented, adopted or in effect for a particular Fiscal Year as provided in the Indenture.

“Authorized Denominations” means, (i) with respect to the 2023 Bonds, $5,000 or any integral multiple thereof, and (ii) with respect to any other Bonds, the amount or amounts so designated in the Supplemental Indenture authorizing such Bonds.

“Authorized Representative” means the Chief Administrative Officer, the Director of Administrative Services, the Director of Public Works, the Controller, and any other officer or employee of the City authorized to perform the specific acts or duties to be performed by resolution duly adopted by the City.

“BAM” or “Reserve Insurer” means Build America Mutual Assurance Company, or any successor thereto.

“Bond” or “Bonds” means any bond or bonds, as the case may be, authenticated and delivered under and pursuant to the Indenture.

“Bond Counsel” means an attorney or firm of attorneys of recognized national standing in the field of law relating to municipal bonds selected by the City.

“Bond Law” means the City of Fresno Municipal Improvements Revenue Bond Law, which incorporates, to the extent made applicable by such law, the Revenue Bond Law of 1941, being Chapter 6 of Division 2 of Title 5 of the California Government Code, as enacted and as thereafter amended, as adopted by the City pursuant to Sections 3, 5 and 7 of Article XI of the Constitution of the State of California and Section 1223 of the Charter of the City.

“Bond Register” means the registration books for the ownership of the Bonds maintained by the Bond Registrar pursuant to the Indenture.

“Bond Registrar” means the Trustee or any other bank or trust company organized under the laws of any state of the United States of America or national banking association appointed by the City to perform the duties of Bond Registrar enumerated in the Indenture.

“Bond Year” means the period from July 1 of each year to and including June 30 of the following year except as otherwise provided with respect to any Series of Bonds in the Supplemental Indenture authorizing such Series.

“2023 Bonds” means the Bonds authorized by the Fourth Supplemental Indenture, including any Bonds authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the Indenture.

“Business Day” means any day of the year on which banks in New York, New York or in the State of California are not required or authorized to remain closed and on which the Trustee, the Paying Agent and the New York Stock Exchange are open.

“Capital Appreciation Bonds” means the Bonds of each Series so designated and which bear interest payable as a portion of the Accreted Value of such Bonds at the maturity or earlier redemption or payment thereof.

“Capital Improvement” means any addition, betterment, replacement, renewal, extension or improvement of the City Airports, including, without limitation, the acquisition of land or any interests therein, which are chargeable to a capital account and capital costs for the extension, reinforcement, enlargement or other improvement of facilities, property or the acquisition of interests therein, whether or not included as part of the City Airports, determined by the City to be necessary or convenient in connection with the utilization of the City Airports.

“2023 Capitalized Interest Account” means the Account in the Debt Service Fund so established pursuant to the Indenture.

“Cede & Co.” means Cede & Co., the nominee of DTC as Securities Depository for any Bonds, and any successor nominee of DTC as such Securities Depository.

“City” means the City of Fresno, a charter city and a municipal corporation organized and existing under the constitution and the laws of the State of California, and any successor thereto.

“City Airports” means the airport known as the Fresno Yosemite International Airport, located within the City, and the airport known as the Fresno - Chandler Downtown Airport, located within the City, each as it now exists, including, without limitation, runways, taxiways, landing pads, aprons, beacon sites, obstruction lights, navigational and landing aids, control towers, facilities for storage of aircraft and for parking of automobiles, roadways, passenger and freight terminals, land, easements and rights in land for clear zone and approach purposes, maintenance hangars and related facilities and all equipment, buildings, grounds, facilities, utilities and structures owned, leased or operated in connection with or for the promotion or the accommodation of air commerce and air navigation and services in connection therewith, together with all additions, betterments, extensions, replacements, renewals and improvements thereto which may hereafter be undertaken, and any future airport or aviation facilities, or any interest therein, from time to time hereafter owned, operated or controlled in whole or in part by the City and determined by the City to be a part of the City Airports.

“Code” means the Internal Revenue Code of 1986 and the regulations issued thereunder, as the same may be amended from time to time, and any successor provisions of law. Reference to a particular section of the Code will be deemed to be a reference to any successor to any such section.

“Construction Fund” means the Fund so designated established pursuant to the Indenture.

“Cost” means, with respect to a Capital Improvement, all costs and expenses of planning, designing, acquiring, constructing, installing and financing such Capital Improvement, placing such Capital Improvement in operation, demolition and disposal of any property in connection with the acquisition and construction of such Capital Improvement and obtaining governmental approvals, certificates, permits and licenses with respect thereto. The term Cost will include, but will not be limited to:

(a) Costs of preliminary investigation and development, the performance or acquisition of feasibility and planning studies, and the securing of regulatory approvals, as well as costs for the acquisition of land and interest therein, engineering and contractors' fees, labor, materials, equipment, utility services and supplies, legal fees, fees incurred pursuant to any lending or credit facility or agreement, and financing expenses.

(b) Working capital and reserves therefor in such amounts as will be determined by the City to be reasonably required during the acquisition and construction of a Capital Improvement and for placing a Capital Improvement in operation, and such additional amounts of working capital and reserves therefor as may be approved by the City.

(c) Interest accruing in whole or in part on Bonds prior to and during the acquisition and construction of a Capital Improvement or any portion thereof, and for such additional period as the City may approve.

(d) The payment of principal, redemption price, if any, and interest when due (whether at the maturity of principal or at the due date of interest or upon redemption) of any note or other evidence of indebtedness the proceeds of which were applied to any of the costs of a Capital Improvement described in the Indenture, including without limitation Subordinated Indebtedness.

(e) Training and testing costs which are properly allocable to the acquisition, construction and placing in operation a Capital Improvement or any portion thereof.

(f) All costs of insurance applicable to the period of acquisition, construction and placing a Capital Improvement or any portion thereof in operation.

(g) All costs relating to injury and damage claims arising out of the acquisition, construction or placing in operation a Capital Improvement less available proceeds of insurance.

(h) Legally required or permitted federal, state and local taxes and payments in lieu of taxes allocable for the acquisition, construction or placing in operation of a Capital Improvement.

(i) All Costs of Issuance for Bonds, including the costs of Credit Enhancement for Bonds and any Financial Guaranty.

(j) Amounts due the United States of America as rebate of investment earnings with respect to the proceeds of the Bonds or as penalties in lieu thereof.

(k) Amounts payable with respect to capital costs for the expansion, reinforcement, enlargement or other improvement of facilities, property or interests therein, whether or not included as part of the City Airports, determined by the City as necessary or convenient in connection with the utilization of the City Airports and the costs associated with the removal from service or reduction in service of any facilities as a result of the expansion, reinforcement; enlargement or other improvement of such facilities or the acquisition, construction or placing in operation of a Capital Improvement.

(l) All other costs incurred by the City and properly allocable to the acquisition, construction, or placing in operation of a Capital Improvement or any portion thereof.

"Costs of Issuance" means all the costs of authorization, preparation, sale, issuance and delivery of Bonds and other costs related to the financing and refinancing of the City Airports, including, but not limited to, all printing and document preparation expenses in connection with the Indenture and any other financing documents, Bonds and any preliminary and final official statements pertaining to Bonds; rating agency fees; CUSIP Service Bureau charges; market study fees; fees and expenses of counsel; fees and expenses of consultants, including Independent Certified Public Accountants and Qualified Independent Airport Consultants; initial fees and expenses of providers of Credit Enhancement; any computer and other expenses; and the initial fees and expenses of the Trustee and its counsel and any Paying Agent and its counsel (including without limitation origination fees and first annual fees payable in advance).

"Covenanted PFC Revenues" means that portion equal to the Covenanted Portion of the revenue received by the City from time to time from PFC Revenues, including without limitation investment income with respect thereto earned after the PFC Revenues have been remitted to the City by the collecting airlines.

"Covenanted PFC Account" means the Account so designated which is created and established within the PFC Revenue Fund.

"Covenanted Portion" means initially all PFC Revenues received by the City from the collecting airlines attributable to the first $3.00 per enplaned passenger and thereafter will mean the portion of collected PFC Revenues from time to time established by the City pursuant to the Indenture.

"Credit Enhancement" means a letter of credit, an insurance policy or other instrument, other than a Financial Guaranty, pursuant to which a banking institution, insurance company or other financial institution agrees to make payments with respect to the Principal Amount, Redemption Price, or purchase price of, or interest on, Bonds.

"Current Interest Bonds" means the Bonds of each Series so designated and which bear interest payable on the Interest Payment Dates applicable to such Series.

"Customer Facility Charge" or "CFC" means any fee imposed by the City from time to time under the CFC Act.

"CFC Act" means California Civil Code Section 1936, including any amendments, successors or replacements thereto.

"CFC Revenues" means the CFC's received by the City.

"Date of Beneficial Occupancy" means the date of completion of the construction of all Capital Improvements financed with the proceeds of a particular Series of Bonds, as evidenced by a certificate of an Authorized Representative in accordance with the Indenture.

"Debt Service" means as of any date of calculation, with respect to any period, and with respect to the Bonds of any Series, an amount equal to the sum of (i) interest accruing during such period on the Outstanding Bonds of such Series, and (ii) that portion of each Principal Installment for the Outstanding Bonds of such Series which would accrue during such period if each such Principal Installment were deemed to accrue daily in equal amounts from the next preceding Principal Installment due date for such Bonds (or, if there will be no such preceding Principal Installment due date, from a date one year preceding the due date of such Principal Installment or from the date of issuance of the Bonds of such Series, whichever date is later). Such interest and Principal Installments for the Outstanding Bonds of such Series will be calculated on the assumption that no Bonds of such Series Outstanding at the date of calculation will cease to be Outstanding except by reason of the payment of each Principal Installment on the due date thereof.

"2023 Debt Service Account" means the Account in the Debt Service Fund established for the purpose of paying Debt Service on the 2023 Bonds.

"Debt Service Fund" means the Fund so designated established pursuant to the Indenture.

"Debt Service Reserve Agreement" means the Debt Service Reserve Agreement, dated May 25, 2023, between the City and BAM.

"Debt Service Reserve Funds" means the 2023 Debt Service Reserve Fund and any other Debt Service Reserve Fund established with respect to a Series of Bonds pursuant to the Supplemental Indenture authorizing such Series of Bonds.

"2023 Debt Service Reserve Fund" means the Fund so designated established pursuant to the Indenture.

"Debt Service Reserve Requirement" means, as of any date of calculation by the City with respect to any Series of Bonds, an amount which, when added to the amount of any Financial Guaranties then in effect and delivered pursuant to the Indenture or any Supplemental Indenture then in effect, is equal to the least of (A) ten percent (10%) of the initial offering price of such Series of Bonds (determined in accordance with the Code); (B) Debt Service for the Outstanding Bonds of such Series for the then current or any future Fiscal Year in which such Debt Service is a maximum; or (C) one hundred twenty-five percent (125%) of the average annual Debt Service on such Series of Bonds. In the event a Debt Service Reserve Fund is maintained to secure more than one Series of Bonds, these calculations may be made on a composite basis. In calculating Debt Service for the last Fiscal Year in which the 2023 Bonds are outstanding, for the purposes of calculating the amounts in clauses (B) and (C) above, an amount equal to the amount then on deposit in the 2023 Debt Service Reserve Fund will be deducted from such year's Debt Service.

"Defeasance Securities" means direct obligations of, or obligations which are unconditionally guaranteed by, the United States of America, including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America and including a receipt, certificate or any other evidence of an ownership interest in an aforementioned obligation or in specified portions thereof (which may consist of specified portions of interest thereon).

"Depository" means any bank (including the Trustee and its affiliates) or trust company organized under the laws of any state of the United States of America, or any national banking association which is willing and able to accept the office on reasonable and customary terms, authorized by law to act in accordance with the provisions of the Indenture.

"DTC" means The Depository Trust Company, a limited-purpose trust company organized under the laws of the State of New York, and its successors and assigns. References in the Indenture to DTC will include any nominee of DTC in whose name any Bonds are then registered.

"Event of Default" will have the meaning given to such term in the Indenture.

"Excess Reimbursement Obligation" means, for any period of time, the amount required to be paid during such period pursuant to a Reimbursement Agreement as a reimbursement of advances made pursuant to the related Credit Enhancement and the interest on such advances which is in excess of the Primary Reimbursement Obligation for such period.

"Fiduciary or Fiduciaries" means the Trustee, the Bond Registrar, the Paying Agents, the Depositories, or any or all of them, as may be appropriate.

"Final Compounded Amount" means, with respect to any Capital Appreciation Bond, the Accreted Value thereof on its maturity date.

"Financial Guaranty" means any of the following: (i) an irrevocable, unconditional and unexpired letter of credit issued by a bank, a trust company, a national banking association, a corporation subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provision of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provision of law or a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, the unsecured or uncollateralized long term debt obligations of which, or long term obligations secured or supported by a letter of credit issued by such bank, trust company, national banking association, corporation or branch, are rated at the time such letter of credit is delivered, without regard to qualification of such rating by symbols such as "+" or "-" or numerical notation, in at least the second highest rating category by Moody's or S&P; or (ii) an irrevocable and unconditional policy of insurance or surety bond in full force and effect issued by an insurance company or association duly authorized to do business in the State of New York and the State of California (y) the claims paying ability of which is rated at the time such policy of insurance or surety bond is delivered, without regard to qualification of such rating by symbols such as "+" or "-" or numerical notation, in at least the second highest rating category by Moody's or S&P; or (z) obligations insured by a surety bond or an insurance policy issued by such company or association are rated at the time such surety bond or insurance policy is delivered, without regard to qualification of such rating by symbols such as “+” or “-” or numerical notation, in at least the second highest rating category by Moody’s or S&P; in each case credited to the 2019 Debt Service Reserve Fund or a Debt Service Reserve Fund securing an additional Series of Bonds established pursuant to the Indenture.

“Series 2023 Financial Guaranty” means the Municipal Bond Debt Service Reserve Insurance Policy issued by BAM in the amount of $6,962,172.06 to be deposited in the 2023 Debt Service Reserve Fund, which amount shall satisfy the Debt Service Reserve Requirement with respect to the Series 2023 Bonds.

“Fiscal Year” means the twelve (12) month period commencing on July 1 of each year and ending on the following June 30 or any other period of twelve (12) consecutive months adopted by the City as its fiscal year.

“Fund” means a fund established pursuant to the Indenture.

“Grant Bonds” means Bonds the Principal Installments of which, together with interest (as allowed by the Federal Aviation Administration), are to be paid from, and which are secured by a pledge of, moneys to be received from the United States of America pursuant to a Letter of Intent requiring the United States of America to make payments to the City in an amount at least equal to such Principal Installments at or prior to the time said Principal Installments are due.

“Indenture” means the Indenture of Trust, dated as of June 15, 2000, by and between the City and the Trustee, as from time to time amended or supplemented by Supplemental Indentures in accordance with the terms of the Indenture.

“Independent Certified Public Accountant” means any certified public accountant or firm of such accountants appointed and paid by the City, and who, or each of whom:

(i) is in fact independent and not under domination of the City;

(ii) does not have any substantial interest, direct or indirect, with the City; and

(iii) is not connected with the City as an officer or employee of the City, but who may be regularly retained to make annual or other audits of the books or reports of the City.

“Initial Amount,” means, with respect to any Capital Appreciation Bond, the Accreted Value of such Capital Appreciation Bond on the date of issuance thereof.

“Insured Obligations” means the Series 2023A Bonds and the Series 2023B Bonds.

“Integrated Swap Agreement” means a Swap Agreement as to which the Trustee has received a certificate of an Authorized Representative stating: (i) the notional amount of such agreement relates to an equal Principal Amount of Bonds identified in such certificate; (ii) the interest rate (or basis of determining the interest rate) to be paid by parties to such agreement and the dates of payment thereof; and (iii) the amounts to be received by the City pursuant to such

Integrated Swap Agreement are at least equal to the interest on such related Bonds during the term of such Swap Agreement.

"Interest Payment Date" means (i) with respect to the 2023 Bonds, each January 1 and July 1, commencing January 1, 2024; and (ii) with respect to the Current Interest Bonds of any other Series, the interest payment dates for such Series specified in the Supplemental Indenture authorizing the issuance of such Series.

"Investment Securities" means and include any of the following securities, if and to the extent the same are at the time legal for investment of the City's funds:

(i) Defeasance Securities.

(ii) Bonds, debentures, notes or other evidences of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America: U.S. Export-Import Bank, Farmers Home Administration, Federal Financing Bank, Federal Housing Administration Debentures, General Services Administration, Government National Mortgage Association and U.S. Maritime Administration.

(iii) New Housing Authority Bonds or Project Notes issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions to be paid by the United States of America or any agency thereof.

(iv) Senior debt obligations of the Federal Home Loan Bank System; participation certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation; mortgage-backed securities and senior debt obligations of the Federal National Mortgage Association; and senior debt obligations of the Student Loan Marketing Association.

(v) (a) Direct and general obligations, the payment of which the full faith and credit of the issuer is pledged, of any state of the United States of America or any political subdivision thereof and (b) bonds, notes, warrants, or other evidences of indebtedness of any local agency of any state of the United States of America or any political subdivision thereof, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority thereof or any agency or instrumentality thereof which, in the case of securities described in either (a) or (b) above, at the time of investment is rated by Moody's as "P-1," VMIG-1, MIG-l or "Aa" or better or by S&P as "A-1+," "SP-1+" or "AA" or better.

(vi) Bank time deposits evidenced by certificates of deposit, and bankers' acceptances, issued by any bank, savings and loan association, mutual savings bank or national banking association insured by the Federal Deposit Insurance Corporation (including the Trustee and its affiliates); provided either that the aggregate of such bank time deposits and bankers' acceptances issued by any bank or banking association does not exceed at any one time ten per cent (10%) of the aggregate of the capital stock, surplus and undivided profits of such bank, trust company or banking association and that such capital stock, surplus and undivided profits will not be less than Twenty-Five Million Dollars ($25,000,000); or that such deposits are fully and continuously secured by a perfected first security interest in obligations described in paragraphs (i), (ii) or (iii) of this definition held by a party other than such bank or banking association.

(vii) Repurchase Agreements with: (1) any domestic bank, or domestic branch of a foreign bank, the long term debt of which is rated at least "A" by S&P and Moody's; or (2) any broker-dealer with "retail customers" or a related affiliate thereof which broker-dealer has, or the parent company (which guarantees the provider) of which has, long-term debt rated at least "A" by S&P and Moody's, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation; or (3) any other entity rated "A" or better by S&P and Moody's and acceptable to the Insurer, provided that:

(a) The market value of the collateral is maintained at levels and upon such conditions as would be acceptable to S & P and Moody's to maintain an "A" rating in an "A" rated structured financing (with a market value approach);

(b) The Trustee or a third party acting solely as agent therefor or for the City (the "Holder of the Collateral") has possession of the collateral or the collateral has been transferred to the Holder of the Collateral in accordance with applicable state and federal laws (other than by means of entries on the transferor's books);

(c) The repurchase agreement shall state and an opinion of counsel shall be rendered at the time such collateral is delivered that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession);

(d) All other requirements of S&P in respect of repurchase agreements shall be met; and

(e) The repurchase agreement shall provide that if during its term the provider's rating by either Moody's or S&P is withdrawn or suspended or falls below "A" by S&P or by Moody's, the provider must, at the direction of the City or the Trustee, within 10 days of receipt of such direction, repurchase all collateral and terminate the agreement, with no penalty or premium to the City or Trustee.

Notwithstanding the above, if a repurchase agreement has a term of 270 days or less (with no evergreen provision), collateral levels need not be as specified in (a) above, so long as such collateral levels are 103% or better and the provider is rated at least "A" by S&P and Moody's.

(viii) Investment agreements with a domestic or foreign bank or corporation (other than a life or property casualty insurance company) the long-term debt of which, or, in the case of a guaranteed corporation the long-term debt, or, in the case of a monoline financial guaranty insurance company, claims paying ability, of the guarantor is rated at least "AA" by S&P and "Aa" by Moody's; provided that, by the terms of the investment agreement:

(a) Interest payments are to be made to the Trustee at times and in amounts as necessary to pay debt service (or, if the investment agreement is for the construction fund, construction draws) on the Bonds;

(b) The invested funds are available for withdrawal without penalty or premium, at any time upon not more than seven days' prior notice; the City and the Trustee hereby agree to give or cause to be given notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid;

(c) The investment agreement shall state that is the unconditional and general obligation of, and is not subordinated to any other obligation of, the provider thereof or, if the provider is a bank, the agreement or the opinion of counsel shall state that the obligation of the provider to make payments thereunder ranks pari passu with the obligations of the provider to its other depositors and its other unsecured and unsubordinated creditors;

(d) The City or the Trustee receives the opinion of domestic counsel (which opinion shall be addressed to the City) that such investment agreement is legal, valid, binding and enforceable upon the provider in accordance with its terms and of foreign counsel;

(e) The investment agreement shall provide that if during its term

(i) the provider's rating by either S&P or Moody's falls below "AA-" or "Aa3", respectively, the provider shall, at its option, within 10 days of receipt of publication of such downgrade, either (A) collateralize the investment agreement by delivering or transferring in accordance with applicable state and federal laws (other than by means of entries on the provider's books) to the City, the Trustee or a third party acting solely as agent therefor (the "Holder of the Collateral") collateral free and clear of any third-party liens or claims the market value of which collateral is maintained at levels and upon such conditions as would be acceptable to S & P and Moody's to maintain an "A" rating in an "A" rated structured financing (with a market value approach); or (B) repay the principal of and accrued but unpaid interest on the investment, and

(ii) the provider's rating by either S&P or Moody's is withdrawn or suspended or falls below "A-" or "A3", respectively, the provider must, at the direction of the City or the Trustee (who shall give such direction if so directed by the Insurer), within 10 days of receipt of such direction, repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium to the City or Trustee,

(f) The investment agreement shall state and an opinion of counsel shall be rendered, in the event collateral is required to be pledged by the provider under the terms of the investment agreement, at the time such collateral is delivered, that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession); and

(g) The investment agreement must provide that if during its term

(i) the provider shall default in its payment obligations, the provider's obligations under the investment agreement shall, at the direction of the City or the Trustee, be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the City or Trustee, as appropriate, and

(ii) the provider shall become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc. ("event of insolvency"), the provider's obligations shall automatically be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Issuer or Trustee, as appropriate.

(ix) Commercial paper rated, at the time of purchase, "Prime - 1" by Moody's or "A-1" or better by S&P.

(x) State of California Local Agency Investment Fund, a pooled investment fund managed by the State of California Treasurer's office meeting all legal guidelines and requirements for the investment of California public agency funds.

(xi) Shares in a California common law trust established pursuant to Title 1, Division 7, Chapter 5 of the Government Code of the State of California which invests exclusively in investments permitted by Section 53635 of Title 5, Division 2, Chapter 4 of the Government Code of the State of California, as it may be amended.

(xii) Money market funds rated "AAm" or "AAm-G" by S&P, or better, including funds for which the Trustee, its affiliates or subsidiaries provide investment advisory or other management services.

(xiii) Any other investment which the City deems to be a prudent investment and which is in compliance with the City's investment policy, provided that such investment is rated "A" or better by Moody's or S&P.

"Late Payment Rate" means the lesser of (a) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank, N.A., at its principal office in The City of New York, New York, as its prime or base lending rate ("Prime Rate") (any change in such Prime Rate to be effective on the date such change is announced by JPMorgan Chase Bank, N.A.) plus 5%, and (ii) the then applicable highest rate of interest on the Insured Obligations and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. In the event JPMorgan Chase Bank, N.A., ceases to announce its Prime Rate, the Prime Rate shall be the prime or base lending rate of such other bank, banking association or trust company as BAM, in its sole and absolute discretion, shall designate. Interest at the Late Payment Rate on any amount owing to BAM shall be computed on the basis of the actual number of days elapsed in a year of 360 days.

"Letter of Intent" means a letter or other evidence of intent from the Federal Aviation Administration of the United States of America to make payments to the City with respect to City Airports facilities or property.

"Maturity Amount" means, (i) with respect to a Capital Appreciation Bond, the Final Compounded Amount thereof, and (ii) with respect to a Current Interest Bond, the stated principal amount thereof.

"Maximum Annual Adjusted Debt Service" means, as of any date of calculation, the Adjusted Debt Service for all Outstanding Bonds for the then current or any future Fiscal Year in which such Adjusted Debt Service is a maximum. In calculating the Maximum Annual Adjusted Debt Service for any Fiscal Year, the City will assume that PFC Revenues will be deposited in the Debt Service Escrow Fund as and to the extent provided in certain provisions of the Indenture described in clauses (g) and (h) of subsection 2 under the section of this Summary entitled "General Provisions for Issuance of Bonds; Additional Bonds."

"Minimum PFC Contribution "means, for any Fiscal Year, the lesser of (i) $1,600,000, (ii) the PFC Projected Debt Service plus, in the case of (i) or (ii), the amount determined by the City to be that portion of any deficiency in the Debt Service Reserve Fund attributable to the portion of the Bonds used to refinance PFC-approved Project Costs and (iii) all Covenanted PFC Revenues collected during such Fiscal Year.

"Moody's" means Moody's Investors Service, a corporation organized and existing under the laws of the State of Delaware and its corporate successors.

"Net Revenues" means, with respect to any period, the Revenues for such period less the amount of Operating Expenses during such period.

"Net Rent Lease" means a lease, installment sale agreement or other agreement by the City, relating to a Special Facility designated as such by the City, pursuant to which the lessee or purchaser or other party agrees to pay to the City rentals, installment payments or other payments during the term thereof sufficient to pay when due all costs, including debt service, payable by the City with respect to Special Facility Bonds relating to such Special Facility and to pay in addition all operation and maintenance expenses relating to such Special Facility, including, without limitation, maintenance costs, insurance, and all property taxes and assessments.

"Operating Expenses" means the reasonable and necessary costs of operating, maintaining and administering the City Airports, paid or accrued, including (among other things) salaries and wages, fees for services, costs of materials, supplies and fuel, reasonable expenses of management, repairs and other expenses necessary to maintain and preserve the City Airports in good repair and working order, reasonable amounts for administration, overhead, insurance, taxes (if any) and other similar costs, capital outlays to the extent budgeted by the City to be paid from the Operating Fund, the fees and expenses of the Fiduciaries, the regularly scheduled fees (but not the repayment of advances or the interest on advances) to be paid pursuant to any Reimbursement Agreement, expenses incurred in connection with the purchase or redemption of Bonds (but not the purchase price or Redemption Price of such Bonds), the amounts required to be paid into the Rebate Fund, and all other costs (including overhead) properly allocable to the operation, maintenance or administration of the City Airports, but excluding in all cases depreciation and obsolescence charges or reserves therefor, amortization of intangibles or other bookkeeping entries of a similar nature, amortization and depreciation of Capital Improvements, charges for the payment of principal and interest on any Bonds or other obligations hereafter issued for City Airports purposes, and costs and expenses attributable to Special Facilities to the extent required to be paid by lessees pursuant to the terms of any Special Facility lease.

"Operating Fund" means the Fund so designated established pursuant to the Indenture.

"Operating Reserve Fund" means the Fund so designated established pursuant to the Indenture.

"Operating Reserve Requirement" means, as of any date of calculation, an amount equal to twenty percent (20%) of the amount included in the then current Annual Budget for Operating Expenses.

"Opinion of Bond Counsel" means a written opinion signed by Bond Counsel.

"Other Available Funds" means any amount of unencumbered funds accumulated in the Surplus Fund which, prior to the beginning of any Fiscal Year, are designated by the City as Other Available Funds and are transferred at the beginning of such Fiscal Year to the Revenue Fund; but in no event may such amount exceed twenty-five percent (25%) of Debt Service (determined prior to deducting any amounts deposited to the PFC Debt Service Escrow Fund) for the Bonds for such Fiscal Year for purposes of the Indenture.

"Outstanding," when used with reference to Bonds, means, as of any date, Bonds theretofore or thereupon being authenticated and delivered under the Indenture except:

(i) Bonds cancelled by the Trustee, or delivered to the Trustee for cancellation, at or prior to such date;

(ii) Bonds paid or deemed paid pursuant to the Indenture; and

(iii) Bonds in lieu of or in substitution for which other Bonds will have been authenticated and delivered pursuant to the Indenture.

"Owner" means the person registered as the owner of a Bond in the Bond Register.

"Participant" means an entity which is recognized as a participant in the book-entry system of maintaining records with respect to a Series of Bonds by the Securities Depository for such Series of Bonds.

"Passenger Facility Charge" or "PFC" means any passenger facility charge authorized from time to time under the PFC Act or PFC Regulations.

"Paying Agent," when used with reference to any Series of Bonds, means any commercial bank (including the Trustee and its affiliates) or trust company organized under the laws of any state of the United States of America, or any national banking association, designated as paying agent for the Bonds of such Series, and its successor or successors appointed in the manner provided in the Indenture.

"PFC Act" or "PFC Regulations" means respectively 49 U.S.C. §40117, and Title 14, Code of Federal Regulations (CFR) Part 158, including any amendments, successors or replacements thereto (including Public Law No. 106-181).

"PFC Debt Service Escrow Fund" means the Fund so designated which is created, and established pursuant to the Indenture.

"PFC Project Account" means the Account so designated which is created and established within the PFC Revenue Fund.

"PFC Projected Debt Service" means the debt service, as calculated by the City, for any period in question, on that portion of the 2013 Bonds used to refinance PFC-approved Project Costs.

"2023 PFC Projected Debt Service" means the debt service, as calculated by the City, for any period in question, on that portion of the 2023 Bonds used to finance or refinance PFC-approved Project Costs.

"PFC Revenue Fund" means the fund so designated which is created and established pursuant to the Indenture.

"PFC Revenues" means the Passenger Facility Charge receipts collected from enplaned passengers at the Fresno Yosemite International Airport, less any collection or service fee or other amount permitted to be retained by the collecting airlines, which have been approved by the Federal Aviation Administration, pursuant to the PFC Act and PFC Regulations, which are remitted to the City.

"PFC-approved Project Costs" means costs that are approved by the Federal Aviation Administration for PFC funding in accordance with the PFC Act and PFC Regulations.

"Policy" means the Municipal Bond Insurance Policy issued by BAM that guarantees the scheduled payment of principal of and interest on the Insured Obligations when due.

"Primary Reimbursement Obligation" means, for any period of time, the amount required to be paid during such period pursuant to a Reimbursement Agreement as a reimbursement of advances made pursuant to the related Credit Enhancement and the interest on such advances but only to the extent that such amount is not in excess of the regularly scheduled Debt Service on the Bonds as to which such advance was made assuming any Bonds which are Adjustable Rate Bonds bear interest during such period at the interest rate specified in the definition of the term Adjustable Rate Bonds.

"Principal Amount" means, as of any date of calculation, (i) with respect to any Capital Appreciation Bond, the Accreted Value thereof as of such date of calculation, and (ii) with respect to any Current Interest Bond, the stated principal amount thereof.

"Principal Installment" means, with respect to amounts due for the Bonds of any Series as of any date, (i) the Principal Amount of all Outstanding Bonds of such Series due on such date for which no Sinking Fund Installments have been established, and (ii) the unsatisfied balance (determined as provided in the Indenture) of any Sinking Fund Installments due on such date for Outstanding Bonds of such Series, plus the amount of the sinking fund redemption premiums, if any, which would be applicable upon redemption of such Bonds on such date, in a Principal Amount equal to said unsatisfied balance of such Sinking Fund Installments.

"Qualified Independent Airport Consultant" means a person or firm who or which engages in the business of advising the management of airports concerning the operation and financing of airports, including consultation and advice with respect to leases and agreements with airline companies and concessionaires of all types and character and also including advice and consultation generally concerning the use and operation of airports, and which person or firm, by reason of his or its knowledge and experience, has acquired a reputation as a recognized airport consultant. Such Qualified Independent Airport Consultant may include a person or firm rendering professional engineering or accounting services in addition to his or its occupation as an airport consultant and may include any person or firm regularly retained by the City as an airport consultant to the City.

"Qualified Provider" means, with respect to any Swap Agreement, a financial institution whose senior long term debt obligations, or whose obligations under any Swap Agreement are guaranteed by a financial institution whose senior long term debt obligations, are rated by whichever of Moody's or S&P as then has a rating in effect for Bonds, or both such agencies if both then have a rating in effect for Bonds, at the time the subject Swap Agreement is entered into at least "Aa" in the case of Moody's and "AA" in the case of S&P, or the equivalent thereof.

"Rebate Fund" means the Fund so designated established pursuant to the Indenture.

"Record Date" means (i) with respect to the 2023 Bonds, the fifteenth (15^{th}) day of the calendar month preceding each Interest Payment Date whether or not such fifteenth (15^{th}) calendar day is a Business Day; and (ii) with respect to the payment of interest on any other Series of Bonds, the date or dates specified as such in the Supplemental Indenture authorizing such Series.

"Redemption Price" means, with respect to any Bond, the Principal Amount thereof plus the applicable premium, if any, payable upon redemption thereof.

"Refunding Bonds" means all Bonds, whether issued in one or more Series, authenticated and delivered on original issuance pursuant to the Indenture, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the Indenture.

"Reimbursement Agreement" means an agreement with a provider of Credit Enhancement pursuant to which the City agrees to reimburse such provider for advances made pursuant to such Credit Enhancement and to pay interest on such advances; provided, however, that the maximum rate of interest payable on such advances will be specified in such agreement.

"Renewal and Replacement Fund" means the Fund so designated established pursuant to the Indenture.

"Renewal and Replacement Fund Requirement" means $500,000 or such greater or lesser amount as the City will from time to time establish by resolution of the City, and evidenced by a certificate signed by an Authorized Representative and filed with the Trustee.

"Representation Letter" means the letter of representations from the City and the Trustee to, or other instrument or agreement among the City and the Trustee with, a Securities Depository for a Series of Bonds in which the City and the Trustee, among other things, make certain representations to such Securities Depository with respect to such Series of Bonds, the payment thereof, and delivery of notices with respect thereto.

"Revenue Bond Index" means the 25-Bond Revenue Index as published in The Bond Buyer or, if such index will cease to be published, Revenue Bond Index will mean such other commonly published comparable tax-exempt securities index as the City reasonably selects.

"Revenue Fund" means the Fund so designated established pursuant to the Indenture.

"Revenues" means all charges received for and all other income and receipts derived by the City from the, ownership, operation and use of and otherwise pertaining to the City Airports, or any part thereof, whether resulting from extensions, enlargements, repairs, betterments or other improvements to the City Airports, or otherwise, and includes, except to the extent hereinafter expressly excluded, all revenues received by the City from the City Airports, including, without limitation, all rentals, rates, fees and other charges for the use of the City Airports, or for any service rendered by the City in the operation thereof, investment income deposited in the Revenue Fund, the Debt Service Fund or the Surplus Fund but, unless and until deposited in the Revenue Fund, excluding:

(a) moneys received as grants, appropriations or contributions from the United States of America, the State of California or any other governmental entity or agency, the use of which is limited by the grantor or donor to the cost of related City Airports facilities or property;

(b) PFC Revenues and the receipts from any other per-passenger charge as may be hereafter lawfully authorized;

(c) proceeds from the Bonds or proceeds from loans or other borrowings obtained by the City;

(d) moneys received with respect to any Net Rent Lease;

(e) moneys received from insurance proceeds other than loss of use or business interruption insurance proceeds, from the taking by or under eminent domain or from the sale of all or any part of the City Airports;

(f) any payments to be received by the City pursuant to a Swap Agreement;

(g) amounts deposited to the Construction Fund prior to the Date of Beneficial Occupancy;

(h) the proceeds received by the City from the sale or other disposition of all or part of the City Airports property, except amounts representing interest or finance charges in a deferred sale or other similar method of conveyance where a portion of the sale price is payable on a deferred basis, in which case any interest or finance charges will be considered Revenues;

(i) revenues that are derived from properties constituting a part of Fresno Yosemite International Airport that are required to be deposited to the Airways Golf Course Capital Fund; and

(j) Other Available Funds transferred to the Revenue Fund as provided in the Indenture.

The definition of "Revenues" includes "CFC Revenues", subject to the limitations on use of CFC Revenues set forth in the Indenture.

"S&P" means Standard & Poor's, a Division of The McGraw-Hill Companies, and its successors.

"Securities Depository" means a trust company or other financial institution which is registered as a "clearing agency" pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended, or is otherwise qualified under applicable law to act as securities custodian for Bonds on behalf of the Participants and the beneficial owners of interests in such Bonds.

"Series," when used with reference to the Bonds, means all of the Bonds authenticated and delivered on original issuance and identified pursuant to the Indenture (including any Supplemental Indenture) as a separate Series of Bonds, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the Indenture (including any Supplemental Indenture), regardless of variations in maturity, interest rate, Sinking Fund Installments, or other provisions.

"Sinking Fund Installment" means an amount so designated which is established pursuant to the Indenture with respect to the Bonds.

“Special Facility” means any facility designated by the City as such located on property included within the City Airports relating to or used in connection with the City Airports, the cost of which is financed with the proceeds of outstanding Special Facility Bonds.

“Special Facility Bonds” means bonds, notes or other evidences of indebtedness, including without limitation certificates of participation in leases, installment sale agreements and other agreements issued or incurred by the City but excluding Bonds, the proceeds of which were or are to be applied to the costs of any Special Facility (including the refinancing of such costs) and which are payable solely from all or a portion of the rentals, installment payments or other payments received pursuant to a Net Rent Lease of such Special Facility.

“Subaccounts” means any or all subaccounts in any or all of the Accounts held and maintained under the Indenture.

“Subordinated Indebtedness” means any bond, note or other evidence of indebtedness, including without limitation the obligation to make payments with respect to the repayment of advances made by any provider of credit enhancement for such bond, note, or other evidence of indebtedness, which is expressly made subordinate and junior in right of payment to the Bonds and which complies with the provisions of the Indenture. Any such Subordinated Indebtedness will not be nor be deemed to be Bonds for purposes of the Indenture.

“Subordinated Indebtedness Fund” means the Fund so designated established pursuant to the Indenture.

“Subordinated Indebtedness Indenture” means the resolution, indenture or other instrument authorizing the issuance of any Subordinated Indebtedness and any reimbursement or other agreement with the issuer of any credit enhancement for Subordinated Indebtedness providing for the repayment of any advances made pursuant to such credit enhancement and interest thereon.

“Supplemental Indenture” means any indenture supplemental to or amendatory of the Indenture as theretofore in effect, entered into by the City and the Trustee in accordance with the Indenture.

“Surplus Fund” means the Fund so designated established pursuant to the Indenture.

“Swap Agreement” means an agreement between the City and a Qualified Provider as to which the conditions of the Indenture have been satisfied providing for payments between the parties based on levels of, or changes in, interest rates, stock or other indices or contracts to exchange cash flows or a series of payments or contracts, including without limitation, interest rate floors or caps, options, puts or calls to hedge payment, rate, spread or similar exposure.

“Tax Certificate” means the Tax Certificate, concerning certain matters pertaining to the use and investment of proceeds of any Series of Bonds, executed and delivered by the City on the date of issuance of such Series of Bonds, including any and all exhibits thereto.

"Trustee" means The Bank of New York Mellon Trust Company, N.A. (as successor in interest to BNY Western Trust Company), its successor or successors and any other entity which may at any time be substituted in its place as trustee pursuant to the Indenture.

"Trust Estate" means, subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture: (i) the Revenues and (ii) all amounts on deposit in the Funds and Accounts held and maintained pursuant to the Indenture (including amounts in the PFC Debt Service Escrow Fund and Covenanted PFC Account but excluding other PFC Revenues, the PFC Revenue Fund, the Operating Fund, the Rebate Fund, and any Debt Service Reserve Fund for any additional Series of Bonds), including the investments, if any, thereof.

AUTHORIZATION AND ISSUANCE OF BONDS

General Provisions for Issuance of Bonds; Additional Bonds

1. One or more Series of Additional Bonds may be issued, authenticated and delivered upon original issuance for the purpose of paying all or a portion of the Cost of any Capital Improvement.

2. All (but not less than all) the Bonds of each Series will be executed by the City for issuance under the Indenture and delivered to the Trustee and thereupon will be authenticated by the Trustee and by it delivered to the City or upon its order, but only upon the receipt by the Trustee of the following items (upon which the Trustee may conclusively rely in determining whether the conditions precedent for the issuance and authentication of such Series of Bonds have been satisfied):

   (a) An executed copy of the Indenture as originally executed and certified by an Authorized Representative to be in full force and effect;

   (b) An opinion of Bond Counsel to the effect that (i) with respect to the Bonds of any Series, the Supplemental Indenture pursuant to which such Series of Bonds is to be issued, has been duly executed and delivered by the City and constitutes the legal, valid and binding obligation of the City enforceable against it in accordance with the terms thereof; and (ii) the Bonds of such Series constitute the valid and binding special, limited obligations of the City, payable solely from the Trust Estate and any other additional source of funds not included in the Trust Estate if so provided in the Indenture or any Supplemental Indenture; provided, however, that such Opinion of Bond Counsel may include such exceptions and qualifications as will be acceptable to the initial purchaser or purchasers of the Bonds of such Series;

   (c) A written order as to the delivery of such Bonds, signed by an Authorized Representative;

   (d) An executed copy of the Supplemental Indenture authorizing such Bonds, certified by an Authorized Representative to be in full force and effect, which will, among other provisions, specify: (i) the authorized Principal Amount of the Current Interest Bonds of such Series and the aggregate Initial Amounts for the Capital

Appreciation Bonds of each maturity for such Series, and the Series designation of such Bonds; (ii) the purpose or purposes for which such Series of Bonds is being issued, which will be one of the purposes specified in the Indenture; (iii) the date, and the maturity date or dates, of the Bonds of such Series; (iv) the interest rate or rates on the Current Interest Bonds of such Series (or, with respect to Adjustable Rate Bonds, the method of determining the interest rate or rates and the maximum interest rate on such Adjustable Rate Bonds), and the Interest Payment Dates therefor (or with respect to Adjustable Rate Bonds, the method of determining the Interest Payment Dates); (v) the yield to maturity and the dates of compounding interest on the Capital Appreciation Bonds of such Series, together with an Accreted Value Table for such Capital Appreciation Bonds indicating the Initial Amount for the smallest Authorized Denomination for such Capital Appreciation Bonds, the Accreted Value thereof on each date for compounding interest, and the Final Compounded Amount thereof (which Accreted Value Table will establish the Accreted Value of such Capital Appreciation Bonds for each of the dates indicated in such Accreted Value Table for all purposes of the Indenture, including the payment of such Capital Appreciation Bonds and the Accreted Value thereof on each compounding date for purposes of determining the Accreted Value thereof between such compounding dates, and the Accreted Value of such Capital Appreciation Bonds for any date not indicated on such Accreted Value Table will be determined by computing and compounding interest in accordance with the Supplemental Indenture authorizing such Capital Appreciation Bonds); (vi) Authorized Denominations of, and the manner of dating, numbering and lettering, the Bonds of such Series; (vii) the Paying Agent or Paying Agents and the place or places of payment of the Principal Amount, Redemption Price, if any, of, and interest on, the Bonds of such Series; (viii) the Redemption Price or Prices, if any, and, subject to the provisions of the Indenture, the redemption terms for the Bonds of such Series; (ix) the Sinking Fund Installments, if any, for the Bonds of such Series, provided that each Sinking Fund Installment, if any, will fall upon an Interest Payment Date for such Bonds; (x) if so determined by the City, provisions for the sale of the Bonds of such Series; (xi) whether the Bonds of such Series are to be registered in the name of a Securities Depository, or its nominee, and any provisions appropriate or necessary with respect to the arrangements made with the Securities Depository for such Bonds in the applicable Representation Letter; (xii) the application of the proceeds of the sale of such Bonds including the amount, if any, to be deposited in the Funds and Accounts; (xiii) the terms of any Credit Enhancement for the Bonds of such Series, or any portion thereof, and any provisions relating to such Credit Enhancement, including without limitation, the establishment of Funds or Accounts for the deposit of advances under such Credit Enhancement; (xiv) the Debt Service Reserve Requirement relating to the Debt Service Reserve Fund established thereunder; and (xv) the forms of the Bonds of such Series and of the Trustee's certificate of authentication thereon;

(e) The amount necessary for deposit in the Debt Service Reserve Fund established with respect to a Series of Bonds so that the amount in such Fund will equal the applicable Debt Service Reserve Requirement calculated immediately after the authentication and delivery of such Series of Bonds;

(f) A certificate of an Authorized Representative stating that the City is not in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Indenture and applicable to the City; provided, however, that in the case of Refunding Bonds such certificate may state that upon the application of the proceeds of such Refunding Bonds in accordance with the Supplemental Indenture authorizing their issuance, the City will not be in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Indenture and applicable to the City;

(g) Unless the requirements of any of clauses (a), (h), (i) or (j) of this subsection 2 are satisfied, the Net Revenues, together with Other Available Funds, as determined from the accounting records of the City, for the last Fiscal Year or last twelve (12) month period for which financial statements were prepared, whichever is later, preceding the date of the issuance of such Series of Bonds, plus:

(i) An allowance for additional Net Revenues from any additions or improvements to the City Airports to be made from any source, including the proceeds of such Series of Bonds or Bonds previously issued, but which, during all or any part of such Fiscal Year or reported twelve (12) month period, were not in service (but less any Net Revenues attributable to any such additions or improvements and received during such Fiscal Year or reported twelve (12) month period); all in an amount equal to one hundred percent (100%) of the estimated additional average annual Net Revenues to be derived from such additions and improvements for the first twenty-four (24) months in which each addition or improvement is respectively to be in operation, all as shown by the certificate or opinion of a Qualified Independent Airport Consultant; and

(ii) An allowance for additional Net Revenues arising from any increase in the charges made for the use of the City Airports which has become effective prior to the issuance of such Series of Bonds, but which, during all or any part of such Fiscal Year or reported twelve (12) month period, was not in effect, in an amount equal to one hundred percent (100%) of the amount by which the Net Revenues would have been increased if such increase in charges had been in effect during the whole of such Fiscal Year or reported twelve (12) month period, as shown by the certificate or opinion of a Qualified Independent Airport Consultant;

will have produced a sum equal to at least one hundred twenty-five percent (125%) of Maximum Annual Adjusted Debt Service with respect to the Bonds to be Outstanding upon the issuance of such Series of Bonds. For the purposes of calculating Maximum Annual Adjusted Debt Service, the City may assume that PFC Revenues to be deposited into the PFC Debt Service Escrow Fund for each future Fiscal Year will equal the PFC Revenues deposited in such Fund in the Fiscal Year preceding the year in which such calculation is made.

(h) With respect to any Series of Additional Bonds issued to pay the Cost of a Capital Improvement and in lieu of satisfying the requirements of clauses (g), (i) or (j) of this subsection 2, a written report of a Qualified Independent Airport Consultant setting forth projections indicating that the estimated annual Net Revenues, together with Other Available Funds, as then estimated by the Qualified Independent Airport Consultant, for each of the first three (3) complete Fiscal Years immediately following the estimated Date of Beneficial Occupancy of the Capital Improvement to be financed from the proceeds of such Series of Additional Bonds will produce a sum equal to at least one hundred twenty-five percent (125%) of Maximum Annual Adjusted Debt Service in each of such years with respect to the Bonds to be Outstanding upon the issuance of such Series of Bonds. For the purposes of calculating Maximum Annual Adjusted Debt Service in each of the three Fiscal Years referenced above, the City will reduce Maximum Annual Adjusted Debt Service by the amount of PFC Revenues projected to be deposited in the PFC Debt Service Escrow Fund in each of such Fiscal Years. Notwithstanding the above, such three-year period will be deemed to end no later than the date which is five years after the end of the Fiscal Year in which such calculation is made.

(i) With respect to any Series of Bonds issued to pay the Cost of completing any Capital Improvement for which Bonds have previously been issued, which Series of Bonds in the aggregate will not exceed 10% of the Outstanding Principal Amount of the Bonds previously issued for the Cost of such Capital Improvement, and in lieu of satisfying the requirements of clauses (g), (h) or (j) of this subsection 2, a certificate of an Authorized Representative certifying that the amount of proceeds to be available for such Cost of such Capital Improvement will be sufficient to pay the remaining estimated Cost of such Capital Improvement and a certificate of a Qualified Independent Airport Consultant to the effect that the scope of such Capital Improvement has not been materially increased since the last issuance of Bonds in connection with the issuance of which the requirements of clauses (g) or (h) of this subsection 2 were satisfied.

(j) With respect to any Series of Refunding Bonds and in lieu of satisfying the requirements of any of clauses (g), (h) or (i) of this subsection 2, a certificate of an Authorized Representative to the effect that the Debt Service for all Outstanding Bonds in each Fiscal Year after the issuance of such Refunding Bonds, and the application of the proceeds thereof to the refunding of Bonds, will not be greater than the Debt Service for all Outstanding Bonds immediately prior to the issuance of such Refunding Bonds.

(k) Such further documents, moneys and securities as are required by the provisions of the Indenture or any Supplemental Indenture entered into pursuant to the Indenture.

Refunding Bonds

1. One or more Series of Refunding Bonds may be issued, authenticated and delivered upon original issuance to refund all Outstanding Bonds of one or more Series or all or any Outstanding Bonds within a Series. Refunding Bonds will be issued in a Principal Amount sufficient, together with other moneys available therefor, to accomplish such refunding including providing amounts for the Costs of Issuance of such Refunding Bonds and the making of any deposits into the Funds and Accounts required by the provisions of the Supplemental Indenture authorizing such Series of Refunding Bonds.

2. Refunding Bonds of each Series will be authenticated and delivered by the Trustee only upon receipt by the Trustee (in addition to the documents required by the Indenture with regard to Additional Bonds) of the following items (upon which receipt the Trustee may conclusively rely in determining whether the conditions precedent for the issuance and authentication of such Series of Refunding Bonds have been satisfied):

(a) Irrevocable instructions to the Trustee, satisfactory to it, to give due notice of redemption, on a redemption date or dates specified in such instructions, of any of the refunded Bonds to be redeemed prior to maturity;

(b) Irrevocable instructions to the Trustee, satisfactory to it, to give the notice provided for in the Indenture to the Owners of the Bonds being refunded, if applicable; and

(c) Either (i) sufficient moneys (including moneys withdrawn and deposited pursuant to the Indenture), or (ii) Defeasance Securities in such principal amounts, of such maturities, bearing interest at such rate or rates, and otherwise having such terms and qualifications so that the principal, interest and other payments to be made thereunder will provide sufficient moneys, or (iii) a combination of (i) and (ii) will provide sufficient moneys, in each case, as evidenced by an Accountant's Certificate, to effect payment at the applicable Redemption Price of the refunded Bonds to be redeemed, the purchase price of refunded Bonds tendered for purchase, and of the Principal Amount of refunded Bonds not to be redeemed or purchased, together with accrued interest on such Current Interest Bonds to the redemption, purchase, or maturity date or dates, as the case may be, which moneys and Defeasance Securities will be held by the Trustee in a separate account irrevocably in trust for the respective Owners of the Bonds to be refunded.

Swap Agreements

The City may enter into an Integrated Swap Agreement in connection with the issuance of a Series of Bonds if the City delivers a copy of such Swap Agreement to the Trustee, certified by an Authorized Representative as being in full force and effect, and if the conditions of certain provisions of the Indenture are satisfied in connection with the issuance of such Bonds taking into account such Integrated Swap Agreement. In addition to the right to enter into Integrated Swap Agreements, the City may also, at any time or from time to time, enter into one or more Swap Agreements, including Integrated Swap Agreements.

Whenever the amount due pursuant to a Swap Agreement is based on a variable rate or index and such amount is to be determined for purposes of the Indenture, such variable rate or index during any period as to which such rate or index has not been established will be deemed to be equal to the Revenue Bond Index as of the date of calculation. An Authorized Representative of the City will promptly notify the Trustee in writing of the termination of any Swap Agreement. The Trustee will assume that any Swap Agreement delivered pursuant to the Indenture will continue in full force and effect during the stated term thereof unless otherwise notified in writing by an Authorized Representative.

Subordinated Indebtedness

The City may, at any time or from time to time, issue Subordinated Indebtedness for any purpose of the City in connection with the City Airports, including, without limitation, the financing of a part of the cost of a Special Facility or the refunding or payment of any Subordinated Indebtedness or Outstanding Bonds, subject to the terms and conditions of this Section. Such Subordinated Indebtedness may be payable out of and may be secured by a pledge of Revenues and such amounts in the Subordinated Indebtedness Fund as may from time to time be available therefor, provided that any such payment and pledge will be, and will be expressed to be, subordinate and junior in all respects to the payment of the Bonds and the payments required to be made before the payments into the Subordinated Indebtedness Fund pursuant to the Indenture and to the lien of the pledge made pursuant to the Indenture as security for the Bonds, and provided further that, except in the case of Subordinated Indebtedness the proceeds of which will be used to refund or pay Outstanding Bonds or Subordinated Indebtedness, no such Subordinated Indebtedness may be so issued except upon receipt by the Trustee of a certificate of an Authorized Representative stating that the City is not, and will not as the result of the issuance of such Subordinated Indebtedness be, in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Indenture.

Other Obligations

Nothing in the Indenture is intended to restrict or limit the right of the City to issue Grant Bonds or Special Facility Bonds, or to incur other indebtedness or obligations which are payable from any source of funds not included in the Trust Estate.

ESTABLISHMENT OF FUNDS AND APPLICATION THEREOF; INVESTMENTS

Funds and Accounts

There are established by the Indenture the following Funds and Accounts:

(a) Construction Fund, to be held by the Trustee, including the 2023A Project Account,

(b) 2023 Costs of Issuance Fund, to be held by the Trustee,

(c) Revenue Fund, to be held by the City,

(d) Operating Fund, to be held by the City,

(e) Debt Service Fund, to be held by the Trustee, including the 2023 Debt Service Account and the 2023 Capitalized Interest Account,

(f) 2023 Debt Service Reserve Fund, to be held by the Trustee,

(g) Operating Reserve Fund, to be held by the City,

(h) Subordinated Indebtedness Fund, to be held by the Trustee,

(i) Renewal and Replacement Fund, to be held by the City,

(j) Rebate Fund, to be held by the Trustee,

(k) Surplus Fund, to be held by the City,

(l) PFC Revenue Fund, including the Covenanted PFC Account and the PFC Project Account, to be held by the City, and

(m) PFC Debt Service Escrow Fund, to be held by the Trustee.

2023 Costs of Issuance

The 2023 Costs of Issuance Fund is established for the purpose of paying the Costs of Issuance of the 2023 Bonds.

Payments will be made from the 2023 Costs of Issuance Fund, in the amounts and at the times, and in the manner and on the other terms and conditions set forth in the Indenture, to pay the Cost of Issuance identified in the statement relating to such moneys or, if such Cost was paid from City funds, to reimburse the City for such Cost.

Application of Revenues; Flow of Funds

All Revenues and Other Available Funds will be promptly deposited upon receipt thereof to the credit of the Revenue Fund and applied as provided in the Indenture. As soon as practicable in each month (except in the case of the Rebate Fund), but in any case no later than the last Business Day of such month in immediately available funds, the City will withdraw from the Revenue Fund and deposit in the following Funds and Accounts, or make the payments indicated below, in the order and in the amounts set forth below:

1. The City will withdraw from the Revenue Fund and deposit in the Operating Fund the amount which, together with any amount therein, is equal to the total amount required for Operating Expenses (other than deposits to the Rebate Fund) for such month.

2. Subject to certain provisions of the Indenture, the City will withdraw from the Revenue Fund and: (i) transfer to the Trustee for deposit in the Debt Service Fund, the amount, if any, required so that the balance in said Fund will equal the Adjusted Debt Service to accrue on all Outstanding Bonds through and including the last day of such month (and if Debt Service will be payable on any Bonds during the next succeeding month, the amount, if any, required so that the balance in said Fund will be sufficient to make such payment of Debt Service); (ii) to the extent not included in Debt Service on Bonds representing or securing such Primary Reimbursement Obligation, pay to each provider of Credit Enhancement the Primary Reimbursement Obligation, if any, accruing to the last day of such month in accordance with each applicable Reimbursement Agreement; and (iii) pay to each Qualified Provider the amount, if any, accrued by the City as of the last day of such month in accordance with each applicable Swap Agreement; provided that, for the purposes of computing the amount on deposit in said Fund, there will be excluded from the balance of said Fund: (i) the amount, if any, set aside in said Fund from the proceeds of Bonds (including amounts, if any, transferred thereto from the

Construction Fund) for the payment of the Principal Amount, Redemption Price, or purchase price of, or interest on, Bonds less that amount of such proceeds to be applied in accordance with the Indenture to the payment of the Principal Amount, Redemption Price or purchase price of, or interest accrued and unpaid and to accrue on, Bonds to the last day of the then current calendar month; and (ii) the amount, if any, set aside in said Fund for the payment of Principal Installments or Redemption Price of, or interest on, Bonds which are then due and payable.

3. Subject to the provisions of the Indenture, the City will withdraw from the Revenue Fund and transfer to the Trustee for deposit in each Debt Service Reserve Fund: (i) an amount sufficient, if deposits are made in twelve equal installments, to make the amount on deposit in such Debt Service Reserve Fund equal to the applicable Debt Service Reserve Requirement, (ii) an amount sufficient to reimburse a drawing on a Financial Guaranty relating to such Debt Service Reserve Fund in accordance with the terms of any Financial Guaranty Agreement; and (iii) the amount, if any, required to pay interest accruing with respect to a drawing on a Financial Guaranty relating to such Debt Service Reserve Fund.

4. The City will withdraw from the Revenue Fund and deposit in the Operating Reserve Fund an amount equal to one-twelfth ($^1/_{12}$) of the applicable Operating Reserve Requirement, but only to the extent such deposit is required to make the balance in the Operating Reserve Fund equal to the Operating Reserve Requirement.

5. The City will withdraw from the Revenue Fund and transfer to the Trustee for deposit in the Subordinated Indebtedness Fund the amount, if any, required to be deposited therein in such month pursuant to each Subordinated Indebtedness Indenture to pay the principal, redemption price, and purchase price of, and interest on, Subordinated Indebtedness and any amounts due with respect to the repayment of advances made by any provider of credit enhancement for Subordinated Indebtedness, and the interest thereon, which will accrue to the end of such month, and any amounts required to replenish any reserve fund with respect to such Subordinated Indebtedness, in such amounts as specified in a written request signed by an Authorized Representative.

6. The City will withdraw from the Revenue Fund and deposit in the Renewal and Replacement Fund the amount, if any, equal to one-twelfth ($^1/_{12}$) of the amount needed to maintain the balance in such Fund equal to the Renewal and Replacement Fund Requirement.

7. Within 45 days of the end of each Bond Year, in accordance with the Indenture, the City will withdraw from the Revenue Fund and transfer to the Trustee for deposit in the Rebate Fund the amount to be paid therein pursuant to any Tax Certificate.

8. On the last Business Day of each month after making the deposits required by paragraph 1 through paragraph 7 of this Section, the City may withdraw from the Revenue Fund and deposit in the Surplus Fund the balance, if any, of moneys remaining in the Revenue Fund.

9. Notwithstanding the foregoing, CFC Revenues shall be withdrawn from the Revenue Fund each month pursuant to the Indenture and shall be applied solely (i) to pay the Debt Service on 2007 Bonds and to replenish the 2007 Debt Service Reserve Fund, and (ii) to pay Debt Service on, and to replenish debt service reserve funds for, any other Bonds issued to

finance or refinance facilities described in the CFC Act. Any CFC Revenues not transferred from the Revenue Fund and applied pursuant to the preceding sentence shall be deposited in the Surplus Fund and (i) transferred to the 2007 Debt Service Account or the 2007 Debt Service Reserve Fund pursuant to the provision of the Indenture described in the first paragraph under the section of this Summary entitled "—Surplus Fund" to be applied as described in the preceding sentence, (ii) designated as Other Available Funds in an amount not to exceed twenty-five percent (25%) of Debt Service on the Series 2007 Bonds for purposes of the provisions of the Indenture described under the sections of this Summary entitled "General Provisions for Issuance of Bonds; Additional Bonds" and "Charges and Enforcement; Rate Covenant" and transferred to the Revenue Fund, or (iii) applied to financing, designing and constructing facilities described in the CFC Act or applied for any other purposes permitted pursuant to the CFC Act.

Operating Fund

Amounts in the Operating Fund will be paid out from time to time by the City for reasonable and necessary Operating Expenses.

Debt Service Fund

The Trustee will transfer from the Debt Service Fund: (a) to the respective Paying Agents (i) on or before each Interest Payment Date for any of the Outstanding Bonds the amount required for the interest payable on such date; (ii) on or before each due date therefor, the Principal Amount and, to the extent included in Debt Service, the purchase price of, Outstanding Bonds payable on such due date; and (iii) on or before any redemption date for Outstanding Bonds, the amount required for, the payment of the Redemption Price and any accrued interest on the Bonds then to be redeemed; (b) upon receipt of a written request signed by an Authorized Representative, to the respective providers of Credit Enhancement, on each date a Primary Reimbursement Obligation is due pursuant to a Reimbursement Agreement, the amount of such Primary Reimbursement Obligation to the extent not included in Debt Service on Bonds representing or securing such Primary Reimbursement Obligation; and (c) upon receipt of a written request signed by an Authorized Representative, to each Qualified Provider the amount payable in accordance with each applicable Swap Agreement. Amounts received by the Paying Agents pursuant to clause (a) of this subsection will be applied by the Paying Agents to the payment of the Principal Amount, Redemption Price or purchase price, as applicable, of, and interest on, the Bonds on and after the due dates thereof.

Any provision of the Indenture to the contrary notwithstanding, so long as there is held in the Debt Service Fund an amount sufficient to pay in full all Outstanding Bonds in accordance with their terms (including Principal Amount or applicable sinking fund Redemption Price and interest thereon), no deposits will be required to be made into the Debt Service Fund.

2023 Debt Service Reserve Fund

The City will deposit the Series 2023 Financial Guaranty into the 2023 Debt Service Reserve Fund. The Trustee will draw upon the Series 2023 Financial Guaranty to pay principal and interest on the Series 2023 Bonds, and the City will repay the Series 2023 Financial

Guaranty as described below under "SERIES 2023 FINANCIAL GUARANTY." In computing the amount on deposit in the 2023 Debt Service Reserve Fund, a Financial Guaranty shall be valued at the amount available to be drawn or payable thereunder on the date of computation.

Operating Reserve Fund

Amounts from time to time deposited in the Operating Reserve Fund may be used at any time first, to pay for any Operating Expenses for which amounts are not otherwise available in the Operating Fund; second, to make up for any deficiency in the Debt Service Fund, the Debt Service Reserve Fund and any fund created to provide for the payment, and reserves for the payment, of Subordinate Obligations (in that order); and third, to pay any costs or expenses payable from the Renewal and Replacement Fund for which there are insufficient amounts in the Renewal and Replacement Fund.

Subordinated Indebtedness Fund

Amounts in the Subordinated Indebtedness Fund will, in accordance with written directions signed by an Authorized Representative, be transferred by the Trustee to the trustee or paying agent for Subordinated Indebtedness to be applied as provided in the applicable Subordinated Indebtedness Indentures in amounts necessary to pay the principal, redemption price, and purchase price of, and interest on, Subordinated Indebtedness, amounts due for fees, expenses and the repayment of advances made by any provider of credit enhancement for Subordinated Indebtedness and the interest thereon in accordance with the provisions of, and subject to the priorities, limitations and restrictions provided in, the applicable Subordinated Indebtedness Indentures and the fees and expenses of each trustee and paying agent under a Subordinated Indebtedness Indenture.

Renewal and Replacement Fund

Amounts in the Renewal and Replacement Fund will be used to maintain a reserve for rebuilding, reconstructing, repairing, altering, replacing and renewing the City Airports. Amounts in the Renewal and Replacement Fund will also be applied to the payment of operation and maintenance costs and contingencies for the City Airports, including payments with respect to the prevention or correction of any unusual loss or damage in connection with the City Airports or to prevent a loss of revenue therefrom, all to the extent not scheduled to be paid from amounts in the Operating Fund or Operating Reserve Fund pursuant to the then current Annual Budget.

Surplus Fund

If on any date the amount in the Debt Service Fund is less than the requirement of such Fund pursuant to the Indenture, or the amount in any Debt Service Reserve Fund is less than the applicable Debt Service Reserve Requirement, or the amount in the Subordinated Indebtedness Fund is less than the requirement of such Fund pursuant to the Indenture, or the amount in the Renewal and Replacement Fund is less than the requirement of such Fund pursuant to the Indenture, then the City will transfer to the Trustee or deposit in City-held Funds (as applicable) from the Surplus Fund; first to the Debt Service Fund, second to the applicable Debt Service Reserve Funds, third to the Subordinated Indebtedness Fund, fourth to the Renewal and

Replacement Fund, and fifth to the Rebate Fund, as the case may be, the amount necessary (or all the moneys in the Surplus Fund if less than the amount necessary) to make up any such deficiency.

Amounts in the Surplus Fund not required to meet a deficiency as required by the Indenture will, upon a determination of the City, be applied to or set aside for any one or more of the following:

(a) designation as Other Available Funds to be transferred to the Revenue Fund;

(b) the purchase or redemption of any Bonds, expenses in connection with the purchase or redemption of any Bonds, or the establishment or augmentation of any reserves which the City determines will be required in connection with the Bonds;

(c) payment into the Subordinated Indebtedness Fund;

(d) the purchase or redemption of any Subordinated Indebtedness, expenses in connection with the purchase or redemption of any Subordinated Indebtedness, or the establishment or augmentation of any reserves which the City determines will be required in connection with any Subordinated Indebtedness;

(e) Operating Expenses or any reserves in connection therewith;

(f) payments into the Construction Fund or the Renewal and Replacement Fund for application to the purposes thereof; and

(g) payments for Capital Improvements; and

(h) any lawful purpose related to the City Airports free and clear of any trust, lien, pledge or assignment securing Bonds or otherwise existing under the Indenture, so long as such expenditure does not affect the exclusion from gross income of the interest on the Bonds under Section 103 of the Code.

PFC Revenue Fund

1. PFC Revenues will be deposited as received into the PFC Revenue Fund. As soon as practicable thereafter, Covenanted PFC Revenues will be deposited into the Covenanted PFC Account within the PFC Revenue Fund.

2. Nothing will prevent the establishment and maintenance of additional PFC accounts within the PFC Revenue Fund if PFC Revenues are received by the City in excess of Covenanted PFC Revenues.

PFC Debt Service Escrow Fund

In each Fiscal Year, but no later than five Business Days prior to the end of such Fiscal Year, the City will maintain in the Covenanted PFC Account all Covenanted PFC Revenues until there has been accumulated in such Account an amount which is no less than the Minimum PFC Contribution. When such amount has been accumulated in the Covenanted PFC Account, the City will immediately transfer such amount to the Trustee for deposit into the PFC Debt Service Escrow Fund.

Any PFC Revenues accumulated in any fiscal year in excess of the amounts required to be transferred to PFC Debt Service Escrow Fund during such fiscal year may be, at the discretion of the City, (a) retained in the Covenanted PFC Account, (b) transferred to the Trustee for deposit in the PFC Debt Service Escrow Fund, (c) transferred to the PFC Project Account to pay PFC-approved Project Costs, or (d) transferred to another account as established by the City, to be used for any lawful purpose, including but not limited to the issuance of Subordinated Indebtedness secured by such PFC Revenues.

On or before the fifth day next preceding each Interest Payment Date, the Trustee will transfer from the PFC Debt Service Escrow Fund to the 2023 Debt Service Account of the Debt Service Fund an amount equal to the 2023 PFC Projected Debt Service due on such Interest Payment Date and to the 2023 Debt Service Reserve Fund any deficiency allocable to PFC-eligible Debt Service, such amount to be determined and communicated in writing by the City to the Trustee at least 10 days next preceding such Interest Payment Date. If the PFC Revenues on deposit are less than such required deposits, the transfers will be made in the order indicated so as to exhaust such PFC Revenues.

Investment of Certain Funds

All moneys held under the Indenture will be invested in Investment Securities pursuant to the terms and provisions of the Indenture. In lieu of funding the 2023 Debt Service Reserve Fund with cash or Investment Securities, the City may cause to be deposited in the 2023 Debt Service Reserve Fund a Financial Guaranty or Financial Guaranties in an amount equal to the difference between the applicable Debt Service Reserve Requirement and the sums, if any, then on deposit in the 2023 Debt Service Reserve Fund or being deposited in the 2023 Debt Service Reserve Fund concurrently with such Financial Guaranty or Guaranties.

PARTICULAR COVENANTS OF THE CITY

Sale or Other Disposition of the City Airports

1. The City will not, except in the normal course of business or except as otherwise provided below, sell, lease, mortgage, pledge, encumber, alienate, or otherwise dispose of the City Airports or any portion thereof until all Bonds have been paid in full, or unless provision has been made therefor in accordance with the Indenture; provided, however, that nothing in the Indenture will impair or inhibit the ability of the City to sell or otherwise dispose of the Fresno - Chandler Downtown Airport provided that the City files with the Trustee prior to such sale or disposition a certificate or opinion of a Qualified Independent Airport Consultant certifying that, after giving effect to such sale or disposition on a pro forma basis, the City would have been in compliance with the rate covenant set forth in the Indenture for the most recent Fiscal Year for which such data is available. The City may, however, transfer all of the City Airports to another governmental entity (including without limitation, any successor of the City) which assumes all

of the City's obligations under the Indenture provided that there is delivered to the Trustee, an Opinion of Bond Counsel to the effect that such transfer is authorized by the Indenture and that such transferee governmental entity has the power and authority to perform the City's obligations under the Indenture substantially the same as the City's power and authority.

2. Except as described below, the City will not sell or otherwise dispose of all or any part of the properties constituting the City Airports.

(a) The City will have the right to sell or dispose of any machinery, fixtures, apparatus, tools, instruments or other personal property which may be determined to be part of the City Airports, or any materials used in connection therewith, if such articles are no longer needed or useful in connection with the construction or maintenance of the properties constituting the City Airports or the operation of the City Airports or that such sale or disposition will not materially impair the operating efficiency of the City Airports or reduce the ability of the City to satisfy its obligations under the Indenture.

(b) The City, without notice to the Trustee and free of any obligation to make any replacement thereof or substitution therefor, will have the right to demolish or remove any real property and structures existing as part of the City Airports provided that such removal or demolition does not materially impair the operating efficiency of the City Airports or reduce the ability of the City to satisfy its obligations under the Indenture.

(c) Notwithstanding the provisions of paragraph (b) of this subsection 2, if any real property or structure constituting a part of the City Airports has become inadequate, unsuitable or unnecessary, the City will then have the right to demolish or remove such property and, to the extent permitted by law, may sell or otherwise dispose of all or a part of the same, if the City will construct, acquire, replace or substitute real property or structures having a utility at the City Airports at least equal to that of the property demolished or removed.

Unless some other disposition is required by law, the City may, in its sole discretion, deposit the proceeds resulting from any abandonment, sale or disposition of properties constituting the City Airports in any Account in the Construction Fund or in the Revenue Fund.

3. The City may execute leases, licenses, easements or other agreements in connection with the City Airports; provided, however, that no such lease, license, easement or other agreement will be inconsistent with the terms of the Indenture; and provided, further, that neither such execution nor any provision in any such lease, license, easement or other agreement will relieve the City of any of its obligations under the Indenture.

Operation and Maintenance of City Airports

The City will at all times maintain and preserve the City Airports and all buildings, facilities and equipment now or hereafter constituting any part of the same in conformity with standards customarily followed in the aviation industry for airports of like size and character. The City will from time to time make all necessary and proper repairs, renewals, replacements and substitutions to the properties of the City Airports, so that at all times business carried on in connection with the City Airports will and can be properly and advantageously conducted in an efficient manner and at reasonable cost, and will operate the City Airports in an efficient and economical manner, consistent with the protection of the Owners of the Bonds and so as to assure that the City Airports will be financially self-sufficient and self-sustaining, and will not commit or allow any waste with respect to the City Airports.

Charges and Enforcement; Rate Covenant

1. The City will establish, fix, revise, prescribe and collect rentals, rates, fees and charges, and cause to be collected, amounts in connection with the services and facilities of the City Airports, as will be required to provide Revenues at least sufficient in each Fiscal Year for the payment of all of the following:

(a) Operating Expenses during such Fiscal Year;

(b) An amount equal to Adjusted Debt Service for such Fiscal Year;

(c) The amount, if any, to be paid during such Fiscal Year into each Debt Service Reserve Fund;

(d) The amount, if any, to be paid in such Fiscal Year into the Operating Reserve Account;

(e) The amount, if any, to be paid in such Fiscal Year into the Subordinated Indebtedness Fund;

(f) The amount, if any, to be paid during such Fiscal Year into the Renewal and Replacement Fund; and

(g) All other charges or other amounts howsoever payable out of Revenues during such Fiscal Year.

2. In addition to the requirements of paragraph 1 of this Section, the City will establish, fix, revise, prescribe and collect rentals, rates, fees and charges in connection with the services and facilities of the City Airports so as to yield Net Revenues during the then current Fiscal Year in an amount, together with Other Available Funds, which is equal to at least one hundred twenty-five percent (125%) of Adjusted Debt Service for all Outstanding Bonds for said Fiscal Year. The City may make adjustments from time to time in such rentals, rates, fees and charges and may make such classification thereof as it deems necessary. In the event that Operating Expenses or other costs in connection with the operation and maintenance of the City Airports exceed the amounts estimated by the City when establishing rentals, rates, fees and charges in connection with the services and facilities of the City Airports or the Revenues are less than the amounts estimated by the City when establishing such rentals, rates, fees and charges, the City will as soon as practical revise such rentals, rates, fees and charges so as to satisfy the requirements of this Section. The City will not reduce rentals, rates, fees and charges in connection with the services and facilities of the City Airports below those then in effect unless the Revenues from such reduced rates will at all times be sufficient to meet the requirements of this Section.

3. The City will not furnish or supply, or cause to be furnished or supplied, any capacity, use, or service of the City Airports free of charge to any person, firm, or corporation, public or private, and the City will, subject to the terms of the Indenture, enforce the payment of any and all accounts owing to the City by reason of the City Airports by discontinuing such capacity, use or service, or by filing suit therefor, or by both such discontinuance and by filing suit.

Maintenance of Insurance

Subject in each case to the condition that insurance is obtainable at reasonable rates and upon reasonable terms and conditions:

(a) The City will procure, and maintain at all times while any of the Bonds will be outstanding, insurance on the City Airports against such risks as are usually insurable in connection with other major airports. Such insurance will be adequate in amount and as to the risks insured against, and will be maintained with reasonable insurers.

(b) The City will procure, and maintain so long as any of the Bonds are outstanding, public liability insurance, with combined limits of not less than fifty million dollars ($50,000,000) per occurrence to protect the City from claims for bodily injury or death which may arise from the operations of the City Airports. All such insurance may be combined in one or more policies with one or more insurers and may include hangarkeepers' legal liability and excess insurance with such limits of liability as may be determined by the City.

(c) The City will secure and maintain adequate fidelity insurance or bonds on all officers and employees handling or responsible for funds of the City Airports.

(d) The City may provide in satisfaction of, or in connection with, any insurance required to be maintained under the Indenture a self insured deductible or a self insurance method or plan of protection so long as such plan is (i) a funded program and actuarily sound and (ii) reviewed for adequacy no less often than every two years by an independent insurance consultant nationally recognized as qualified to survey risks and determine the adequacy of self-insurance reserves for self-insurance programs.

The City will file or cause to be filed with the Trustee annually, within one hundred twenty (120) days after the close of each Fiscal Year, a certificate setting forth (i) a description in reasonable detail of the insurance then in effect, including any self-insurance fund maintained, pursuant to the requirements of this Section and that the City has complied in all respects with the requirements of this Section, and (ii) whether during such year any loss has been incurred relating to the City Airports and, if so, the amount of insurance proceeds, including the proceeds of any self-insurance fund, covering such loss and specifying the reasonable and necessary costs of repair, reconstruction or replacement thereof. The Trustee will have no duty to review the sufficiency of such certificate.

Reconstruction; Application of Insurance and Condemnation Proceeds

If any useful portion of the City Airports is damaged or destroyed, or taken under the power of eminent domain, the City will as expeditiously as possible undertake and continuously and diligently pursue to completion, or cause to be undertaken and diligently pursued to completion, the repair, reconstruction or replacement thereof. The proceeds of any insurance or condemnation award payable to the City, including the proceeds of any self-insurance fund, paid on account of such damage, destruction or taking (other than any business interruption loss insurance) will be held in a special account in the Construction Fund established for such purposes and made available for, and to the extent necessary be applied to, the cost of such repair, reconstruction or replacement. Pending such application, such proceeds and condemnation awards will be invested in Investment Securities which mature not later than such times as will be necessary to provide moneys when reasonably expected to be needed to pay such cost of such repair, reconstruction or replacement. Interest earned on the moneys in such Account or such investments will be deposited into such special Account. The proceeds of any insurance, including the proceeds of any self-insurance fund and condemnation awards not applied within thirty-six (36) months after receipt thereof by the City to the cost of such repair, reconstruction or replacement, will be deposited in the Revenue Fund. Notwithstanding the foregoing, in the event that payments are made from the Renewal and Replacement Fund for any such cost of such repair, reconstruction or replacement prior to the availability of insurance proceeds, including the proceeds of any self-insurance fund therefor or condemnation awards, such proceeds when received will be deposited in the Renewal and Replacement Fund to the extent of such payments.

If the proceeds of insurance, including the proceeds of any self-insurance fund or condemnation awards authorized by this Section to be applied to the cost of the repair, reconstruction or replacement of any portion of the City Airports are insufficient for such purpose, the obligations of the City to maintain and preserve the City Airports pursuant to the Indenture will nonetheless continue, but such deficiency may be supplied out of moneys in the Renewal and Replacement Fund to the extent, as shown by a certificate of an Authorized Representative, not needed for the purposes of such Fund.

The proceeds of business interruption loss insurance, if any, will be paid into the Revenue Fund.

EVENTS OF DEFAULT; REMEDIES

Events of Default

If one or more of the following, each of which shall constitute an Event of Default, shall happen:

(i) if default shall be made in the due and punctual payment of the Principal Amount or Redemption Price of any Outstanding Bond when and as the same shall become due and payable, whether at maturity, by call for redemption, or otherwise;

(ii) if default shall be made in the due and punctual payment of any installment of interest on any Outstanding Current Interest Bond, or the unsatisfied balance of any Sinking Fund Installment when and as the same shall become due and payable;

(iii) if default shall be made by the City in the performance or observance of any other of the covenants, agreements or conditions on its part in the Indenture or in the Outstanding Bonds contained, and such default shall continue for a period of thirty (30) days after written notice thereof to the City by the Trustee or to the City and to the Trustee by the Owners of not less than ten percent (10%) in Principal Amount of the Bonds then Outstanding; provided, however, that if the City shall commence to take curative action within such thirty (30) day period and pursues such curative action with due diligence such period shall be extended to such extent as shall be necessary to enable the City to diligently complete such curative action and such default shall not become an Event of Default for so long as shall be necessary to diligently complete such curative action;

(iv) an order or decree, by a court having jurisdiction in the premises, for relief against the City in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or a receiver, liquidator, assignee, custodian, trustee, sequestrator (or other similar official) of the City or of any substantial part of the property of the City shall be appointed or an order for the winding up or liquidation of the affairs of the City shall be entered; or a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect shall be instituted by the City or the City shall give its consent to the entry of an order for relief against it in any involuntary case under any such law, or to the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator (or other similar official) of the City or of any substantial part of the property of the City, or the making by the City of an assignment for the benefit of creditors, or the failure of the City generally to pay its debts as they become due, or the admission by the City in writing of such failure, or the taking of any action by the City in furtherance of any such action, or if a receiver of the business or of the property or assets of the City shall be appointed by any court; or

(v) any other Event of Default specified in a Supplemental Indenture;

then, so long as such Event of Default shall be continuing, unless the Principal Amount of all the Bonds shall have already become due and payable, the Trustee or the Owners of not less than a majority in Principal Amount of the Bonds then Outstanding may declare the Principal Amount of all the Bonds then Outstanding, and the interest accrued on the Outstanding Current Interest Bonds, to be due and payable immediately by a notice in writing to the City (and to the Trustee if given by the Owners of Bonds). With respect to the Insured Obligations, the maturity of the Insured Obligations may not be accelerated without the prior written consent of BAM. Upon any such declaration, such Principal Amount and interest shall become and be immediately due and payable, anything in the Indenture or in any of the Bonds contained to the contrary notwithstanding; provided, however, that if, at any time after such declaration, but before the

Outstanding Bonds shall have matured by their terms, all overdue installments of interest on the Outstanding Current Interest Bonds, together with interest on such overdue installments of interest at the rate or rates borne by the respective Bonds to the extent permitted by law, and the reasonable and proper charges, expenses and liabilities of the Trustee, and all other sums then payable by the City or the Trustee under the Indenture (except the Principal Amount of the Outstanding Bonds, and interest accrued since the next preceding Interest Payment Date on the Outstanding Current Interest Bonds due and payable solely by virtue of such declaration) shall be paid for the account of the City or provision satisfactory to the Trustee shall be made for such payment, and all defaults under the Outstanding Bonds or under the Indenture (other than the payment of the Principal Amount and interest due and payable solely by reason of such declaration) shall be cured or be secured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall be made therefor, then and in every such case the Owners of a majority in Principal Amount of the Bonds Outstanding, by written notice to the City and to the Trustee, may rescind such declaration and annul such default in its entirety, but no such rescission or annulment shall extend to or affect any subsequent default or impair or exhaust any right or power consequent thereon.

Appointment of Receiver

If an Event of Default shall happen and shall not have been remedied, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Owners of the Bonds under the Indenture, the Trustee shall be entitled to make application for the appointment of a receiver or custodian of the City's interest in the City Airports and the Revenues, pending such proceedings, with such power as the court making such appointment shall confer; provided that the appointment of such receiver shall not prevent or limit the operations of the City Airports under any applicable laws, regulations or rulings of the United States of America or the State of California, or any department, agency or bureau of either thereof.

Enforcement Proceedings

If an Event of Default shall happen and shall not have been remedied, then and in every such case, the Trustee, by its agents and attorneys, may proceed, and upon the written request of the Owners of not less than a majority in Principal Amount of the Bonds at the time Outstanding shall proceed, to protect and enforce its rights and the rights of the Owners of the Outstanding Bonds under the Indenture forthwith by a suit or suits in equity or at law, whether for damages or the specific performance of any covenant in the Indenture contained, or in aid of the execution of any power in the Indenture granted or any remedy granted under applicable provisions of the laws of the State of California, or for an accounting by the City as if the City were the trustee of an express trust, or in the enforcement of any other legal or equitable right as the Trustee, being advised by counsel, shall deem most effectual to enforce any of its rights or to perform any of its duties under the Indenture.

Restriction on Owner's Action

Except as otherwise provided in the Indenture, no Owner of any Bond shall have any right to institute any suit, action or proceeding at law or in equity for the enforcement of any provision of the Indenture or the execution of any trust under the Indenture or for any remedy under the Indenture unless such Owner shall have previously given to the Trustee written notice of the happening of an Event of Default, as provided in the Indenture, and the Owners of at least a majority in Principal Amount of the Bonds then Outstanding shall have filed a written request with the Trustee, and shall have offered it reasonable opportunity, either to exercise the powers granted in the Indenture or by the applicable laws of the State of California or to institute such action, suit or proceeding in its own name, and unless such Owners shall have offered to the Trustee adequate security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused to comply with such request for a period of sixty (60) days after receipt by it of such notice, request and offer of indemnity, it being understood and intended that no one or more Owners of Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the pledge created by the Indenture, or to enforce any right under the Indenture, except in the manner therein provided; and that all proceedings at law or in equity to enforce any provision of the Indenture shall be instituted, had and maintained in the manner provided in the Indenture and for the ratable benefit of all Owners of the Outstanding Bonds, subject only to the provisions of the Indenture.

Remedies Not Exclusive

No remedy by the terms of the Indenture conferred upon or reserved to the Trustee or the Owners of the Bonds is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Indenture or existing at law, including under the law pursuant to which any Series of Bonds shall be issued, or in equity or by statute whether effective on or after the effective date of the Indenture. The assertion or employment of any right or remedy under the Indenture, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Effect of Waiver and Other Circumstances

1. No delay or omission of the Trustee or any Owner of a Bond to exercise any right or power arising upon the happening of an Event of Default shall impair any right or power or shall be construed to be a waiver of any such Event of Default or be an acquiescence therein; and every power and remedy given by the Indenture to the Trustee or to the Owners of the Bonds may be exercised from time to time and as often as may be deemed expedient by the Trustee or by the Owners of the Bonds.

2. Prior to the declaration of maturity of the Bonds as provided in the Indenture, the Owners of not less than a majority in Principal Amount of the Bonds at the time Outstanding, or their attorneys-in-fact duly authorized, may on behalf of the Owners of all of the Bonds waive any past default described in clause (iv) of the section entitled "Events of Default" above and its consequences. No such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

SUPPLEMENTAL INDENTURES OF TRUST

The Indenture and the rights and obligations of the City and of the Owners of the Bonds and of the Trustee may be modified or amended from time to time and at any time by a Supplemental Indenture or Indentures, which the City may enter into when the written consent of the Owners of at least a majority in aggregate Principal Amount of the Bonds then Outstanding have been filed with the Trustee or if less than all of the several Series of Outstanding Bonds are affected, the written consent of the Owners of at least a majority in aggregate Principal Amount of all affected Bonds; provided that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any particular Series and maturity remain Outstanding, the consent of the Owners of such Bonds will not be required and such Bonds will not be deemed to be Outstanding for the purpose of any such calculation of Bonds Outstanding under this Section. No such modification or amendment may (1) extend the fixed maturity of any Bond, or reduce the Principal Amount or Redemption Price thereof, or reduce the amount of any Sinking Fund Installment, or reduce the rate of interest thereon or extend the time of payment of interest thereon, without the consent of the Owner of each Bond so affected; or (2) reduce the aforesaid percentage of Bonds the consent of the Owners of which is required to effect any such modification or amendment, or permit the creation of any other lien on the Trust Estate, or deprive the Owners of the Bonds of the lien of the pledge made pursuant to the Indenture on the Trust Estate (except as expressly provided in the Indenture), in each case without the consent of the Owners of all of the Bonds then Outstanding.

The Indenture and the rights and obligations of the City, the Trustee and the Owners of the Bonds may also be modified or amended from time to time and at any time by a Supplemental Indenture or Supplemental Indentures, which the City and the Trustee may enter into without the consent of any Owner of Bonds, but only to the extent permitted by law, to provide for the issuance of additional Series of Bonds in accordance with the Indenture and, so long as such modification or amendment will not materially adversely affect the interests of the Owners of the Bonds, for any one or more of the following purposes:

(i) to add to the covenants and agreements of the City contained in the Indenture other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power in the Indenture reserved to or conferred upon the City;

(ii) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in the Indenture, or in regard to matters or questions arising under the Indenture, as the City may deem necessary or desirable;

(iii) to modify, amend or supplement the Indenture in such manner as to permit the qualification of the Indenture under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute;

(iv) to modify, amend or supplement the Indenture in any other respect.

Notwithstanding anything in the Indenture to the contrary, the terms and provisions of the Indenture and the rights and obligations of the City, the Trustee, and of the Owners of the Bonds Outstanding under the Indenture may be modified or amended in any respect upon the execution and filing by the City of a Supplemental Indenture and the written consent of the Owners of all of the Bonds then Outstanding, such consent to be given as provided in the Indenture, except that no notice to the Owners of the Bonds will be required; provided, however, that no such modification or amendment may change or modify any of the rights or obligations of any Fiduciary without the filing with the Trustee of the written assent thereto of such Fiduciary in addition to the consent of the Owners of the Bonds.

DEFEASANCE

1. If the City pays or causes to be paid, or there is otherwise paid, to the Owners of all Bonds the Principal Amount or Redemption Price, if any, of the Bonds, and interest due or to become due on the Current Interest Bonds, at the times and in the manner stipulated therein and in the Indenture, then the pledge of the Trust Estate under the Indenture and all covenants, agreements and other obligations of the City to the Owners (other than the covenants described above under "Tax Matters"), will thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee will cause an accounting for such period or periods as will be requested by the City to be prepared and filed with the City and, upon the request of the City will execute and deliver to the City all such instruments as the City may reasonably request to evidence such discharge and satisfaction, and the Fiduciaries will pay over or deliver, as directed by the City, all moneys or securities held by them pursuant to the Indenture which are not required for the payment of the Principal Amount or Redemption Price, if any, of the Bonds and interest on the Current Interest Bonds. If the City will pay or cause to be paid, or there will otherwise be paid, to the Owners of any Outstanding Bonds the Principal Amount or Redemption Price, if any, of the Bonds and interest due or to become due on the Current Interest Bonds, at the times and in the manner stipulated therein and in the Indenture, such Bonds will cease to be entitled to any lien, benefit or security under the Indenture, and all covenants, agreements and obligations of the City to the Owners of such Bonds (other than the covenants described above under "Tax Matters"), will thereupon cease, terminate and become void and be discharged and satisfied.

2. Bonds, or interest installments on Current Interest Bonds, for the payment or redemption of which moneys have been set aside and are held in trust by the Paying Agents (through deposit pursuant to the Indenture of funds for such payment or redemption or otherwise) at the maturity, redemption date, or interest payment date thereof, as applicable, will be deemed to have been paid within the meaning and with the effect expressed in paragraph 1 of this Section. Any Outstanding Bond (or any portion thereof in an Authorized Denomination) will prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in paragraph 1 of this Section (except that the obligations under the Indenture with respect to the payment of the Principal Amount of the Bonds and the interest on the Current Interest Bonds from the sources provided, to transfer and exchange Bonds and to giving the notices of the redemption of Bonds to be redeemed as provided in the Indenture will continue) if (a) in case said Bond (or portion thereof) is to be redeemed on any date prior to maturity, the City has given to the Trustee irrevocable instructions to give notice of redemption of such Bond (or portion thereof) on said date as provided in the Indenture, (b) there will have

been deposited with the Trustee either moneys (including moneys withdrawn and deposited pursuant to the Indenture) in an amount which will be sufficient, or Defeasance Securities issued or held in book-entry form) the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, will be sufficient, in each case as evidenced by an Accountant's Certificate, to pay when due the Principal Amount or Redemption Price, as applicable, of said Bond (or portion thereof) and, if said Bond is a Current Interest Bond, interest due and to become due on said Bond (or portion thereof) on and prior to the redemption date or maturity date thereof, as the case may be, and (c) if such Bond (or portion thereof) is not to be paid or redeemed within sixty (60) days of the date of the deposit required by (b) above, the City has given the Trustee in form satisfactory to it irrevocable instructions to mail, as soon as practicable, by first-class mail, postage prepaid, to the Owners of such Bond, at the last address, if any, appearing upon the Bond Register, a notice that the deposit required by (b) above has been made with the Trustee and that said Bond (or the applicable portion thereof) is deemed to have been paid in accordance with this Section and stating such maturity or redemption date upon which moneys are to be available for the payment of the Principal Amount or Redemption Price, as applicable, of said Bond. Any notice given pursuant to clause (c) of this subsection 2 with respect to Bonds which constitute less than all of the Outstanding Bonds of any maturity within a Series will specify the letter and number or other distinguishing mark of each such Bond. Any notice given pursuant to clause (c) of this subsection 2 with respect to less than the full Principal Amount of a Bond will specify the Principal Amount of such Bond which will be deemed paid pursuant to this Section and notify the Owner of such Bond that such Bond must be surrendered as provided in subsection 6 of this Section. The receipt of any notice required by this Section will not be a condition precedent to the payment of Bonds in accordance with this Section and the failure of any Owner to receive any such notice will not affect the validity of the proceedings for the payment of Bonds in accordance with the Indenture. Neither Defeasance Securities nor moneys deposited with the Trustee pursuant to the Indenture nor principal or interest payments on any such Defeasance Securities may be withdrawn or used for any purpose other than, and will be held in trust for, the payment of the Principal Amount or Redemption Price, as applicable, of said Bonds and the interest on said Current Interest Bonds; provided that any cash received from such principal or interest payments on such Defeasance Securities deposited with the Trustee, (A) to the extent such cash shall not be required at any time for such purpose, as evidenced by an Accountant's Certificate, will be paid over upon the written direction of an Authorized Representative as received by the Trustee, free and clear of any trust, lien, pledge or assignment securing said Bonds or otherwise existing under the Indenture, and (B) to the extent such cash will be required for such purpose at a later date, will, to the extent practicable, at the written direction of an Authorized Representative, be reinvested in Defeasance Securities maturing at times and in amounts sufficient to pay when due the Principal Amount or Redemption Price, as applicable, of said Bonds and the interest to become due on said Current Interest Bonds on and prior to such redemption date or maturity date thereof, as the case may be.

BOND INSURANCE PROVISIONS

Defeasance

The investments in the defeasance escrow shall be limited to cash or non-callable, direct obligations of the United States of America and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America, or otherwise be approved by BAM.

At least 3 Business Days prior to any defeasance, the City shall deliver to BAM copies of an escrow agreement, opinions regarding the validity and enforceability of the escrow agreement and a verification report (a "Verification Report") of an Independent Certified Public Accountant regarding sufficiency of the escrow and a defeasance legal opinion. Such opinions and Verification Report shall be addressed to BAM and shall be in form and substance satisfactory to BAM. In addition, the escrow agreement shall provide that any substitution of securities shall require the delivery of a Verification Report, an opinion of Bond Counsel that such substitution will not adversely affect the exclusion from gross income of the holders of the Insured Obligations of the interest on the Insured Obligations for federal income tax purposes and the prior written consent of BAM, which consent will not be unreasonably withheld.

Amendments, Supplements and Consents

BAM's prior written consent is required for all amendments and supplements to the Indenture, with the exceptions noted below. The City shall send copies of any such amendments or supplements to BAM and the rating agencies which have assigned a rating to the Insured Obligations.

(a) Consent of BAM. Any amendments or supplements to the Indenture shall require the prior written consent of BAM with the exception of amendments or supplements:

(i) To issue Additional Bonds pursuant to the terms and provisions of the Indenture, or

(ii) To cure any ambiguity or formal defect or omissions or to correct any inconsistent provisions in the Indenture or in any supplement thereto, or

(iii) To grant or confer upon the Bondholders any additional rights, remedies, powers authority or security that may lawfully be granted to or conferred upon the Bondholders, or

(iv) To add to the conditions, limitations and restrictions on the issuance of Bonds under the provisions of the Indenture other conditions, limitations and restrictions thereafter to be observed, or

(v) To add to the covenants and agreements of the City in the Indenture other covenants and agreements thereafter to be observed by the City or to surrender any right or power therein reserved to or conferred upon the City.

(b) Consent of BAM in Addition to Bondholder Consent. Any amendment, supplement, modification to, or waiver of the Indenture that requires the consent of holders of the Insured Obligations or adversely affects the rights or interests of BAM shall be subject to the prior written consent of BAM.

(c) Consent of BAM in the Event of Insolvency. Any reorganization or liquidation plan with respect to the City must be acceptable to BAM. Each owner of the Insured Obligations hereby appoints BAM as its agent and attorney-in-fact with respect to the Insured Obligations and agrees that BAM may at any time during the continuation of any proceeding by or against the City under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "Insolvency Proceeding") direct all matters relating to such Insolvency Proceeding, including without limitation, (A) all matters relating to any claim or enforcement proceeding in connection with an Insolvency Proceeding (a "Claim"), (B) the direction of any appeal of any order relating to any Claim, (C) the posting of any surety, supersedeas or performance bond pending any such appeal, and (D) the right to vote to accept or reject any plan of adjustment. In addition, owners of the Insured Obligations delegate and assign to BAM, to the fullest extent permitted by law, the rights of each owner of the Insured Obligations with respect to the Insured Obligations in the conduct of any Insolvency Proceeding, including, without limitation, all rights of any party to an adversary proceeding or action with respect to any court order issued in connection with any such Insolvency Proceeding.

(d) Consent of BAM Upon Default. Anything in the Indenture to the contrary notwithstanding, upon the occurrence and continuance of a default or an event of default, BAM shall be entitled to control and direct the enforcement of all rights and remedies granted to the holders of the Insured Obligations or the Trustee or Paying Agent for the benefit of the holders of the Insured Obligations under the Indenture. The Trustee may not waive any default or event of default without BAM's written consent.

(e) BAM as Owner. Upon the occurrence and continuance of a default or an Event of Default, BAM shall be deemed to be the sole owner of the Insured Obligations for all purposes under the Indenture, including, without limitations, for purposes of exercising remedies and approving amendments.

(f) Consent of BAM for acceleration. BAM's prior written consent is required as a condition precedent to and in all instances of acceleration.

(g) Grace Period for Payment Defaults. No grace period shall be permitted for payment defaults on the Insured Obligations. No grace period for a covenant default shall exceed 30 days without the prior written consent of BAM.

Exercise of Rights by BAM

The rights granted to BAM under the Indenture to request, consent to or direct any action are rights granted to BAM in consideration of its issuance of the Policy. Any exercise by BAM of such rights is merely an exercise of the BAM's contractual rights and shall not be construed or deemed to be taken for the benefit, or on behalf, of the holders of the Insured Obligations and such action does not evidence any position of BAM, affirmative or negative, as to whether the consent of the holders of the Insured Obligations or any other person is required in addition to the consent of BAM.

SERIES 2023 FINANCIAL GUARANTY

After applying any available amounts transferred from the Surplus Fund, from the Operating Reserve Fund, and from the Renewal and Replacement Fund, all as provided in the Indenture, and any cash or investments in the 2023 Debt Service Reserve Fund, the Trustee shall draw upon the Series 2023 Financial Guaranty. The Trustee shall ascertain the necessity for a claim upon the Series 2023 Financial Guaranty in accordance with the provisions of the Indenture and shall provide notice to the Reserve Insurer in accordance with the terms of the Series 2023 Financial Guaranty at least two business days prior to each date upon which interest or principal is due on the Series 2023 Bonds.

Draws on the Series 2023 Financial Guaranty may only be used to make payments on Series 2023 Bonds (and for the avoidance of doubt, not any other obligations of the City, whether issued on parity with the Series 2023 Bonds, or otherwise).

Repayment of draws and payment of expenses and accrued interest thereon at the Late Payment Rate (collectively, the "Policy Costs") shall be made prior to replenishment of any cash amounts. Draws on the 2023 Financial Guaranty or on any alternative credit instruments on deposit in the 2023 Debt Service Reserve Fund ("Alternative Credit Instruments") on which there is available coverage shall be made on a pro-rata basis (calculated by reference to the coverage then available thereunder) after applying all available cash and investments in the 2023 Debt Service Reserve Fund. Payment of Policy Costs and reimbursement of amounts with respect to other Alternative Credit Instruments shall be made on a pro-rata basis prior to replenishment of any cash drawn from the 2023 Debt Service Reserve Fund. For the avoidance of doubt, "available coverage" means the coverage then available for disbursement pursuant to the terms of the applicable Alternative Credit Instrument without regard to the legal or financial ability or willingness of the provider of such instrument to honor a claim or draw thereon or the failure of such provider to honor any such claim or draw.

If the City shall fail to pay any Policy Costs in accordance with the requirements of the Indenture, the Reserve Insurer shall be entitled to exercise any and all legal and equitable remedies available to it, including those provided under the Indenture other than (i) acceleration of the maturity of the Series 2023 Bonds, or (ii) remedies which would adversely affect owners of the Series 2023 Bonds.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX E

FORM OF THE CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City of Fresno, a municipal corporation and chartered city duly organized and validly existing under the Constitution and the laws of the State of California (the "City") in connection with the issuance of the City of Fresno (the "City") will issue $86,030,000 principal amount of its City of Fresno Airport Revenue Refunding Bonds, Series 2023A (AMT), and $5,055,000 principal amount of its City of Fresno Airport Revenue Refunding Bonds, Series 2023B (Non-AMT) (together, the "Series 2023 Bonds"). The Series 2023 Bonds are being issued pursuant to an Indenture of Trust dated as of June 15, 2000 (the "Original Indenture"), by and between the City and The Bank of New York Mellon Trust Company, N.A., as successor trustee (the "Trustee"), as amended and supplemented, including as amended and supplemented by a Fourth Supplemental Indenture dated as of May 1, 2023 (the "Fourth Supplemental Indenture"), by and between the City and the Trustee. The City covenants and agrees as follows:

SECTION 1. Purpose of this Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the Holders and Beneficial Owners of the Series 2023 Bonds 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 in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"*Annual Report*" shall mean any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

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

"*Bond Insurer*" shall mean Build America Mutual Assurance Company, 200 Liberty Street, 27th Floor, New York, New York, 10281; Attention: Surveillance, Re: Policy ___________; Telephone: 212-235-2500; Fax: 212-962-1710; Email: notices@buildamerica.com.

"*Dissemination Agent*" shall mean Willdan Financial Services, or any successor Dissemination Agent designated in writing by the City to and which has filed with the City a written acceptance of such designation.

"*Filing Date*" shall mean March 31 of each year, commencing March 31, 2024.

"Financial Obligation" as used in this Disclosure Certificate is defined in the Rule, as may be amended, as (i) a debt obligation; (ii) derivative instrument entered into in connection with, or pledged as a 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.

"*Fiscal Year*" shall mean with respect to the City, the period beginning on July 1 of each year and ending on the next succeeding June 30, or any twelve month or fifty-two week period thereafter selected by the City with notice of such selection of change in fiscal year to be provided as set forth herein.

"*Holders*" shall mean either the registered owners of the Series 2023 Bonds, or, if the Series 2023 Bonds are registered in the name of Depository Trust Company or another recognized depository, any applicable participant in its depository system.

"*Listed Event*" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

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

"*Participating Underwriter*" shall mean Raymond James & Associates, Inc., the original underwriter of the Series 2023 Bonds required to comply

"*Repository*" shall mean any Electronic Municipal Market Access site maintained by the Municipal Securities Rulemaking Board at http://emma.msrb.org or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule.

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

"*State*" shall mean the State of California.

SECTION 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than the Filing Date, commencing with the report due for the City's Fiscal Year ended June 30, 2023, provide to the Repository and the Bond Insurer, in an electronic format and accompanied by such identifying information as is prescribed by the Repository, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; *provided* that the audited financial statements of the City may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the City's Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(b) Not later than fifteen (15) Business Days prior to said date, the City shall provide the Annual Report to the Dissemination Agent.

(c) If the City is unable to provide to the Repository an Annual Report by the date required in subsection (a), the City shall send a notice to the Repository, in substantially the form attached as Exhibit A to this Disclosure Certificate.

(d) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the applicable electronic format for filings through the Repository;

(ii) file the Annual Report with the Repository by the date required therefor by Section 3(a) and file any notice of a Listed Event, if requested by the City, as soon as practicable following receipt from the City of such notice; and

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

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

(a) The audited financial statements of the City for the Fiscal Year most recently ended, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Government Accounting Standards Board and reporting standards as set forth by the State Controller in "State of California Accounting Standards and Procedures for Counties." If the audited financial statements of the City are not available by the time the Annual Report is required to be filed as described above, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) To the extent not included in the financial statements, the following types of information will be provided in one or more reports (references are to the tables included in the Report of the Airport Consultant, attached as Appendix A to the Official Statement, with the exception of items (b)(iii) and (b)(vi) which tables are included in the Official Statement):

(i) Air Traffic Data

(A) Scheduled Airlines serving the Airport (similar to Table 8 in the Official Statement;
(B) Daily Scheduled Nonstop Airline Departures (similar to Table 13 in the Official Statement);
(C) Historical Enplaned Passengers by Aircraft (similar to Table 9 in the Official Statement);
(D) Enplaned Passengers by Airline (similar to Table 10 in the Official Statement Report of the Airport Consultant); and
(E) Origin - Destination Passenger Market Shares and Airline Service (similar to Table 12 in the Official Statement).

(ii) Freight and Express Cargo Traffic Data (similar to Table 14 in the Official Statement);

(iii) Airline Shares of Landed Weight (similar to Table 11 in the Official Statement);

(iv) Historical Financial Results (similar to Table 16 in the Official Statement);

(v) Landing Fees and Terminal Rental Rates (similar to Table 17 in the Official Statement); and

(vi) Historical Debt Service Coverage (in a format similar to Table 6 in the Official Statement).

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

The contents, presentation and format of the Annual Reports may be modified from time to time as determined in the judgment of the City to conform to changes in accounting or disclosure principles or practices and legal requirements followed by or applicable to the City or to reflect changes in the business, structure, operations, legal form of the City or any mergers, consolidations, acquisitions or dispositions made by or affecting the City; provided that any such modifications shall comply with the requirements of the Rule.

SECTION 5. Reporting of Significant Events.

(a) To the extent applicable and pursuant to provisions of this Section 5, the City shall give, or cause to be given, to the Repository and the Bond Insurer, notice of the occurrence of any of the following events with respect to the Series 2023 Bonds (each of which is a "Listed Event"):

(i) principal and interest payment delinquencies.

(ii) non-payment related defaults, if material.

(iii) modifications to rights of Holders, if material.

(iv) bond calls other than scheduled sinking fund redemptions, if material, and tender offers.

(v) defeasances.

(vi) rating changes.

(vii) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 570 1-TEB) or other material notices of determinations with respect to the tax status of the Series 2023 Bonds, or other material events affecting the tax-exempt status of the Series 2023 Bonds.

(viii) unscheduled draws on the debt service reserves reflecting financial difficulties.

(ix) unscheduled draws on credit enhancements reflecting financial difficulties.

(x) substitution of any credit or liquidity providers or their failure to perform.

(xi) release, substitution or sale of property securing repayment of the Series 2023 Bonds, if material.

(xii) bankruptcy, insolvency, receivership or similar event of the City; provided that for the purposes of the event identified in this clause (xii), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the City, 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 City;

(xiii) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material;

(xv) Incurrence of a Financial Obligation of an Obligated Person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of an Obligated Person, any of which affect security holders, if material; and

(xvi) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of an Obligated Person, any of which reflect financial difficulties.

(b) If the Dissemination Agent is other than the City, the Dissemination Agent shall, as soon as reasonably practicable after obtaining actual knowledge of the occurrence of any of the Listed Events contact the City and request that the City promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to Section 5(c) and promptly direct the Dissemination Agent whether or not to report such event to the owners of the Series 2023 Bonds. In the absence of such direction, the Dissemination Agent shall not report such event unless required to be reported by the Dissemination Agent to the owners of the Series 2023 Bonds under the Indenture. The Dissemination Agent may conclusively rely upon such direction or lack thereof. For purposes of this Disclosure Certificate, actual knowledge of the occurrence of such Listed Events shall mean actual knowledge by the Dissemination Agent. The Dissemination Agent shall have no responsibility to determine the materiality of any of the Listed Events. Notwithstanding the foregoing, notice of any Listed Event shall be filed with the Repository through its EMMA system, in an electronic format as prescribed by the Repository, in a timely manner but not in excess of 10 business days after the occurrence of such Listed Event.

(c) Whenever the City obtains knowledge of the occurrence of a Listed Event, but, in the case of a Listed Event described in subparagraphs (ii), (iii), (iv) (but only with respect to bond calls), (xi), (xiii) and (xiv) of Section 5(a), only in the event the City determines that knowledge of occurrence of a Listed Event would be material under applicable federal securities laws, the City shall file or cause to be filed a notice of such occurrence with the Repository through its EMMA system, in an electronic format as prescribed by the Repository, in a timely manner but not in excess of 10 business days after the occurrence of such Listed Event.

(d) The City acknowledges that the events described in subparagraphs (ii), (iii), (iv), (xi), (xiii), and (xiv) of Section 5(a) contain the qualifier "if material". The City shall cause a notice to be filed as set forth in this Section 5 with respect to any such event only to the extent that it determines the event's occurrence is material for purposes of United States federal securities law. Whenever the City obtains knowledge of the occurrence of any of these Listed Events, the City 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 City will cause a notice to be filed as set forth in Section 5(c).

(e) If in response to a request under Section 5(b), the City determines that the Listed Event would not be material under applicable federal securities laws, the City shall so notify the Dissemination Agent in writing t not to report the occurrence.

(f) If the Dissemination Agent has been instructed by the City to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of Listed Events described in Section 5(a)(viii) and (ix) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Series 2023 Bonds pursuant to the Indenture.

(g) For purposes of this Disclosure Agreement, any event described in Section 5(a)(xii) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City 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 City, 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 City.

(h) The Dissemination Agent may conclusively rely on an opinion of counsel that the City's instructions to the Dissemination Agent under this Section 5 comply with the requirements of the Rule.

SECTION 6. Termination of Reporting Obligation. The City's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Series 2023 Bonds. If such termination occurs prior to the final maturity of the Series 2023 Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

SECTION 7. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign at any time upon delivery of written notice thereof to the County at least 30 days prior to the effective date of such resignation. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the City pursuant to this Disclosure Certificate.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate, may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(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 Series 2023 Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Series 2023 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Series 2023 Bonds in the same manner as provided in the Indenture for amendments to the Indenture 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 Series 2023 Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(c), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the City to comply with any provision of this Disclosure Certificate any Holder or Beneficial Owner outstanding Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including reasonable attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the City under this Section 11 shall survive resignation or removal of the Dissemination Agent and payment of the Series 2023 Bonds.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter, and Holders and Beneficial Owners from time to time of the Series 2023 Bonds, and shall create no rights in any other person or entity.

SECTION 13. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Date: May 25, 2023

CITY OF FRESNO

By: ____

Controller/Finance Director

EXHIBIT A

NOTICE TO REPOSITORY OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	City of Fresno, California
Name of Bond Issues:	City of Fresno Airport Revenue Refunding Bonds, Series 2023A (AMT), and City of Fresno Airport Revenue Refunding Bonds, Series 2023B (Non-AMT)
Date of Issuance:	May 25, 2023

NOTICE IS HEREBY GIVEN that the City of Fresno (the "City") has not provided an Annual Report with respect to the above-named Bonds as required by Section 22.09 of the Fourth Supplemental Indenture dated as of May 1, 2023 between the City and The Bank of New York Mellon Trust Company, N.A., as successor Trustee. [The City anticipates that the Annual Report will be filed by _____________.]

Dated:_______________

WILLDAN FINANCIAL SERVICES AGENT,
as Dissemination Agent

By:___________________________________
Authorized Officer

cc: City of Fresno
Trustee

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX F

INFORMATION REGARDING DTC AND THE BOOK-ENTRY ONLY SYSTEM

The information in this Appendix F concerning The Depository Trust Company, New York, New York ("DTC") and DTC's book-entry system has been obtained from DTC and the City takes no responsibility for the completeness or accuracy thereof. The City cannot and does not give any assurances 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 Series 2023 Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Series 2023 Bonds, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Series 2023 Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this 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.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2023 Bonds. The Series 2023 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered security certificate will be issued for each maturity of the Series 2023 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest 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 DTC's 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"). S&P Global Ratings has rated DTC "AA+." 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. The information set forth on such website is not incorporated herein by reference.

Purchases of the Series 2023 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2023 Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2023 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2023 Bonds, except in the event that use of the book-entry system for the Series 2023 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2023 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Series 2023 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2023 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2023 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Series 2023 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2023 Bonds, such as prepayments, tenders, defaults, and proposed amendments to the Indenture. For example, Beneficial Owners of the Series 2023 Bonds may wish to ascertain that the nominee holding the Series 2023 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2023 Bonds of like maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2023 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2023 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of, premium, if any, and interest on the Series 2023 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee (or its agent), on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct and Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee (or its agent) or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of, premium, if any, and interest on the Series 2023 Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

NEITHER THE CITY NOR THE TRUSTEE (OR ANY AGENT THEREOF) WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS WITH RESPECT TO THE PAYMENTS OR THE PROVIDING OF NOTICE TO DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS.

DTC may discontinue providing its services as depository with respect to the Series 2023 Bonds at any time by giving reasonable notice to the City or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2023 Bond certificates will be printed and delivered.

In the event that the book-entry system is discontinued as described above, the requirements of the Indenture will apply.

The City and the Trustee cannot and do not give any assurances that DTC, the Participants or others will distribute payments of principal, interest or premium, if any, evidenced by the Series 2023 Bonds paid to DTC or its nominee as the registered owner, or will distribute any prepayment notices or other notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. Neither the City nor the Trustee are responsible or liable for the failure of DTC or any Participant to make any payment or give any notice to a Beneficial Owner with respect to the Series 2023 Bonds or an error or delay relating thereto.

BENEFICIAL OWNERS WILL NOT RECEIVE PHYSICAL DELIVERY OF SERIES 2023 BONDS AND WILL NOT BE RECOGNIZED BY THE TRUSTEE (OR ITS AGENT) AS OWNERS THEREOF, AND BENEFICIAL OWNERS WILL BE PERMITTED TO EXERCISE THE RIGHTS OF OWNERS ONLY INDIRECTLY THROUGH DTC AND THE DTC PARTICIPANTS.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX G

PROPOSED FORM OF OPINION OF BOND COUNSEL

May 25, 2023

City of Fresno
Fresno, California

City of Fresno
Airport Revenue Bonds
Series 2023A (AMT)

and

City of Fresno
Airport Revenue Refunding Bonds
Series 2023B (Non-AMT)
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the City of Fresno (the "Issuer") in connection with the issuance of $86,030,000 aggregate principal amount of City of Fresno Airport Revenue Bonds, Series 2023A (AMT) (the "2023A Bonds") and $5,055,000 aggregate principal amount of City of Fresno Airport Revenue Refunding Bonds, Series 2023B (Non-AMT) (the "2023B Bonds" and, together with the 2023A Bonds, the "Bonds"), issued pursuant to an Indenture of Trust, dated as of June 15, 2000, between the Issuer and The Bank of New York Mellon Trust Company, N.A. (as successor in interest to BNY Western Trust Company), as trustee (the "Trustee"), as supplemented by the First Supplemental Indenture, dated as of May 1, 2007, the Second Supplemental Indenture, dated as of July 1, 2023, the Third Supplemental Indenture, dated as of May 1, 2019, and the Fourth Supplemental Indenture, dated as of May 1, 2023, between the Issuer and the Trustee (collectively, the "Indenture"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed the Indenture, the Tax Certificate of the Issuer, dated the date hereof (the "Tax Certificate"), opinions of counsel to the Issuer and the Trustee, certificates of the Issuer, the Trustee and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after original delivery of the Bonds on the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after original delivery of the Bonds on the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures provided to us and the due and legal execution and delivery thereof by, and validity against, any parties other than the Issuer. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds and the Indenture and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against governmental entities such as the Issuer in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute or to have the effect of a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the assets described in or as subject to the lien of the Indenture or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion or view with respect thereto.

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

1. The Bonds constitute the valid and binding limited obligations of the Issuer.

2. The Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Issuer. The Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Trust Estate, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture, and subject to limitations on the use of certain Revenues.

3. The Bonds are not a lien or charge upon the funds or property of the Issuer except to the extent of the aforementioned pledge. Neither the faith and credit nor the taxing power of the Issuer, the State of California or of any political subdivision thereof is pledged to the payment of the principal of or interest on the Bonds. The Bonds are not a debt of the State of California, and said State is not liable for the payment thereof.

4. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, except that no opinion is expressed as to the status of interest on any 2023A Bond for any period that such 2023A Bond is held by a "substantial user" of the facilities financed or refinanced by the 2023A Bonds or by a "related person" within the meaning of Section 147(a) of the Internal Revenue Code of 1986. Interest on the 2023B Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. We observe, however, that interest on the 2023A Bonds is a specific preference item for purposes of the federal individual alternative minimum tax, and, for tax years beginning after December 31, 2022, interest on the Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Interest on the Bonds is exempt from State of California personal income taxes. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

APPENDIX H

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

[THIS PAGE INTENTIONALLY LEFT BLANK]

MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: $__________ in aggregate principal amount of [NAME OF TRANSACTION] [and maturing on]

Effective Date: _________

Risk Premium: $__________
Member Surplus Contribution: $ _________
Total Insurance Payment: $_________

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: ____

Authorized Officer

Notices (Unless Otherwise Specified by BAM)

Email:
claims@buildamerica.com
Address:
200 Liberty Street, 27th floor
New York, New York 10281
Telecopy:
212-962-1524 (attention: Claims)

CALIFORNIA

ENDORSEMENT TO

MUNICIPAL BOND INSURANCE POLICY

NO.

This Policy is not covered by the California Insurance Guaranty Association established pursuant to Article 15.2 of Chapter 1 of Part 2 of Division 1 of the California Law.

Nothing herein shall be construed to waive, alter, reduce or amend coverage in any other section of the Policy. If found contrary to the Policy language, the terms of this Endorsement supersede the Policy language

IN WITNESS WHEREOF, BUILDAMERICA MUTUAL ASSURANCE COMPANY has caused this policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By

____

Authorized Officer

APPENDIX I

SPECIMEN MUNICIPAL BOND DEBT SERVICE RESERVE INSURANCE POLICY

[THIS PAGE INTENTIONALLY LEFT BLANK]

MUNICIPAL BOND DEBT SERVICE RESERVE INSURANCE POLICY

ISSUER: ISSUER_NAME, STATE_NAME

Policy No:

MEMBER: MEMBER_COMPANY, STATE_NAME

Effective Date:

BONDS: $_______________ in aggregate principal amount of
,

Risk Premium: $________
Member Surplus Contribution: $________
Total Insurance Payment: $________

Maximum Policy Limit: $

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above under the Security Documents, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

BAM will make payment as provided in this Policy to the Trustee or Paying Agent on the later of (i) the Business Day on which such principal and interest becomes Due for Payment and (ii) the first Business Day following the Business Day on which BAM shall have received a completed Notice of Nonpayment in a form reasonably satisfactory to it. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of this paragraph, and BAM shall promptly so advise the Trustee or Paying Agent who may submit an amended Notice of Nonpayment.

Payment by BAM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of BAM under this Policy. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, (a) BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond and (b) BAM shall become entitled to reimbursement of the amount so paid (together with interest and expenses) pursuant to the Security Documents and Debt Service Reserve Agreement.

The amount available under this Policy for payment shall not exceed the Policy Limit. The amount available at any particular time to be paid to the Trustee or Paying Agent under the terms of this Policy shall automatically be reduced by and to the extent of any payment under this Policy. However, after such payment, the amount available under this Policy shall be reinstated in full or in part, but only up to the Policy Limit, to the extent of the reimbursement of such payment (after taking into account the payment of interest and expenses) to BAM by or on behalf of the Issuer. Within three (3) Business Days of such reimbursement, BAM shall provide the Trustee or the Paying Agent with Notice of Reinstatement, in the form of Exhibit A attached hereto, and such reinstatement shall be effective as of the date BAM gives such notice.

Payment under this Policy shall not be available with respect to (a) any Nonpayment that occurs prior to the Effective Date or after the end of the Term of this Policy or (b) Bonds that are not outstanding under the Security Documents. If the amount payable under this Policy is also payable under another BAM issued policy insuring the Bonds, payment first shall be made under this Policy to the extent of the amount available under this Policy up to the Policy Limit. In no event shall BAM incur duplicate liability for the same amounts owing with respect to the Bonds that are covered under this Policy and any other BAM issued insurance policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "**Business Day**" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent (as hereinafter defined) are authorized or required by law or executive order to remain closed. "**Debt Service Reserve Agreement**" means the Debt Service Reserve Agreement, if any, dated as of the effective date hereof, in respect of this Policy, as the same may be amended or supplemented from time to time. "**Due for Payment**" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "**Nonpayment**" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. **"Notice"** means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. "**Owner**" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer, the Member or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds. **"Policy Limit"** means the dollar amount of the debt service reserve fund required to be maintained for the

Bonds by the Security Documents from time to time (the "Reserve Account Requirement"), or the portion of the Reserve Account Requirement for the Bonds provided by this Policy as specified in the Security Documents or Debt Service Reserve Agreement, if any, but in no event shall the Policy Limit exceed the Maximum Policy Limit set forth above. The Policy Limit shall automatically and irrevocably be reduced from time to time by the amount of or, if this Policy is only providing a portion of the Reserve Account Requirement, in the same proportion as, each reduction in the Reserve Account Requirement, as provided in the Security Documents or Debt Service Reserve Agreement. **"Security Documents"** means any resolution, ordinance, trust agreement, trust indenture, loan agreement and/or lease agreement and any additional or supplemental document executed in connection with the Bonds. "**Term**" means the period from and including the Effective Date until the earlier of (i) the maturity date for the Bonds and (ii) the date on which the Bonds are no longer outstanding under the Security Documents.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy is being issued under and pursuant to and shall be construed under and governed by the laws of the State of New York, without regard to conflict of law provisions.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: ______________________________________
Authorized Officer

Schedule

Notices (Unless Otherwise Specified by BAM)

Email:
claims@buildamerica.com
Address:
200 Liberty Street, 27th floor
New York, New York 10281
Telecopy:
212-962-1524 (attention: Claims)

EXHIBIT A

NOTICE OF REINSTATEMENT

[DATE]

[TRUSTEE][PAYING AGENT]
[INSERT ADDRESS]

Reference is made to the Municipal Bond Debt Service Reserve Insurance Policy, Policy No. ________ (the "Policy"), issued by Build America Mutual Assurance Company ("BAM"). The terms which are capitalized herein and not otherwise defined shall have the meanings specified in the Policy.

BAM hereby delivers notice that it is in receipt of payment from the [Issuer], or on its behalf, pursuant to the Security Documents or Debt Service Reserve Agreement, if any, and, as of the date hereof, the Policy Limit is $_________, subject to reduction as the Reserve Account Requirement for the Bonds is reduced in accordance with the terms set forth in the Security Documents.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: ___________________________________

____

Name:
Title: