

NEW ISSUE
FULL BOOK ENTRYRATING: Moody's: "Aa1"
See "RATING."

In the opinion of Jones Hall LLP, San Mateo, California, Bond Counsel, subject, however, to certain qualifications described herein, under existing law, the interest on the Series 2026A Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. Interest on the Series 2026A Bonds may be subject to the corporate alternative minimum tax. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS."



\$48,220,000*
CITY OF SANTA ROSA
WASTEWATER REVENUE BONDS,
SERIES 2026A

Dated: Date of Delivery

Due: September 1, as shown on inside cover

General. The City of Santa Rosa Wastewater Revenue Bonds, Series 2026A (the "Series 2026A Bonds") are being issued by the City of Santa Rosa (the "City") under an Indenture of Trust dated as of February 1, 1988, as amended by a series of Supplemental Indentures of Trust, including the Twenty-Second Supplemental Indenture of Trust, dated as of November 1, 2026, which relates specifically to the Series 2026A Bonds (as amended, the "Indenture"), between the City and U.S. Bank Trust Company, National Association, San Francisco, California, as trustee (the "Trustee").

Purpose of the Series 2026A Bonds. Proceeds of the Series 2026A Bonds will be used to (i) finance additional facilities, improvements or extensions of existing facilities within or of benefit to the City's wastewater enterprise system (the "Enterprise"), (ii) defease, pay and redeem the City of Santa Rosa Wastewater Revenue Bonds, Series 2014A, which are outstanding in the aggregate principal amount of \$6,985,000, and the City of Santa Rosa Wastewater Revenue Refunding Bonds, Series 2016A, which are outstanding in the aggregate principal amount of \$11,730,000, (iii) fund capitalized interest on a portion of the Series 2026A Bonds due on March 1, 2027, and (iv) pay the costs of issuing the Series 2026A Bonds. See "FINANCING PLAN."

DTC; Interest Payment Dates. The Series 2026A Bonds will be delivered as fully registered bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"), and will be available to ultimate purchasers ("Beneficial Owners") in integral multiples of \$5,000, under the book-entry system maintained by DTC. Beneficial Owners will not be entitled to receive delivery of certificates representing their ownership interest in the Series 2026A Bonds. Interest on the Series 2026A Bonds is payable on September 1 and March 1 of each year, commencing March 1, 2027, by the Trustee to DTC for subsequent disbursement to DTC participants, so long as DTC, or its nominee, remains the registered owner of the Series 2026A Bonds. See "APPENDIX F – Book Entry Only System."

Redemption Prior to Maturity.* The Series 2026A Bonds are subject to redemption prior to maturity as described in this Official Statement. See "THE SERIES 2026A BONDS – Redemption."

Security for the Series 2026A Bonds. The Series 2026A Bonds are special obligations of the City and are payable exclusively from Net Revenues (as defined in this Official Statement) of the Enterprise and from amounts on deposit in certain funds and accounts established under the Indenture.

Parity Bonds and State Loans. On the delivery date of the Series 2026A Bonds, certain outstanding bonds of the City will be secured by Net Revenues on a parity basis with the Series 2026A Bonds. See "Financing Plan – Outstanding Parity Bonds." In addition, under the Indenture, the City may incur additional obligations secured by Net Revenues on a parity basis with the Series 2026A Bonds, including additional bonds issued under the Indenture and loans from the State of California, provided that the conditions set forth in the Indenture are met. See "RISK FACTORS" and "SECURITY FOR THE SERIES 2026A BONDS – Parity Bonds and State Loans."

No Debt Service Reserve. The City will not establish a debt service reserve fund for the Series 2026A Bonds.

Limited Obligation. Neither the Series 2026A Bonds nor the obligation of the City to pay principal of or interest thereon constitutes a debt, obligation or liability of the City within the meaning of any Constitutional limitation on indebtedness, or a pledge of the full faith and credit of the City. The Series 2026A Bonds are secured solely by the pledge of Net Revenues of the Enterprise by the City and certain funds held under the Indenture. The Series 2026A Bonds are not secured by a pledge of the taxing power of the City. Neither the Series 2026A Bonds nor the obligation of the City to pay principal of or interest thereon constitutes a debt, obligation or liability whatsoever of the State of California or any of its other political subdivisions.

Summary Only. This cover page contains certain information for quick reference only. It is not intended to be a summary of all factors relating to an investment in the Series 2026A Bonds. Investors should review the entire Official Statement before making any investment decision.

MATURITY SCHEDULE
(See inside cover)

The Series 2026A Bonds are offered when, as and if issued, and accepted by the Underwriter, subject to approval as to legality by Jones Hall LLP, San Mateo, California, Bond Counsel, and subject to certain other conditions. Jones Hall LLP, San Mateo, California is acting as Disclosure Counsel to the City. Certain legal matters will be passed upon for the City by the City Attorney. Certain legal matters will be passed upon for the Underwriter by Anzel Galvan LLP, San Francisco, California, as Underwriter's Counsel. It is anticipated that the Series 2026A Bonds will be available for delivery in book-entry form on or about November 19, 2026.

STIFEL

Dated: _____, 2026

* Preliminary; subject to change.

MATURITY SCHEDULE*

CITY OF SANTA ROSA WASTEWATER REVENUE BONDS, SERIES 2026A

\$ _____ Serial Bonds
(Base CUSIP†: 802649)

<u>Maturity</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP†</u> <u>Number</u>
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\$ _____ % Term Bond due September 1, 20 __, Yield: _____ %, Price: _____
CUSIP† No. 802649 _____

* Preliminary; subject to change.

C: Priced to the first optional redemption date at par of September 1, 20 __.

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

CITY OF SANTA ROSA

CITY COUNCIL

Mark Stapp, *Mayor*
Jeff Okrepkie, *Vice Mayor*
Eddie Alvarez, *Council Member*
Dianna MacDonald, *Council Member*
Victoria Fleming, *Council Member*
Caroline Bañuelos, *Council Member*
Natalie Rogers, *Council Member*

BOARD OF PUBLIC UTILITIES

Daniel Galvin III, *Chair*
William J. Arnone, Jr., *Vice Chair*
Lisa A. Badenfort, *Board Member*
Duane De Witt, *Board Member*
Georgia M. Meisler, *Board Member*
Glen Wright, *Board Member*
Melinda Rivera, *Board Member*

CITY OFFICIALS

Jason Nutt, *Interim City Manager*
Dominique Blanquie, *Acting Assistant City Manager*
Scott Wagner, *Chief Financial Officer*
Dina Manis, *City Clerk*
Jennifer Burke, *Director of Santa Rosa Water*
Nick Harvey, *Santa Rosa Water Deputy Director of Administration*
Ashle T. Crocker, *City Attorney*

BOND RELATED SERVICES

Bond Counsel and Disclosure Counsel

Jones Hall LLP
San Mateo, California

Municipal Advisor

NHA Advisors LLC
San Rafael, California

Verification Agent

Causey Public Finance, LLC
Denver, Colorado

Trustee

U.S. Bank Trust Company, National Association
San Francisco, California

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

No Offering May Be Made Except by this Official Statement. No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations with respect to the Series 2026A Bonds other than as contained in this Official Statement, and if given or made, such other information or representation must not be relied upon as having been authorized.

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

Effective Date. This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Series 2026A Bonds will, under any circumstances, create any implication that there has been no change in the affairs of the City or any other parties described in this Official Statement.

Use of this Official Statement. This Official Statement is submitted in connection with the sale of the Series 2026A Bonds referred to in this Official Statement and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not a contract with the purchasers of the Series 2026A Bonds.

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

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

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

Bonds are Exempt from Securities Laws Registration. The issuance and sale of the Series 2026A Bonds have not been registered under the Securities Act of 1933, as amended (the "Securities Act"), or the Securities Exchange Act of 1934, as amended (the "Securities Exchange Act"), in reliance upon exemptions for the issuance and sale of municipal securities provided under Section 3(a)(2) of the Securities Act and Section 3(a)(12) of the Securities Exchange Act.

Stabilization of Prices. The Underwriter may offer and sell the Series 2026A Bonds to certain securities dealers, dealer banks and banks acting as agent at prices lower than the public offering prices set forth on the inside cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

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

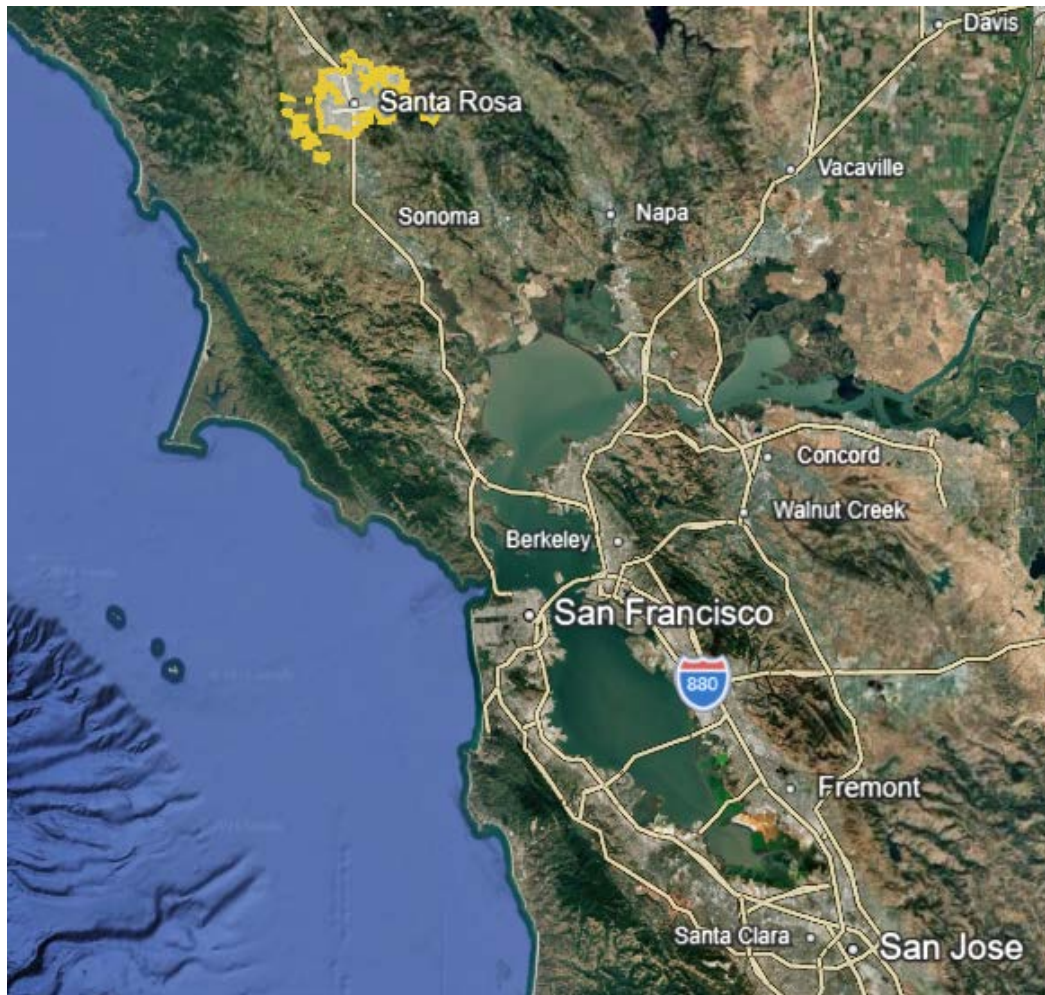
THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE CITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

Website. The City maintains a website; however, the information presented on the website is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the Series 2026A Bonds.

TABLE OF CONTENTS

	<u>Page</u>		<u>Page</u>
INTRODUCTION.....	1	Customer Accounts – Other Member	
FINANCING PLAN.....	4	Agencies.....	43
General.....	4	Rates and Charges.....	44
Capital Improvements to the Enterprise.....	4	Billing and Collection Procedures.....	48
Refunding of Series 2014A Bonds.....	4	Financial Management and Policies.....	49
Refunding of Series 2016A Bonds.....	5	Financial Statements.....	49
Defeasance to Maturity of a Portion of Series		Historical and Projected Revenues,	
2002B Bonds.....	5	Expenses and Debt Service Coverage.....	50
Release of Cash from Reserve Account.....	6	RISK FACTORS.....	52
Estimated Sources and Uses of Funds.....	7	Revenues; Rate Covenant.....	52
Debt Service Schedules.....	8	City Expenses.....	52
Outstanding Parity Bonds.....	10	GPC Contract and Windsor Agreement.....	52
THE SERIES 2026A BONDS.....	11	Subregional Agreement.....	52
Description.....	11	Environmental Regulation.....	53
Redemption.....	11	Insurance.....	53
Partial Redemption.....	12	Limitations on Remedies Available to Bond	
Selection of Bonds for Redemption.....	13	Owners.....	53
Notice of Redemption.....	13	No Reserve Fund.....	54
Transfer and Exchange.....	14	Parity Bonds and State Loans.....	54
SECURITY FOR THE SERIES 2026A BONDS.....	15	Natural Disasters.....	54
Pledge of Net Revenues; Net Revenues.....	15	Pension Expenses.....	58
Rate Covenant.....	17	Cybersecurity.....	58
Outstanding Parity Bonds.....	17	Loss of Tax-Exemption and Other Tax-	
Parity Bonds and State Loans.....	18	Related Matters.....	58
Application of Revenues.....	19	Changes in Law.....	59
Rate Stabilization Fund.....	20	Article XIIIB Gann Limit.....	59
No Debt Service Reserve.....	21	Articles XIIIC and XIIID of the California	
Limited Obligation.....	21	Constitution.....	59
THE ENTERPRISE.....	22	Future Initiatives.....	62
City Government.....	22	Secondary Market for Bonds.....	63
Investment Policies and Procedures.....	25	CONTINUING DISCLOSURE.....	63
Insurance Coverage.....	26	NO LITIGATION.....	63
Wastewater Operations.....	26	FINANCIAL STATEMENTS.....	64
Existing Facilities.....	29	RATING.....	64
Subregional Agreement.....	33	TAX MATTERS.....	65
Environmental Compliance.....	36	Series 2026A Bonds.....	65
Capital Improvement Program.....	37	CERTAIN LEGAL MATTERS.....	66
Total Customer Accounts – City Only.....	40	UNDERWRITING.....	67
Profile of Customers in the City.....	41	MUNICIPAL ADVISOR.....	67
Top 10 Customers in the City.....	41	VERIFICATION OF MATHEMATICAL	
Wastewater Flow – Laguna Facility.....	42	ACCURACY.....	67
Wastewater Flow – Other Member Agencies.....	43	EXECUTION.....	68

APPENDIX A – AUDITED FINANCIAL STATEMENTS OF THE CITY FOR FISCAL YEAR ENDED JUNE 30, 2025
APPENDIX B – SUMMARY OF THE INDENTURE
APPENDIX C – GENERAL DEMOGRAPHIC INFORMATION ABOUT THE CITY OF SANTA ROSA AND COUNTY OF SONOMA
APPENDIX D – FORM OF OPINION OF BOND COUNSEL
APPENDIX E – FORM OF CONTINUING DISCLOSURE CERTIFICATE
APPENDIX F – BOOK ENTRY ONLY SYSTEM



OFFICIAL STATEMENT

\$48,220,000*
CITY OF SANTA ROSA
WASTEWATER REVENUE BONDS,
SERIES 2026A

INTRODUCTION

This Official Statement, including the cover page and appendices, is provided to furnish information in connection with the sale by the City of Santa Rosa (the “City”) of the City of Santa Rosa Wastewater Revenue Bonds, Series 2026A (the “Series 2026A Bonds”). This Introduction contains a brief summary of certain information contained in this Official Statement. It is not intended to be complete and is qualified by the more detailed information contained elsewhere in this Official Statement. Definitions of certain terms used in this Official Statement are set forth in “APPENDIX B – Summary of the Indenture.”

Authority for Issuance. The Series 2026A Bonds are being issued under the following:

(i) Provisions of Chapter 3-12 (commencing with Section 3-12.010) of the Santa Rosa City Code (the “**Revenue Code**”), which authorizes the City to issue its revenue bonds for the purpose of providing funds for the acquisition, construction, improving or financing the City’s wastewater enterprise (the “**Enterprise**”).

(ii) Indenture of Trust dated as of February 1, 1988 (the “**Master Indenture**”), as amended by a series of Supplemental Indentures of Trust, including the Twenty-Second Supplemental Indenture of Trust dated as of November 1, 2026, which relates specifically to the Series 2026A Bonds (as so amended, the “**Indenture**”).

Use of Proceeds. The proceeds of the Series 2026A Bonds will be used to (i) finance additional facilities, improvements or extensions of existing facilities within or of benefit to the Enterprise, (ii) defease, pay and redeem the City of Santa Rosa Wastewater Revenue Bonds, Series 2014A, which are outstanding in the aggregate principal amount of \$6,985,000 (the “**Series 2014A Bonds**”), and the City of Santa Rosa Wastewater Revenue Refunding Bonds, Series 2016A, which are outstanding in the aggregate principal amount of \$11,730,000 (the “**Series 2016A Bonds**” and, together with the Series 2014A Bonds, the “**Refunded Bonds**”), (iii) capitalize a portion of the interest due on the Series 2026A Bonds on March 1, 2027, and (iv) pay the costs of issuing the Series 2026A Bonds. See “FINANCING PLAN.”

Security for the Series 2026A Bonds. The Series 2026A Bonds will be payable from and secured by Net Revenues (as defined in this Official Statement) derived from the operation of the Enterprise and amounts in certain funds and accounts held under the Indenture, on a parity basis with the other Parity Bonds (defined below) and, to the extent described below and under the heading “SECURITY FOR THE SERIES 2026A BONDS,” any State Loans.

Parity Bonds. The Series 2026A Bonds will be payable from and secured by Net Revenues on a parity basis with the following (which, together with the Series 2026A Bonds, constitute “**Parity Bonds**” under the Indenture):

(i) certain outstanding obligations of the City, which will be outstanding in the aggregate principal amount (of current interest bonds) and maturity value (of capital appreciation bonds) of \$158,305,000, upon the issuance of the Series 2026A Bonds, the defeasance of the Series 2014A Bonds and the Series 2016A Bonds and partial defeasance of the Series 2002B Bonds; and

(ii) obligations issued in the future by the City in compliance with the Indenture.

Parity Bonds, including the Series 2026A Bonds, are referred to as “**Bonds**” in this Official Statement.

See “SECURITY FOR THE SERIES 2026A BONDS – Parity Bonds and State Loans.”

State Loans. In addition, the City may incur a loan from the State (each, a “**State Loan**”) to finance improvements to the Enterprise. A State Loan may be treated as a Parity Bond. See “SECURITY FOR THE SERIES 2026A BONDS – Parity Bonds and State Loans.” As of the date hereof, no State Loans are outstanding.

Rate Covenant. In the Indenture, the City covenants that it will fix, prescribe, revise and collect Charges (as defined in this Official Statement) for the services and facilities furnished by the Enterprise during each fiscal year that are sufficient to satisfy specific obligations of the Enterprise and provide certain coverage on the debt service payable with respect to the outstanding Bonds and State Loans becoming due and payable in such fiscal year. See “SECURITY FOR THE SERIES 2026A BONDS – Rate Covenant.”

No Debt Service Reserve. The City will not establish a debt service reserve fund for the Series 2026A Bonds. The owners of the Series 2026A Bonds have no right to funds held in the Reserve Account held by the Trustee under the Indenture.

Limited Obligation. Neither the Series 2026A Bonds nor the obligation of the City to pay principal of or interest thereon constitutes a debt, obligation or liability of the City within the meaning of any Constitutional limitation on indebtedness, or a pledge of the full faith and credit of the City. The Series 2026A Bonds are secured solely by the pledge of Net Revenues of the Enterprise by the City and certain funds held under the Indenture. The Series 2026A Bonds are not secured by a pledge of the taxing power of the City. Neither the Series 2026A Bonds nor the obligation of the City to pay principal of or interest thereon constitutes a debt, obligation or liability whatsoever of the State of California or any of its other political subdivisions.

Risk Factors. The purchase of the Series 2026A Bonds involves certain risks. For a description of some of these risks, see “RISK FACTORS.”

The City. The City is the county seat of Sonoma County (the “**County**”) at the crossroads of U.S. Highway 101 and State Route 12, approximately 50 miles north of San Francisco. The City has a current estimated population of 179,798 as of January 1, 2026.

For selected financial, economic and demographic information about the City, see “APPENDIX C – General Demographic Information About the City of Santa Rosa and County of Sonoma.”

The City’s audited financial statements for the fiscal year ended June 30, 2025, are attached as Appendix A.

The Enterprise. The Enterprise includes any and all facilities, properties and improvements owned, controlled or operated by the City for the collection, treatment, disposal or reuse of wastewater. The Enterprise provides for the collection and treatment of wastewater for the City and, through its subregional wastewater treatment and disposal system, also serves the wastewater treatment and disposal needs of the adjacent cities of Rohnert Park, Cotati, and Sebastopol and the South Park County Sanitation District. See “THE ENTERPRISE.”

Definitive Statement. All descriptions and summaries of various documents in this Official Statement do not purport to be comprehensive or definitive, and reference is made to each document for complete details of all terms and conditions. All statements in this Official Statement are qualified in their entirety by reference to each document. Certain capitalized terms used in this Official Statement and not defined in this Official Statement have the respective meanings given to them in “APPENDIX B – Summary of the Indenture.”

FINANCING PLAN

General

The proceeds of the Series 2026A Bonds will be used to (i) finance additional facilities, improvements or extensions of existing facilities within or of benefit to the Enterprise, (ii) defease, pay and redeem the Refunded Bonds, (iii) capitalize a portion of the interest due on the Series 2026A Bonds on March 1, 2027, and (iv) pay the costs of issuing the Series 2026A Bonds. In addition, the City will use available funds to defease a portion of its outstanding City of Santa Rosa Wastewater Revenue Bonds, Series 2002B (the “**Series 2002B Bonds**”) and replace a portion of the Reserve Account securing the remaining Series 2002B Bonds with a surety reserve policy.

Capital Improvements to the Enterprise

The City expects to use proceeds of the Series 2026A Bonds to finance, among other things, the Laguna Treatment Plant Electrical Infrastructure Improvement Project (the “**Project**”). The Project will be located at the Laguna Wastewater Treatment Plant (the “**Laguna Facility**,” which is described under the heading “THE ENTERPRISE – Existing Facilities – Laguna Facility”).

The Project is expected to upgrade the electrical infrastructure at the Laguna Facility because much of the electrical equipment is at the end of its useful service life, with replacement parts no longer produced or difficult to locate. The Project is expected to be completed by October 2030 and consist of the following: 1) replacement of five existing load centers and associated transformers; 2) installation of two new switchgears and associated buildings; 3) modifications to an existing switchgear; 4) conversion of existing 15kV overhead power lines to underground; and 5) installation of new duct banks to include additional conduits for future plant expansion. These improvements are expected to enhance reliability and add redundancy to the electrical distribution system while minimizing costs to ratepayers and optimizing life cycle costs. The City does not expect material operational risks to the Enterprise if completion of the Project is delayed. The Project is expected to cost approximately \$37.7 million and will be funded utilizing a portion of the proceeds of the Series 2026A Bonds and cash on hand.

Refunding of Series 2014A Bonds

The City issued the Series 2014A Bonds on May 14, 2014, in the original principal amount of \$14,765,000 for the primary purpose of financing capital improvements to the Enterprise.

The Series 2014A Bonds are currently outstanding in the aggregate principal amount of \$6,985,000. On the date of issuance of the Series 2026A Bonds (the “**Closing Date**”), proceeds of the Series 2026A Bonds will be used to defease the outstanding Series 2014A Bonds; the outstanding Series 2014A Bonds will be redeemed on November 19, 2026 (the “**Redemption Date**”), at a redemption price equal to the principal amount thereof, plus accrued interest to the Redemption Date, without premium. In order to accomplish the refunding plan, the net proceeds of the Series 2026A Bonds, together with certain other funds on hand with respect to the Series 2014A Bonds (including amounts in the Reserve Account described below), will be transferred to U.S. Bank Trust Company, National Association, as escrow agent (the “**Escrow Agent**”) for the Series 2014A Bonds, for deposit into an escrow fund (the “**Series 2014A Escrow Fund**”) to be established under an Escrow Deposit and Trust Agreement (Series 2014A Bonds) dated as of November 1, 2026, by and between the City and the Escrow Agent.

The Escrow Agent will invest the amounts on deposit in the Series 2014A Escrow Fund in certain United States Treasury securities. These amounts, together with any remaining amounts held in cash by the Escrow Agent, will be sufficient to defease the Series 2014A Bonds on the Closing Date and redeem the Series 2014A Bonds in full on the Redemption Date. See "VERIFICATION OF MATHEMATICAL ACCURACY."

Upon payment of all the amounts required with respect to the Series 2014A Bonds, the Escrow Agent will transfer any remaining funds on deposit in the Series 2014A Escrow Fund to the Trustee for deposit into the Debt Service Fund for payment of the Series 2026A Bonds. Amounts on deposit in the Series 2014A Escrow Fund will not otherwise be pledged to secure or available to pay the Series 2026A Bonds.

Refunding of Series 2016A Bonds

The City issued the Series 2016A Bonds on August 11, 2016, in the original principal amount of \$95,805,000 for the primary purpose of refunding certain outstanding wastewater revenue obligations of the City and all loans from the State of California incurred previously to finance improvements to the Enterprise.

The Series 2016A Bonds are currently outstanding in the aggregate principal amount of \$11,730,000. On the Closing Date, proceeds of the Series 2026A Bonds will be used to defease the outstanding Series 2016A Bonds; the outstanding Series 2016A Bonds will be redeemed on the Redemption Date at a redemption price equal to the principal amount thereof, plus accrued interest to the Redemption Date, without premium. In order to accomplish the refunding plan, the net proceeds of the Series 2026A Bonds, together with certain other funds on hand with respect to the Series 2016A Bonds, will be transferred to the Escrow Agent, as escrow agent for the Series 2016A Bonds, for deposit into an escrow fund (the "**Series 2016A Escrow Fund**") to be established under an Escrow Deposit and Trust Agreement (Series 2016A Bonds) dated as of November 1, 2026, by and between the City and the Escrow Agent.

The Escrow Agent will invest the amounts on deposit in the Series 2016A Escrow Fund in certain United States Treasury securities. These amounts, together with any remaining amounts held in cash by the Escrow Agent, will be sufficient to defease the Series 2016A Bonds on the Closing Date and redeem the Series 2016A Bonds in full on the Redemption Date. See "VERIFICATION OF MATHEMATICAL ACCURACY."

Upon payment of all the amounts required with respect to the Series 2016A Bonds, the Escrow Agent will transfer any remaining funds on deposit in the Series 2016A Escrow Fund to the Trustee for deposit into the Debt Service Fund for payment of the Series 2026A Bonds. Amounts on deposit in the Series 2016A Escrow Fund will not otherwise be pledged to secure or available to pay the Series 2026A Bonds.

Defeasance to Maturity of a Portion of Series 2002B Bonds

The City previously issued the Series 2002B Bonds, pursuant to the Master Indenture and the Twelfth Supplemental Indenture of Trust, dated as of May 1, 2002. All of the outstanding Series 2002B Bonds are Capital Appreciation Bonds, and they are not subject to optional redemption prior to their stated maturity date.

The Series 2002B Bonds are currently outstanding in the aggregate maturity value of \$79,025,000. On the Closing Date, certain available funds will be used to defease approximately \$5,770,000* maturity value of the outstanding Series 2002B Bonds (the “**Defeased Series 2002B Bonds**”). In order to accomplish the refunding plan, the City will cause available funds to be transferred to the Escrow Agent, as escrow agent for the Series 2002B Bonds, for deposit into an escrow fund (the “**Series 2002B Escrow Fund**”) to be established under an Escrow Deposit and Trust Agreement (Series 2002B Bonds) dated as of November 1, 2026, by and between the City and the Escrow Agent. The Escrow Agent will invest the amounts on deposit in the Series 2002B Escrow Fund in certain United States Treasury securities. These amounts, together with any remaining amounts held in cash by the Escrow Agent, will be sufficient to defease the Defeased Series 2002B Bonds to their stated maturity dates. See “VERIFICATION OF MATHEMATICAL ACCURACY.”

Release of Cash from Reserve Account

The Reserve Account currently secures only the outstanding Series 2002B Bonds and Series 2014A Bonds. The Reserve Requirement has been satisfied in part by cash and in part by reserve fund insurance policies issued by AMBAC Assurance Corporation (the “**Reserve Policies**”). On the Closing Date, the City will release a portion of the cash in the Reserve Account and replace the remaining cash in the Reserve Account with a reserve fund insurance policy issued by Assured Guaranty, and use the cash released from the Reserve Account, together with other funds, to defease and redeem the Series 2014A Bonds and defease to maturity the Defeased Series 2002B Bonds.

Following the defeasance of the Series 2014A Bonds and the partial defeasance of the Series 2002B Bonds, the Reserve Policies will only secure the payment of debt service on the outstanding Series 2002B Bonds.

* Preliminary; subject to change.

Estimated Sources and Uses of Funds

The anticipated sources and uses of funds relating to the Series 2026A Bonds are as follows:

Sources:

Principal Amount
[Plus][Minus] [Net] Original Issue
[Premium][Discount]
Amounts Related to the Refunded Bonds
Release from Reserve Account⁽¹⁾
Total Sources:

Uses:

Deposit into Project Fund
Escrow Funds⁽²⁾
Costs of Issuance⁽³⁾
Debt Service Fund⁽⁴⁾
Underwriter's Discount
Total Uses:

-
- (1) Consists of cash in the Reserve Account that will be used to defease and redeem the Series 2014A Bonds. It does not include the cash in the Reserve Account that will be used to defease the Defeased Series 2002B Bonds to maturity. See “– Refunding of Series 2014A Bonds” and “– Defeasance to Maturity of a Portion of Series 2002B Bonds.”
- (2) See “– Refunding of Series 2014A Bonds” and “– Refunding of Series 2016A Bonds.”
- (3) Includes fees of the Trustee, Escrow Agent, Verification Agent, Municipal Advisor, Bond Counsel and Disclosure Counsel, printing costs, rating agency fees and other related costs.
- (4) Represents capitalized interest on a portion of the Series 2026A Bonds through March 1, 2027.

Debt Service Schedules

Scheduled debt service on the Series 2026A Bonds is shown in the following table.

Period	Principal	Interest	Total Annual Debt Service
Ending September 1			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
Total	\$	\$	\$

Debt service schedule on the Series 2026A Bonds and the other Parity Bonds that will be outstanding after issuance of the Series 2026A Bonds is shown in the following table.

Existing Debt Service Table
All Parity Bonds^{(1)*}

Fiscal Year Ended June 30	Series 2002B (CABs)^{(2)*}	Series 2018A	Series 2020A	Series 2020B	Debt Service Payment of Refunded Bonds⁽³⁾	Series 2026A	Total
2027	\$11,165,000	\$682,125	\$2,618,250	\$5,872,843	\$6,163,775		
2028	11,125,000	682,125	2,618,250	5,930,296	--		
2029	11,095,000	680,625	2,618,250	5,986,592	--		
2030	8,390,000	19,500	2,618,250	3,849,793	--		
2031	13,440,000	399,750	2,618,250	5,484,475	--		
2032	13,420,000	--	2,618,250	5,901,903	--		
2033	13,600,000	--	2,618,250	2,851,064	--		
2034	--	--	18,856,875	3,085,304	--		
2035	--	--	21,943,625	--	--		
2036	--	--	15,410,875	--	--		
2037	--	--	--	--	--		
2038	--	--	--	--	--		
Total⁽⁴⁾	\$82,235,000	\$2,464,125	\$74,539,125	\$38,962,270	\$6,163,775		

* Preliminary; subject to change.

(1) Assumes issuance of Series 2026A Bonds. See "FINANCING PLAN."

(2) Assumes partial defeasance in fiscal years 2029-30 and 2032-33.

(3) Reflects the amount paid by the City on September 1, 2026, for debt service on the Series 2014A Bonds and the Series 2016A Bonds.

(4) Numbers may not add due to rounding.

Outstanding Parity Bonds

The following table summarizes the aggregate principal amount of the obligations of the City that will be payable from Net Revenues on a parity basis as of October 29, 2026 and on the Closing Date following issuance of the Series 2026A Bonds and defeasance of the Series 2014A Bonds, the Series 2016A Bonds and the Defeased Series 2002B Bonds:

<u>Obligation</u>	<u>As of 10/29/26</u>	<u>As of Closing⁽¹⁾</u>
Series 2002B Bonds ⁽²⁾	\$79,025,000	\$73,255,000
Series 2014A Bonds	6,985,000	-
Series 2016A Bonds	11,730,000	-
Series 2018A Bonds	1,650,000	1,650,000
Series 2020A Bonds	52,365,000	52,365,000
Series 2020B Bonds	31,035,000	31,035,000
Series 2026A Bonds ⁽³⁾	-	48,220,000
Total	\$182,790,000	\$206,525,000

(1) Preliminary; subject to change.

(2) Reflects maturity value of capital appreciation bonds. The City will use available funds to defease to maturity a portion of the Series 2002B Bonds.

(3) The City will use a portion of the proceeds of the Series 2026A Bonds and other available funds to refund in full the outstanding Series 2014A Bonds and the outstanding Series 2016A Bonds, as described under the heading "FINANCING PLAN – Refunding of Series 2014A Bonds" and "– Refunding of Series 2016A Bonds."

THE SERIES 2026A BONDS

Description

The Series 2026A Bonds will be dated their date of delivery and will mature on September 1 in each of the years and in the principal amounts and will bear interest at the rates per annum all as set forth on the inside cover page of this Official Statement.

The Series 2026A Bonds will bear interest payable on March 1 and September 1 of each year, commencing March 1, 2027. Interest on the Series 2026A Bonds will accrue from the date of delivery and will be computed based on a 360-day year of twelve 30-day months.

The Series 2026A Bonds will be issued in fully registered form, registered in the name of The Depository Trust Company, New York, New York (“DTC”), or its nominee. Individual purchases of Series 2026A Bonds registered in the name of DTC, or its nominee, will be made in book-entry form only in denominations of \$5,000. Purchasers of such Series 2026A Bonds will not receive physical delivery of certificates representing their purchased Series 2026A Bonds. Principal, interest and premium, if any, payable with respect to such Series 2026A Bonds will be paid by wire transfer of the Trustee to DTC, which is obligated in turn to remit such interest, principal and premium, if any, to DTC Participants (as defined in this Official Statement), which is obligated in turn to remit such interest, principal and premium, if any, to the Beneficial Owners (as defined in this Official Statement) of such Series 2026A Bonds. See “APPENDIX F – Book Entry Only System.”

Interest on the Series 2026A Bonds will be payable on each Interest Payment Date by check mailed by first class mail on such Interest Payment Date to the registered Owners thereof (as defined in this Official Statement) at the address shown on the registration books maintained by the Trustee on the applicable Record Date (as defined in this Official Statement); provided, however, that any Owner of at least \$1,000,000 in aggregate principal amount of Series 2026A Bonds may be paid interest by wire transfer upon written request of such Owner submitted to the Trustee prior to the Record Date.

While the Series 2026A Bonds are held in the book-entry only system of DTC, all such payments will be made to Cede & Co., as the registered Owner of the Series 2026A Bonds. The principal of the Series 2026A Bonds and any premium upon redemption are payable in lawful money of the United States of America upon presentation and surrender thereof at the principal corporate trust office of the Trustee. See “APPENDIX F – Book Entry Only System.”

Redemption*

Optional Redemption. The Series 2026A Bonds maturing on or before September 1, 20__, are not subject to optional redemption prior to maturity. The Series 2026A Bonds maturing on or after September 1, 20__, are subject to redemption prior to their respective maturity dates, at the option of the City, as a whole, or in part, as determined by the City, on any date on or after September 1, 20__, from any source of available funds, at the principal amount of the Series 2026A Bonds to be redeemed, plus accrued interest thereon to the date of redemption, without premium.

* Preliminary; subject to change.

The Trustee is required to give the Owners notice of the redemption of Series 2026A Bonds as provided above not less than 20 nor more than 60 days prior to the date fixed for redemption.

Special Mandatory Redemption from Insurance or Condemnation Proceeds. The Series 2026A Bonds are also subject to redemption as a whole or in part on any date prior to maturity, pro rata among maturities of all Bonds then Outstanding, from the Net Proceeds of hazard insurance not used to repair or rebuild the Enterprise or the Net Proceeds of condemnation awards received with respect to the Enterprise, at a redemption price equal to the principal amount of the Series 2026A Bonds to be redeemed, plus accrued interest to the date fixed for redemption, without premium.

Mandatory Redemption from Sinking Fund Installments. Term Series 2026A Bonds are subject to redemption in part by lot on September 1 in the years set forth below from sinking fund installments made by the City into the Debt Service Fund pursuant to the Indenture, at a redemption price equal to the principal amount thereof to be redeemed, without premium, or in lieu thereof will be purchased pursuant to the Indenture, in the aggregate respective principal amounts and on September 1 in the respective years as set forth in the following tables; provided, however, that if some but not all of the Term Series 2026A Bonds have been redeemed under the optional or special mandatory redemption provisions or purchased, the total amount of all future sinking fund installments will be reduced by the aggregate principal amount of Term Series 2026A Bonds so redeemed or purchased, to be allocated among such sinking fund installments in integral multiples of \$5,000 as determined by the City (written notice of which determination will be given by the City to the Trustee).

The sinking fund installments applicable to the Term Series 2026A Bonds maturing September 1, 20__ are as follows:

Sinking Fund Account Redemption Date (September 1)	Sinking Fund Installments Redeemed or Purchased
--	--

(maturity)

The sinking fund installments applicable to the Term Series 2026A Bonds maturing September 1, 20__ are as follows:

Sinking Fund Account Redemption Date (September 1)	Sinking Fund Installments Redeemed or Purchased
--	--

(maturity)

Partial Redemption

In the event only a portion of any Series 2026A Bond is called for redemption, then upon surrender of such Series 2026A Bond redeemed in part only, the City will execute and the Trustee

will authenticate and deliver to the Owner, at the expense of the City, a new Series 2026A Bond or Series 2026A Bonds, of the same series and maturity, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Series 2026A Bond or Series 2026A Bonds.

Selection of Series 2026A Bonds for Redemption

Whenever any Bonds are to be selected for redemption and unless otherwise provided in the Indenture, the City will determine the Bonds or portions thereof to be redeemed among Series and maturities and within a Series and notify the Trustee, and the Trustee will select the Bonds or portions thereof to be redeemed by lot within a maturity and notify the City. See “APPENDIX B – Summary of the Indenture.”

Manner of Redemption

Upon the payment of the redemption price of the Series 2026A Bonds being redeemed, each check or other transfer of funds issued for such purpose will bear the CUSIP number identifying, by issue and maturity, the Series 2026A Bonds being redeemed with the proceeds of such check or other transfer.

Notice of Redemption

Notice of Redemption. Unless waived by any Owner of Series 2026A Bonds to be redeemed, official notice of any redemption of Series 2026A Bonds will be given, at the expense of the City, by the Trustee by mailing a copy of an official redemption notice by first class mail at least 20 days, and not more than 60 days, prior to the date fixed for redemption to the Owner of the Series 2026A Bond or Series 2026A Bonds to be redeemed at the address shown on the Bond Registration Books or at such other address as is furnished in writing by such Owner to the Trustee; provided, that neither the failure to receive such notice nor any immaterial defect in any notice will affect the sufficiency of the proceedings for the redemption of the Series 2026A Bonds.

Such notice must specify: (i) the redemption date, (ii) the redemption price, (iii) if fewer than all outstanding Series 2026A Bonds are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the Series 2026A Bonds to be redeemed, (iv) that on the redemption date the redemption price will become due and payable with respect to each such Series 2026A Bond or portion thereof called for redemption, and that interest with respect thereto will cease to accrue from and after said date, (v) the place or places where such Series 2026A Bonds are to be surrendered for payment of the redemption price, which places of payment may include the Trust Office of the Trustee, (vi) the CUSIP numbers of all Series 2026A Bonds being redeemed, (vii) the stated interest rate with respect to each Series 2026A Bond being redeemed, and (viii) the maturity date of each Bond being redeemed.

Conditional Notice; Rescission of Notice of Redemption. The City may direct the Trustee to send a conditional notice of redemption that notifies the Owners of the Series 2026A Bonds to be redeemed that the redemption is subject to the availability of funds.

The City has the right to rescind any notice of the optional redemption of Series 2026A Bonds by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of optional redemption will be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Series 2026A Bonds then called for redemption, and such cancellation will not constitute an Event of Default under the

Indenture. The City and the Trustee have no liability to the Bond Owners or any other party related to or arising from a rescission of a notice of redemption. The Trustee will mail notice of a rescission of notice of redemption in the same manner as the original notice of redemption was sent.

Consequences of Notice. Notice of redemption having been given as described above, the Series 2026A Bonds or portions of Series 2026A Bonds so to be redeemed will, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date (unless the City defaults in the payment of the redemption price) such Series 2026A Bonds or portions of Series 2026A Bonds will cease to have interest accrue thereon. Upon surrender of such Series 2026A Bonds for redemption in accordance with the notice, such Series 2026A Bonds will be paid by the Trustee at the redemption price. Installments of interest due on or prior to the redemption date will be payable as provided in the Indenture for payment of interest. Upon surrender for any partial redemption of any Series 2026A Bond, there will be prepared for the Owner a new Series 2026A Bond or Series 2026A Bonds of the same maturity in the amount of the unpaid principal. All Series 2026A Bonds which have been redeemed will be cancelled and destroyed by the Trustee and will not be redelivered. Neither the failure of any Bond Owner to receive any notice so mailed nor any defect therein will affect the sufficiency of the proceedings for redemption of any Series 2026A Bonds nor the cessation of accrual of interest thereon.

Transfer and Exchange

So long as the Series 2026A Bonds are registered in the name of Cede & Co., as nominee of DTC, transfers and exchanges of Series 2026A Bonds will be made in accordance with DTC procedures. See APPENDIX F. Any Series 2026A Bond may, in accordance with its terms, be transferred, only upon the registration books of the City kept for that purpose at the office of the Trustee, by the Owner thereof in person, or by such Owner's attorney duly authorized in writing, upon the surrender of such Series 2026A Bond together with a written instrument of transfer satisfactory to the Trustee duly executed by the Owner or such Owner's attorney duly authorized in writing, and thereupon a new Series 2026A Bond or Bonds, without coupons, and in the same aggregate principal amount and of the same maturity, will be issued to the transferee in exchange, as provided in the Indenture, and upon the payment of charges, if any, including, after the first exchange, the cost of preparing new Bonds therein prescribed. The Trustee is not required to register the transfer or exchange of any Series 2026A Bond during the period the Trustee is selecting Series 2026A Bonds for redemption or as to any Series 2026A Bond selected for redemption.

SECURITY FOR THE SERIES 2026A BONDS

This section provides summaries of the security for the Series 2026A Bonds, and certain provisions of the Indenture. See APPENDIX B for a more complete summary of the Indenture. Capitalized terms used but not defined in this section have the meanings given in APPENDIX B.

Pledge of Net Revenues; Net Revenues

Pledge of Net Revenues. Pursuant to the Indenture, the City transfers, places a charge upon, assigns and sets over to the Trustee, for the benefit of the owners of the Bonds, that portion of the Net Revenues that is necessary to pay the principal or redemption price of and interest on the Bonds in any Fiscal Year, together with all moneys on deposit in the Debt Service Fund, and such portion of the Net Revenues is irrevocably pledged to the punctual payment of the principal or redemption price of and interest on the Bonds (and any State Loans treated as Parity Bonds, to the extent described below under the heading “– Parity Bonds and State Loans – State Loans”).

The Indenture provides that the Net Revenues may not be used for any other purpose while any of the Bonds remain Outstanding, except that out of Net Revenues there may be apportioned and paid such sums for such purposes as are expressly permitted by the Indenture, including payment of debt service on State Loans that are treated as Parity Bonds (to the extent described under the heading “– Parity Bonds and State Loans – State Loans”). The pledge under the Indenture constitutes a first, direct charge and lien on the Net Revenues for the payment of the principal or redemption price of and interest on the Bonds in accordance with the terms thereof.

Pursuant to the Indenture, the Net Revenues constitute a trust fund for the security and payment of the principal or redemption price of and interest on the Bonds.

Key Definitions: Set forth below are the definitions of Net Revenues and certain related terms:

“Net Revenues” means, for any period of computation, the amount of the Gross Revenues received during such period less the amount of Maintenance and Operation Costs becoming payable during such period.

“Gross Revenues” means, for any period of computation, all gross charges received for, and all other gross income and revenues derived by the City from, the ownership or operation of the Enterprise or otherwise arising from the Enterprise during such period, including but not limited to

- (a) all Charges received by the City;
- (b) all receipts derived from the investment of funds held by the City or the Trustee under the Indenture and receipts from the Rate Stabilization Fund;
- (c) all moneys received by the City from other public entities whose inhabitants are served pursuant to contracts with the City; and
- (d) moneys deposited into the Debt Service Fund or other fund to secure the Bonds or to provide for the payment of the principal of or interest on the Bonds.

“Maintenance and Operation Costs” means the reasonable and necessary costs of maintaining and operating the Enterprise, calculated on sound accounting principles, including (among other things) the reasonable expenses of management, personnel, services, equipment, repair and other expenses necessary to maintain and preserve the Enterprise in good repair and working order, and reasonable amounts for administration, overhead, insurance, taxes (if any) and other similar costs, but excluding in all cases, depreciation and obsolescence charges or reserves therefor and amortization of intangibles or other bookkeeping entries of a similar nature.

“Charges” means fees, tolls, rates and rentals prescribed under the charter of the City, the Revenue Code or any other law of the State by the City Council for the services and facilities of the Enterprise furnished by the City, and includes sewer service charges, Demand Fees, connection fees and any other capacity, demand or facility fees and charges.

“Demand Fees” means the charges so denominated in Section 15-16.030 of the Santa Rosa City Code and payable as a one-time charge at the time of and as a condition precedent to the connection of properties to the City portion of the Enterprise.

“Debt Service” means, during any period of computation, the amount obtained for such period by totaling the following amounts:

- (a) The principal amount of all Outstanding Serial Bonds payable by their terms in such period;
- (b) The principal amount of all Outstanding Term Bonds scheduled to be paid or redeemed by operation of mandatory Sinking Fund Installments in such period;
- (c) The interest which would be due during such period on the aggregate principal amount of Bonds which would be Outstanding in such period if the Bonds are paid or redeemed as scheduled;
- (d) The Maturity Amount of Capital Appreciation Bonds; and
- (e) Loan payments to be made to the State under the State Loans.

For purposes of this definition, it is assumed that any Parity Bonds that bear a variable interest rate bear interest at a fixed rate, calculated as follows:

- (i) If the Parity Bonds are issued on a tax-exempt basis, the interest rate on such Parity Bonds shall be deemed to be equal to the greater of: (A) the most recently published Bond Buyer 25 Bond Revenue Index (or comparable index if no longer published); or (B) the average variable rate of interest borne by such Parity Bonds during the preceding 36 months;
- (ii) If the Parity Bonds are issued on a taxable basis, the interest rate on such Parity Bonds shall be deemed to be the greater of: (A) the rate of interest borne by U.S. Treasury Bonds of a 30-year maturity, as published in a financial publication or electronically disseminated as of the date of calculation, plus 75 basis points; or (B) the average of the actual interest rate borne by such Parity Bonds over a 36-month period occurring immediately prior to the date of calculation;

(iii) If an interest rate “cap” (or similar instrument) has been purchased for such Parity Bonds, neither of the formulas set in (i) or (ii) above shall produce an interest rate in excess of said cap for the period that such interest rate cap is in effect; and

(iv) If the City has entered into a “swap” agreement meeting the requirements of the Indenture (a “**Swap Agreement**”), the interest rate borne by the Bonds during the term of such Swap Agreement shall be considered to be the interest rate payable by the City under such Swap Agreement (as to those Bonds equal in principal amount to the notional amount of such Swap Agreement).

As of the date of this Official Statement, the City has no Parity Bonds that bear a variable rate of interest, or swap agreements, that are outstanding.

Rate Covenant

The City has covenanted in the Indenture to fix, prescribe, revise and collect Charges (as defined above) for the services and facilities furnished by the Enterprise during each fiscal year which (together with other funds accumulated from Gross Revenues and which are lawfully available to the City for payment of any of the following amounts during such fiscal year) are at least sufficient, after making allowances for contingencies and errors in the estimates, to pay the following amounts in the following order:

(a) all Maintenance and Operation Costs of the Enterprise estimated by the City to become due and payable in such fiscal year;

(b) the Debt Service on the outstanding Bonds and State Loans becoming due and payable during such fiscal year;

(c) all other payments required for compliance with the Indenture and the instruments pursuant to which any Parity Bonds shall have been issued; and

(d) all payments required to meet any other obligations of the City which are charges, liens or encumbrances upon, or payable from, the Gross Revenues or the Net Revenues.

In addition, the City has covenanted in the Indenture to fix, prescribe, revise and collect Charges for the services and facilities furnished by the Enterprise during each fiscal year which are sufficient to yield (i) Net Revenues, including Demand Fees, at least equal to 125% of the amounts payable under the preceding clause (b) in such fiscal year, and (ii) Net Revenues, excluding Demand Fees, at least equal to 100% of the amounts payable under the preceding clause (b) in such fiscal year. See “RISK FACTORS – Articles XIIIC and XIID of the California Constitution.”

Outstanding Parity Bonds

A summary of the outstanding Bonds after issuance of the Series 2026A Bonds and defeasance of the Refunded Bonds and the Defeased Series 2002B Bonds is set forth in “FINANCING PLAN – Outstanding Parity Bonds.”

The annual payment schedule for the City’s outstanding Bonds for each fiscal year in which the Series 2026A Bonds are scheduled to be outstanding is set forth in “FINANCING PLAN - Debt Service Schedules.”

Parity Bonds and State Loans

Limitations on Issuance of Parity Bonds. The Indenture permits the issuance of additional bonds to provide financing for the Enterprise. Parity Bonds secured by a pledge of and lien on a parity basis with that of the Bonds may be issued, pursuant to a supplemental indenture, under the following conditions:

- (a) The City must be in compliance with all covenants set forth in the Indenture.
- (b) The Net Revenues, calculated on sound accounting principles, and excluding any balances in any fund (other than the Rate Stabilization Fund) at the beginning of the period of computation, as shown by the books of the City for the latest fiscal year or any more recent 12-month period selected by the City ending not more than 60 days prior to the adoption of the supplemental indenture pursuant to which such Parity Bonds are issued, plus, at the option of the City, any or all of the items set forth in subparagraphs (i) and (ii) below, must be an amount at least equal to 100% of the Maximum Annual Debt Service on the Bonds, excluding Demand Fees, and 125% of the Maximum Annual Debt Service on the Bonds, including Demand Fees, with Maximum Annual Debt Service calculated, in each case, on all Bonds that will be outstanding immediately subsequent to the issuance of such Parity Bonds.

The items, any or all of which may be added to such Net Revenues for the purpose of issuing or incurring Parity Bonds, are the following:

- (i) An allowance for Net Revenues from any additions to or improvements or extensions of the Enterprise to be made with the proceeds of such Parity Bonds, and also for Net Revenues from any such additions, improvements or extensions which have been made from moneys from any source but in any case which, during all or any part of such fiscal year or such 12-month period were not in service, all in an amount equal to 90% of the estimated additional average annual Net Revenues to be derived from such additions, improvements and extensions for the first 36-month period in which each addition, improvement or extension is respectively to be in operation, all as shown in the written report of an Independent Financial Advisor engaged by the City.
 - (ii) An allowance for earnings arising from any increase in the Charges which has become effective prior to the incurring of such additional indebtedness but which, during all or any part of such fiscal year or other such 12-month period, was not in effect, in an amount equal to 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 such 12-month period, all as shown in the written report of an Independent Financial Advisor engaged by the City.
- (c) The supplemental indenture providing for the issuance of such Parity Bonds is required to provide that:
- (i) The proceeds of such Parity Bonds will be applied to the acquisition, construction, improvement, financing or refinancing of additional facilities, improvements or extensions of existing facilities within the Enterprise, or otherwise for facilities, improvements or property which the City determines are of benefit to the Enterprise, or for the purpose of refunding any Bonds in whole or in part, including all costs (including costs

of issuing such Parity Bonds and including capitalized interest on such Parity Bonds during any period which the City deems necessary or advisable) relating thereto;

(ii) Interest on such Parity Bonds must be payable on an Interest Payment Date;

(iii) The principal of such Parity Bonds must be payable on September 1 in any year in which principal is payable; and

(iv) The City either deposits money (or a qualifying letter of credit or insurance policy) in the Reserve Account to increase the amount on deposit to the Reserve Requirement, subject to the limits in the Indenture, or the supplemental indenture expressly declares that the owners of such Parity Bonds will have no interest in or claim to the Reserve Account or any other reserve account.

State Loans. The City may borrow money from the State and incur additional State Loans to finance improvements to the Enterprise. A State Loan may be treated as a Parity Bond for purposes of the Indenture as long as the City complies with the provisions of the Indenture described in paragraphs (a), (b) and (c)(i) above before incurring said State Loan, but the City is not obligated to comply with the provisions of the Indenture described in paragraphs (c)(ii), (iii) or (iv) above in order for such State Loan to be treated as a Parity Bond under the Indenture.

In addition, because the State Loans may not be payable on the same interest and principal payment dates as the Bonds issued under the Indenture, the Indenture provides that the City may not make a payment on the State Loans when to do so would cause the City to fail to make timely payment on the Bonds. However, in the event the Net Revenues are insufficient to pay the full amount of payments on the Bonds then Outstanding and the State Loans, the City will make payments on the Outstanding Bonds and such State Loans on a pro rata basis.

Senior Obligations; Subordinate Obligations. The City has covenanted that no additional bonds or other obligations will be issued or incurred having any priority in payment of principal or interest out of the Net Revenues over the Bonds. Nothing in the Indenture will prohibit or impair the authority of the City to issue bonds or other obligations secured by a lien on Gross Revenues or Net Revenues that is subordinate to the lien established under the Indenture, upon such terms and in such principal amounts as the City may determine.

Application of Revenues

The City has covenanted and agreed in the Indenture that all Gross Revenues, when and as received, will be held in trust and will be deposited in the Revenue Fund maintained by the City. While any Bond is outstanding or interest thereon is unpaid, amounts in the Revenue Fund are required to be disbursed in the following manner and order of priority:

Maintenance and Operation Costs. The City will first pay from moneys in the Revenue Fund the budgeted Maintenance and Operation Costs as such costs become due and payable.

Debt Service Fund. On or before each Interest Payment Date, the City will transfer from the Revenue Fund to the Trustee for deposit in the Debt Service Fund, the amount of interest to become due and payable on all Outstanding Bonds.

On or before each date that the principal amount of Outstanding Bonds or any mandatory sinking fund installments with respect to Bonds is due (the “**Principal Installments**”), the City will transfer from the Revenue Fund to the Trustee, for deposit in the Debt Service Fund, an amount equal to the amount of Principal Installments becoming due and payable on all Outstanding Bonds.

On or before each date on which a State Loan payment is due under the State Loans that are treated as Parity Bonds (to the extent described under the heading “– Parity Bonds and State Loans – State Loans”), the City shall transfer from the Revenue Fund to the State an amount equal to the aggregate amount of State Loan payments becoming due and payable under the State Loans.

Prior to each Interest Payment Date and each date any Principal Installment or State Loan payment is due, the Trustee shall withdraw from the Debt Service Fund an amount equal to the interest, principal amount of maturing Bonds or State Loan payments, as applicable, due on such date and shall cause the same to be applied to the payment of said interest, principal amount or State Loan payments, as applicable.

Surplus. The City has covenanted to manage, conserve and apply moneys in the Revenue Fund in such a manner that all deposits required to be made pursuant to the Indenture and as specified above will be made at the times and in the amounts so required. If all of the foregoing transfers are made within the time required, any surplus moneys in the Revenue Fund may be applied as follows. Subject to the foregoing, so long as no default has occurred and is continuing under the Indenture, the City may at any time and from time to time use and apply Net Revenues in the Revenue Fund for (i) transfers to the Rate Stabilization Fund; (ii) the acquisition and construction of extensions and betterments to the Enterprise; (iii) the redemption of any of the Bonds which are then subject to redemption or the purchase from time to time in the open market of any Outstanding Bonds whether or not then subject to redemption (irrespective of the maturity or number of such Bonds) at prices and in such manner, either at public or private sale, or otherwise, as the City in its discretion may determine; (iv) payment of debt service on any outstanding bonds or other obligations incurred to finance improvements to the Enterprise; or (v) any other lawful purpose of the Enterprise.

Rate Stabilization Fund

General. The City maintains a separate fund known as the “**Rate Stabilization Fund**,” which is held and maintained by the City. The City has continuously maintained a balance of \$1,000,000 in the Rate Stabilization Fund (which was the balance as of the date of this Official Statement) and has no plans to alter such amount.

Amounts, if any, on deposit in the Rate Stabilization Fund have not been pledged to the payment of the principal of or interest on the Bonds. The City can provide no assurance that additional moneys will be set aside at any time in the future for deposit into the Rate Stabilization Fund.

The Rate Stabilization Fund is held, maintained and invested by the City in accordance with the policies and guidelines generally applicable to moneys held by the City.

Deposits to the Rate Stabilization Fund. From time to time, the City may deposit into the Rate Stabilization Fund from Net Revenues remaining, after making the allocation provided in “– Application of Revenues,” such amounts as the City may determine, provided that deposits

for each fiscal year may be made at any time during such fiscal year and until (but not after) the end of the following fiscal year.

Withdrawals from the Rate Stabilization Fund. The City may withdraw amounts from the Rate Stabilization Fund (i) for inclusion in Gross Revenues for any fiscal year at any time during such fiscal year and until (but not after) the end of the following fiscal year, or (ii) for any of the other purposes pursuant to the Indenture at any time. All interest or other earnings on deposits in the Rate Stabilization Fund will be withdrawn at least annually and accounted for as Gross Revenues in the Revenue Fund. Notwithstanding the foregoing, no deposit of Net Revenues in the Rate Stabilization Fund may be made to the extent such Net Revenues were included in an Independent Financial Advisor's report submitted in accordance with the Indenture and the withdrawal of Net Revenues for purposes of such deposit would cause noncompliance with provisions of the Indenture.

No Debt Service Reserve

The City will not establish a debt service reserve fund for the Series 2026A Bonds.

Owners of the Series 2026A Bonds will have no rights to the Reserve Account held by the Trustee under the Indenture.

Limited Obligation

The general fund of the City is not liable and the credit or taxing power of the City is not pledged for the payment of the principal or redemption price of and interest on the Bonds. The Owner of the Bonds may not compel the exercise of the taxing power by the City or the forfeiture of its property. The principal or redemption price of and interest on the Bonds are not a debt of the City within the meaning of the State Constitutional debt limitation applicable to the City, nor a legal or equitable pledge, charge, lien or encumbrance, upon any of its property, or upon any of its income, receipts, or revenues except the Net Revenues of the Enterprise.

THE ENTERPRISE

City Government

General. The City was incorporated in 1868 and became a chartered city in 1872. The City operates under the Council-Manager form of government. The City has broad powers to finance the acquisition, construction, extension or improvement of any enterprise system or facility of the City, such as the Enterprise.

The City Council consists of seven members serving overlapping four-year terms. On November 6, 2018, the City transitioned from at-large to district-based elections.

The City Council, which acts as the City's legislative and policy-making body, also selects the City Manager. As the City's chief administrator, the City Manager is responsible for implementing the policies established by the City Council.

The Board of Public Utilities (the "**BPU**") was created pursuant to the Charter of the City, and its members are appointed by the City Council for staggered, four-year terms. The BPU is charged with the responsibility for maintaining, building and operating the utilities of the City, including the Enterprise. The BPU is vested by the City Charter and through additional delegations of the City Council to take a broad range of actions for the operation of the Enterprise, but the City Council has retained the authority to establish wastewater rates. All funds and properties of the Enterprise are managed by the City on books separate from those of other utilities, and from the General Fund, of the City.

City Council; Board of Public Utilities. Members of the City Council and the BPU, their terms of office and a brief biographical sketch of some of the senior City staff are set forth below.

City Council

Member	Position	Term Expires
Mark Stapp	Mayor	December 2026
Jeff Okrepkie	Vice Mayor	December 2026
Eddie Alvarez	Council Member	December 2028
Dianna MacDonald	Council Member	December 2028
Victoria Fleming	Council Member	December 2026
Caroline Bañuelos	Council Member	December 2028
Natalie Rogers	Council Member	December 2028

Board of Public Utilities

Member	Position	Term Expires
Daniel Galvin III	Chair	December 2026
William J. Arnone, Jr.	Vice Chair	December 2026
Lisa A. Badenfort	Board Member	December 2028
Duane De Witt	Board Member	December 2026
Georgia M. Meisler	Board Member	December 2028
Glen Wright	Board Member	December 2028
Melinda Rivera	Board Member	December 2026

Senior Staff. Set forth below are biographies of members of senior staff of the City with responsibility for the Enterprise. Operations of the Enterprise are carried out under the general supervision of the City's Director of Santa Rosa Water. Daily operations of the Enterprise are under the direct supervision of the Deputy Director of Water Operations.

Jason Nutt, Interim City Manager. Mr. Nutt was appointed as Interim City Manager effective June 27, 2026. Prior to his appointment, Mr. Nutt served as Assistant City Manager since 2019, Director of Transportation and Public Works from 2015 to 2019, and Deputy Director of Public Works – Traffic from 2005 to 2010. Between his service times in the City, Mr. Nutt served as the Director of Public Works with the City of Novato from January 2010 to June 2013 then as the Deputy Director of Transportation and Public Works with the County of Sonoma between June 2013 and March 2015. Other prior employers have been the County of Marin and private environmental consulting firms located in the south and east areas of the Bay Area. He holds a Bachelor of Science degree in Civil Engineering from Santa Clara University and two advanced certificates from UC Davis Extension in Transportation Management and Land Use & Environmental Planning. He is licensed in the State of California as a Professional Civil Engineer and Traffic Engineer.

Scott Wagner, Chief Financial Officer. Scott Wagner is the Chief Financial Officer (CFO) for the City of Santa Rosa. He joined the City in 2012 as an Accountant and progressively advanced through the Finance Department, serving as Deputy Director of Finance prior to his appointment as CFO in October 2025. During his tenure, Mr. Wagner has spearheaded significant strategic initiatives regarding pension funding. His accomplishments include prefunding pension expenses through a Section 115 trust and restructuring unfunded liability payments to PERS (as defined below), allowing the City to pay off current liabilities faster and at a lower cost. As mandated by the City Charter, Mr. Wagner directs the City's accounting functions and is responsible for establishing and maintaining appropriate internal controls. He oversees all financial matters for the City, including the collection of revenues, debt management, and the preservation of all accounts, books, and contractual documents.

Mr. Wagner holds a Bachelor of Science in Business Administration with a concentration in Finance from San José State University.

Jennifer Burke, Director of Santa Rosa Water. Jennifer Burke is the Director of the City of Santa Rosa Water Department. She has worked for the Water Department since 2003, starting with the City as the Water Conservation Coordinator and over the years being promoted to the Deputy Director of Environmental Services, overseeing regulatory compliance for the Water Department, transferring to the Deputy Director Water Resources, overseeing Water Use Efficiency, Water Resources Planning, Energy and Sustainability, and Water Quality, and then being selected as the Water Director in May 2019. In response to the October 2017 wildfires, Ms. Burke successfully led the task force that resolved the post-fire water quality contamination issue for the Water Department. Prior to working for the City, she worked for the City of San José on the regional South Bay Water Recycling Program.

Ms. Burke grew up in the East Bay, has lived in the City for the last 23 years, and has worked in the water industry field for over 25 years. She has a bachelor's degree in Environmental Studies from U.C. Santa Barbara and a Master's in Business Administration from San José State University.

Maintenance and Operation Costs

General. The Enterprise consists of the subregional wastewater treatment and disposal system (the “**Subregional System**”) and the local wastewater collection system (the “**Local Wastewater System**”). See “– Wastewater Operations” below.

The Enterprise’s Maintenance and Operation Costs consist primarily of labor, employee benefit, and maintenance and operation costs for the Local Wastewater System and the Subregional System. For a recent history and projections of overall Maintenance and Operation Costs, see “– Historical and Projected Revenues, Expenses and Debt Service Coverage.”

Labor Costs. Approximately 282 people are employed by the City directly or indirectly to support the services provided by Santa Rosa Water. Santa Rosa Water encompasses three divisions: the Enterprise, the City’s water utility, and the City’s stormwater system. Some staffing is shared among these divisions.

For fiscal year 2025-26, the Enterprise estimates that it had labor costs, excluding benefits, of approximately \$13.8 million, representing 22.5% of its total Maintenance and Operation Costs of \$61.2 million. Such amount reflects a larger increase in labor costs in comparison to fiscal years 2023-24 (\$11.4 million) and 2024-25 (\$12.1 million). This increase is largely as a result of a 4% salary increase effective July 1, 2025 resulting from negotiations between the City and various municipal bargaining units and a City authorized equity-based pay increase for fiscal year 2025-26 (up to 5%), resulting in most employees of the department seeing an actual pay increase of 9% for the fiscal year.

Employee Benefit Costs.

Pension. All permanent employees of the City are eligible to participate in the Public Employees’ Retirement Fund (the “**Fund**”) of the State of California’s Public Employees’ Retirement System (“**PERS**”). The Fund is an agent multiple-employer defined benefit retirement plan that acts as a common investment and administrative agent for various local and state governmental agencies within the State of California. The Fund provides retirement, disability, and death benefits based on the employee’s years of service, age and final compensation. Employees vest after five years of service and may receive retirement benefits at age 50. All members are eligible for non-duty disability after 10 years of service. These benefit provisions and all other requirements are established by State statute and memoranda of understanding with bargaining units.

All Enterprise employees are members of the City’s Miscellaneous Plan, and for fiscal year 2025-26 such employees constitute approximately 10.7% of the City’s membership in the Miscellaneous Plan (which includes all City employees except public safety employees). The Enterprise is allocated its portion of the City’s required contribution to the Fund as determined by PERS actuaries. In the past six fiscal years, the Enterprise contributed 100% of its allocated required contributions in the amounts shown below.

Fiscal Year	Pension Contribution	% Total Maintenance and Operation Cost
2020-21	\$2,741,697	5.8%
2021-22	\$2,816,482	6.5%
2022-23	\$3,145,224	6.2%
2023-24	\$2,980,943	5.6%
2024-25	\$3,346,762	5.8%
2025-26	\$3,422,207	6.4%

Description of Postretirement Healthcare Benefits (“OPEB”). The City sponsors several single-employer defined-benefit postemployment healthcare plans to provide medical insurance benefits to eligible retired employees and their spouses. The plans are administered by a third party. Benefit provisions are established and may be amended by the City.

The City has a stand-alone medical program for Miscellaneous employees (which include all Enterprise employees), providing medical insurance options through City healthcare plans. The City allows retirees to continue participating in the medical insurance program after retirement, with some retirees eligible to receive a stipend from retiree medical stipend plans established for some bargaining units.

The Enterprise is allocated its portion of the City’s OPEB contributions, which were \$156,670, \$153,070, and \$160,427 for the fiscal years ended June 30, 2023, 2024, and 2025, respectively.

Subregional System Costs. Costs relating to the Subregional System, and particularly the Laguna Facility, include treatment, biosolids reuse/disposal and recycling costs. More information is provided below under the headings “– Existing Facilities” and “– Subregional Agreement.”

Investment Policies and Procedures

The City invests its funds, including funds of the Enterprise, in accordance with the City’s Investment and Portfolio Policy (the “**Investment Policy**”), which is subject to review and approval by the City Council. The purpose of the Investment Policy is to establish the investment goals of safety, liquidity, and return on investments (in that order). The City’s Investment Policy complies with the provisions of the California Government Code, Sections 53600 through 53659 (the authority governing investments for municipal governments in the State). The Investment Policy limits the City to investments authorized by State law (Sections 53601, 53635 and 16429.1 et seq.) and establishes further guidelines.

The City Council receives monthly investment reports. According to the report for the month ended August 31, 2026, the City has invested funds as set forth in the table below.

**City of Santa Rosa
Investment Portfolio as of August 31, 2026**

	Par Value	Amortized Cost Value ⁽¹⁾	Market Value ⁽¹⁾	% of Portfolio ⁽³⁾
U.S. Treasury	\$289,820,000	\$292,351,026	\$289,022,060	47%
Federal Agency Mortgage-Backed	30,229,404	29,683,881	29,707,710	5
FDIC-Insured CD	221,108	227,409	227,409	<1
Corporate Notes	157,785,000	159,463,095	158,442,710	26
Municipal Bonds	2,850,000	2,791,549	2,796,604	1
Asset-Backed Securities	103,137,522	103,330,354	103,068,118	17
Liquid Funds ⁽²⁾	30,610,678	30,610,678	30,610,678	5
Total	\$614,653,711	\$618,457,991	\$613,875,290	100%

(1) Security amortized costs and market values include accrued interest as of trade date.

(2) Liquid Funds include the City's LAIF, Chase Bank Checking, and custody account cash balances.

(3) Based on market value plus accrued interest. Percentages may not add exactly to 100% due to rounding.

Source: PFM Asset Management August 31, 2026 Monthly Investment Report.

Insurance Coverage

The City is self-insured for its liability insurance, workers' compensation insurance, and unemployment benefits. The City has chosen to establish a risk financing internal service fund where assets are set aside for claim settlements associated with the above risks of loss up to certain limits. Excess coverage for liability insurance is provided by the California Joint Powers Risk Management Authority ("CJPRMA") and the California Transit Systems Joint Powers Insurance Authority ("CaITIP"), public joint powers authorities whose purpose is to develop and fund programs of excess insurance for their member entities. The City obtains health insurance from Teamsters Welfare and Trust, public entity health insurance pools, PERS for its safety employees and Public Risk Innovation, Solutions and Management ("PRISM") for miscellaneous employees. The PRISM health insurance is a pooled program with joint purchased excess insurance for claims over \$500,000. The City pays premiums, which are reviewed annually, to the PRISM health program. Excess coverage for workers' compensation is provided by PRISM, a public joint powers authority, after payment of a self-insurance retention ("SIR").

Amounts in excess of these limits are self-insured, as described in Note 11 of the City's financial audit included as Appendix A. Property damage risks are covered on an occurrence basis up to \$400 million by pooled and commercial insurance purchased from independent third parties through the CJPRMA. All properties are insured at full replacement values. For the past three fiscal years, no settlement amounts have exceeded commercial or authority insurance coverage.

Wastewater Operations

General. The Enterprise consists of the Subregional System and the Local Wastewater System.

Local Wastewater System. The City is responsible for the operation and maintenance of the Local Wastewater System, which transports the City's wastewater flow to the Laguna Facility, a regional wastewater treatment plant that is owned and operated by the City, as described below.

The Local Wastewater System consists of 600 miles of sewer main and 17 wastewater lift pump stations.

Subregional System. The Subregional System consists of the Laguna Facility, which provides wastewater treatment to a tertiary level of treatment, biosolids reuse and recycled water distribution. For more information about the Laguna Facility, see "Existing Facilities – Laguna Facility" below. A map of the Subregional System is provided on the following page.

The Subregional System serves the City, as well as the adjacent cities of Rohnert Park, Cotati and Sebastopol (collectively, the "**Other Subregional Cities**") and the South Park County Sanitation District (the "**Sanitation District**" or "**SPCSD**") through contracts with those public agencies. Together, the City, the Other Subregional Cities and the Sanitation District are referred to in this Official Statement as the "**Member Agencies**." The Other Subregional Cities and the Sanitation District make contractually-required payments to the City for operating expenses and debt service pursuant to the Subregional Agreement (as hereinafter defined). See "– Subregional Agreement." Such payments constitute "Gross Revenues" under the Indenture. However, the Other Subregional Cities and the Sanitation District are not parties to the Indenture and have not pledged any of their revenues to the payment of the Bonds.

Service Area. The City collects wastewater within its 45.5 square miles through the Local Wastewater System and also operates and maintains the collection facilities within the Sanitation District. The Other Subregional Cities – Rohnert Park, Cotati and Sebastopol – deliver their wastewater to the Laguna Facility for treatment and disposal under the Subregional Agreement. Wastewater from California State University, Sonoma is treated at the Laguna Facility under a separate agreement between the City and the City of Rohnert Park. The Enterprise's total service area covers approximately 57 square miles.

As of January 1, 2026, the populations of the City, Rohnert Park, Cotati and Sebastopol were estimated at 179,798, 44,191, 7,264 and 7,350, respectively. See "APPENDIX C – GENERAL DEMOGRAPHIC INFORMATION ABOUT THE CITY OF SANTA ROSA AND COUNTY OF SONOMA." As of June 30, 2026, the Enterprise had 51,151 customer accounts in the City and 17,701 customer accounts through the other Member Agencies, for a total of 68,852. In fiscal year 2025-26, flow from the City and the Sanitation District accounted for approximately 76% of the average dry weather flow into the Laguna Facility. See "– Total Customer Accounts – City Only," "– Wastewater Flow – Other Member Agencies" and "– Customer Accounts – Other Member Agencies."

Existing Facilities

General. The Enterprise consists of the following infrastructure and features:

- 6.52 miles of force main pipe ranging from 2-inch to 20-inch
- 593.42 miles of gravity sewer pipe ranging in size from 4-inch to 66-inch, including 18.25 miles in the SPCSD.
- Approximately 12,507 manholes (City-owned)
- 3,253 cleanouts (City-owned)
- 17 lift stations
- Two wastewater treatment plants (only one of which, the Laguna Facility, is being operated)
- A compost facility (decommissioned) and numerous rural properties for beneficial reuse of biosolids
- A 28.16-mile pipeline and associated pump stations, referred to as the Subregional Reclamation Lines
- A 41-mile pipeline and associated pump stations, referred to as the Geysers Pipeline (Geysers lines)
- A 1.4 billion gallon storage system consisting of an extensive network of storage ponds, pump stations, and pipelines for agricultural and urban irrigation from reclaimed water
- 3.78 miles of Urban Reuse pipe ranging from 4-inch to 24-inch
- A wet weather diversion and storage facility, referred to as the West College Storage Facility

Capacity. In 2025, the Enterprise had an average wastewater treatment demand of approximately 14.4 million gallons per day (“mgd”) (average dry weather flow) and average daily flow of approximately 19.6 mgd (annual average). The treatment capacity of the Enterprise is 21.34 mgd (average dry weather flow). The hydraulic capacity of the Laguna Facility (to handle short-term wet weather flow) is approximately 47.3 mgd. The City certified a programmatic environmental impact report for flows up to 25.9 mgd (average dry weather flow), which is sufficient to meet projected demand in the service areas through the City’s General Plan horizon of 2035 and beyond.

Laguna Facility. The Laguna Facility consists of three parts: (1) the wastewater treatment plant, (2) the biosolids reuse system and (3) the recycled water system.

Wastewater Treatment Plant. Raw wastewater from the interceptor sewers and septage receiving system is combined and channeled to the primary treatment process, which consists of screening, grit removal and primary sedimentation at the wastewater treatment plant. In the primary treatment tanks, suspended material in the wastewater is allowed to settle out. The settled material (primary sludge) is routed to the digesters while the liquid effluent flows to the secondary treatment process.

In secondary treatment, the primary effluent is aerated, and bacteria consume most of the organic material. The resulting mixture then flows into secondary clarifiers where additional settlement occurs. The secondary sludge is either recirculated to the aeration tanks or removed for sludge thickening while the liquid effluent flows to the tertiary treatment process.

Tertiary treatment consists of filtration of the secondary effluent through anthracite coal beds that remove remaining organic material. After filtration, the tertiary effluent is disinfected by ultraviolet light that neutralizes remaining bacteria and viruses. After disinfection, the effluent is pumped through pipelines to storage ponds for subsequent reuse (as described under “– Recycled Water System”) or for discharge to the Laguna de Santa Rosa, a freshwater wetlands complex.

Biosolids Reuse System. The solids generated during the wastewater treatment process (sludge) are thickened to remove excess water and then pumped to four anaerobic digesters for volatile solids reduction, stabilization, and production of methane gas. The methane gas is recovered and used in on-site generators to help meet treatment plant heat and electrical power needs. The product of the digestion process, called biosolids, is further dewatered and then transported for agricultural land application, or further processed by others. The City disposes of biosolids through agricultural land application or processing by others to achieve Class A biosolids. The City has entered into a services agreement with Lystek International to provide biosolids processing to Class A standards for a portion of the City’s biosolids production. The term of the agreement, which began November 2020, is five years, with two three-year optional extensions. Pursuant to the agreement, the parties have exercised one of the two three-year optional extensions.

In 1991, the Subregional System implemented the Biosolids Beneficial Reuse Program with the goal of reducing the amount of biosolids disposed at the landfill by developing diversified reuse alternatives. This program, which includes agricultural land application and thermal-chemical processing, has reduced landfill disposal from 100% to less than 10%.

Recycled Water System. Tertiary treated, recycled water is currently disposed of in three ways, which are described below: (i) use in the Geysers Recharge Project; (ii) agricultural and urban reuse; and (iii) discharge into the Russian River via the Laguna de Santa Rosa. The City uses these three disposal methods in order to remain in regulatory compliance independent of weather. However, use in the Geysers Recharge Project and agricultural and urban reuse provide a cost-effective alternative to discharging water into the Russian River.

Geysers Recharge Project. The Geysers Recharge Project was completed in 2003. Pursuant to an agreement titled “Construction and Operating Agreement,” dated April 14, 1998 (the “**GPC Contract**”), the City provided approximately 4.6 billion gallons of recycled water annually to the Geysers Power Company, LLC (“**GPC**”), a subsidiary of the Calpine Corporation (“**Calpine**”), which is a business unit of Constellation Energy Corporation (“**Constellation**”). Constellation is listed on the New York Stock Exchange under the trading symbol “CEG.” Information about Constellation is contained in reports filed with the Securities and Exchange Commission. Additional information regarding Calpine is available on the Internet at www.calpine.com. *This Internet address is included for reference only, and the information on this Internet site is not a part of this Official Statement and is not incorporated by reference into this Official Statement. No representation is made in this Official Statement as to the accuracy or adequacy of the information contained on this Internet site.*

Under the Geysers Recharge Project, treated effluent is injected into a geothermal steam field that in turn produces electricity. The Geysers Recharge Project includes 41 miles of transmission pipeline, four pump stations and a one million gallon terminal reservoir, as well as infield piping and injection wells. In 2007, the GPC Contract was amended to provide up to 5.5 billion gallons of recycled water to the geothermal steam

field, at the City's option. In fiscal year 2024-25, the City provided 4.6 billion gallons of recycled water to GPC (which was approximately 61% of the total water treated by the Laguna Facility).

The GPC Contract is scheduled to terminate on December 31, 2037; however, the City or GPC may terminate the agreement earlier under certain circumstances, including the right of the City to terminate upon failure of GPC to accept certain minimum amounts of treated water and the right of GPC to terminate upon failure of the City to deliver certain minimum amounts of treated water. Both parties may determine to optionally terminate the GPC Contract at any time after January 1, 2028 upon written notice to the other party at least two years prior to the proposed termination date. If the agreement is optionally terminated by GPC or is terminated by the City for failure of GPC to accept the minimum amounts of treated water required under the agreement, GPC is required under the GPC Contract to pay a sliding-scale termination fee to the City that ranges from \$20,000,000 if terminated in 2028 to \$2,000,000 in the final year (2037), reduced annually by \$2,000,000. Such payment is also guaranteed by Calpine.

The GPC Contract also specifies the annual amount of water that the City is required to deliver to GPC and that GPC is required to accept. If the GPC Contract is optionally terminated by the City or is terminated by GPC for failure of City to deliver the minimum amounts of treated water required under the agreement, the City is required under the agreement to pay a sliding-scale termination fee to GPC that ranges from \$10,000,000 if terminated in 2028 to \$1,000,000 in the final year (2037), reduced annually by \$1,000,000. The Series 2026A Bonds mature on September 1, 2037. If the agreement were ever terminated, the City would use a combination of diverting the water to its other recycled water customers and discharging the water to the Russian River within its NPDES permit (described below in "– Environmental Compliance"). Any termination payment made by the City would constitute a Maintenance and Operation Cost.

Under the agreement, per the City's election, the City must deliver, and GPC must accept, 4.6 billion gallons of water per year. The agreement provides that should the City deliver, or GPC accept, less than 90% of the annual amount in any year, the defaulting party has four years to make up the amount using best efforts and, if it cannot, the GPC Contract provides for payments ranging from \$360,000 to \$1,200,000 per year for each year in which the water was not delivered/accepted. Neither party has ever failed to deliver or accept, as applicable, the agreed-upon levels of recycled water, and the City does not currently anticipate any inability to deliver agreed-upon levels of recycled water.

The Geysers Recharge Project is the Enterprise's principal means of disposing of treated water. In fiscal year 2024-25, it received approximately 61% of the water treated at the Laguna Facility. Discharge to the Russian River is limited to the period from October through May and to the criteria in the Laguna Facility's NPDES permit, and demand for agricultural and urban reuse is seasonal. If the GPC Contract were to terminate on or after January 1, 2028 or expire on December 31, 2037 without renewal, the City would need to dispose of approximately 4.6 billion gallons per year through other means. To dispose of such amounts, the City would need to explore options for additional urban and agricultural reuse, increased storage of recycled water and additional discharge to the Russian River. Such options could increase the City's expenses for operating the Enterprise and could require rate increases. See "RISK FACTORS – City Expenses." In addition, the City might terminate the Windsor Agreement (as defined below) following termination of the GPC Contract, in which case the payments from the Town of Windsor described below, which

are included in Gross Revenues, would end. While negotiations regarding an extension of the GPC Contract have not yet begun, both parties have expressed interest in extending the GPC Contract beyond 2037.

The City is also a party to an “Agreement to Convey Recycled Water by and through Geysers Pipeline for Reuse” dated November 6, 2008 (the “**Windsor Agreement**”), with the Town of Windsor and the Windsor Water District (collectively, the “**Town of Windsor**”). The Windsor Agreement has a stated termination date of December 31, 2037, subject to earlier termination as a result of an un-remedied breach by either party or, in the City’s discretion, following termination of the GPC Contract, without payment of any termination fee. Pursuant to the Windsor Agreement, the City agrees to accept from the Town of Windsor and the Town of Windsor agrees to deliver to the City between 193 and 456 million gallons per year of recycled water for discharge into the Geysers pipeline. The Town of Windsor’s delivery of recycled water counts toward the City’s delivery minimum under the GPC Contract. The recycled water from the Town of Windsor is not treated at the Laguna Facility. The Town of Windsor pays all of the power costs to pump its recycled water into the pipeline. If the Windsor Agreement were terminated, the pipeline capacity utilized to accept the Town of Windsor’s recycled water would be utilized by the City’s recycled water program. The Town of Windsor also agrees to make annual payments to the City that are unrelated to the volume of recycled water delivered to the City; the payments escalate from \$1,120,690 in calendar year 2026 to \$1.5 million in calendar year 2037. The entire payment received from the Town of Windsor is included in the Gross Revenues for each such year. In the Windsor Agreement, the Town of Windsor covenants to fix and collect sewer rates from the customers of its sewer system to allow the Town to make the required payments to the City. The Town of Windsor’s obligation is payable as an operating expense of its sewer system.

Agricultural and Urban Reuse. Agricultural and urban reuse represent approximately 35% of total water treated by the Laguna Facility. Pursuant to contracts with end users of recycled water, the recycled water system irrigates approximately 6,300 acres of farmland, golf courses, and urban reuse area annually, currently reusing approximately 2.2 billion gallons annually. The Enterprise sells on a wholesale basis a portion of the recycled water to the City’s water enterprise and the City of Rohnert Park’s water enterprise, the revenue from which is included in Gross Revenues. The City collects usage fees from agriculture and urban recycled water users at various rates based on the agreements and types of service they receive (i.e., interruptible, non-interruptible and wholesale). The total agriculture and urban recycled water revenues received were \$401,877, \$409,959 and \$372,379 from these contracts in fiscal years 2023-24, 2024-25, and 2025-26, respectively. The recycled water revenues received from the agricultural reuse customers are included in Gross Revenues; revenues received by the City’s water enterprise from the sale of recycled water to urban users on a retail basis are included in the City’s water enterprise revenues. The City has renewed agricultural user agreements incorporating a 12-year term.

The storage system consists of three storage ponds located at the Laguna Facility and a series of pumps and piping that convey recycled water to eight remote storage ponds. The storage system has a capacity of 1.4 billion gallons of usable storage (constituting approximately 22% of total wastewater treated by the Laguna Facility). The irrigation system consists of smaller pumps, piping and sprinkler equipment and can meet a peak irrigation demand of up to 35 mgd.

Discharge to Russian River. Between October and May, when irrigation is not needed or practical, and the Geysers Recharge Project is taking maximum deliveries, excess recycled water is stored and discharged to the Russian River via the Laguna de Santa Rosa or the Santa Rosa Creek. The allowable discharge rate is based upon specific criteria set forth in the Laguna Facility's NPDES permit (described below in "– Environmental Compliance"). In the last six years, discharge has occurred three times due to above average winter flows to the Laguna Facility in fiscal years 2022-23, 2023-24 and 2024-25. All such discharges were permitted discharges and within the criteria set forth in the Permit (as defined in "– Environmental Compliance").

Subregional Agreement

The City is a party to an agreement for wastewater treatment and disposal, originally dated April 3, 1975, and subsequently amended five times (as amended, the "**Subregional Agreement**"), with the Cities of Rohnert Park, Cotati and Sebastopol and the Sanitation District. The Subregional Agreement specifies the terms by which the City will receive raw wastewater from the Member Agencies (and from California State University, Sonoma, pursuant to an additional agreement with the City of Rohnert Park) at the Laguna Facility.

The original term of the Subregional Agreement was not less than 30 years after the date on which the system became operational. Pursuant to its terms, the Subregional Agreement continues thereafter so long as the Laguna Facility and related facilities, or their replacement facilities, remain in service. The City expects the Laguna Facility to remain in service, at least through the maturity of the Series 2026A Bonds, so long as the City maintains the Laguna Facility at current standards, which are in accordance with all regulatory requirements. The Subregional Agreement provides that the City will continue to own, maintain and operate the Subregional System, and the other Member Agencies shall not acquire any capital or proprietary interest therein by reason of the Subregional Agreement. Each Member Agency is required to provide, operate and maintain in good working order and repair its own collection and transmission facilities. The Subregional Agreement does not provide Member Agencies with an explicit right to withdraw from the agreement.

Each Member Agency provides a member to the Technical Advisory Committee, which reviews and advises the City and the other Member Agencies with regard to mutual problems relating to the Subregional Agreement, provides recommendations and advice in the drafting and application of uniform wastewater use ordinances, reviews annual budgets and capacity assignments, and advises the BPU and each Member Agency's legislative body. A similarly constituted policy committee was established in 1985 to advise the City and the other Member Agencies on policy matters.

The Subregional Agreement requires each Member Agency to enact and enforce adequate wastewater use and pollution control ordinances. Each Member Agency is responsible for setting its own fees for industrial permits and user charges, and is not required to set rates sufficient to make debt service payments required under the Subregional Agreement. Each Member Agency has granted the City responsibility and control over the industrial pretreatment (source control) program for the entire Subregional System.

Operation and maintenance costs of the Subregional System are allocated among the Member Agencies and include administration and labor, material, utility and other special service charges. Such operation and maintenance costs are offset, to some extent, by treatment process by-product revenues (which are applied under the Subregional Agreement only to the operation

and maintenance costs of the Subregional System). Operation and maintenance costs are apportioned on the basis of each Member Agency's actual annual flow as measured over the previous fiscal year.

Ongoing operating expenses and cash-funded capital upgrades are apportioned among the Member Agencies based on the previous fiscal year's total flow into the Laguna Facility. Debt service expenses are apportioned based on (i) whether the projects being funded from debt improve existing operations ("**preservation**") or provide additional capacity ("**expansion**") and (ii) the requirements of the Subregional Agreement as amended when the debt was issued. The first four amendments to the Subregional Agreement reapportioned capacity among Member Agencies based on general plan needs each time additional treatment capacity was acquired. The fifth amendment, executed in 2008, also created a cost allocation basis for wet weather driven projects based on each Member Agency's wet weather flows. If a dispute were to arise concerning the amount of payment, the Subregional Agreement requires other Member Agencies to make scheduled payments on the basis of the City's claims pending settlement of such dispute. If a Member Agency were to fail to make a monthly payment, the Member Agency would be in breach of contract and the Subregional Agreement obligates a delinquent Member Agency to pay interest at the rate of 8% per annum for the period of delinquency or dispute. The Subregional Agreement is otherwise silent as to the other remedies available to the City for a defaulting Member Agency. No Member Agency has ever failed to make its monthly payment.

The Subregional Agreement does not provide the other Member Agencies a right of approval over the Project or its financing. As the Project is a preservation project, payment for debt service on the Series 2026A Bonds is allocated as follows: (a) 15.61 mgd to the City; (b) 0.70 mgd to SPCSD; (c) 3.43 mgd to Rohnert Park; (d) 0.84 mgd to Sebastopol; and (e) 0.76 mgd to Cotati. Such payments constitute "Gross Revenues" under the Indenture. However, the Other Subregional Cities and the Sanitation District are not parties to the Indenture and have not pledged any of their revenues to the payment of the Bonds. See Table 6 for the average dry weather flow into the Laguna Facility from each of the City and the Member Agencies in fiscal year 2025-26.

The proportion of each Member Agency's capacity service relating to operation and maintenance costs budgeted for fiscal year 2026-27, the portion of each Member Agency's capacity service relating to cash-funded capital related costs for fiscal year 2026-27, and the proportion of each Member Agency's capacity service relating to capital-related costs for debt service costs in effect for fiscal year 2026-27 for the current system capacity are shown below. The fiscal year 2026-27 allocations are consistent with the previous five years' allocations.

**Fiscal Year 2026-27
Member Agency Allocations**

Member Agency	2026-27 Detailed Allocations				2025-26
	Budgeted O&M Contribution	Budgeted CIP Contribution	Debt Service	Total Contribution	Total Contribution
Santa Rosa	\$34,845,730 ⁽¹⁾	\$9,198,800	\$13,960,703	\$58,005,233	\$48,821,696
Rohnert Park	8,311,290	2,561,000	2,842,949 ⁽²⁾	13,715,239	11,318,453
Sebastopol	1,116,702	423,800	446,654	1,987,156	1,562,689
Cotati	1,488,627	383,500	661,711	2,533,838	2,205,277
SPCSD	1,477,006	432,900	394,452	2,304,358	1,864,573
	<u>\$47,239,355</u>	<u>\$13,000,000</u>	<u>\$18,306,469</u>	<u>\$78,545,824</u>	<u>\$65,772,688</u>

(1) The City accounts for these costs as Maintenance and Operation Costs.

(2) Includes the debt service payments to be paid by Rohnert Park for the City's loan of 1.03 mgd capacity to Rohnert Park pursuant to the November 6, 2002, agreement, as described below.

Source: City of Santa Rosa.

The capital-related expenses for costs other than debt service were historically approximately \$1 million annually in the aggregate for all Member Agencies until fiscal year 2014-15, when the Member Agencies agreed to increase their aggregate cash-funded capital contributions by \$1 million each year. It is anticipated that the Member Agencies will be contributing an aggregate of approximately \$14 million per year for capital replacement by fiscal year 2027-28. Each Member Agency's share of that contribution is defined in the Subregional Agreement as a percentage of the total contribution. The City's share is 70.76% (i.e., approximately \$9,198,800 for fiscal year 2026-27). See also "– Capital Improvement Program" below.

There are a number of side agreements between the City and certain of the Member Agencies regarding minor reallocation of capacity due to annexations of property and the provision of wastewater service to areas outside the City limits. In addition, on November 6, 2002, the City agreed to loan capacity of 1.03 mgd to Rohnert Park. Until such time as the capacity is returned to the City, Rohnert Park makes debt service payments based on this capacity. Such loaned capacity will revert to the City after a subsequent enlargement of the Subregional System results in additional capacity being allocated to Rohnert Park as approved by the Member Agencies; however, the City has no anticipated timeframe for such enlargement.

The City operates and maintains the wastewater collection facilities within the service area of the Sanitation District. In 2017, the City annexed a significant portion of the Sanitation District service area, but not enough to dissolve the Sanitation District under State law. Pursuant to an agreement between the City and Sanitation District, control of the Sanitation District will transition in the next few years to a new board comprised of two City Council members and one County Supervisor and will essentially function as a subsidiary district to the City. To prepare for the transition, the Sanitation District is undergoing a rate study to gradually revise its rate structure to be more in line with the Enterprise's rate structure. Once the rate study is complete, the Water Department expects to develop a timeline of the transition. Pursuant to the agreement, the City will continue to operate and maintain the Sanitation District. At this time, the City is not able to provide an estimate of when this transition will occur. The City does not anticipate any material financial impact from the anticipated transition.

Environmental Compliance

The Enterprise is subject to federal, state and local regulatory requirements pertaining to drinking water quality and distribution, wastewater treatment and reuse, biosolids management, air quality, hazardous materials handling and waste management. Federal regulations are based upon provisions within the Clean Water Act (the “**CWA**”), Clean Air Act, and Resource Conservation and Recovery Act. State and local regulations are prescribed by the California Air Resources Board, California Department of Toxic Substances Control, the State Water Resources Control Board (the “**State Water Board**”), the North Coast Water Quality Control Board (the “**Regional Water Board**”) and the Bay Area Air Quality Management District. Enterprise facilities and programs are managed to comply with all applicable laws and regulations.

CWA regulations deal primarily with the quality of effluent that may be discharged from Enterprise facilities, the recycling of residual solids generated by Enterprise facilities, the reuse of reclaimed water for irrigation and industrial uses to conserve potable water, and the nature of waste material (particularly industrial waste) discharged into a sanitary sewer system. Provisions of the CWA are administered through the Regional Water Board through a National Pollutant Discharge Elimination System (“**NPDES**”) permit. On August 20, 2020, the Regional Water Board issued Order No. R1-2020-0012, which sets forth the Subregional System’s renewed five-year NPDES Waste Discharge Requirements and Master Reclamation Permit (“**Permit**”). The five-year Permit expired on September 30, 2025,¹ but has been administratively extended. The City filed a request for permit renewal with a formal Report of Waste Discharge submittal on September 30, 2024, and anticipates receiving a draft permit with terms similar to the current Permit in late 2027. The City’s annual cost to comply with the phosphorus limits under the Permit is approximately \$360,000.

After the issuance of the Permit in 2020, the City filed a Petition for Review of the Permit with the State Water Board challenging the Permit provisions related to final effluent limitations for phosphorus and a number of other issues the City raised during the Regional Water Board’s permit review and issuance process. The Petition was filed and placed in abeyance to allow for further discussions between the City and the Regional Water Board. The Petition incorporates by reference previous petitions filed by the City challenging the effluent limitations for phosphorus in the 2013 permit as well as the adoption of Water Quality Trading Framework (the “**Framework**”) addressing phosphorus. In response to the Petition and further discussion between the City and the Regional Water Board, the Regional Water Board issued amendment Order R1-2021-0041 modifying the Framework, which allows the City to comply with final effluent limitations for phosphorus. The Petition still remains in abeyance, and the City may opt to end the abeyance period at any time, and if it does, the Petition for Review would be placed in the queue to be considered by the State Water Board. The City does not expect the State Water Board’s consideration of the Petition for Review to result in increased regulatory requirements or mandated changes to the Enterprise’s operations that would adversely affect the Enterprise’s finances or the City’s ability to pay the Series 2026A Bonds.

The Framework replaced the Santa Rosa Nutrient Offset Program and created an apparatus for water quality trading activities in the Laguna de Santa Rosa watershed, which consists of all areas drained by the Laguna de Santa Rosa, Santa Rosa Creek and Mark West Creek, which collectively drain into the Russian River. The City and the Town of Windsor as NPDES permittees are allowed to participate and trade water quality credits with each other and

¹ Due to a clerical error from the Regional Water Board, the Permit references an expiration date of September 31, 2025.

unregulated nonpoint sources (i.e., credit generators or sellers). The Framework does not prohibit source dischargers from trading water quality credits amongst themselves, or an entity from generating water quality credits for its own uses, provided all other eligibility criteria and Framework requirements are met. The Framework supports trading of water quality credits for one pollutant only, total phosphorus, on a mass basis. Credits are generated through approved phosphorus reduction or removal actions, with one credit equaling one pound of total phosphorus.

The City submitted a Notice of Intent to enroll in the State Water Board's General Order for Recycled Water Use (the "**General Order**") in March 2020 and was issued a final Notice of Applicability on September 29, 2020. The General Order terminated the City's regulatory obligations contained in the Permit pertaining to recycled water and instead the City is required to comply with the regulatory requirements in the General Order, which are slightly more favorable to the City. Since enrolling under the General Order in September 2020, the City has complied with its monitoring, reporting and inspection requirements and has not received a notice of violation under it. The City expects to be able to comply with the monitoring, reporting and inspection requirements of the General Order.

See "THE ENTERPRISE – Historical and Projected Revenues, Expenses and Debt Service Coverage" and "RISK FACTORS – Environmental Regulation."

The City is not aware of any conditions that could result in regulatory action, including regulation of PFAS in effluent or biosolids, that could materially impact its ability to pay debt service on the Series 2026A Bonds.

Capital Improvement Program

Local Wastewater System Improvements. In order to reassess certain capital improvement needs of the Enterprise's sewer system based on a new hydraulic model developed during the last master plan update based on more up-to-date flow monitoring and land use planning information, the City commissioned outside consultants to update the City's Sanitary Sewer System Master Plan. The most current update, the August 2023 Sanitary Sewer System Master Plan Update (the "**2023 Master Plan Update**"), recommended capacity improvements for certain trunk sewers (i.e., the Los Alamos and Oakmont treatment facility sewer), priority rehabilitation of certain trunk sewers (Llano, Robles, and Airport trunk sewers, and trunk sewers at the Utilities Field Office), and rehabilitation of siphons, based on projected population increases and expected storm level intensities through 2035. The recommended capacity improvement projects are estimated to cost \$36.2 million and be completed over a 20-year period. The recommended trunk sewer rehabilitation projects are estimated to cost \$93.4 million and be completed over a 20-year period. The recommended siphon rehabilitation projects are estimated to cost \$12.2 million and be completed over a 20-year period. The City is required to hold a competitive bidding process for the projects identified in the 2023 Master Plan Update. Of the fifteen projects identified under the 2023 Master Plan Update, the City has completed two projects identified therein, begun construction on one project and begun design work on three projects. The City currently does not anticipate issuing Parity Bonds to fund the improvements recommended in the 2023 Master Plan Update.

Furthermore, as part of these capital improvement programs, during fiscal year 2024-25, the City made certain construction commitments under the Wastewater Utility Enterprise Fund of approximately \$39,987,000, which, among other things, includes the sewer trunk lining work as part of the 2023 Master Plan Update (approximately \$18 million) and wastewater disinfection upgrade work (approximately \$14 million).

The table below sets forth the estimated five-year capital improvement plan for the Enterprise, which the City currently anticipates will be funded from Enterprise revenues and reserves other than as described below. The City believes that these funding sources will be adequate to meet the Enterprise's capital needs over the periods shown.

Table 1
City of Santa Rosa Wastewater Enterprise
Estimated Capital Improvement Plan

System	Fiscal Year 2026-27	Fiscal Year 2027-28	Fiscal Year 2028-29	Fiscal Year 2029-30	Fiscal Year 2030-31	Total
Local System - Cash Funded	\$14,700,000	\$15,100,000	\$18,000,000	\$21,000,000	\$25,000,000	\$93,800,000
Subregional - Cash Funded ⁽¹⁾	13,000,000	14,000,000	15,000,000	16,000,000	17,000,000	75,000,000
<i>Subtotal - Cash Funded⁽¹⁾</i>	<i>27,700,000</i>	<i>29,100,000</i>	<i>33,000,000</i>	<i>37,000,000</i>	<i>42,000,000</i>	<i>168,800,000</i>
Local System - Bond Funded	0	0	0	0	0	0
Subregional - Bond Funded ⁽²⁾	8,750,000	8,750,000	8,750,000	8,750,000	0	35,000,000
Total ⁽²⁾	\$36,450,000	\$37,850,000	\$41,750,000	\$45,750,000	\$42,000,000	\$203,800,000

(1) Reflects total Subregional System estimated capital improvement expenditures. The City's portion of such capital improvement expenditures is approximately 70.76%, with the remainder being contributed by the other partners in the Subregional System.

(2) Reflects application of proceeds of the Series 2026A Bonds. Any remaining proceeds not reflected above are expected to be applied to other capital projects of the Enterprise prior to the end of fiscal year 2029-30. See "FINANCING PLAN."

The City's five-year subregional capital improvement program (for fiscal years 2026-27 through 2030-31) includes a proposed \$75 million of projects for the treatment plant funded solely by Subregional Member contributions, rates and demand fee revenues.

The City is currently advancing a comprehensive, risk-based master planning effort that builds upon the Regional Water Reuse Master Plan dated February 2018, as well as the findings and recommendations from three business risk and vulnerability assessments. The three assessments identified various capital and operational needs, including, but not limited to, repairs and upgrades for certain headworks, primary clarifiers, flood gates, secondary clarifiers, aeration basins, filter manifold, various pipelines and valve stations, and reuse reclamation ponds and associated pump stations. This ongoing planning process is intended to identify and prioritize capital improvements based on asset condition, regulatory requirements, operational resiliency, and long-term system reliability, and will serve as the foundation for future Capital Improvement Program ("CIP") budget priorities. The City is currently in the initial phase of the master planning effort but anticipates the master planning effort to be completed by the end of calendar year 2027. At this time the City cannot predict the effects that the new master plan will have on project priorities, scopes, schedules, and funding strategies to support the long-term sustainability, resiliency, and reliability of the treatment facilities and associated infrastructure.

The City performs a rigorous risk-based analysis of the Enterprise facilities annually. Piping is ranked and assigned a priority for replacement/refurbishment based on its age, pipe material, actual condition and service record. Not all pipelines exceeding their expected service life need to be replaced: appropriate projects are determined by physical inspection and/or video inspection, proximity to vital/fragile areas (streams, wetlands, etc.) and need for maintenance. The selected pipelines then become a part of an annual replacement program. The improvement

projects typically consist of replacing the pipeline with a new pipeline of like size. It is City policy to use a minimum of 8" diameter for all new pipelines.

Special Initiative Projects.

Subregional System Improvements. The City continues to invest in the Subregional System to manage wastewater flows and meet more restrictive regulatory requirements. The Subregional System capital program consists of projects encompassing urban reuse, discharge compliance, water conservation, Geysers Recharge Project reuse, agricultural reuse and upgrades at the Laguna Facility. Over the past five years, the Subregional System has spent over \$108 million on capital improvements, including the expenditure of proceeds from the City's bonds captioned "\$52,365,000 City of Santa Rosa Wastewater Revenue Bonds, Series 2020A" (the "**Series 2020A Bonds**") for the construction of the UV disinfection system replacement project. The Subregional System expects to cash-fund another approximately \$75 million over the next five years, with approximately 70.76% of such amount being contributed by the City and the remainder being contributed by the other partners in the Subregional System.

UV Disinfection Upgrade Project. The City's UV system is currently being upgraded. This project is close to completion and is only waiting on acceptance by the City pending final regulatory testing. The total cost of the project, approximately \$68 million, included the replacement and relocation of ultraviolet light disinfection facilities, construction of new flow diversion facilities, construction of new electrical load center, construction of stormwater improvements, and replacement and relocation of the construction trailer, and was fully funded by a combination of cash funding and proceeds from the Series 2020A Bonds. The disinfection facilities will provide the capacity for 25 mgd average dry weather flow and 70 mgd peak hour flow. The flow diversion facilities will be able to divert off-spec effluent to the flow equalization basins. The stormwater improvements reroute stormwater to consolidate the discharge point but also provide the ability to divert and treat the stormwater during normal plant operations.

High Strength Waste Receiving Facility. In an effort to reduce the carbon footprint of regional traffic, reduce electrical power costs, and promote local business development, the Subregional System has completed construction of a high strength waste ("**HSW**") receiving facility. HSW is essentially wastewater with very high volatile solids and very high biochemical oxygen demand that has significant methane production potential when directly anaerobically digested. Local restaurants and food production businesses were once burdened with disposing of HSW via trucking to East Bay Municipal Utility District's ("**EBMUD**") high strength waste facility in Oakland, California, but now have a local disposal option.

Existing capacity in the Laguna Facility's digestion and combined heat and power facilities allows the Laguna Facility to receive and digest up to 46,000 gallons per day of locally generated HSW and convert the produced methane into heat and electricity to be used at the Laguna Facility. By doing this, the carbon footprint associated with hauling HSW from Sonoma County to EBMUD has been eliminated, power costs attributable to running the Laguna Facility are offset, and local businesses have a more economical HSW disposal alternative.

Repair and Replacement of Damaged Lift Stations. In October 2017, the Tubbs fire destroyed two lift stations and damaged an additional lift station in the Enterprise. The Enterprise was in a position to cash-fund the repair and replacement of these lift stations with newly appropriated funds and redirection of funds previously appropriated to other planned projects. Both projects were completed as of March 2022. The total cost to repair and replace the lift stations was approximately \$6.4 million. The City was reimbursed for approximately 94% of the

total cost to repair and replace the lift stations by the Federal Emergency Management Agency (“FEMA”) and the California Governor’s Office of Emergency Services (“CalOES”).

The capital improvement program described above does not reflect any costs of complying with regulatory requirements that may be imposed on the City in the future. See “THE ENTERPRISE – Environmental Compliance” and “– Historical and Projected Revenues, Expenses and Debt Service Coverage” and “RISK FACTORS – Environmental Regulation.”

Total Customer Accounts – City Only

The following table shows a history of customers served by the Enterprise in the City only. See Table 7 below for the number of customers served by the Enterprise in the service area of the other Member Agencies in fiscal year 2025-26. The tables in this Official Statement that identify customers of the City do not reflect the Member Agencies or the Member Agencies’ customers. This is because the Member Agencies are not customers of the Enterprise but, rather, member agencies of the Subregional System.

Table 2
City of Santa Rosa Wastewater Enterprise
City Customer Accounts
(Fiscal Years 2016-17 through 2025-26)

Fiscal Year	Population ⁽¹⁾	Customer Accounts ⁽²⁾			City Customer Accounts
		Single-Family and Two-Unit	Multifamily Residential	Commercial, Industrial and Institutional	
2016-17	178,064	45,192	1,523	2,794	49,509
2017-18	178,488	45,350	1,525	2,794	49,669 ⁽³⁾
2018-19	177,360	44,241	2,118	2,752	49,111
2019-20	175,592	46,096	2,112	2,750	50,958
2020-21	177,938	44,984	1,535	2,665	49,184
2021-22	177,374	45,398	1,536	2,683	49,617
2022-23	176,182	45,762	1,544	2,677	49,983
2023-24	176,493	46,233	1,558	2,675	50,466
2024-25	177,940	46,665	1,564	2,678	50,907
2025-26 ⁽⁴⁾	179,798	46,905	1,568	2,678	51,151

(1) As of July 1 in the fiscal year shown.

(2) An account can include multiple services (e.g., wastewater or storm water) of the City.

(3) Number of customer accounts includes accounts for properties with lost structures in the Tubbs Fire, a wildfire that burned portions of the City in October 2017. The City’s tracking system treats these accounts as active accounts if they were active for any portion of the fiscal year. Decreases and increases in the following years are due to deactivation of accounts from the Tubbs Fire followed by rebuild and new development in the City.

(4) Preliminary and subject to change based on review in connection with the City’s fiscal year auditing process.

Source: City of Santa Rosa for all customer account data. California State Department of Finance, Demographic Research Unit; Census.gov for population data. City of Santa Rosa.

Profile of Customers in the City

The following table sets forth the distribution of sewer fixed fees in the Enterprise in the City by fixed size basis (per associated water meter) as of June 30, 2026.

Table 3
City of Santa Rosa Wastewater Enterprise
City Customer Accounts by Water Meter Size
(As of June 30, 2026)

Meter Size	Residential		Nonresidential		Total	
	#	% of Total	#	% of Total	#	%
5/8"	40,555	73.18%	1,183	2.13%	41,738	75.31%
3/4"	3,612	6.52	55	0.10	3,667	6.62
1"	1,938	3.50	882	1.59	2,820	5.09
1.5"	165	0.30	177	0.32	342	0.62
2"	6,128	11.06	499	0.90	6,627	11.96
3", 4", 6", 8", 10"	120	0.22	104	0.19	224	0.40
Totals	52,518	94.77%	2,900	5.23%	55,418	100.00%

Source: City of Santa Rosa; unaudited.

Top 10 Customers in the City

The top 10 wastewater customers in the City served by the Enterprise for fiscal year 2025-26 are listed in the table below and identified by business category. The largest user in the City accounted for 0.84% of the Enterprise's gross revenues for fiscal year 2025-26. The 10 largest users in the City collectively accounted for 3.88% of the Enterprise's gross revenues.

Table 4
City of Santa Rosa Wastewater Enterprise
Top Ten Wastewater Customers in City
(Fiscal Year 2025-26)

Customer Description	Gallons Billed (In millions)	Amount Billed	% of Total Gross Revenues ⁽¹⁾
Manufacturing	58.868	\$1,008,602.16	0.84%
Residential	40.033	823,100.03	0.69
Government	29.828	582,203.18	0.49
Residential	20.710	448,120.71	0.37
Industrial	19.467	370,462.98	0.31
Industrial	18.963	359,781.50	0.30
Industrial	16.927	238,891.81	0.20
Residential	16.094	308,545.80	0.26
Residential	14.434	261,551.64	0.22
Manufacturing	14.401	252,591.54	0.21
Total	249.725	\$4,653,851.35	3.88%

(1) Total Gross Revenues for fiscal year 2025-26 were \$119,956,142.88.

Source: City of Santa Rosa; unaudited.

Wastewater Flow – Laguna Facility

The following table shows the average treatment data (dry-weather flow) for the service area of the Laguna Facility (which includes the City and the other Member Agencies). Table 6 below separately identifies the average dry-weather flow into the Laguna Facility from each of the City and the other Member Agencies in fiscal year 2025-26. The capacity of the Laguna Facility is 21.34 mgd.

Table 5
City of Santa Rosa Wastewater Enterprise
Laguna Facility
Average Annual Subregional Treatment
(Dry Weather Flow – mgd)
(Fiscal Years 2016-17 through 2025-26)

<u>Fiscal Year</u>	<u>Total</u>
2016-17	14.0
2017-18	14.5 ⁽¹⁾
2018-19	13.9
2019-20	13.7
2020-21	13.6
2021-22	13.0
2022-23	13.1
2023-24	12.8
2024-25	14.4
2025-26 ⁽²⁾	14.2

(1) Dry flow is average prior to October 2017. During the Tubbs Fire, a wildfire that burned portions of the City in October 2017, there was a low volume of flow due to evacuations, therefore, the average was taken from prior to October 8, 2017 (start of fire), since dry season ends November 1.

(2) Preliminary and subject to change based on review in connection with the City's fiscal year auditing process.

Source: *City of Santa Rosa*.

Wastewater Flow – Other Member Agencies

Set forth in the following table is the average dry weather flow into the Laguna Facility from each of the City and the Member Agencies in fiscal year 2025-26. See Table 5 above for a history of average dry weather flow from the entire service area of the Enterprise (including the City and the other Member Agencies).

Table 6
City of Santa Rosa Wastewater Enterprise
Laguna Facility
Member Agencies
Average Daily Dry-Weather Flow (mgd)
(Fiscal Year 2025-26)

	<u>Dry-Weather</u>
Santa Rosa/SPCSD ⁽¹⁾	10.78
Rohnert Park	2.90
Sebastopol	0.39
Cotati	<u>0.12</u>
Total	14.19

(1) The South Park County Sanitation District flow is approximately 4.1% of the total system flow.

Source: City of Santa Rosa; preliminary and subject to change based on review in connection with the City's fiscal year auditing process.

Customer Accounts – Other Member Agencies

The number of customer accounts for the other Member Agencies is set forth in the table below, together with the number of customer accounts for the City.

Table 7
City of Santa Rosa Wastewater Enterprise
Sewer Customer Accounts
(As of June 30, 2026)

Rohnert Park	10,136
Cotati	2,580
Sebastopol	2,805
South Park County Sanitation District	<u>2,180</u>
Subtotal	17,701
City of Santa Rosa	<u>51,151</u>
Total	68,852

Source: City of Santa Rosa; preliminary and subject to change based on review in connection with the City's fiscal year auditing process.

Rates and Charges

Approval Process. The BPU annually reviews and periodically makes recommendations for wastewater user rates for City customers. Rate changes are subject to approval by the City Council. The current wastewater rates were approved and adopted by Resolution No. 2025-050 of the City Council adopted on April 1, 2025 (“**Rates Resolution**”), in accordance with the requirements of Articles XIIC and XIID of the California Constitution, and have been reflected on billings rendered starting as of July 1, 2025. Pursuant to the Rates Resolution, wastewater rates are approved to increase by 5% every year from fiscal years 2025-26 through 2029-30. Rate increases are reviewed annually by City Council as part of the budgeting process and can be set lower than the rate increases approved pursuant to Resolution No. 2025-050. See “RISK FACTORS – Articles XIIC and XIID of the California Constitution” for a discussion of provisions of the California Constitution that limit the City’s ability to increase or tier rates.

Historical Rates. Set forth below is a history of system-wide rate increases approved by the City between fiscal years 2014-15 and 2025-26.

Table 8a
City of Santa Rosa Wastewater Enterprise
History of Rate Increases
(Fiscal Years 2014-15 through 2025-26)

<u>Fiscal Year</u>	<u>% Increase</u>
2014-15	3.5%
2015-16	0.0 ⁽¹⁾
2016-17	2.0
2017-18	3.0
2018-19	3.0
2019-20	2.5
2020-21	2.5
2021-22	2.0
2022-23	2.0
2023-24	2.0
2024-25	2.0
2025-26	5.0

(1) Rate structure approved pursuant to Resolution No. 28718, which was adopted by City Council on December 1, 2015, but resulted in no average increase. The rate increase implemented in fiscal year 2015-16 went into effect on July 1, 2016, instead of January 1, 2016. Santa Rosa Water moved from a calendar year to a fiscal year. The rate increase in 2016-17 was the shift from calendar year to fiscal year which delayed the increase by 6 months, not a full year.

Current Rates. The current wastewater rates are composed of a (i) “**fixed monthly charge**” that (a) for any single-family residential users, is a fixed monthly charge per sewer connection, and (b) for commercial, industrial, and multi-family users is based on water meter size (or estimated size for wastewater-only customers), (ii) “**user charge**” that (a) for any residential users, is based on an amount per each 1,000 gallons of wastewater generated, and (b) for all other customers, is based on each 1,000 gallons of water used, based on wastewater strength ranges on file at the Water Department, and (iii) for commercial and industrial customers, an additional surcharge based on strength.

Table 8b
City of Santa Rosa Wastewater Enterprise
Monthly User Charges
Fixed Monthly Charges

Customer User Charge (By Meter Size)	Old Rates As of July 1, 2025	Current Rates As of July 1, 2026
5/8" & 3/4"	\$29.77	\$31.26
1"	69.80	73.29
1.5"	136.53	143.36
2"	216.60	227.43
3"	403.42	423.59
4"	670.32	703.84
6"	1,337.56	1,404.44
Quantity Charge Per 1,000 Gallons		
Residential	\$16.86	\$17.70
Commercial/Industrial⁽¹⁾	\$16.86	\$17.70

(1) For standard strength; rates are otherwise variable based on wastewater strength ranges on file at the Water Department.
Source: City of Santa Rosa.

The following table sets forth a history of the typical monthly wastewater residential bill and the yearly percentage rate increase over this period, assuming a 5/8" meter size and average gallons of water usage for Single Family User account type (estimated typical use during the wet weather, non-irrigation period).

Table 9
City of Santa Rosa Wastewater Enterprise
Typical Monthly Wastewater Charges for Single-Family User⁽¹⁾

	2021-22	2022-23	2023-24	2024-25	2025-26⁽²⁾
\$ Per Month	\$85.03	\$82.09	\$85.31	\$88.60	\$93.84
% rate change over previous year	-5.3%	-3.5%	3.9%	3.9%	5.9%

(1) Rates increase yearly. Average sewer consumption is modified each year. A sewer cap (maximum sewer charged through the fiscal year), based on average winter water use, is applied to residential customers' accounts that irrigate and implemented on July 1.

(2) Unaudited.

Source: City of Santa Rosa.

The following table sets forth a comparison of the monthly residential wastewater bill of customers of the City and those existing in neighboring cities as of July 1, 2026.

Table 10
Single-Family Residential Wastewater Bill Comparisons with Other Wastewater Districts⁽¹⁾

<u>City</u>	<u>Monthly Wastewater Bill</u>
Vallejo	\$103.38
Rohnert Park ⁽²⁾	83.85
San Francisco	128.62
Cotati ⁽²⁾	130.62
Windsor	133.27
Petaluma	109.62
South Park Sanitation ⁽²⁾	99.69
Sebastopol ⁽²⁾	197.66
Santa Rosa	109.14
Healdsburg	187.19

(1) Current rates were obtained by reviewing other cities' most recent rate sheets. Assumes a sewer cap (and sewer usage) of 4.4 billing units.

(2) Member Agency.

Source: City of Santa Rosa

Future Rates. Santa Rosa Water has completed the rate setting process for fiscal years 2025-26 through 2029-30 for the Enterprise. The rates were set based on the 2024 Comprehensive Water and Wastewater Rate Study Report dated December 16, 2024, prepared by Hildebrand Consulting, LLC. See "Rates and Charges – *Approval Process*" above for a discussion of the City Council resolution setting such rates.

Demand Fee. The latest Demand Fee ordinance follows a City-commissioned Santa Rosa 2021 Water and Wastewater Demand Fee Study (the "**Demand Fee Study**"). The current methodology computes Demand Fees based on a modified system buy-in approach, which resulted in a significant reduction from previous Demand Fees.

Pursuant to the City's latest wastewater Demand Fee ordinance (Ordinance No. ORD-2021-05), effective on August 13, 2021, the residential Demand Fee rates are increased (or decreased) on January 1 of each calendar year by a percentage equal to the percentage change in the Engineering News-Record's 20-City Construction Cost Index for the 12-month period ending November 30 of the prior calendar year. The ordinance also provides that Demand Fees will be reviewed at least every 5 years and will be increased or decreased to take actual changes in the City's General Plan or Department Master Plans into consideration. For fiscal year 2026-27, the Enterprise has budgeted for the hiring of a consultant to update the Demand Fee Study. The table below sets forth a four-year history of the City's schedule of Demand Fees. In fiscal year 2025-26, Demand Fees totaled \$4.8 million or 4% of Gross Revenues.

Table 11
City of Santa Rosa Wastewater Enterprise
Demand Fee Schedule
(Calendar Years 2023 through 2026)

<u>Type of Connection</u>	<u>Effective Jan. 1, 2023</u>	<u>Effective Jan. 1, 2024</u>	<u>Effective Jan. 1, 2025</u>	<u>Effective Jan. 1, 2026</u>
Single Family Residential				
Small lot ⁽¹⁾	\$6,548	\$6,718	\$6,778	\$7,022
Large & Medium lot ⁽²⁾	6,753	6,928	6,990	7,241
Very Large lot ⁽³⁾	7,981	8,188	8,261	8,558
Accessory Dwelling Unit ⁽⁴⁾	4,501	4,618	4,659	4,827
Duplex and Triplex Unit	5,729	5,877	5,929	6,142
Multifamily Residential (Condominiums, Apartments and Mobile Homes)				
Per unit High Density (up to 750 sq ft)	4,501	4,618	4,659	4,827
Per unit Multifamily (over 750 sq ft)	5,729	5,877	5,829	6,142
Commercial and Industrial ⁽⁵⁾	2,046	2,099	2,117	2,193

(1) 6,000 square feet and under.

(2) Over 6,000 square feet up to one acre.

(3) Over one acre.

(4) Excludes accessory dwelling units of 750 square feet or less. Different fees may apply within SPCSD.

(5) Per thousand gallons per month.

Source: *City of Santa Rosa*.

The current nonresidential wastewater Demand Fee effective January 1, 2026 is determined based on a rate of \$2,193 per thousand gallons per month (“**TGM**”) times an estimated monthly flow quantity. The estimated monthly wastewater flow quantity is determined by City ordinance and is based on the type of customer use (e.g., car wash, gas station, commercial laundry, bakery). The minimum flow quantity that must be purchased for nonresidential uses is 1,000 TGM, and purchases must be made in increments of 1,000 TGM. The Director of Santa Rosa Water may periodically review the water/wastewater usage of nonresidential and industrial customers.

The City also currently charges a one-time processing fee of \$522 per new lateral connection to the wastewater system.

Table 12
City of Santa Rosa Wastewater Enterprise
Regional Comparison of Demand Fees⁽¹⁾

<u>City</u>	<u>Residential</u>		<u>Commercial</u>	
	<u>Basis of Calculation</u>	<u>Fee</u>	<u>Basis of Calculation</u>	<u>Fee</u>
Santa Rosa ⁽²⁾	Medium / Lg Lot – Over 6,000 SF up to 1 Acre	\$7,241	Thousand Gallons per Month (10,000 square foot office)	\$2,193
Healdsburg ⁽³⁾	Single Family	\$13,765	Non-residential, up to 1” meter with Medium Use	\$34,007
Rohnert Park ^{(4), (5)}	Single Family Residential	--	\$130/gallon average for land use types	--
Cotati ⁽⁶⁾	\$4.91/sq-ft (2,500 square-foot home)	\$12,275	\$3.54/sq-ft (10,000 square-foot office)	\$33,540

(1) Amounts shown for other cities may not include all applicable one-time fees.

(2) Excludes one-time processing fee. Per 2025 Santa Rosa Water Fee Schedule per Reso 1332 (Misc. Fee Updates).

(3) Per City of Healdsburg Master Fee Schedule, 2026-27, Development Impact Fees, Wastewater System Capacity Charges.

(4) Per Rohnert Park Development Impact Fees, Table 1. Residential unit sewer fees for Rohnert Park are incorporated into a combined facilities fee and, therefore, are not comparable. They are excluded from this table.

(5) Per Rohnert Park Development Impact Fees Table 3.

(6) Per Cotati Master Fee Schedule, Development Impact Fees. Sewer Capacity fees based on conditioned area.

Source: *City of Santa Rosa.*

The other Member Agencies are responsible for setting rates within their own jurisdictions. The Member Agencies make payments to the Enterprise based on the agreed upon formula and timetable within the Subregional Agreement.

Revenues from demand fees are related directly to development activity in the Enterprise service area. See “APPENDIX C – General Demographic Information About the City of Santa Rosa and County of Sonoma.”

Billing and Collection Procedures

There are three types of accounts: Water/Sewer, Water-only and Sewer-only. All bills are sent to customers on a monthly basis. For Enterprise customers within the City with Water/Sewer accounts, the City bills customers for wastewater service on the same monthly bill as water service. The bills are collected by the Revenue Division of the Finance Department. Upon presentation of a bill, a customer is given 21 days to pay the bill and the account becomes delinquent at 45 days. Delinquent accounts are subject to disconnection of the customer’s water service if the charges are not paid within 60 days of the billing due date. For all accounts that remain delinquent, the City utilizes a collection agency to collect overdue balances. The City may place delinquent wastewater charges on the property tax roll and record liens on the properties of such delinquent accounts.

In fiscal year 2024-25, over 86% of all bills were paid within 36 days of the billing date. In fiscal year 2024-25, nearly all delinquencies of active customers were brought current within 90 days utilizing disconnection of water service as the main collection tool. Sewer usage and fixed charges billed to domestic accounts for fiscal year 2024-25 were \$74 million. Outstanding bills

totaling \$473,386 for 1,134 accounts (mostly closed) were sent to a collection agency for all services. In fiscal year 2024-25, the sewer usage and fixed charges sent to a collection agency were approximately 0.43% of total receivables (approximately \$319,484), and the collection agency recovered approximately 7% of such amount.

Financial Management and Policies

The City Council has adopted, and the City staff has implemented, a policy of maintaining the following discretionary reserves:

- Unrestricted fund balances (operating reserves), after providing for debt service on all Bonds and other outstanding debt of the Enterprise, equal to 15% of each fiscal year's Maintenance and Operation Costs. The City had a balance of \$78,734,000 on June 30, 2025.
- A \$3 million capital reserve (consisting of \$2 million for the Local Wastewater System and \$1 million for the Subregional System), which is not shown as a separately stated reserve on the City's balance sheet.
- An \$8.5 million catastrophic reserve (consisting of \$6.8 million for the Local Wastewater System and \$1.7 million for the Subregional System). The City had an unaudited balance of \$8,500,000 on June 30, 2025.
- A \$1.25 million reserve for the Geysers Recharge Project. The City had an unaudited balance of \$1,250,000 on June 30, 2025.
- A Subregional User Agency Reserve, which is funded by all Member Agencies in the Subregional System in proportion to flow into the plant and intended to enhance the City's Subregional System fund liquidity and provide a user agency funded security for debt service payments. Although the reserve may be used for debt service payments on the Bonds, it is not pledged to the payment of interest on or principal of the Bonds. The City expects that the reserve will be maintained at approximately 20% of annual debt service amounts and had an unaudited balance of \$5,000,120 on June 30, 2025.
- A Rate Stabilization Fund, which is described under the heading "SECURITY FOR THE SERIES 2026A BONDS – Rate Stabilization Fund." The City had a balance of \$1,000,000 on June 30, 2025.

The City may amend or discontinue its reserve policy at any time.

Financial Statements

The City's comprehensive annual financial report for the fiscal year ended June 30, 2025 is attached as Appendix A to this Official Statement. See "FINANCIAL STATEMENTS" below.

Service user charges received by the City from its own customers (as opposed to those served by the other Member Agencies) account for most of the "Operating Revenues" of the Enterprise as recorded in the audited financial statements; however, the term "Gross Revenues" as defined in the Indenture includes not only the amounts accounted for as "Operating Revenues"

in the City's audited financial statements, but also (i) receipts from the Member Agencies pursuant to the Subregional Agreement (partially accounted for under "Intergovernmental/Contributions" in the City's audited financial statements), (ii) Demand Fees received, and (iii) interest earned on funds held by the Chief Financial Officer or the Trustee. Demand Fees were approximately 1.1% of the total Gross Revenues for the Enterprise in fiscal year 2024-25.

Historical and Projected Revenues, Expenses and Debt Service Coverage

The following table sets forth the City's historical and projected Gross Revenues, Maintenance and Operation Costs, Net Revenues, debt service and debt service coverage for fiscal years 2021-22 through 2024-25 (historical), 2025-26 (estimated) and 2026-27 through 2028-29 (projected). The projections are based on the assumptions described in the footnotes to the table.

The financial forecast contained in Table 13 represents the City's estimate of projected financial results based upon its judgment of the probable occurrence of future events. The assumptions set forth in the footnotes to Table 13 are material in the development of the City's financial projections, and variations in the assumptions may produce substantially different financial results. Actual operating results achieved during the projection period may vary from those presented in the forecast and such variations may be material.

Table 13
City of Santa Rosa Wastewater Enterprise
Historical and Projected Revenues, Expenses and Debt Service Coverage
(\$000)

					Estimated	Projected ⁽⁹⁾		
	Fiscal Year 2021-22	Fiscal Year 2022-23	Fiscal Year 2023-24	Fiscal Year 2024-25	Fiscal Year 2025-26	Fiscal Year 2026-27	Fiscal Year 2027-28	Fiscal Year 2028-29
Enterprise Revenues								
User Charges	\$86,802	\$90,461	\$94,418	\$98,582	\$108,411	\$110,897	\$109,321	\$115,367
Other Revenues ⁽¹⁾	3,760	1,815	2,684	1,182	1,182	1,119	3,404	3,438
Interest Earnings ⁽²⁾	791	871	3,799	7,028	5,507	3,400	1,310	1,259
Subtotal	\$91,354	\$93,147	\$100,901	\$106,792	\$115,100	\$115,415	\$114,035	\$120,064
Demand Fees ⁽³⁾	10,411	501	7,915	1,155	4,856	1,000	4,159	4,283
Total Gross Revenues	\$101,765	\$93,648	\$108,816	\$107,947	\$119,956	\$116,415	\$118,194	\$124,347
Total Maintenance and Operation Costs ⁽⁴⁾	\$47,757	\$50,428	\$52,777	\$57,305	\$61,168	\$68,531	\$60,318	\$62,772
Net Revenues	\$54,008	\$43,220	\$56,040	\$50,642	\$58,789	\$47,884	\$57,876	\$61,575
Debt Service subject to coverage ratio ⁽⁵⁾	\$26,941	\$26,942	\$26,943	\$26,945	\$26,940	\$26,941	\$26,072	\$26,072
Debt Service Coverage ⁽⁶⁾	200%	160%	208%	188%	218%	178%	222%	236%
Debt Service Coverage Excl. Demand Fees ⁽⁷⁾	162%	159%	179%	184%	200%	174%	206%	220%
Net Revenues after Debt Service	\$27,066	\$16,279	\$29,097	\$23,697	\$31,848	\$20,943	\$31,804	\$35,503
Cash Funded Capital Projects ⁽⁸⁾	20,730	22,110	23,505	13,310	26,300	27,700	29,100	33,000
Remaining Cashflow	\$6,336	\$(5,831)	\$5,591	\$10,387	\$5,548	\$(6,757)	\$2,704	\$2,503
Enterprise Fund Ending Balance	\$26,800	\$20,968	\$26,559	\$36,946	\$42,495	\$35,738	\$38,441	\$40,945
Rate Stabilization Fund (ending balance)	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000

* Preliminary; subject to change.

(1) Includes all revenues to the Enterprise other than those listed separately.

(2) Projections assume 1% earnings rate on reserves and carry-over capital improvement project amounts.

(3) Projections for fiscal year 2026-27 assume City Demand Fee revenue meets budgeted amounts. As of October 15, 2026, the City has collected approximately \$1.3 million in Demand Fees for fiscal year 2026-27. Thereafter, the projections are based on the 2024 rate study prepared by Hildebrand Consulting, LLC and assume a 3% annual growth.

(4) Total Wastewater Operating Fund and Subregional Operating Fund Costs less depreciation. Assumes expenses grow between 1.5 and 4% per year based on category.

(5) Bond debt service on a fiscal year basis. Projections assume no additional State Loans are executed or additional Bonds are issued during the projections. Fiscal years 2021-22 through 2025-26 reflect debt service of the Series 2002B Bonds, the Series 2014A Bonds, the Series 2016A Bonds, the Series 2018A Bonds, the Series 2020A Bonds, and the Series 2020B Bonds. See "Financing Plan - Debt Service Schedules" for additional information regarding debt service payments on the outstanding Bonds upon issuance of the Series 2026A Bonds. The debt-related payments from the other Member Agencies represent approximately 23% of the total annual debt service payments related to the Subregional System facilities.

(6) Equals Net Revenues divided by debt service subject to coverage ratio. The Indenture requires 125% coverage.

(7) Equals Net Revenues, less Demand Fees, divided by debt service subject to coverage ratio. The Indenture requires 100% coverage.

(8) Per the City's currently adopted rate plan and agreement with the Member Agencies. Projections reflect capital improvement costs reflected under the heading "— Capital Improvement Program."

(9) See "RISK FACTORS."

Source: City of Santa Rosa.

RISK FACTORS

The following information should be considered by prospective investors in evaluating the Series 2026A Bonds. However, the following does not purport to be an exhaustive listing of risks and other considerations which may be relevant to investing in the Series 2026A Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks.

The purchase of the Series 2026A Bonds involves investment risk. If a risk factor materializes to a sufficient degree, it could delay or prevent payment of principal of and interest on the Series 2026A Bonds. Such risk factors include, but are not limited to, the following matters and should be considered, along with other information in this Official Statement, by potential investors.

Revenues; Rate Covenant

Revenues are dependent upon the demand for wastewater services, which can be affected by population factors, more stringent wastewater standards, wastewater regulations, water conservation, water shortages, or problems with the City's wastewater collection, treatment and disposal facilities. There can be no assurance that wastewater service demand will be consistent with the levels contemplated in this Official Statement. A decrease in the demand for wastewater services could require an increase in rates or charges in order to comply with the rate covenant. Such an increase could drive down demand for wastewater and related services or otherwise increase the possibility of nonpayment of the Series 2026A Bonds.

City Expenses

There can be no assurance that expenses of the City related to the Enterprise will be consistent with the levels contemplated in this Official Statement. Changes in technology, changes in quality standards, increases in the cost of operation or other expenses could require substantial increases in rates or charges in order to comply with the rate covenant in the Indenture. Such rate increases could drive down demand for wastewater and related services or otherwise increase the possibility of nonpayment of the Series 2026A Bonds.

GPC Contract and Windsor Agreement

The Geysers Recharge Project is the Enterprise's principal means of disposing of treated water. In fiscal year 2024-25, it received approximately 61% of the water treated at the Laguna Facility. Discharge to the Russian River is limited to the period from October through May and to the criteria in the Laguna Facility's NPDES permit, and demand for agricultural and urban reuse is seasonal. If the GPC Contract is terminated or expires without renewal, the City would have to find other avenues to dispose of its excess recycled water, which may increase the cost of disposal. If the City is unable to find a cost-effective method to dispose of excess recycled water, the City may need to terminate the Windsor Agreement, in which case the payments from the Town of Windsor, which are included in Gross Revenues, would end. See "THE ENTERPRISE – Existing Facilities – Laguna Facility – Recycled Water System."

Subregional Agreement

The City is a party to the Subregional Agreement with the other Member Agencies. The Subregional Agreement specifies the terms by which the City will receive raw wastewater from

the Member Agencies at the Laguna Facility and allocates to each Member Agency a share of operation and maintenance costs, cash-funded capital related costs and capital-related costs for debt service costs. As the Enterprise relies on the other Member Agencies for almost a quarter of the Subregional System's debt service payments, the failure by one or more Member Agencies to make its obligated payments could adversely affect the City's ability to pay principal of and interest on the Series 2026A Bonds. See "THE ENTERPRISE – Subregional Agreement."

Environmental Regulation

The kind and degree of wastewater service which is managed by the Enterprise is regulated, to a large extent, by the federal government and the State of California. If the federal government or the State were to impose stricter wastewater treatment standards upon the Enterprise, the City's Maintenance and Operation Costs could increase accordingly and rates and charges may need to be increased to offset those expenses. In addition, increased regulation could result in the issuance of additional Parity Bonds or incurrence of additional State Loans. It is not possible to predict the direction that federal or State regulation will take with respect to wastewater treatment standards. See "THE ENTERPRISE – Environmental Compliance" for a discussion of the status of existing permits, the pending renewal of the Permit and the effluent limitations for phosphorus.

Insurance

The City covenants in the Indenture that it will at all times maintain such insurance on the Enterprise as is customarily maintained with respect to works and properties of like character against accident to, loss of or damage to such works or properties. Any such insurance will be in the form of policies or contracts for insurance with insurers of good standing and will be payable to the City, or may be in the form of self-insurance by the City. See "– Natural Disasters."

No assurance can be given as to the adequacy of any such self-insurance or any additional insurance to fund necessary repair or replacement of any portion of the Enterprise. Significant damage to the Enterprise could cause the City to be unable to generate sufficient Net Revenues to pay principal of and interest on the Bonds.

The Indenture does not require the City to maintain earthquake insurance for the Enterprise.

Limitations on Remedies Available to Bond Owners

The ability of the City to comply with its covenants under the Indenture and to generate Net Revenues sufficient to pay principal of and interest on the Series 2026A Bonds may be adversely affected by actions and events outside of the control of the City, and may be adversely affected by actions taken (or not taken) by voters, property owners, taxpayers or payers of assessments, fees and charges. See "– Articles XIII C and XIII D of the California Constitution" below. Furthermore, any remedies available to the owners of the Series 2026A Bonds upon the occurrence of an Event of Default under the Indenture are in many respects dependent upon judicial actions, which are often subject to discretion and delay and could prove both expensive and time consuming to obtain. Such remedies include the right of the Owners of a majority in aggregate principal amount of the Bonds at the time Outstanding to compel the Trustee to accelerate the principal of and accrued interest on the Bonds then Outstanding.

In addition to the limitations on remedies contained in the Indenture, the rights and obligations under the Series 2026A Bonds and the Indenture may be subject to the following: the United States Bankruptcy Code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; usual equity principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State of California and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the owners of the Series 2026A Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation or modification of their rights.

No Reserve Fund

The Series 2026A Bonds are not secured by the existing Reserve Account, which, after the Closing Date, will only secure the outstanding Series 2002B Bonds.

No reserve fund is being established in connection with the Series 2026A Bonds and no reserve fund is required to be established in connection with the issuance of any future Parity Bonds. Accordingly, if Net Revenues are insufficient to make debt service payments on the Bonds, no reserve will be available to the Trustee to draw on to make payments to holders of the Series 2026A Bonds.

Parity Bonds and State Loans

The Series 2026A Bonds are payable from Net Revenues on a parity basis with certain other outstanding Parity Bonds. See "FINANCING PLAN – Outstanding Parity Bonds" above.

In addition, the Indenture permits the City to issue additional obligations secured by a pledge of Net Revenues that is on a parity basis to the pledge of Net Revenues to the Bonds and any State Loans (see "SECURITY FOR THE SERIES 2026A BONDS – Parity Bonds and State Loans" above). See "THE ENTERPRISE – Capital Improvement Program" for information about the capital plans of the Enterprise and the need for additional funding to pay for those plans.

The coverage tests described in "SECURITY FOR THE SERIES 2026A BONDS – Parity Bonds and State Loans" involve, to some extent, projections of Net Revenues. If such indebtedness is issued, the debt service coverage for the Series 2026A Bonds could be diluted below what it otherwise would be. Moreover, there is no assurance that the assumptions that form the basis of such projections, if any, will be actually realized subsequent to the date of such projections. If such assumptions are not realized, the amount of future Net Revenues may be less than projected, and the actual amount of Net Revenues may be insufficient to provide for the payment of the Bonds and any State Loans.

Natural Disasters

General. From time to time, the City is subject to natural calamities that may adversely affect economic activity in the City, which could have a negative impact on City finances. There can be no assurance that the occurrence of any natural calamity would not cause substantial damage to the Enterprise, or that the City would have insurance or other resources available to

make repairs to the Enterprise in order to generate sufficient Net Revenues to pay debt service on the Series 2026A Bonds when due.

Other than as described below, the casualty and liability insurance maintained by the City does not currently cover damage and losses to the Enterprise due to seismic damage or flood.

Wildfire. Hillside residential neighborhoods located in the northern and eastern portions of the City are subject to risk of wildland fire. Open areas and slopes covered with tall grasses and/or chaparral provide fuels to feed wildfires, once started. Fire-resistant building materials and landscaping contribute to prevention of damage to residences in case of a wildfire. General Plan policies requiring adequate fire flows and community fire breaks in residential subdivisions also minimize potential for fire damage.

In October 2017, the City was affected by the Tubbs Fire, which was the then-most destructive wildfire in California history, causing the loss of life and property and the loss of two lift stations of the Enterprise, and damage to another. The costs to repair and replace Enterprise facilities were cash funded and reimbursement has been obtained from FEMA and CalOES. The event did not require a rate increase to cover the costs. For more information, see “THE ENTERPRISE – Capital Improvement Program – Special Initiative Projects – Repair and Replacement of Damaged Lift Stations.”

Since then, a number of destructive wildfires have occurred in Northern California; however, such wildfires and the resulting smoke have not materially affected the operations and finances of the Enterprise. Santa Rosa Water was affected indirectly by the Kincade Fire in October 2019 but was not impacted financially. The Kincade Fire resulted in damage to Calpine’s power supply and required a temporary shut-down of the pipeline for the Geysers Recharge Project. See “THE ENTERPRISE – Existing Facilities – Laguna Facility – Recycled Water System – Geysers Recharge Project.” While offline, Santa Rosa Water was able to store all recycled water until such time it was able to resume pumping. In October 2020, Sonoma and Napa Counties experienced the Glass Fire, resulting in damage to some of Santa Rosa Water’s facility sites (i.e., fencing, trees and driveways) but no damage was sustained to the actual facilities. The Glass Fire has also resulted in a temporary shutdown of deliveries to the Calpine facilities due to power outages to their facilities. In both of these incidents, Santa Rosa Water was able to store recycled water in reservoirs. Recycled water from the reservoirs stored during the Kincade Fire was all distributed to Calpine and the urban and agriculture recycled water users without the need for discharging. The recycled water attributed to the power loss at the Calpine facility due to the Glass Fire was stored in the reservoirs and distributed to City farms, as necessary, to reduce reservoir levels in anticipation of the rainy season. Disruptions to the City’s recycled water system could result in higher reservoir storage levels, which could result in discharge of recycled water that was above Santa Rosa Water’s storage capacity. Permitted discharge to waters of the State will occur, if necessary, during the allowable discharge time period and meeting all discharge requirements as defined by the NPDES permit; however, there are costs associated with discharge that include labor and other costs associated with offsetting phosphorus loads to the Laguna de Santa Rosa. In case of a public safety power shutoff event, all but three lift stations are equipped with stationary diesel generators. The three stations without stationary diesel generators are low flow stations, allowing for service by a vacuum truck, and have a generator quick connect that allows the City to service the stations with a mobile generator. There can be no assurance that future wildfires will not adversely impact the operations and finances of the Enterprise.

Seismic. The following information is excerpted from the City's General Plan. The City currently insures the buildings and appurtenances of the Subregional System against earthquake damage, but there can be no assurance that the City will maintain such insurance in the future.

According to the General Plan, the relatively flat valley floor adjacent to highland areas in and around the City signifies the presence of active earthquake faults. The primary seismic hazard to existing and new development is shaking and fault rupture from the Rodgers Creek-Healdsburg fault zone that transects the City. Other notable faults that could produce strong seismic shaking in the City include the San Andreas, Hayward, Calaveras, Mayacamas, San Gregorio, Concord, Green Valley, and Greenville faults. These other active faults are close enough that the City has a high probability of experiencing a magnitude 6.7 or greater earthquake by 2043, most likely along the San Andreas and Rodgers Creek-Hayward Fault systems. Secondary earthquake hazards of concern are landslides and liquefaction—when loosely packed, water-logged sediments at or near the ground surface lose their strength in response to strong ground shaking.

General Plan policies seek to ensure that the new structures are built with consideration of the four major hazards associated with earthquakes.

Surface Fault Rupture. Surface fault rupture, displacement at the earth's surface resulting from fault movement, is typically observed close to or on the active fault trace. The Rodgers Creek Fault Zone extends beneath downtown and has the highest potential for significant fault rupture.

Ground Shaking. The City could be affected by strong ground shaking caused by a major earthquake during the next 30 years. Ground shaking can be described in terms of peak acceleration, peak velocity, and displacement of the ground. Areas that are underlain by bedrock tend to experience less ground shaking than those underlain by unconsolidated sediments such as artificial fill. Ground shaking may affect areas hundreds of miles away from the earthquake's epicenter.

Liquefaction and Ground Failure. Liquefaction is the process by which water-saturated soil materials lose strength and fail during strong seismic ground shaking. The shaking causes the pore-water pressure in the soil to increase, thus transforming the soil from a solid to a liquid. Liquefaction has been responsible for ground failures during almost all of California's great earthquakes.

Earthquake-Induced Landslides. Seismically induced landsliding is typical of upland areas with slopes greater than 25%. Earthquake groundshaking can trigger slope movements such as earth flows and rotational landslides, or dislodge fractured bedrock material resulting in a rockfall.

Flood. Flooding hazards may be considered in two categories: natural flooding and dam inundation.

Natural Flooding. Natural flooding hazards are those associated with major rainfall events, which result in the flooding of developed areas due to overflows of nearby waterways, or inadequacies in local storm drain facilities. In the City, most of the annual precipitation falls between the months of November and April. FEMA has identified a 100-year flood zone, approximately 7 square blocks in area, at the confluence of Spring Creek and Matanzas Creek in Santa Rosa, and in and around the Laguna Facility and a few lift stations. Major creeks in the City have the potential to cause flooding during a large storm

event. In the northern part of the City, the number and geographic distribution of creeks, combined with favorable topography create a condition in which flooding risks are expected to be minimal. In the southern part of the City, drainage conditions are less favorable due to flat topography and the limited number of drainageways (creeks and conduits) that are available for storm water disposal. Currently, the majority of collected storm water in the southern part of the City is channeled into Colgan and Roseland creeks. Limited capacity and concentrated discharge place these creeks at the greatest risk of flooding during a 100-year storm event. Drainage improvements to both creeks will be necessary to minimize flooding risks in the future.

Dam Inundation. Dam inundation hazards are those associated with the downstream inundation that would occur given a major structural failure in a nearby reservoir. A major earthquake could potentially cause damage or failure to a dam structure, and cause localized flooding. Although dam failure is unlikely due to current state regulations for design, maintenance, and monitoring of dams, the City is exposed to the hazard of inundation from failure of local dams such as Lake Ralphine and Spring Lake. Improvements to the storm drain system consistent with expansion or intensification of urban development are essential to protecting the City from flooding hazards.

Drought. In recent years, the State has experienced significant droughts that resulted in severe impacts to California's water supplies and its ability to meet all the demands for water in the State. The City cannot predict if and when drought conditions may return or what effect drought conditions may have on the revenues of the Enterprise.

Drought could potentially affect the Enterprise's user charge revenue if customers aggressively conserve during the winter months. Sewer rates for the City are composed of a fixed charge that contributes roughly 30% of wastewater rate revenue and a user charge that makes up the other 70%. User charges for most single-family residential customers are determined by an account's "sewer cap." To determine the sewer cap, water usage during the months of November through March is averaged to determine a base indoor water use, which becomes the "cap" on the monthly user charge. Sewer caps are re-evaluated annually, based on the prior winter's water use. If monthly water usage is ever less than the sewer cap, the sewer usage charge is based on water usage, not the sewer cap. Indoor winter water use is fairly inelastic and the City's residents are already low water users. In response to the mandatory drought restrictions in fiscal year 2021-22, winter water usage was reduced. As planned, the reduction was offset by available fund balances held aside in higher water use years for this purpose; these amounts are separate from the reserves discussed under the heading "THE ENTERPRISE – Financial Management and Policies." The Enterprise's long-term financial plan shows the use of this available balance to offset rate spikes over the next 10 years.

Additionally, the City receives revenues from urban customers who are connected to the urban reuse systems in the City and Rohnert Park (included in revenues of the City's water enterprise), and from many agricultural customers (included in revenues of the Enterprise). During the drought, the City's available supply of recycled water could decline, which could trigger the right of GPC to terminate its contract with the City (as described under the heading "THE ENTERPRISE – Existing Facilities"). However, if the City's available supply of recycled water were to decline due to drought conditions, the City has the ability to interrupt service to agricultural customers and urban wholesale customers pursuant to its recycled water supply contracts with such customers; consequently, the City believes that drought conditions are unlikely to ever result in termination of the contract with GPC. Furthermore, potential contractual costs associated with not meeting annual deliveries to the Geysers (as described under the

heading “THE ENTERPRISE – Existing Facilities”) can be avoided through deliberate operational changes that are accommodated by the contract with GPC.

See “THE ENTERPRISE – Existing Facilities” for information about the contractual relationship with GPC and the consequences of failing to deliver/accept the agreed-upon levels of recycled water; however, neither GPC nor the City has ever failed to deliver/accept the agreed-upon levels of recycled water, and the City does not currently anticipate any inability to deliver the agreed-upon levels of recycled water.

Pension Expenses

The City is required to make contributions to PERS and to the OPEB plan for City employees and retirees, a portion of which are allocated to the Enterprise. Such obligations are a significant financial obligation of the City and could increase in the future. Many factors influence the amount of the City’s pension benefit liability, including, without limitation, inflationary factors, changes in statutory provisions of Section 20000 et seq. of the State Government Code, changes in the levels of benefits provided or in the contribution rates of the City, increases or decreases in the number of covered employees, changes in actuarial assumptions or methods, and differences between actual and anticipated investment performance of PERS. Any of these factors could give rise to additional liability of the City (and consequently, the Enterprise) to PERS as a result of which the City would be obligated to make additional payments to PERS over the amortization schedule for full funding of its obligation to PERS. Similarly, such factors could increase the City’s (and consequently, the Enterprise’s) net OPEB liability. See “THE ENTERPRISE – Maintenance and Operation Costs – Employee Benefit Costs” and Notes 8 and 9 of APPENDIX A.

Cybersecurity

The City, like many other public and private entities, relies on information technology systems, cloud-based services, operational technology, digital networks, and electronic data to conduct its operations and deliver services. As a provider and custodian of sensitive information and critical infrastructure, the City is subject to cybersecurity risks, including but not limited to, unauthorized access, ransomware, malware, phishing, denial-of-service attacks, supply chain compromises, and other cyber incidents.

In the past five years, the City has not had a material cybersecurity incident. The City maintains a cybersecurity program designed to prevent, identify, assess, mitigate, respond to, and recover from cybersecurity threats including various administrative, technical, and physical safeguards intended to protect its information systems and data. Since cybersecurity threats continue to evolve in frequency and sophistication, no assurance can be given that such safeguards will be effective in all circumstances. A significant cybersecurity event could adversely affect the City’s operations, financial condition, service delivery capabilities, or the administration of the Series 2026A Bonds.

Loss of Tax-Exemption and Other Tax-Related Matters

As discussed under the caption “TAX MATTERS,” interest on the Series 2026A Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the Series 2026A Bonds were issued, as a result of future acts or omissions of the City in violation of its covenants in the Indenture. Should such an event of taxability occur, the Series 2026A Bonds are not subject to special redemption and will remain outstanding until maturity or until redeemed under other provisions set forth in the Indenture. In addition, no assurance can be

given that the market price for the Series 2026A Bonds will not be affected by any action of the Internal Revenue Service, including but not limited to the publication of proposed or final regulations, the issuance of rulings, the selection of the Series 2026A Bonds for audit examination, or the course or result of any Internal Revenue Service audit or examination of the Series 2026A Bonds or obligations that present similar tax issues as the Series 2026A Bonds.

Changes in Law

No assurance can be given that the market price for the Series 2026A Bonds will not be affected by the introduction or enactment of any future legislation (including without limitation, with respect to the Series 2026A Bonds, amendments to the Internal Revenue Code), or changes in interpretation of the Internal Revenue Code.

Article XIII B Gann Limit

Article XIII B of the California State Constitution limits the annual appropriations of the State and of any city, county, school district, authority or other political subdivision of the State to the level of appropriations of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living and population. The “base year” for establishing such appropriation limit is the 1978-79 fiscal year and the limit is to be adjusted annually to reflect changes in population and consumer prices. Adjustments in the appropriations limit of an entity may also be made if (i) the financial responsibility for a service is transferred to another public entity or to a private entity, (ii) the financial source for the provision of services is transferred from taxes to other revenues, or (iii) the voters of the entity approve a change in the limit for a period of time not to exceed four years.

Appropriations subject to Article XIII B generally include the proceeds of taxes levied by the State or other entity of local government, exclusive of certain State subventions and refunds of taxes. “Proceeds of taxes” include, but are not limited to, all tax revenues and the proceeds to an entity of government from (i) regulatory licenses, user charges, and user fees (but only to the extent such proceeds exceed the cost of providing the service or regulation), and (ii) the investment of tax revenues. Article XIII B includes a requirement that if an entity’s revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years.

Articles XIII C and XIII D of the California Constitution

General. On November 5, 1996, California voters approved Proposition 218, the so-called “Right to Vote on Taxes Act.” Proposition 218 added Articles XIII C and XIII D to the State Constitution, which affect the ability of local governments to levy and collect both existing and future taxes, assessments, and property-related fees and charges. Proposition 218, which generally became effective on November 6, 1996, changed, among other things, the procedure for the imposition of any new or increased property-related “fee” or “charge,” which is defined as “any levy other than an ad valorem tax, a special tax or an assessment, imposed by a [local government] upon a parcel or upon a person as an incident of property ownership, including user fees or charges for a property related service” (and referred to in this section as a “property-related fee or charge”).

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

circumvent existing restrictions on increasing taxes by defining the new or expanded taxes as “fees.” Proposition 26 amended Articles XIII A and XIII C of the State Constitution. The amendments to Article XIII A limit the ability of the State Legislature to impose higher taxes (as defined in Proposition 26) without a two-thirds vote of the Legislature. Proposition 26’s amendments to Article XIII C broadly define “tax,” but specifically exclude, among other things:

- (1) A charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege.
- (2) A charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product.
- (3) A charge imposed as a condition of property development.
- (4) Assessments and property-related fees imposed in accordance with the provisions of Article XIII D.

Property-Related Fees and Charges. Under Article XIID, before a municipality may impose or increase any property-related fee or charge, the entity must give written notice to the record owner of each parcel of land affected by that fee or charge. The municipality must then hold a hearing upon the proposed imposition or increase at least 45 days after the written notice is mailed, and, if a majority of the property owners of the identified parcels present written protests against the proposal, the municipality may not impose or increase the property-related fee or charge.

Further, under Article XIID, revenues derived from a property-related fee or charge may not exceed the funds required to provide the “property-related service” and the entity may not use such fee or charge for any purpose other than that for which it imposed the fee or charge. The amount of a property-related fee or charge may not exceed the proportional cost of the service attributable to the parcel, and no property-related fee or charge may be imposed for a service unless that service is actually used by, or is immediately available to, the owner of the property in question.

Initiative Power. In addition, Article XIII C states that “the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge. The power of initiative to affect local taxes, assessments, fees and charges shall be applicable to all local governments and neither the Legislature nor any local government charter shall impose a signature requirement higher than that applicable to statewide statutory initiatives.”

Judicial Interpretation of Articles XIII C and XIID. After Proposition 218 was enacted in 1996, appellate court cases and an Attorney General’s opinion initially indicated that fees and charges levied for water and wastewater services would not be considered property-related fees and charges, and thus not subject to the requirements of Article XIID regarding notice, hearing and protests in connection with any increase in the fees and charges being imposed. However, three subsequent court cases have held that certain types of water and wastewater charges could be subject to the requirements of Article XIID under certain circumstances.

In *Richmond v. Shasta Community Services District* (2004) 32 Cal.4th 409, the California Supreme Court addressed the applicability of the notice, hearing and protest provisions of Article XIID to certain charges related to water service. In *Richmond*, the Court held that capacity charges are not subject to Proposition 218. The Court also indicated in dictum that a fee for

ongoing water service through an existing connection could, under certain circumstances, constitute a property-related fee and charge, with the result that a local government imposing such a fee and charge must comply with the notice, hearing and protest requirements of Article XIID.

In *Howard Jarvis Taxpayers Association v. City of Fresno* (2005) 127 Cal.App.4th 914, the California Court of Appeal, Fifth District, concluded that water, sewer and trash fees are property-related fees subject to Proposition 218 and a municipality must comply with Article XIID before imposing or increasing such fees. The California Supreme Court denied the City of Fresno's petition for review of the Court of Appeal's decision on June 15, 2005.

In July 2006 the California Supreme Court, in *Bighorn-Desert View Water Agency v. Verjil* (2006) 39 Cal.4th 205, addressed the validity of a local voter initiative measure that would have (a) reduced a water agency's rates for water consumption (and other water charges), and (b) required the water agency to obtain voter approval before increasing any existing water rate, fee, or charge, or imposing any new water rate, fee, or charge. The court adopted the position indicated by its statement in *Richmond* that a public water agency's charges for ongoing water delivery are "fees and charges" within the meaning of Article XIID, and went on to hold that charges for ongoing water delivery are also "fees" within the meaning of Article XIIC's mandate that the initiative power of the electorate cannot be prohibited or limited in matters of reducing or repealing any local tax, assessment, fee or charge. Therefore, the court held, Article XIIC authorizes local voters to adopt an initiative measure that would reduce or repeal a public agency's water rates and other water delivery charges. (However, the court ultimately ruled in favor of the water agency and held that the entire initiative measure was invalid on the grounds that the second part of the initiative measure, which would have subjected future water rate increases to prior voter approval, was not supported by Article XIIC and was therefore invalid.)

The court in *Bighorn* specifically noted that it was not holding that the initiative power is free of all limitations; the court stated that it was *not* determining whether the electorate's initiative power is subject to the statutory provision requiring that water service charges be set at a level that will pay for operating expenses, provide for repairs and depreciation of assets, provide a reasonable surplus for improvements, extensions, and enlargements, pay the interest on any bonded debt, and provide a sinking or other fund for the payment of the principal of such debt as it may become due.

In August 2013, an Orange County Superior Court judge ruled that the tiered pricing model of the City of San Juan Capistrano, which charges higher rates to customers who use more water, violates Proposition 218. The City of San Juan Capistrano appealed the decision to the 4th District Court of Appeal, which published its decision on April 20, 2015. The court's decision found that the City of San Juan Capistrano's tiered rates were not sufficiently cost justified, but that the Constitution does allow for tiered rates. In July 2015, the California Supreme Court denied a request to depublish the case.

While this case applies specifically to water rates, the City believes that its rate structure for sewer is distinguishable from the structure deemed unconstitutional in the San Juan Capistrano case and consistent with Proposition 218 and the Constitution. The City's sewer rate for residential users is based on a fixed charge plus a volumetric fee tied to a customer's sewer cap (see "– Natural Disasters – Drought" above for a description of the sewer cap) and for industrial users is based on strength categories. These rates are determined utilizing independent municipal rate studies that align with Proposition 218's overarching "cost-of-service" mandate and thus are consistent with the requirements addressed in the case.

In *Plantier v. Ramona Municipal Water District* (2019) 7 Cal.5th 372, the Court held that because a Proposition 218 public protest hearing does not provide an adequate administrative remedy, ratepayers are not required to participate in or submit a written protest at such hearing before filing a lawsuit in court challenging the constitutionality of a local agency's property-related fees or rate structures. As a result of this case, a local agency's procedures for setting wastewater rates and adoption of rate structures may be subject to judicial challenge by ratepayers without the agency receiving prior notice through the formal protest hearing process under Proposition 218. In response to this case, the State Legislature adopted AB 2257 which provides local agencies the ability to implement a separate, formal administrative procedure alongside the Proposition 218 process. In setting its most recent rate structure, the City utilized AB 2257, providing ratepayers with a formal administrative remedy. While the City believes its current wastewater rates and rate-setting procedures comply with all constitutional and statutory requirements, including Proposition 218, there can be no assurance that a court challenge will not be brought against future or existing rates, or that such a challenge would not adversely affect the City's ability to generate sufficient revenues to pay debt service on the Bonds.

Articles XIII C and XIII D and the City's Wastewater Rates and Charges. The City's current wastewater rates (see "THE ENTERPRISE – Rates and Charges") were adopted by resolution of the City Council on April 1, 2025, following notice to property owners and a public hearing held at least 45 days after the notice had been mailed, in compliance with Articles XIII C and XIII D.

Further, the City believes its wastewater rates and charges do not constitute "taxes" under Article XIII C as revised by Proposition 26 because, as described in subsection 1(e)(7) of Article XIII C, they are "property-related fees imposed in accordance with the provisions of Article XIII D" (and are also charges for a "property-related service" as defined in subsection 2(g) of Article XIII D) and because, as described in subsection 1(e)(2) of Article XIII C, they are charged for wastewater service, "a specific government service or product provided directly to the payor that is not provided to those not charged."

Conclusion. It is not possible to predict how courts will further interpret Article XIII C and Article XIII D in future judicial decisions, and what, if any, further implementing legislation will be enacted.

Under the *Bighorn* case, local voters could adopt an initiative measure that reduces or repeals the City's rates and charges, though it is not clear whether (and California courts have not decided whether) any such reduction or repeal by initiative would be enforceable in a situation in which such rates and charges are pledged to the repayment of bonds or other indebtedness, as is the case with respect to the Bonds.

There can be no assurance that the courts will not further interpret, or the voters will not amend, Article XIII C and Article XIII D to limit the ability of local agencies to impose, levy, charge and collect increased fees and charges for sewer services, or to call into question previously adopted sewer services rate increases.

Future Initiatives

Article XIII A, Article XIII B, Article XIII C and Article XIII D of the California Constitution were each adopted as measures that qualified for the ballot through the State's initiative process. From time to time other initiative measures could be adopted, further affecting the City's revenues.

Secondary Market for Bonds

There can be no guarantee that there will be a secondary market for the Series 2026A Bonds or, if a secondary market exists, that any Series 2026A Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then-prevailing circumstances. Such prices could be substantially different from the original purchase price.

CONTINUING DISCLOSURE

The City has covenanted for the benefit of owners of the Series 2026A Bonds to provide certain financial information and operating data relating to the City and the Enterprise by not later than nine months after the end of the City's fiscal year, or March 31 each year based on the City's current fiscal year-end of June 30, commencing March 31, 2027, with the report for fiscal year 2025-26 (the "**Annual Report**"), and to provide notices of the occurrence of certain enumerated events.

These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) promulgated under the Securities Exchange Act of 1934, as amended (the "**Rule**"). The specific nature of the information to be contained in the Annual Report or the notices of listed events by the City is set forth in "APPENDIX E – Form of Continuing Disclosure Certificate."

For certain issuances outstanding in the past five years, the City and its related entities did not comply in all material respects with their continuing disclosure undertakings, including the following instances:

- The City filed its annual report for fiscal year 2024-25 for its Refunding Water Revenue Bonds, Series 2018, 184 days late.
- The City filed its audited financial statements and annual operating data for fiscal years 2020-21 through 2023-24 for the Wastewater Revenue Bonds, Series 2002B between 6 and 58 days late.
- The City filed notice of the August 14, 2026 upgrade by Moody's of the underlying rating on its wastewater revenue bonds from "Aa3" to "Aa1" 6 days late.
- The City filed its audited financial statements and certain annual operating data for fiscal years 2020-21 through 2023-24 for the Bennett Valley Municipal Golf Course Bonds, 2005 Series A and B between 8 and 89 days late.

The City Council adopted a Statement of Debt Management and Disclosure Policy in 2015 that sets forth policies and procedures for maintaining compliance with the City's continuing disclosure obligations.

NO LITIGATION

In connection with issuance of the Series 2026A Bonds, the City will certify that there is no litigation pending or, to the City's knowledge, threatened in any way to restrain or enjoin the

issuance, execution or delivery of the Series 2026A Bonds, to contest the validity of the Series 2026A Bonds, the Indenture or any proceedings of the City with respect thereto.

Also in connection with issuance of the Series 2026A Bonds, the City will certify that there are no lawsuits or claims pending against the City that will materially affect the City's finances so as to impair the ability to pay principal of and interest on the Series 2026A Bonds when due or impair the City's ability to operate the Enterprise.

FINANCIAL STATEMENTS

Macias Gini & O'Connell LLP (the "**Auditor**") audited the financial statements of the City for the fiscal year ended June 30, 2025. The Auditor's examination was made in accordance with generally accepted auditing standards and Governmental Auditing Standards, issued by the Comptroller General of the United States. See "APPENDIX A – Audited Financial Statements of the City for Fiscal Year Ended June 30, 2025."

The City has not requested nor did the City obtain permission from the Auditor to include the audited financial statements as an appendix to this Official Statement. Accordingly, the Auditor has not performed any post-audit review of the financial condition or operations of the City.

RATING

Moody's Ratings has assigned the municipal bond rating shown on the front cover of this Official Statement.

This rating reflects only the view of Moody's, and an explanation of the significance of the rating, and any outlook assigned to or associated with the rating, should be obtained from such rating agency.

Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. The City has provided certain additional information and materials to such rating agency (some of which does not appear in this Official Statement).

There is no assurance that such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by Moody's, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of a rating on the Series 2026A Bonds may have an adverse effect on the market price or marketability of the Series 2026A Bonds.

TAX MATTERS

Series 2026A Bonds

Federal Tax Status. In the opinion of Jones Hall LLP, San Mateo, California, Bond Counsel, subject, however, to the qualifications set forth below, under existing law, the interest on the Series 2026A Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. Interest on the Series 2026A Bonds may be subject to the corporate alternative minimum tax.

The opinions set forth in the preceding paragraph are subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986, as amended (the “**Tax Code**”) that must be satisfied subsequent to the issuance of the Series 2026A Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The City has made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of issuance of the Series 2026A Bonds.

Tax Treatment of Original Issue Discount and Premium. If the initial offering price to the public at which a Series 2026A Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes “original issue discount” for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public at which a Series 2026A Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes “bond premium” for purposes of federal income taxes and State of California personal income taxes.

Under the Tax Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the Series 2026A Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such Series 2026A Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such Series 2026A Bond. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Series 2026A Bonds who purchase the Series 2026A Bonds after the initial offering of a substantial amount of such maturity. Owners of such Series 2026A Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series 2026A Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering to the public at the first price at which a substantial amount of such Series 2026A Bonds is sold to the public.

Under the Tax Code, bond premium is amortized on an annual basis over the term of the Series 2026A Bond (said term being the shorter of the Series 2026A Bond’s maturity date or its call date). The amount of bond premium amortized each year reduces the adjusted basis of the owner of the Series 2026A Bond for purposes of determining taxable gain or loss upon disposition. The amount of bond premium on a Series 2026A Bond is amortized each year over the term on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized Series 2026A Bond premium is not deductible for federal income tax purposes. Owners of premium Series 2026A Bonds,

including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such Series 2026A Bonds.

California Tax Status. In the further opinion of Bond Counsel, interest on the Series 2026A Bonds is exempt from California personal income taxes.

Other Tax Considerations. Current and future legislative proposals, if enacted into law, clarification of the Tax Code or court decisions may cause interest on the Series 2026A Bonds to be subject, directly or indirectly, 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 Tax Code or court decisions may also affect the market price for, or marketability of, the Series 2026A Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, such legislation would apply to bonds issued prior to enactment.

The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of such opinion, and Bond Counsel has expressed no opinion with respect to any proposed legislation or as to the tax treatment of interest on the Series 2026A Bonds, or as to the consequences of owning or receiving interest on the Series 2026A Bonds, as of any future date. Prospective purchasers of the Series 2026A Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Owners of the Series 2026A Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Series 2026A Bonds may have federal or state tax consequences other than as described above. Other than as expressly described above, Bond Counsel expresses no opinion regarding other federal or state tax consequences arising with respect to the Series 2026A Bonds, the ownership, sale or disposition of the Series 2026A Bonds, or the amount, accrual or receipt of interest on the Series 2026A Bonds.

The form of the proposed opinion of Bond Counsel is attached as Appendix D.

CERTAIN LEGAL MATTERS

Jones Hall LLP, San Mateo, California, Bond Counsel, will render its opinion approving the validity of the Series 2026A Bonds, the form of which opinion is set forth in Appendix D hereto. A copy of such approving opinion will be provided to the original purchasers upon delivery of the Series 2026A Bonds. Jones Hall LLP, San Mateo, California, is also acting as Disclosure Counsel to the City. Compensation for Bond Counsel and Disclosure Counsel's services is contingent upon the sale and delivery of the Series 2026A Bonds.

Certain matters will be passed upon for the City by the City Attorney. Certain legal matters will be passed upon for the Underwriter by Anzel Galvan LLP, San Francisco, California, as Underwriter's Counsel. Payment of the fees of Underwriter's Counsel is contingent upon the sale and delivery of the Series 2026A Bonds.

UNDERWRITING

The Series 2026A Bonds are being purchased by Stifel, Nicolaus & Company, Incorporated (the “**Underwriter**”).

The Underwriter has agreed to purchase the Series 2026A Bonds at a price equal to \$_____, which equals the par amount of the Series 2026A Bonds (\$_____), less an Underwriter's discount of \$_____, plus an original issue premium of \$_____. The bond purchase agreement between the City and the Underwriter provides that the Underwriter will purchase all of the Series 2026A Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in said agreement, the approval of certain legal matters by counsel and certain other conditions.

Stifel, Nicolaus & Company, Incorporated (“**Stifel**”), the underwriter of the Series 2026A Bonds, has provided the following language for inclusion in the Official Statement.

Stifel and its affiliates comprise a full service financial institution engaged in activities which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Stifel and its affiliates may have provided, and may in the future provide, a variety of these services to the City and to persons and entities with relationships with the City, for which they received or will receive customary fees and expenses. In the ordinary course of these business activities, Stifel and its affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the City (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the City. Stifel and its affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire such assets, securities and instruments. Such investment and securities activities may involve securities and instruments of the City.

MUNICIPAL ADVISOR

The City has retained NHA Advisors LLC, as its Municipal Advisor (the “**Municipal Advisor**”), in connection with the authorization and delivery of the Series 2026A Bonds. The Municipal Advisor assumes no responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Series 2026A Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

VERIFICATION OF MATHEMATICAL ACCURACY

Causey Public Finance, LLC, Denver, Colorado, upon delivery of the Series 2026A Bonds, will deliver a report on the mathematical accuracy of certain computations contained in schedules provided to them, which were prepared by the Municipal Advisor, relating to the sufficiency of the anticipated receipts from the monies deposited into the escrow funds to pay, when due, the redemption price of the Refunded Bonds and the maturity amounts of the Defeased Series 2002B Bonds.

EXECUTION

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

CITY OF SANTA ROSA

By: _____
Chief Financial Officer

APPENDIX A

**AUDITED FINANCIAL STATEMENTS OF THE CITY
FOR FISCAL YEAR ENDED JUNE 30, 2025**

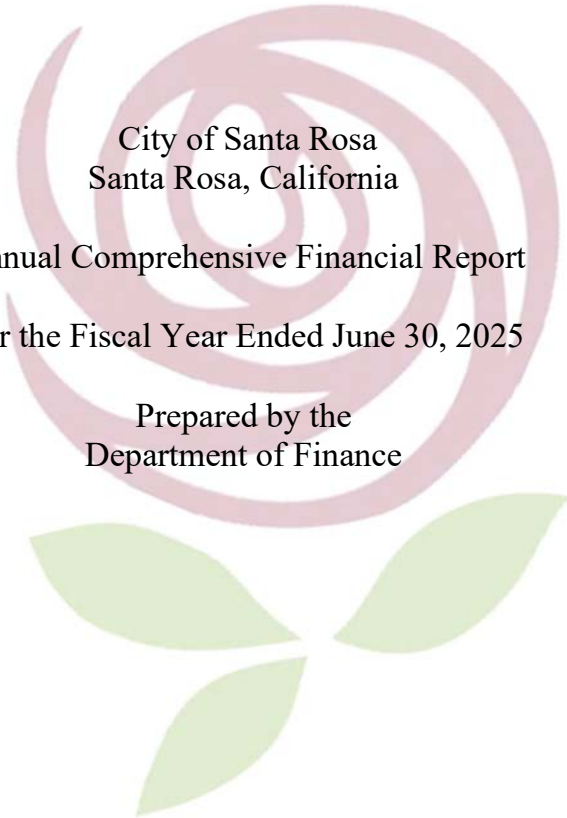
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Annual Comprehensive Financial Report

City of Santa Rosa, California

Fiscal Year Ended June 30, 2025



A stylized rose logo in a light pink color, featuring concentric spiral lines forming the petals and three green leaves at the base.

City of Santa Rosa
Santa Rosa, California

Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2025

Prepared by the
Department of Finance

Table of Contents

City of Santa Rosa Annual Comprehensive Financial Report For the Fiscal Year Ended June 30, 2025

	Statement/ Schedule Table No.	Page
Introductory Section (Unaudited):		
Letter of Transmittal		i
GFOA Certificate of Achievement for Excellence in Financial Reporting		vii
Principal Officers		viii
Boards, Commissions, and Committees		ix
Organizational Chart		x
Financial Section:		
Independent Auditor's Report		1
Management's Discussion and Analysis (Required Supplementary Information) (Unaudited)		5
Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Net Position	A-1	21
Statement of Activities	A-2	22
Governmental Funds:		
Balance Sheet	A-3	24
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	A-4	25
Statement of Revenues, Expenditures and Changes in Fund Balances	A-5	26
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	A-6	27
Proprietary Funds:		
Statement of Fund Net Position	A-7	28
Statement of Revenues, Expenses and Changes in Fund Net Position	A-8	29
Statement of Cash Flows	A-9	30
Fiduciary Funds:		
Statement of Fiduciary Net Position	A-10	32
Statement of Changes in Fiduciary Net Position	A-11	33
Notes to the Basic Financial Statements		34
Required Supplementary Information:		
Schedule of Changes in Net Pension Liability and Related Ratios – Miscellaneous Pension Plan		86
Schedule of Changes in Net Pension Liability and Related Ratios – Safety Police Pension Plan		88
Schedule of Changes in Net Pension Liability and Related Ratios – Safety Fire Pension Plan		90
Schedule of Contributions – Pension Plans		92
Schedule of Changes in the Net OPEB Liability and Related Ratios – PEMHCA Plan		94
Schedule of Changes in the Net OPEB Liability and Related Ratios – STIPEND Plan		96
Schedule of Employer Contributions – OPEB Plans		98
Schedule of Investment Returns		99



	Statement/ Schedule Table No.	Page
Required Supplementary Information (continued):		
General Fund:		
Schedule of Revenues – Budget and Actual	B-1	100
Schedule of Expenditures – Budget and Actual (Budget Basis)	B-2	101
Note to Required Supplementary Information.....		104
Other Supplementary Information:		
Nonmajor Governmental Funds		105
Combining Balance Sheet.....	C-1	108
Combining Statement of Revenues, Expenditures and Changes in Fund Balances ..	C-2	114
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual Special Revenue Funds:		
Measure M	C-3	119
Art In-Lieu Fee	C-4	120
Public Safety and Prevention Tax	C-5	121
Homeless Shelter Operations	C-6	122
Federal Grants	C-7	123
Federal Narcotics Asset Forfeiture	C-8	124
Gas Tax.....	C-9	125
State Grants	C-10	126
Supplemental Law Enforcement Services.....	C-11	127
AB 434	C-12	128
State Narcotics Asset Forfeiture.....	C-13	129
Change For Kids	C-14	130
Mobilehome Rent Stabilization	C-15	131
Tourism BIA	C-16	132
Special Tax Districts.....	C-17	133
Capital Projects Funds:		
Capital Facilities Fee	C-18	134
Park Acquisition and Development	C-19	135
Southwest Area Development Impact Fee	C-20	136
Southeast Area Development Impact Fee.....	C-21	137
Debt Service Funds:		
Courthouse Square Certificates of Participation.....	C-22	138
Fire Station Financed Purchase Obligation	C-23	139
Nonmajor Enterprise Funds		140
Combining Statement of Fund Net Position	D-1	141
Combining Statement of Revenues, Expenses and Changes in Fund Net Position.....	D-2	142
Combining Statement of Cash Flows	D-3	144
Combining Schedule of Capital Assets and Depreciation – All Enterprise Funds ..	D-4	146
Schedule of Revenues, Expenses and Transfers – Wastewater Utility Fund.....	D-5	148



	Statement/ Schedule Table No.	Page
Other Supplementary Information (continued):		
Internal Service Funds		149
Combining Statement of Fund Net Position.....	E-1	150
Combining Statement of Revenues, Expenses and Changes in Fund Net Position	E-2	151
Combining Statement of Cash Flows	E-3	152
Combining Schedule of Capital Assets and Depreciation.....	E-4	154
Other Postemployment Benefit Trust Funds		156
Combining Statement of Fiduciary Net Position	F-1	158
Combining Statement of Changes in Fiduciary Net Position	F-2	160
Statistical Section (Unaudited):		
Net Position by Component – Last 10 Fiscal Years	1	164
Changes in Net Position – Last 10 Fiscal Years	2	166
Fund Balances, Governmental Funds – Last 10 Fiscal Years	3	170
Changes in Fund Balances, Governmental Funds – Last 10 Fiscal Years	4	172
Tax Revenues by Source, Governmental Funds – Last 10 Fiscal Years	5	174
Assessed Value and Estimated Actual Value of Taxable Property – Last 10 Fiscal Years ..	6	175
Direct and Overlapping Property Tax Rates – Last 10 Fiscal Years	7	176
Principal Property Taxpayers – Current Year and Nine Years Ago.....	8	177
Property Tax Levies and Collections – Last 10 Fiscal Years	9	178
Taxable Sales by Category – Last 10 Fiscal Years.....	10	180
Direct and Overlapping Sales Tax Rates – Last 10 Fiscal Years.....	11	182
Sales Tax Revenue Payers by Industry – Current Year and Nine Years Ago.....	12	183
Water and Wastewater Revenue by Source – Last 10 Fiscal Years.....	13	184
Ratios of Outstanding Debt by Type – Last 10 Fiscal Years	14	186
Ratios of General Bonded Debt Outstanding by Type – Last 10 Fiscal Years.....	15	188
Direct and Overlapping Governmental Activities Debt	16	189
Legal Debt Margin Information – Last 10 Fiscal Years.....	17	190
Pledged-Revenue Coverage – Last 10 Fiscal Years.....	18	191
Demographic and Economic Statistics – Last 10 Fiscal Years	19	192
Principal Employers – Current Year and Nine Years Ago.....	20	193
Full-Time-Equivalent City Government Employees by Function/Program– Last 10 Fiscal Years	21	194
Operating Indicators by Function/Program – Last 10 Fiscal Years	22	196
Capital Asset Statistics by Function/Program – Last 10 Fiscal Years	23	198



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Introductory Section







December 31, 2025

To the Residents of the City of Santa Rosa, California and to the Honorable Mayor and Members of the City Council:

It is our pleasure to submit the Annual Comprehensive Financial Report (ACFR) of the City of Santa Rosa for the fiscal year ended June 30, 2025. The Charter of the City of Santa Rosa requires an independent audit of all the accounts of the City in conformance with generally accepted auditing standards. This Annual Comprehensive Financial Report, prepared in accordance with accounting principles general accepted in the United States of America (GAAP) and audited by independent certified public accountants appointed by the City Council, fulfills that requirement.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based on a comprehensive framework of internal control that is established for this purpose. Because 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.

Macias Gini & O'Connell LLP have issued an unmodified ("clean") opinion on the City of Santa Rosa's financial statements for the fiscal year ended June 30, 2025. The independent auditor's report is located at the front of the financial section of this report.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the City

The City of Santa Rosa, a charter city incorporated in 1868, is located 55 miles north of San Francisco. It is the county seat for Sonoma County, one of California's premier wine growing regions, and is the gateway to tourist destinations in the redwoods and on the coast. Santa Rosa is the 27th most populous city in the state. It occupies approximately 41 square miles and serves a population of 178,452.

The City of Santa Rosa is empowered to levy a variety of local taxes. The City receives an allocation of general sales tax combined with state Education Revenue Augmentation Fund property tax revenues equal to 1% of taxable sales. Allocation of general property tax revenues to

FINANCE DEPARTMENT
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www.srcity.org



the City from the County pursuant to state law equals 12% of the 1% property tax levied within its boundaries. In addition, Santa Rosa voters approved additional transactions and use taxes: 1/2% general tax for general City services, which expires in 2031, and a 1/4% special tax for public safety services, which expires in March 2045.

All revenues allocated by state law and legislative action are protected from reduction by a constitutional amendment passed by California voters. The City is empowered by statute to extend its corporate limits and to add unincorporated areas within its boundaries through annexation, which it has done from time to time.

The City of Santa Rosa has operated under the council-manager form of government since adoption of a charter update in 1923. Policy-making and legislative authority are vested in a City Council (Council) consisting of seven members, all of whom are elected on a non-partisan basis. The City is divided into seven council districts, with each Council member elected by their respective districts to serve their four-year term. Following the biennial Council election, the Council selects one of its members as Mayor, serving as the executive head of the City for a two-year term. The Council appoints the City Manager and the City Attorney. The City Manager is the administrative head of the City who in turn appoints the heads of the various departments. The City Attorney is the Council's parliamentarian.

The City of Santa Rosa provides a full range of services, including police and fire protection; construction and maintenance of streets, highways and other infrastructure, water, storm water and wastewater utilities; housing services through its Housing Authority; economic development, transit, parking, and recreation and parks, including a municipal golf course. Boards appointed by the City Council are responsible for policy direction of the Housing Authority and the City's utilities as authorized in state law and the City's charter. There are nine school districts operating wholly or partially within Santa Rosa city limits providing K-12 education. There is also the Santa Rosa Junior College.

The City Charter requires the Council to publish the locations where the current budget can be reviewed and a notice of public hearing to solicit input from constituents and stakeholders regarding future budgets by March 31st of each year. It also requires the Council to adopt the budget by June 30th. The budget serves as the foundation for the City of Santa Rosa's financial planning and control. The budget is prepared by fund and department or project. The City Manager is authorized to transfer an unlimited amount of appropriations within any fund so long as the total appropriations are not increased. The City Manager is also authorized to transfer up to \$50,000 of appropriations between funds; and up to \$100,000 of appropriations between funds within one enterprise activity. In addition, the City Manager or their designee is authorized to increase appropriations upon receipt of grant awards of up to \$500,000. Other than increasing appropriations upon receipt of grant awards, only the City Council has the authority to increase total appropriations subject to the appropriation limitations established by state law. Budget appropriations lapse at the end of the fiscal year, except for contract commitments and capital improvements, which are carried over until the commitment is met, or the project has been completed.

The legal level of budgetary control is by fund, although budgets are adopted within funds at the department/division level in all operating funds and at the project level in the capital projects funds.

Local Economy

The City of Santa Rosa includes a diverse workforce with the largest private employment sectors being trade and transportation, professional and business services, leisure and hospitality and manufacturing. The City also serves as a retail and commercial center for a five-county area that includes Sonoma County, portions of the Napa Valley, and surrounding agricultural and timber communities.

During 2025, the local economy remained flat, navigating a contraction in consumer spending on taxable goods and a cooling real estate market. Overall taxable sales decreased by 1.4%, a decline heavily influenced by retail sales declines. This continued drop in discretionary spending suggests the local economy is following national trends of consumers reacting to inflationary pressures in nontaxable areas like housing, food, healthcare and the high borrowing costs in real estate.

The local housing market mirrored this broader economic stagnation, remaining relatively flat over the past year. Transaction volume continued to shrink, largely attributable to mortgage rates and elevated ownership costs. In October 2025, the number of listings sold dropped to 148, representing a 7.5% decrease year-over-year. Pricing also softened, with the median sale price settling at \$731,000, a 2.5% decrease from the prior year.

The labor market remains a stabilizing force. The unemployment rate currently stands at 4.6%, up from the lows of the previous year but still favorable compared to the state average. The healthcare industry continues to serve as a primary local economic driver and was a major contributor to job gains.

CalPERS

The City contracts with the California Public Employees' Retirement System (CalPERS) to administer the City's employee retirement benefits for the Miscellaneous, Fire and Police groups. During the past several years the City's employer contribution rates, as a percentage of pensionable salaries, have increased and are expected to continue to increase.

	<u>Fiscal Year</u> <u>2024/25</u>	<u>Fiscal Year</u> <u>2025/26</u>	<u>Fiscal Year</u> <u>2026/27</u>
Miscellaneous Group			
Employer Normal Cost	12.02%	11.57%	11.05%
Unfunded Liability Cost	\$19,759,417	\$21,340,026	\$22,933,217
Fire Group			
Employer Normal Cost	18.65%	18.61%	17.95%
Unfunded Liability Cost	\$7,790,613	\$8,407,836	\$9,053,388
Police Group			
Employer Normal Cost	20.19%	20.19%	19.20%
Unfunded Liability Cost	\$11,518,646	\$12,642,748	\$13,349,171

The impacts of these City retirement rate increases have been evaluated and are taken into account in the City's long range financial forecasting and planning processes.

Other Postemployment Benefit Plan

Contained within Note 9 of the Notes to the Basic Financial Statements is a statement that, in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 75, the City's stipend plans for providing other postemployment benefits are described as defined benefit arrangements. This description is applied solely for the purpose of presenting this financial report in accordance with GAAP. As a point of clarification, all of the City's stipend plans are clearly described as defined contribution arrangements in the various governing plan documents. It is also the intent of the City and the various labor groups participating in these stipend programs that these plans be administered, as the plan documents are titled, as defined contribution plans. Therefore, the various stipend plans are evaluated bi-annually by an actuary and benefit amounts are susceptible to change depending on the results of the actuary's report.

Long Range Financial Planning

The City utilizes a five-year forecasting model for the General Fund. This forecast is a planning tool to gauge the conditions of the General Fund, identifying potential surpluses or deficits and to understand the causes of imbalance. The forecast is used as part of the budget development process, in labor negotiations and to show the impacts of additions to the budget which may have a long-term financial impact on the General Fund. Finance staff updates the forecast and presents it to the Council as part of the budgeting process.

The Forecast is designed to be dynamic and allow policy makers to plan for different budgeting scenarios and therefore focuses on set impacts from current policy. Revenues are forecasted based on the best available data. Expenditure data includes all known costs (e.g., signed labor contracts) and inflationary percentages based on the type of cost, future labor agreement impacts are not included. The forecast includes a position vacancy credit of \$3,500,000, giving an allowance for the City not being fully staffed throughout the year.

The General Fund's Fiscal Year (FY) 2024-25 budget began with a structural deficit of \$13.3 million driven by ongoing expenditures outpacing revenue growth. The City has seen rising costs for salaries, benefits, and services. Specifically, payments to CalPERS for pension expenses have nearly doubled from \$17.0 million in FY 2019-20 to a projected \$34.5 million by FY 2026-27. These increased payments follow statewide reforms enacted in 2012 to pay down unfunded liabilities and reduce costs over the long term. Sales tax revenue, the City's largest revenue source, underperformed the budget by \$6.6 million and finished \$1.0 million lower than the prior year. This stagnation is attributed to inflationary pressures and shifts in consumer behavior.

To address these financial challenges, the City Council and voters took significant action during the fiscal year. Voters passed Measures EE and FF in November 2024, which generated \$3.3 million in enhanced business tax revenue and \$400,000 in transient occupancy tax revenue. Furthermore, the City Council adopted \$15.2 million in ongoing budget reductions as part of a

mid-year action and the adoption of the FY 2025-26 budget in June of 2025. These actions included a workforce reduction in the City's General Fund of 54 full-time equivalent positions.

As a result of these interventions, along with the release of \$10.4 million in one-time project funding, General Fund reserves gained immediate stability. Despite this, the General Fund remains in a structural deficit. The deficit for FY 2025-26 was adopted with an \$8.4 million deficit, expected to grow to \$17.3 million in FY 2026-27. Without further action, reserves are projected to fall \$3 million below the Council-mandated 17% threshold by FY 2026-27. Additional revenue enhancements and expenditure reductions will be required in the short term to maintain the fiscal stability of the General Fund without interrupting core services.

The City monitors local economic activity with the goal of estimating the most likely revenue estimates. FY 2025-26 adopted budget included revised projections which lowered sales tax to a moderate growth versus actuals received in the prior year. Given continued consumer behavior towards non-taxable sales and interest rates remaining higher than pre-pandemic levels, staff looks for local indicators that may tip off an upcoming change in revenues, especially for the City's main General Fund revenue sources: Property Tax and Sales Tax. Staff projects moderate growth in our major General Fund revenue categories.

Major Initiatives

City staff and the City Council are working together to accomplish significant goals established by the Council and other initiatives. The more notable accomplishments include:

Public Safety Enhancements:

Successfully completed the reconstruction of Fire Station 5 following its destruction in the 2017 Tubbs Fire. This state-of-the-art facility began active service in November 2025, enhancing emergency response capabilities for the community. Additionally, the Police Department established a new Real-Time Crime Center integrated with 50 Automated License Plate Readers (ALPRs), leveraging technology to improve public safety and investigative efficiency.

Community Investment:

Expanded early childhood enrichment programs, resulting in a 33% increase in summer program participation. This initiative ensures greater access to recreational and educational opportunities for Santa Rosa families.

Capital Improvement Projects:

Capital improvement milestones include the strategic acquisition of the Southeast Greenway for future parkland and the opening of the Finley Aquatic Center splash pad. Infrastructure upgrades featured the full pavement rehabilitation of the downtown Transit Mall, as well as the completion of the West College water storage facility and the Cobblestone Drive water main connection. Additionally, critical utility resilience was strengthened through the installation of an emergency generator fuel tank and station at the Laguna Treatment Plant.

Planning & Policy:

Completed the public review process and advanced the General Plan 2050 draft and the associated Environmental Impact Report (EIR) to the Planning Commission to guide the City's long-term growth and development. The City also enacted a Tobacco Retail License ordinance to regulate and limit the number of retail locations offering tobacco sales, promoting better public health outcomes.

Awards

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 Annual Financial Report for the fiscal year ended June 30, 2024.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Annual Comprehensive Financial Report. Such reports must satisfy both U.S. generally accepted accounting principles (GAAP) and applicable legal requirements.

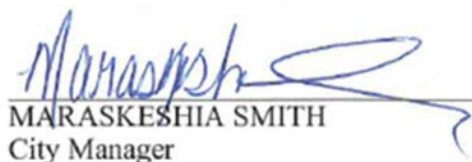
A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to Certificate of Achievement Program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the City received the GFOA's Distinguished Budget Presentation award for its fiscal year 2025-26 budget adopted on June 24, 2025. To qualify for this award the City's budget document had to be judged proficient as a policy document, a financial plan, an operations guide and a communications device.

Acknowledgments

The preparation of the Annual Comprehensive Financial Report on a timely basis was made possible by the dedicated efforts of the Financial Reporting Division staff of the Finance Department. Each individual has our sincere appreciation for the professionalism, dedication and contributions made in the preparation of this report. Credit also must be given to the Mayor, City Council members, City Manager and City departments for their support in maintaining the highest standards of professionalism in the management of the City of Santa Rosa's finances.

Respectfully submitted,


MARASKESHA SMITH
City Manager


SCOTT WAGNER
Chief Financial Officer



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Santa Rosa
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2024

Christopher P. Morill

Executive Director/CEO



PRINCIPAL OFFICERS 24-25

Elected Officials



Mark Stapp
Mayor
District 2



Eddie Alvarez
Vice Mayor
District 1



Diana MacDonald
Council Member
District 3



Victoria Fleming
Council Member
District 4



Caroline Bañuelos
Council Member
District 5



Jeff Okrepkie
Council Member
District 6



Natalie Rogers
Council Member
District 7

Executive Team



Maraskeshia Smith
City Manager



Jason Nutt
Assistant City Manager



Daryel Dunston
Assistant City Manager



Teresa Strickler
City Attorney



Alan Alton
Chief Financial Officer



John Cregan
Chief Police



Scott Westrope
Chief Fire



Brian Tickner
Chief Technology Officer



Megan Basinger
Director
Housing & Community Services



Gabe Osburn
Director
Planning & Economic Development



Dominique Blanquie
Director Human Resources



Donté Watson
Director Recreation & Parks



Jennifer Burke
Director Water

City of Santa Rosa
June 30, 2025

BOARDS, COMMISSIONS, AND COMMITTEES

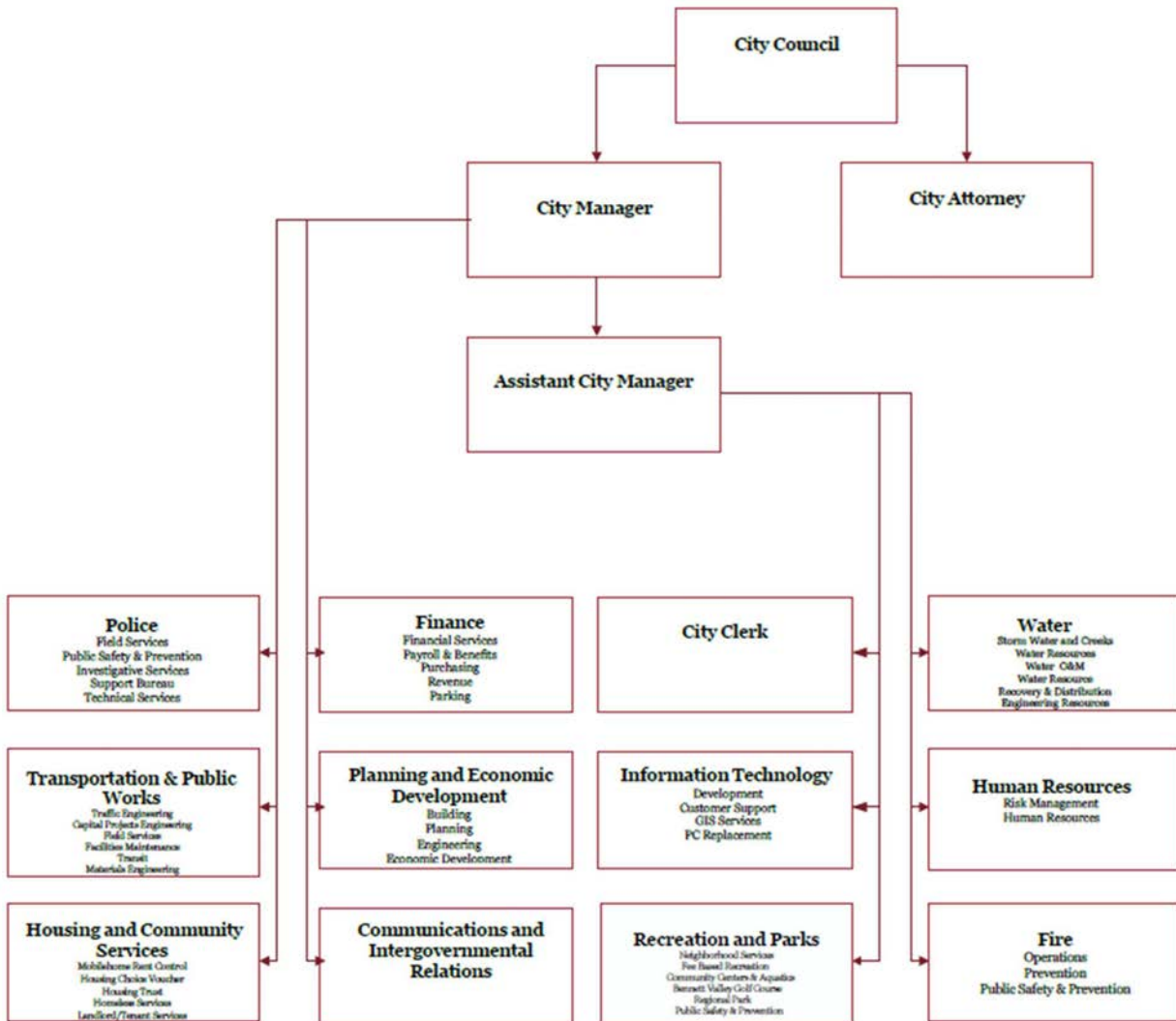
Art in Public Places Committee
Bicycle and Pedestrian Advisory Board
Board of Building Regulation Appeals
Board of Parks and Recreation
Board of Public Utilities (BPU)
City Charter Review Committee
Community Advisory Board (CAB)
Design Review and Preservation Board (DRPB)
Housing Authority
Personnel Board
Planning Commission (PC)
Public Safety and Prevention Tax Citizens' Oversight Committee (PSAP)
Public Financing Authority (PFA)
Successor Agency Oversight Board
Tourism Business Improvement Area Advisory Board
Subregional Technical Advisory Committee
Zoning Administrator
Waterways Advisory Committee

COUNCIL SUBCOMMITTEES

City Council / BPU Liaison Subcommittee
Climate Action Subcommittee
Economic Development Subcommittee
Violence Prevention Partnership (Steering/Policy)
Long Term Financial Policy and Audit Subcommittee
Open Government Task Force Implementation Subcommittee
Public Safety Subcommittee



ORGANIZATIONAL CHART



Financial Section



Independent Auditor's Report

City Council of the City of Santa Rosa
Santa Rosa, California

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Santa Rosa, California (City), as of and for the fiscal year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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

As discussed in Notes 2(u) and 18 to the basic financial statements, effective July 1, 2024, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 101, *Compensated Absences*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

The City's 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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 GAAS 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, the schedules of changes in the net pension liability and related ratios – pension plans, the schedules of contributions – pension plans, the schedules of changes in the net other postemployment benefits (OPEB) liability and related ratios – OPEB plans, the schedules of employer contributions – OPEB plans, the schedule of investment returns – stipend plans, the General Fund Schedule of Revenues – Budget and Actual, and the General Fund Schedule of Expenditures – Budget and Actual (Budgetary Basis), as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate

operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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 nonmajor 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 GAAS. In our opinion, the combining and individual nonmajor fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

The City's management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the introductory section and the statistical section 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 December 31, 2025, on our consideration of the 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 the 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 the City's internal control over financial reporting and compliance.

Macias Gini & O'Connell LLP

Sacramento, California
December 31, 2025

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Management Discussion and Analysis Section



As management of the City of Santa Rosa (City), we offer readers of the City's financial statements this overview and analysis of the City's financial activities for the fiscal year ended June 30, 2025. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal and the City's basic financial statements, as well as notes to the financial statements and the required supplemental information, which follow this section. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded liabilities and deferred inflows of resources by \$1,095,580 (net position) at June 30, 2025, an increase of 4.5 percent from the prior fiscal year. Of the net position amount, \$158,380 is restricted for specific purposes (restricted net position) and \$925,456 is its net investment in capital assets, and the remaining \$11,744 is unrestricted.
- Total assets increased by \$44,084 or 2.4 percent and this increase is mostly due to the increase in capital assets and cash and investments related to the receipt of capital grant funding in advance of the projects and an increase in our Section 115 trust.
- Total liabilities decreased by \$40,207 or 4.6 percent. The City's current and other liabilities decreased by \$9,688 or 16.7 percent mainly due to a decrease in unearned revenue due to the spending and recognition of the American Rescue Plan Act funds, and long-term obligations decreased by \$30,519 or 3.7 percent mainly related to decreases in net pension and OPEB liabilities.
- Government-wide revenues increased by \$6,416 or 1.3 percent from the prior fiscal year primarily due to the following changes.
 - For the governmental activities, revenues increased \$4,689. This increase is the net effect of increases in other revenues such as opioid settlements, grant related to a new library, and Housing returned unused downpayment assistance funds, and a decrease in development impact mitigation charges.
 - For business-type activities, revenues increased \$1,727. This increase is the net effect of a combination of increases in the sale of water, and decreases in intergovernmental revenue. Although we sold more water, we received less State funding to pay for water bills.
- Government-wide expenses increased by \$26,988 or 6.2 percent from the prior year.
 - Governmental activities expenses increased by \$20,731 or 7.8 percent. Public safety had the largest increase of \$29,847 or 22.6 percent, followed by Recreation of \$1,023 or 4.4 percent. Public safety increases in expenditures were due to increased labor and benefits costs. All employees received COLAs at the start of the fiscal year, but there were also additional special pays awarded. Fire added an additional 12 FTEs that were funded by the SAFER grant.
 - Business-type activities expenses increased by \$6,257 or 3.8 percent from the prior year, with the largest increases in Transit \$3,137 or 18.7 percent. Increases can be attributed to increased vehicle maintenance, and increased paratransit hours.

- The City's governmental funds reported combined ending fund balances of \$283,005, an increase of \$2,444 or 0.9 percent from the prior year. The increase is primarily in the restricted category \$15,017 or 12.0 percent off set by decreases in assigned of \$22,144 or 26.5 percent.
- The General Fund's spendable, unrestricted fund balance was \$141,114 or 61.1 percent of total General Fund expenditures of \$230,816. Of this amount, \$68,877 or 29.8 percent of General Fund expenditures is unassigned and is available to spend. The remaining balance is assigned for subsequent year appropriations of \$61,532 or 26.7 percent of General Fund expenditures and \$10,705 remaining of the PG&E settlement or 4.6 percent of General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components 1) Government-wide financial statements; 2) Fund financial statements and 3) Notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of City finances, in a manner similar to a private-sector business. These statements provide both long-term and short-term information about the City's overall financial status.

The *Statement of Net Position* presents information on all of the City's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between them reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *Statement of Activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows (i.e., accrual basis of accounting). Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods, such as revenues pertaining to uncollected taxes and expenses pertaining to earned but unused vacation leave.

Both of these government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, recreation, housing opportunity and other. The business-type activities of the City include a golf course, transit service, storm water operations, water utility, wastewater utility and parking facilities.

The government-wide financial statements include the City (primary government), and the Housing Authority of the City of Santa Rosa (Housing Authority), a legally separate discretely presented component unit. Financial information for the component unit is reported separately from the financial information presented for the primary government itself.

Fund Financial Statements

A fund is a grouping of related accounts, which are used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund

accounting to ensure and demonstrate finance-related legal compliance. All of the funds of the City can be divided into three categories: *governmental funds*, *proprietary funds* and *fiduciary funds*.

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on *near-term inflows* and *outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in determining what financial resources are available in the near future to finance the City's programs.

The governmental funds focus is narrower than that of the government-wide financial statements. It is therefore useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. This comparison facilitates a better understanding of the long-term impact associated with the government's near-term financing decisions. The governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains several individual governmental funds organized according to their type (general, 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 the Capital Improvements Fund, which are considered to be major funds. Data from the remaining nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* on C-1 and C-2.

Proprietary funds are generally used to account for services for which the City charges customers – either outside customers, or internal departments of the City. Proprietary funds provide the same type of information as shown in the government-wide financial statements, only in more detail. The City maintains the following two types of proprietary funds:

- *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for the water utility, wastewater utility, parking, municipal transit, storm water, and golf activities.
- *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 equipment maintenance and replacement, insurance programs, information services, and pension benefits on a cost-reimbursement basis. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental 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* on E-1 through E-4.

Fiduciary funds are used to account for resources held for the benefit of others outside of the City's own programs. The City uses fiduciary funds to record the activities of the former Redevelopment Agency, funds held in trust for retiree health plan payments and custodial funds held for parties outside the City. Since the resources of these 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.

Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Required Supplementary Information (RSI) is presented concerning the City's General Fund budgetary schedule. The City adopts an annual budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget. RSI is also presented about the City's participation in the California Public Employees' Retirement System (CalPERS) defined benefit pension plans and the City's defined other postemployment benefits (OPEB) plans.

The combining and individual fund statements and schedules referred to earlier provide information for nonmajor governmental, nonmajor enterprise, internal service, and fiduciary funds and are presented immediately following the other required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Analysis of Net Position – As noted earlier, net position may serve as a useful indicator of a government's financial position. For the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$1,096 million at the close of the current fiscal year.

The following are the primary components of the City's net position:

Condensed Statement of Net Position June 30, 2025 and 2024 (in thousands)

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Current and other assets	\$410,562	\$405,860	\$348,584	\$346,620	\$759,146	\$752,480
Capital assets, net	443,960	421,418	668,341	653,465	1,112,301	1,074,883
Total assets	<u>854,522</u>	<u>827,278</u>	<u>1,016,925</u>	<u>1,000,085</u>	<u>1,871,447</u>	<u>1,827,363</u>
Deferred outflows of resources	87,256	121,120	17,635	27,187	104,891	148,307
Current and other liabilities	27,126	35,048	21,338	23,104	48,464	58,152
Long-term obligations	461,283	469,950	329,631	351,483	790,914	821,433
Total liabilities	<u>488,409</u>	<u>504,998</u>	<u>350,969</u>	<u>374,587</u>	<u>839,378</u>	<u>879,585</u>
Deferred inflows of resources	33,975	38,325	7,405	9,844	41,380	48,169
Net position:						
Net investment in capital assets	431,700	402,032	493,756	481,233	925,456	883,265
Restricted net position	133,693	124,096	24,687	15,864	158,380	139,960
Unrestricted net position	<u>(145,999)</u>	<u>(121,053)</u>	<u>157,743</u>	<u>145,744</u>	<u>11,744</u>	<u>24,691</u>
Total net position	<u>\$419,394</u>	<u>\$405,075</u>	<u>\$676,186</u>	<u>\$642,841</u>	<u>\$1,095,580</u>	<u>\$1,047,916</u>

- The investment in capital assets (e.g. infrastructure, land, buildings, improvements other than buildings, construction in progress, and equipment), less any related outstanding debt used to acquire such assets, is \$925,456 and represents the largest portion (84.5 percent) of the City's net position. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from sources other than capital assets because, generally, proceeds from sale of capital assets are not used to liquidate these liabilities. For governmental activities, net investment in

capital assets increased by \$29,668 or 7.4 percent due to the continued construction of Fulton road widening from Piner to Guerneville Road, fire station #5 rebuild, and work begun building a library in the Roseland area. For business-type activities, net investment in capital assets increased by \$12,523 or 2.6 percent due to less being spent in fiscal year ending June 30, 2025 on the construction of an upgraded UV disinfection system with bond proceeds, the Los Alamos trunk replacement from Streamside Drive to Elaine Drive, and the generator replacement at the City's water and wastewater facilities.

- Restricted net position represents \$158,380 or 14.5 percent of the City's net position. These are the resources that are subject to external restrictions on how they may be used including: \$24,687 restricted for debt service, \$56,644 restricted for parks, \$12,988 restricted for public safety, \$19,560 restricted for roads, \$31,006 restricted for public and capital facilities and \$13,495 restricted for other purposes. Total restricted net position increased by \$18,420 or 13.2 percent from the prior year.
- The remaining net position is \$11,744, or 1.1 percent of the City's net position, represents unrestricted amounts of the total net position available to meet the City's ongoing obligations to citizens and creditors. Unrestricted net position decreased \$12,947 or 52.4 percent from the prior year. Governmental activities decreased \$24,946 or 20.6 percent and Business Type activities increased \$11,999 or 8.2 percent.
- Current assets increased by \$6,666 or 0.9 percent. The area of most significant increase was in cash and investments of \$25,792 or 4.4 percent. Governmental activities increased \$4,702 or 1.2 percent due to increased cash and investments of 13,764 or 4.0 percent offset by a decrease in receivables of \$7,379 or 14.0 percent. Receivables decreased mainly due to the reduced activities related to deferred developer agreements.
- Current and other liabilities decreased by \$9,688 or 16.7 percent. The decrease was mainly due to the decrease of \$6,083 or 31.0 percent for unearned revenue that resulted from governmental activities' recognition of previously unearned American Rescue Plan Act revenue.
- Long-term obligations decreased by \$30,519 or 3.7 percent. The decrease was due to reductions in net pension and OPEB liabilities in the of \$23,553 and \$6,109, respectively. Net pension liability decreased primarily due to higher net investment income, which reduced the overall pension obligation.
- Deferred inflows of resources decreased by \$6,789 or 14.1 percent. The decrease was a combination of deferred inflows of resources related to OPEB decreasing \$2,901 or 7.8 percent, deferred inflows of resources related to pension decreasing by \$3,131 or 93.2 percent, and deferred inflows of resources related to leases decreasing by \$757 or 10.2 percent.
- Deferred outflows of resources decreased by \$43,416 or 29.3 percent. The decrease was mainly due to a decrease in deferred outflows of resources related to pension and OPEB items of \$43,210 or 29.5 percent related to investment earnings coming in greater than projected.

The following table indicates the changes in net position for governmental and business-type activities:

**Change in Net Position
For the Fiscal Years Ended June 30, 2025 and 2024
(in thousands)**

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Revenues:						
Program revenues:						
Charges for services	\$ 24,604	\$ 19,376	\$ 162,638	\$ 153,341	\$ 187,242	\$ 172,717
Operating grants and contributions	30,790	40,665	21,691	20,648	52,481	61,313
Capital grants and contributions	23,349	23,127	8,297	18,448	31,646	41,575
General revenues:						
Property taxes	40,764	37,362	-	-	40,764	37,362
Utility users tax	15,059	13,855	-	-	15,059	13,855
City-levied sales taxes	38,921	34,997	-	-	38,921	34,997
Other taxes	34,262	30,287	-	-	34,262	30,287
Sales taxes from State	44,472	45,131	-	-	44,472	45,131
Motor vehicle in lieu fees	18,867	17,982	-	-	18,867	17,982
Development impact mitigation charges	4,267	17,595	-	-	4,267	17,595
Unrestricted investment income	20,367	17,935	17,139	15,565	37,506	33,500
Other	11,683	4,356	1,078	1,162	12,761	5,518
Total revenues	307,405	302,668	210,843	209,164	518,248	511,832
Expenses:						
General government	51,243	50,902	-	-	51,243	50,902
Public safety	161,834	131,987	-	-	161,834	131,987
Public works	48,026	57,333	-	-	48,026	57,333
Recreation	24,316	23,293	-	-	24,316	23,293
Housing opportunity and others	1,441	2,242	-	-	1,441	2,242
Interest on long-term liabilities	285	657	-	-	285	657
Water Utility	-	-	55,729	57,560	55,729	57,560
Wastewater Utility	-	-	84,969	81,997	84,969	81,997
Parking	-	-	6,277	5,818	6,277	5,818
Municipal Transit	-	-	19,935	16,798	19,935	16,798
Golf Course	-	-	854	837	854	837
Storm Water	-	-	4,439	2,936	4,439	2,936
Total expenses	287,145	266,414	172,203	165,946	459,348	432,360
Change in net position before transfers	20,260	36,254	38,640	43,218	58,900	79,472
Transfers	3,394	3,442	(3,394)	(3,442)	-	-
Change in net position	23,654	39,696	35,246	39,776	58,900	79,472
Net position, beginning of year	395,740	365,379	640,939	603,065	1,036,679	968,444
Net position, end of year	\$ 419,394	\$ 405,075	\$ 676,185	\$ 642,841	\$ 1,095,579	\$ 1,047,916

Governmental activities increased the City's net position by \$23,654, a decrease of \$16,042 or 40.4 percent when compared to prior year. The decrease is related to increases in expenditures by \$20,731 or 7.8 percent.

The key elements of the increase in governmental activities net position were the following:

- Total governmental activities revenues increased by \$4,737 or 1.6 percent. The areas that increased significantly were other revenues of \$7,327 or 168.2 percent receipt of opioid settlements, and library grant revenues. However, decreased Development impact mitigation charges of \$13,328 or 75.7 percent due to decreased activity in deferred developer agreements, netted the increase for a lesser overall increase.

- Total governmental activities expenses increased by \$20,731 or 7.8 percent from the prior fiscal year mostly attributable to the increase of \$29,847 in public safety expenses. The public safety function increased due to increased salary and benefit payments. All employees received COLA increases; however, more police officers were awarded special pays than anticipated. Fire also added 12 FTEs that were funded by the SAFER grant.

Business-type activities increased the City's net position by \$35,246, a decrease of \$4,530 or 11.4 percent when compared to prior year. The decrease is related to both revenues and expenses increasing; however, the expenses increased at a quicker rate.

The key elements of the change in business-type activities net position were:

- Business-type activities revenues increased by \$1,679 or 0.8 percent. Unrestricted investment income increased by \$1,574 or 10.1 percent due to better performance of the City's portfolio. Charges for services increased by \$9,297 or 6.1 percent. The increases were mainly in the Water and Wastewater utilities due to increased rates and usage.
- Business-type activities expenses increased by \$6,257 or 3.8 percent from the prior year, with the most significant increase in Transit of \$3,137 or 18.7 percent. Increases can be attributed to increased vehicle maintenance, and an increased amount of paratransit hours purchased through MV Transportation.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of resources that are available to provide services. In particular, unrestricted fund balance may serve as a useful measure of a government's net spendable resources.

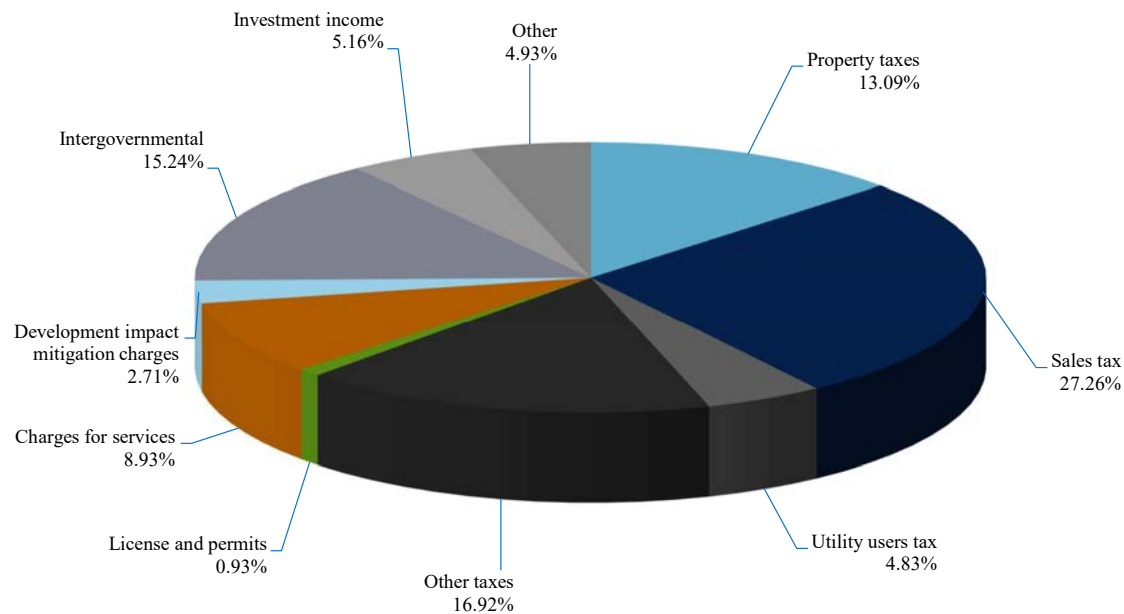
As of the end of the fiscal year, the City's governmental funds reported combined fund balances of \$283,005, an increase of \$13,974 or 5.2 percent, in comparison with the prior year. Of this amount \$1,441 is classified as nonspendable including inventory of supplies and prepaid items, and \$140,450 is restricted for specified purposes such as parks, public safety, roads, capital facilities and other purposes. The remaining \$141,114 constitutes *spendable*, unrestricted fund balance, both assigned and unassigned. The City Council has appropriated \$61,532 of this amount through budget resolutions tied to its core financial planning processes for operations and capital assets and assigned \$10,705 of the PG&E settlement funds. The remaining unassigned balance of \$68,877 is available for spending at the City's discretion.

Revenues – The following table presents the amount of revenues from various sources, as well as increases or decreases from the prior year.

Revenues Classified by Source
Governmental Funds
(amounts in thousands)

Revenues by Source	FY 2025		FY 2024		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
Property taxes	\$ 40,764	13.09%	\$ 37,362	12.71%	\$ 3,402	9.1%
Sales tax	84,912	27.26%	81,672	27.78%	3,240	4.0%
Utility users tax	15,059	4.83%	13,855	4.71%	1,204	8.7%
Other taxes	52,709	16.92%	47,804	16.26%	4,905	10.3%
License and permits	2,899	0.93%	2,945	1.00%	(46)	-1.6%
Charges for services	27,819	8.93%	23,204	7.89%	4,615	19.9%
Development impact mitigation charges	8,447	2.71%	11,633	3.96%	(3,186)	-27.4%
Intergovernmental	47,458	15.24%	55,134	18.75%	(7,676)	-13.9%
Investment income	16,065	5.16%	14,615	4.97%	1,450	9.9%
Other	15,353	4.93%	5,821	1.98%	9,532	163.8%
Total	<u>\$ 311,485</u>	<u>100.0%</u>	<u>\$ 294,045</u>	<u>100.0%</u>	<u>\$ 17,440</u>	<u>5.9%</u>

Revenues by Source



The following provides an explanation of significant changes in revenues by source from the prior year:

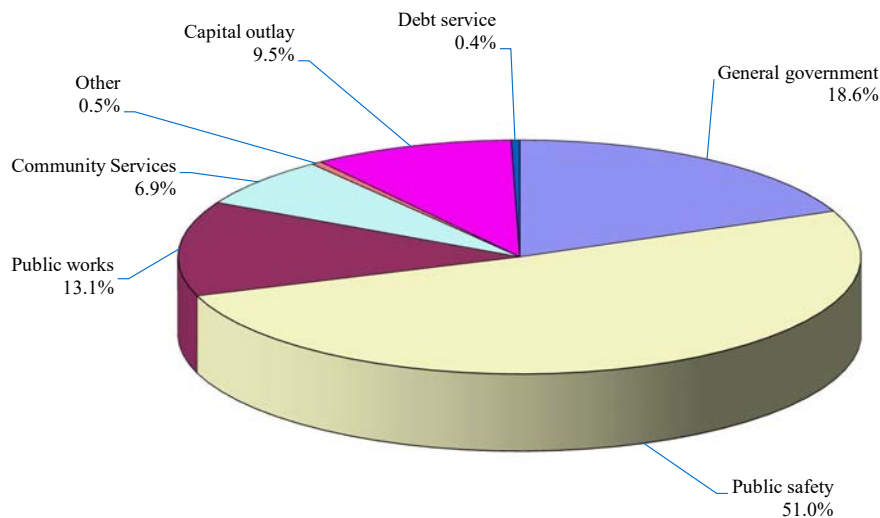
- Development impact mitigation charges decreased by \$3,186 or 27.4 percent due to decreased collection of fees and an increase in fee deferrals for developers.
- Intergovernmental revenues decreased by \$7,676 or 13.9 percent mainly due to receiving less grant money. The City received less FEMA funds, and no State money was received for the fire station.
- Other revenue increased by \$8,377 or 254.54 percent due to receipt of Opioid settlement funds, downpayment assistance funds returned from Housing, and money from the library.

Expenditures – The following table presents expenditures by function compared to prior year amounts.

Expenditures By Function
Governmental Funds
(amounts in thousands)

Expenditures by Function	FY 2025		FY 2024		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
Current:						
General government	\$58,046	18.6%	\$55,140	19.5%	\$2,906	5.3%
Public safety	159,209	51.0%	131,129	46.4%	28,080	21.4%
Public works	40,781	13.1%	49,130	17.4%	(8,349)	-17.0%
Community Services	21,405	6.9%	19,549	6.9%	1,856	9.5%
Other	1,533	0.5%	2,175	0.8%	(642)	-29.5%
Capital outlay	29,721	9.5%	23,930	8.5%	5,791	24.2%
Debt service	1,401	0.4%	1,473	0.5%	(72)	-4.9%
Total	<u>\$312,096</u>	<u>100.0%</u>	<u>\$282,526</u>	<u>100.0%</u>	<u>\$29,570</u>	<u>10.5%</u>

Expenditures by Function



The following provides an explanation of the expenditures by function that changed significantly over the prior year.

- Public safety – expenditures increased by \$28,080 or 21.4 percent related to increased salaries and benefits. These salaries and benefits increased due to additional special pays for Police, and additional FTEs for Fire.
- Public works – expenditures decreased by \$8,349 or 17 percent due to more expenditures being converted to capital outlay than FY 2023-24, and in turn reducing the public works expenditures.
- Capital Outlay – expenditures increased by \$5,791 or 24.2 percent due to Fire Station 5 nearing completion, and those related the to the Roseland library.

The General Fund is the chief operating fund of the City. As a measure of the General Fund's liquidity, it may be useful to compare the spendable, unrestricted fund balance and total fund balance to total fund expenditures. The spendable, unrestricted General Fund balance of \$141,114 represents 61.1 percent of total General Fund expenditures of \$230,816 while the total fund balance of \$155,623 represents 67.4 percent of that same amount. The assigned portion of the spendable, unrestricted fund balance was \$72,237 or 31.3 percent of total General Fund expenditures.

During the fiscal year, the City's General Fund fund balance decreased by \$11,313 or 6.8 percent from the prior year. The decrease in General Fund fund balance resulted primarily from revenues of \$237,380 offset by expenditures of \$230,816 and net other financing uses of \$17,877. Current year transfers out of \$18,161 was mainly comprised of \$2,359 homeless shelter operations, \$1,273 Parking enforcement, \$728 for debt service and \$12,860 for capital projects.

Proprietary Funds

The City's proprietary funds statements provide the same type of information found in the government-wide financial statements, but in more detail.

At the end of the fiscal year, the unrestricted net position for the water utility \$65,643 or 27.7 percent of the water utility's net position. The unrestricted net position for the wastewater utility was \$78,734 or 19.3 percent of the wastewater utility's net position. The unrestricted net position of the nonmajor enterprise funds was (\$3,914) of the nonmajor funds' net position. Included within the unrestricted net position are amounts already committed to ongoing capital projects.

Total net position of the enterprise funds increased by \$32,611 or 5.1 percent. Key factors resulting in this increase are as follows:

- The water utility change in net position was \$6,891, which is \$1,391 or 25.3 percent more than the change in the net position of \$5,500 in the prior year. This slight change in net position is a combination of increases in sale of water of \$4,158 or 12.2 percent offset by an increase of purchase of water of \$3,149 or 17.3 percent. In addition, a decrease in maintenance and operation expenses of \$2,409 or 14.4 percent due to an increase in assets placed in service.
- The wastewater utility change in net position was \$27,576, which is \$7,441 or 21.25 percent less than the change in the net position of \$35,017 in the prior year. The increase is a combination of a decrease in capital contributions of \$6,607, an increase in investment earnings \$2,782 and a decrease in the market value of investments of \$2,007. Overall operating expenses decreased by \$265 while operating revenues decreased by \$513.

- The nonmajor enterprise funds change in net position was a negative \$1,857, which is a decrease of \$1,065 or 134.5 percent from the prior year's negative change in net position of \$792. The decrease can be attributed to the increased vehicle maintenance, and increased purchase of MV Transportation for paratransit. The Stormwater and Golf Course funds are two of the nonmajor enterprise fund to have a positive change in net position. Stormwater had a positive change in net position of \$112, and the Golf Course had a positive position of \$159. Parking had negative \$703, transit had negative \$1,423.

GENERAL FUND BUDGETARY HIGHLIGHTS

In fiscal year 2024-25, the revenue budget was increased by \$9.6 million. The most significant budgetary changes occurred in intergovernmental revenues of \$3.9 million related to the acceptance of various new grants and other of \$5.3 million from contributions for the Roseland library construction. It is the City's practice to budget all the grant revenue in the year the grant is accepted to equal the expenditure budget for the expected activity regardless of the term of the grant agreement. Overall, actual general fund revenues were less than final budgeted revenues by \$11.3 million or 4.5 percent. The intergovernmental revenues received were less than budgeted by \$21.7 million which was offset by increased collections in other taxes by \$4.3 million primarily in business tax and improved investment activity actuals were more than budgeted by \$5.9 million.

For expenditures, the budget was decreased by \$1.4 million, the most significant budgetary variance between the original budget and the final amended budget was \$.8 million decrease in public works. Overall departments experienced budgetary decreases in salaries and benefits and increases in services and supplies categories. Actual total expenditures were \$2.4 million or 1 percent less than final budget appropriations. Expenditures were more than appropriations most notably in salaries and benefits for the fire department \$1.8 million offset by decreases salaries and benefits of the planning and economic development department of \$1.5 million. All other departments experienced various increase and decreases in all categories.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2025, amounted to \$1.1 billion (net of accumulated depreciation). Capital assets include infrastructure, land, buildings, improvements other than buildings, intangible assets, equipment and construction in progress. The total increase in the City's capital assets for the current period was \$37.4 million or 3.5 percent.

Major capital asset events during the current fiscal year included the following:

- Roseland Library
- Sewer Trunk Lining
- Disinfection Upgrade
- Hearn Avenue at Highway 101
- Fire Station 5 rebuild

For government-wide and proprietary fund financial statement presentation, all depreciable capital assets were depreciated from acquisition date to the end of the current fiscal year. Governmental fund financial statements record capital asset purchases as expenditures.

The City's capital assets, net of accumulated depreciation, for the governmental and business-type activities are presented below to illustrate changes from the prior year:

	Governmental Activities		Business-type Activities		Total		Increase/ (Decrease)
	2025	2024	2025	2024	2025	2024	Percent of Change
Land	\$ 65,174	\$ 63,347	\$ 19,450	\$ 19,450	\$ 84,624	\$ 82,797	2.2%
Construction in progress	37,832	54,143	118,215	108,105	156,047	162,248	-3.8%
Infrastructure	243,327	215,546	-	-	243,327	215,546	12.9%
Buildings	23,749	25,225	107,777	112,863	131,526	138,088	-4.8%
Improvements other than buildings	23,805	26,190	385,035	374,551	408,840	400,741	2.0%
Intangibles	1,392	2,076	1,453	1,549	2,845	3,625	-21.5%
Equipment	43,449	32,456	35,558	35,927	79,007	68,383	15.5%
Lease/SBITA assets	5,232	2,435	853	1,020	6,085	3,455	0.0%
Total	<u>\$ 443,960</u>	<u>\$ 421,418</u>	<u>\$ 668,341</u>	<u>\$ 653,465</u>	<u>\$ 1,112,301</u>	<u>\$ 1,074,883</u>	<u>3.5%</u>

Among the significant construction commitments is, Roseland Library \$13.4 million, Fire Station 5 rebuild \$7.3 million, the interchange from Hearn Ave to Highway 101 \$5 million, Sewer Trunk Lining \$18 million, and Wastewater Disinfection Upgrade \$13.4 million. Additional information about the City's capital assets can be found in Note 6 to the basic financial statements.

Debt Administration

At June 30, 2025, the City had total long-term debt outstanding of \$245.7 million as compared to \$270.6 million in the prior year, a \$25 million or 9.2 percent decrease. Long term debt outstanding at June 30, 2025 was comprised of \$10.6 million of certificates of participation, \$155.2 million of revenue bonds, \$.9 million of financed purchase obligations, accreted interest on capital appreciation bonds of \$59.7 million, and unamortized premium/discount of \$20.1 million. The decrease of the balance was mainly due to scheduled debt service payments for the year.

Section 43605 of the California Government Code imposes a limit on the amount of general obligation bonds the City can have outstanding at any given time. Section 43605 provides a legal debt limit of 15 percent of gross assessed valuation. However, this provision was enacted when assessed valuation was established based on 25 percent of market value. Effective with fiscal year 1981-82, taxable property is assessed at 100 percent of market value. Although the GC Section 43605 has not been amended since this change, the percentage has been proportionately modified to 3.75 percent, under Article XIII(a), Section 1(a) that requires taxable property to be assessed at full cash value rather than 25 percent of that value, for the purpose of the statutory debt limit calculation on outstanding debt for consistency with the original intent of the law. As of June 30, 2025, the City's debt limit (3.75 percent of assessed valuation) was \$1.22 billion. At June 30, 2025, the City had \$8.6 million in outstanding debt applicable to the limit.

Additional information about the City's long-term obligations can be found in Note 7 to the basic financial statements.

Economic Factors and Next Year's Budget

- Santa Rosa's Fiscal Year (FY) 2025-26 Operating and Capital Budget is \$554 million across all funds and is comprised of \$478 million of operational funding and \$76 million of capital project

funding. This represents a total increase of \$45.2 million or 8.9% more than the FY 2024-25 adopted budget. Operations are increasing by \$19.8 million or 4.4% and the Capital Improvement Program (CIP) is increasing by \$25.4 million or 50.2%.

- FY 2025-26 General Fund revenues are estimated at \$215.1 million, an increase of \$2.1 million or 1% over the FY 2024-25 adopted budget. Sales tax is projected to decrease \$5.4 million or 7.1%.
 - Sales Tax is the General Fund's largest portion of revenue. During the pandemic, the nation experienced a surge in consumer spending because of stimulus checks in the economy and more discretionary funds available as spending on travel and tourism was limited. Within Santa Rosa, sales tax has been declining over the last few quarters as a portion of consumer spending returns to non-taxable things such as travel, as well as a new reliance in online sales. For several years the General Fund has held a flat budget hoping for Sales Tax revenue to rise. However, in FY 2025-26 the Sales Tax budget was finally reduced by \$5.4 million or 7.1% in order to meet the actual trend line that has emerged in the current market. Sales Tax is the General Fund's largest portion of revenue and includes Measure Q and Proposition 172 proceeds. Measure Q is a fifty-cent sales tax measure that expires in June 2030. Prop. 172 sales tax is based on a per-capita allocation.
 - Utility Users Tax (UUT) is a usage tax on electricity, gas, cable, and telecommunications. We expect to see a 1.1% increase in these taxes, or \$161K, for total revenue of \$14.4 million. This increase is mostly due to rising gas and electricity costs, as UUT is assessed as a percentage of a user's energy bill. Offsetting the steady growth in energy costs is a decline in cable and telephone users. Overall, growth continues to be positive.
 - Motor Vehicle License Fees are projected to increase by \$1.3 million or 6.8% in FY 2025-26. These fees typically fluctuate with the annual assessed property valuation and grow with the property tax trend.
 - Franchise Fees are forecasted at \$12.8 million, an increase of \$590 from the previous fiscal year. As in the prior year, Franchise Fee revenue for garbage disposal is the largest component of this revenue source at a projected \$8.5 million, 66.4% of the total franchise fee revenues. The other franchise fees for PG&E, cable TV, and construction combined for a total of \$4.3 million of anticipated revenue.
 - Cannabis Industry Tax revenue is forecasted at \$2 million in FY 2025-26, a small increase over the prior fiscal year. Cannabis Industry Tax has seen significant growth since its inception two years ago, but the City assumes little to no new businesses in the next year.
 - Business Tax revenue is projected to increase by \$2.25 million or 47.4% for FY 2025-26. Business tax revenue is collected annually based on the prior year's receipts. In November 2024 voters passed Measure EE to increase the cap on business license tax, which will increase revenues significantly in FY 2025-26. Thereafter a more modest growth rate is expected to return.
 - Real Property Transfer Tax (RPTT) is projected to decrease by (12.5%) from the FY 2024-25 adopted budget. This tax is collected based on the volume of home sales in Santa Rosa. The high interest rates of borrowing have reduced the amount of home sales in recent years, although prices have remained high. The estimated total decrease is \$500, for a total revenue of \$3.5 million in FY 2025-26.

- Transient Occupancy Tax (TOT) revenue is projected to increase by \$1 million or 14.3% for FY 2025-26. In November 2024, voters passed a ballot measure to increase TOT within city limits, contributing about \$800 in FY 2025-26. In recent years consumers have been spending more discretionary income on travel and experiences as opposed to tangible goods and tourism has recovered to pre-pandemic levels. On top of the new tax measure, TOT continues to see modest year-over-year growth.
- Licenses and Permit Revenues are projected to remain flat for a total of \$3.2 million for FY 2025-26. The Planning & Economic Development Department passed a new fee schedule effective July 1, 2024. However, new fees are not yet reflected in all revenue as some permits can take well over a year to make their way through the planning and permitting process. With volume of permits remaining flat this revenue is not anticipated to increase in FY 2025-26.
- Charges for Services are forecasted at \$26.5 million, an increase of \$232 or 0.9% in FY 2025-26. Most of the Charges for Services include Interfund charges (the General Fund charging other funds for services) of \$12.4 million, Planning and Economic Development fees of \$8.7 million, Fire Engineering & other miscellaneous Fire fees of \$5.2 million, and Recreation fees of \$3.2 million.
- Intergovernmental Revenues are received from grant funds and other government entities. The majority is collected from the County of Sonoma for the Roseland Annexation; \$662 is dedicated to spending on road improvements in the Roseland area and the Crime Impact Fees from the Graton Casino.
- Fines and Forfeitures are expected to remain nearly flat at \$1.6 million. Parking Violation revenue makes up most of this category at \$1 million and has yet to reach pre-pandemic levels. Investment Earnings are projected at \$600. Miscellaneous Revenues are also budgeted flat at \$1.9 million for FY 2025-26.
- Total revenues for the Water Utility are budgeted at \$61.8 million, an increase of about \$4.6 million from the prior year, or 8.1%. The Water Utility's main source of revenue is rates, which make up 90.3% of the total revenue. In 2024 Santa Rosa Water completed a comprehensive Water and Wastewater Rate Study and adopted a new 5-year rate schedule, establishing rates to take effect through June 30, 2030. With new rates in place, and Santa Rosa receiving substantial rainfall in the past year and no longer considered in a drought, water usage is anticipated to rebound by citizens. Water sales are expected to increase by 7% in FY 2025-26, which is driving most of the overall increase in Water Utility revenues.
- Total revenues for the Local Wastewater Utility increased by just 1.9% to \$80.2 million in FY 2025-26. Rate revenue comprises 98.7% of the projected revenue for the upcoming year and is budgeted at \$79.2 million.
- The Regional Wastewater fund is estimating \$27.3 million total revenue for FY 2025-26, a \$1.5 million or 5.8% increase from the last fiscal year. For the current fiscal year, 82.7% comes from the local partners and is based on their proportionate share of the costs to run the system. Santa Rosa is the largest user of the system, although the City's share, at \$43.4 million, is not included in the total revenue. Instead, a transfer of funds is budgeted into the Subregional Wastewater fund. Miscellaneous revenues (such as compost sales, dumping charges, etc.) are collected by the system and are used to offset the partner contributions.

- The Bennett Valley Golf Course continues to be run by Touchstone, an outside consultant who handles the operations, repairs and improvements at the facility. A small amount of revenues are received by the City directly for property rentals and cost reimbursement, with the majority going directly to Touchstone. Currently, budgeted revenues for the Golf Course are \$187, a decrease of \$118 from the previous year, in accordance with a decrease in projected revenue surplus to be redirected back to the City from the operator.
- Parking revenues reflect a decrease of 2.9% or \$113 thousand to a total of \$3.8 million for FY 2025-26. The City operates five parking garages, nine surface lots, on-street metered parking and time-limited parking spaces for the downtown City center, Railroad Square Parking Meter zone, and six residential parking permit zones.
- Transit revenues decrease by \$8.9 million, or 31.7%, for a total of \$19.2 million in FY 2025-26. \$18.2 million, or 94.8% of total Transit revenue is derived from state and federal grant revenue. In the previous fiscal year, grant funds were provided for capital needs in the Transit department which will not be repeated in FY 2025-26, resulting in most of the year over year revenue changes. Budgeted transit fare revenues from ridership are projected to remain flat at \$1 million in the coming year, mostly due to stable levels of bus pass sales.
- The FY 2025-26 General Fund expenditure budget of \$216.8 million decreased by \$3.4 million or 1.6% from the prior fiscal year. Expenditures can be broken down into three broad categories – Salaries and Benefits, Services & Supplies, and Operating Projects. The Salaries and Benefits category represents \$165.8 million or 76.4% of the total General Fund budget. Services and Supplies account for another \$48.8 million or 22.5% of the total, with the remaining \$2.3 million, or 1.1%, representing operating projects in the General Fund. Changes from the prior fiscal year's adopted budget, by category, are as follows:
 - General Fund Salaries and Benefits: Salaries decreased by \$0.4 million or 0.4% and benefits decreased by \$1.8 million or 2.6% from the FY 2024-25 adopted budget. All bargaining units entered new labor agreements beginning FY 2024-25, with increases impacting FY 2025-26. The decrease in salaries is a result of reducing the General Fund workforce by 55.0 FTEs to close a structural deficit in the General Fund. Despite the significant reduction in staffing, MOU increases offset much of the cost savings. The decrease in benefits is primarily related to the reduction in FTEs as well as the discontinuation of funding a post-employment health benefits trust, which has reached its full funding level.
 - General Fund Services and Supplies: A decrease of \$1.3 million from the FY 2024-25 adopted budget can be attributed to departments making a diligent effort to reduce all services and supplies. Most categories were held flat, although professional services saw a year-over-year decrease when a county-wide public safety tax measure provided funding for the Fire Department's dispatch services.
 - General Fund Operating Projects: Projects increased by \$116 or 5.2% from FY 2024-25 adopted budget. The operating projects vary year over year depending on the individual project timelines.

All of these factors were considered in preparing the City's budget for Fiscal Year 2025-26.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, 90 Santa Rosa Ave., 2nd Floor, Santa Rosa, CA 95404.

Basic Financial Statements



CITY OF SANTA ROSA
STATEMENT OF NET POSITION
JUNE 30, 2025
(Amounts in Thousands)

	Governmental Activities	Primary Government Business-type Activities	Total	Component Unit Housing Authority
ASSETS				
Cash and investments	\$ 360,982	\$ 255,520	\$ 616,502	\$ 12,181
Receivables (net of allowances for uncollectibles):				
Accounts	11,308	23,111	34,419	1,823
Interest	4,125	3,115	7,240	89
Intergovernmental	26,766	8,377	35,143	1,246
Assessments	36	-	36	-
Leases	1,722	5,359	7,081	174
Internal balances	(11,243)	11,243	-	-
Inventory of supplies	1,639	1,821	3,460	-
Prepaid expenses	1,106	213	1,319	-
Restricted assets:				
Cash and investments	1,053	33,515	34,568	416
Interest receivable	-	558	558	54,252
Notes and loans receivable	-	-	-	197,716
Restricted cash and investments - Section 115 trust	13,068	5,752	18,820	-
Capital assets:				
Nondepreciable	103,006	137,665	240,671	147
Depreciable, net	340,954	530,676	871,630	181
Total assets	854,522	1,016,925	1,871,447	268,225
DEFERRED OUTFLOWS OF RESOURCES				
Pension and OPEB items	86,971	16,440	103,411	-
Deferred losses on refundings	285	1,195	1,480	-
Total deferred outflows of resources	87,256	17,635	104,891	-
LIABILITIES				
Accounts payable and accrued liabilities	15,196	16,819	32,015	1,823
Accrued interest payable	88	1,775	1,863	-
Unearned revenue	11,810	1,757	13,567	215
Deposits	32	987	1,019	397
Long-term and other obligations:				
Due within one year - long-term obligations	20,206	31,156	51,362	-
Due beyond one year:				
Long-term obligations	46,264	212,843	259,107	-
Net OPEB liability	25,350	2,151	27,501	-
Net pension liability	369,463	83,481	452,944	-
Total liabilities	488,409	350,969	839,378	2,435
DEFERRED INFLOWS OF RESOURCES				
Pension and OPEB items	32,375	2,356	34,731	-
Leases	1,600	5,049	6,649	169
Total deferred inflows of resources	33,975	7,405	41,380	169
NET POSITION				
Net investment in capital assets	431,700	493,756	925,456	328
Restricted for:				
Debt service	-	24,687	24,687	-
Housing programs	-	-	-	261,657
Parks	56,644	-	56,644	-
Public safety	12,988	-	12,988	-
Roads	19,560	-	19,560	-
Public and capital facilities	31,006	-	31,006	-
Other purposes	13,495	-	13,495	-
Unrestricted	(145,999)	157,743	11,744	3,636
Total net position	\$ 419,394	\$ 676,186	\$ 1,095,580	\$ 265,621

The notes to the basic financial statements are an integral part of this statement.

CITY OF SANTA ROSA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2025
(Amounts in Thousands)

	Expenses	Program Revenues		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Functions/Programs:				
Governmental activities:				
General government	\$ 51,243	\$ 10,396	\$ 1,648	\$ -
Public safety	161,834	5,748	14,404	(861)
Public works	48,026	4,859	14,455	24,327
Recreation	24,316	3,601	283	(117)
Housing opportunity and other	1,441	-	-	-
Interest on long-term liabilities	285	-	-	-
Total governmental activities	287,145	24,604	30,790	23,349
Business-type activities:				
Water Utility	55,729	54,858	3,499	2,372
Wastewater Utility	84,969	99,391	24	5,301
Parking	6,277	3,857	-	-
Municipal Transit	19,935	1,408	16,719	624
Golf Course	854	-	-	-
Storm Water	4,439	3,124	1,449	-
Total business-type activities	172,203	162,638	21,691	8,297
Total primary government	\$ 459,348	\$ 187,242	\$ 52,481	\$ 31,646
Component unit:				
Housing Authority	\$ 47,616	\$ 396	\$ 41,264	\$ -
General revenues				
Taxes:				
Property taxes				
Utility users tax				
City-leveled sales taxes				
Business tax				
Real property transfer tax				
Occupancy tax				
Franchise fees				
Other taxes				
Contributions not restricted to specific programs:				
Sales taxes from State				
Motor vehicle in lieu fees				
Development impact mitigation charges				
Grants not restricted to specific programs				
Unrestricted investment income				
Other				
Transfers				
Total general revenues and transfers				
Changes in net position				
Net position, beginning of year, as previously reported				
Restatement				
Net position, beginning of year restated				
Net position, end of year				

(Continued)

The notes to the basic financial statements are an integral part of this statement.

CITY OF SANTA ROSA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2025
(Amounts in Thousands)

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Housing Authority
\$ (39,199)	\$ -	\$ (39,199)	\$ -
(142,543)	-	(142,543)	-
(4,385)	-	(4,385)	-
(20,549)	-	(20,549)	-
(1,441)	-	(1,441)	-
(285)	-	(285)	-
(208,402)	-	(208,402)	-
-	5,000	5,000	-
-	19,747	19,747	-
-	(2,420)	(2,420)	-
-	(1,184)	(1,184)	-
-	(854)	(854)	-
-	134	134	-
-	20,423	20,423	-
(208,402)	20,423	(187,979)	-
-	-	-	(5,956)
40,764	-	40,764	-
15,059	-	15,059	-
38,921	-	38,921	-
8,018	-	8,018	-
3,315	-	3,315	-
7,399	-	7,399	-
12,761	-	12,761	-
2,769	-	2,769	-
44,472	-	44,472	-
18,867	-	18,867	-
4,267	-	4,267	-
-	-	-	14,330
20,367	17,139	37,506	6,006
11,683	1,078	12,761	433
3,394	(3,394)	-	-
232,056	14,823	246,879	20,769
23,654	35,246	58,900	14,813
405,075	642,841	1,047,916	250,808
(9,335)	(1,901)	(11,236)	-
395,740	640,940	1,036,680	250,808
\$ 419,394	\$ 676,186	\$ 1,095,580	\$ 265,621

(Concluded)

The notes to the basic financial statements are an integral part of this statement.

CITY OF SANTA ROSA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2025
(Amounts in Thousands)

	General Fund	Capital Improvements Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 123,918	\$ 5,317	\$ 134,874	\$ 264,109
Receivables (net of allowances for uncollectibles):				
Accounts	4,883	-	6,348	11,231
Interest	1,503	-	1,616	3,119
Intergovernmental	19,007	-	7,759	26,766
Assessments	36	-	-	36
Leases	1,037	-	685	1,722
Due from other funds	5	-	-	5
Inventory of supplies	1,121	-	-	1,121
Prepaid items	320	-	-	320
Restricted cash and investments	-	1,053	-	1,053
Advances to other funds	-	-	284	284
Restricted cash and investments - Section 115 trust	13,068	-	-	13,068
TOTAL ASSETS	\$ 164,898	\$ 6,370	\$ 151,566	\$ 322,834
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable and accrued liabilities	\$ 4,147	\$ 6,370	\$ 3,198	\$ 13,715
Due to other funds	-	-	5	5
Unearned revenue	1,374	-	10,436	11,810
Deposits	32	-	-	32
TOTAL LIABILITIES	5,553	6,370	13,639	25,562
DEFERRED INFLOWS OF RESOURCES				
Leases	959	-	641	1,600
Unavailable revenue	2,763	-	9,904	12,667
TOTAL DEFERRED INFLOWS OF RESOURCES	3,722	-	10,545	14,267
FUND BALANCES				
Nonspendable:				
Inventory of supplies	1,121	-	-	1,121
Prepaid items	320	-	-	320
Restricted:				
Parks	-	-	52,600	52,600
Public safety	-	-	12,988	12,988
Roads	-	-	19,560	19,560
Public and capital facilities	-	-	28,739	28,739
Other purposes	13,068	-	13,495	26,563
Assigned:				
Carryover of appropriations	61,532	-	-	61,532
Other purposes	10,705	-	-	10,705
Unassigned	68,877	-	-	68,877
TOTAL FUND BALANCES	155,623	-	127,382	283,005
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 164,898	\$ 6,370	\$ 151,566	\$ 322,834

The notes to the basic financial statements are an integral part of this statement.

Statement A-4

CITY OF SANTA ROSA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
JUNE 30, 2025
(Amounts in Thousands)

Fund balances - total governmental funds (Statement A-3)	\$ 283,005
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets including lease and SBITA assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	425,300
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	12,667
Deferred losses on refunding debt are not financial resources and, therefore, are not reported in the governmental funds.	285
Internal service funds are used by management to charge the costs of equipment and replacement, insurance, information services and pension benefits to individual funds. The assets and liabilities are included in governmental activities in the statement of net position.	57,627
Deferred outflows and inflows of resources for pension and OPEB items in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	
Deferred outflows of resources	83,653
Deferred inflows of resources	(31,868)
Certain liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Financed purchase obligations	\$ (944)
Certificates of participation and premiums	(9,428)
Lease and SBITA liabilities	(2,173)
Accrued interest payable on long-term obligations	(88)
Pollution remediation	(75)
Net pension liability	(353,438)
Net OPEB liability	(24,770)
Compensated absences	(20,359)
	<u>(411,275)</u>
Net position of governmental activities (Statement A-1)	<u>\$ 419,394</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF SANTA ROSA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025
(Amounts in Thousands)

	General Fund	Capital Improvements Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:				
Property taxes	\$ 40,764	\$ -	\$ -	\$ 40,764
Sales taxes	69,099	-	15,813	84,912
Utility users tax	15,059	-	-	15,059
Other taxes	52,709	-	-	52,709
License and permits	2,899	-	-	2,899
Charges for services	27,709	-	110	27,819
Development impact mitigation charges	-	-	8,447	8,447
Intergovernmental	9,781	-	37,677	47,458
Fines and forfeitures	1,624	-	-	1,624
Investment earnings	6,874	-	5,855	12,729
Net change in the fair value of investments	1,659	-	1,677	3,336
Contribution from property owners	-	-	2,061	2,061
Other	9,203	-	2,465	11,668
TOTAL REVENUES	237,380	-	74,105	311,485
EXPENDITURES:				
Current:				
General government	48,520	787	8,739	58,046
Public safety	135,805	-	23,404	159,209
Public works	21,225	8,840	10,716	40,781
Community Services	17,249	2	4,154	21,405
Other	1,533	-	-	1,533
Capital outlay	6,150	8,318	15,253	29,721
Debt service:				
Principal	291	-	727	1,018
Interest	43	-	340	383
TOTAL EXPENDITURES	230,816	17,947	63,333	312,096
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	6,564	(17,947)	10,772	(611)
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of capital assets	46	-	-	46
Transfers in	238	17,947	3,399	21,584
Transfers out	(18,161)	-	(414)	(18,575)
TOTAL OTHER FINANCING SOURCES (USES)	(17,877)	17,947	2,985	3,055
CHANGES IN FUND BALANCES	(11,313)	-	13,757	2,444
FUND BALANCES, beginning of year, as previously reported	166,936	-	113,625	280,561
FUND BALANCES, end of year	<u>\$ 155,623</u>	<u>\$ -</u>	<u>\$ 127,382</u>	<u>\$ 283,005</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF SANTA ROSA
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2025
(Amounts in Thousands)

Changes in fund balances - total governmental funds (Statement A-5) \$ 2,444

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense.

Capital outlay	\$ 29,721	
Depreciation and amortization	<u>(14,023)</u>	15,698

In the statement of activities, capital assets donated to the City are reported as a capital contribution, whereas in the governmental funds, capital assets donated do not increase financial resources. Thus, the change in net position differs from the change in fund balance by the fair value of the assets donated. 3,717

In the statement of activities, only the gain or loss from the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net position differs from the change in fund balance by the value of the capital asset retired. (157)

Revenues in the governmental funds are recognized when resources are available while revenues are recognized in the statement of activities when they are earned. (3,915)

Pension contributions made subsequent to the measurement date is an expenditure in the governmental funds, but reported as deferred outflows of resources in the government-wide financial statements. 37,699

Pension and OPEB expenses 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. (42,747)

Issuance of long-term debt and capital lease financing provides current financial resources to governmental funds, but increases long-term liabilities in the statement of net position. (780)

Repayment of long-term debt is reported as an expenditure or other financing uses in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. In the current year, these amounts consist of:

Financed purchase obligations payments	494	
Lease and SBITA payments	385	
Certificates of participation payments	<u>400</u>	1,279

Some expenses 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.

Change in accrued interest payable	8	
Amortization of bond premiums and deferred losses on refundings	18	
Change in pollution remediation liability	(50)	
Change in compensated absences liabilities	<u>(4,346)</u>	(4,370)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of the internal service funds is reported with governmental activities. 14,786

Changes in net position of governmental activities (Statement A-2) \$ 23,654

The notes to the basic financial statements are an integral part of this statement.

Statement of Fund
Net Position

Statement A-7

CITY OF SANTA ROSA
STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2025
(Amounts in Thousands)

	Business-type Activities - Enterprise Funds				Governmental Activities Internal Service Funds
	Water Utility Fund	Wastewater Utility Fund	Nonmajor Enterprise Funds	Total	
ASSETS					
CURRENT ASSETS					
Cash and investments	\$ 84,740	\$ 155,339	\$ 15,441	\$ 255,520	\$ 96,872
Receivables (net of allowances for uncollectibles):					
Accounts	8,816	13,962	333	23,111	77
Interest	1,034	1,889	192	3,115	1,006
Intergovernmental	3,330	4	5,043	8,377	-
Leases	3,958	581	820	5,359	-
Inventory of supplies	-	1,821	-	1,821	518
Prepaid expenses	-	170	43	213	786
Restricted assets:					
For interest, bond redemption, and construction					
Cash and investments	-	33,515	-	33,515	-
Interest receivable	-	558	-	558	-
Cash and investments - Section 115 trust	4,577	1,175	-	5,752	-
TOTAL CURRENT ASSETS	106,455	209,014	21,872	337,341	99,259
NONCURRENT ASSETS					
Advances to other funds	802	-	-	802	-
Capital assets:					
Nondepreciable	20,838	113,072	3,755	137,665	-
Depreciable, net	154,050	354,074	22,552	530,676	18,660
TOTAL NONCURRENT ASSETS	175,690	467,146	26,307	669,143	18,660
TOTAL ASSETS	282,145	676,160	48,179	1,006,484	117,919
DEFERRED OUTFLOWS OF RESOURCES					
Pension and OPEB items	6,958	5,923	3,559	16,440	3,318
Deferred losses on refundings	-	1,195	-	1,195	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	6,958	7,118	3,559	17,635	3,318
LIABILITIES					
CURRENT LIABILITIES					
Accounts payable and accrued liabilities	3,865	3,761	3,180	10,806	1,481
Unearned revenue	-	-	1,757	1,757	-
Accrued interest payable	-	-	49	49	-
Workers' compensation and general liability claims	-	-	-	-	3,788
Compensated absences payable	2,144	1,906	1,120	5,170	963
Lease and SBITA liabilities	-	-	159	159	623
Bonds payable	438	-	298	736	-
Customer deposits	988	-	-	988	-
Payable from restricted assets:					
Accounts payable and accrued liabilities	-	6,013	-	6,013	-
Accrued interest payable	116	1,610	-	1,726	-
Bonds payable	-	25,091	-	25,091	-
TOTAL CURRENT LIABILITIES	7,551	38,381	6,563	52,495	6,855
NONCURRENT LIABILITIES					
Advances from other funds	-	-	1,086	1,086	-
Workers' compensation and general liability claims	-	-	-	-	25,043
Compensated absences payable	953	534	147	1,634	333
Lease and SBITA liabilities	-	-	735	735	2,739
Bonds payable	7,598	201,143	1,733	210,474	-
Net OPEB liability	491	1,369	291	2,151	580
Net pension liability	30,854	32,348	20,279	83,481	16,025
TOTAL NONCURRENT LIABILITIES	39,896	235,394	24,271	299,561	44,720
TOTAL LIABILITIES	47,447	273,775	30,834	352,056	51,575
DEFERRED INFLOWS OF RESOURCES					
Leases	3,705	542	802	5,049	-
Pension and OPEB items	879	843	634	2,356	507
TOTAL DEFERRED INFLOWS OF RESOURCES	4,584	1,385	1,436	7,405	507
NET POSITION					
Net investment in capital assets	166,852	303,522	23,382	493,756	15,298
Restricted for:					
Debt service	-	24,687	-	24,687	-
Section 115 Trust	4,577	1,175	-	5,752	-
Unrestricted	65,643	78,734	(3,914)	140,463	53,857
TOTAL NET POSITION	\$ 237,072	\$ 408,118	\$ 19,468	\$ 664,658	\$ 69,155
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				11,527	
Net position of business-type activities (Statement A-1)				\$ 676,185	

The notes to the basic financial statements are an integral part of this statement.

CITY OF SANTA ROSA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025
(Amounts in Thousands)

	Business-type Activities - Enterprise Funds				Governmental Activities Internal Service Funds
	Water Utility Fund	Wastewater Utility Fund	Nonmajor Enterprise Funds	Total	
OPERATING REVENUES					
Charges for services	\$ 16,755	\$ 98,981	\$ 8,388	\$ 124,124	\$ 119,031
Sale of water	38,103	410	-	38,513	-
TOTAL OPERATING REVENUES	54,858	99,391	8,388	162,637	119,031
OPERATING EXPENSES					
Purchase of water	21,335	-	-	21,335	-
Maintenance and operation	14,304	43,782	21,947	80,033	55,567
Administration	12,905	18,932	7,435	39,272	47,727
Depreciation and amortization	7,848	16,449	2,589	26,886	4,974
TOTAL OPERATING EXPENSES	56,392	79,163	31,971	167,526	108,268
OPERATING INCOME (LOSS)	(1,534)	20,228	(23,583)	(4,889)	10,763
NONOPERATING REVENUES (EXPENSES)					
Intergovernmental revenue	3,499	24	17,103	20,626	-
Measure M revenue	-	-	1,065	1,065	-
Investment earnings	4,221	8,440	815	13,476	3,291
Net change in the fair value of investments	1,081	2,364	218	3,663	1,011
Interest expense	(284)	(6,877)	(150)	(7,311)	(189)
Gain (loss) on disposal of capital assets	-	(280)	4	(276)	223
Other	646	448	260	1,354	1,938
NET NONOPERATING REVENUES (EXPENSES)	9,163	4,119	19,315	32,597	6,274
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	7,629	24,347	(4,269)	27,708	17,037
Capital contributions	2,372	5,301	624	8,297	-
Transfers in	149	956	2,123	3,228	385
Transfers out	(3,259)	(3,028)	(335)	(6,622)	-
CHANGES IN NET POSITION	6,891	27,576	(1,857)	32,611	17,422
NET POSITION, beginning of year, as previously reported	231,616	380,542	21,791	633,949	52,361
Restatement	(1,435)	-	(466)	(1,901)	(628)
NET POSITION, beginning of year	230,181	380,542	21,325	632,048	51,733
NET POSITION, end of year	\$ 237,072	\$ 408,118	\$ 19,468	\$ 664,658	\$ 69,155
Change in net position of enterprise funds				\$ 32,611	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				2,635	
Change in net position of business-type activities (Statement A-2)				\$ 35,246	

The notes to the basic financial statements are an integral part of this statement.

CITY OF SANTA ROSA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025
(Amounts in Thousands)

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water Utility Fund	Wastewater Utility Fund	Nonmajor Enterprise Funds	Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 55,268	\$ 102,431	\$ 8,104	\$ 165,803	\$ -
Cash received from other funds	-	-	-	-	119,079
Cash received from other sources	584	441	256	1,281	1,938
Cash paid to suppliers for goods and services	(16,811)	(28,307)	(10,711)	(55,829)	(43,718)
Cash paid to employees and others for services	(20,815)	(20,274)	(14,151)	(55,240)	(48,319)
Cash paid for interfund services used	(10,307)	(10,921)	(7,122)	(28,350)	(4,912)
Cash paid to others	-	-	-	-	-
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	7,919	43,370	(23,624)	27,665	24,068
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Operating grants received	1,564	771	19,500	21,835	-
Transfers in from other funds	149	956	2,123	3,228	385
Transfers out to other funds	(3,259)	(3,028)	(335)	(6,622)	-
Receipt from interfund loan	-	-	(44)	(44)	-
Principal paid on pension obligation bonds	-	-	-	-	(3,630)
Interest paid on pension obligation bonds	-	-	-	-	(255)
NET CASH PROVIDED BY (USED IN) NONCAPITAL FINANCING ACTIVITIES	(1,546)	(1,301)	21,244	18,397	(3,500)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds (payment) for interfund loan	81	-	-	81	-
Proceeds from sale of capital assets	-	32	-	32	222
Acquisition and construction of capital assets	(6,990)	(30,395)	(880)	(38,265)	(8,258)
Principal paid on bonds, notes, and lease liabilities	(345)	(22,036)	(517)	(22,898)	-
Interest paid on bonds and notes	(363)	(4,912)	(132)	(5,407)	-
Interest paid on leases	-	-	(24)	(24)	-
Capital contributions	930	4,144	624	5,698	-
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(6,687)	(53,167)	(929)	(60,783)	(8,036)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received on investments	5,332	10,893	1,076	17,301	4,196
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	5,332	10,893	1,076	17,301	4,196
CHANGES IN CASH AND CASH EQUIVALENTS	5,018	(205)	(2,233)	2,580	16,728
CASH AND CASH EQUIVALENTS, beginning of year	84,299	190,234	17,674	292,207	80,144
CASH AND CASH EQUIVALENTS, end of year	\$ 89,317	\$ 190,029	\$ 15,441	\$ 294,787	\$ 96,872

(Continued)

The notes to the basic financial statements are an integral part of this statement.

CITY OF SANTA ROSA
STATEMENT OF CASH FLOWS (Continued)
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025
(Amounts in Thousands)

	Business-type Activities - Enterprise Funds				Governmental Activities Internal Service Funds
	Water Utility Fund	Wastewater Utility Fund	Nonmajor Enterprise Funds	Total	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES					
Operating income (loss)	\$ (1,534)	\$ 20,228	\$ (23,583)	\$ (4,889)	\$ 10,762
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES					
Depreciation and amortization	7,848	16,449	2,589	26,886	4,974
Other nonoperating revenues	646	448	260	1,354	1,938
Changes in assets and liabilities:					
Accounts receivable	339	3,040	(284)	3,095	48
Leases receivable and related items	(62)	(7)	(4)	(73)	-
Inventory of supplies	-	(70)	-	(70)	16
Prepaid expenses	-	-	(23)	(23)	(362)
Accounts payable and accrued liabilities	(951)	779	(3,293)	(3,465)	325
Leases liabilities and related items	-	-	-	-	2,563
Workers' compensation and general liability claims	-	-	-	-	3,108
Customer deposits	71	-	-	71	-
Compensated absences payable	615	1,718	411	2,744	264
Net pension/OPEB liability and related items	947	785	303	2,035	432
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ 7,919	\$ 43,370	\$ (23,624)	\$ 27,665	\$ 24,068
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF FUND NET POSITION					
Cash and investments	\$ 84,740	\$ 155,339	\$ 15,441	\$ 255,520	\$ 96,872
Restricted cash and investments	-	33,515	-	33,515	-
Restricted cash and investments - Section 115 trust	4,577	1,175	-	5,752	-
Total cash and cash equivalents	\$ 89,317	\$ 190,029	\$ 15,441	\$ 294,787	\$ 96,872
NONCASH INVESTING AND CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets on accounts payable	\$ -	\$ 1,206	\$ -	\$ 1,206	\$ -
Amortization of bond premiums and discounts	73	2,875	(2)	2,946	-
Amortization of deferred losses on refunding	-	(182)	-	(182)	-
Accrued and accreted interest on capital appreciation bonds	-	(3,402)	-	(3,402)	-
Contributions of capital assets from developers	1,442	1,157	-	2,599	-
Change in fair value of investments	1,081	2,364	218	3,663	1,011

(Concluded)

The notes to the basic financial statements are an integral part of this statement.

CITY OF SANTA ROSA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2025
(Amounts in Thousands)

	Successor Agency Private-Purpose Trust Fund	Other Postemployment Benefit Trust Funds	Deposits Custodial Fund
ASSETS			
Cash and investments	\$ 2,810	\$ -	\$ 621
Investments held in trust:			
Money market mutual funds	-	14,018	-
Private equity	-	113	-
Fixed income mutual funds	-	24,794	-
Equity mutual funds	-	24,128	-
Contributions receivable	-	271	-
Interest receivable	34	2	-
Intergovernmental receivable	-	-	-
Prepaid expenses	78	-	-
Nondepreciable capital assets	92	-	-
Total assets	<u>3,014</u>	<u>63,326</u>	<u>621</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred losses on refundings	<u>11</u>	<u>-</u>	<u>-</u>
LIABILITIES			
Accounts payable	-	-	524
Accrued interest payable	385	-	-
Deposits	-	-	97
Unearned Revenue	2,357	-	-
Long-term obligations:			
Due within one year	2,203	-	-
Due beyond one year	<u>21,128</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>26,073</u>	<u>-</u>	<u>621</u>
NET POSITION			
Restricted for other postemployment benefits	-	63,326	-
Unrestricted	<u>(23,048)</u>	<u>-</u>	<u>-</u>
Agency funds			
Total net position	<u>\$ (23,048)</u>	<u>\$ 63,326</u>	<u>\$ -</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF SANTA ROSA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025
(Amounts in Thousands)

	Successor Agency Private-Purpose Trust Fund	Other Postemployment Benefits Trust Funds	Deposits Custodial Fund
ADDITIONS			
Incremental property tax	\$ 3,268	\$ -	\$ -
Employer contributions	-	3,495	-
Investment income (expenses):			
Interest and investment income	74	6,034	-
Investment expenses	-	(74)	-
Net investment income	74	5,960	-
Other	-	-	4,588
Total additions	3,342	9,455	4,588
DEDUCTIONS			
Community development	35	-	-
Debt service interest	864	-	-
Benefit payments	-	2,580	-
Administration	-	594	4,588
Total deductions	899	3,174	4,588
CHANGES IN NET POSITION	2,443	6,281	-
NET POSITION, beginning of year	(25,491)	57,045	-
Change in accounting principles	-	-	-
NET POSITION, beginning of year, as restated	(25,491)	57,045	-
NET POSITION, end of year	\$ (23,048)	\$ 63,326	\$ -

The notes to the basic financial statements are an integral part of this statement.

**NOTES TO THE
BASIC FINANCIAL STATEMENTS**

INDEX

	Note Number	Page Number
Reporting Entity.....	1	35
Summary of Significant Accounting Policies.....	2	35
Cash and Investments	3	45
Notes and Loans Receivable	4	51
Interfund Transactions	5	51
Capital Assets.....	6	53
Long-Term Obligations	7	56
Pension Plans	8	60
Other Postemployment Benefits (OPEB) Plan	9	67
Joint Ventures	10	73
Self-Insurance	11	75
Related Party Transactions	12	77
Successor Agency Trust for Assets of Former Redevelopment Agency	13	77
Contingencies.....	14	79
Fund Balance and Net Position.....	15	80
State of Good Repair (SGR) Grant	16	80
Leases and SBITAs.....	17	80
Restatement.....	18	83

NOTE 1 – REPORTING ENTITY

The City of Santa Rosa, California (City) is a municipal corporation governed by an elected seven-member council. The governmental reporting entity consists of the City (Primary Government) and its component units. Component units are legally separate organizations for which the City Council is financially accountable or other organizations whose nature and significant relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and (i) either the City's ability to impose its will on the organization or (ii) there is potential for the organization to provide a financial benefit to or impose a financial burden on the City. The basic financial statements include one discretely presented component unit – the Housing Authority of the City of Santa Rosa (Authority). The Authority is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the primary government. The governing body of this component unit is appointed by the City Council. However, the Authority is fiscally dependent upon the City because the City provides substantial funding to the Authority. The Authority utilizes City personnel as staff members on a cost-reimbursement basis.

The Authority was established to ensure adequate, decent, safe and sanitary housing for low-income persons within the City. To meet these needs, the Authority is participating in the following programs: Rental Housing Assistance, Housing Production, Housing Conservation/Preservation, Public Services, and Housing Services and Compliance.

State law specifies all rights, duties, privileges, and immunities for housing authorities. The Authority derives the majority of its revenue from federal funding and program income. These funds must be used to facilitate the housing needs of low-and moderate-income persons.

Complete financial statements of the Authority can be obtained from:

City of Santa Rosa
Finance Department
90 Santa Rosa Ave., 2nd Floor
Santa Rosa, CA 95404

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**(a) Basis of Presentation***Government-wide Financial Statements*

The statement of net position and statement of activities display information about the primary government (City) and its discretely presented component unit. These statements include the financial activities of the overall government, except for fiduciary activities. In general, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are charges to other City departments from the Water Utility and Wastewater Utility Funds. These charges have not been eliminated because elimination would distort the direct costs and program revenues reported in the statement of activities. These statements distinguish between the *governmental* and *business-type* activities of the City and between the City and its discretely presented component unit. Governmental activities, which normally are supported by taxes, intergovernmental revenues and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and; therefore, are clearly identifiable to a particular function. Program revenues include 1) fees, fines and charges paid by the recipients of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented instead as general revenues.

Fund Financial Statements

The fund financial statements provide information about the City's funds, including fiduciary funds. Separate statements for each fund category – governmental, proprietary and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are separately aggregated and reported as nonmajor funds.

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 for customer services including: water, sewer and storm water charges, parking and golf course fees, public transportation fares, equipment maintenance and usage fees, insurance charges, information services support charges, and pension benefit charges. 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 nonoperating revenues and expenses.

The City reports the following major governmental fund:

The *General Fund* is used to account for all revenues and expenditures necessary to carry out basic governmental activities of the City that are not accounted for through other funds.

The *Capital Improvements Fund* accounts for the accumulation of resources used for the acquisition or construction of general capital assets.

The City reports the following major enterprise funds:

The *Water Utility Fund* accounts for the revenues and expenses related to providing a safe and economical water supply for municipal, industrial and fire suppression use. In addition, the City pledges income derived from the sale of water to pay debt service on the water revenue bonds.

The *Wastewater Utility Fund* accounts for the revenues and expenses related to providing a collection, treatment and disposal system for the City's wastewater and the subregional wastewater system. In addition, the City pledges income derived from the acquired or constructed wastewater facility to pay debt service on the wastewater revenue bonds.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City reports the following additional fund types:

Internal Service Funds account for the City's insurance programs, information services, and pension benefits on a cost-reimbursement basis, and the equipment maintenance and replacement operations on a projected replacement value basis.

Fiduciary Funds:

The *Successor Agency Private-Purpose Trust Fund* accounts for the assets and liabilities of the dissolved former Redevelopment Agency being held pending distribution to the appropriate taxing entities after payment of enforceable obligations as directed by Assembly Bills x1 26 and 1484. The Successor Agency to the former Redevelopment Agency (the Successor Agency) is subject to the direction of an Oversight Board. The Successor Agency was created to serve as a custodian for the assets and to wind down the affairs of the former Redevelopment Agency. The Successor Agency is allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former Redevelopment Agency until all enforceable obligations of the former Redevelopment Agency have been paid in full and all assets have been liquidated.

The *Other Postemployment Benefit Trust Fund* accounts for resources that are required to be held in trust for the members and beneficiaries of retiree medical stipend plans. The City is considered the administrator of the single-employer trust.

The *Custodial Fund* account for fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds. This includes assets held by the City for the benefits of other individuals, organizations, or governments.

(b) Measurement Focus, Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide, proprietary and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property, sales and utility users taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from sales and utility users taxes are recognized when the underlying transactions take place. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Property, sales, and other taxes, interest, certain state and federal grants and charges for services are accrued as revenue when their receipt occurs within sixty days after the end of the accounting period, so as to be both measurable and available. Expenditures are

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and pollution remediation are recorded only when payment is due. General capital assets acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and other financing activities are reported as other financing sources.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

(c) Cash and Cash Equivalents

Proprietary funds cash and investments are deposited in the City's cash and investment pool, invested in short-term money market securities or cash held by financial institutions for future construction and debt service payments. Amounts invested in the City's cash and investment pool are, in substance, demand deposits and are, therefore, considered cash equivalents for purposes of the statement of cash flows. Amounts invested in money market securities and cash held by financial institutions are highly liquid (including those classified as restricted assets on the statement of fund net position), with original maturities less than three months, and are, therefore, also considered cash equivalents.

(d) Investments

Investments are stated at fair value. Under accounting principles generally accepted in the United States of America (GAAP), fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

(e) Inventory of Supplies

Inventory of supplies are valued at cost (weighted average), which approximates the market value. The consumption method is used to account for the inventories. Under the consumption method, the costs of inventories are recorded as expenditures/expenses when consumed rather than when purchased.

(f) Prepaid Expenses/Items

Payments made to vendors for services that will benefit periods beyond year-end are recorded as prepaid items. The consumption method is used to account for the prepaid expenses/items. Under the consumption method, expenses/expenditures are incurred during the period benefited by the prepayment.

(g) Restricted Assets

Certain proceeds of the City's enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the enterprise funds and business-type activities statements of net position because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The governmental funds balance sheet and

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

governmental activities statement of net position report restricted assets that represent funds held for construction projects. The Authority also has restricted assets in the form of deposits and notes and loans receivable, in addition to the interest receivable thereon. The notes and loans receivable consist of housing rehabilitation and housing opportunity notes and loans

(h) Leases

The City entered into various lease agreements as either a lessor or lessee for land, equipment, and other asset classes. As a lessor, the City is required to recognize a lease receivable and a deferred inflow of resources. As a lessee, the City is required to recognize a lease liability and an intangible right-to-use lease asset. The City defines leases as balances with an initial value of more than \$5000. Right-to-use lease assets are amortized using the straight-line method over the lease term.

(i) Subscription-Based Information Technology Arrangements

The City has entered into certain subscription-based information technology arrangements (SBITAs). The City recognizes subscription liability and subscription assets in the government-wide and proprietary fund financial statements, as applicable. The City recognizes subscription liabilities for SBITAs with an initial, individual value of \$100,000 or more.

(j) Capital Assets

Capital assets (including infrastructure) are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are valued at their acquisition value. Capital assets include public domain (infrastructure) capital assets consisting of certain improvements including roads, bridges, lighting systems, and storm drainage systems. The City defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Capital assets used in operations are depreciated using the straight-line method over their estimated useful lives in the government-wide, proprietary funds and fiduciary fund statements.

The estimated useful lives are as follows:

Infrastructure	20 to 100 years
Buildings	30 to 50 years
Improvements	20 to 50 years
Intangibles	20 years
Equipment	3 to 12 years

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives is not capitalized. Improvements are capitalized and, for government-wide and proprietary fund type statements, are depreciated over the remaining useful lives of the related capital assets.

(k) Compensated Absences

The City reports compensated absences for accrued vacation and sick. City employees have a vested interest in accrued vacation time and all vacation hours will eventually either be used or paid by the City. Generally, employees earn and use their current vacation hours with a small portion

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

being accrued or unused each year. As this occurs, the City incurs an obligation to pay for these unused hours. Sick time is earned and used in a similar fashion, however final payout upon retirement varies depending on unit. When determining the long-term liability for sick time, the City defined the amount more likely than not as 50% of the balances of employees who have serviced the City for 10 or more years, up to a maximum of 600-1,200 hours, depending on their unit. Together, the vacation and sick make up the compensated absences liability and is recorded in the government-wide statement of net position and in the various proprietary funds to reflect the City's obligation to fund such costs from future operations. A liability is recorded in the governmental funds balance sheet when it is due and payable.

(l) Long-term Obligations

Long-term debt is recognized as a liability in governmental fund financial statements when due or when resources have been accumulated in the debt service funds for payment early in the following year. For other governmental fund long-term obligations, only that portion expected to be liquidated with expendable available financial resources is reported as a fund liability of a governmental fund type to the extent they are due and payable. The total obligation is reported in the government-wide statement of net position. Long-term liabilities expected to be financed from proprietary and fiduciary fund type operations are accounted for in those funds.

The current portion of bonds payable in the government-wide, enterprise funds, and private-purpose trust fund financial statements represents principal payments to be made in the ensuing fiscal year adjusted for unamortized bond premiums and discounts.

(m) Net Position/Fund Balances

Net Position Presentation

The government-wide, proprietary fund, and fiduciary fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted, and unrestricted.

Net Investment in Capital Assets – This category groups all capital assets, including infrastructure, lease and subscription-based information technology arrangement (SBITA) assets, into one component of net position. Accumulated depreciation, lease liabilities and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category. Deferred outflows of resources – deferred losses on refundings related to debt for capital acquisition would increase the balance.

Restricted Net Position – This category represents assets externally restricted by creditors, grantors, contributors or laws or regulations of other governments and internally restricted by law through constitutional provisions or enabling legislation reduced by liabilities related to those assets. Net position restricted by enabling legislation include resources restricted by local Public Safety and Prevention Special tax (formerly reported as Measure O) totaling \$7.5 million.

Unrestricted Net Position – This category represents net position of the City, not restricted for any project or other purpose.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Fund Balance Presentation

The governmental fund financial statements utilize a fund balance presentation. Fund balances are categorized as nonspendable, restricted, committed, assigned, and unassigned.

As of June 30, 2025, classifications of fund balance are described below:

Nonspendable – to reflect amounts that cannot be spent because they are (1) not in spendable form, such as prepaid items, inventories, and long-term receivables for which the payment of proceeds are not restricted or committed with respect to the nature of the specific expenditures of that fund, or (2) legally or contractually required to remain intact. For the General Fund, inventories and prepaid items represent the nonspendable fund balance.

Restricted – to reflect amounts that are restricted by external parties such as creditors or imposed by grants, laws, or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. As of June 30, 2025, the General Fund had \$13.1 million of restricted Section 115 trust funds.

Committed – to reflect amounts that can only be used for specific purposes pursuant to constraints imposed by a formal action of the entity’s “highest level of decision-making authority,” which would be by an ordinance passed by the City Council. As of June 30, 2025, the City had no committed fund balance.

Assigned – to reflect amounts that have been allocated by resolution of the City Council or the Chief Financial Officer in which the City’s intent is to use the funds for a specific purpose. The General Fund’s assigned balance of \$72.2 million equates to the total amount of appropriations being carried over to the subsequent year and \$10.7 million equates to unspent PG&E settlement funds.

Unassigned – to reflect amounts that constitute the residual balances that have no restrictions placed on them in the General Fund. For other governmental funds, as restrictions exceed available resources, only deficit amounts are reported in the unassigned category.

When both restricted and unrestricted resources are available for use, it is the City’s practice to use restricted resources first, and then unrestricted resources as they are needed. The City does not have a policy on the order of spending of unrestricted amounts when an expenditure is incurred for which amounts in any of the unrestricted fund balance classifications could be used. The City uses committed resources first, then assigned resources, and unassigned resources last as they are needed.

(n) Revenue Recognition for Water and Wastewater Utility Enterprise Funds

Revenue is recorded as billed to customers on a cyclical basis. All customers are billed monthly. Amounts unbilled at June 30 are accrued and recognized as revenue. At June 30, 2025, the receivables are shown net of an allowance for uncollectible accounts for the Water Utility fund and the Wastewater Utility fund in the amount of \$36,000 and \$48,000, respectively.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Bond Premiums/Discounts and Deferred Losses on Refunding

In governmental fund types, bond premiums/discounts are recognized in the period bond proceeds are received. Bond premiums/discounts for the government-wide statement of net position and proprietary and fiduciary fund types are amortized over the term of the bonds using the straight-line method, which approximates the effective interest method and are presented as an increase/reduction of the face amount of bonds payable.

Deferred losses on refundings resulted from the difference between the carrying value of the refunded debt and its reacquisition price and is recorded as deferred outflows of resources and amortized over the shorter of the life of the refunded or the refunding debt.

(p) Deferred Outflows and Inflows of Resources

A deferred outflow of resources is defined as a consumption of net assets by the government that is applicable to a future reporting period. At June 30, 2025, the City reported deferred losses on refunding and pension and OPEB items as deferred outflows of resources.

A deferred inflow of resources is defined as an acquisition of net assets by the government that is applicable to a future reporting period. At June 30, 2025, the City reported unavailable revenues and leases in the governmental funds financial statements, and pension and OPEB items and leases in the governmental-wide and proprietary funds financial statements as deferred inflows of resources.

(q) Interfund Transactions

Interfund transactions are reflected as loans, services provided, reimbursements or transfers. Loans reported as receivables and payables as appropriate, are subject to elimination upon consolidation and are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances”.

Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers within governmental or proprietary funds are netted as part of the reconciliation for reporting in the government-wide financial statements.

(r) Property Tax Levy, Collection and Maximum Rates

The State of California (the State) Constitution Article XIII A provides that the combined maximum property tax rate on any given property may not exceed 1% of its assessed value unless an additional amount for general obligation debt has been approved by voters. Assessed value is calculated at 100% of market value as defined by Article XIII A and may be adjusted by no more than 2% per year unless the property is improved, sold or transferred. The State Legislature has determined the method of distribution of receipts from a 1% tax levy among the counties, cities, school districts and other districts.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Sonoma County assesses properties and bills for and collects property taxes as follows:

	Secured	Unsecured
Valuation Lien Dates	January 1	January 1
Levy Dates	July 1	July 1
Due Dates	50% on November 1 50% on February 1	August 31
Delinquent after	December 10 (for November) April 10 (for February)	August 31

The term “unsecured” refers to taxes on personal property other than land and buildings. These “unsecured” taxes are secured by liens on the personal property being taxed. Sonoma County distributes to the City the entire amount of each year’s levy and in return receives all penalties and interest on delinquent payments.

(s) Pension Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City’s California Public Employees’ Retirement System (CalPERS) plans and additions to/deductions from the plan’s fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. The governmental activities share of the net pension liability is typically liquidated by the General Fund.

(t) Other Postemployment Benefits (OPEB) Plans

For purposes of measuring the net OPEB liability, deferred outflows of resources, deferred inflows of resources related to OPEB, and OPEB expense have been determined on the accrual basis of accounting. Benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The governmental activities share of the net OPEB liability is typically liquidated by the General Fund.

(u) Implementation of New Pronouncements

As of July 1, 2024, the City implemented the following Governmental Accounting Standards Board (GASB) Statements:

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. The objective of this statement is to better meet the financial statement needs of 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

This statement required the City to recognize a liability for leave that has not been used if (1) the leave is attributable to services already rendered, (2) the leave accumulates and (3) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. See Note 18 Restatement for the impact of the change in accounting to the implementation.

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*. The objective of this statement is to provide information to users of government financial statements about risks that could impact a government's financial health. The statement aims to improve the consistency and transparency of how governments disclose information about risk financing and insurance-related transactions. This statement had no material impact on the City's financial statements for the year ended June 30, 2025.

(v) New Pronouncements Effective in the Future

The City is currently analyzing its accounting practices to determine the potential impact on the financial statements for the following GASB Statements:

In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The objective of this statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. The requirements of this statement are effective for the City's fiscal year ending June 30, 2026.

In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. The objective of this statement is to establish requirements for certain types of capital assets to be disclosed separately for purposes of note disclosures, and to establish requirements for capital assets held for sale and note disclosures for those capital assets. The requirements of this statement are effective for the City's financial statements for the year ending June 30, 2026.

In December 2025, GASB issued Statement No. 105, *Subsequent Events*, effective for fiscal years beginning after June 15, 2026. The objective of this statement is to improve the financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting the information needs of financial statement users. The requirements of this statement are effective for the City's financial statements for the year ending June 30, 2027.

(w) Estimates

The preparation of financial statements in conformity with GAAP America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 3 – CASH AND INVESTMENTS

The City maintains a cash and investment pool (Pool) that is available for use by all funds and the City's component unit. Each fund type's and component unit's portion of the Pool is included on the statement of net position/balance sheet as part of "Cash and investments".

At June 30, 2025, total City's cash and investments are reported as follows (amounts in thousands):

Primary government:	
Cash and investments	\$ 616,502
Restricted assets:	
Cash and investments	34,568
Section 115 cash and investments	18,820
Component unit:	
Housing Authority:	
Cash and investments	12,181
Restricted cash and investments	416
Successor Agency Private-Purpose Trust Fund:	
Cash and investments	2,810
Other Postemployment Benefit PEMHCA Trust Fund:	
Investments held in trust	13,504
Other Postemployment Benefit Stipend Trust Fund:	
Investments held in trust	49,549
Custodial Funds:	
Cash and investments	621
Total cash and investments	<u>\$ 748,971</u>

Investments Authorized by the City's Investment Policy

The City has adopted an investment policy pursuant to California Code Section 53600.3, the "prudent investor" standard. The City invests in investment vehicles allowed by Sections 53601, 53635 and 16429.1 of the California Government Code which authorizes the investments in U.S. Treasury obligations, government agency issues, California municipal investments, state municipal investments, corporate notes, commercial paper, negotiable certificates of deposit, time deposits/time certificates of deposit, bankers' acceptances, repurchase agreements, mutual funds, money market funds, government pools, State of California's Local Agency Investment Fund (LAIF), supranational and asset-backed securities; however, the City's policy prohibits investments in reverse repurchase agreements. The City selects its investments based on safety, liquidity and yield. The following table identifies the permitted investment types authorized per the City's investment policy. The table also identifies certain provisions that address interest rate risk, credit risk, and concentration of credit risk (NRSRO = Nationally Recognized Statistical Rating Organization).

NOTE 3 – CASH AND INVESTMENTS (Continued)

Permitted Investments	Maximum % of Portfolio	Maximum Maturity	Maximum % per Issuer	Credit Requirements
U.S. Treasury Obligations	100%	5 Years	None	None
Federal Agencies	100%	5 Years	None	None
Agency Mortgage-Backed Securities	20%	5 Years	None	"AA"
California Municipalities	100%	5 Years	10%	"A"
State Municipalities	100%	5 Years	10%	"A"
Corporate Notes	30%	5 Years	10%	"A"
Asset-Backed Securities	20%	5 Years	5%	"AA"
Commercial Paper	40%	270 Days	10%	"A-1" or equivalent
Negotiable Certificates of Deposit	30%	5 Years	10%	"A"
Time Deposits/Time Certificates of Deposit	100%	365 Days	None	None
Bankers' Acceptances	40%	180 Days	10%	None
Repurchase Agreements	20%	365 Days	10%	None
Supranationals	30%	5 Years	10%	"AAA"
Mutual Funds	15%	None	10%	Highest rating by two NRSROs
Money Market Funds	20%	None	None	Highest rating by two NRSROs, unless advisor has over \$500 million in funds under management
Government Pools	15%	None	None	Investment advisor requirements
LAIF	LAIF limit	None	None	None

Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustees are governed by the provisions of the trust agreements, created in connection with the issuance of debt, rather than the general provisions of the California Government Code, and to the extent that they are permissible investments of funds of the City. Certificates of Participation and Revenue Bond indentures specify the types of securities in which proceeds may be invested as well as any related insurance, collateral, or minimum credit rating requirements. Although requirements may vary between debt issues, money market funds are all required to be investment grade. Guaranteed investment contracts are required to be acceptable to the municipal bond insurer. The fair value of investments is based on the valuation provided by trustee banks.

Investments Authorized for OPEB Trusts

The City has adopted investment policies for its OPEB Trust which authorizes the investments in U.S. Treasury securities, federal agencies and U.S. guaranteed obligations, corporate notes, certificates of deposit, bankers' acceptances, private equity investments, and mutual funds.

Custodial Credit Risk – Deposits

Custodial credit risk for deposits is the risk that in the event of a failure of a depository financial institution, the City's deposits may not be returned. The City 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 California Government Code and the City's Investment Policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits.

NOTE 3 – CASH AND INVESTMENTS (Continued)

The California Government Code requires that a financial institution secure deposit made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The fair value of the pledged securities in the collateral pool must equal at least 110 percent 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 percent of the secured public deposits.

As of June 30, 2025, the bank balance of the City's demand deposits was \$32.8 million. Of the City's bank balance, \$0.5 million was insured by the Federal Deposit Insurance Corporation (FDIC) and \$32.3 million was collateralized.

Custodial Credit Risk – Investments

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the City will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The City's investments consist of pooled investments, dedicated investment funds, and other funds held by trustees. The dedicated investment funds represent restricted funds and relate to bond proceeds of the Water and Wastewater Utility Enterprise Funds. The other funds held by trustees are made either in accordance with bond covenants and are pledged for payment of principal, interest, and specified capital improvements, or in accordance with trust agreements. All investments held by a custodian are in the City's name.

Interest Rate Risk

Interest rate risk is the risk that fluctuations in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity its fair value is to changes in market interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy specifies that the City's investments shall be diversified by investing in securities with varying maturities. The table, as presented under "credit risk", has the time segmented distribution that addresses interest rate risk.

As of June 30, 2025, the City held investments in medium-term corporate notes that are callable and sensitive to interest rate changes with the following terms (amounts in thousands):

Investment Maturities (in Years)				
Less than 1	1-2	2-3	3-4	Total

Medium-term Corporate Notes:

Continuously Callable	\$	3,323	\$ 45,404	\$ 42,508	\$ 17,040	\$ 108,275
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Fair Value hierarchy

The City categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. All of the City's investments are valued using Level 2 inputs, except for investments in LAIF, various mutual funds and investment sin the OPEB trusts which are not subject to fair value hierarchy

NOTE 3 – CASH AND INVESTMENTS (Continued)

disclosure. Investments measured using level 2 inputs are valued using prices determined by the use of matrix pricing techniques maintained by the pricing vendors for these investments. Matrix pricing is used to value investments based on the investments' relationship to benchmark quoted prices.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of an investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City's investment policy adheres to the guidance provided by the prudent investor standard for the minimum rating requirement as defined by the California Government Code (CA 53600.3).

As of June 30, 2025, the City had the following ratings for its cash and investments (amounts in thousands):

	Credit Rating	Investment Maturities (in Years)					Total
		Less than 1	1 – 2	2 – 3	3 - 4	4 - 5	
Pooled investments:							
US Treasury Bond/Note	AA+/Aa1	\$ -	\$ 77,354	\$ 161,082	\$ -	\$ -	\$ 238,436
Agency mortgage-backed securities	AA+/Aa1	3,206	21,776	20,376	1,426	-	46,784
Medium-term corporate notes	See Below	3,323	75,386	49,088	17,040	-	144,837
Negotiable certificates of deposit	See Below	-	13,931	-	-	-	13,931
Municipal bonds	See Below	5,799	2,767	4,917	-	-	13,483
Asset backed securities	See Below	-	4,065	24,434	65,416	21,493	115,408
Money market mutual funds	AAAm	350	-	-	-	-	350
LAIF – pooled investment	Not Rated	48,975	-	-	-	-	48,975
Total pooled investments		<u>61,653</u>	<u>195,279</u>	<u>259,897</u>	<u>83,882</u>	<u>21,493</u>	<u>622,204</u>
Other investments:							
Money market mutual funds	AAAm	2,222	-	-	-	-	2,222
U.S. Treasury	AA+/Aaa	909	-	-	-	-	909
U.S. Treasury	A-1+/P1	-	-	6,946	82	-	7,028
Total other investments		<u>3,131</u>	<u>-</u>	<u>6,946</u>	<u>82</u>	<u>-</u>	<u>10,159</u>
Section 115 Trust							
Money market mutual funds	AAAm	43	-	-	-	-	43
Equity mutual funds	Not Rated	9,357	-	-	-	-	9,357
Corporate bonds mutual funds	Not Rated	9,420	-	-	-	-	9,420
		<u>18,820</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,820</u>
Other Postemployment Benefit							
PEMHCA Trust Fund investments:							
Money market mutual funds	AAAm	13,504	-	-	-	-	13,504
Other Postemployment Benefit							
Stipend Trust Fund investments:							
Money market mutual funds	AAAm	514	-	-	-	-	514
Fixed income mutual funds	Not Rated	24,794	-	-	-	-	24,794
Equity mutual funds	Not Rated	24,128	-	-	-	-	24,128
Private equity	Not Rated	113	-	-	-	-	113
Total OPEB Trust investments		<u>49,549</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>49,549</u>
Total investments		<u>\$ 146,657</u>	<u>\$ 195,279</u>	<u>\$ 266,843</u>	<u>\$ 83,964</u>	<u>\$ 21,493</u>	<u>714,236</u>
Demand deposits							<u>34,735</u>
Total cash and investments							<u>\$ 748,971</u>

NOTE 3 – CASH AND INVESTMENTS (Continued)

Following is a table indicating the credit ratings for the City's investment in medium-term corporate notes (amounts in thousands):

Amount	Standard & Poor's	Moody's Investors Service
\$ 10,538	A	A1
21,954	A	A2
9,214	A	Aa3
8,531	A-	A1
14,749	A-	A2
10,404	A-	A3
1,649	A-	Baa1
14,776	A+	A1
7,743	A+	Aa2
20,154	A+	Aa3
4,832	AA-	A1
9,977	AA-	Aa2
4,760	AA-	Aa3
1,174	AAA	Aaa
2,231	BBB+	A1
2,153	BBB+	A2
<u>\$ 144,837</u>		

Following is a table indicating the credit ratings for the City's investment in negotiable certificates of deposit (amounts in thousands):

Amount	Standard & Poor's	Moody's Investors Service
\$ 5,576	A+	Aa2
8,355	A+	Aa2
<u>\$ 13,931</u>		

Following is a table indicating the credit ratings for the City's investment in municipal bonds (amounts in thousands):

Amount	Standard & Poor's	Moody's Investors Service
\$ 6,223	AA	Aa2
2,767	AA+	Aaa
487	Not Rated	Aa1
2,255	Not Rated	Aa2
1,751	Not Rated	Not Rated
<u>\$ 13,483</u>		

NOTE 3 – CASH AND INVESTMENTS (Continued)

Following is a table indicating the credit ratings for the City's investment in asset backed securities (amounts in thousands):

Amount	Standard & Poor's	Moody's Investors Service
\$ 36,852	AAA	Aaa
41,311	AAA	Not Rated
37,245	Not Rated	Aaa
<u>\$ 115,408</u>		

Concentration of Credit Risk

The City diversifies its portfolio by issuer by requiring that no more than 10% of the portfolio be invested in any one issuer's name for certain types of investments (see table above). The City is also required to disclose investments in any one issuer's name that is greater than 5% of the City's pooled investments. As of June 30, 2025, the City investments in U.S. Treasury Bond/Note represent 36.7% of the City's pooled investments.

External Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that 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 value of the pool shares in LAIF, which may be withdrawn, is determined on an amortized cost basis, which is different than the fair value of the pooled treasury's portion in the pool. Withdrawals from LAIF are done on a dollar-for-dollar basis. The Local Investment Advisory Board has oversight responsibility for LAIF. The Board consists of five members as designated by state statute.

The total amount invested by all public agencies in LAIF at June 30, 2025 was \$24.0 billion. LAIF is part of the California Pooled Money Investment Account (PMIA), which at June 30, 2025 had a balance of \$178.1 billion. PMIA is not SEC-registered but is required to invest according to California Government Code. The average maturity of PMIA investments was 248 days as of June 30, 2025.

NOTE 4 – NOTES AND LOANS RECEIVABLE

Notes and loans receivable at June 30, 2025, were as follows (amounts in thousands):

Description	Interest Rate	Maturity	Amount Receivable
Component unit:			
<i>Housing Authority:</i>			
Housing Rehabilitation and Opportunity			
Deferred Repayment Notes and Loans	0-10.7%	Various	<u>\$ 197,716</u>

The Authority's notes and loans receivable consist of housing rehabilitation and housing opportunity notes and loans.

NOTE 5 – INTERFUND TRANSACTIONS

Due From (To) Other Funds

Due from other funds and due to other funds amounts are current balances expected to be repaid during the following year. At June 30, 2025, the General Fund is due \$5,000 from nonmajor governmental funds for the negative position that the AB 434 Fund had in the City's investment pool.

Advances To (From) Other Funds

Advances to other funds and from other funds are long-term amounts expected to be repaid beyond the following year. At June 30, 2025, the nonmajor enterprise funds owe \$284,267 to the nonmajor governmental funds for a loan the Park Acquisition and Development Fund made to the Golf Course Fund for golf course improvements. Also, at June 30, 2025, the Storm Water nonmajor enterprise funds owe \$801,695 to the Water Utility Fund for the purchase of property and associated acquisition costs.

NOTE 5 – INTERFUND TRANSACTIONS (Continued)

Transfers

The following schedule briefly summarizes the City's transfer activity for the fiscal year ended June 30, 2025 (amounts in thousands):

(a) Between Governmental and Business-type Activities:

Transfer From	Transfer To	Amount	Purpose
General Fund	Nonmajor Enterprise Funds	\$ 2,123	Parking enforcement (\$1,273), transit administrative assistance (\$53), and golf (\$797)
	Water Utility Enterprise Fund	6	Software
		<u>2,129</u>	
Water Utility Enterprise Fund	Capital Improvements Fund	2,196	Capital outlay
Wastewater Utility Enterprise Fund	Capital Improvements Fund	2,683	Capital outlay
Nonmajor Enterprise Funds	General Fund	121	Downtown assessment (Parking)
	Capital Improvements Fund	208	Stormwater
		<u>329</u>	
Total		<u>\$ 7,338</u>	

(b) Between Funds within the Governmental or Business-type Activities⁽¹⁾:

Transfer From	Transfer To	Amount	Purpose
General Fund	Nonmajor Governmental Funds	\$ 3,102	Homeless programs (\$2,359), art (\$12), professional services (\$4) and debt service (\$727)
	Capital Improvements Fund	12,860	Capital Outlay
	Internal Service Funds	70	Software/hardware upgrade cost
		<u>16,032</u>	
Nonmajor Governmental Funds	General Fund	117	Capital outlay
	Nonmajor Governmental Funds	297	Art (\$21), debt service (\$276)
		<u>414</u>	
Nonmajor Enterprise Funds	Water Utility Enterprise Fund	6	Software
Water Utility Enterprise Fund	Wastewater Utility Enterprise Fund	956	Debt service
	Internal Service Funds	107	Software, and hardware
		<u>1,064</u>	
Wastewater Utility Enterprise Fund	Internal Service Funds	208	Software
	Water Utility Enterprise Fund	137	Hardware
		<u>345</u>	
Total		<u>\$ 17,861</u>	

⁽¹⁾ These transfers were eliminated in the consolidation, by column, for the governmental and business-type activities.

NOTE 6 – CAPITAL ASSETS

The following is a summary of changes in capital assets of the primary government for the fiscal year ended June 30, 2025 (amounts in thousands):

	Balance July 1, 2024	Additions	Reductions	Balance June 30, 2025
PRIMARY GOVERNMENT				
Governmental activities				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 63,347	\$ 1,827	\$ -	\$ 65,174
Construction in progress	54,143	14,728	(31,039)	37,832
Total capital assets, not being depreciated	117,490	16,555	(31,039)	103,006
<i>Capital assets, being depreciated:</i>				
Infrastructure	343,215	34,470	-	377,685
Buildings	71,263	-	(183)	71,080
Improvements other than buildings	186,869	-	-	186,869
Intangibles	6,289	-	-	6,289
Equipment	101,188	17,854	(3,125)	115,917
Total capital assets, being depreciated	708,824	52,324	(3,308)	757,840
<i>Less accumulated depreciation for:</i>				
Infrastructure	(127,669)	(6,689)	-	(134,358)
Buildings	(46,038)	(1,476)	183	(47,331)
Improvements other than buildings	(160,679)	(2,385)	-	(163,064)
Intangibles	(4,213)	(684)	-	(4,897)
Equipment	(68,732)	(6,861)	3,125	(72,468)
Total accumulated depreciation	(407,331)	(18,095)	3,308	(422,118)
Total capital assets, being depreciated, net	301,493	34,229	-	335,722
<i>Leased assets, being amortized:</i>				
Intangible right-to-use lease asset	2,047	179	(292)	1,934
Less accumulated amortization	(388)	(169)	135	(422)
Total leased assets, being amortized, net	1,659	10	(157)	1,512
<i>SBITA assets, being amortized:</i>				
Intangible right-to-use asset	1,015	3,679	-	4,694
Less accumulated amortization	(239)	(735)	-	(974)
Total SBITA assets, being amortized, net	776	2,944	-	3,720
Total capital assets, being depreciated and amortized, net	303,928	37,183	(157)	340,954
Governmental activities capital assets, net	\$ 421,418	\$ 53,738	\$ (31,196)	\$ 443,960

NOTE 6 – CAPITAL ASSETS (Continued)

	Balance July 1, 2024	Additions	Reductions	Balance June 30, 2025
PRIMARY GOVERNMENT				
Business-type activities				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 19,450	\$ -	\$ -	\$ 19,450
Construction in progress	108,105	34,584	(24,474)	118,215
Total capital assets, not being depreciated	127,555	34,584	(24,474)	137,665
<i>Capital assets, being depreciated:</i>				
Buildings	282,332	-	(739)	281,593
Improvements other than buildings	712,137	26,164	-	738,301
Intangibles	2,112	-	-	2,112
Equipment	153,612	5,800	(971)	158,441
Total capital assets, being depreciated	1,150,193	31,964	(1,710)	1,180,447
<i>Less accumulated depreciation for:</i>				
Buildings	(169,469)	(4,785)	438	(173,816)
Improvements other than buildings	(337,586)	(15,680)	-	(353,266)
Intangibles	(563)	(96)	-	(659)
Equipment	(117,685)	(6,159)	961	(122,883)
Total accumulated depreciation	(625,303)	(26,720)	1,399	(650,624)
Total capital assets, being depreciated, net	524,890	5,244	(311)	529,823
<i>Leased assets, being amortized:</i>				
Intangible right-to-use lease asset	939	-	-	939
Less accumulated amortization	(116)	(122)	-	(238)
Total leased assets, being amortized, net	823	(122)	-	701
<i>SBITA assets, being amortized:</i>				
Intangible right-to-use asset	223	-	-	223
Less accumulated amortization	(26)	(45)	-	(71)
Total SBITA assets, being amortized, net	197	(45)	-	152
Total capital assets, being depreciated and amortized, net	525,910	5,077	(311)	530,676
Business-type activities capital assets, net	\$ 653,465	\$ 39,661	\$ (24,785)	\$ 668,341

NOTE 6 – CAPITAL ASSETS (Continued)

The following is a summary of changes in capital assets of discretely presented component unit for the fiscal year ended June 30, 2025 (amounts in thousands):

	Balance July 1, 2024	Additions	Reductions	Balance June 30, 2025
COMPONENT UNIT				
Housing Authority				
<i>Capital assets, not being depreciated</i>				
Land	\$ 147	\$ -	\$ -	\$ 147
<i>Capital assets, being depreciated</i>				
Buildings and improvements	663	-	-	663
Equipment	91	29	-	120
Total capital assets, being depreciated	754	29	-	783
<i>Less accumulated depreciation for:</i>				
Buildings and improvements	492	22		514
Equipment	79	9		88
Less accumulated depreciation	571	31	-	602
Total depreciable capital assets, net	183	(2)	-	181
Total capital assets, net	\$ 330	\$ (2)	\$ -	\$ 328

Depreciation and Amortization

Depreciation and amortization expense was charged to governmental functions as follows (amounts in thousands):

General government	\$ 1,560
Public safety	2,486
Public works	6,955
Recreation	3,024
Depreciation on capital assets held by the City's internal service funds is charged to the various functions based on their usage of the assets.	4,974
Total depreciation and amortization expense – governmental functions	\$ 18,999

Depreciation and amortization expense was charged to the business-type functions as follows (amounts in thousands):

Water Utility	\$ 7,848
Wastewater Utility	16,449
Parking	505
Municipal Transit	1,601
Golf Course	478
Storm Water	6
Total depreciation and amortization expense – business-type functions	\$ 26,887

NOTE 6 – CAPITAL ASSETS (Continued)

At June 30, 2025, the construction commitments included the following (amounts in thousands):

	Expended through June 30, 2025	Encumbered
Governmental activities		
Capital Projects Fund	\$ 37,832	\$ 28,142
Business-type activities		
Water Utility Enterprise Fund	\$ 19,693	\$ 2,408
Wastewater Utility Enterprise Fund	97,103	39,987
Nonmajor Enterprise Funds	1,419	29
Total business-type activities	\$ 118,215	\$ 42,424

NOTE 7 – LONG-TERM OBLIGATIONS

The City issued pension obligation bonds to fund the actuarial accrued liability in 2003, which were refunded in 2013. In addition, the City issued water and wastewater improvement bonds to provide funds for water and wastewater projects; golf improvement certificates of participation to fund municipal golf course improvements; and certificates of participation to fund the Courthouse Square Reunification project and the purchase of the office buildings located at 637 and 655 First Street, Santa Rosa, California.

NOTE 7 – LONG-TERM OBLIGATIONS (Continued)

Outstanding bonds for governmental activities and business-type activities at June 30, 2025, consisted of the following (amounts in thousands):

Type of indebtedness (purpose)	Final Maturity	Installment Amounts	Interest Rates	Original Issue Amount	Outstanding at June 30, 2025
<u>Governmental activities</u>					
2016 Courthouse Square Project and Refunding Certificates of Participation	2046-47	\$ 165-655	2.0-4.0%	\$ 11,435	\$ 8,560
2013 Pension Obligation Refunding Bonds	2024-25	2,540-3,630	1.66-4.89%	32,715	-
Total governmental activities				44,150	8,560
Plus unamortized premium					867
Total governmental activities, net					9,427
<u>Business-type activities</u>					
<i>Water Revenue Bonds</i>					
2018 Water Revenue Bonds	2038-39	270-680	5.00%	8,910	7,075
Plus unamortized premium					961
Total Water Revenue Bonds, net					8,036
<i>Wastewater Improvement Bonds</i>					
2002 Wastewater Revenue Bonds, Series B (capital appreciation bonds)	2032-33	1,624-3,409	5.35-5.79%	39,878	22,016
2014 Wastewater Revenue Bonds, Series A	2029-30	80-6,820	3.0-5.0%	14,765	7,265
2016 Wastewater Revenue Bonds, Series A	2028-29	4,950-10,900	1.0-5.0%	95,805	22,370
2018 Wastewater Revenue Bonds, Series A	2030-31	390-2,920	5.00%	14,720	2,795
2020 Wastewater Revenue Bonds, Series A	2035-36	15,035-20,675	5.00%	52,365	52,365
2020 Wastewater Revenue Refunding Bonds, Series B	2033-34	1,350-5,710	0.31-2.32%	51,640	41,410
Total Wastewater Improvement Bonds				269,173	148,221
Plus unamortized premiums					18,360
Plus accreted interest					59,653
Total Wastewater Improvement Bonds, net					226,234
<i>Golf Improvement Certificates of Participation:</i>					
2005A Certificates of Participation	2030-31	45-255	3.0-4.5%	3,850	1,380
2005B Certificates of Participation	2030-31	10-125	4.57-5.44%	1,725	660
Total Golf Improvement Certificates of Participation				5,575	2,040
Less unamortized discount					(8)
Total Golf Improvement Certificates, net					2,032
Total business-type activities, net				283,658	236,302
Total Primary Government				\$ 327,808	\$ 245,729

NOTE 7 – LONG-TERM OBLIGATIONS (Continued)

The following is a summary of long-term obligation transactions for the fiscal year ended June 30, 2025 (amounts in thousands):

	Balance July 1, 2024 Restated ^a	Additions	Retirements	Balance June 30, 2025	Amounts Due Within One Year
Governmental activities:					
Certificates of Participation (COPs)	\$ 8,960	\$ -	\$ 400	\$ 8,560	\$ 415
Pension Obligation Bonds	3,630	-	3,630	-	-
Plus unamortized premiums	909	-	42	867	41
Total bonds and COPs payable	13,499	-	4,072	9,427	456
Direct Borrowings - Financed Purchase Obligations	1,438	-	494	944	228
Pollution Remediation	25	50	-	75	-
Worker's Compensation and General Liability Claims	25,723	7,937	4,830	28,830	3,788
Compensated Absences	17,046	10,676	6,064	21,658	14,857
Lease Liabilities (Note 17)	1,778	179	296	1,661	115
SBITA Liabilities (Note 17)	800	3,586	512	3,874	762
Total governmental activities - long-term obligations	\$ 60,309	\$ 22,428	\$ 16,268	\$ 66,469	\$ 20,206
Business-type activities:					
Water Revenue Bonds	\$ 7,420	\$ -	\$ 345	\$ 7,075	\$ 365
Wastewater Revenue and Refunding Improvement Bonds	162,090	-	13,869	148,221	14,046
Accreted Interest on Capital Appreciation Bonds	63,054	4,614	8,016	59,652	8,169
Golf Certificates of Participation	2,325	-	285	2,040	300
Plus unamortized premiums	22,271	-	2,949	19,322	2,949
Less unamortized discounts	(10)	-	(2)	(8)	(2)
Total bonds and COPs payable	257,150	4,614	25,462	236,302	25,827
Compensated Absences	4,059	4,692	1,946	6,805	5,172
Lease Liabilities (Note 17)	1,044	-	151	893	157
Total business-type activities - long-term obligations	\$ 262,253	\$ 9,306	\$ 27,559	\$ 244,000	\$ 31,156

^a Beginning balances were restated to update the measurement guidance as part of implementation of GASB Statement No. 101, *Compensated Absences*.

Compensated absences typically have been liquidated in the General Fund and proprietary funds. COPs for governmental activities, lease liabilities, financed purchase obligations, and pollution remediation obligation typically have been liquidated in the General Fund. Workers' compensation, general liability claims liabilities, and pension obligation bonds typically have been liquidated in the internal service funds. Revenue bonds and COPs for business-type activities have been liquidated in the proprietary funds.

As of June 30, 2025, annual debt service requirements of governmental activities to maturity are as follows (amounts in thousands):

Year ending June 30:	Certificates of Participation		Direct Borrowings Capital Lease Obligations	
	Principal	Interest	Principal	Interest
2026	\$ 415	\$ 311	\$ 228	\$ 21
2027	435	294	233	16
2028	455	276	239	11
2029	465	258	244	5
2030	490	238	-	-
2031-2035	2,725	880	-	-
2036-2040	2,245	340	-	-
2041-2045	925	132	-	-
2046-2050	405	12	-	-
Total	\$ 8,560	\$ 2,741	\$ 944	\$ 53

NOTE 7 – LONG-TERM OBLIGATIONS (Continued)

As of June 30, 2025, annual debt service requirements of business-type activities to maturity are as follows (amounts in thousands):

Year ending June 30:	Water Revenue Bonds		Wastewater Improvement Bonds			Golf Certificates of Participation	
	Principal	Interest	Principal	Interest	Accretion Matured	Principal	Interest
2026	\$ 365	\$ 345	\$ 14,045	\$ 4,725	\$ 8,169	\$ 300	\$ 91
2027	380	326	14,242	4,366	8,333	315	76
2028	395	307	14,470	4,007	8,465	330	61
2029	420	286	14,730	3,618	8,595	350	44
2030	440	264	13,139	3,198	10,606	365	27
2031-2035	2,540	964	62,560	11,968	35,190	380	9
2036-2040	2,535	261	15,035	376	-	-	-
Total	<u>\$ 7,075</u>	<u>\$ 2,753</u>	<u>\$ 148,221</u>	<u>\$ 32,258</u>	<u>\$ 79,358</u>	<u>\$ 2,040</u>	<u>\$ 308</u>

Other Conduit Debt

From time to time, the Authority has issued Multi-family Housing Revenue Bonds to provide funds to builders for the construction of multi-family housing projects. The bonds are payable solely from the revenues collected by the builders of the projects. The Authority is not obligated in any manner for repayment of the indebtedness. Accordingly, the liabilities are not reported in the Authority's basic financial statements.

As of June 30, 2025, the Authority had participated in the issuance of fourteen series of Multi-family Housing Revenue Bonds. The aggregate principal amount outstanding was \$35 million.

Legal Debt Limit

As of June 30, 2025, the City's debt limit (3.75% of assessed valuation) was \$1.22 billion. At June 30, 2025, the City had \$8.6 million in outstanding debt applicable to the limit.

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 bond issued subject to the arbitrage rebate requirements and has determined that no arbitrage liability exists at June 30, 2025.

Financed Purchase Obligations

In December 2013, the City entered into a financing agreement as lessee for financing the construction of a fire station at a total cost of \$3 million. In January 2023, the City entered into a financing agreement as lessee for financing the purchase of two Pierce Arrow fire engines at total cost of \$1.6 million.

The outstanding financing agreements are payable from general fund revenues and are payable through 2029. The net book value of assets acquired through the previously mentioned financing arrangements as of June 30, 2025, was \$0 for the fire station because it burnt down in the 2017 TUBBS fire and \$1.5 million for the fire engines.

NOTE 7 – LONG-TERM OBLIGATIONS (Continued)

Pledged Revenues

The City has pledged future water and wastewater customer revenues, net of specified operating expenses, to repay the water bonds and the wastewater bonds. Proceeds from the bonds provided financing for utility enterprise capital projects. The bonds are payable solely from water and wastewater net revenues and are payable through 2039 for the water bonds, and 2036 for the wastewater bonds.

Annual principal and interest on the water bonds are projected to require 3.83% of the projected net revenues for fiscal year 2025-26. Annual principal and interest on the wastewater bonds are projected to require 51.6% of the projected net revenues for fiscal year 2025-26.

Total principal and interest remaining to be paid is \$9.8 million on the water bonds and \$180.4 million on the wastewater bonds. For the fiscal year ended June 30, 2025, total debt service paid was \$708,000 for the water bonds and \$26.9 million for the wastewater bonds, respectively. Pledged revenue related to the water and wastewater bonds was \$62.9 million and \$109.1 million for the fiscal year ended June 30, 2025, respectively.

Events of Default and Acceleration Clauses

Generally, the City is considered to be in default if the City fails to pay the principal of and interest on the outstanding long-term debt when it becomes due and payable. If an event of default has occurred and is continuing, the principal of the long-term debt, together with the accrued interest, may be declared due and payable immediately.

Pollution Remediation

The City's total estimated pollution remediation obligation was \$75,000 as of June 30, 2025. This amount represents the estimated remaining costs for remediation of one polluted site located within the City. The costs for this site reflect varying phases of remediation efforts, including investigation, tank removal, soil remediation, and groundwater monitoring requirements since completing soil remediation. During required assessments, the site was found to be polluted with industrial-use petroleum hydrocarbons, with the source being leaking underground tanks. The City has committed to and appropriated funds for remediation. The estimated remaining costs are based on State Underground Tank Fund project cost guidelines. The number of sites has decreased from previous years due to the new low impact criteria adopted by the Regional Water Quality Control Board. These obligations are estimates and subject to changes resulting from price increases or reductions, technology, or changes in applicable laws and regulations.

NOTE 8 – PENSION PLANS

Plan Descriptions

All qualified permanent and probationary employees are eligible to participate in the City's separate Safety Police, Safety Fire, and Miscellaneous Plans (Pension Plans), agent multiple employer defined benefit pension plans administered by CalPERS, which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

NOTE 8 – PENSION PLANS (Continued)

Benefits Provided

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

The Pension Plans' provisions and benefits in effect at June 30, 2025, are summarized as follows:

	Miscellaneous		
	Prior to July 8, 2012	July 8, 2012 to December 31, 2012	On or after January 1, 2013
Hire date			
Benefit formula	3.0% @ 60	2.5% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50-60	50-55	52-67
Monthly benefits, as a % of eligible compensation	2.0% to 3.0%	2.0% to 2.5%	1.0% to 2.5%
Required employee contribution rates	8.00%	8.00%	8%
Required employer contribution rates for normal cost	12.02%	12.02%	12.02%
Required payment of unfunded liability: \$19,120,027			
	Safety Police		
	Prior to July 8, 2012	July 8, 2012 to December 31, 2012	On or after January 1, 2013
Hire date			
Benefit formula	3% @ 50	3% @ 55	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50	50-55	50-57
Monthly benefits, as a % of eligible compensation	3.0%	2.4% to 3.0%	2.0% to 2.7%
Required employee contribution rates	9.00%	9.00%	13.25%
Required employer contribution rates for normal cost	21.07%	21.07%	21.07%
Required payment of unfunded liability: \$11,145,917			
	Safety Fire		
	Prior to July 8, 2012	July 8, 2012 to December 31, 2012	On or after January 1, 2013
Hire date			
Benefit formula	3% @ 50	3% @ 55	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50	50-55	50-57
Monthly benefits, as a % of eligible compensation	3.0%	2.4% to 3.0%	2.0% to 2.7%
Required employee contribution rates	9.00%	9.00%	11.50%
Required employer contribution rates for normal cost	18.65%	18.65%	18.65%
Required payment of unfunded liability: \$7,538,518			

NOTE 8 – PENSION PLANS (Continued)

Employees Covered

As of the June 30, 2024, actuarial valuation, the most recent information available, the following employees were covered by the benefits of the City's Pension Plans:

	Miscellaneous	Safety Police	Safety Fire
Inactive employees or beneficiaries currently receiving benefits	1,360	322	194
Inactive employees entitled to but not yet receiving benefits	922	65	33
Active employees	855	179	141
Total	<u>3,137</u>	<u>566</u>	<u>368</u>

Contributions

For the fiscal year ended June 30, 2025, the City's actuarially determined contributions were as follows (dollars in thousands):

Miscellaneous Plan	\$ 27,383
Safety Police Plan	16,807
Safety Fire Plan	<u>11,507</u>
Total	<u>\$ 55,697</u>

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. It is the responsibility of the employer to make necessary accounting adjustments to reflect the impact due to any Employer-Paid Member Contributions or situations where members are paying a portion of the employer contribution.

Net Pension Liability

The City's net pension liability for each Pension Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability is measured as of June 30, 2023, using an annual actuarial valuation as of June 30, 2022 rolled forward to June 30, 2023, using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

NOTE 8 – PENSION PLANS (Continued)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

The June 30, 2023 valuation was rolled forward to determine the June 30, 2024 total pension liability, based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Actuarial Cost Method
Actuarial Assumptions	
Discount Rate	6.90%
Inflation	2.30%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	6.90% Net of Pension Plan Investment Expenses, includes Inflation
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	The lessor of contract COLA or 2.30% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.30% thereafter

The mortality table used was developed based on CalPERS' specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study. Mortality rates incorporate full generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries. For more details on the table, refer to the 2021 CalPERS experience study report available on the CalPERS website.

All other actuarial assumptions used in the June 30, 2023, actuarial valuation were based on the 2021 CalPERS Experience Study, including updates to salary increase, mortality and retirement rates. Further details of the 2021 CalPERS Experience Study can be found on the CalPERS website under Forms and Publications.

Discount Rate

The discount rate used to measure the total pension liability was 6.90 percent for each Pension Plan. The projection of cash flows used to determine the discount rate assumed that the contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan 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 inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expense of 10 basis points.

NOTE 8 – PENSION PLANS (Continued)

The expected real rates of return by asset class are as follows:

Asset Class	Assumed asset Allocation	Real Return ^{1,2}
Global Equity - Cap-weighted	31.8%	4.54%
Global Equity - Non-Cap-weighted	10.0	3.84
Private Equity	15.5	7.28
Treasury	7.3	27.00
Mortgage-backed Securities	5.3	0.50
Investment Grade Corporates	6.4	1.56
High Yield	5.3	2.27
Emerging Market Debt	5.3	2.48
Private Debt	2.8	3.57
Real Assets	13.2	3.21
Leverage	-3.0	-0.59

(1) An expected inflation of 2.30% used for this period.

(2) Figures are based on the 2021 Asset Liability Management Study

Changes in the Net Pension Liability

The changes in the net pension liability for each Pension Plan are as follows (dollars in thousands):

Miscellaneous Plan:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at June 30, 2023	\$ 890,267	\$ 655,614	\$ 234,653
Changes Recognized for the Measurement Period:			
Service Cost	14,519	-	14,519
Interest on the Total Pension Liability	60,523	-	60,523
Changes in benefit terms	-	-	-
Differences between Expected and Actual Experience	4,955	-	4,955
Contribution - Employer	-	24,442	(24,442)
Contribution - Employee	-	8,122	(8,122)
Net Investment Income	-	62,587	(62,587)
Benefit Payments, including Refunds of Employee Contributions	(50,662)	(50,662)	-
Plan to Plan Resource Movement	-	-	-
Administrative Expenses	-	(533)	533
Net changes during 2023-24	29,335	43,956	(14,621)
Balance at June 30, 2024	\$ 919,602	\$ 699,570	\$ 220,032

NOTE 8 – PENSION PLANS (Continued)

Safety Police Plan:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at June 30, 2023	\$ 397,994	\$ 253,658	\$ 144,336
Changes Recognized for the Measurement Period:			
Service Cost	7,440	-	7,440
Interest on the Total Pension Liability	27,228	-	27,228
Changes in benefit terms	-	-	-
Differences between Expected and Actual Experience	3,850	-	3,850
Contribution - Employer	-	14,733	(14,733)
Contribution - Employee	-	3,510	(3,510)
Net Investment Income	-	24,468	(24,468)
Benefit Payments, including Refunds of Employee Contributions	(21,902)	(21,902)	-
Plan to Plan Resource Movement	-	-	-
Administrative Expenses	-	(206)	206
Net changes during 2023-24	16,616	20,603	(3,987)
Balance at June 30, 2024	\$ 414,610	\$ 274,261	\$ 140,349

Safety Fire Plan:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at June 30, 2023	\$ 296,121	\$ 198,612	\$ 97,509
Changes Recognized for the Measurement Period:			
Service Cost	5,772	-	5,772
Interest on the Total Pension Liability	20,162	-	20,162
Changes in benefit terms	-	-	-
Differences between Expected and Actual Experience	928	-	928
Contribution - Employer	-	10,044	(10,044)
Contribution - Employee	-	2,729	(2,729)
Net Investment Income	-	19,196	(19,196)
Benefit Payments, including Refunds of Employee Contributions	(15,460)	(15,460)	-
Plan to Plan Resource Movement	-	-	-
Administrative Expenses	-	(161)	161
Net changes during 2023-24	11,402	16,348	(4,946)
Balance at June 30, 2024	\$ 307,523	\$ 214,960	\$ 92,563

NOTE 8 – PENSION PLANS (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City for each Pension Plan, calculated using the discount rate for each Pension Plan, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate (dollars in thousands):

	Miscellaneous	Safety Police	Safety Fire
1% Decrease	5.90%	5.90%	5.90%
Net Pension Liability	\$332,585	\$196,271	\$133,199
Current Discount Rate	6.90%	6.90%	6.90%
Net Pension Liability	\$220,032	\$140,349	\$92,563
1% Increase	7.90%	7.90%	7.90%
Net Pension Liability	\$126,103	\$94,523	\$59,016

Pension Plan Fiduciary Net Position

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

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the fiscal year ended June 30, 2025, the City recognized total pension expense of \$69.4 million including \$34.4 million for the Miscellaneous Plan, \$21.4 million for the Safety Police Plan and \$13.6 million for the Safety Fire Plan. At June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (dollars in thousands):

	Miscellaneous		Safety Police	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 27,383	\$ -	\$ 16,807	\$ -
Changes in assumptions	-	-	3,171	-
Differences between expected and actual experience	5,790	-	6,903	(230)
Net differences between projected and actual earnings on pension plan	10,161	-	3,703	-
Total	<u>\$ 43,334</u>	<u>\$ -</u>	<u>\$ 30,584</u>	<u>\$ (230)</u>

NOTE 8 – PENSION PLANS (Continued)

	Safety Fire		Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 11,509	\$ -	\$ 55,699	\$ -
Changes in assumptions	3,744	-	6,915	-
Differences between expected and actual experience	5,160	-	17,853	(230)
Net differences between projected and actual earnings on pension plan	2,902	-	16,766	-
Total	<u>\$ 23,315</u>	<u>\$ -</u>	<u>\$ 97,233</u>	<u>\$ (230)</u>

Deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2025, including \$27.4 million for the Miscellaneous Plan, \$16.8 million for the Safety Police Plan and \$11.5 million for the Safety Fire Plan. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized as pension expense as follows (dollars in thousands):

Year ending June 30,	Miscellaneous	Safety Police	Safety Fire	Total
2026	\$ 3,380	\$ 5,642	\$ 3,243	\$ 12,265
2027	18,974	9,418	8,412	36,804
2028	(2,801)	(186)	684	(2,303)
2029	(3,602)	(1,327)	(584)	(5,513)
2030	-	-	51	51
Total	<u>\$ 15,951</u>	<u>\$ 13,547</u>	<u>\$ 11,806</u>	<u>\$ 41,304</u>

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLAN

Plan Description and Benefits Provided

The City sponsors several single-employer defined benefit postemployment healthcare plans (OPEB Plans) to provide medical insurance benefits to eligible retired employees and their spouses. Benefit provisions are established and may be amended by the City. The OPEB Plans do not issue a publicly available financial report.

The City has a stand-alone medical program for Miscellaneous employees, providing medical insurance options through City healthcare plans. Medical coverage for Safety employees is provided through the CalPERS healthcare program known as the Public Employees' Medical and Hospital Care Act (PEMCHA). The City has established a tax-qualified irrevocable trust for the PEMCHA Plan.

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLAN (Continued)

The City allows retirees to continue participating in the medical insurance program after retirement, with some retirees eligible to receive a stipend from retiree medical stipend plans established for some bargaining units. The following summarizes the retiree healthcare benefits:

- **Stipend Plan Definition:** Even though the stipend plans are described as defined benefit arrangements, the City's intent from the onset is to provide a defined contribution arrangement and the terms of the plan clearly grant the City the authority to reduce benefits upon recommendation by an actuary. The plan documents specify that the plans are defined contribution plans and do not guarantee a specific benefit level.
- **Retiree Medical Stipend Plans:** The City contributes to six retiree medical stipend plans for Fire, Maintenance, Miscellaneous Santa Rosa City Employees Association (SRCEA), Bus Operators, Police Technical, and Police employees (collectively, Stipend Plans). Stipend amounts and eligibility and vesting requirements vary by bargaining unit. The City established a trust for each of the six employee groups and assets accumulated can solely be used for the payment of benefits for the employees within that group.
- **PEMHCA Minimum:** Safety retirees participating in the PEMHCA Plan receive the PEMHCA minimum required employer contribution towards the retiree monthly premium in addition to the stipend.

PEMHCA governs health care provided to employees and retirees under health care plans administered by CalPERS. All public agencies providing health care to their active employees through CalPERS PEMHCA plans are also required to offer health care under those plans to their retirees. The rules regarding retiree health care are found in sections §22892 and §22893 of the Government Code.

Stipend Plans Administration

The City has set aside funds for meeting future obligations of the Stipend Plans. The City utilized the service of PFM Asset Management, LLC to administrate the retiree medical trusts, tax-qualified irrevocable trusts organized under Internal Revenue Code Section 115 to prefund retiree healthcare benefits. The City is the administrator of the Stipend Plans.

Employees Covered

Employees covered by the benefit terms as of June 30, 2023, the most recent valuation date, are as follows:

	PEMCHA Plan	Stipend Plans
Inactive employees or beneficiaries currently receiving benefits	175	590
Inactive employees entitled to but not yet receiving benefits	194	332
Active employees	310	984
Total	679	1,906

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLAN (Continued)

Contributions

The City contributes to the various Stipend Plans based on a percentage of payroll, which varies by bargaining group and is determined by their respective Memorandum of Understanding. The City contributes to the PEMHCA Plan on a pay-as-you-go basis. For the fiscal year ended June 30, 2025, the City's contributions were \$3.5 million for the Stipend Plans and \$0.7 million for the PEMHCA Plan, we did not make any additional contributions to an irrevocable trust under Internal Revenue Code Section 115.

Rate of Return

For the fiscal year ended June 30, 2025, the annual money-weighted rate of return on investments, net of investment expense, for the Stipend Plans trust was 10.83%. The money-weighted rate of return expresses investment performance (net of investment expense) adjusted for the changing amounts invested monthly.

Net OPEB Liability

The City's net OPEB liability is measured as the total OPEB liability, less the OPEB plan's fiduciary net position. The net OPEB liability is measured as of June 30, 2025, using an actuarial valuation as of June 30, 2023, rolled forward to June 30, 2025, using standard update procedures.

Actuarial Assumptions and Assumptions Used to Determine Total OPEB Liability

The total OPEB liability at June 30, 2025, for the PEMHCA Plan was determined using actuarial assumptions as follows:

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions;	
Discount Rate	5.25%
20 Year Municipal Bond	5.20%
Inflation	2.50%
Salary Increases	2.75%; Merit based on CalPERS Experience Study report using data for the period from 2000-2019
Mortality	Derived using CalPERS Membership Data 2000-2019 Experience Study
Healthcare Cost Trend Rate	Non-Medicare – 8.50% for 2025, decreasing to an ultimate rate of 3.45% in 2076 Medicare (Non-Kaiser) 7.50% or (Kaiser) 6.25% for 2025, decreasing to an ultimate rate of 3.45% in 2076
PEMHCA Minimum Increase	3.50%
PEMHCA Participation	Actives – 60% if covered, 20% if waived Retirees – 100% if covered, 5% re-elect at 65 if waived

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLAN (Continued)

The total OPEB liability at June 30, 2025, for Stipend Plans were determined using actuarial assumptions as follows:

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions;	
Discount Rate	5.22%-5.25%
Expected Lon-Term Rate of	5.25%
Return on Investments	
20 Year Municipal Bond	5.20%
Inflation	2.50%
Salary Increases	2.75%; Merit based on CalPERS Experience Study
Mortality	report using data for the period from 2000-2019
Stipend Participation	Derived using CalPERS Membership Data
	2000-2019 Experience Study
Stipend Participation	
Stipend Participation	3.50%100% if eligible
Maximum Stipend Increases	0.00%-3.00%

Change of Assumptions

The 20-Year Municipal Bond rate of return increased from 3.93% to 5.20%. The discount rate for the PEMHCA Plan remained at 5.25%. The change of discount rates for the Stipend Plans are as follows: from 4.40% to 5.22% for Fire, from 5.15% to 5.25% for Maintenance, from 5.20 percent to 5.24 percent for Miscellaneous, and remained at 5.25% for Police. PEMHCA minimum increase assumption remained the same at 3.50%.

Discount Rate

The discount rate used to measure the total OPEB liability for the PEMHCA Plan is 5.25%. The municipal bond rate was used as the discount rate as the City has established a tax-qualified irrevocable trust for the PEMHCA Plan and is pre-funding the plan.

The discount rates used to measure the total OPEB liability for the Stipend Plans are as follows: 5.22% for Fire, 5.25% for Maintenance, 5.24% for Miscellaneous, 5.25% for Bus Operators, 5.25% for Police Technical, and 5.25% for Police. The projection of cash flows used to determine the discount rates assumed that the City will make its required contributions on time and as scheduled in all future years. It was determined that several of the Stipend Plans fiduciary net position were projected to be insufficient to make all projected future benefit payments of current plan members. Thus, both the municipal bond rate and long-term expected rate of return on investments were used in the calculation of the discount rates for those Stipend Plans.

The expected rate of return on municipal bonds is 5.20% based on the Bond Buyer 20-Bond GO Index. The long-term expected rate of return on investments for the Stipend Plans is 5.25%. Using historical returns of all asset classes, expected compound geometric were calculated using a building-block approach.

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLAN (Continued)

The long-term expected rate of return by asset class and the target allocation are as follows:

Asset Class	Target Allocation		Long-Term Expected Real Rate of Return ¹
	Fire	Maintenance, Miscellaneous, Bus Operators, Police Technical, Police	
Domestic Equity	33.0%	33.0%	4.29%
International Equity	17.0%	17.0%	4.67%
Fixed Income	50.0%	49.0%	0.78%
Cash	0.0%	1.0%	-0.50%

(1) An expected inflation of 2.50% used for this period.

Changes in the Net OPEB Liability

The changes in the Net OPEB Liability for the PEMHCA Plan are as follows (dollars in thousands):

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2024	\$ 17,755	\$ 12,288	\$ 5,467
Changes during the measurement period:			
Service cost	665	-	665
Interest on the total OPEB liability	947	-	947
Differences between expected and actual experience	-	-	-
Changes in assumptions	-	-	-
Contributions - employer	-	776	(776)
Investment income	-	1,219	(1,219)
Administrative expenses	-	(10)	10
Benefit payments	(770)	(770)	0
Net changes	842	1,215	(373)
Balance at June 30, 2025	\$ 18,597	\$ 13,503	\$ 5,094

The changes in the Net OPEB Liability for the Stipend Plans are as follows (dollars in thousands):

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2024	\$ 72,900	\$ 44,757	\$ 28,143
Changes during the measurement period:			
Service cost	2,350	-	2,350
Interest on the total OPEB liability	3,554	-	3,554
Changes in benefit terms	977	-	977
Changes in assumptions	(4,509)	-	(4,509)
Contributions - employer	-	3,495	(3,495)
Investment income	-	4,658	(4,658)
Administrative expenses	-	(45)	45
Benefit payments	(3,043)	(3,043)	-
Net changes	(671)	5,065	(5,736)
Balance at June 30, 2025	\$ 72,229	\$ 49,822	\$ 22,407

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLAN (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate are as follows (dollars in thousands):

	Discount Rate -1 %	Current Discount Rate	Discount Rate +1 %
PEMHCA Plan	\$ 7,626	\$ 5,094	\$ 3,005
Stipend Plans	33,230	22,407	13,619

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a healthcare cost trend rates that is one percentage point lower or one percentage point higher than the current rate are as follows (dollars in thousands):

	Healthcare Trend Rates -1 %	Current Healthcare Trend Rates	Healthcare Trend Rates +1 %
PEMHCA Plan	\$ 2,431	\$ 5,094	\$ 8,434
Stipend Plans	22,407	22,407	22,407

OPEB Expenses and Deferred Outflows/Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2025, the City recognized total OPEB income of \$1,421,000, including an OPEB income of \$1,104,000 for the PEMHCA Plan and an OPEB income of \$316,000 for the Stipend Plans.

The City reported deferred outflows of resources and deferred inflows of resources related to OPEB by sources for the fiscal year ended June 30, 2025, as follows (dollars in thousands):

	PEMHCA Plan		Stipend Plans	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ -	\$ 3,070	\$ 2,328	\$ 892
Changes in assumptions	517	6,949	3,333	21,244
Net Differences between Projected and Actual Earnings	-	459	-	1,886
Total	\$ 517	\$ 10,478	\$ 5,661	\$ 24,022

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLAN (Continued)

As of June 30, 2025, net amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows (dollars in thousands):

Fiscal Year Ending June 30,	PEMHCA Plan	Stipend Plans	Total
2026	\$ (2,286)	\$ (3,839)	\$ (6,125)
2027	(2,596)	(4,499)	(7,095)
2028	(2,372)	(4,177)	(6,549)
2029	(1,319)	(3,817)	(5,136)
2030	(1,157)	(792)	(1,949)
Thereafter	(231)	(1,238)	(1,469)
Total	<u>\$ (9,961)</u>	<u>\$ (18,362)</u>	<u>\$ (28,323)</u>

Financial Information of the Trust Fund for the PEMHCA Plan and the Stipend Plans

Condensed statements of net position and statements of changes in net position of the trust fund for the City's PEMHCA plan and stipend plans as of June 30, 2025, are presented below.

	Stipend Fund						PEMHCA	Total
	Fire SR Firefighters	Maintenance and USO OE3	Miscellaneous SRCEA	Bus Operators SEIU	Police Technical SEIU	Police	Plan	OPEB Trust Funds
Assets:								
Investments held in trust	\$ 17,340	\$ 6,360	\$ 9,091	\$ 1,473	\$ 659	\$ 14,626	\$ 13,504	\$ 63,053
Contributions receivable	100	24	57	7	5	78	-	271
Interest receivable	1	-	-	-	-	1	-	2
Total assets	<u>17,441</u>	<u>6,384</u>	<u>9,148</u>	<u>1,480</u>	<u>664</u>	<u>14,705</u>	<u>13,504</u>	<u>63,326</u>
Net position	<u>\$ 17,441</u>	<u>\$ 6,384</u>	<u>\$ 9,148</u>	<u>\$ 1,480</u>	<u>\$ 664</u>	<u>\$ 14,705</u>	<u>\$ 13,504</u>	<u>\$ 63,326</u>
Additions:								
Employer contributions	\$ 1,239	\$ 316	\$ 751	\$ 100	\$ 61	\$ 1,028	\$ -	\$ 3,495
Net investment income	1,654	617	867	145	65	1,396	1,216	5,960
Total additions	<u>2,893</u>	<u>933</u>	<u>1,618</u>	<u>245</u>	<u>126</u>	<u>2,424</u>	<u>1,216</u>	<u>9,455</u>
Deductions:								
Benefit payments	965	345	419	58	35	758	-	2,580
Administration	210	84	113	16	8	163	-	594
Total deductions	<u>1,175</u>	<u>429</u>	<u>532</u>	<u>74</u>	<u>43</u>	<u>921</u>	<u>-</u>	<u>3,174</u>
Changes in net position	1,718	504	1,086	171	83	1,503	1,216	6,281
Net position, beginning of year	15,723	5,880	8,062	1,309	581	13,202	12,288	57,045
Net position, end of year	<u>\$ 17,441</u>	<u>\$ 6,384</u>	<u>\$ 9,148</u>	<u>\$ 1,480</u>	<u>\$ 664</u>	<u>\$ 14,705</u>	<u>\$ 13,504</u>	<u>\$ 63,326</u>

NOTE 10 –JOINT VENTURES

Sonoma County Waste Management Agency

The City participates in the Sonoma County Waste Management Agency (SCWMA), with Sonoma County (County) and the nine other cities in the County. Each member of the joint venture has a representative on the Board of Directors. The Board of Directors is responsible for governing the joint venture as a separate entity. The Board of Directors, or a designee, is responsible for the preparation of an annual budget, assessing fees, and entering into contracts and is authorized to sue and become obligated when sued. The purpose of SCWMA is to conduct a yard waste composting, wood waste recovery system, household hazardous material recovery program, and a public education program in the County.

NOTE 10 – JOINT VENTURES (Continued)

The expenses of SCWMA are primarily funded by dumping fees collected when reusable resources are disposed of at the County landfill site. Funding for SCWMA also comes from the sale of composted and recycled products. No direct funding is required of the members participating in the joint venture.

A summary of audited financial information for SCWMA as of and for the fiscal year ended June 30, 2024 (the most current available audited financial information) is as follows (amounts in thousands).

Total assets	\$	16,296
Total liabilities		3,504
Net position	\$	12,792
Total revenues	\$	13,969
Total expenses		12,116
Change in net position	\$	1,853

Complete financial statements for SCWMA can be obtained from Sonoma County Waste Management Agency, 2300 County Center Drive, Suite B 100, Santa Rosa, CA 95403.

Sonoma County Public Safety Consortium

A Joint Powers Agreement was established to create a separate public agency effective July 1, 2008, to operate, maintain, and improve a public safety communication and data management system comprised of Computer Aided Dispatch (CAD), Records Management System (RMS), and Mobile Data Computing (MDC) technology. The Sonoma County Public Safety Consortium (SCPSC) members are the cities of Cotati, Petaluma, Rohnert Park, Santa Rosa, Sonoma, Town of Windsor, Redwood Empire Dispatch Communications Authority (REDCOM), the Santa Rosa Junior College (SRJC) and the County. In addition to the SCPSC members, other public safety entities have limited access to the integrated CAD and RMS as non-affiliated agencies. As a member, the City pays its proportionate share of the total costs incurred by SCPSC. The City paid \$1,424,762 during the fiscal year ended June 30, 2025.

A summary of audited financial information for SCPSC as of and for fiscal year ended June 30, 2023 (the most current available audited financial information) is as follows (amounts in thousands).

Total assets	\$	8,285
Total liabilities		1,960
Net position	\$	6,325
Total revenues	\$	3,573
Total expenses		3,774
Change in net position	\$	(201)

Complete financial statements for SCPSC can be obtained from Sonoma County Public Safety Consortium, 585 Fiscal Drive, Suite 100, Santa Rosa, CA 95403.

NOTE 10 – JOINT VENTURES (Continued)

Sonoma County Library

A Joint Powers Agreement was established to create a distinct public entity, apart from the parties to the agreement, effective January 27, 1975, and amended August 1, 2014. The purpose of the agreement is to consolidate existing public library services and continue the operation of free public library services throughout the County. The members of the Sonoma County Library are the County, the Town of Windsor, and the cities of Santa Rosa, Cloverdale, Healdsburg, Petaluma, Rohnert Park, Cotati, Sebastopol, and Sonoma. The Library Commission is the governing and administrative body of the Sonoma County Library. The Library Commission is responsible for operational, administrative, and fiscal oversight of the library, adopting an annual budget, issuing debt and/or levying taxes when approved and all other duties consistent with the Joint Powers Agreement and applicable law. Each member of the participating library has an appointed Commissioner. In addition, the County and the City have one jointly appointed Commissioner.

A summary of audited financial information for the Sonoma County Library at and for the fiscal year ended June 30, 2024, (the most current available audited financial information) is as follows (amounts in thousands).

Total assets and deferred outflows of resources	\$	73,956
Total liabilities and deferred inflows of resources		<u>34,599</u>
Net position	\$	<u>39,357</u>
Total revenues	\$	46,336
Total expenses		<u>45,103</u>
Change in net position	\$	<u>1,233</u>

Complete financial statements for the Sonoma County Library can be obtained online at www.sonomalibrary.org.

NOTE 11 – SELF-INSURANCE

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters; unemployment coverage and providing health benefits to employees, and their dependents. The City is self-insured for its liability insurance, workers' compensation insurance, and unemployment benefits. The City has chosen to establish a risk financing internal service fund where assets are set aside for claim settlements associated with the above risks of loss up to certain limits. Excess coverage for liability insurance is provided by the California Joint Powers Risk Management Authority (CJPRMA) and the California Transit Systems Joint Powers Insurance Authority (CalTIP), public joint powers authorities whose purpose is to develop and fund programs of excess insurance for their member entities. The City obtains health insurance from Teamsters Welfare and Trust, public entity health insurance pools, CalPERS for its safety employees and Public Risk Innovation, Solutions and Management (PRISM) for miscellaneous employees. The PRISM health insurance is a pooled program with joint purchased excess insurance for claims over \$500,000. The City pays premiums, which are reviewed annually, to the PRISM health program. Excess coverage for workers' compensation is provided by PRISM, a public joint powers authority, after payment of a self-insurance retention (SIR).

NOTE 11 – SELF-INSURANCE (Continued)

Self-insurance coverage is as follows:

<u>Type of Coverage</u>	<u>Self Insurance</u>	<u>Authority</u>	<u>Authorities coverage</u>
General Liability	Up to \$1,000,000 per occurrence	CJPRMA	\$1,000,000 to \$40,000,000 per occurrence
Transit Liability	Up to \$250,000 per occurrence	Cal TIP	\$250,000 to \$20,000,000 per occurrence
Workers Compensation	Up to \$500,000 per occurrence	PRISM	\$500,000 to statutory limits
Property Coverage	Deductible of \$250,000	CJPRMA	\$400,000,000 All Risk Combined Limits for all members, includes \$100,000,000 for Flood
Earthquake Coverage	5% of total value per unit at time of loss, minimum \$25,000 deductible	CJPRMA/ Alliant	\$27,500,000 dedicated limit to Santa Rosa: scheduled properties
Health Benefits	Premium based	PRISM for Self-Insured Programs	Reserve levels are included in pool premiums
		Teamsters	Reserve levels are included in pool premiums
		CalPERS for Safety employees	Reserve levels are included in pool premiums
<u>Other Insurance</u>			
Crime Bond	\$25,000 deductible	PRISM	\$10,000,000 per occurrence
Pollution Liability	\$250,000 SIR	CJPRMA	\$2,000,000 per occurrence
Cyber Liability	\$100,000 SIR	CJPRMA	\$2,000,000 per occurrence

Amounts in excess of these limits are self-insured. Property damage risks are covered on an occurrence basis up to \$400 million by pooled and commercial insurance purchased from independent third parties through the CJPRMA. All properties are insured at full replacement values. For the past three fiscal years, no settlement amounts have exceeded commercial or Authorities insurance coverage.

The City, along with other Bay Area governments, is a member of the CJPRMA, a public-entity risk pool. CJPRMA provides excess liability and property damage coverage protection for the member agencies. CJPRMA is governed by a Board of Directors, which comprises officials appointed by each participating member. Premiums paid to CJPRMA are subject to possible refund based on the results of actuarial studies and approval by CJPRMA's Board of Directors. In the opinion of the City's management, premiums paid represent the best available estimate of the ultimate cost of the City's participation in CJPRMA and, accordingly, the accompanying basic financial statements of the City include no provisions for possible refunds or additional assessments. Actual refunds and assessments arising from retrospective premium adjustments relating to prior loss years will be recorded in the City's basic financial statements in the year they become known. For the fiscal year ended June 30, 2025, the City paid premiums to CJPRMA of \$5.1 million, which are reported in the insurance internal service fund in the accompanying basic financial statements.

The City, along with other California governments, is a member of the California Transit Indemnity Pool (CalTIP), a public-entity risk pool. CalTIP provides liability coverage and excess insurance for transit related services to its participating members. CalTIP is governed by a Board of Directors, which comprises officials appointed by each participating member. Premiums paid to CalTIP are subject to retroactive assessments. Actual refunds and assessments arising from retrospective premium adjustments relating to prior loss years will be recorded in the City's basic financial statements in the year they become known. For the fiscal year ended June 30, 2025, the City paid premiums to CalTIP of \$457,533, which are included in the internal service funds in the accompanying basic financial statements.

NOTE 11 – SELF-INSURANCE (Continued)

The unpaid claims liabilities included in the Insurance internal service fund are based on the results of actuarial studies and include amounts for incurred but not reported (IBNR) claims. IBNR claims are claims that are incurred through the end of the fiscal year but not reported until after that date and the development of known claims over time. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors. Allocated claims adjustment expenses are included in the claims liability balance. The actuarial determined liability assumes a 3.0% discount rate for workers' compensation claims and 2.5% for general liability claims. It is the City's practice to obtain full actuarial studies annually. Annual premiums are charged by the Insurance internal service fund using various allocation methods that include actual cost, trends in claims experience and number of participants.

Changes in the balances of claims liabilities during the past two fiscal years are as follows (amounts in thousands):

	Fiscal year ended June 30	
	2025	2024
Unpaid claims, beginning of fiscal year	\$ 25,723	\$ 26,180
Incurred claims and changes in estimates	7,937	5,876
Claim payments net of subrogation	(4,830)	(6,333)
Unpaid claims, end of fiscal year	<u>\$ 28,830</u>	<u>\$ 25,723</u>

NOTE 12 – RELATED PARTY TRANSACTIONS

Contributions to the Authority

During the fiscal year ended June 30, 2025, the City contributed \$987,339 to the Authority for affordable housing and \$162,661 for fair housing. The Authority returned \$1.4 million to the City of unused down payment assistance funds. The contributions to the Authority's Community Development Block Grant (CDBG) program fund of \$4.6 million and \$2.2 million to the HOME program fund are City grants received directly from the U.S. Department of Housing and Urban Development (HUD), which the City has designated the Authority to administer on its behalf.

Administrative Costs

The Authority pays the City for various administrative costs, including personnel costs, incurred by the City on their behalf. The Authority paid the City \$3.3 million for these services for the fiscal year ended June 30, 2025.

NOTE 13 – SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY

On December 29, 2011, the California Supreme Court upheld Assembly Bill x1 26 (AB x1 26) that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City that previously had reported the former Redevelopment Agency within the City's reporting entity as a discretely presented component unit. In June 2012, the Legislature adopted AB 1484, which amended portions of AB x1 26 and added certain new provisions. AB x1 26 and AB 1484 are collectively referred to herein as the "Bill."

NOTE 13 – SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY (Continued)

The Bill provides that upon dissolution of a redevelopment agency, either the city or another unit of local government will agree to serve as the “successor agency” to hold the assets until they are distributed to other units of state and local government. The successor agency is defined as being a separate legal entity from the City. On January 10, 2012, the City Council elected to become the Successor Agency for the former Redevelopment Agency (Successor Agency) in accordance with the Bill as part of City resolution number 28029. The assets and activities of the Successor Agency are reported in the Successor Agency Private-Purpose Trust Fund (a fiduciary fund) in the financial statements of the City.

Subject to the approval of the oversight board and the State of California Department of Finance (DOF), remaining 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).

Successor agencies are allocated property tax revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agencies until all enforceable obligations have been paid in full and all assets have been liquidated.

The following is a summary of changes in capital assets of the Successor Agency for the fiscal year ended June 30, 2025 (amounts in thousands):

	Balance July 1, 2024	Additions	Reductions	Balance June 30, 2025
<i>Capital assets, not being depreciated</i>				
Land	\$ 92	\$ -	\$ -	\$ 92
<i>Capital assets, being depreciated</i>				
Equipment	99	-	-	99
<i>Less accumulated depreciation for:</i>				
Equipment	(99)	-	-	(99)
Total depreciable capital assets, net	-	-	-	-
Total capital assets, net	\$ 92	\$ -	\$ -	\$ 92

Bonds outstanding at June 30, 2025, of the Successor Agency consisted of the following (amounts in thousands):

Type of indebtedness (purpose)	Final Maturity	Installment Amounts	Interest Rates	Original Issue Amount	Outstanding at June 30, 2025
2015A Tax Allocation Refunding Bonds	2033 - 34	\$830-\$2,960	3.375 - 5%	\$ 18,125	\$ 17,295
2015B Tax Allocation Refunding Bonds	2027 - 28	\$1,120-\$2,210	1.04 - 4.2%	21,560	5,435
Total Successor Agency bonds				\$ 39,685	22,730
Plus unamortized premiums					601
Total Successor Agency, net					\$ 23,331

NOTE 13 – SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY (Continued)

The following is a summary of long-term obligation transactions of the Successor Agency for the fiscal year ended June 30, 2025 (amounts in thousands):

	Balance July 1, 2024	Additions	Retirements	Balance June 30, 2025	Amounts Due Within One Year
2015A Tax Allocation Refunding Bonds	\$ 17,295	\$ -	\$ -	\$ 17,295	\$ -
2015B Tax Allocation Refunding Bonds	7,480	-	2,045	5,435	2,120
Plus unamortized premiums	685	-	84	601	83
Total Successor Agency - long-term obligations	<u>\$ 25,460</u>	<u>\$ -</u>	<u>\$ 2,129</u>	<u>\$ 23,331</u>	<u>\$ 2,203</u>

As of June 30, 2025, annual debt service requirements of the Successor Agency's tax allocation refunding bonds to maturity are as follows (amounts in thousands):

Fiscal year ending June 30:	2015A Tax Allocation Refunding Bonds		2015B Tax Allocation Refunding Bonds	
	Principal	Interest	Principal	Interest
2026	\$ -	\$ 722	\$ 2,120	\$ 174
2027	-	722	2,195	91
2028	1,165	692	1,120	23
2029	2,390	604	-	-
2030	2,510	481	-	-
2031-2035	11,230	792	-	-
Total	<u>\$ 17,295</u>	<u>\$ 4,013</u>	<u>\$ 5,435</u>	<u>\$ 288</u>

Events of Default and Acceleration Clauses

Generally, the Successor Agency is considered to be in default if the Successor Agency fails to pay the principal of and interest on the outstanding long-term debt when it becomes due and payable. If an event of default has occurred and is continuing, the principal of the long-term debt, together with the accrued interest, may be declared due and payable immediately.

NOTE 14 – CONTINGENCIES

Litigation and Environmental Matters

The City is directly and indirectly involved in various suits relating principally to claims arising from construction contracts, personal injury, and property damage. In addition, the City has identified several sites within the City's boundary, which require environmental assessment and could result in undetermined cleanup costs. The potential costs to the City related to these environmental sites are highly uncertain, and the determination of the City's liability is dependent on the extent, if any, to which such costs are recoverable from insurance or other parties. As a result, no liability has been accrued by the City relating to these environmental matters as of June 30, 2025.

NOTE 15 – FUND BALANCE AND NET POSITION

The following table provides details on the Restricted Fund Balance for Governmental Funds categories of Public Safety and Other Purposes as of June 30, 2025 (amounts in thousands).

	Total Governmental Funds
Public Safety	
Police	\$ 4,354
Fire	8,634
Total Public Safety	<u>\$ 12,988</u>
Other Purposes	
Section 115 Trust	\$ 13,068
Homeless	4,777
Brownfields Clean Up	878
American Rescue Plan Act	1,582
Community Services Scholarships	523
Mobilehome Rent Stabilization	881
Tourism	1,272
Citywide Public Services	2,938
Miscellaneous Expendable Trust Accounts	644
Total Other Purposes	<u>\$ 26,563</u>

The City reported a deficit net position of \$23 million in its Successor Agency Private-Purpose Trust Fund as a result of having long-term obligations issued for redevelopment purposes for which the related capital assets reside with others. The deficit will decrease as the long-term obligations are paid down with future incremental property tax revenues.

The City reported a deficit net position of \$2.3 million in its Municipal Transit nonmajor enterprise fund due to repayment of prior grant funding and information services fund in the internal service funds of \$831,304, because of the effect of recording subscription-based information technology activity (SBITA).

NOTE 16 – STATE OF GOOD REPAIR (SGR) GRANT

The SGR program provides capital assistance for maintenance, replacement, and rehabilitation projects of high-intensity fixed guideway and bus systems to help agencies maintain assets in a state of good repair. The City received and expended SGR funds of \$29,307 during the fiscal year ended June 30, 2025.

NOTE 17 – LEASES AND SBITAS

As part of normal operations, the City has entered into various lease agreements as either a lessor or lessee for space. Leasing activities are not considered to be the City's primary operation. Rent increases were not taken into consideration unless there was a fixed payment associated. Some contracts have scheduled rent increases based on the Consumer Price Index changes. The City considers these increases to be variable amounts.

NOTE 17 – LEASES AND SBITAS (Continued)

City as Lessor

As a lessor, the City has entered into lease arrangements with various lease terms. The City leases access to space for telecommunication facilities, agricultural facilities, and other purposes. For the fiscal year ended June 30, 2025, the City received an immaterial amount of variable and other payments from these lease arrangements.

Information regarding lease and interest revenues recognized during the fiscal year ended June 30, 2025, as well as lease receivables and lease related deferred inflows of resources as of June 30, 2025, are as follows (in thousands):

	Asset Class	Lease Receivables at June 30, 2025	Deferred Inflows of Resources at June 30, 2025	Lease Revenue for the Year	Lease Interest Revenue for the Year
Governmental Activities	Space	\$ 1,722	\$ 1,600	\$ 229	\$ 73
Business-Type Activities	Space	\$ 5,358	\$ 4,692	\$ 582	\$ 90
Housing Authority	Space	\$ 173	\$ 169	\$ 12	\$ 8

Future minimum lease payments receivable are as follows (dollars in thousands):

Fiscal Year Ending June 30	Governmental Activities		Business-Type Activities		Component Unit - Housing Authority	
	Principal	Interest	Principal	Interest	Principal	Interest
2026	\$ 195	\$ 67	\$ 571	\$ 83	\$ 7	\$ 9
2027	210	59	530	73	8	9
2028	226	49	527	66	9	8
2029	230	40	518	59	10	8
2030	232	30	451	52	11	8
2031-2035	538	57	2,060	156	73	26
2036-2040	91	2	701	27	55	4
Total	<u>\$ 1,722</u>	<u>\$ 304</u>	<u>\$ 5,358</u>	<u>\$ 516</u>	<u>\$ 173</u>	<u>\$ 72</u>

City as Lessee

At June 30, 2025, the City recorded five lease liabilities as lessee.

As a lessee, the City entered into lease arrangements for the right to use spaces and office spaces with various lease terms. The City's Governmental Activities leases three office spaces for our public safety department, two spaces to connect telecommunications and antennas for our public safety department. Business-Type Activities leases space to provide additional public parking for the Railroad Square Municipal Assessment District, and leases golf carts for the Bennet Valley Golf Course.

NOTE 17 – LEASES AND SBITAS (Continued)

Detailed information about lease assets and liabilities as of June 30, 2025, are as follows (in thousands):

	Asset Class	Lease Asset at June 30, 2025	Lease Liability at June 30, 2025
Governmental Activities			
	Space	\$ 1,179	\$ 1,318
	Office Space	334	343
	Total	<u>\$ 1,513</u>	<u>\$ 1,661</u>
Business-Type Activities			
	Space	\$ 349	\$ 374
	Equipment	352	362
	Total	<u>\$ 701</u>	<u>\$ 736</u>

Future minimum lease payments for the lease liabilities are as follows (dollars in thousands):

Fiscal Year Ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2026	\$ 115	\$ 31	\$ 115	\$ 19
2027	123	28	121	14
2028	121	25	126	9
2029	112	21	62	4
2030	91	20	17	4
2031-2035	296	78	99	15
2036-2040	361	41	110	8
2041-2045	420	14	86	2
2046-2050	22	-	-	-
Total	<u>\$ 1,661</u>	<u>\$ 258</u>	<u>\$ 736</u>	<u>\$ 75</u>

Subscription-Based Information Technology (SBITA)

At June 30, 2025, the City has recorded nine SBITA.

The City entered into SBITA arrangements for the right to use IT software, and associated tangible capital assets with various lease terms. Business-Type Activities contract software for public meeting video streaming, to digitize bus times at bus stops, and GIS software.

NOTE 17 – LEASES AND SBITAS (Continued)

Detailed information about IT subscription assets and liabilities as of June 30, 2025, are as follows (in thousands):

	Asset Class	SBITA Asset at June 30, 2025	SBITA Liability at June 30, 2025
Governmental Activities	Software	\$ 3,721	\$ 3,874
Business-Type Activities	Software	152	157

Future minimum lease payments for the SBITA liabilities is as follows (dollars in thousands):

Fiscal Year Ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2026	\$ 762	\$ 186	\$ 44	\$ 6
2027	809	146	45	4
2028	679	107	48	2
2029	569	74	20	-
2030	579	42	-	-
2031-2035	476	17	-	-
Total	\$ 3,874	\$ 572	\$ 157	\$ 12

NOTE 18 – RESTATEMENT

During the fiscal year ended June 30, 2025, the City implemented GASB Statement No. 101, Compensated Absences. Previously under GASB Statement No. 16, Accounting for Compensated Absences, the City accrued the total outstanding vacation leave for all employees, and any compensated absences accumulated in place of payout for overtime worked.

The primary impact of GASB statement No. 101 is for sick leave, which is accounted for in different ways due to different City labor union agreements. The City assessed the sick leave liability by evaluating the portion likely to be settled through a cash payment at retirement. For all employees having served 10 or more years with the City, they are eligible for a cash settlement at retirement. Upon retirement, 50% of their unused sick time can be converted up to either 600, 714, or 1,000 hours, depending on the unit. There are also units that will only receive a payout of 25% of their FY unused accrual. The City determined the sick leave liability as an estimate of the portion likely to be used during active service plus 50% of the remaining balance up to their unit maximums plus those who would only receive 25% of their annual accrual.

The City restated beginning net position as of July 1, 2024, to properly reflect the change in accounting related to the implementation of GASB statement No. 101. The beginning net position was decreased by \$11,236 thousand to reflect the cumulative effect of accruing the previously unrecognized sick leave liability.

NOTE 18 – RESTATEMENT (continued)

The following is a summary of the restatement (amounts in thousands):

	June 30, 2024 Ending Net Position, as Previously Reported	Change in Accounting Principle (a)	June 30, 2024 Ending Net Position, as Restated
Government-Wide			
Governmental Activities	\$ 405,075	\$ (9,335)	\$ 395,740
Business-Type Activities	642,841	(1,901)	640,940
Total Primary Government	\$ 1,047,916	\$ (11,236)	\$ 1,036,680
Proprietary Funds			
Enterprise Funds			
Major funds			
Water utility	\$ 231,616	\$ (1,436)	\$ 230,180
Nonmajor funds			
Parking	15,008	(152)	14,856
Municipal Transit	(518)	(314)	(832)
	\$ 14,490	\$ (466)	\$ 14,024
Internal Service Funds			
Equipment and replacement	\$ 38,973	\$ (290)	\$ 38,683
Insurance	4,726	(16)	4,710
Information services	(35)	(321)	(356)
	\$ 43,664	\$ (627)	\$ 43,037

(a) Prior period adjustment due to implementing GASB Statement No. 101, *Compensated Absences*.

Required Supplementary Information



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**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
PENSION PLANS
(Amounts in Thousands)**

Miscellaneous Plan:

	2025	2024	2023	2022	2021
Measurement Period	2024	2023	2022	2021	2020
TOTAL PENSION LIABILITY:					
Service Cost	\$ 14,519	\$ 13,757	\$ 13,936	\$ 13,341	\$ 13,314
Interest on Total Pension Liability	60,523	58,555	56,293	55,278	53,408
Changes of Benefit Terms	-	785	-	-	-
Changes of Assumptions	-	-	24,922	-	-
Difference between Expected and Actual Experience	4,955	8,010	(8,231)	(502)	1,379
Benefit Payments, Including Refunds of Employee Contributions	(50,662)	(47,584)	(44,702)	(41,085)	(39,047)
	<u>29,335</u>	<u>33,523</u>	<u>42,218</u>	<u>27,032</u>	<u>29,054</u>
Total Pension Liability - Beginning	890,267	856,744	814,526	787,494	758,440
Total Pension Liability - Ending (a)	<u>\$ 919,602</u>	<u>\$ 890,267</u>	<u>\$ 856,744</u>	<u>\$ 814,526</u>	<u>\$ 787,494</u>
PLAN FIDUCIARY NET POSITION					
Contributions - Employer	\$ 24,442	\$ 24,203	\$ 22,276	\$ 20,346	\$ 21,904
Contributions - Employee	8,122	7,252	6,837	6,933	7,019
Net Investment Income	62,587	39,082	(52,772)	131,659	28,310
Other Miscellaneous Income	-	-	-	-	-
Benefit Payments, Including Refunds of Employee Contributions	(50,662)	(47,584)	(44,702)	(41,085)	(39,047)
Plan to Plan Resource Movement	-	11	-	-	-
Administrative Expense	(533)	(465)	(437)	(584)	(800)
Other Miscellaneous Income/(Expense)	-	-	-	-	-
	<u>43,956</u>	<u>22,499</u>	<u>(68,798)</u>	<u>117,269</u>	<u>17,386</u>
Plan Fiduciary Net Position - Beginning	655,614	633,115	701,913	584,644	567,258
Plan Fiduciary Net Position - Ending (b)	<u>699,570</u>	<u>655,614</u>	<u>633,115</u>	<u>701,913</u>	<u>584,644</u>
Plan Net Pension Liability - (a)-(b)	<u>\$ 220,032</u>	<u>\$ 234,653</u>	<u>\$ 223,629</u>	<u>\$ 112,613</u>	<u>\$ 202,850</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	76.07%	73.64%	73.90%	86.17%	74.24%
Covered Payroll	\$ 75,898	\$ 70,298	\$ 70,100	\$ 73,509	\$ 71,008
Plan Net Pension Liability as a Percentage of Covered Payroll	289.90%	333.80%	319.01%	153.20%	285.67%

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

PENSION PLANS

(Amounts in Thousands)

Miscellaneous Plan:

	2020	2019	2018	2017	2016
Measurement Period	2019	2018	2017	2016	2015
TOTAL PENSION LIABILITY:					
Service Cost	\$ 13,439	\$ 13,524	\$ 13,181	\$ 11,743	\$ 11,562
Interest on Total Pension Liability	51,368	49,005	47,176	45,622	43,469
Changes of Benefit Terms	-	-	-	-	-
Changes of Assumptions	-	(5,368)	37,252	-	(10,104)
Difference between Expected and Actual Experience	5,864	3,589	(1,374)	814	(8,144)
Benefit Payments, Including Refunds of Employee Contributions	(36,181)	(34,402)	(31,946)	(29,098)	(26,489)
	34,490	26,348	64,289	29,081	10,294
Total Pension Liability - Beginning	723,950	697,602	633,313	604,232	593,938
Total Pension Liability - Ending (a)	\$ 758,440	\$ 723,950	\$ 697,602	\$ 633,313	\$ 604,232
PLAN FIDUCIARY NET POSITION					
Contributions - Employer	\$ 16,516	\$ 14,234	\$ 13,883	\$ 12,294	\$ 11,012
Contributions - Employee	6,860	6,692	5,737	5,515	4,931
Net Investment Income	35,530	43,348	52,821	2,532	10,861
Benefit Payments, Including Refunds of Employee Contributions	(36,181)	(34,402)	(31,946)	(29,098)	(26,489)
Plan to Plan Resource Movement	-	(1)	-	-	102
Administrative Expense	(389)	(806)	(705)	(297)	(548)
Other Miscellaneous Income/(Expense)	1	(1,532)	-	-	-
	22,337	27,533	39,790	(9,054)	(131)
Plan Fiduciary Net Position - Beginning	544,921	517,388	477,598	486,652	486,783
Plan Fiduciary Net Position - Ending (b)	567,258	544,921	517,388	477,598	486,652
Plan Net Pension Liability - (a)-(b)	\$ 191,182	\$ 179,029	\$ 180,214	\$ 155,715	\$ 117,580
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	74.79%	75.27%	74.17%	75.41%	80.54%
Covered Payroll	\$ 70,617	\$ 69,659	\$ 66,292	\$ 64,232	\$ 61,674
Plan Net Pension Liability as a Percentage of Covered Payroll	270.73%	257.01%	271.85%	242.43%	190.65%

Notes to Schedule of Changes in Net Pension Liability and Related Ratios:

Changes of Benefit Terms: The figures above generally include any liability impact that may have resulted from voluntary benefit changes that occurred on or before the Measurement Date. However, offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes) that occurred after the Valuation Date are not included in the figures above, unless the liability impact is deemed to be material by the plan actuary.

In 2022, SB 1168 increased the standard retiree lump sum death benefit from \$500 to \$2,000 for any death occurring on or after July 1, 2023. The impact is included in the changes of benefit terms.

Changes of Assumptions: There were no assumption changes in 2023 or 2024. Effective with the June 30, 2021, valuation date (June 30, 2022, measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. In addition, demographic assumptions and the price inflation assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. The accounting discount rate was 7.15% for measurement dates June 30, 2017, through June 30, 2021, and 7.65% for measurement dates June 30, 2015, through June 30, 2016.

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
PENSION PLANS
(Amounts in Thousands)

Safety Police Plan:

	Fiscal Year Ended June 30,				
	2025	2024	2023	2022	2021
Measurement Period	2024	2023	2022	2021	2020
TOTAL PENSION LIABILITY:					
Service Cost	\$ 7,440	\$ 7,168	\$ 7,083	\$ 6,704	\$ 6,770
Interest on Total Pension Liability	27,228	26,133	24,740	23,837	22,709
Changes of Benefit Terms	-	137	-	-	-
Changes of Assumptions	-	-	13,743	-	-
Difference between Expected and Actual Experience	3,850	8,193	(1,002)	3,217	1,178
Benefit Payments, Including Refunds of Employee Contributions	(21,902)	(20,930)	(19,085)	(17,515)	(16,270)
Net Change in Total Pension Liability	16,616	20,701	25,479	16,243	14,387
Total Pension Liability - Beginning	397,994	377,293	351,814	335,571	321,184
Total Pension Liability - Ending (a)	\$ 414,610	\$ 397,994	\$ 377,293	\$ 351,814	\$ 335,571
PLAN FIDUCIARY NET POSITION					
Contributions - Employer	\$ 14,733	\$ 13,572	\$ 12,270	\$ 11,165	\$ 10,767
Contributions - Employee	3,510	3,033	3,015	2,976	2,928
Net Investment Income	24,468	15,134	(20,274)	50,262	10,685
Benefit Payments, Including Refunds of Employee Contributions	(21,902)	(20,930)	(19,085)	(17,515)	(16,270)
Plan to Plan Resource Movement	-	(1)	-	-	-
Administrative Expense	(206)	(178)	(166)	(220)	(300)
Other Miscellaneous Income /(Expense)	-	-	-	-	-
Net Change in Fiduciary Net Position	20,603	10,630	(24,240)	46,668	7,810
Plan Fiduciary Net Position - Beginning	253,658	243,028	267,268	220,600	212,790
Plan Fiduciary Net Position - Ending (b)	274,261	253,658	243,028	267,268	220,600
Plan Net Pension Liability - (a)-(b)	\$ 140,349	\$ 144,336	\$ 134,265	\$ 84,546	\$ 114,971
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.15%	63.73%	64.41%	75.97%	65.74%
Covered Payroll	\$ 24,424	\$ 23,106	\$ 22,542	\$ 22,604	\$ 22,479
Plan Net Pension Liability as a Percentage of Covered Payroll	574.64%	624.67%	595.62%	374.03%	511.46%

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
PENSION PLANS
(Amounts in Thousands)

Safety Police Plan:

	Fiscal Year Ended June 30,				
	2020	2019	2018	2017	2016
Measurement Period	2019	2018	2017	2016	2015
TOTAL PENSION LIABILITY:					
Service Cost	\$ 6,925	\$ 6,756	\$ 6,349	\$ 5,320	\$ 5,067
Interest on Total Pension Liability	21,713	20,363	19,469	18,454	17,370
Changes of Benefit Terms	-	-	-	-	-
Changes of Assumptions	-	(1,015)	16,577	-	(4,338)
Difference between Expected and Actual Experience	6,332	1,107	3,205	3,713	(3,821)
Benefit Payments, Including Refunds of Employee Contributions	(15,336)	(13,981)	(13,253)	(12,753)	(11,400)
Net Change in Total Pension Liability	19,634	13,230	32,347	14,734	2,878
Total Pension Liability - Beginning	301,550	288,320	255,973	241,239	238,361
Total Pension Liability - Ending (a)	\$ 321,184	\$ 301,550	\$ 288,320	\$ 255,973	\$ 241,239
PLAN FIDUCIARY NET POSITION					
Contributions - Employer	\$ 8,580	\$ 7,583	\$ 7,523	\$ 6,395	\$ 6,077
Contributions - Employee	3,022	2,938	2,585	2,466	1,845
Net Investment Income	13,411	16,171	19,379	898	3,973
Benefit Payments, Including Refunds of Employee Contributions	(15,336)	(13,981)	(13,253)	(12,753)	(11,400)
Plan to Plan Resource Movement	-	-	-	-	(31)
Administrative Expense	(145)	(298)	(259)	(109)	(201)
Other Miscellaneous Income /(Expense)	-	(566)	-	-	-
Net Change in Fiduciary Net Position	9,532	11,847	15,975	(3,103)	263
Plan Fiduciary Net Position - Beginning	203,258	191,411	175,436	178,539	178,276
Plan Fiduciary Net Position - Ending (b)	212,790	203,258	191,411	175,436	178,539
Plan Net Pension Liability - (a)-(b)	\$ 108,394	\$ 98,292	\$ 96,909	\$ 80,537	\$ 62,700
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.25%	67.40%	66.39%	68.54%	74.01%
Covered Payroll	\$ 22,543	\$ 21,973	\$ 20,661	\$ 19,184	\$ 18,100
Plan Net Pension Liability as a Percentage of Covered Payroll	480.83%	447.33%	469.04%	419.81%	346.41%

Notes to Schedule of Changes in Net Pension Liability and Related Ratios:

Changes of Benefit Terms: The figures above generally include any liability impact that may have resulted from voluntary benefit changes that occurred on or before the Measurement Date. However, offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes) that occurred after the Valuation Date are not included in the figures above, unless the liability impact is deemed to be material by the plan actuary.

In 2022, SB 1168 increased the standard retiree lump sum death benefit from \$500 to \$2,000 for any death occurring on or after July 1, 2023. The impact, if any, is included in the changes in benefit terms.

Changes of Assumptions: There were no assumption changes in 2023 or 2024. Effective with the June 30, 2021, valuation date (June 30, 2022, measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. In addition, demographic assumptions and the price inflation assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. The accounting discount rate was 7.15% for measurement dates June 30, 2017, through June 30, 2021, and 7.65% for measurement dates June 30, 2015, through June 30, 2016.

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
PENSION PLANS
(Amounts in Thousands)

Safety Fire Plan:

	Fiscal Year Ended June 30,				
	2025	2024	2023	2022	2021
Measurement Period	2024	2023	2022	2021	2020
TOTAL PENSION LIABILITY:					
Service Cost	\$ 5,772	\$ 5,409	\$ 5,256	\$ 4,975	\$ 4,691
Interest on Total Pension Liability	20,162	19,420	18,343	17,673	16,906
Changes of Benefit Terms	-	103	-	-	-
Changes of Assumptions	-	-	9,091	-	-
Difference between Expected and Actual Experience	928	6,354	444	1,456	(338)
Benefit Payments, Including Refunds of Employee Contributions	(15,460)	(14,894)	(14,171)	(13,144)	(11,790)
Net Change in Total Pension Liability	11,402	16,392	18,963	10,960	9,469
Total Pension Liability - Beginning	296,121	279,729	260,766	249,806	240,337
Total Pension Liability - Ending (a)	\$ 307,523	\$ 296,121	\$ 279,729	\$ 260,766	\$ 249,806
PLAN FIDUCIARY NET POSITION					
Contributions - Employer	\$ 10,044	\$ 9,457	\$ 8,504	\$ 7,874	\$ 8,032
Contributions - Employee	2,729	2,478	2,269	2,208	2,239
Net Investment Income	19,196	11,780	(15,909)	39,453	8,331
Benefit Payments, Including Refunds of Employee Contributions	(15,460)	(14,894)	(14,171)	(13,144)	(11,790)
Plan to Plan Resource Movement	-	(9)	-	-	-
Administrative Expense	(161)	(140)	(130)	(173)	(235)
Net Change in Fiduciary Net Position	16,348	8,672	(19,437)	36,218	6,577
Plan Fiduciary Net Position - Beginning	198,612	189,940	209,377	173,159	166,582
Plan Fiduciary Net Position - Ending (b)	214,960	198,612	189,940	209,377	173,159
Plan Net Pension Liability - (a)-(b)	\$ 92,563	\$ 97,509	\$ 89,789	\$ 51,389	\$ 76,647
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.90%	67.07%	67.90%	80.29%	69.32%
Covered Payroll	\$ 20,690	\$ 19,408	\$ 18,435	\$ 18,738	\$ 17,478
Plan Net Pension Liability as a Percentage of Covered Payroll	447.38%	502.42%	487.06%	274.25%	438.53%

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
PENSION PLANS
(Amounts in Thousands)

Safety Fire Plan:

	Fiscal Year Ended June 30,				
	2020	2019	2018	2017	2016
Measurement Period	2019	2018	2017	2016	2015
TOTAL PENSION LIABILITY:					
Service Cost	\$ 4,530	\$ 4,693	\$ 4,414	\$ 3,854	\$ 3,761
Interest on Total Pension Liability	16,264	15,688	14,999	14,568	13,976
Changes of Benefit Terms	-	-	-	-	-
Changes of Assumptions	-	(850)	12,381	-	(3,412)
Difference between Expected and Actual Experience	(1,184)	1,386	(1,736)	(465)	(2,500)
Benefit Payments, Including Refunds of Employee Contributions	(11,320)	(10,795)	(10,098)	(9,903)	(9,297)
Net Change in Total Pension Liability	8,290	10,122	19,960	8,054	2,528
Total Pension Liability - Beginning	232,047	221,925	201,965	193,911	191,383
Total Pension Liability - Ending (a)	\$ 240,337	\$ 232,047	\$ 221,925	\$ 201,965	\$ 193,911
PLAN FIDUCIARY NET POSITION					
Contributions - Employer	\$ 6,385	\$ 5,609	\$ 5,712	\$ 5,016	\$ 4,690
Contributions - Employee	2,009	2,042	1,863	1,703	1,582
Net Investment Income	10,470	12,731	15,209	715	3,083
Benefit Payments, Including Refunds of Employee Contributions	(11,320)	(10,795)	(10,098)	(9,903)	(9,297)
Plan to Plan Resource Movement	-	-	-	-	-
Administrative Expense	(113)	(234)	(203)	(86)	(158)
Net Change in Fiduciary Net Position	7,431	9,353	12,483	(2,555)	(100)
Plan Fiduciary Net Position - Beginning	159,151	150,243	137,760	140,315	140,415
Plan Fiduciary Net Position - Ending (b)	166,582	159,596	150,243	137,760	140,315
Plan Net Pension Liability - (a)-(b)	\$ 73,755	\$ 72,451	\$ 71,682	\$ 64,205	\$ 53,596
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.31%	68.78%	67.70%	68.21%	72.36%
Covered Payroll	\$ 16,847	\$ 17,300	\$ 16,094	\$ 15,702	\$ 15,171
Plan Net Pension Liability as a Percentage of Covered Payroll	437.79%	418.79%	445.40%	408.90%	353.28%

Notes to Schedule of Changes in Net Pension Liability and Related Ratios:

Changes of Benefit Terms: The figures above generally include any liability impact that may have resulted from voluntary benefit changes that occurred on or before the Measurement Date. However, offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes) that occurred after the Valuation Date are not included in the figures above, unless the liability impact is deemed to be material by the plan actuary.

In 2022, SB 1168 increased the standard retiree lump sum death benefit from \$500 to \$2,000 for any death occurring on or after July 1, 2023. The impact, if any, is included in the changes in benefit terms.

Changes of Assumptions: There were no assumption changes in 2023 or 2024. Effective with the June 30, 2021, valuation date (June 30, 2022, measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. In addition, demographic assumptions and the price inflation assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. The accounting discount rate was 7.15% for measurement dates June 30, 2017, through June 30, 2021, and 7.65% for measurement dates June 30, 2015, through June 30, 2016.

**SCHEDULE OF CONTRIBUTIONS
PENSION PLANS
(Amounts in Thousands)**

Miscellaneous Plan:

	2025	2024	2023	2022	2021
Actuarially Determined Contribution (ADC)	\$ 27,383	\$ 24,442	\$ 24,203	\$ 22,276	\$ 20,346
Contributions in Relation to the ADC	(27,383)	(24,442)	(24,203)	(22,276)	(20,346)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 78,023	\$ 75,898	\$ 70,298	\$ 70,100	\$ 73,509
Contribution as a Percentage of Covered Payroll	35.10%	32.20%	34.43%	31.78%	27.68%

Safety Police Plan:

	2025	2024	2023	2022	2021
Actuarially Determined Contribution (ADC)	\$ 16,807	\$ 14,734	\$ 13,572	\$ 12,270	\$ 11,165
Contributions in Relation to the ADC	(16,807)	(14,734)	(13,572)	(12,270)	(11,165)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 22,543	\$ 24,424	\$ 23,106	\$ 22,542	\$ 22,604
Contribution as a Percentage of Covered Payroll	74.56%	60.32%	58.74%	54.43%	49.39%

Safety Fire Plan:

	2025	2024	2023	2022	2021
Actuarially Determined Contribution (ADC)	\$ 11,507	\$ 10,044	\$ 9,457	\$ 8,504	\$ 7,874
Contributions in Relation to the ADC	(11,507)	(10,044)	(9,457)	(8,504)	(7,874)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 20,690	\$ 20,690	\$ 19,408	\$ 18,435	\$ 18,738
Contribution as a Percentage of Covered Payroll	55.62%	48.54%	48.73%	46.13%	42.02%

**SCHEDULE OF CONTRIBUTIONS
PENSION PLANS
(Amounts in Thousands)**

Miscellaneous Plan:

	2020	2019	2018	2017	2016
Actuarially Determined Contribution (ADC)	\$ 19,174	\$ 16,516	\$ 14,234	\$ 13,883	\$ 12,294
Contributions in Relation to the ADC	(21,904)	(16,516)	(14,234)	(13,883)	(12,294)
Contribution Deficiency (Excess)	<u>\$ (2,730)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 71,008	\$ 70,617	\$ 69,659	\$ 66,292	\$ 64,232
Contribution as a Percentage of Covered Payroll	30.85%	23.39%	20.43%	20.94%	19.14%

Safety Police Plan:

	2020	2019	2018	2017	2016
Actuarially Determined Contribution (ADC)	\$ 9,927	\$ 8,580	\$ 7,583	\$ 7,523	\$ 6,395
Contributions in Relation to the ADC	(10,767)	(8,580)	(7,583)	(7,523)	(6,395)
Contribution Deficiency (Excess)	<u>\$ (840)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 22,479	\$ 22,543	\$ 21,973	\$ 20,661	\$ 19,184
Contribution as a Percentage of Covered Payroll	47.90%	38.06%	34.51%	36.41%	33.34%

Safety Fire Plan:

	2020	2019	2018	2017	2016
Actuarially Determined Contribution (ADC)	\$ 7,402	\$ 6,385	\$ 5,609	\$ 5,712	\$ 5,016
Contributions in Relation to the ADC	(8,032)	(6,385)	(5,609)	(5,712)	(5,016)
Contribution Deficiency (Excess)	<u>\$ (630)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 17,477	\$ 16,847	\$ 17,300	\$ 16,094	\$ 15,702
Contribution as a Percentage of Covered Payroll	45.96%	37.90%	32.42%	35.49%	31.94%

Notes to Schedule

The actuarial methods and assumptions used to set the actuarially determined contributions for the year ended June 30, 2025 was derived from the June 30, 2021 funding valuation report.

Actuarial Cost Method	Entry Age Actuarial Cost Method
Asset Valuation Method	Market Value of Assets
Inflation	2.30%
Salary Increases	Varies by Entry Age and Service
Payroll Growth	2.80%
Investment Rate of Return	6.80% Net of Pension Plan Investment and Administrative Expenses; includes Inflation.
Retirement Age	The probabilities of retirement are based on the 2021 CalPERS Experience Study.
Mortality	The probabilities of mortality are based on the 2021 CalPERS Experience Study. Mortality rates incorporate full generational mortality improvement using 80% of scale MP-2020 published by the Society of Actuaries.

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
PEMHCA PLAN
(Amounts in Thousands)

<i>Fiscal Year Ended / Measurement Period</i>	2025	2024	2023	2022
TOTAL OPEB LIABILITY:				
Service Cost	\$ 665	\$ 966	\$ 968	\$ 1,676
Interest on Total OPEB Liability	947	932	880	707
Difference Between Expected and Actual Experience	-	(3,519)	-	(952)
Changes of Assumptions	-	(4,808)	(409)	(7,888)
Benefit Payments	(770)	(780)	(733)	(667)
Net Change in Total OPEB Liability	842	(7,209)	706	(7,124)
Total OPEB Liability - Beginning	17,755	24,964	24,258	31,382
Total OPEB Liability - Ending	\$ 18,597	\$ 17,755	\$ 24,964	\$ 24,258
PLAN FIDUCIARY NET POSITION				
Contributions - Employer	\$ 776	\$ 13,069	\$ -	\$ -
Net Investment Income	1,219	7	-	-
Benefit payments	(770)	(780)	-	-
Administrative Expense	(10)	(8)	-	-
Net Change in Fiduciary Net Position	1,215	12,288	-	-
Plan Fiduciary Net Position - Beginning	12,288	-	-	-
Plan Fiduciary Net Position - Ending (b)	13,503	12,288	-	-
Plan Net OPEB Liability - (a)-(b)	\$ 5,094	\$ 5,467	\$ 24,964	\$ 24,258
Plan Fiduciary Net Position as a				
Percentage of the Total OPEB Liability	72.61%	69.21%	0.00%	0.00%
Covered Employee Payroll	\$ 51,290	\$ 101,207	\$ 51,290	\$ 51,673
Plan Net OPEB Liability as a				
Percentage of Covered Employee Payroll	9.93%	5.40%	48.67%	46.95%

Notes to Schedule of Changes in Net OPEB Liability and Related Ratios:

Change in assumptions -

During measurement period 2025, the 20-Year Municipal Bond rate of return increased from 3.93 percent to 5.20 percent.

During measurement period 2024, the 20-Year Municipal Bond rate of return increased from 3.65 percent to 3.93 percent.

PEMHCA minimum increase decreased from 4.00 percent to 3.50 percent.

During measurement period 2023, the 20-Year Municipal Bond rate of return increased from 3.54 percent to 3.65 percent.

During measurement period 2022, the 20 Year Municipal Bond rate of return and discount rate increased from 2.16 percent to 3.54 percent. Inflation rate decreased from 2.75 percent to 2.50 percent. PEMHCA minimum increase decreased from 4.25 percent to



SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
PEMHCA PLAN
(Amounts in Thousands)

<i>Fiscal Year Ended / Measurement Period</i>	2021	2020	2019	2018
TOTAL OPEB LIABILITY:				
Service Cost	\$ 1,605	\$ 1,343	\$ 1,184	\$ 1,239
Interest on Total OPEB Liability	680	932	910	825
Difference Between Expected and Actual Experience	-	(1,040)	-	-
Changes of Assumptions	267	3,266	1,424	(1,041)
Benefit Payments	(645)	(586)	(538)	(473)
Net Change in Total OPEB Liability	1,907	3,915	2,980	550
Total OPEB Liability - Beginning	29,475	25,560	22,580	22,030
Total OPEB Liability - Ending	\$ 31,382	\$ 29,475	\$ 25,560	\$ 22,580
Covered Employee Payroll	\$ 49,807	\$ 35,209	\$ 34,816	\$ 39,200
Plan Total/Net OPEB Liability as a Percentage of Covered Employee Payroll	63.01%	83.71%	73.41%	57.60%

Notes to Schedule of Changes in Net OPEB Liability and Related Ratios:

Change in assumptions -

During measurement period 2018, the 20 Year Municipal Bond rate of return and discount rate increased from 3.58 percent to 3.87 percent.

During measurement period 2019, the 20 Year Municipal Bond rate of return and discount rate reduced from 3.87 percent to 3.50 percent.

During measurement period 2020, the 20 Year Municipal Bond rate of return and discount rate reduced from 3.50 percent to 2.21 percent.

During measurement period 2021, the 20 Year Municipal Bond rate of return and discount rate reduced from 2.21 percent to 2.16 percent.

Fiscal year ended June 30, 2018 was the first year of implementation of GASB Statement No. 75, therefore only eight years of information is shown. This schedule is intended to show information for ten years, and additional years' information will be added as it becomes available.

**SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
STIPEND PLANS
(Amounts in Thousands)**

<i>Fiscal Year Ended / Measurement Period</i>	2025	2024	2023	2022
TOTAL OPEB LIABILITY:				
Service Cost	\$ 2,350	\$ 2,448	\$ 2,468	\$ 4,041
Interest on Total OPEB Liability	3,554	3,369	3,205	3,244
Difference Between Expected and Actual Experience	-	62	-	2,656
Changes of Benefit Terms	977	-	-	3,346
Changes of Assumptions	(4,509)	(2,389)	(1,369)	(34,110)
Benefit Payments	(3,043)	(2,872)	(2,689)	(2,705)
Net Change in Total OPEB Liability	(671)	618	1,615	(23,528)
Total OPEB Liability - Beginning	72,900	72,282	70,667	94,195
Total OPEB Liability - Ending	\$ 72,229	\$ 72,900	\$ 72,282	\$ 70,667
PLAN FIDUCIARY NET POSITION				
Contributions - Employer	\$ 3,495	\$ 3,125	\$ 2,903	\$ 2,771
Net Investment Income	4,658	4,444	2,468	(5,484)
Benefit payments	(3,043)	(2,872)	(2,689)	(2,705)
Forfeitures	(45)	-	-	527
Administrative Expense	-	-	(86)	(83)
Net Change in Fiduciary Net Position	5,065	4,697	2,596	(4,974)
Plan Fiduciary Net Position - Beginning	44,757	40,060	37,464	42,438
Plan Fiduciary Net Position - Ending (b)	49,822	44,757	40,060	37,464
Plan Net OPEB Liability - (a)-(b)	\$ 22,407	\$ 28,143	\$ 32,222	\$ 33,203
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	68.98%	61.40%	55.42%	53.01%
Covered Employee Payroll	\$ 111,847	\$ 101,207	\$ 95,369	\$ 90,343
Plan Net OPEB Liability as a Percentage of Covered Employee Payroll	20.03%	27.81%	33.79%	36.75%

Notes to Schedule of Changes in Net OPEB Liability and Related Ratios:

Change in assumptions -

During measurement period 2025, the 20-Year Municipal Bond rate of return increased from 3.93 percent to 5.20 percent. The change of discount rates for the Stipend Plans are as follows: from 4.40 percent to 5.22 percent for Fire, from 5.15 percent to 5.25 percent for Maintenance, from 5.20 percent to 5.24 percent for Miscellaneous, and Police and Transit remained the same at 5.25 percent.

During measurement period 2024, the 20-Year Municipal Bond rate of return increased from 3.65 percent to 3.93 percent. The change of discount rates for the Stipend Plans are as follows: from 4.15 percent to 4.40 percent for Fire, from 4.55 percent to 5.15 percent for Maintenance, from 5.00 percent to 5.20 percent for Miscellaneous, and from 5.20 percent to 5.25 percent for Police.

Change in benefit terms -

During measurement period 2022, the monthly stipend changes are as follows: from \$300 to \$350 for participants terminated on or after January 1, 2021, effective July 1, 2022 for Bus Operators; from \$325 to \$400 for participants terminated on or after January 1, 2021 effective January 1, 2022 for Maintenance; from \$750 to \$850 for participants effective January 1, 2022 for Police.

**SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
STIPEND PLANS
(Amounts in Thousands)**

<i>Fiscal Year Ended / Measurement Period</i>	2021	2020	2019	2018	2017
TOTAL OPEB LIABILITY:					
Service Cost	\$ 3,948	\$ 2,979	\$ 2,718	\$ 3,356	\$ 3,881
Interest on Total OPEB Liability	3,083	3,142	3,020	2,948	2,626
Difference Between Expected and Actual Expe	-	(320)	-	617	(8,292)
Changes of Benefit Terms	175	2,013	-	(4,534)	-
Changes of Assumptions	908	12,220	2,631	(5,862)	-
Changes of benefit terms	-	-	-	-	-
Benefit Payments	(1,891)	(2,262)	(1,692)	(1,593)	(1,548)
Net Change in Total OPEB Liability	6,223	17,772	6,677	(5,068)	(3,333)
Total OPEB Liability - Beginning	87,971	70,199	63,522	68,590	71,923
Total OPEB Liability - Ending	\$ 94,194	\$ 87,971	\$ 70,199	\$ 63,522	\$ 68,590
PLAN FIDUCIARY NET POSITION					
Contributions - Employer	\$ 2,910	\$ 3,798	\$ 2,548	\$ 2,283	\$ 2,129
Net Investment Income	7,272	1,983	2,003	1,633	1,993
Benefit payments					
Refunds of Employee Contributions	(1,891)	(2,262)	(1,692)	(1,593)	(1,548)
Administrative Expense	(44)	(14)	(46)	-	(47)
Net Change in Fiduciary Net Position	8,247	3,505	2,813	2,323	2,527
Plan Fiduciary Net Position - Beginning	34,190	30,685	27,872	25,549	23,022
Plan Fiduciary Net Position - Ending (b)	42,437	34,190	30,685	27,872	25,549
Plan Net OPEB Liability - (a)-(b)	\$ 51,757	\$ 53,781	\$ 39,514	\$ 35,650	\$ 43,041
Plan Fiduciary Net Position as a					
Percentage of the Total OPEB Liability	45.05%	38.87%	43.71%	43.88%	37.25%
Covered Employee Payroll	\$ 90,239	\$ 81,736	\$ 83,590	\$ 81,292	\$ 72,284
Plan Net OPEB Liability as a					
Percentage of Covered Employee Payroll	57.36%	65.80%	47.27%	43.85%	59.54%

Notes to Schedule of Changes in Net OPEB Liability and Related Ratios:

Change in assumptions -

During measurement period 2018, the 20-Year Municipal Bond rate of return increased from 3.58 percent to 3.87 percent. The change of discount rates for the Stipend Plans are as follows: from 4.10 percent to 4.25 percent for Fire, from 4.15 percent to 4.55 percent for Maintenance, from 4.35 percent to 4.60 percent for Miscellaneous, from 4.00 percent to 5.00 percent for Bus Operators, from 4.05 percent to 5.75 percent for Police Technical, and from 4.15 percent to 5.75 percent for Police.

During measurement period 2019, the 20-Year Municipal Bond rate of return reduced from 3.87 percent to 3.50 percent. The change of discount rates for the Stipend Plans are as follows: from 4.25 percent to 3.95 percent for Fire, from 4.55 percent to 4.20 percent for Maintenance, from 4.60 percent to 4.35 percent for Miscellaneous, and from 5.00 percent to 5.10 percent for Bus Operators.

During measurement period 2020, the 20-Year Municipal Bond rate of return reduced from 3.50 percent to 2.21 percent. The change of discount rates for the Stipend Plans are as follows: from 3.95 percent to 2.75 percent for Fire, from 4.20 percent to 3.25 percent for Maintenance, from 4.35 percent to 3.25 percent for Miscellaneous, from 5.10 percent to 4.15 percent for Bus Operators, and from 5.75 percent to 4.90 percent for Police Technical.

During measurement period 2021, the 20-Year Municipal Bond rate of return reduced from 2.21 percent to 2.16 percent. The change of discount rates for the Stipend Plans are as follows: from 2.75 percent to 2.70 percent for Fire, from 3.25 percent to 3.40 percent for Maintenance, from 3.25 percent to 3.35 percent for Miscellaneous, from 4.90 percent to 3.90 percent for Police Technical, and from 5.75 percent to 5.35 percent for Police.

Change in benefit terms - During measurement period 2019, the monthly maximum stipend changes as follows: from \$245 to \$275 for participants terminated on or after January 1, 2018 for Bus Operators, from \$120 to \$150 for participants terminated on or after January 1, 2018 for Police Technical, and from \$650 to \$750 for Police. During measurement period 2021, the monthly maximum stipend changes are as follows: from \$275 to \$300 for participants terminated on or after January 1, 2020, effective January 1, 2021 for Bus Operators and from \$150 to \$190 for participants terminated on or after March 12, 2021 for Police Technical.

Fiscal year ended June 30, 2017 was the first year of implementation of GASB Statement No. 74, therefore only nine years of information is shown. This schedule is intended to show information for ten years, and additional years' information will be added as it becomes available.

**SCHEDULE OF EMPLOYER CONTRIBUTIONS
OPEB PLANS
(Dollar Amounts in Thousands)**

<u>PEMHCA Plan</u>	2025	2024	2023	2022	2021
Actuarially Determined Contribution (ADC)	\$ 1,075	\$ 781	\$ 733	\$ 667	\$ 645
Contributions in Relation to the ADC	(776)	(13,069)	(733)	(667)	(645)
Contribution Deficiency (Excess)	<u>\$ 299</u>	<u>\$ (12,288)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Employee Payroll	\$ 51,290	\$ 51,290	\$ 51,290	\$ 51,673	\$ 49,807
Contribution as a Percentage of Covered Employee Payroll	2.10%	1.52%	1.43%	1.29%	1.29%
	2020	2019	2018	2017	
Actuarially Determined Contribution (ADC)	\$ 586	\$ 558	\$ 473	\$ 448	
Contributions in Relation to the ADC	(591)	(558)	(473)	(448)	
Contribution Deficiency (Excess)	<u>\$ (5)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Covered Employee Payroll	\$ 35,209	\$ 34,816	\$ 39,200	\$ 38,000	
Contribution as a Percentage of Covered Employee Payroll	1.66%	1.60%	1.21%	1.18%	
<u>Stipend Plans</u>	2025	2024	2023	2022	2021
Actuarially Determined Contribution (ADC)	\$ 3,495	\$ 3,125	\$ 2,903	\$ 2,771	\$ 2,910
Contributions in Relation to the ADC	(3,495)	(3,125)	(2,903)	(2,771)	(2,910)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Employee Payroll	\$ 111,847	\$ 101,207	\$ 95,369	\$ 90,343	\$ 90,239
Contribution as a Percentage of Covered Employee Payroll	3.12%	3.09%	3.04%	3.07%	3.22%
	2020	2019	2018	2017	
Actuarially Determined Contribution (ADC)	\$ 3,798	\$ 2,548	\$ 2,283	\$ 2,129	
Contributions in Relation to the ADC	(3,798)	(2,548)	(2,283)	(2,129)	
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Covered Employee Payroll	\$ 81,736	\$ 83,590	\$ 81,292	\$ 72,284	
Contribution as a Percentage of Covered Employee Payroll	4.65%	3.05%	2.81%	2.95%	

Notes to Schedule

The actuarial methods and assumptions used to set the actuarially determined contributions for the year ended June 30, 2024 was derived from the June 30, 2023 valuation report.

PEMHCA Plan

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	5.25%
20 Year Municipal Bond	3.93%
Inflation	2.50%
Salaries Increases	2.75%; Merit based on 2017 CalPERS Experience Study report using data for the period from 2000-2019
Mortality	Derived using CalPERS Membership Data 2000-2019 Experience Study Non-Medicare - 8.50% for 2025, decreasing to an ultimate rate of 3.45% in 2076 and later years
Healthcare Cost Trend Rate	Medicare- (Non-Kaiser) 7.5% or (Kaiser) 6.25% for 2025, decreasing to an ultimate rate of 3.45% in 2076 and later years
PEMHCA Minimum Increase	3.5% per year
PEMHCA Participation	Actives- 60% if covered, 20% if waived Retirees- 100% if covered, 5% re-elect at 65 if waived

Stipend Plans

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	4.40%-5.25%
Expected Long-Term Rate of Return on Investments	5.25%
20 Year Municipal Bond	3.93%
Inflation	2.50%
Salaries Increases	2.75%; Merit based on CalPERS Experience Study report using data for the period from 2000-2019
Mortality	Derived using CalPERS Membership Data 2000-2019 Experience Study
Stipend Participation	100% if eligible
Maximum Stipend Increases	0.00%-3.00%

Fiscal year ended June 30, 2018 was the first year of implementation of GASB Statement No. 75, therefore only eight years of information is shown. This schedule is intended to show information for ten years, and additional years' information will be added as it becomes available.

STIPEND PLANS SCHEDULE OF INVESTMENT RETURNS

Year	Annual Money-Weighted Rate of Return, Net of Investment Expense
2017	8.9%
2018	6.2%
2019	6.6%
2020	5.8%
2021	19.1%
2022	-13.6%
2023	7.0%
2024	11.3%
2025	10.8%

Fiscal year ended June 30, 2017 was the first year of implementation of GASB Statement No. 74, therefore only nine years of information is shown. This schedule is intended to show information for ten years, and additional years' information will be added as it becomes available.

CITY OF SANTA ROSA
GENERAL FUND
SCHEDULE OF REVENUES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES:				
Property taxes	\$ 39,068,300	\$ 39,068,300	\$ 40,764,412	\$ 1,696,112
Sales taxes	75,866,735	75,866,735	69,098,976	(6,767,759)
Utility users tax	14,200,000	14,200,000	15,059,524	859,524
Other taxes	48,375,700	48,375,700	52,708,941	4,333,241
Licenses and permits	3,181,000	3,181,000	2,899,067	(281,933)
Charges for services	26,279,400	26,727,653	27,709,234	981,581
Intergovernmental	27,541,977	31,455,066	9,780,953	(21,674,113)
Fines and forfeitures	1,610,900	1,610,900	1,624,401	13,501
Investment earnings	955,000	955,000	6,874,114	5,919,114
Net change in the fair value of investments	-	-	1,659,385	1,659,385
Other	1,941,000	7,209,501	9,202,890	1,993,389
	<u>1,941,000</u>	<u>7,209,501</u>	<u>9,202,890</u>	<u>1,993,389</u>
TOTAL REVENUES	<u>\$ 239,020,012</u>	<u>\$ 248,649,855</u>	<u>\$ 237,381,897</u>	<u>\$ (11,267,958)</u>

The note to the required supplementary information is an integral part of this schedule.

Statement B-2

CITY OF SANTA ROSA
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL (BUDGETARY BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget
GENERAL GOVERNMENT				
City Council:				
Salaries	\$ 132,960	\$ 132,960	\$ 136,021	\$ (3,061)
Employee benefits	152,890	152,890	124,774	28,116
Services and supplies	1,285,613	1,085,613	1,195,134	(109,521)
TOTAL CITY COUNCIL	1,571,463	1,371,463	1,455,929	(84,466)
City Manager:				
Salaries	2,944,429	2,629,067	2,343,074	285,993
Employee benefits	1,581,424	1,383,912	1,242,993	140,919
Services and supplies	1,085,889	1,289,461	748,568	540,893
TOTAL CITY MANAGER	5,611,742	5,302,440	4,334,635	967,805
City Attorney:				
Salaries	2,518,884	2,341,993	2,210,532	131,461
Employee benefits	1,332,461	1,303,461	1,142,811	160,650
Services and supplies	735,756	1,405,684	952,766	452,918
Capital outlay	6,448	6,448	-	6,448
TOTAL CITY ATTORNEY	4,593,549	5,057,586	4,306,109	751,477
Human Resources:				
Salaries	1,926,877	1,827,653	1,718,936	108,717
Employee benefits	1,031,906	950,932	876,496	74,436
Services and supplies	2,010,671	2,010,671	1,247,140	763,531
TOTAL HUMAN RESOURCES	4,969,454	4,789,256	3,842,572	946,684
Finance:				
Salaries	3,643,375	3,727,361	3,363,967	363,394
Employee benefits	2,235,641	2,235,641	2,096,383	139,258
Services and supplies	2,247,907	2,337,407	2,421,457	(84,050)
Capital outlay	22,355	22,355	22,355	-
TOTAL FINANCE	8,149,278	8,322,764	7,904,162	418,602
Planning and Economic Development:				
Salaries	8,816,829	8,901,964	7,866,029	1,035,935
Employee benefits	5,134,868	5,134,868	4,671,956	462,912
Services and supplies	6,449,397	6,033,235	5,300,483	732,752
Capital outlay	24,744	24,744	20,139	4,605
TOTAL PLANNING AND ECONOMIC DEVELOPMENT	20,425,838	20,094,811	17,858,607	2,236,204
Nondepartmental:				
Liability and fire insurance	4,871,083	4,871,083	4,871,083	-
Services and supplies	4,231,441	4,231,441	3,989,582	241,859
TOTAL NONDEPARTMENTAL	9,102,524	9,102,524	8,860,665	241,859
TOTAL GENERAL GOVERNMENT	\$ 54,423,848	\$ 54,040,844	\$ 48,562,679	\$ 5,478,165

(Continued)

The note to the required supplementary information is an integral part of this schedule.

CITY OF SANTA ROSA
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL (BUDGETARY BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget
PUBLIC SAFETY				
Fire:				
Salaries	\$ 28,889,291	\$ 28,542,941	\$ 29,897,867	\$ (1,354,926)
Employee benefits	20,573,155	20,303,155	20,756,588	(453,433)
Services and supplies	8,545,748	8,545,748	8,271,106	274,642
Capital outlay	208,888	208,888	1,772,582	(1,563,694)
Debt service:				
Principal	223,289	223,289	223,289	-
Interest	26,081	26,081	26,081	-
TOTAL FIRE	58,466,452	57,850,102	60,947,513	(3,097,411)
Police:				
Salaries	38,709,259	39,004,158	38,243,086	761,072
Employee benefits	29,665,435	29,607,308	30,053,498	(446,190)
Services and supplies	9,097,587	9,149,429	9,225,921	(76,492)
Capital outlay	1,304,610	1,304,610	1,275,069	29,541
Debt service:				
Principal	67,530	67,530	67,530	-
Interest	16,590	16,590	16,590	-
TOTAL POLICE	78,861,011	79,149,625	78,881,694	267,931
TOTAL PUBLIC SAFETY	137,327,463	136,999,727	139,829,207	(2,829,480)
PUBLIC WORKS				
Salaries	9,132,504	8,997,183	8,795,046	202,137
Employee benefits	6,096,339	5,962,671	6,135,790	(173,119)
Services and supplies	10,508,003	9,977,848	10,234,533	(256,685)
Capital outlay	430,321	430,321	458,093	(27,772)
TOTAL PUBLIC WORKS	26,167,167	25,368,023	25,623,462	(255,439)
COMMUNITY SERVICES				
Salaries	7,656,581	7,477,938	6,955,616	522,322
Employee benefits	3,221,756	3,168,087	3,506,536	(338,449)
Services and supplies	6,543,995	6,818,245	6,915,972	(97,727)
Capital outlay	11,270	11,270	71,684	(60,414)
TOTAL RECREATION	17,433,602	17,475,540	17,449,808	25,732
TOTAL GENERAL FUND	\$ 235,352,080	\$ 233,884,134	\$ 231,465,156	\$ 2,418,978

(Continued)

The note to the required supplementary information is an integral part of this schedule.

Statement B-2

CITY OF SANTA ROSA
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL (BUDGETARY BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget
TOTAL BY EXPENDITURE TYPE				
Salaries	\$ 104,370,989	\$ 103,583,218	\$ 101,530,174	\$ 2,053,044
Employee benefits	71,025,875	70,202,925	70,607,825	(404,900)
Services and supplies	52,742,007	52,884,782	50,502,662	2,382,120
Liability and fire insurance	4,871,083	4,871,083	4,871,083	-
Capital outlay	2,002,188	2,008,636	3,619,922	(1,611,286)
Debt service:				
Principal	290,819	290,819	290,819	-
Interest	42,671	42,671	42,671	-
TOTAL GENERAL FUND	\$ 235,345,632	\$ 233,884,134	\$ 231,465,156	\$ 2,418,978

EXPLANATION OF DIFFERENCES BETWEEN SCHEDULE OF EXPENDITURES
AND GAAP EXPENDITURES:

General government	\$ 48,520,185
Public safety	136,448,066
Public works	25,165,369
Recreation	17,378,124
Capital outlay	3,619,922
Debt service:	
Principal	290,819
Interest	42,671
Actual amounts (budgetary basis) "Total Expenditures":	231,465,156
Expenditures budgeted that for GAAP purposes are recorded in the funds that receive the resources to pay for them:	
Gas Tax Fund	(1,882,000)
Measure O Fund	(64,938)
Measure M Fund	(235,000)
Compensated absences (employer related payable)	382,680
Transfers out to component units are not budgeted for budgetary purposes and are reported as other expenditures for financial reporting purposes.	1,150,000
Total expenditures GAAP basis	\$ 230,815,898

(Concluded)

The note to the required supplementary information is an integral part of this schedule.

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

BUDGETS

Budgets are adopted for all governmental funds, except for the American Rescue Plan Act (ARPA), Brownfields Grant and Expendable nonmajor special revenue funds, and the Capital Improvements major capital projects fund and City In Lieu Fee nonmajor capital projects funds. All budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP) with the exception of some Special Revenue and Capital Project funds expenditures that are budgeted for as transfers out to other funds, like the General Fund, which budgets for those expenditures. The budget is legally required to be adopted prior to July 1 for the ensuing year.

The City Manager is authorized to transfer an unlimited amount of appropriations within any fund so long as the total appropriations are not increased. The City Manager is also authorized to transfer up to \$50,000 of appropriations between funds. In addition, the City Manager is authorized to transfer up to \$100,000 of appropriations between funds within one enterprise activity. Finally, the City Manager or their designee is authorized to increase appropriations upon receipt of grant awards of up to \$500,000. Other than increasing appropriations upon receipt of grant awards, only the City Council has the authority to increase total appropriations subject to the appropriation limitations established by state law.

The legal level of budgetary control is by fund, although budgets are adopted within funds at the department/division level in all operating funds and at the project level in the capital projects funds.

Other Supplementary Information



SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for revenues derived from specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. These funds are required by statute, charter provisions or ordinance to finance particular functions or activities of government. The various funds and sources are:

- (a) Measure M Fund receives funding from the County to maintain, protect and operate parks, and for the construction of eligible transportation projects that improve the quality of roads, sidewalks, and bike lanes.
- (b) Art In-Lieu Fee Fund accounts for developer contributions in lieu of installation of public art on project sites and income received from art programs and events to fund public artwork, cultural programs, maintenance/conservation, and administrative costs relating to the Art in Public Places Program.
- (c) Public Safety and Prevention Special Tax Fund receives sales tax used to fund enhanced Fire and Police services and Neighborhood Safety / Gang Prevention programs.
- (d) Homeless Shelter Operations Fund accounts for funding for the operations of the Samuel Jones Hall shelter.
- (e) Federal Grants Fund accounts for funds from various Federal grant programs including Justice Assistance Grants and Natural Resource Conservation Services.
- (f) American Rescue Plan Act (ARPA) fund accounts for revenues received from the Federal Government as part of the \$1.9 trillion coronavirus rescue package designed to facilitate the U.S. recovery from the devastating economic and health effects of the COVID-19 pandemic.
- (g) Brownfields Grant Fund receives grants from the Environmental Protection Agency to provide loans to the former Redevelopment Agency and property owners for cleanup of toxic waste.
- (h) Federal Narcotics Asset Forfeiture Fund is used for specified police activities (excluding regular salary) from confiscated assets of convicted drug felons.
- (i) Measure H Fund receives funding from the County to enhance local fire prevention, protection, emergency paramedic services and disaster response throughout Sonoma County. This will be achieved through improving vegetation management to prevent wildfire spread, attracting and retaining qualified, local firefighters, improving response times, and updating firefighting facilities and equipment.
- (j) Gas Tax Fund accounts for funds from the State of California under the Street and Highway Code Sections 2103, 2105, 2106, 2107 and 2107.5. The use of funds is restricted to street related projects, which can include related public facilities for non-motorized traffic, e.g. bike and pedestrian paths.
- (k) State Grants Fund accounts for funds from various State grant programs including but not limited to State Transportation Improvement Program and State Department of Public Health.

SPECIAL REVENUE FUNDS (Continued)

- (l) Supplemental Law Enforcement Services Fund receives funds from the State of California to supplement local law enforcement activities.
- (m) AB 434 Fund accounts for funds from Bay Area Air Quality Management District to implement projects and programs to reduce air pollution from motor vehicles.
- (n) State Narcotics Asset Forfeiture Fund is used for specified police activities (excluding regular salary) from confiscated assets of convicted drug felons.
- (o) Change for Kids Fund accounts for contributions for lower income youth recreation opportunities.
- (p) Mobilehome Rent Stabilization Fund receives an annual fee to administer the mobilehome rent control ordinance 3072.
- (q) Tourism Business Improvement Area (BIA) Fund was established via ordinance 3946 to collect a 3% assessment on lodging operators within City limits. Two-thirds of the assessment collected is for administration and 30% and 70% of the remaining third is retained by the City for Economic Development and Chamber of Commerce, respectively.
- (r) Special Tax Districts Fund accounts for special taxes levied on property owners to fund maintenance and other municipal services.
- (s) Expendable Fund accounts for revenues received for various purposes including but not limited to developer performance relief and/or default, recreation programs and other public needs and interests.

CAPITAL PROJECTS FUNDS

The Capital Project Funds account for the accumulation of resources used for the acquisition or construction of general capital assets.

- (a) Capital Facilities Fee Fund accounts for fees imposed on residential and commercial development for public facilities, e.g. street widening, traffic signals, freeway interchanges, bike paths, and storm drains.
- (b) Park Acquisition and Development Fund accounts for revenues received from fees imposed on developers to assist with funding the acquisition and construction of neighborhood and community parks.
- (c) City In Lieu Fee Fund accounts for development fees collected in advance of City work to be performed.
- (d) Southwest Area Development Impact Fee Fund accounts for fees imposed on developers for public improvements in the southwest area of the City.
- (e) Southeast Area Development Impact Fee Fund accounts for fees imposed on developers for public improvements in the southeast area of the City.

DEBT SERVICE FUNDS

The Debt Service Funds account for the accumulation of resources for, and the payment of, general long-term debt principal and interest. The various funds and sources are:

- (a) The Courthouse Square Certificates of Participation (COP) Fund accounts for debt service receipts and expenditures related to the COPs maturing through fiscal year 2046-47. The City entered into this agreement on August 16, 2016. The proceeds of this COPs financed the construction of Courthouse Square and the refinancing of the 2007 Building Acquisition COPs.
- (b) The Fire Station Financed Purchase Obligation Fund accounts for debt service receipts and expenditures related to the financing arrangements with BBVA Compass Bank. The City entered into this agreement on December 10, 2013. The proceeds of these arrangements financed the construction of a fire station located at the southeast corner of Newgate Court and Fountaingrove Parkway. This debt service was paid off in fiscal year ending June 30, 2025.



CITY OF SANTA ROSA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2025

Special Revenue Funds						
Measure M Fund	Art In-lieu Fee Fund	Public Safety and Prevention Special Tax Fund	Homeless Shelter Operations Fund	Federal Grants Fund	American Rescue Plan Act (ARPA) Fund	
ASSETS						
Cash and investments	\$ 12,344,635	\$ 851,598	\$ 5,459,326	\$ 5,115,107	\$ -	\$ 13,039,140
Receivables:						
Accounts	-	-	-	-	-	-
Interest	150,432	10,378	66,527	62,333	-	158,895
Intergovernmental	913,908	-	1,998,942	413,598	1,000	-
Lease	-	-	685,085	-	-	-
Restricted cash and investments	-	-	-	-	-	-
Advances to other funds	-	-	-	-	-	-
TOTAL ASSETS	\$ 13,408,975	\$ 861,976	\$ 8,209,880	\$ 5,591,038	\$ 1,000	\$ 13,198,035
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICIT)						
LIABILITIES						
Accounts payable and accrued liabilities	\$ 170,136	\$ 2,074	\$ 444,979	\$ 813,657	\$ -	\$ 1,190,023
Due to other funds	-	-	-	-	-	-
Unearned revenue	-	-	10,209	-	-	10,425,354
TOTAL LIABILITIES	170,136	2,074	455,188	813,657	-	11,615,377
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	-	-	27,147	-	-	-
Deferred Inflow OTHER	-	-	640,657	-	-	-
FUND BALANCES (DEFICIT):						
Restricted:						
Parks	12,458,927	-	1,850,491	-	-	-
Public Safety	-	-	5,236,397	-	-	-
Roads	779,912	-	-	-	-	-
Public and capital facilities	-	859,902	-	-	1,000	-
Other purposes	-	-	-	4,777,381	-	1,582,658
TOTAL FUND BALANCES (DEFICIT)	13,238,839	859,902	7,086,888	4,777,381	1,000	1,582,658
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICIT)	\$ 13,408,975	\$ 861,976	\$ 8,209,880	\$ 5,591,038	\$ 1,000	\$ 13,198,035

(Continued)

CITY OF SANTA ROSA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2025

Special Revenue Funds						
Brownfields Grant Fund	Federal Narcotics Asset Forfeiture Fund	Measure H Fund	Gas Tax Fund	State Grants Fund	Supplemental Law Enforcement Services Fund	AB 434 Fund
\$ 898,877	\$ -	\$ 4,411,178	\$ 16,180,462	\$ 1,541,090	\$ 1,866,417	\$ -
-	-	-	-	-	-	5,050
10,953	-	53,755	197,176	-	22,744	-
-	-	-	834,035	3,591,742	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 909,830</u>	<u>\$ -</u>	<u>\$ 4,464,933</u>	<u>\$ 17,211,673</u>	<u>\$ 5,132,832</u>	<u>\$ 1,889,161</u>	<u>\$ 5,050</u>
\$ 32,363	\$ -	\$ 8,855	\$ -	\$ -	\$ 393,145	\$ -
-	-	-	-	-	-	5,050
-	-	-	-	-	-	-
<u>32,363</u>	<u>-</u>	<u>8,855</u>	<u>-</u>	<u>-</u>	<u>393,145</u>	<u>5,050</u>
-	-	-	-	3,564,428	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	4,456,078	-	-	1,496,016	-
-	-	-	17,211,673	1,568,404	-	-
-	-	-	-	-	-	-
<u>877,467</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>877,467</u>	<u>-</u>	<u>4,456,078</u>	<u>17,211,673</u>	<u>1,568,404</u>	<u>1,496,016</u>	<u>-</u>
<u>\$ 909,830</u>	<u>\$ -</u>	<u>\$ 4,464,933</u>	<u>\$ 17,211,673</u>	<u>\$ 5,132,832</u>	<u>\$ 1,889,161</u>	<u>\$ 5,050</u>

CITY OF SANTA ROSA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2025

	Special Revenue Funds					
	State Narcotics Asset Forfeiture Fund	Change For Kids Fund	Mobilehome Rent Stabilization Fund	Tourism BIA Fund	Special Tax Districts Fund	Expendable Fund
ASSETS						
Cash and investments	\$ 1,795,303	\$ 517,878	\$ 850,226	\$ 1,357,834	\$ 3,656,595	\$ 643,867
Receivables:						
Accounts	-	1,087	29,053	-	-	28
Interest	21,878	6,311	10,361	16,547	44,559	293
Intergovernmental	-	-	-	-	6,127	-
Lease	-	-	-	-	-	-
Restricted cash and investments	-	-	-	-	-	-
Advances to other funds	-	-	-	-	-	-
TOTAL ASSETS	<u>\$ 1,817,181</u>	<u>\$ 525,276</u>	<u>\$ 889,640</u>	<u>\$ 1,374,381</u>	<u>\$ 3,707,281</u>	<u>\$ 644,188</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICIT)						
LIABILITIES						
Accounts payable and accrued liabilities	\$ 17,851	\$ 2,002	\$ 9,028	\$ 102,399	\$ 10,671	\$ 370
Due to other funds	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-
TOTAL LIABILITIES	<u>17,851</u>	<u>2,002</u>	<u>9,028</u>	<u>102,399</u>	<u>10,671</u>	<u>370</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	-	-	-	-	2,175	-
Deferred Inflow OTHER	-	-	-	-	-	-
FUND BALANCES (DEFICIT):						
Restricted:						
Parks	-	-	-	-	-	-
Public Safety	1,799,330	-	-	-	-	-
Roads	-	-	-	-	-	-
Public and capital facilities	-	-	-	-	756,561	-
Other purposes	-	523,274	880,612	1,271,982	2,937,874	643,818
TOTAL FUND BALANCES (DEFICIT)	<u>1,799,330</u>	<u>523,274</u>	<u>880,612</u>	<u>1,271,982</u>	<u>3,694,435</u>	<u>643,818</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICIT)	<u>\$ 1,817,181</u>	<u>\$ 525,276</u>	<u>\$ 889,640</u>	<u>\$ 1,374,381</u>	<u>\$ 3,707,281</u>	<u>\$ 644,188</u>

(Continued)

CITY OF SANTA ROSA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2025

Capital Project Funds				
Capital Facilities Fee Fund	Park Acquisition and Development Fund	City In Lieu Fee Fund	Southwest Area Development Impact Fee Fund	Southeast Area Development Impact Fee Fund
\$ 23,415,020	\$ 37,548,976	\$ 1,338,249	\$ 132,618	\$ 1,909,245
2,266,831	4,043,891	-	1,616	-
285,336	457,573	16,308	-	23,266
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	284,276	-	-	-
<u>\$ 25,967,187</u>	<u>\$ 42,334,716</u>	<u>\$ 1,354,557</u>	<u>\$ 134,234</u>	<u>\$ 1,932,511</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
2,266,831	4,043,891	-	-	-
-	-	-	-	-
-	38,290,825	-	-	-
-	-	-	-	-
-	-	-	-	-
23,700,356	-	1,354,557	134,234	1,932,511
-	-	-	-	-
<u>23,700,356</u>	<u>38,290,825</u>	<u>1,354,557</u>	<u>134,234</u>	<u>1,932,511</u>
<u>\$ 25,967,187</u>	<u>\$ 42,334,716</u>	<u>\$ 1,354,557</u>	<u>\$ 134,234</u>	<u>\$ 1,932,511</u>



CITY OF SANTA ROSA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2025

	Debt Services Funds		
	Courthouse Square COPS Fund	Fire Station Financed Purchase Obligation Fund	Total
ASSETS			
Cash and investments	\$ -	\$ -	\$ 134,873,641
Receivables:			
Accounts	-	-	6,347,556
Interest	-	-	1,615,625
Intergovernmental	-	-	7,759,352
Lease	-	-	685,085
Restricted cash and investments	89	-	89
Advances to other funds	-	-	284,276
TOTAL ASSETS	\$ 89	\$ -	\$ 151,565,624
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICIT)			
LIABILITIES			
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 3,197,553
Due to other funds	-	-	5,050
Unearned revenue	-	-	10,435,563
TOTAL LIABILITIES	-	-	13,638,166
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	-	-	9,904,472
Deferred Inflow OTHER	-	-	640,657
FUND BALANCES (DEFICIT):			
Restricted:			
Parks	-	-	52,600,243
Public Safety	-	-	12,987,821
Roads	-	-	19,559,989
Public and capital facilities	-	-	28,739,121
Other purposes	89	-	13,495,155
TOTAL FUND BALANCES (DEFICIT)	89	-	127,382,329
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICIT)	\$ 89	\$ -	\$ 151,565,624

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CITY OF SANTA ROSA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

Special Revenue Funds						
Measure M Fund	Art In-lieu Fee Fund	Public Safety & Prevention Special Tax Fund	Homeless Shelter Operations Fund	Federal Grants Fund	American Rescue Plan Act (ARPA) Fund	
REVENUES:						
Sales taxes	\$ -	\$ -	\$ 11,468,543	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	-	-
Development impact mitigation charges	-	-	-	-	-	-
Intergovernmental	4,302,028	-	-	818,269	3,000	6,642,119
Investment earnings	524,984	35,745	267,357	272,018	-	612,957
Net change in the fair value of investment:	150,107	10,697	74,774	61,752	-	195,986
Contribution from property owners	-	-	-	-	-	-
Other	-	115,095	112,624	161,524	-	-
TOTAL REVENUES	4,977,119	161,537	11,923,298	1,313,563	3,000	7,451,062
EXPENDITURES:						
Current:						
General government	-	92,209	-	2,811,625	-	3,652,890
Public safety	-	-	9,162,913	-	-	1,170,525
Public works	2,250,479	-	-	65,015	2,000	1,688,550
Community Services	190,796	-	2,258,117	-	-	-
Capital outlay	384,010	-	553,706	98,254	-	130,153
Debt service:						
Principal	-	-	56,576	-	-	-
Interest	-	-	7,770	-	-	-
TOTAL EXPENDITURES	2,825,285	92,209	12,039,082	2,974,894	2,000	6,642,118
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES						
	2,151,834	69,328	(115,784)	(1,661,331)	1,000	808,944
OTHER FINANCING SOURCES (USES):						
Transfers in	-	33,000	-	2,358,853	-	-
Transfers out	-	-	(275,709)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	33,000	(275,709)	2,358,853	-	-
CHANGES IN FUND BALANCES	2,151,834	102,328	(391,493)	697,522	1,000	808,944
FUND BALANCES, beginning of year	11,087,005	757,574	7,478,381	4,079,859	-	773,714
FUND BALANCES, end of year	\$ 13,238,839	\$ 859,902	\$ 7,086,888	\$ 4,777,381	\$ 1,000	\$ 1,582,658

(Continued)

Statement C-2

CITY OF SANTA ROSA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

Special Revenue Funds						
Brownfields Grant Fund	Federal Narcotics Asset Forfeiture Fund	Measure H Fund	Gas Tax Fund	State Grants Fund	Supplemental Law Enforcement Services Fund	AB 434 Fund
\$ -	\$ -	\$ 4,344,476	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	9,837,825	15,423,466	640,020	10,450
39,983	293	90,618	701,213	-	75,625	-
11,895	117	34,483	192,627	-	22,891	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>51,878</u>	<u>410</u>	<u>4,469,577</u>	<u>10,731,665</u>	<u>15,423,466</u>	<u>738,536</u>	<u>10,450</u>
91,510	-	-	-	-	-	10,450
-	22,381	13,499	-	12,360,365	447,680	-
-	-	-	4,493,495	103,791	-	-
-	-	-	-	-	-	-
-	-	-	2,229,473	7,698,572	351,211	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>91,510</u>	<u>22,381</u>	<u>13,499</u>	<u>6,722,968</u>	<u>20,162,728</u>	<u>798,891</u>	<u>10,450</u>
<u>(39,632)</u>	<u>(21,971)</u>	<u>4,456,078</u>	<u>4,008,697</u>	<u>(4,739,262)</u>	<u>(60,355)</u>	<u>-</u>
3,500	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>3,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(36,132)	(21,971)	4,456,078	4,008,697	(4,739,262)	(60,355)	-
913,599	21,971	-	13,202,976	6,307,666	1,556,371	-
<u>\$ 877,467</u>	<u>\$ -</u>	<u>\$ 4,456,078</u>	<u>\$ 17,211,673</u>	<u>\$ 1,568,404</u>	<u>\$ 1,496,016</u>	<u>\$ -</u>

CITY OF SANTA ROSA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	Special Revenue Funds					
	State Narcotics Asset Forfeiture Fund	Change For Kids Fund	Mobilehome Rent Stabilization Fund	Tourism BIA Fund	Special Tax Districts Fund	Expendable Fund
REVENUES:						
Sales taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	110,275	-	-	-
Development impact mitigation charges	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Interest	77,900	22,425	37,127	54,854	152,138	1,072
Net change in the fair value of investments	19,305	6,266	11,199	16,070	45,923	328
Contribution from property owners	-	-	-	-	419,616	-
Other	935,493	204,778	-	614,758	-	308,910
TOTAL REVENUES	1,032,698	233,469	158,601	685,682	617,677	310,310
EXPENDITURES:						
Current:						
General government	-	-	159,308	406,825	-	-
Public safety	204,485	-	-	-	-	-
Public works	-	-	-	-	81,605	3,497
Community Services	-	125,716	-	-	-	211,095
Capital outlay	16,000	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
TOTAL EXPENDITURES	220,485	125,716	159,308	406,825	81,605	214,592
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	812,213	107,753	(707)	278,857	536,072	95,718
OTHER FINANCING SOURCES (USES):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	(82,815)	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	(82,815)	-
CHANGES IN FUND BALANCES	812,213	107,753	(707)	278,857	453,257	95,718
FUND BALANCES, beginning of year	987,117	415,521	881,319	993,125	3,241,178	548,100
FUND BALANCES, end of year	\$ 1,799,330	\$ 523,274	\$ 880,612	\$ 1,271,982	\$ 3,694,435	\$ 643,818

(Continued)

Statement C-2

CITY OF SANTA ROSA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

Capital Projects Fund				
Capital Facilities Fee Fund	Park Acquisition and Development Fund	City In Lieu Fee Fund	Southwest Area Development Impact Fee Fund	Southeast Area Development Impact Fee Fund
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
3,197,958	5,249,031	-	-	-
-	-	-	-	-
1,034,600	1,693,641	64,712	8,098	87,067
295,816	481,527	17,140	2,454	26,093
-	-	1,641,333	-	-
11,626	-	-	-	-
<u>4,540,000</u>	<u>7,424,199</u>	<u>1,723,185</u>	<u>10,552</u>	<u>113,160</u>
-	-	1,513,303	-	-
22,216	-	-	-	-
1,605,325	1,629	59,636	139,809	221,335
-	1,368,463	-	-	-
339,164	3,346,526	49,034	2,353	54,175
-	-	-	-	-
-	-	-	-	-
<u>1,966,705</u>	<u>4,716,618</u>	<u>1,621,973</u>	<u>142,162</u>	<u>275,510</u>
<u>2,573,295</u>	<u>2,707,581</u>	<u>101,212</u>	<u>(131,610)</u>	<u>(162,350)</u>
-	-	-	-	-
<u>(33,006)</u>	<u>(21,000)</u>	<u>-</u>	<u>(99)</u>	<u>(912)</u>
<u>(33,006)</u>	<u>(21,000)</u>	<u>-</u>	<u>(99)</u>	<u>(912)</u>
2,540,289	2,686,581	101,212	(131,709)	(163,262)
<u>21,160,067</u>	<u>35,604,244</u>	<u>1,253,345</u>	<u>265,943</u>	<u>2,095,773</u>
<u>\$ 23,700,356</u>	<u>\$ 38,290,825</u>	<u>\$ 1,354,557</u>	<u>\$ 134,234</u>	<u>\$ 1,932,511</u>



CITY OF SANTA ROSA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	Debt Services Funds		
	Courthouse Square CO Ps Fund	Fire Station Financed Purchase Obligation Fund	Total
REVENUES:			
Sales taxes	\$ -	\$ -	\$ 15,813,019
Charges for services	-	-	110,275
Development impact mitigation charges	-	-	8,446,989
Intergovernmental	-	-	37,677,177
Interest	599	86	5,855,112
Net change in the fair value of investments	-	-	1,677,450
Contribution from property owners	-	-	2,060,949
Other	-	-	2,464,808
TOTAL REVENUES	599	86	74,105,779
EXPENDITURES:			
Current:			
General government	1,250	-	8,739,370
Public safety	-	-	23,404,064
Public works	-	-	10,716,166
Community Services	-	-	4,154,187
Capital outlay	-	-	15,252,631
Debt service:			
Principal	400,000	270,549	727,125
Interest	327,200	5,246	340,216
TOTAL EXPENDITURES	728,450	275,795	63,333,759
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(727,851)	(275,709)	10,772,020
OTHER FINANCING SOURCES (USES):			
Transfers in	727,799	275,709	3,398,861
Transfers out	-	-	(413,541)
TOTAL OTHER FINANCING SOURCES (USES)	727,799	275,709	2,985,320
CHANGES IN FUND BALANCES	(52)	-	13,757,340
FUND BALANCES, beginning of year	141	-	113,624,989
FUND BALANCES, end of year	\$ 89	\$ -	\$ 127,382,329

(Concluded)

CITY OF SANTA ROSA
MEASURE M SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget
REVENUES			
Intergovernmental	\$ 3,881,227	\$ 4,302,028	\$ 420,801
Investment earnings	-	524,984	524,984
Net change in the fair value of investments	-	150,107	150,107
TOTAL REVENUE	3,881,227	4,977,119	1,095,892
EXPENDITURES			
Current:			
Public works	6,968,038	552,416	6,415,622
Capital outlay	-	384,010	(384,010)
TOTAL EXPENDITURES	6,968,038	936,426	6,031,612
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(3,086,811)	4,040,693	7,127,504
OTHER FINANCING USES			
Transfers out	(7,536,210)	(1,888,859)	5,647,351
CHANGE IN FUND BALANCE	\$ (10,623,021)	2,151,834	\$ 12,774,855
FUND BALANCE, beginning of year		11,087,005	
FUND BALANCE, end of year		\$ 13,238,839	

CITY OF SANTA ROSA
ART IN-LIEU FEE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget
REVENUES			
Investment earnings	\$ -	\$ 35,745	\$ 35,745
Net change in the fair value of investments	-	10,697	10,697
Other	75,000	115,095	40,095
TOTAL REVENUE	75,000	161,537	86,537
EXPENDITURES - General government	883,245	92,209	791,036
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(808,245)	69,328	877,573
OTHER FINANCING SOURCES			
Transfers in	33,000	33,000	-
CHANGE IN FUND BALANCE	\$ (775,245)	102,328	\$ 877,573
FUND BALANCE, beginning of year		757,574	
FUND BALANCE, end of year		\$ 859,902	

Statement C-5

CITY OF SANTA ROSA
PUBLIC SAFETY AND PREVENTION TAX SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget
REVENUES			
Sales tax	\$ 12,509,000	\$ 11,468,543	\$ (1,040,457)
Investment earnings	23,000	267,357	244,357
Net change in the fair value of investments	-	74,774	74,774
Other	137,000	112,624	(24,376)
TOTAL REVENUE	12,669,000	11,923,298	(745,702)
EXPENDITURES			
Current:			
Public safety:			
Police	4,835,432	4,749,379	86,053
Fire	5,466,385	4,391,546	1,074,839
Community Services	3,333,905	2,257,709	1,076,196
Capital outlay	1,376,303	553,706	822,597
TOTAL EXPENDITURES	15,012,025	11,952,340	3,059,685
EXCESS OF REVENUES OVER EXPENDITURES	(2,343,025)	(29,042)	2,313,983
OTHER FINANCING USES			
Transfers out	(3,340,733)	(340,760)	2,999,973
CHANGE IN FUND BALANCE	\$ (5,683,758)	(369,802)	\$ 5,313,956
FUND BALANCE, beginning of year		7,478,381	
FUND BALANCE, end of year		\$ 7,108,579	



CITY OF SANTA ROSA
HOMELESS SHELTER OPERATIONS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget
REVENUES			
Intergovernmental	\$ 887,000	\$ 818,269	\$ (68,731)
Investment earnings	-	272,018	272,018
Net change in the fair value of investments	-	61,752	61,752
Other	239,088	161,524	(77,564)
TOTAL REVENUES	1,126,088	1,313,563	187,475
EXPENDITURES - General government	6,898,541	2,811,625	4,086,916
OTHER FINANCING SOURCES			
Transfers in	2,358,853	2,358,853	-
Transfers out	(163,269)	(163,269)	-
TOTAL OTHER FINANCING SOURCES (USES)	2,195,584	2,195,584	-
CHANGE IN FUND BALANCE	\$ (3,576,869)	697,522	\$ 4,274,391
FUND BALANCE, beginning of year		4,079,859	
FUND BALANCE, end of year		\$ 4,777,381	

Statement C-7

CITY OF SANTA ROSA
FEDERAL GRANTS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget
REVENUES			
Intergovernmental	\$ 39,000	\$ 3,000	\$ (36,000)
OTHER FINANCING USES			
Transfers out	(39,000)	(2,000)	37,000
CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>1,000</u>	<u>\$ 1,000</u>
FUND BALANCE, beginning of year		<u>-</u>	
FUND BALANCE, end of year		<u>\$ 1,000</u>	



CITY OF SANTA ROSA
FEDERAL NARCOTICS ASSET FORFEITURE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget
REVENUES:			
Investment earnings	\$ -	\$ 293	\$ 293
Net change in the fair value of investments	-	117	117
Other	50,000	-	(50,000)
TOTAL REVENUES	50,000	410	(49,590)
EXPENDITURES - Public Safety	50,000	22,381	27,619
CHANGE IN FUND BALANCE	\$ -	(21,971)	\$ (21,971)
FUND BALANCE, beginning of year		21,971	
FUND BALANCE, end of year		\$ -	

CITY OF SANTA ROSA
GAS TAX SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget
REVENUES			
Intergovernmental	\$ 9,458,234	\$ 9,837,825	\$ 379,591
Investment earnings	-	701,213	701,213
Net change in the fair value of investments	-	192,627	192,627
Other	-	-	-
TOTAL REVENUES	9,458,234	10,731,665	1,273,431
OTHER FINANCING USES			
Transfer in	-	-	-
Transfers out	(21,537,370)	(6,722,968)	14,814,402
TOTAL OTHER FINANCING SOURCES (USE)	9,458,234	(6,722,968)	14,814,402
CHANGE IN FUND BALANCE	\$ (12,079,136)	4,008,697	\$ 16,087,833
FUND BALANCE, beginning of year		13,202,976	
FUND BALANCE, end of year		\$ 17,211,673	



CITY OF SANTA ROSA
STATE GRANTS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget
REVENUES			
Intergovernmental	\$ 26,190,334	\$ 15,423,466	\$ (10,766,868)
OTHER FINANCING USES			
Transfers out	<u>(32,998,000)</u>	<u>(20,162,728)</u>	<u>12,835,272</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(32,998,000)</u>	<u>(20,162,728)</u>	<u>12,835,272</u>
CHANGE IN FUND BALANCE	<u>\$ (6,807,666)</u>	<u>(4,739,262)</u>	<u>\$ 2,068,404</u>
FUND BALANCE, beginning of year		<u>6,307,666</u>	
FUND BALANCE, end of year		<u>\$ 1,568,404</u>	

CITY OF SANTA ROSA
SUPPLEMENTAL LAW ENFORCEMENT SERVICES SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget
REVENUES			
Intergovernmental	\$ 440,000	\$ 640,020	\$ 200,020
Investment earnings	-	75,625	75,625
Net change in the fair value of investments	-	22,891	22,891
TOTAL REVENUES	440,000	738,536	298,536
EXPENDITURES			
Current:			
Public safety	542,255	447,680	94,575
Capital outlay	-	351,211	(351,211)
TOTAL EXPENDITURES	542,255	798,891	(256,636)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	440,000	(60,355)	298,536
CHANGE IN FUND BALANCE	\$ 440,000	(60,355)	\$ (500,355)
FUND BALANCE, beginning of year		1,556,371	
FUND BALANCE, end of year		\$ 1,496,016	

CITY OF SANTA ROSA
AB 434 SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget
REVENUES - Intergovernmental	\$ -	\$ 10,450	\$ 10,450
EXPENDITURES - General government	76,472	10,450	66,022
CHANGE IN FUND BALANCE	<u>\$ (76,472)</u>	-	<u>\$ 76,472</u>
FUND BALANCE, beginning of year		-	
FUND BALANCE, end of year		<u>\$ -</u>	

Statement C-13

CITY OF SANTA ROSA
STATE NARCOTICS ASSET FORFEITURE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget
REVENUES			
Investment earnings	\$ -	\$ 77,900	\$ 77,900
Net change in the fair value of investments	-	19,305	19,305
Other	100,000	935,493	835,493
TOTAL REVENUES	100,000	1,032,698	932,698
EXPENDITURES			
Current:			
Public Safety	1,666,913	204,485	1,462,428
Capital Outlay	-	16,000	(16,000)
TOTAL EXPENDITURES	1,666,913	220,485	1,446,428
EXCESS OF REVENUES OVER EXPENDITURES	(1,566,913)	812,213	(2,379,126)
CHANGE IN FUND BALANCE	<u>\$ (1,566,913)</u>	812,213	<u>\$ 2,379,126</u>
FUND BALANCE, beginning of year		987,117	
FUND BALANCE, end of year		<u>\$ 1,799,330</u>	



CITY OF SANTA ROSA
CHANGE FOR KIDS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget
REVENUES			
Investment earnings	\$ -	\$ 22,425	\$ 22,425
Net change in the fair value of investments	-	6,266	6,266
Other	184,000	204,778	20,778
TOTAL REVENUES	184,000	233,469	49,469
EXPENDITURES - Community Services	249,374	125,716	123,658
CHANGE IN FUND BALANCE	<u>\$ (65,374)</u>	107,753	<u>\$ 173,127</u>
FUND BALANCE, beginning of year		415,521	
FUND BALANCE, end of year		<u>\$ 523,274</u>	

CITY OF SANTA ROSA
MOBILE HOME RENT STABILIZATION SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget
REVENUES			
Charges for services	\$ 108,296	\$ 110,275	\$ 1,979
Investment earnings	-	37,127	37,127
Net change in the fair value of investments	-	11,199	11,199
	<hr/>	<hr/>	<hr/>
TOTAL REVENUES	108,296	158,601	50,305
EXPENDITURES - General government	<hr/> 268,732	<hr/> 159,308	<hr/> 109,424
CHANGE IN FUND BALANCE	<hr/> \$ (160,436)	<hr/> (707)	<hr/> \$ 159,729
FUND BALANCE, beginning of year		<hr/> 881,319	
FUND BALANCE, end of year		<hr/> \$ 880,612	



CITY OF SANTA ROSA
TOURISM BIA SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget
REVENUES			
Investment earnings	\$ -	\$ 54,854	\$ 54,854
Net change in the fair value of investments	-	16,070	16,070
Other	500,000	614,758	114,758
	<u>500,000</u>	<u>614,758</u>	<u>114,758</u>
TOTAL REVENUE	500,000	685,682	185,682
EXPENDITURES - General government	952,246	406,825	545,421
	<u>952,246</u>	<u>406,825</u>	<u>545,421</u>
CHANGE IN FUND BALANCE	\$ (452,246)	278,857	\$ 731,103
	<u>(452,246)</u>	<u>278,857</u>	<u>731,103</u>
FUND BALANCE, beginning of year		993,125	
		<u>993,125</u>	
FUND BALANCE, end of year		\$ 1,271,982	
		<u>\$ 1,271,982</u>	

Statement C-17

CITY OF SANTA ROSA
SPECIAL TAX DISTRICTS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget
REVENUES			
Investment earnings	\$ -	\$ 152,138	\$ 152,138
Net change in the fair value of investments	-	45,923	45,923
Other	438,191	419,616	(18,575)
TOTAL REVENUES	438,191	617,677	179,486
EXPENDITURES - Public Works	\$ 160,168	\$ 81,605	\$ 78,563
EXCESS OF REVENUES OVER EXPENDITURES	278,023	536,072	100,923
OTHER FINANCING USES			
Transfers out	(82,815)	(82,815)	-
CHANGE IN FUND BALANCE	\$ 195,208	453,257	\$ 100,923
FUND BALANCE, beginning of year		3,241,178	
FUND BALANCE, end of year		\$ 3,694,435	

CITY OF SANTA ROSA
CAPITAL FACILITIES FEE CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget
REVENUES			
Development impact mitigation charges	\$ 3,750,000	\$ 3,197,958	\$ (552,042)
Investment earnings	-	1,034,600	1,034,600
Net change in the fair value of investments	-	295,816	295,816
Other	-	11,626	11,626
TOTAL REVENUES	<u>3,750,000</u>	<u>4,540,000</u>	<u>790,000</u>
OTHER FINANCING USES			
Transfers out	<u>(19,115,242)</u>	<u>(1,999,711)</u>	<u>17,115,531</u>
CHANGE IN FUND BALANCE	<u>\$ (15,365,242)</u>	<u>2,540,289</u>	<u>(17,905,531)</u>
FUND BALANCE, beginning of year		<u>21,160,067</u>	
FUND BALANCE, end of year		<u>\$ 23,700,356</u>	

Statement C-19

CITY OF SANTA ROSA
PARK ACQUISITION AND DEVELOPMENT CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget
REVENUES			
Development impact mitigation charges			
Park acquisition fee zone #1	\$ 800,000	\$ 1,465,966	\$ 665,966
Park acquisition fee zone #2	800,000	2,025,357	1,225,357
Park acquisition fee zone #3	250,000	1,430,023	1,180,023
Park acquisition fee zone #4	350,000	327,685	(22,315)
Investment earnings	-	1,693,641	1,693,641
Net change in the fair value of investments	-	481,527	481,527
TOTAL REVENUES	<u>2,200,000</u>	<u>7,424,199</u>	<u>5,224,199</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	(28,974,095)	(4,737,618)	24,236,477
TOTAL OTHER FINANCING SOURCES (USES)	<u>(28,974,095)</u>	<u>(4,737,618)</u>	<u>24,236,477</u>
CHANGE IN FUND BALANCE	<u>\$ (26,774,095)</u>	2,686,581	<u>\$ 29,460,676</u>
FUND BALANCE, beginning of year		35,604,244	
FUND BALANCE, end of year		<u>\$ 38,290,825</u>	

CITY OF SANTA ROSA
SOUTHWEST AREA DEVELOPMENT IMPACT FEE CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget
REVENUES			
Investment earnings	\$ -	\$ 8,098	\$ 8,098
Net change in the fair value of investments	-	2,454	2,454
TOTAL REVENUES	-	10,552	10,552
OTHER FINANCING USES			
Transfers out	(238,471)	(142,261)	96,210
CHANGE IN FUND BALANCE	<u>\$ (238,471)</u>	<u>(131,709)</u>	<u>\$ 106,762</u>
FUND BALANCE, beginning of year		265,943	
FUND BALANCE, end of year		<u>\$ 134,234</u>	

Statement C-21

CITY OF SANTA ROSA
SOUTHEAST AREA DEVELOPMENT IMPACT FEE CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget
REVENUES			
Investment earnings	\$ -	\$ 87,067	\$ 87,067
Net change in the fair value of investments	-	26,093	26,093
TOTAL REVENUES	-	113,160	113,160
OTHER FINANCING SOURCES (USES)			
Transfers out	(1,992,258)	(276,422)	1,715,836
CHANGE IN FUND BALANCE	<u>\$ (1,992,258)</u>	<u>(163,262)</u>	<u>\$ 1,828,996</u>
FUND BALANCE, beginning of year		2,095,773	
FUND BALANCE, end of year		<u>\$ 1,932,511</u>	



CITY OF SANTA ROSA
COURTHOUSE SQUARE CERTIFICATES OF PARTICIPATION DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget
REVENUES:			
Investment earnings	\$ -	\$ 599	\$ 599
EXPENDITURES			
General Government	1,250	1,250	-
Debt service			
Principal	400,000	400,000	-
Interest	327,200	327,200	-
TOTAL EXPENDITURES	728,450	728,450	-
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(728,450)	(727,851)	599
OTHER FINANCING SOURCES			
Transfer in	728,450	727,799	(651)
CHANGE IN FUND BALANCE	\$ -	(52)	\$ (52)
FUND BALANCE, beginning of year		141	
FUND BALANCE, end of year		\$ 89	

Statement C-23

CITY OF SANTA ROSA
FIRE STATION FINANCED PURCHASE OBLIGATION DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget
REVENUES:			
Investment earnings	\$ -	\$ 86	\$ 86
EXPENDITURES			
Debt service			
Principal	270,549	270,549	-
Interest	5,246	5,246	-
TOTAL EXPENDITURES	275,795	275,795	-
OTHER FINANCING SOURCES			
Transfer in	275,795	275,709	(86)
CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
FUND BALANCE, beginning of year		<u>-</u>	
FUND BALANCE, end of year		<u>\$ -</u>	



NONMAJOR ENTERPRISE FUNDS

Enterprise funds account for the financing of self-supporting activities, which render services on a user charge basis to the public. The various nonmajor enterprise funds are:

- (a) Parking Fund accounts for the revenues and expenses related to providing public parking within the City.
- (b) Municipal Transit Fund accounts for the revenues and expenses related to providing a public transit system throughout the City.
- (c) Golf Course Fund accounts for the revenues and expenses related to maintaining and operating a public golf course.
- (d) Storm Water Fund accounts for the revenues and expenses related to activities designated to improve storm water quality.

CITY OF SANTA ROSA
COMBINING STATEMENT OF FUND NET POSITION
NONMAJOR ENTERPRISE FUNDS
JUNE 30, 2025

	Parking Fund	Municipal Transit Fund	Golf Course Fund	Storm Water Fund	Total
ASSETS					
CURRENT ASSETS:					
Cash and investments	\$ 10,809,775	\$ 575,582	\$ 205,617	\$ 3,850,140	\$ 15,441,114
Accounts receivable, net of allowance for uncollectible accounts	7,196	310,056	15,594	-	332,846
Interest receivable	135,362	7,011	2,504	46,995	191,872
Intergovernmental receivable	-	3,944,068	-	1,098,898	5,042,966
Lease receivable	-	-	819,898	-	819,898
Prepaid expenses	-	43,409	-	-	43,409
TOTAL CURRENT ASSETS	10,952,333	4,880,126	1,043,613	4,996,033	21,872,105
NONCURRENT ASSETS					
Capital assets					
Nondepreciable	2,977,304	350,000	427,800	-	3,755,104
Depreciable, net	6,448,037	10,395,140	5,694,761	13,692	22,551,630
TOTAL NONCURRENT ASSETS	9,425,341	10,745,140	6,122,561	13,692	26,306,734
TOTAL ASSETS	20,377,674	15,625,266	7,166,174	5,009,725	48,178,839
DEFERRED OUTFLOWS OF RESOURCES					
Pension and OPEB items	1,012,314	2,546,494	-	-	3,558,808
LIABILITIES					
CURRENT LIABILITIES					
Accounts payable and accrued liabilities	174,919	2,731,722	10,050	263,254	3,179,945
Unearned revenue	-	1,757,369	-	-	1,757,369
Accrued interest payable	-	-	48,605	-	48,605
Compensated absences payable	273,225	846,559	-	-	1,119,784
Lease liabilities	14,195	43,520	100,921	-	158,636
Bonds payable	-	-	298,358	-	298,358
TOTAL CURRENT LIABILITIES	462,339	5,379,170	457,934	263,254	6,562,697
NONCURRENT LIABILITIES					
Advances from other funds	-	-	284,276	801,695	1,085,971
Compensated absences payable	38,256	108,729	-	-	146,985
Lease liabilities	359,469	113,802	261,430	-	734,701
Bonds payable	-	-	1,733,433	-	1,733,433
Net OPEB liability	189,688	101,213	-	-	290,901
Net pension liability	5,836,312	14,442,294	-	-	20,278,606
TOTAL NONCURRENT LIABILITIES	6,423,725	14,766,038	2,279,139	801,695	24,270,597
TOTAL LIABILITIES	6,886,064	20,145,208	2,737,073	1,064,949	30,833,294
DEFERRED INFLOWS OF RESOURCES					
Leases	-	-	801,888	-	801,888
Pension and OPEB items	351,843	282,508	-	-	634,351
TOTAL DEFERRED INFLOWS OF RESOURCES	351,843	282,508	801,888	-	1,436,239
NET POSITION					
Net investment in capital assets	9,051,677	10,587,818	3,728,419	13,692	23,381,606
Unrestricted	5,100,404	(12,843,774)	(101,206)	3,931,084	(3,913,492)
TOTAL NET POSITION	\$ 14,152,081	\$ (2,255,956)	\$ 3,627,213	\$ 3,944,776	\$ 19,468,114

CITY OF SANTA ROSA
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
NONMAJOR ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	Parking Fund	Municipal Transit Fund	Golf Course Fund	Storm Water Fund	Total
OPERATING REVENUES					
Charges for services	\$ 3,856,618	\$ 1,408,069	\$ -	\$ 3,123,790	\$ 8,388,477
OPERATING EXPENSES					
Maintenance and operation	2,058,658	15,804,449	233,128	3,851,260	21,947,495
Administration	3,812,952	2,993,089	5,270	623,749	7,435,060
Depreciation	504,812	1,600,316	477,598	6,281	2,589,007
TOTAL OPERATING EXPENSES	6,376,422	20,397,854	715,996	4,481,290	31,971,562
OPERATING INCOME (LOSS)	(2,519,804)	(18,989,785)	(715,996)	(1,357,500)	(23,583,085)
NONOPERATING REVENUES (EXPENSES)					
Intergovernmental revenue	-	15,654,409	-	1,448,619	17,103,028
Measure M revenue	-	1,064,807	-	-	1,064,807
Investment earnings	477,149	152,925	12,666	172,381	815,121
Net change in the fair value of investments	147,658	14,337	1,746	54,713	218,454
Interest expense	(4,572)	(8,280)	(137,576)	-	(150,428)
Gain (loss) on disposal of capital assets	-	3,721	-	-	3,721
Other	44,329	6,828	201,075	7,421	259,653
NET NONOPERATING REVENUES (EXPENSES)	664,564	16,888,747	77,911	1,683,134	19,314,356
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	(1,855,240)	(2,101,038)	(638,085)	325,634	(4,268,729)
Capital contributions	-	623,864	-	-	623,864
Transfers in	1,273,028	53,250	796,738	-	2,123,016
Transfers out	(121,338)	-	-	(213,415)	(334,753)
CHANGES IN NET POSITION	(703,550)	(1,423,924)	158,653	112,219	(1,856,602)
NET POSITION, beginning of year, as previously stated	15,008,211	(518,160)	3,468,560	3,832,557	21,791,168
Restatement	(152,580)	(313,872)	-	-	(466,452)
NET POSITION, beginning of year	14,855,631	(832,032)	3,468,560	3,832,557	21,324,716
NET POSITION, end of year	\$ 14,152,081	\$ (2,255,956)	\$ 3,627,213	\$ 3,944,776	\$ 19,468,114

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CITY OF SANTA ROSA
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	Parking Fund	Municipal Transit Fund	Golf Course Fund	Storm Water Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 3,854,831	\$ 1,131,107	\$ (5,527)	\$ 3,123,790	\$ 8,104,201
Cash inflow from other sources	44,329	6,828	197,246	7,421	255,824
Cash paid to suppliers for goods and services	(1,120,888)	(7,068,308)	(199,935)	(2,322,084)	(10,711,215)
Cash paid to employees and others for services	(3,243,734)	(9,033,277)	(34,479)	(1,839,647)	(14,151,137)
Cash paid for interfund services used	(1,528,000)	(5,452,329)	(3,984)	(137,818)	(7,122,131)
Cash paid for other	-	-	-	-	-
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(1,993,462)	(20,415,979)	(46,679)	(1,168,338)	(23,624,458)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	(1,993,462)	(20,415,979)	(46,679)	(1,168,338)	
Operating grants received	-	18,977,489	-	522,805	19,500,294
Transfers in from other funds	1,273,028	53,250	796,738	-	2,123,016
Transfers out to other funds	(121,338)	-	-	(213,415)	(334,753)
Payment of interfund loan	-	-	(44,181)	-	(44,181)
NET CASH PROVIDED BY (USED IN) NONCAPITAL FINANCING ACTIVITIES	1,151,690	19,030,739	752,557	309,390	21,244,376
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	(244,959)	(620,143)	(14,503)	-	(879,605)
Principal paid on bonds, notes, and lease liabilities	(13,488)	(41,566)	(381,392)	(80,977)	(517,423)
Interest paid on bonds and notes	-	(8,280)	(123,525)	-	(131,805)
Interest paid on leases	(4,572)	-	(19,086)	-	(23,658)
Capital contributions	-	623,864	-	-	623,864
NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	(263,019)	(46,125)	(538,506)	(80,977)	(928,627)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest received on investments	638,873	184,423	12,251	240,449	1,075,996
CHANGES IN CASH AND CASH EQUIVALENTS	(465,918)	(1,246,942)	179,623	(699,476)	(2,232,713)
CASH AND CASH EQUIVALENTS, beginning of year	11,275,693	1,822,524	25,994	4,549,616	17,673,827
CASH AND CASH EQUIVALENTS, end of year	\$ 10,809,775	\$ 575,582	\$ 205,617	\$ 3,850,140	\$ 15,441,114

(Continued)

Statement D-3

CITY OF SANTA ROSA
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	Parking Fund	Municipal Transit Fund	Golf Course Fund	Storm Water Fund	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN)					
OPERATING ACTIVITIES:					
Operating income (loss)	\$ (2,519,804)	\$ (18,989,785)	\$ (715,996)	\$ (1,357,500)	\$ (23,583,085)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN)					
OPERATING ACTIVITIES:					
Depreciation and amortization	504,812	1,600,316	477,598	6,281	2,589,007
Miscellaneous nonoperating income	44,329	6,828	201,075	7,421	259,653
Changes in assets and liabilities:					
Accounts receivable	(1,787)	(276,962)	(5,527)	-	(284,276)
Leases receivable and related items	-	-	(3,829)	-	(3,829)
Prepaid items	-	(22,640)	-	-	(22,640)
Accounts payable and accrued liabilities	(225,894)	(3,243,008)	-	175,460	(3,293,442)
Compensated absences payable	72,756	338,435	-	-	411,191
Net pension/OPEB liability and related items	132,126	170,837	-	-	302,963
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ (1,993,462)	\$ (20,415,979)	\$ (46,679)	\$ (1,168,338)	\$ (23,624,458)
NONCASH INVESTING ACTIVITIES					
Amortization of bond premiums and discounts	\$ -	\$ -	\$ (1,642)	\$ -	\$ (1,642)
Change in fair value of investments	147,658	14,337	1,746	54,713	218,454

(Concluded)

CITY OF SANTA ROSA
COMBINING SCHEDULE OF CAPITAL ASSETS AND DEPRECIATION
ALL ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	COST			
	Balances July 1,	Additions	Deletions	Balances June 30
WATER UTILITY FUND				
Land	\$ 1,145,290	\$ -	\$ -	\$ 1,145,290
Construction in progress	19,104,853	6,448,534	5,860,712	19,692,675
Buildings	28,155,875	-	-	28,155,875
Improvements other than buildings	233,015,941	7,621,613	-	240,637,554
Equipment	38,835,205	223,127	23,561	39,034,771
Intangibles	1,444,800	-	-	1,444,800
	<u>321,701,964</u>	<u>14,293,274</u>	<u>5,884,273</u>	<u>330,110,965</u>
WASTEWATER UTILITY FUND				
Land	15,968,777	-	-	15,968,777
Construction in progress	85,397,408	27,738,205	16,033,085	97,102,528
Buildings	224,548,167	-	739,198	223,808,969
Improvements other than buildings	470,012,316	18,541,971	-	488,554,287
Equipment	88,496,233	2,510,255	654,945	90,351,543
Intangibles	312,502	-	-	312,502
	<u>884,735,403</u>	<u>48,790,431</u>	<u>17,427,228</u>	<u>916,098,606</u>
PARKING FUND				
Land	1,557,953	-	-	1,557,953
Construction in progress	2,694,196	378,904	1,653,749	1,419,351
Buildings	14,907,290	-	-	14,907,290
Improvements other than buildings	4,732,156	-	-	4,732,156
Equipment	2,047,766	1,519,804	-	3,567,570
Intangibles	158,212	-	-	158,212
Leased assets	424,031	-	-	424,031
	<u>26,521,604</u>	<u>1,898,708</u>	<u>1,653,749</u>	<u>26,766,563</u>
MUNICIPAL TRANSIT FUND				
Land	350,000	-	-	350,000
Construction in progress	908,397	-	908,397	-
Buildings	4,602,747	-	-	4,602,747
Improvements other than buildings	3,227,359	-	-	3,227,359
Equipment	23,051,175	1,532,261	292,616	24,290,820
Intangibles	195,992	-	-	195,992
Subscription-Based Information Technology Arrangement	223,121	-	-	223,121
	<u>32,558,791</u>	<u>1,532,261</u>	<u>1,201,013</u>	<u>32,890,039</u>
GOLF COURSE FUND				
Land	427,800	-	-	427,800
Buildings	10,117,138	-	-	10,117,138
Improvements other than buildings	1,149,096	-	-	1,149,096
Equipment	1,124,549	14,503	-	1,139,052
Lease	515,178	-	-	515,178
	<u>13,333,761</u>	<u>14,503</u>	<u>-</u>	<u>13,348,264</u>
STORM WATER FUND				
Equipment	60,856	-	-	60,856
TOTAL	<u>\$ 1,278,912,379</u>	<u>\$ 66,529,177</u>	<u>\$ 26,166,263</u>	<u>\$ 1,319,275,293</u>

(Continued)

Statement D-4

ACCUMULATED DEPRECIATION				June 30
Balances July 1	Depreciation Expense	Deletions	Balances June 30	Net book value
\$ -	\$ -	\$ -	\$ -	\$ 1,145,290
-	-	-	-	19,692,675
8,439,624	743,074	-	9,182,698	18,973,177
109,077,470	5,402,428	-	114,479,898	126,157,656
29,506,335	1,640,016	23,561	31,122,790	7,911,981
374,926	62,576	-	437,502	1,007,298
<u>147,398,355</u>	<u>7,848,094</u>	<u>23,561</u>	<u>155,222,888</u>	<u>174,888,077</u>
-	-	-	-	15,968,777
-	-	-	-	97,102,528
142,975,641	3,342,266	437,555	145,880,352	77,928,617
221,084,218	10,093,674	-	231,177,892	257,376,395
69,417,373	2,997,036	644,737	71,769,672	18,581,871
108,667	15,625	-	124,292	188,210
<u>433,585,899</u>	<u>16,448,601</u>	<u>1,082,292</u>	<u>448,952,208</u>	<u>467,146,398</u>
-	-	-	-	1,557,953
-	-	-	-	1,419,351
10,848,211	260,344	-	11,108,555	3,798,735
4,538,959	29,723	-	4,568,682	163,474
1,321,467	188,197	-	1,509,664	2,057,906
71,856	7,910	-	79,766	78,446
55,917	18,638	-	74,555	349,476
<u>16,836,410</u>	<u>504,812</u>	<u>-</u>	<u>17,341,222</u>	<u>9,425,341</u>
-	-	-	-	350,000
-	-	-	-	-
2,575,171	101,693	-	2,676,864	1,925,883
1,809,791	143,434	-	1,953,225	1,274,134
16,420,491	1,300,764	292,616	17,428,639	6,862,181
5,715	9,801	-	15,516	180,476
26,031	44,624	-	70,655	152,466
<u>20,837,199</u>	<u>1,600,316</u>	<u>292,616</u>	<u>22,144,899</u>	<u>10,745,140</u>
-	-	-	-	427,800
4,629,529	337,239	-	4,966,768	5,150,370
1,072,911	10,883	-	1,083,794	65,302
985,561	26,440	-	1,012,001	127,051
60,104	103,036	-	163,140	352,038
<u>6,748,105</u>	<u>477,598</u>	<u>-</u>	<u>7,225,703</u>	<u>6,122,561</u>
40,883	6,281	-	47,164	13,692
<u>\$ 625,446,851</u>	<u>\$ 26,885,702</u>	<u>\$ 1,398,469</u>	<u>\$ 650,934,084</u>	<u>\$ 668,341,209</u>

(Concluded)

CITY OF SANTA ROSA
SCHEDULE OF REVENUES, EXPENSES AND TRANSFERS
WASTEWATER UTILITY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	Local Wastewater System	Subregional Wastewater System	Wastewater Utility Fund Total
OPERATING REVENUES			
Charges for services	\$ 76,196,446	\$ 22,784,932	\$ 98,981,378
Sale of water	-	409,959	409,959
TOTAL OPERATING REVENUES	76,196,446	23,194,891	99,391,337
OPERATING EXPENSES			
Maintenance and operation	5,549,471	38,232,441	43,781,912
Administration	8,887,902	10,044,124	18,932,026
Depreciation	7,878,054	8,570,547	16,448,601
TOTAL OPERATING EXPENSES	22,315,427	56,847,112	79,162,539
OPERATING INCOME (LOSS)	53,881,019	(33,652,221)	20,228,798
NONOPERATING REVENUES (EXPENSES)			
Intergovernmental revenue	24,226	-	24,226
Investment earnings	3,558,928	4,880,737	8,439,665
Net change in the fair value of investments	1,096,145	1,267,610	2,363,755
Interest expense	-	(6,877,025)	(6,877,025)
Loss on disposal of capital assets	-	(279,636)	(279,636)
Other	131,953	315,841	447,794
NET NONOPERATING REVENUES (EXPENSES)	4,811,252	(692,473)	4,118,779
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	58,692,271	(34,344,694)	24,347,577
Capital contributions	2,073,663	3,226,000	5,299,663
Intrafund transfers in (out):			
Subregional System from Local Wastewater System	(60,173,537)	60,173,537	-
Transfers in:			
Water Fund	-	956,457	956,457
Transfers out:			
Internal Service Fund	(99,567)	(108,620)	(208,187)
Water Fund	(130,202)	(6,145)	(136,347)
Special Revenue Fund	(2,683,138)	-	(2,683,138)
CHANGE IN NET POSITION	\$ (2,320,510)	\$ 29,896,535	\$ 27,576,025

INTERNAL SERVICE FUNDS

Internal Service Funds are used to finance and account for special activities and services performed by organizational units within a governmental jurisdiction for other organizational units within the same governmental jurisdiction on a cost- reimbursement basis. The various internal service funds are:

- (a) Equipment and Replacement Fund accounts for maintenance and accumulation of resources for replacement of equipment used by most departments within the City.
- (b) Insurance Fund accounts for the costs of providing various types of insurance to all the departments within the City.
- (c) Information Services Fund accounts for the costs of providing various types of computer and phone services to all the departments within the City.
- (d) Pension Benefit Fund accounts for the costs of providing funded pension benefits to all the departments within the City.

CITY OF SANTA ROSA
COMBINING STATEMENT OF FUND NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2025

	Equipment and Replacement Fund	Insurance Fund	Information Services Fund	Pension Benefit Fund	Total
ASSETS					
CURRENT ASSETS					
Cash and investments	\$ 37,819,084	\$ 40,259,862	\$ 4,501,875	\$ 14,290,855	\$ 96,871,676
Accounts receivable, net of allowance for uncollectible accounts	-	-	76,893	-	76,893
Interest receivable	460,864	490,607	54,860	-	1,006,331
Inventory of supplies	517,860	-	-	-	517,860
Prepaid expenses	-	401,285	385,070	-	786,355
TOTAL CURRENT ASSETS	38,797,808	41,151,754	5,018,698	14,290,855	99,259,115
NONCURRENT ASSETS					
Capital assets					
Depreciable, net	13,186,735	-	5,473,651	-	18,660,386
TOTAL NONCURRENT ASSETS	13,186,735	-	5,473,651	-	18,660,386
TOTAL ASSETS	51,984,543	41,151,754	10,492,349	14,290,855	117,919,501
DEFERRED OUTFLOWS OF RESOURCES					
Pension and OPEB items	1,100,684	308,935	1,908,848	-	3,318,467
LIABILITIES					
CURRENT LIABILITIES					
Accounts payable and accrued liabilities	255,466	974,235	251,039	-	1,480,740
Accrued interest payable	-	-	-	-	-
Workers' compensation and general liability claims	-	3,787,909	-	-	3,787,909
Compensated absences	274,993	93,664	594,268	-	962,925
Lease liabilities	-	-	623,342	-	623,342
Pension obligation bonds	-	-	-	-	-
TOTAL CURRENT LIABILITIES	530,459	4,855,808	1,468,649	-	6,854,916
NONCURRENT LIABILITIES					
Workers' compensation and general liability claims	-	25,043,091	-	-	25,043,091
Compensated absences	59,924	47,412	225,727	-	333,063
Lease liabilities	-	-	2,739,104	-	2,739,104
Net OPEB liability	313,293	-	266,376	-	579,669
Net pension Liability	5,986,921	1,567,805	8,470,494	-	16,025,220
TOTAL NONCURRENT LIABILITIES	6,360,138	26,658,308	11,701,701	-	44,720,147
TOTAL LIABILITIES	6,890,597	31,514,116	13,170,350	-	51,575,063
DEFERRED INFLOWS OF RESOURCES					
Pension and OPEB items	528,167	(82,979)	62,150	-	507,338
NET POSITION (DEFICIT)					
Net investment in capital assets	13,186,735	-	2,111,205	-	15,297,940
Unrestricted	32,479,728	10,029,552	(2,942,508)	14,290,855	53,857,627
TOTAL NET POSITION (DEFICIT)	\$ 45,666,463	\$ 10,029,552	\$ (831,303)	\$ 14,290,855	\$ 69,155,567
TOTAL LIABILITIES AND NET POSITIO	\$ 53,085,227	\$ 41,460,689	\$ 12,401,197	\$ 14,290,855	\$ 121,237,968

Statement E-2

CITY OF SANTA ROSA
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	Equipment and Replacement Fund	Insurance Fund	Information Services Fund	Pension Benefit Fund	Total
OPERATING REVENUES:					
Charges for services	\$ 17,072,419	\$ 48,078,138	\$ 10,458,248	\$ 43,421,833	\$ 119,030,638
OPERATING EXPENSES:					
Maintenance and operation	4,860,154	44,707,345	5,999,378	-	55,566,877
Administration	4,383,753	1,593,838	3,945,064	37,804,462	47,727,117
Depreciation	3,433,825	-	1,540,339	-	4,974,164
TOTAL OPERATING EXPENSES	12,677,732	46,301,183	11,484,781	37,804,462	108,268,158
OPERATING INCOME (LOSS)	4,394,687	1,776,955	(1,026,533)	5,617,371	10,762,480
NONOPERATING REVENUES (EXPENSES):					
Investment earnings	1,577,232	1,535,541	168,017	10,599	3,291,389
Net change in the fair value of investments	467,136	483,932	60,317	-	1,011,385
Interest expense	-	-	(155,238)	(34,161)	(189,399)
Gain (loss) on disposal of capital assets	221,803	-	1,000	-	222,803
Other	34,847	1,523,334	380,076	-	1,938,257
NET NONOPERATING REVENUES (EXPENSES)	2,301,018	3,542,807	454,172	(23,562)	6,274,435
INCOME BEFORE TRANSFERS	6,695,705	5,319,762	(572,361)	5,593,809	17,036,915
TRANSFERS IN:					
Transfers in	288,000	-	97,069	-	385,069
CHANGES IN NET POSITION	6,983,705	5,319,762	(475,292)	5,593,809	17,421,984
NET POSITION, beginning of year, as previously stated	38,973,136	4,726,003	(34,914)	8,697,046	52,361,271
Restatement	(290,378)	(16,213)	(321,097)	-	(627,688)
NET POSITION (DEFICIT), beginning of year	38,682,758	4,709,790	(356,011)	8,697,046	51,733,583
NET POSITION, end of year	\$ 45,666,463	\$ 10,029,552	\$ (831,303)	\$ 14,290,855	\$ 69,155,567

CITY OF SANTA ROSA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	Equipment and Replacement Fund	Insurance Fund	Information Services Fund	Pension Benefit Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from other funds	\$ 17,100,250	\$ 48,078,138	\$ 10,478,525	\$ 43,421,833	\$ 119,078,746
Cash paid to suppliers for goods and services	(3,045,965)	(41,417,284)	745,537	-	(43,717,712)
Cash paid to employees and others for services	(3,652,060)	(832,556)	(6,029,509)	(37,804,462)	(48,318,587)
Cash paid for interfund services used	(2,530,253)	(374,054)	(2,008,032)	-	(4,912,339)
Cash received from other sources	34,847	1,523,334	380,076	-	1,938,257
NET CASH PROVIDED BY OPERATING ACTIVITIES	7,906,819	6,977,578	3,566,597	5,617,371	24,068,365
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfers in from other funds	288,000	-	97,069	-	385,069
Principal paid on pension obligation bonds	-	-	-	(3,630,000)	(3,630,000)
Interest paid on pension obligation bonds	-	-	(155,238)	(99,770)	(255,008)
NET CASH PROVIDED BY (USED IN) NONCAPITAL FINANCING ACTIVITIES	288,000	-	(58,169)	(3,729,770)	(3,499,939)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Proceeds from sale of capital assets	221,803	-	-	-	221,803
Acquisition and construction of capital assets	(4,363,166)	-	(3,894,877)	-	(8,258,043)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(4,141,363)	-	(3,894,877)	-	(8,036,240)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest received on investments	2,004,810	1,944,558	235,198	10,599	4,195,165
CHANGES IN CASH AND CASH EQUIVALENTS	6,058,266	8,922,136	(151,251)	1,898,200	16,727,351
CASH AND CASH EQUIVALENTS,					
Beginning of year	31,760,818	31,337,726	4,653,126	12,392,655	80,144,325
End of year	\$ 37,819,084	\$ 40,259,862	\$ 4,501,875	\$ 14,290,855	\$ 96,871,676

(Continued)

Statement E-3

CITY OF SANTA ROSA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	Equipment and Replacement Fund	Insurance Fund	Information Services Fund	Pension Benefit Fund	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES					
Operating income (loss)	\$ 4,394,687	\$ 1,776,955	\$ (1,026,533)	\$ 5,617,371	\$ 10,762,480
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:					
Depreciation	3,433,825	-	1,540,339	-	4,974,164
Other nonoperating revenues	34,847	1,523,334	380,076	-	1,938,257
Changes in assets and liabilities:					
Accounts receivable	27,831	-	20,277	-	48,108
Inventory of supplies	15,748	-	-	-	15,748
Prepaid expenses	-	23,223	(385,070)	-	(361,847)
Accounts payable and accrued liabilities	11,094	389,413	(75,841)	-	324,666
Lease liabilities	-	-	2,563,433	-	2,563,433
Workers' compensation and general liability claims	-	3,108,000	-	-	3,108,000
Compensated absences payable	(74,730)	108,321	229,992	-	263,583
Net pension/OPEB liability and related items	63,517	48,332	319,924	-	431,773
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 7,906,819</u>	<u>\$ 6,977,578</u>	<u>\$ 3,566,597</u>	<u>\$ 5,617,371</u>	<u>\$ 24,068,365</u>
NONCASH INVESTING AND CAPITAL AND RELATED FINANCING ACTIVITIES					
Book value on disposed capital assets	\$ 221,803	\$ -	\$ 1,000	\$ -	\$ 222,803
Change in fair value of investments	467,136	483,932	60,317	-	1,011,385

(Concluded)

CITY OF SANTA ROSA
COMBINING SCHEDULE OF CAPITAL ASSETS AND DEPRECIATION
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	COST			
	Balances July 1	Additions	Deletions	Balances June 30
EQUIPMENT AND REPLACEMENT FUND				
Equipment	\$ 36,167,075	\$ 4,363,556	\$ 2,396,267	\$ 38,134,364
Intangibles	168,340	-	-	168,340
TOTAL EQUIPMENT AND REPLACEMENT FUND	36,335,415	4,363,556	2,396,267	38,302,704
INSURANCE FUND				
Equipment	7,645	-	-	7,645
INFORMATION SERVICES FUND				
Construction in progress	-	-	-	-
Equipment	3,356,897	818,824	32,620	4,143,101
Intangibles	2,176,216	-	-	2,176,216
Subscription-based asset	1,015,913	3,077,053	-	4,092,966
TOTAL INFORMATION SERVICE FUND	6,549,026	3,895,877	32,620	10,412,283
TOTAL	\$ 42,892,086	\$ 8,259,433	\$ 2,428,887	\$ 48,722,632

(Continued)

Statement E-4

ACCUMULATED DEPRECIATION				
Balances July 1	Depreciation Expense	Deletions	Balances June 30	June 30 Net Book Value
\$ 23,994,553	\$ 3,425,408	\$ 2,395,877	\$ 25,024,084	\$ 13,110,280
83,468	8,417	-	91,885	76,455
24,078,021	3,433,825	2,395,877	25,115,969	13,186,735
7,645	-	-	7,645	-
-	-	-	-	-
1,796,382	416,997	32,620	2,180,759	1,962,342
1,395,250	485,865	-	1,881,115	295,101
239,281	637,477	-	876,758	3,216,208
3,430,913	1,540,339	32,620	4,938,632	5,473,651
\$ 27,516,579	\$ 4,974,164	\$ 2,428,497	\$ 30,062,246	\$ 18,660,386

(Concluded)

OTHER POSTEMPLOYMENT BENEFIT TRUST FUNDS

The Other Postemployment Benefit Trust Funds are used to report resources that are contributed by the City to the following retiree medical stipend plans:

- (a) Public Employees' Medical and Hospital Care Act (PEMCHA)
- (b) Fire Unit 2.
- (c) Maintenance and USO OE3 Units 3, 13 & 16.
- (d) Miscellaneous Employees SRCEA Units 4, 6 & 7.
- (e) Bus Operators SEIU Unit 8.
- (f) Police Technical SEIU Unit 14.
- (g) Police Units 5 & 9.

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CITY OF SANTA ROSA
COMBINING STATEMENT OF FUND NET POSITION
OTHER POSTEMPLOYMENT BENEFIT TRUST FUNDS
JUNE 30, 2025

	Fire SR Firefighters Stipend Fund	Maintenance & USO OE3 Stipend Fund	Miscellaneous SRCEA Stipend Fund	Bus Operators SEIU Stipend Fund
ASSETS				
Investments held in trust:				
Money market mutual funds	\$ 189,894	\$ 52,799	\$ 94,362	\$ 17,841
Private equity	58,374	-	-	-
Fixed income mutual funds	8,679,742	3,193,391	4,540,464	735,463
Equity mutual funds	8,412,269	3,114,223	4,456,022	720,097
Contributions receivable	99,682	24,354	56,547	7,174
Interest receivable	784	239	394	66
TOTAL ASSETS	\$ 17,440,745	\$ 6,385,006	\$ 9,147,789	\$ 1,480,641
NET POSITION				
Restricted for other postemployment benefit	\$ 17,440,745	\$ 6,385,006	\$ 9,147,789	\$ 1,480,641

Statement F-1

Police Technical SEIU Stipend Fund	Police Stipend Fund	Total Stipend Funds	Other Postemployment Benefit PEMHCA Trust Fund	Total Other Postemployment Benefit Trust Funds
\$ 10,794	\$ 148,624	\$ 514,314	\$ 13,503,749	\$ 14,018,063
-	54,701	113,075	-	113,075
327,610	7,316,914	24,793,584	-	24,793,584
320,251	7,105,293	24,128,155	-	24,128,155
4,507	78,515	270,779	-	270,779
43	622	2,148	-	2,148
<u>\$ 663,205</u>	<u>\$ 14,704,669</u>	<u>\$ 49,822,055</u>	<u>\$ 13,503,749</u>	<u>\$ 63,325,804</u>
<u>\$ 663,205</u>	<u>\$ 14,704,669</u>	<u>\$ 49,822,055</u>	<u>\$ 13,503,749</u>	<u>\$ 63,325,804</u>



CITY OF SANTA ROSA
COMBINING STATEMENT OF CHANGES IN FUND NET POSITION
OTHER POSTEMPLOYMENT BENEFIT STIPEND TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	Fire SR Firefighters Stipend Fund	Maintenance & USO OE3 Stipend Fund	Miscellaneous SRCEA Stipend Fund	Bus Operators SEIU Stipend Fund
ADDITIONS				
Employer contributions	\$ 1,239,302	\$ 315,942	\$ 751,110	\$ 99,562
Investment income (expenses):				
Interest and investment income	1,679,419	627,508	880,356	147,731
Investment expenses	(25,842)	(10,253)	(13,830)	(2,364)
Net investment income	1,653,577	617,255	866,526	145,367
Total additions	2,892,879	933,197	1,617,636	244,929
DEDUCTIONS				
Benefit payments	964,918	344,893	419,061	57,897
Administration	210,038	83,183	113,192	15,794
Total deductions	1,174,956	428,076	532,253	73,691
CHANGES IN NET POSITION	1,717,923	505,121	1,085,383	171,238
NET POSITION, beginning of year	15,722,822	5,879,885	8,062,406	1,309,403
NET POSITION, end of year	\$ 17,440,745	\$ 6,385,006	\$ 9,147,789	\$ 1,480,641

Statement F-2

Police Technical SEIU Stipend Fund	Police Stipend Fund	Total Stipend Funds	Other Postemployment Benefit PEMHCA Trust Fund	Total Other Postemployment Benefit Trust Funds
\$ 60,913	\$ 1,028,235	\$ 3,495,064	\$ -	\$ 3,495,064
65,683	1,416,989	4,817,686	1,215,752	6,033,438
(1,187)	(21,014)	(74,490)	-	(74,490)
64,496	1,395,975	4,743,196		
125,409	2,424,210	8,238,260	1,215,752	
				-
35,410	757,863	2,580,042	-	2,580,042
7,991	163,366	593,564	-	593,564
43,401	921,229	3,173,606	-	3,173,606
82,008	1,502,981	5,064,654	1,215,752	6,280,406
581,197	13,201,688	44,757,401	12,287,997	57,045,398
\$ 663,205	\$ 14,704,669	\$ 49,822,055	\$ 13,503,749	\$ 63,325,804



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Statistical Section



Statistical Section

This part of the City's Annual Comprehensive Financial Report 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 overall financial health.

Financial Trends Information - These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

- Net position by component, last ten fiscal years
- Changes in net position, last ten fiscal years
- Fund balances, governmental funds, last ten fiscal years
- Changes in fund balances, governmental funds, last ten fiscal years
- Tax revenues by source, governmental funds, last ten fiscal years

Revenue Capacity Information - These schedules contain trend information to help the reader understand the City's most significant local revenue source, property taxes.

- Assessed value and estimated actual value of taxable property, last ten fiscal years
- Direct and overlapping property tax rates, last ten fiscal years
- Principal property tax payers, current year and nine years ago
- Property tax levies and collections, last ten fiscal years
- Taxable sales by category, last ten fiscal years
- Direct and overlapping sales tax rates, last ten fiscal years
- Sales tax revenue payers by industry, current year and nine years ago
- Water and wastewater revenue by source, last ten fiscal years

Debt Capacity Information - These schedules present information to help the reader assess the affordability of the City's current level of outstanding debt and the City's ability to issue additional debt in the future.

- Ratios of outstanding debt by type, last ten fiscal years
- Ratios of general bonded debt outstanding by type, last ten fiscal years
- Direct and overlapping governmental activities debt
- Legal debt margin information, last ten fiscal years
- Pledged revenue coverage, last ten fiscal years

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.

- Demographic and economic statistics, last ten fiscal years
- Principal employers, current year and nine years ago

Operating Information - These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

- Full-time-equivalent City government employees by function/program, last ten fiscal years
- Operating indicators by function/program, last ten fiscal years
- Capital asset statistics by function/program, last ten fiscal years

Table 1

CITY OF SANTA ROSA
NET POSITION BY COMPONENT (Unaudited)
LAST TEN FISCAL YEARS
(amounts in thousands)

	2015-16	2016-17	2017-18	2018-19	2019-20
Governmental Activities					
Net investment in capital assets	\$ 339,378	\$ 348,441	\$ 345,435	\$ 345,837	\$ 349,301
Restricted	60,326	53,326	59,951	65,005	71,656
Unrestricted	(145,770)	(146,478)	(200,128)	(198,914)	(221,685)
Total governmental activities net position	<u>253,934</u>	<u>255,289</u>	<u>205,258</u>	<u>211,928</u>	<u>199,272</u>
Business-type Activities					
Net investment in capital assets	350,337	364,590	360,082	374,034	376,871
Restricted	12,892	1,520	18,399	16,888	17,696
Unrestricted	<u>85,848</u>	<u>107,245</u>	<u>100,059</u>	<u>121,117</u>	<u>135,497</u>
Total business-type activities net position	<u>449,077</u>	<u>473,355</u>	<u>478,540</u>	<u>512,039</u>	<u>530,064</u>
Primary Government					
Net investment in capital assets	689,715	713,031	705,517	719,871	726,172
Restricted	73,218	54,846	78,350	81,893	89,352
Unrestricted	<u>(59,922)</u>	<u>(39,233)</u>	<u>(100,069)</u>	<u>(77,797)</u>	<u>(86,188)</u>
Total primary government net position	<u>\$ 703,011</u>	<u>\$ 728,644</u>	<u>\$ 683,798</u>	<u>\$ 723,967</u>	<u>\$ 729,336</u>

(Continued)

Notes:

Accounting standards require that net position be reported in three components in the financial statements: net investment in capital assets, restricted, and unrestricted. Net position is considered restricted when 1) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or 2) imposed by law through constitutional provisions or enabling legislation.

Table 1

2020-21	2021-22	Fiscal Year 2022-23	2023-24	2024-25
\$ 356,282	\$ 376,107	\$ 390,811	\$ 402,032	\$ 431,700
73,528	97,730	102,930	124,096	133,693
<u>(144,155)</u>	<u>(135,444)</u>	<u>(128,362)</u>	<u>(121,053)</u>	<u>(145,999)</u>
<u>285,655</u>	<u>338,393</u>	<u>365,379</u>	<u>405,075</u>	<u>419,394</u>
414,979	433,153	456,590	481,233	493,756
14,662	14,695	15,104	15,864	24,687
<u>116,211</u>	<u>131,638</u>	<u>131,371</u>	<u>145,744</u>	<u>157,743</u>
<u>545,852</u>	<u>579,486</u>	<u>603,065</u>	<u>642,841</u>	<u>676,186</u>
771,261	809,260	847,401	883,265	925,456
88,190	112,425	118,034	139,960	158,380
<u>(27,944)</u>	<u>(3,806)</u>	<u>3,009</u>	<u>24,691</u>	<u>11,744</u>
<u>\$ 831,507</u>	<u>\$ 917,879</u>	<u>\$ 968,444</u>	<u>\$ 1,047,916</u>	<u>\$ 1,095,580</u>

(Concluded)

Table 2

CITY OF SANTA ROSA
CHANGES IN NET POSITION (Unaudited)
LAST TEN FISCAL YEARS
(amounts in thousands)

	2015-16	2016-17	2017-18	2018-19
Expenses				
Governmental activities:				
General government	\$ 26,738	\$ 34,074	\$ 46,489	\$ 48,922
Public safety	79,072	94,349	106,779	116,335
Public works	29,006	26,255	39,739	33,704
Recreation and parks	20,498	18,680	19,130	20,255
Housing opportunity and other	815	3,561	1,715	692
Interest on long-term liabilities	1,739	1,783	1,514	1,395
Total governmental activities expenses	157,868	178,702	215,366	221,303
Business-type activities:				
Water utility	34,249	37,319	43,180	41,679
Wastewater utility	70,283	73,739	74,903	76,578
Parking	5,391	5,151	6,337	5,996
Municipal transit	13,374	14,768	15,097	16,511
Golf course	842	781	722	833
Storm water	1,747	1,821	1,919	2,038
Total business-type activities expenses	125,886	133,579	142,158	143,635
Total primary government expenses	283,754	312,281	357,524	364,938
Program Revenues				
Governmental activities:				
Charges for services:				
General government	11,700	12,824	16,246	19,361
Public safety	3,116	4,209	4,073	4,634
Public works	1,987	2,458	3,122	2,937
Recreation and parks	3,832	3,778	3,351	3,408
Operating grants and contributions	10,651	8,486	10,354	15,820
Capital grants and contributions	16,430	10,204	9,990	10,557
Total governmental activities program revenue	47,716	41,959	47,136	56,717
Business-type activities:				
Charges for services:				
Water utility	37,902	41,144	43,955	43,667
Wastewater utility	75,463	76,489	79,171	83,362
Parking	4,385	4,526	4,946	5,373
Municipal transit	1,946	1,747	1,542	1,550
Golf course	443	387	424	322
Storm water	2,236	2,343	2,381	2,476
Operating grants and contributions	11,151	16,703	8,621	15,422
Capital grants and contributions	9,228	13,286	10,884	11,787
Total business-type activities program revenue	142,754	156,625	151,924	163,959
Total primary government program revenue	\$ 190,470	\$ 198,584	\$ 199,060	\$ 220,676

(Continued)

Table 2

CITY OF SANTA ROSA
CHANGES IN NET POSITION (Unaudited)
LAST TEN FISCAL YEARS
(amounts in thousands)

Fiscal Year					
2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
\$ 48,564	\$ 45,721	\$ 34,904	\$ 45,705	\$ 50,902	\$ 51,243
130,332	125,549	104,806	122,465	131,987	161,834
43,997	45,033	37,480	44,202	57,333	48,026
15,364	13,002	12,865	16,579	23,293	24,316
987	271	12,453	2,196	2,242	1,441
1,261	1,114	973	842	657	285
240,505	230,690	203,481	231,989	266,414	287,145
46,742	45,396	40,803	45,332	57,560	55,729
83,578	79,903	70,339	78,436	81,997	84,969
5,764	5,989	5,388	5,028	5,818	6,277
16,242	14,271	13,536	15,768	16,798	19,935
664	654	709	1,041	837	854
1,952	2,095	1,866	2,449	2,936	4,439
154,942	148,308	132,641	148,054	165,946	172,203
395,447	378,998	336,122	380,043	432,360	459,348
15,589	12,203	13,069	9,365	8,250	10,396
4,192	4,774	4,788	5,166	5,085	5,748
2,475	2,394	2,619	2,715	2,717	4,859
2,223	1,374	2,658	3,111	3,324	3,601
20,716	20,083	21,722	25,471	40,665	30,790
11,915	4,503	26,286	15,947	23,127	23,349
57,110	45,331	71,142	61,775	83,168	78,743
47,721	49,829	46,585	46,118	49,983	54,858
82,882	82,062	87,493	91,215	95,221	99,391
3,710	2,560	3,182	3,510	3,847	3,857
1,258	335	962	1,160	1,241	1,408
326	487	346	73	50	-
2,577	2,675	2,681	2,862	2,999	3,124
19,043	14,214	15,257	14,652	20,648	21,691
7,205	12,854	21,261	11,525	18,448	8,297
164,722	165,016	177,767	171,115	192,437	192,626
\$ 221,832	\$ 210,347	\$ 248,909	\$ 232,890	\$ 275,605	\$ 271,369

(Continued)

Table 2

CITY OF SANTA ROSA
CHANGES IN NET POSITION (Unaudited)
LAST TEN FISCAL YEARS
(amounts in thousands)

	2015-16	2016-17	2017-18	2018-19
Net (Expense)/Revenue				
Governmental activities	\$ (110,152)	\$ (136,743)	\$ (168,230)	\$ (164,586)
Business-type activities	16,868	23,046	9,766	20,324
Total primary government net expense	(93,284)	(113,697)	(158,464)	(144,262)
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes				
Property taxes	26,625	26,003	27,192	30,200
Utility users tax	9,955	10,628	10,689	10,257
City-levied sales taxes	16,983	17,283	18,346	22,430
Other taxes	21,624	22,882	24,439	25,897
Contributions not restricted to specific programs				
Sales taxes from State	37,060	36,097	37,423	41,251
Motor vehicle in lieu fees	12,416	13,105	13,715	14,602
Infrastructure maintenance contributions	1,880	4,982	8,343	4,433
Unrestricted investment income	3,236	555	793	6,068
Other	6,424	8,814	8,150	15,214
Insurance and settlement proceeds	-	-	7,500	1,162
Transfers	335	768	2,507	(258)
Total governmental activities	136,538	141,117	159,097	171,256
Business-type activities:				
Unrestricted investment income	2,614	861	977	8,730
Other	(28)	2,246	1,575	4,189
Transfers	(335)	(768)	(2,507)	258
Total business-type activities	2,251	2,339	45	13,177
Total primary government	138,789	143,456	159,142	184,433
Change in Net Position				
Governmental activities	26,386	4,374	(9,133)	6,670
Business-type activities	19,119	25,385	9,811	33,501
Total primary government	\$ 45,505	\$ 29,759	\$ 678	\$ 40,171

(Continued)

Table 2

CITY OF SANTA ROSA
CHANGES IN NET POSITION (Unaudited)
LAST TEN FISCAL YEARS
(amounts in thousands)

Fiscal Year					
2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
\$ (183,395)	\$ (185,359)	\$ (132,339)	\$ (170,214)	\$ (183,246)	\$ (208,402)
9,780	16,708	45,126	23,061	26,491	20,423
(173,615)	(168,651)	(87,213)	(147,153)	(156,755)	(187,979)
30,473	32,098	33,690	35,721	37,362	40,764
10,669	11,468	12,108	14,057	13,855	15,059
28,520	31,938	35,350	36,427	34,997	38,921
25,834	26,302	29,655	29,116	30,287	34,262
38,182	42,904	45,954	47,347	45,131	44,472
14,717	15,490	16,110	17,040	17,982	18,867
5,740	6,624	10,173	2,453	17,595	4,267
6,662	2,115	(9,417)	3,490	17,935	20,367
7,627	7,818	6,023	6,088	4,356	11,683
-	95,480	-	-	-	-
3,675	1,648	5,431	5,461	3,442	3,394
172,099	273,885	185,077	197,200	222,942	232,056
9,455	(454)	(8,435)	4,257	15,565	17,139
1,103	1,181	2,374	1,722	1,162	1,078
(3,675)	(1,648)	(5,431)	(5,461)	(3,442)	(3,394)
6,883	(921)	(11,492)	518	13,285	14,823
178,982	272,964	173,585	197,718	236,227	246,879
(11,296)	88,526	52,738	26,986	39,696	23,654
16,663	15,787	33,634	23,579	39,776	35,246
\$ 5,367	\$ 104,313	\$ 86,372	\$ 50,565	\$ 79,472	\$ 58,900

(Concluded)

Table 3

CITY OF SANTA ROSA
FUND BALANCES, GOVERNMENTAL FUNDS (Unaudited)
LAST TEN FISCAL YEARS
(amounts in thousands)

	2015-16	2016-17	2017-18	2018-19
General Fund				
Nonspendable:				
Advances	\$ -	\$ -	\$ -	\$ -
Inventory of supplies	845	803	929	1,100
Prepaid items	63	63	74	65
Restricted:				
Other purposes	-	-	-	-
Assigned:				
Carryover appropriations	28,549	27,205	38,993	43,080
Building activity	-	1,350	-	-
Economic development	883	883	-	-
Insurance proceeds	-	-	6,500	1,818
Waste hauler transition	-	506	-	-
Capital	337	205	205	-
Other purposes	-	-	-	-
Unassigned	36,415	33,296	19,351	29,322
Total general fund	<u>\$ 67,092</u>	<u>\$ 64,311</u>	<u>\$ 66,052</u>	<u>\$ 75,385</u>
All Other Governmental Funds				
Restricted:				
Debt service	\$ 818	\$ -	\$ -	\$ -
Parks	7,785	9,076	12,942	15,121
Public safety	6,510	7,304	7,742	7,962
Roads	11,131	9,053	7,514	9,449
Public and capital facilities	22,920	20,976	21,385	21,496
Other purposes	6,151	5,881	5,112	5,197
Unassigned	(6,569)	(842)	(1,724)	(1,073)
Total all other governmental funds	<u>\$ 48,746</u>	<u>\$ 51,448</u>	<u>\$ 52,971</u>	<u>\$ 58,152</u>

(Continued)

Table 3

CITY OF SANTA ROSA
FUND BALANCES, GOVERNMENTAL FUNDS (Unaudited)
LAST TEN FISCAL YEARS
(amounts in thousands)

Fiscal Year					
2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1,193	1,065	1,059	1,077	999	1,121
1,492	1,062	195	1,669	1,689	320
-	-	-	10,662	11,808	13,068
49,205	48,485	65,541	70,410	83,676	61,532
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	87,000	50,000	27,300	10,705	10,705
24,190	36,825	49,362	57,067	58,058	68,877
<u>\$ 76,080</u>	<u>\$ 174,437</u>	<u>\$ 166,157</u>	<u>\$ 168,185</u>	<u>\$ 166,935</u>	<u>\$ 155,623</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
18,079	24,767	30,834	39,729	47,984	52,600
6,116	7,104	8,895	10,013	8,319	12,988
12,520	12,270	13,894	16,299	19,943	19,560
21,268	22,040	20,531	25,025	26,242	28,739
6,502	6,420	7,510	7,677	11,137	13,495
(1,692)	(315)	(824)	(341)	-	-
<u>\$ 62,793</u>	<u>\$ 72,286</u>	<u>\$ 80,840</u>	<u>\$ 98,402</u>	<u>\$ 113,625</u>	<u>\$ 127,382</u>

(Concluded)

Table 4

CITY OF SANTA ROSA
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS (Unaudited)
LAST TEN FISCAL YEARS
(amounts in thousands)

	Fiscal Year			
	2015-16	2016-17	2017-18	2018-19
Revenues				
Taxes	\$ 125,589	\$ 126,943	\$ 132,788	\$ 145,653
Licenses and permits	1,435	1,563	3,439	4,775
Charges for services	23,844	26,580	28,744	31,085
Development impact mitigation charges	1,880	4,982	8,343	4,433
Intergovernmental	14,181	15,010	15,579	18,876
Fines and forfeitures	2,408	2,266	2,095	2,071
Investment earnings	2,189	1,193	1,447	1,983
Net change in the fair value of investments	459	(798)	(831)	2,190
Contribution from property owners	412	361	360	529
Other	7,024	8,121	7,707	7,410
Total revenues	179,421	186,221	199,671	219,005
Expenditures				
General government	33,823	38,912	44,946	51,716
Public safety	85,555	91,930	98,168	102,365
Public works	23,739	19,560	31,577	25,293
Recreation and parks	18,018	15,311	14,482	14,694
Other	950	3,514	1,756	678
Capital outlay	15,000	19,285	13,042	7,897
Debt service				
Principal	1,189	942	1,047	1,075
Bond issuance cost	-	242	-	-
Interest	559	553	503	477
Total expenditures	178,833	190,249	205,521	204,195
Excess of revenues over (under) expenditures	588	(4,028)	(5,850)	14,810
Other Financing Sources (Uses)				
Proceeds sale of capital assets	78	101	69	9
Proceeds from capital lease or financed purchase	-	-	-	-
Insurance proceeds	-	-	7,500	1,161
Issuance of long-term debt	-	12,661	-	-
Payment to escrow for refunding debt	-	(8,880)	-	-
Transfers in	11,766	17,134	18,286	13,586
Transfers out	(11,704)	(17,068)	(16,741)	(15,052)
Total other financing sources (uses)	140	3,948	9,114	(296)
Net change in fund balances	\$ 728	\$ (80)	\$ 3,264	\$ 14,514
Debt service as a percentage of noncapital expenditures	1.07%	0.87%	0.81%	0.79%

(Continued)

Table 4

CITY OF SANTA ROSA
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS (Unaudited)
LAST TEN FISCAL YEARS
(amounts in thousands)

Fiscal Year					
2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
\$ 149,369	\$ 161,242	\$ 174,075	\$ 180,946	\$ 180,693	\$ 193,444
3,274	3,201	3,440	3,018	2,945	2,899
26,770	23,824	25,533	23,396	23,204	27,819
5,740	6,624	10,173	14,914	11,633	8,447
21,775	24,956	25,627	37,912	55,134	47,458
1,970	1,118	1,676	1,959	1,905	1,624
3,200	3,859	1,714	1,902	7,578	12,729
1,486	(1,575)	(9,384)	1,155	7,037	3,336
334	466	514	574	625	2,061
7,323	102,437	4,468	5,249	3,291	11,668
221,241	326,152	237,836	271,025	294,045	311,485
50,034	49,222	45,466	52,561	55,140	58,046
107,446	110,361	115,636	119,838	131,129	159,209
34,725	36,743	34,401	37,998	49,130	40,781
10,747	9,044	10,334	13,378	19,549	21,405
951	286	12,565	2,250	2,175	1,533
17,778	11,259	22,079	27,316	23,930	29,721
1,106	1,992	2,093	2,172	1,060	1,018
-	-	-	-	-	-
451	424	421	434	413	383
223,238	219,331	242,995	255,947	282,526	312,096
(1,997)	106,821	(5,159)	15,078	11,519	(611)
491	96	87	5	43	46
-	-	-	1,600	-	-
-	-	-	-	-	-
3,458	-	-	146	235	-
-	-	-	-	-	-
22,368	22,759	25,408	32,514	23,061	21,584
(18,984)	(21,111)	(20,062)	(29,753)	(20,884)	(18,575)
7,333	1,744	5,433	4,512	2,455	3,055
\$ 5,336	\$ 108,565	\$ 274	\$ 19,590	\$ 13,974	\$ 2,444
0.76%	1.16%	1.14%	1.14%	0.57%	0.50%

(Concluded)

Table 5

CITY OF SANTA ROSA
TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS (Unaudited)
LAST TEN FISCAL YEARS
(amounts in thousands)

Fiscal Year	Property Tax	Sales Taxes	Utility Users Tax	Other Taxes					Total
				Motor Vehicle In Lieu Fees	Business Tax	Real Property Transfer Tax	Occupancy Tax	Other Taxes	
2015-16	26,625	55,165	9,955	12,416	4,194	3,482	5,525	8,227	125,589
2016-17	26,003	54,536	10,628	13,105	4,198	3,788	6,095	8,590	126,943
2017-18	27,192	56,981	10,689	13,715	4,557	3,850	6,506	9,298	132,788
2018-19	30,200	64,978	10,257	14,602	5,268	3,451	5,527	11,370	145,653
2019-20	30,474	67,987	10,669	14,717	4,546	3,432	4,836	12,709	149,370
2020-21	32,098	76,187	11,468	15,490	4,187	5,083	3,676	13,053	161,242
2021-22	33,690	82,926	12,108	16,110	4,713	5,720	5,874	12,934	174,075
2022-23	35,721	85,375	14,057	17,040	4,616	3,434	6,601	14,102	180,946
2023-24	37,362	81,672	13,855	17,982	4,997	3,420	6,848	14,557	180,693
2024-25	40,764	84,912	15,059	18,867	8,018	3,315	7,399	15,110	193,444

**Tax Revenues By Source
Governmental Funds**

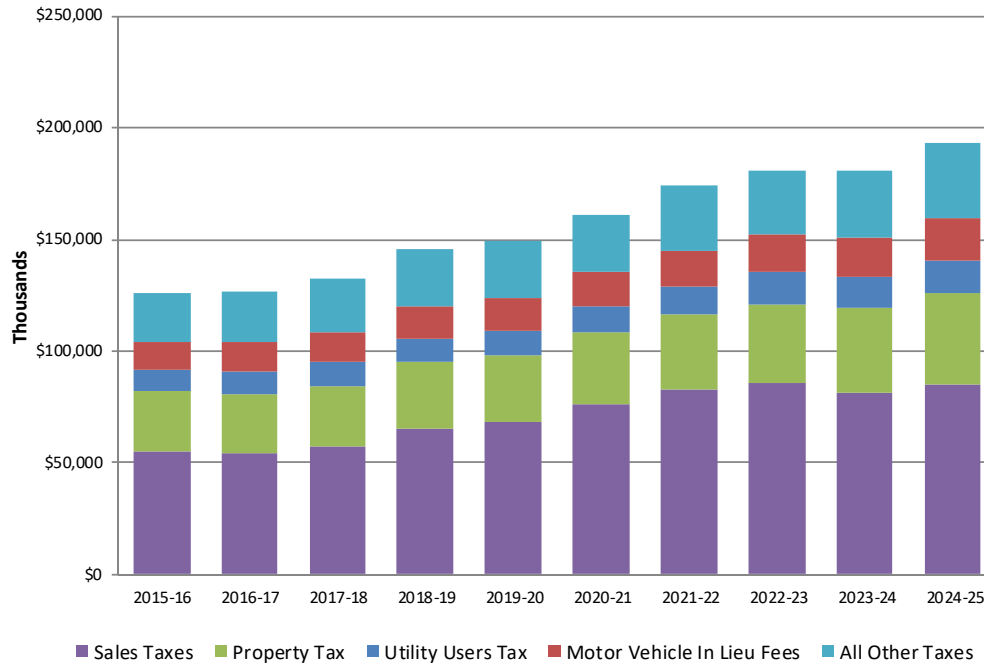


Table 6

CITY OF SANTA ROSA
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY (Unaudited)
LAST TEN FISCAL YEARS
(amounts in thousands)

Fiscal Year	Real Property Assessed/Market Value	Personal Property Assessed/Market Value	Total Assessed/Market Value	Percentage of Change in Market Value	Basic Direct Tax Rate
2015-16	20,431,941	713,888	21,145,829	7.6%	1.00
2016-17	21,548,595	763,218	22,311,813	5.5%	1.00
2017-18	22,627,663	703,474	23,331,137	4.6%	1.00
2018-19	23,429,767	752,838	24,182,605	3.6%	1.00
2019-20	24,596,012	826,271	25,422,283	5.1%	1.00
2020-21	26,864,177	888,537	27,752,714	9.2%	1.00
2021-22	26,784,453	859,830	27,644,283	-0.4%	1.00
2022-23	28,390,363	912,924	29,303,287	6.0%	1.00
2023-24	29,792,809	1,024,564	30,817,373	5.2%	1.00
2024-25	31,673,636	1,075,283	32,748,919	6.3%	1.00

Notes:

- (1) The State of California Constitution Article XIII A provides that the combined maximum property tax rate on any given property may not exceed one percent of its assessed value unless an additional amount for general obligation debt has been approved by voters. Assessed value is calculated at 100 percent of market value as defined by Article XIII A and may be adjusted no more than two percent per year unless the property is improved, sold or transferred. Because of this method of assessment, the City does not have a reasonable basis for estimating the actual value of taxable property and this information is not presented.
- (2) The State Legislature has determined the method of distribution of receipts from a one percent tax levy among the counties, cities, school districts, and other districts.
- (3) The City participates in the County Teeter Plan whereby all taxes are remitted to the City each

SOURCE: Avenu Insights & Analytics

Table 7

CITY OF SANTA ROSA
DIRECT AND OVERLAPPING PROPERTY TAX RATES (Unaudited)
LAST TEN FISCAL YEARS
(rate per \$100 of assessed value)

Fiscal Year	Basic Direct Rate	Overlapping Rates		Total
		School District	Misc Special Districts	
2015-16	1.00000	0.66880	0.00700	1.67580
2016-17	1.00000	0.61650	0.00700	1.62350
2017-18	1.00000	0.68750	0.00700	1.69450
2018-19	1.00000	0.65950	0.00700	1.66650
2019-20	1.00000	0.68750	0.00700	1.69450
2020-21	1.00000	0.75240	0.00700	1.75940
2021-22	1.00000	0.69880	0.00700	1.70580
2022-23	1.00000	0.61480	0.00700	1.62180
2023-24	1.00000	0.11700	0.00700	1.12400
2024-25	1.00000	0.11550	0.00700	1.12250

Notes:

- (1) Overlapping rates are those of local and county governments that apply to property owners within the City of Santa Rosa. Not all overlapping rates apply to
- (2) In 1978, California voters passed Proposition 13, which set the property tax rate at a 1% fixed amount. This 1% is shared by all taxing agencies for which

SOURCE: Avenu Insights & Analytics

Table 8

CITY OF SANTA ROSA
PRINCIPAL PROPERTY TAX PAYERS (Unaudited)
CURRENT YEAR AND NINE YEARS AGO
(amounts in thousands)

Taxpayer	FY 2024-25			FY 2015-16		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Keysight Technologies Inc.	\$ 365,978	1	1.19%	\$ 188,731	1	0.89%
Varena LLC	120,709	2	0.39%	81,895	2	0.39%
Montgomery Village Owner LLC	99,049	3	0.32%	N/A	N/A	N/A
GG Yolanda Apts LLC	92,089	4	0.30%	N/A	N/A	N/A
EMI Santa Rosa Ltd. PTP	90,933	5	0.30%	64,543	3	0.31%
Coddington LLC	77,006	6	0.25%	58,888	4	0.28%
Viavi Solutions Inc.	75,981	7	0.25%	N/A	N/A	N/A
Sendero Townhomes LLC	73,485	8		N/A	N/A	N/A
Comcast	70,221	9	0.23%	N/A	N/A	N/A
Apple Creek Apts California LLC	68,635	10	0.22%	58,650	5	0.28%
Recology Sonoma Marin	N/A	N/A	N/A	N/A	N/A	N/A
Sonic Net LLC	N/A	N/A	N/A	N/A	N/A	N/A
THI VI Sonoma LLC	N/A	N/A	N/A	44,003	10	0.21%
Exchange Bank	N/A	N/A	N/A	N/A	N/A	N/A
Total	<u>\$ 1,134,087</u>		<u>3.44%</u>	<u>\$ 496,710</u>		<u>2.35%</u>

SOURCE: Avenu Insights & Analytics

Table 9

CITY OF SANTA ROSA
PROPERTY TAX LEVIES AND COLLECTIONS (Unaudited)
LAST TEN FISCAL YEARS
(amounts in thousands)

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Total Collections to Date	
		Amount	Percentage of Levy	Amount	Percentage of Levy
2015-16	22,432	22,432	100%	22,432	100%
2016-17	23,593	23,593	100%	23,593	100%
2017-18	24,365	24,365	100%	24,365	100%
2018-19	27,164	27,164	100%	27,164	100%
2019-20	27,075	27,075	100%	27,075	100%
2020-21	28,610	28,610	100%	28,610	100%
2021-22	29,880	29,880	100%	29,880	100%
2022-23	31,629	31,629	100%	31,629	100%
2023-24	33,130	33,130	100%	33,130	100%
2024-25	36,751	36,751	100%	36,751	100%

Note: The City participates in the County Teeter Plan whereby all taxes are remitted to the City each year. Amounts reported are for secured property taxes only.

SOURCE: Sonoma County Assessor's and Auditor's Office

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Table 10

CITY OF SANTA ROSA
TAXABLE SALES BY CATEGORY (Unaudited)
LAST TEN FISCAL YEARS
(amounts in thousands)

	Fiscal Year			
	2015-16	2016-17	2017-18	2018-19
<u>Economic NAICS Sectors:</u>				
Accommodation and Food Services	\$ 335,074	\$ 349,912	\$ 363,145	\$ 377,323
Admin and Support & Waste Mgmt and Remediation	6,874	6,510	7,856	8,166
Agriculture, Forestry, Fishing and Hunting	481	531	553	452
Arts, Entertainment, and Recreation	5,200	5,184	5,645	5,172
Construction	10,664	10,152	10,969	17,652
Educational Services	1,550	1,944	2,161	1,381
Health Care and Social Assistance	10,285	11,319	12,419	12,023
Information	35,071	27,642	28,244	28,174
Manufacturing	127,489	106,610	138,620	156,687
Other Services (except Public Administration)	57,241	59,293	60,431	63,726
Professional, Scientific, and Technical Services	15,373	15,718	16,170	16,271
Public Administration	2,120	2,154	5,404	1,973
Real Estate and Rental and Leasing	17,604	18,787	24,901	19,925
Retail Trade	2,302,947	2,391,900	2,561,435	2,535,716
Transportation and Warehousing	876	951	2,036	1,092
Wholesale Trade	193,866	174,506	195,560	242,753
All Other NAICS Sectors	56,806	66,546	73,167	93,235
Total	<u>\$ 3,179,523</u>	<u>\$ 3,249,659</u>	<u>\$ 3,508,716</u>	<u>\$ 3,581,721</u>
City direct sales tax rate	0.50%	0.50%	0.50%	0.50%-0.75%

(Continued)

Note: During FY 2017-18, the CDTFA changed their system to an NAICS based coding structure. This table now reflects those categories.

SOURCE: Avenu Insights & Analytics

Table 10

CITY OF SANTA ROSA
TAXABLE SALES BY CATEGORY (Unaudited)
LAST TEN FISCAL YEARS
(amounts in thousands)

Fiscal Year						
2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	
\$ 325,696	\$ 308,069	\$ 396,522	\$ 437,881	\$ 451,957	\$ 461,968	
7,359	-	-	-	-	-	
596	40,809	42,843	43,617	40,452	50,471	
3,223	16	68	117	465	425	
13,361	209,799	222,785	253,442	246,664	232,351	
793	4,030	3,811	4,593	3,998	4,278	
9,140	-	-	-	-	-	
22,961	12,002	16,157	19,540	18,871	19,622	
148,147	96,660	107,008	114,164	131,845	132,848	
61,944	39,034	43,652	49,661	49,809	49,378	
14,945	10,733	11,561	13,798	13,787	13,050	
1,517	-	-	-	-	-	
20,403	-	14,185	12,817	12,519	14,312	
2,304,012	2,650,069	2,890,021	2,901,061	2,780,545	2,696,018	
778	-	-	-	-	-	
256,093	-	-	-	-	-	
62,922	120,807	122,752	129,212	138,300	127,165	
<u>\$ 3,253,890</u>	<u>\$ 3,492,028</u>	<u>\$ 3,871,365</u>	<u>\$ 3,979,903</u>	<u>\$ 3,889,213</u>	<u>\$ 3,801,885</u>	
0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	

(Concluded)

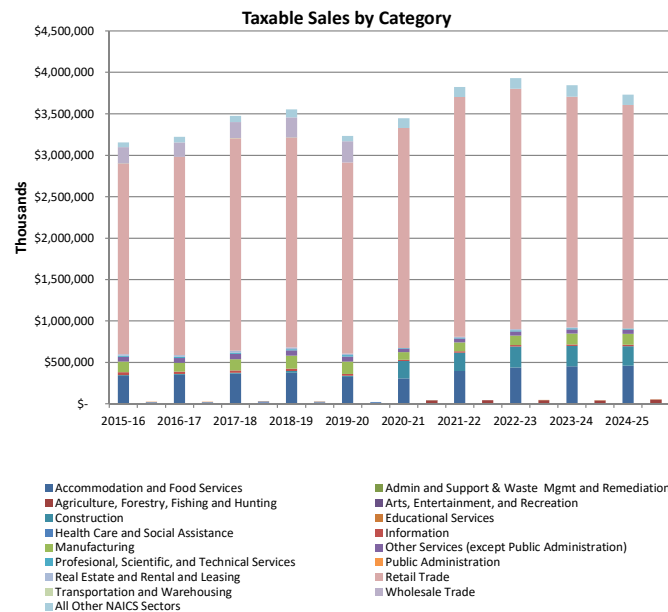


Table 11

CITY OF SANTA ROSA
DIRECT AND OVERLAPPING SALES TAX RATES (Unaudited)
LAST TEN FISCAL YEARS

Fiscal Year	City Direct Rate	Overlapping Rate Sonoma County
2015-16	0.50%	0.750%
2016-17	0.50%	0.875%
2017-18	0.50%	0.875%
2018-19	0.50%-0.75%	0.875%-1.00%
2019-20	0.75%	1.000%
2020-21	0.75%	1.000%
2021-22	0.75%	1.000%
2022-23	0.75%	1.000%
2023-24	0.75%	1.000%
2024-25	0.75%	1.000%

Notes: (1) The City direct tax rate of 0.25% [City of Santa Rosa Public Safety Transactions and Use Tax (SRPS)] was approved by Santa Rosa citizens in November 2004 and went into effect on April 1, 2005. The tax funds critical public safety improvements in Police, Fire and Recreation & Parks. The City direct tax rate of 0.25% [City of Santa Rosa 2010 Transactions and Use Tax (SRGF)] was approved by Santa Rosa citizens in November of 2010 and went into effect on April 1, 2011. The City direct tax rate of 0.25% [City of Santa Rosa Transaction and Use Tax (SATG)] was approved by Santa Rosa citizens in November of 2018 and went into effect on April 1, 2019.

(2) Any increases to the City direct tax rate must be approved by the citizens of Santa Rosa.

SOURCE: California State Board of Equalization

Table 12

CITY OF SANTA ROSA
SALES TAX REVENUE PAYERS BY INDUSTRY (Unaudited)
CURRENT YEAR AND NINE YEARS AGO
(amounts in thousands)

	FY 2024-25		
	Taxable Sales	Percentage of Total	Tax Liability
<u>Economic NAICS Sectors:</u>			
Accommodation and Food Services	\$ 461,968	12.2%	\$ 8,084
Agriculture, Forestry, Fishing and Hunting	50,471	1.3%	883
Arts, Entertainment, and Recreation	425	0.0%	7
Construction	232,351	6.1%	4,066
Educational Services	4,278	0.1%	75
Information	19,622	0.5%	343
Manufacturing	132,848	3.5%	2,325
Other Services (except Public Administration)	49,378	1.3%	864
Professional, Scientific, and Technical Services	13,050	0.3%	228
Real Estate and Rental and Leasing	14,312	0.4%	250
Retail Trade	2,696,018	70.9%	47,180
All Other NAICS Sectors	127,165	3.3%	2,225
Total	<u>\$ 3,801,885</u>	<u>100.0%</u>	<u>\$ 66,530</u>
	FY 2015-16		
	Taxable Sales	Percentage of Total	Tax Liability
<u>Economic NAICS Sectors:</u>			
Accommodation and Food Services	\$ 335,074	10.5%	\$ 5,026
Admin and Support & Waste Mgmt and Remediation	6,874	0.2%	103
Agriculture, Forestry, Fishing and Hunting	481	0.0%	7
Arts, Entertainment, and Recreation	5,200	0.2%	78
Construction	10,664	0.3%	160
Educational Services	1,550	0.0%	23
Health Care and Social Assistance	10,285	0.3%	154
Information	35,071	1.1%	526
Manufacturing	127,489	4.0%	1,912
Other Services (except Public Administration)	57,241	1.8%	859
Professional, Scientific, and Technical Services	15,373	0.5%	231
Public Administration	2,120	0.1%	32
Real Estate and Rental and Leasing	17,604	0.6%	264
Retail Trade	2,302,947	72.4%	34,544
Transportation and Warehousing	876	0.0%	13
Wholesale Trade	193,866	6.1%	2,908
All Other NAICS Sectors	56,806	1.8%	852
	<u>\$ 3,179,523</u>	<u>100.0%</u>	<u>\$ 47,692</u>

Note: During FY 2017-18, the California Department of Tax and Fee Administration (CDTFA) changed their system to an NAICS based coding structure. This table now reflects those categories

SOURCE: Avenu Insights & Analytics

Table 13

CITY OF SANTA ROSA
WATER AND WASTEWATER REVENUE BY SOURCE (Unaudited)
LAST TEN FISCAL YEARS
(amounts in thousands)

Fiscal Year	Collected within the Water Enterprise Fund			Collected within the Wastewater Enterprise Fund		Total
	Charges for Services	Sale of Water	Demand Fee Revenue	Charges for Services	Demand Fee Revenue	
2015-16	\$ 11,582	\$ 26,320	\$ 1,741	\$ 75,463	\$ 2,314	\$ 117,420
2016-17	11,487	29,657	1,572	76,489	3,271	122,476
2017-18	11,920	32,035	2,081	79,171	5,268	130,475
2018-19	12,506	31,161	1,512	83,362	3,950	132,491
2019-20	13,240	34,482	856	69,503	2,469	120,550
2020-21	13,726	36,103	997	82,062	1,933	134,821
2021-22	14,592	31,993	2,758	87,259	10,286	146,888
2022-23	15,297	30,821	1,913	90,911	448	139,390
2023-24	16,038	33,945	3,072	94,819	7,785	155,659
2024-25	16,755	38,103	204	98,981	1,192	155,235

SOURCE: City of Santa Rosa Water and Wastewater Utility Fund Financial Statements

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Table 14

CITY OF SANTA ROSA
RATIOS OF OUTSTANDING DEBT BY TYPE (Unaudited)
LAST TEN FISCAL YEARS
(amounts in thousands, except per capita)

Fiscal Year	Governmental Activities					Subtotal
	Building Acquisition Courthouse Project Certificates of Participation	Pension Obligation Bonds	Financed Purchase Obligations	Lease and SBITA Liabilities		
2015-16	\$ 8,617	\$ 27,315	\$ 4,892	\$ -	\$	40,824
2016-17	11,435	24,715	4,181	-		40,331
2017-18	12,267	22,045	3,454	-		37,766
2018-19	11,896	19,285	2,709	-		33,890
2019-20	11,511	16,425	5,406	-		33,342
2020-21	11,115	13,445	3,769	-		28,329
2021-22	10,709	10,335	2,122	1,586		24,752
2022-23	9,345	7,070	2,010	1,984		20,409
2023-24	8,960	3,630	1,438	2,578		16,606
2024-25	9,427	-	944	5,535		15,906

Notes: (1) Details regarding the City's outstanding debt can be found in the notes to the basic financial statements.

(2) Refer to Table 19 for personal income and population data.

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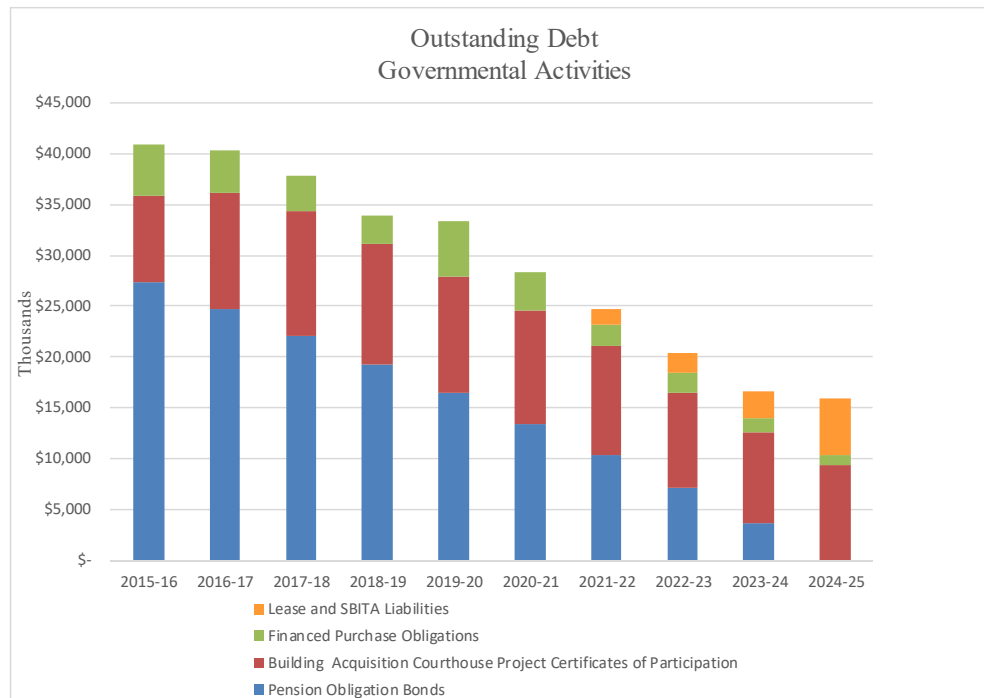


Table 14

CITY OF SANTA ROSA
RATIOS OF OUTSTANDING DEBT BY TYPE (Unaudited)
LAST TEN FISCAL YEARS
(amounts in thousands, except per capita)

Fiscal Year	Business-type Activities						Total Primary Government	Percentage of Personal Income	Per Capita
	Water Revenue Bonds	Wastewater Improvement Bonds	Parking Improvement Bonds	Golf Course Improvement Certificates of Participation	State Loans	Lease Liabilities			
2015-16	\$ 11,995	\$ 244,483	\$ -	\$ 4,210	\$ 56,153	\$ -	\$ 357,665	\$ -	\$ -
2016-17	11,685	271,822	-	4,010	243	-	328,091	7.4%	1,856
2017-18	11,343	281,827	-	3,780	149	-	334,865	7.4%	1,876
2018-19	8,910	266,934	-	3,567	51	-	313,352	6.4%	1,784
2019-20	9,966	251,037	-	3,339	-	-	297,684	5.6%	1,714
2020-21	9,608	302,249	-	3,100	-	-	343,286	6.5%	1,999
2021-22	9,240	284,386	-	2,852	-	412	321,642	5.6%	1,813
2022-23	7,750	175,770	-	2,600	-	400	206,929	3.1%	1,186
2023-24	7,420	162,090	-	2,325	-	1,044	189,485	2.5%	1,083
2024-25	8,036	226,234	-	2,032	-	893	253,101	3.1%	1,418

(Concluded)

Outstanding Debt
Business-type Activities

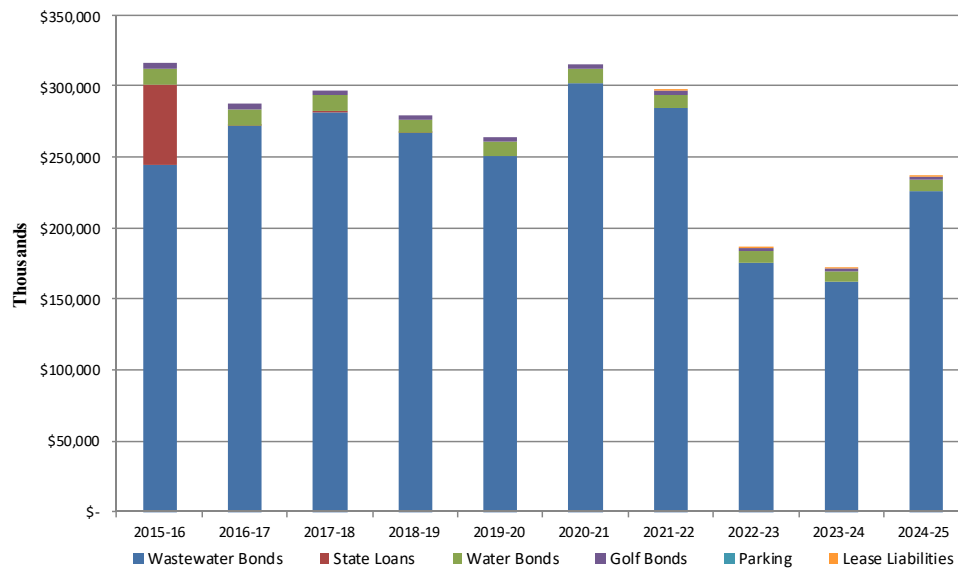


Table 15

CITY OF SANTA ROSA
RATIOS OF GENERAL BONDED DEBT OUTSTANDING BY TYPE (Unaudited)
LAST TEN FISCAL YEARS
(amounts in thousands, except per capita)

Fiscal Year	Building Acquisition Courthouse Project Certificates of Participation	Pension Obligation Bonds	Total General Bonded Debt	Less: Amounts Available in Debt Service Fund	Net General Bonded Debt	Percent of Assessed Value of Property	Per Capita
2015-16	8,617	27,315	35,932	815	35,117	0.17%	-
2016-17	11,435	24,715	36,150	-	36,150	0.16%	204.47
2017-18	12,267	22,045	34,312	-	34,312	0.15%	192.24
2018-19	11,896	19,285	31,181	-	31,181	0.13%	177.54
2019-20	11,511	16,425	27,936	-	27,936	0.11%	160.90
2020-21	11,115	13,445	24,560	-	24,560	0.09%	143.03
2021-22	10,709	10,335	21,044	-	21,044	0.08%	118.63
2022-23	9,345	7,070	16,415	-	16,415	0.06%	94.06
2023-24	8,960	3,630	12,590	-	12,590	0.04%	71.99
2024-25	9,427	-	9,427	-	9,427	0.03%	52.83

Notes: (1) Details regarding the City's outstanding debt can be found in the notes to the financial statements.
(2) Refer to Table 6 for assessed value of property.
(3) Refer to Table 19 for personal income and population data.

Table 16

CITY OF SANTA ROSA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT (Unaudited)
(amounts in thousands)

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable ¹	Estimated Share of Direct and Overlapping Debt
Debt repaid with property taxes:			
Santa Rosa High School	\$ 335,711	76.0899%	\$ 255,442
Sonoma County Junior College District	336,025	27.2928%	91,711
Rincon Valley Union Elementary	72,013	87.1359%	62,749
Santa Rosa School District	77,724	98.9043%	76,872
Bellevue Elementary	51,642	59.4167%	30,684
Wright Elementary	22,843	93.2523%	21,302
Roseland Elementary	15,875	100.0000%	15,875
Piner-Olivet Union Elementary	27,124	73.4578%	19,925
Bennett Valley Elementary	11,370	61.4301%	6,985
Mark West Union Elementary	8,956	16.3141%	1,461
Santa Rosa Elementary	104,214	98.9043%	103,072
Subtotal, overlapping debt			686,078
City direct debt			10,371
Lease and SBITA obligations			5,535
Subtotal, direct debt			15,906
Total direct and overlapping debt			\$ 701,984

Notes:

¹ For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the city's boundaries and dividing it by each unit's total taxable assessed value.

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.

SOURCE: Sonoma County

Table 17

CITY OF SANTA ROSA
LEGAL DEBT MARGIN INFORMATION (Unaudited)
LAST TEN FISCAL YEARS
(amounts in thousands)

Fiscal Year	Assessed Value (1)	Legal Debt Limit (2)	Debt Applicable to Limit (3)	Legal Debt Margin (4)	Legal Debt Margin/Debt Limit
2015-16	21,145,829	792,969	35,117	757,852	96%
2016-17	22,311,813	836,693	36,150	800,543	96%
2017-18	23,331,137	874,918	34,312	840,606	96%
2018-19	24,182,605	906,848	31,181	875,667	97%
2019-20	25,422,283	953,336	27,936	925,400	97%
2020-21	27,752,714	1,040,727	24,560	1,016,167	98%
2021-22	27,644,283	1,036,661	21,044	1,015,617	98%
2022-23	29,303,287	1,098,873	16,415	1,082,458	99%
2023-24	30,817,373	1,155,651	12,590	1,143,061	99%
2024-25	32,748,919	1,228,084	9,427	1,218,657	99%

Notes:

- (1) Property value data can be found in the "Assessed Value and Estimated Actual Value of Taxable Property" Table.
- (2) The legal debt limit is 3.75% of assessed value.
- (3) Debt applicable to the limit only includes general obligation bonds.
- (4) The legal debt margin is calculated by subtracting the debt applicable to the legal debt limit from the legal debt limit.

Table 18

CITY OF SANTA ROSA
 PLEDGED REVENUE COVERAGE (Unaudited)
 LAST TEN FISCAL YEARS
 (amounts in thousands)

Fiscal Year	Wastewater Revenue Bonds					
	Gross Revenue	Less: Operating Expenses	Net		Coverage Ratios	
			Available Revenue	Debt Service	Including Demand Fees	Excluding Demand Fees
2015-16	80,748	35,019	45,729	26,577	1.72	1.63
2016-17	82,957	37,972	44,985	28,355	1.59	1.47
2017-18	86,288	38,806	47,482	25,425	1.87	1.73
2018-19	96,358	40,696	55,662	24,998	2.23	2.07
2019-20	94,352	42,276	52,076	24,719	2.11	2.01
2020-21	90,922	46,754	44,168	24,307	1.82	1.74
2021-22	105,733	47,842	57,891	26,941	2.15	1.76
2022-23	97,675	50,562	47,113	26,941	1.75	1.73
2023-24	112,180	52,776	59,404	26,943	2.20	1.92
2024-25	109,119	56,965	52,154	26,945	1.94	1.98

Fiscal Year	Water Revenue Bonds					
	Gross Revenue	Less: Operating Expenses	Net		Coverage Ratios	
			Available Revenue	Debt Service	Including Demand Fees	Excluding Demand Fees
2015-16	40,585	26,195	14,390	873	16.49	17.38
2016-17	46,549	27,798	18,751	877	21.39	22.53
2017-18	46,908	31,389	15,519	874	17.75	19.53
2018-19	47,783	29,794	17,989	874	20.58	18.74
2019-20	56,697	32,389	24,308	709	34.30	32.21
2020-21	53,778	34,123	19,655	710	27.69	25.60
2021-22	49,079	33,342	15,737	705	22.31	18.09
2022-23	49,689	34,379	15,310	706	21.71	19.00
2023-24	59,605	40,883	18,722	709	26.40	22.07
2024-25	62,993	44,540	18,453	707	26.09	25.80

- Notes:
- (1) Gross revenue and expenses are based upon bond counsel interpretation.
 - (2) Operating expenses do not include interest, depreciation, amortization and nonoperating expenses. Pension and OPEB expenses resulting from changes in the net pension liability, net OPEB liability, and related deferred outflows and inflows of resources are also excluded.
 - (3) Net available revenue is equal to gross revenue less operating expenses.

Details regarding the City's outstanding debt can be found in the notes to the basic financial statements.

SOURCE: City of Santa Rosa Water and Wastewater Utility Fund Financial Statements

Table 19

CITY OF SANTA ROSA
DEMOGRAPHIC AND ECONOMIC STATISTICS (Unaudited)
LAST TEN FISCAL YEARS

Fiscal Year	Population	Personal Income (in thousands)	Per Capita Personal Income	Unemployment Rate
2015-16	175,667	3,999,352	22,767	4.7%
2016-17	176,799	4,449,442	25,167	3.6%
2017-18	178,488	4,503,847	25,233	3.2%
2018-19	175,625	4,914,573	27,983	2.9%
2019-20	173,628	5,350,636	30,817	12.2%
2020-21	171,711	5,320,179	30,983	6.2%
2021-22	177,396	5,792,689	32,654	2.4%
2022-23	174,523	6,647,232	38,088	3.5%
2023-24	174,890	7,452,413	42,612	3.5%
2024-25	178,452	8,198,686	45,943	3.9%

- Notes:
- (1) Personal income is calculated as per capita personal income multiplied by the City's population.
 - (2) Per capita personal income is calculated as median household income divided by median household size (three persons).

- SOURCES:
- (1) Population data source - State Department of Finance
 - (2) Per capita personal income data source (calculated from median household income) - City of Santa Rosa Economic Development and Housing (from U.S. Department of Housing and Urban Development data)
 - (3) Unemployment rate data source - State Department of Employment Development and U.S. Bureau of Labor Statistics: www.labormarketinfo.edd.ca.gov. Rate as of June 30.

Table 20

CITY OF SANTA ROSA
PRINCIPAL EMPLOYERS (Unaudited)
CURRENT YEAR AND NINE YEARS AGO

Employer	2025			2016		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
County of Sonoma	4,210	1	4.53%	3,886	1	4.31%
Kaiser Permanente - Santa Rosa Medical Center	3,358	2	3.61%	2,640	2	2.93%
Santa Rosa Junior College	2,833	3	3.05%	1,675	3	1.86%
Providence/Santa Rosa Memorial Hospital	2,333	4	2.51%			
Santa Rosa City School District	1,692	5	1.82%	1,608	4	1.78%
Keysight/Agilent Technologies	1,500	6	1.61%	1,300	6	1.44%
Sutter Medical Center of Santa Rosa	1,481	7	1.59%	936	8	1.04%
City of Santa Rosa	1,308	8	1.41%	1,249	7	1.39%
Safeway	718	9	0.77%	-	-	-
Aurora Behavioral Healthcare	441	10	0.47%	-	-	-
Amy's Kitchen	-	-	0.00%	870	9	0.97%
Medtronic/Arterial Vascular Eng	-	-	0.00%	840	10	0.93%
Total	19,874		21.39%	15,004		16.65%

SOURCE: Avenu Insights & Analytics

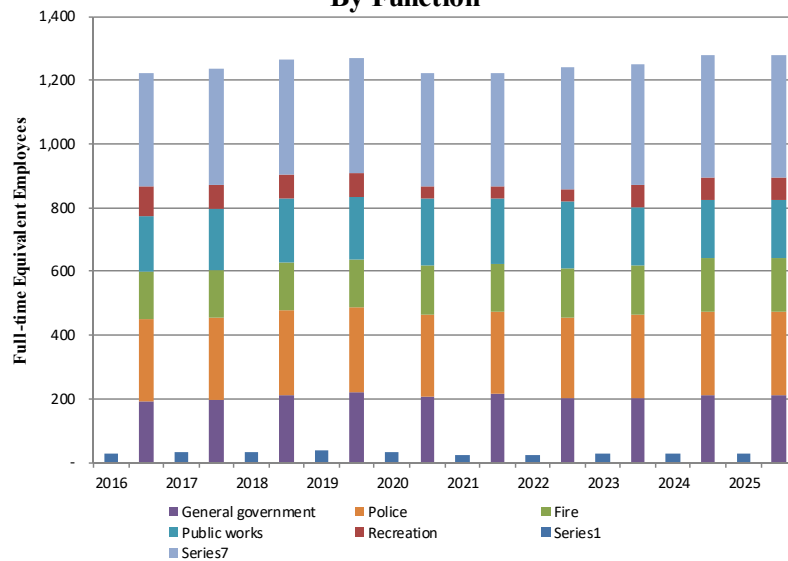
Table 21

CITY OF SANTA ROSA
FULL-TIME-EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM (Unaudited)
LAST TEN FISCAL YEARS

Function/Program	Fiscal Year									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Governmental Activities:										
General government	194.25	199.25	213.25	222.25	205.25	217.50	200.50	203.00	210.00	210.00
Public safety										
Police	256.75	256.50	266.50	266.50	260.50	256.00	256.00	259.00	264.00	263.00
Fire	147.75	147.50	149.75	149.75	151.00	148.00	153.00	157.00	169.00	169.00
Public works	175.50	195.50	198.50	195.00	211.00	210.00	210.00	183.00	183.00	183.00
Recreation	91.15	74.00	74.00	74.00	39.00	37.00	37.00	68.00	69.00	72.00
Housing opportunity and other	28.75	32.00	34.00	35.50	34.00	24.00	25.00	27.00	27.00	27.00
Business-type Activities:										
Water utility	105.50	109.50	113.50	113.50	119.50	109.50	137.50	137.00	135.00	145.00
Wastewater utility	138.00	140.00	140.00	139.00	128.00	139.00	139.00	139.00	143.00	133.00
Parking	34.00	32.00	31.50	32.00	31.50	28.00	28.00	28.00	28.00	28.00
Municipal transit	82.00	82.00	79.00	79.00	79.00	78.00	78.00	78.00	78.00	78.00
Total	1,253.65	1,268.25	1,300.00	1,306.50	1,258.75	1,247.00	1,264.00	1,279.00	1,306.00	1,308.00

SOURCE: City of Santa Rosa - Human Resources

Full-Time Equivalent Employees
By Function



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Table 22

CITY OF SANTA ROSA
OPERATING INDICATORS BY FUNCTION/PROGRAM (Unaudited)
LAST TEN FISCAL YEARS

Function	2015-16	2016-17	2017-18	2018-19
Governmental Activities:				
General Government				
Building permits issued	5,536	5,469	8,085	7,442
Public Safety				
Police				
Arrests	8,396	9,081	8,598	9,172
Traffic citations	12,669	11,953	9,430	7,144
Fire				
Emergency responses	25,109	26,961	27,550	27,945
Fire losses (thousands)	\$ 6,089	\$ 1,453	\$ 8,567	\$ 5,613
Public Works				
Vehicles serviced	925	983	972	851
Storm drain miles cleaned	37.0	23.6	28.7	23.6
Recreation				
Picnic reservations	1,051	918	1,213	917
Participant registrations	22,695	20,756	19,768	19,014
Business-type Activities:				
Water Utility				
Billions of gallons sold	4.9	5.3	5.5	5.1
Unaccounted for water	8%	3%	7%	6%
Miles of water line replaced	0.01	0.36	0.10	1.03
Wastewater Utility				
Billions of gallons wastewater treated	6.24	7.70	6.54	7.31
Miles of sewer lines flushed	140	244	171	249
Miles of CCTV inspection of sewer main	84	102	89	89
Miles of sewer main replaced	0.46	0.66	1.42	2.23
Parking				
Average daily users	9,018	8,986	9,020	9,242
Municipal Transit				
Revenue service miles	929,350	926,058	922,013	989,475
Average daily riders	5,843	5,603	4,926	5,051
Golf Course				
Rounds of play	58,976	46,535	46,535	50,805

(Continued)

Table 22

CITY OF SANTA ROSA
OPERATING INDICATORS BY FUNCTION/PROGRAM (Unaudited)
LAST TEN FISCAL YEARS

2019-20	2020-21	Fiscal Year			
		2021-22	2022-23	2023-24	2024-25
7,120	8,112	7,229	7,791	6,530	6,836
7,825	5,259	5,460	6,233	7,051	6,918
4,171	1,820	2,739	4,995	10,158	10,599
28,667	27,153	28,628	33,528	34,013	34,658
\$ 4,639	\$ 4,787	\$ 5,169	\$ 6,523	\$ 4,150	\$ 4,049
819	925	877	744	2,529	3,925
18.5	18.8	22.7	37.8	88.5	28.0
540	186	1,026	1,162	1,270	1,342
16,650	83,319	74,108	94,480	98,148	265,809
5.7	5.8	4.75	4.77	5.05	5.42
7%	9%	7%	7%	8%	5%
0.31	1.33	1.21	0.32	1.18	0.01
5.85	5.37	6.29	7.12	6.93	7.71
230	284	255	289	326	199
87	153	63	71	71	79
0.60	0.38	1.49	0.46	0.03	1.03
6,137	3,542	4,918	4,819	5,137	5,792
771,184	591,823	723,061	761,911	794,959	783,621
4,126	2,142	2,873	3,600	3,954	4,212
48,890	62,195	63,191	55,731	54,069	54,196

(Concluded)

Table 23

CITY OF SANTA ROSA
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM (Unaudited)
LAST TEN FISCAL YEARS

Function/Program	2016	2017	2018	2019	2020
Governmental Activities:					
General Government					
Administrative buildings	6	6	6	6	6
Public Safety					
Police					
Stations	1	1	1	1	1
Vehicular patrol units	114	114	114	113	112
Fire					
Stations	10	10	10	10	10
Public Works					
Streets (miles maintained)	493	494	507	509	509
Street lights	15,777	15,759	15,766	16,165	16,169
Traffic signals	259	261	299	301	300
Recreation and Parks					
Parks - Number of developed acres ¹	738	851	855	863	863
Number of parks ¹	68	68	76	76	76
Number of swimming facilities	2	2	2	3	3
Number of clubhouses	2	2	2	2	2
Number of community recreation centers	2	2	2	2	2
Number of senior centers	2	2	2	1	1
Number of tennis courts	22	19	19	19	19
Business-type Activities:					
Water Utility					
Number of water accounts	52,250	52,393	52,585	52,908	53,298
Miles of water line in system	622	619	622	623	625
Wastewater Utility					
Number of sewer accounts	49,592	59,733	49,894	50,128	50,345
Plant treatment capacity	21.3	21.3	21.3	21.3	21.3
Plant flow capacity	56.2	56.2	56.2	56.2	56.2
Miles of sewer line in system	588.4	589.9	592.5	594.2	595.7
Parking					
Number of garages	5	5	5	5	5
Number of lots	10	10	10	9	9
Municipal transit					
Number of fixed route buses	32	32	33	32	30
Number of paratransit vehicles	13	13	13	12	12
Golf Course					
City-owned courses	1	1	1	1	1
Storm Water					
Storm drains - miles in system	368	370	371	376	378

¹ Comprehensive audit of acres and parks completed in fiscal year 15-16

(Continued)

Table 23

CITY OF SANTA ROSA
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM (Unaudited)
LAST TEN FISCAL YEARS

Fiscal Year					Function/Program
2021	2022	2023	2024	2025	
Governmental Activities:					
General Government					
6	6	6	6	6	Administrative buildings
Public Safety					
Police					
1	1	1	1	1	Stations
84	108	99	87	75	Vehicular patrol units
Fire					
10	10	10	10	10	Stations
Public Works					
511	512	514	514	514	Streets (miles maintained)
16,215	16,668	16,668	16,669	16,680	Street lights
306	308	314	322	217	Traffic signals
Recreation and Parks					
863	863	867	865	865	Parks - Number of developed acres ¹
76	76	78	76	76	Number of parks ¹
3	3	3	3	3	Number of swimming facilities
2	2	2	2	2	Number of clubhouses
2	2	2	2	2	Number of community recreation centers
1	1	1	1	1	Number of senior centers
19	19	19	19	18	Number of tennis courts
Business-type Activities:					
Water Utility					
54,516	54,842	55,104	55,421	55,767	Number of water accounts
626	627	629	631	631	Miles of water line in system
Wastewater Utility					
50,531	50,787	50,976	51,275	51,546	Number of sewer accounts
21.3	21.3	21.3	21.3	21.3	Plant treatment capacity
56.2	56.2	56.2	56.4	56.4	Plant flow capacity
596.5	596.5	597.6	598.1	599.0	Miles of sewer line in system
Parking					
5	5	5	5	5	Number of garages
9	9	9	9	9	Number of lots
Municipal transit					
30	30	30	33	32	Number of fixed route buses
11	11	11	12	12	Number of paratransit vehicles
Golf Course					
1	1	1	1	1	City-owned courses
Storm Water					
378	535	536	346	340	Storm drains - miles in system

(Concluded)



City of
Santa Rosa

100 Santa Rosa Avenue, Santa Rosa, CA 95404

APPENDIX B

SUMMARY OF THE INDENTURE

The following statements are brief summaries of certain provisions of the Indenture. This summary does not purport to be complete, and reference is made to the main body of the Official Statement and the Indenture, as most recently amended and supplemented by the Twenty-Second Supplemental Indenture, for a full and complete statement of such provisions.

Definitions

The following terms have the following meanings, notwithstanding that any such terms may be elsewhere defined in this Official Statement. Any terms not expressly defined in this Summary or previously defined in this Official Statement have the respective meanings previously given. The following are not all of the terms defined in the Indenture.

“Authorized Investments” means the following, but only to the extent that the same are required at Fair Market Value: any securities (other than those identified in paragraphs (a) and (d) of Section 53601 of the Government Code of the State) in which the City may legally invest funds subject to its control, pursuant to Article 1, commencing with Section 53600, of Chapter 4 of Part 1 of Division 2 of Title 5 of the Government Code of the State, as now or hereafter amended.

“Bond Law” means the charter of the City and the provisions of Chapter 3-12 (commencing with Section 3-12.010), of the Santa Rosa City Code, as in effect on the Closing Date.

“Bond Registration Books” means the books maintained by the Trustee pursuant to the Indenture for the registration and transfer of ownership of the Bonds.

“Certificate of the City” means a certificate in writing signed by the City Manager, Treasurer or Assistant City Manager of the City, or by any other officer of the City duly authorized by the Council for that purpose.

“Charges” means fees, tolls, rates and rentals prescribed under the Bond Law or any other law of the State by the Council for the services and facilities of the Enterprise furnished by the City, and includes sewer service charges, Demand Fees, connection fees and any other capacity, demand or facility fees and charges.

“Council” means the Council of the City or any other legislative body of the City hereafter provided for pursuant to law.

“Debt Service” means, during any period of computation, the amount obtained for such period by totaling the following amounts:

(a) The principal amount of all Outstanding Serial Bonds payable by their terms in such period;

(b) The principal amount of all Outstanding Term Bonds scheduled to be paid or redeemed by operation of mandatory Sinking Fund Installments in such period;

(c) The interest which would be due during such period on the aggregate principal amount of Bonds which would be Outstanding in such period if the Bonds are paid or redeemed as scheduled;

(d) The Maturity Amount of Capital Appreciation Bonds; and

(e) Loan payments to be made to the State under the State Loans.

For purposes of this definition, it will be assumed that any Parity Bonds which bear a variable interest rate bear interest at a fixed rate, calculated as follows:

(i) If the Parity Bonds are issued on a tax-exempt basis, the interest rate on such Parity Bonds will be deemed to be equal to the greater of: (A) the most recently published Bond Buyer 25 Bond Revenue Index (or comparable index if no longer published); or (B) the average variable rate of interest borne by such Parity Bonds during the preceding 36 months;

(ii) If the Parity Bonds are issued on a taxable basis, the interest rate on such Parity Bonds will be deemed to be the greater of: (A) the rate of interest borne by U.S. Treasury Bonds of a 30-year maturity, as published in a financial publication or electronically disseminated as of the date of calculation, plus 75 basis points; or (B) the average of the actual interest rate borne by such Parity Bonds over a 36-month period occurring immediately prior to the date of calculation;

(iii) If an interest rate “cap” (or similar instrument) has been purchased for such Parity Bonds, neither of the formulas set in (i) or (ii) above will produce an interest rate in excess of said cap for the period that such interest rate cap is in effect; and

(iv) If the City has entered into a “Swap” agreement meeting the requirements of Section 2.07 of the Seventh Supplemental Indenture (a “Swap Agreement”), the interest rate borne by the Bonds during the term of such Swap Agreement will be considered to be the interest rate payable by the City under such Swap Agreement (as to those Parity Bonds equal in principal amount to the notional amount of such Swap Agreement).

“Debt Service Fund” means the fund by that name established and held by the Trustee pursuant to the Indenture.

“Demand Fees” means the charges so denominated in Section 15-16.030 of the Santa Rosa City Code and payable as a one-time charge at the time of and as a condition precedent to the connection of properties to the Santa Rosa portion of the Enterprise.

“Enterprise” means any and all facilities, properties and improvements at any time owned, controlled or operated by the City for the collection, treatment, disposal or reuse of wastewater, including sewage treatment plants, intercepting and collecting sewers, outfall sewers, force mains, pumping stations, ejector stations, pipes, valves, machinery and all other appurtenances necessary, useful or convenient for the collection, treatment, disposal or reuse of wastewater, and any necessary lands, rights of way and other real or personal property useful in connection therewith.

“Event of Default” means any of the events described in the Indenture.

"Excess Investment Earnings" means and includes the following amounts with respect to the Bonds:

(a) the excess of

(i) the aggregate amount earned from the Closing Date on all Nonpurpose Obligations in which Gross Proceeds are invested (other than amounts attributable to an excess described in this paragraph (a)), over

(ii) the amount which would have been earned if the Yield on such Nonpurpose Obligations (other than amounts attributable to an excess described in this paragraph (a)) had been equal to the Yield on the Bonds, plus

(b) any income attributable to the excess described in the preceding paragraph (a).

"Federal Securities" means any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein:

(a) direct general obligations of 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

(b) obligations of any department, agency or instrumentality of the United States of America the timely payment of principal of and interest on which are unconditionally and fully guaranteed by the United States of America.

"Fair Market Value" means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of section 1273 of the Tax Code) and, otherwise, the term "Fair Market Value" means the acquisition price in a bona fide arm's length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Tax Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Tax Code, (iii) the investment is a United States Treasury Security--State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) any commingled investment fund in which the Issuer and related parties do not own more than a 10% beneficial interest therein if the return paid by the fund is without regard to the source of the investment. To the extent required by the applicable regulations under the Tax Code, the term "investment" will include a hedge.

"Fiscal Year" means the period commencing on July 1 of each year and terminating on the next succeeding June 30.

"Gross Revenues" means, for any period of computation, all gross charges received for, and all other gross income and revenues derived by the City from, the ownership or operation of the Enterprise or otherwise arising from the Enterprise during such period, including but not limited to (a) all Charges received by the City, (b) all receipts derived from the investment of funds held by the Treasurer or the Trustee under the Indenture and receipts from the Rate Stabilization Fund,

(c) all moneys received by the City from other public entities whose inhabitants are served pursuant to contracts with the City and (d) moneys deposited in the Debt Service Fund or other fund to secure the Bonds or to provide for the payment of the principal of or interest on the Bonds.

"Indenture" means the Indenture of Trust, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Indenture pursuant to the provisions hereof.

"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 --

(a) is in fact independent and not under domination of the City;

(b) does not have any substantial identity of interest, direct or indirect, with the City; and

(c) is not and no member of which is 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 of or reports to the City.

"Independent Financial Advisor" means any consultant with an established reputation in the field of municipal finance or firm of such consultants appointed and paid by the City, and who, or each of whom --

(a) is in fact independent and not under domination of the City;

(b) does not have any substantial identity of interest, direct or indirect, with the City; and

(c) is not and no member of which is 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 of or reports to the City.

"Interest Payment Date" means, with respect to the Series 2026A Bonds, March 1 and September 1 in each year, beginning March 1, 2027, and with respect to any Parity Bonds, any date on which interest is due and payable thereon, and continuing so long as any Bonds remain Outstanding.

"Interest Requirement" means, as of any particular date of calculation, the amount equal to any unpaid interest then due and payable, plus an amount which will on the next succeeding Interest Payment Date be equal to the interest to become due and payable on the Bonds on such next succeeding Interest Payment Date.

"Maintenance and Operation Costs" means the reasonable and necessary costs of maintaining and operating the Enterprise, calculated on sound accounting principles, including (among other things) the reasonable expenses of management, personnel, services, equipment, repair and other expenses necessary to maintain and preserve the Enterprise in good repair and working order, and reasonable amounts for administration, overhead, insurance, taxes (if any) and other similar costs, but excluding in all cases depreciation and obsolescence charges or reserves therefor and amortization of intangibles or other bookkeeping entries of a similar nature.

"Maturity Amount" means the Accreted Value of a Capital Appreciation Bond on its scheduled date of maturity.

“Maximum Annual Debt Service” means, as of the date of calculation, the maximum amount of Debt Service for the current or any future Fiscal Year.

“Net Proceeds”, when used with reference to the Bonds, means the face amount of the Bonds, plus accrued interest and premium, if any, less original issue discount and less proceeds deposited in the Reserve Account; the term “Net Proceeds”, when used with reference to any insurance or condemnation award or sale of property, means the gross proceeds from the sale of property or insurance or condemnation award with respect to which that term is used remaining after payment of all expenses (including attorneys' fees and any extraordinary expenses of the Trustee) incurred in the collection of such gross proceeds.

“Net Revenues” means, for any period of computation, the amount of the Gross Revenues received during such period less the amount of Maintenance and Operation Costs becoming payable during such period.

“Nonpurpose Obligation” means any Investment Property which is acquired with the Gross Proceeds and is not acquired in order to carry out the governmental purpose of the Bonds.

“Original Purchaser” means the first purchaser of any Series of Bonds from the City.

“Outstanding”, when used as of any particular time with reference to Bonds, means (subject to the provisions of the Indenture) all Bonds therefore executed, issued and delivered by the City under the Indenture except --

(a) Bonds therefore cancelled by the Trustee or surrendered to the Trustee for cancellation;

(b) Bonds paid or deemed to have been paid within the meaning of the Indenture; and

(c) Bonds in lieu of or in substitution for which other Bonds will have been executed, issued and delivered by the City pursuant to the Indenture or any Supplemental Indenture.

“Owner” or “Bond Owner” or “Bondowner”, when used with respect to any Bond, means the person in whose name the ownership of such Bond will be registered on the Bond Registration Books.

“Parity Bonds” means all bonds, notes or other obligations of the City payable from and secured by a pledge of and lien upon any of the Net Revenues issued or incurred on a parity with the Series 2026A Bonds pursuant to the Indenture.

“Principal Installment” means with respect to any particular Principal Installment Date, an amount equal to the sum of (i) the aggregate principal amount of Outstanding Serial Bonds payable on such Principal Installment Date as determined by the applicable Supplemental Indenture (but not including Sinking Fund Installments) and (ii) the aggregate of Sinking Fund Installments with respect to all Outstanding Term Bonds payable on such Principal Installment Date as determined by the applicable Supplemental Indenture.

“Principal Installment Date” means the date on which Principal Installments are required to be made pursuant to the Indenture.

"Private Business Use" means use directly or indirectly in a trade or business carried on by a natural person or in any activity carried on by a person other than a natural person, excluding use by a governmental unit and use by any person as a member of the general public.

"Project Fund" means the fund by that name established and held by the Treasurer pursuant to the Indenture.

"Rate Stabilization Fund" means the Fund by that name established and held by the Treasurer pursuant to the Indenture.

"Rating Agency" means, as of any date, each of the following rating agencies which then maintains a rating on any of the Bonds: (a) Moody's Investors Service, Inc., its successors and assigns; and (b) Standard & Poor's Corporation, its successors and assigns.

"Record Date" means the close of business on the fifteenth (15th) day of the month (whether or not a Business Day) immediately preceding each Interest Payment Date.

"Redemption Account" means the Account by that name established and held by the Trustee pursuant to the Indenture.

"Redemption Price" means, with respect to any Bond, the principal amount thereof, plus the applicable premium, if any, payable upon redemption thereof pursuant to the Indenture and the Supplemental Indenture pursuant to which the same was issued.

"Request of the City" means a request in writing signed by the City Manager, Assistant City Manager of the City, the Chief Financial Officer, or by any other officer of the City duly authorized by the Council for that purpose.

"Reserve Account" means the Account by that name established and held by the Trustee pursuant to the Indenture.

"Reserve Requirement" means an amount equal to Maximum Annual Debt Service, exclusive of Debt Service on State Loans; provided, that in no event will the proceeds of a Series of Parity Bonds deposited to the Reserve Account exceed the lesser of: (1) 10% of the principal amount of such Series of Parity Bonds; (2) 125% of average annual Debt Service on such Series of Parity Bonds; or (3) Maximum Annual Debt Service on such Series of Parity Bonds.

"Revenue Fund" means the Wastewater Utility Operating Fund heretofore established and held by the Treasurer pursuant to Section 25-212 of the Santa Rosa City Code.

"Serial Bonds" means all Bonds other than Term Bonds.

"Series" when used with respect to less than all of the Bonds, means and refers to all of the Bonds delivered on original issuance in a simultaneous transaction, regardless of variations in maturity, interest rate or other provisions, and any Bond thereafter delivered in lieu of or substitution for any of such Bonds pursuant to the Indenture.

"Sinking Fund Installment" means, with respect to any particular date, the amount of money required by or pursuant to the Indenture or a Supplemental Indenture to be paid by the City on such date toward the retirement of any particular Term Bonds prior to their respective stated maturities.

“State” means the State of California.

“State Loan Payment” means payments due from the City to the State to repay the State Loans.

“State Loan Payment Date” means the date on which any State Loan Payment is due to the State to repay the State Loans.

“State Loans” means loans secured by a pledge of Net Revenues and incurred by the City with the State of California, acting by and through the State Water Resources Control Board, to finance improvements to the Enterprise pursuant to the Indenture.

“Supplemental Indenture” means any indenture, agreement, resolution or other instrument hereafter duly adopted or executed by the City in accordance with the provisions of the Indenture.

“Tax Code” means the Internal Revenue Code of 1986 as in effect on the date of issuance of the Bonds or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the date of issuance of the Bonds, together with applicable temporary and final regulations promulgated, and applicable official public guidance published, under the Tax Code.

“Tax Regulations” means temporary and permanent regulations promulgated under the Tax Code.

“Term Bonds” means, with respect to the Series 2026A Bonds, the Series 2026A Bonds maturing on September 1, ____ and September 1____; and, with respect to any Parity Bonds, such Parity Bonds which are payable prior to their stated maturity by operation of Sinking Fund Installments.

“Treasurer” means the duly appointed, qualified and acting Chief Financial Officer of the City.

Revenues; Funds and Accounts

Receipt and Deposit of Revenues. The City covenants and agrees that all Gross Revenues, when and as received, will be received and held by the City in trust under the Indenture and will be deposited by the City in the Revenue Fund (which has heretofore been created and now exists in the City Treasury as the Wastewater Utility Operating Fund) and will be accounted for through and held in trust in the Revenue Fund, and the City will only have such beneficial right or interest in any of such money as provided in the Indenture. All such Gross Revenues will be transferred, disbursed, allocated and applied solely to the uses and purposes set forth in the Indenture, and will be accounted for separately and apart from all other money, funds, accounts or other resources of the City.

Establishment of Funds and Accounts; Allocation of Revenues.

All Gross Revenues will be held in trust by the City in the Revenue Fund, and will be applied, transferred, used and withdrawn only for the purposes authorized in the Indenture. See “SECURITY FOR THE SERIES 2026A BONDS-Application of Revenues” in the Official Statement for a summary of the Indenture’s provisions governing the use of Gross Revenues.

Application of Debt Service Fund

(a) The Trustee will withdraw from the Debt Service Fund, prior to each Interest Payment Date, an amount equal to the Interest Requirement payable on such Interest Payment Date, and will cause the same to be applied to the payment of said interest when due and is thereby authorized in the Indenture to apply the same to the payment of such interest by check or draft (or by wire transfer, as the case may be), as provided in the Indenture.

(b) The Trustee will withdraw from the Debt Service Fund, prior to each Principal Installment Date, an amount equal to the principal amount of the Outstanding Serial Bonds, if any, maturing on said Principal Installment Date and will cause the same to be applied to the payment of the principal of said Bonds when due and is thereby authorized in the Indenture to apply the same to such payment upon presentation and surrender of the Bonds as they become due and payable, as provided in the Indenture.

(c) The Trustee will withdraw from the Debt Service Fund, prior to each State Loan Payment Date, an amount equal to the State Loan Payment then coming due, and will cause the same to be applied to pay the State (in such amounts, at such times, and at such address as will be provided to the Trustee by the City) the State Loan Payment then due, and is thereby authorized in the Indenture to apply the same to such payment.

(d) All withdrawals and transfers under the provisions of paragraphs (a), (b) & (c) above will be made not earlier than one (1) day prior to the Interest Payment Date or Principal Installment Date to which they relate, and the amount so withdrawn or transferred will, for the purposes of the Indenture, be deemed to remain in and be part of the appropriate Account until such Interest Payment Date or Principal Installment Date.

Application of Sinking Fund Accounts.

(a) The Trustee will establish and maintain a separate Account for each Series having Outstanding Term Bonds for which Sinking Fund Installments are established in accordance with the applicable Supplemental Indenture, such Account to be designated "... Series Sinking Fund Account" (inserting therein the Series designation of such Term Bonds).

(b) The Trustee will apply moneys in any Sinking Fund Account established as provided in subsection (a) above to the purchase or the redemption of the Term Bonds for which such Sinking Fund Account is maintained in the manner provided in the Indenture and to the payment of the principal thereof at maturity, provided that no such Bonds will be so purchased with a trade settlement date after the June 15th next preceding the date of a Sinking Fund Installment established for such Bonds. The purchase price paid by the Trustee, at the direction of the City (excluding accrued interest (which will be paid from the Debt Service Fund) but including any brokerage and over charges) for any Bond purchased pursuant to the Indenture will not exceed the Redemption Price of such Bond applicable upon its redemption by operation of the Sinking Fund Account through application of the moneys available for such purchase on the next date of a Sinking Fund Installment established for such Bonds. Subject to the limitations hereinbefore set forth or referred to in the Indenture, the City may purchase Bonds at such times, for such prices, in such amounts and in such manner (whether after advertisement for tenders or otherwise) as the City in its discretion may determine and as may be possible with the amount of moneys available therefor in the applicable Sinking Fund Account. If on any date there will be moneys in any such Sinking Fund Account and there will be Outstanding none of the Bonds for which such

Account was established, such Sinking Fund Account will be closed and Trustee will transfer any moneys therein to the Treasurer for deposit in the Revenue Fund. The City will, at the time of any such purchase, pay to the Trustee for deposit in the Sinking Fund Account the amount of any deficiency in such Account which may be caused by such purchase.

(c) As soon as practicable after the sixtieth and before the thirtieth day prior to the Principal Installment Date of each Sinking Fund Installment, the Trustee will call for redemption in the manner provided in the Indenture on the said Principal Installment Date of said Sinking Fund Installment and by application of said Sinking Fund Installment such principal amount of the Bonds entitled to said Sinking Fund Installment less such amounts of Bonds purchased during the twelve (12) months prior to the June 15th next preceding such Principal Installment Date pursuant to subsection (b) above, and on such redemption date the Trustee will apply the moneys in such Sinking Fund Account to the payment of the Redemption Price of the Bonds so called for redemption.

Application of Reserve Account.

(a) If at any time there shall not be sufficient amounts in the Debt Service Fund or any Sinking Fund Account therein to make payment of Principal Installments or Redemption Price of or interest on the Bonds, the Trustee shall withdraw from the Reserve Account and pay into the appropriate Account the amount of the deficiency. Any amounts in the Reserve Account in excess of the Reserve Requirement (whether derived from interest or gain on investments or otherwise) shall, on September 2 of each year, be transferred as described in the Indenture.

All references to the Bonds in the Reserve Account provisions of the Indenture or incorporated by reference in the defined terms used in those provisions shall be deemed to refer to Bonds that are covered by the Reserve Account.

(b) In lieu of making the Reserve Requirement deposit in compliance with the Indenture or in replacement of moneys then on deposit in the Reserve Account (which shall be transferred by the Trustee to the City), the City may deliver to the Trustee an irrevocable letter of credit issued by a financial institution having unsecured debt obligations at the time of issuance of the letter of credit rated in one of the two highest rating categories of a nationally-recognized rating agency, in an amount, together with moneys, Federal Securities or insurance policies on deposit in the Reserve Account, equal to the Reserve Requirement. Such letter of credit shall have a term no less than three (3) years. At least one year prior to the stated expiration of such letter of credit, the City shall either (i) deliver a replacement letter of credit, (ii) deliver an extension of the letter of credit for at least an additional year, or (iii) deliver to the Trustee an insurance policy satisfying the requirements of the Reserve Account provisions of the Indenture. Upon delivery of such replacement letter of credit, extended letter of credit, or insurance policy, the Trustee shall deliver the then-effective letter of credit to or upon the order of the City. If the City shall fail to deposit a replacement letter of credit, extended letter of credit or insurance policy with the Trustee, the City shall immediately commence to make quarterly deposits with the Trustee so that an amount equal to the Reserve Requirement is on deposit in the Reserve Account no later than the stated expiration date of the letter of credit. If a drawing is made on the letter of credit, the City shall make such payments as may be required by the terms of the letter of credit or any obligations related thereto (but no less than quarterly pro rata payments) so that the letter of credit shall, absent the delivery to the Trustee of an insurance policy satisfying the requirements of the Reserve Account provisions of the Indenture, or the deposit in the Reserve Account of an amount sufficient to increase the balance in the Reserve Account to the Reserve Requirement, be reinstated in the amount of such drawing within one year of the date of such drawing.

(c) In lieu of making the Reserve Requirement deposit in compliance with the Indenture or in replacement of moneys then on deposit in the Reserve Account (which shall be transferred by the Trustee to the City), the City may also deliver to the Trustee an insurance policy securing an amount, together with moneys, Federal Securities or letters of credit on deposit in the Reserve Account, no less than the Reserve Requirement issued by an insurance company whose unsecured debt obligations (or for which obligations secured by such insurance company's insurance policies) at the time of issuance of the insurance policy are rated in one of the two highest rating categories of a nationally-recognized rating agency. The City shall have no obligation to replace such insurance policy if it lapses or expires for any reason.

(d) In the event that the amount on deposit, or credited to, the Reserve Account exceeds the amount of one or more letters of credit or insurance policies (each, a "Qualified Reserve Account Credit Instrument"), any draw on the Qualified Reserve Account Credit Instrument(s) shall be made only after all the funds in the Reserve Account have been expended. In the event that the amount on deposit in, or credited to, the Reserve Account includes amounts available under more than one Qualified Reserve Account Credit Instrument, draws on the Qualified Reserve Account Credit Instruments shall be made on a pro rata basis. The Reserve Account shall be replenished in the following priority: (i) principal and interest on the Qualified Reserve Account Credit Instrument(s) shall be paid from first available Revenues (and if there is more than one Qualified Reserve Account Credit Instrument, such payment shall be made on a pro rata basis); and (ii) after all such amounts are paid in full, amounts necessary to fund the Reserve Account to the required level, after taking into account the amounts available under the Qualified Reserve Account Credit Instrument(s), shall be deposited from next available Net Revenues.

(e) On the effective date of the amendments effected by the Nineteenth Supplemental Indenture of Trust, the City may notify the Trustee in writing that the Owners of the Series 2016A Bonds will no longer have any interest in or claim to the Reserve Account and the City may withdraw from the Reserve Account any moneys in excess of the Reserve Requirement when it is calculated without taking into account the Series 2016A Bonds.

(f) On the effective date of the amendments effected by the Nineteenth Supplemental Indenture of Trust, the City may notify the Trustee in writing that the Owners of the Series 2018A Bonds will no longer have any interest in or claim to the Reserve Account and the City may withdraw from the Reserve Account any moneys in excess of the Reserve Requirement when it is calculated without taking into account the Series 2018A Bonds.

Application of Redemption Account. On or before the date which is at least forty-five (45) days prior to any Interest Payment Date on which Series 2026A Bonds are subject to optional redemption pursuant to the Indenture or on which any Parity Bonds are subject to optional redemption pursuant to the provisions of the Supplemental Indenture authorizing such Parity Bonds, the Treasurer will transfer from the Revenue Fund to the Trustee for deposit in the Redemption Account an amount at least equal to the Redemption Price (excluding accrued interest, which is payable from the Debt Service Fund) of such Bonds to be redeemed on such Interest Payment Date. In addition, the Treasurer will transfer to the Trustee for deposit in the Redemption Account all amounts required to redeem any Series 2026A Bonds which are subject to redemption pursuant to the Indenture and any Parity Bonds which are subject to redemption pursuant to any similar provision of the Supplemental Indenture authorizing such Parity Bonds, when and as such amounts become available. Amounts in the Redemption Account will be applied by the Trustee solely for the purpose of paying the Redemption Price of Series 2026A Bonds to be redeemed pursuant to the Indenture and to pay the purchase price in the same

manner and subject or the same limitation as purchasers of Bonds under the Indenture or the Redemption Price of any Parity Bonds to be redeemed pursuant to similar provisions of the Supplemental Indenture authorizing such Parity Bonds. If after all of the Bonds have been paid or deemed to have been paid, there are moneys remaining in the Redemption Account, such moneys will be transferred by the Trustee to the Treasurer for deposit in the Revenue Fund.

Investments. (a) General. All moneys in the Revenue Fund and each Account in the Project Fund, may be invested by the City from time to time in any Authorized Investments. All moneys in the Debt Service Fund will be invested by the Trustee solely in Authorized Investments, as directed pursuant to a Request of the City; provided, that any Authorized Investments purchased with moneys in the Reserve Account will have an average aggregate weighted term to maturity of not greater than five years. In the absence of any such Request of the City, the Trustee may (but will not be required to) invest any such moneys in Federal Securities selected by the Trustee which by their terms mature prior to the date on which such moneys are required to be paid out under the Indenture. Obligations purchased as an investment of moneys in any Fund or Account will be deemed to be part of such Fund or Account, and all interest or gain derived from the investment of amounts in any of the Funds or Accounts established thereunder will be deposited in the Fund or Account from which such investment was made; and will be accounted for and applied as provided in the Indenture. For purposes of acquiring any investments thereunder, the Trustee may commingle funds held by it thereunder upon the Request of the City. The Trustee may act as principal or agent in the acquisition of any investment. The Trustee will incur no liability for losses arising from any investments made pursuant to the Indenture.

(b) Method of Valuation and Frequency of Valuation. Except as otherwise provided in the Indenture, the City covenants that all investments of amounts deposited in any fund or account created by or pursuant to the Indenture, or otherwise containing gross proceeds of the Bonds (within the meaning of section 148 of the Tax Code) will be acquired, disposed of, and valued (as of the date that valuation is required by the Indenture or the Tax Code) at Fair Market Value. Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under applicable provisions of the Tax Code and (unless valuation is undertaken at least annually) investments in the Reserve Account will be valued at their present value (within the meaning of section 148 of the Tax Code). With respect to all Funds and Accounts, valuation will occur annually, except in the event of a withdrawal from the Reserve Account, whereupon securities will be valued immediately after such withdrawal. If amounts on deposit in the Reserve Account will, at any time, be less than the Reserve Requirement, FGIC (so long as it insures any Bonds) will be notified immediately of such deficiency, and such deficiency will be made up from the first available moneys received after making the required deposits to the Debt Service Fund (i) over a period of not more than four (4) months, in four (4) substantially equal payments, in the event such deficiency results from a decrease in the market value of the Authorized Investments on deposit in the Reserve Account or (ii) over a period of not more than twelve (12) months, in twelve (12) substantially equal payments, in the event such deficiency results from a withdrawal from such Account.

(c) Investment of Amounts Representing Accrued Interest and Capitalized Interest. All amounts representing accrued and capitalized interest will be held by the Trustee in the Debt Service Fund, pledged solely to the payment of interest on the Bonds and invested only in Federal Securities maturing at such times and in such amounts as are necessary to match the interest payments to which they are pledged.

Covenants of The City; Special Tax Covenants

Punctual Payment; Compliance With Documents. The City will punctually pay or cause to be paid the interest and principal to become due with respect to all of the Bonds in strict conformity with the terms of the Bonds and of the Indenture, and will faithfully observe and perform all of the conditions, covenants and requirements of the Indenture and all Supplemental Indentures.

Discharge of Claims. The City covenants that in order to fully preserve and protect the priority and security of the Bonds the City will pay from the Net Revenues and discharge all lawful claims for labor, materials and supplies furnished for or in connection with the Enterprise which, if unpaid, may become a lien or charge upon the Net Revenues prior or superior to the lien of the Bonds and impair the security of the Bonds. The City will also pay from the Net Revenues all taxes and assessments or other governmental charges lawfully levied or assessed upon or in respect of the Enterprise or upon any part thereof or upon any of the Net Revenues therefrom.

Operation of Enterprise in Efficient and Economical Manner. The City covenants and agrees to operate the Enterprise in an efficient and economical manner and to operate, maintain and preserve the Enterprise in good repair and working order.

Against Sale, Eminent Domain. Except as provided in the Indenture, the City covenants that the property, facilities and improvements of the Enterprise will not be mortgaged or otherwise encumbered, sold, leased, pledged, any charge placed thereon, or disposed of as a whole or substantially as a whole unless: (a) the City will cause to be filed with the Trustee written evidence from each Rating Agency that such sale or other disposition will not cause a reduction or withdrawal of the rating then assigned to the Bonds by each such Rating Agency, assuming that such rating is not based on Bond insurance; (b) such sale or other disposition will be so arranged as to provide for a continuance of payments into the Revenue Fund sufficient in amount to permit payment therefrom of the principal of and interest on and premiums, if any, due upon the call and redemption thereof, of the Outstanding Bonds, and also to provide for such payments into the funds as are required under the terms of the Indenture and any Supplemental Indenture; and (c) the City will have filed with the Trustee an opinion of nationally-recognized bond counsel to the effect that such sale or other disposition will not adversely affect the exemption from federal income taxation of interest on the Bonds. The City further covenants that the Net Revenues or any other funds pledged or otherwise made available to secure payment of the principal of and interest on the Outstanding Bonds will not be mortgaged, encumbered, sold, leased, pledged, any charge placed thereon, or disposed of or used except as authorized by the terms of the Indenture. The City further covenants that it will not enter into any agreement which impairs the operation of the Enterprise or any part of it necessary to secure adequate Net Revenues to pay the principal of and interest of the Bonds or which otherwise would impair the rights of the Bond Owners with respect to the Net Revenues. If any substantial part of the Enterprise is sold the Net Proceeds thereof will either be used for the acquisition and/or construction of improvements and extensions of the Enterprise or will be deposited with the Trustee in the Redemption Account and will be used to redeem the Outstanding Bonds on a pro rata basis.

The City covenants that any Net Proceeds received as awards as a result of the taking of all or any part of the Enterprise by the lawful exercise of eminent domain, if and to the extent that such right can be exercised against such property of the City, will either be used for the acquisition and/or construction of improvements and extensions of the Enterprise or will be deposited with the Trustee in the Redemption Account and will be used to pay or redeem the Outstanding Bonds on a pro rata basis.

Insurance. The City covenants that it will at all times maintain with responsible insurers all such insurance on the Enterprise as is customarily maintained with respect to works and properties of like character against accident to, loss of or damage to such works or properties (including a deductible clause of at least \$25,000). If any useful part of the Enterprise will be damaged or destroyed, such part will be restored to use. The Net Proceeds of insurance against accident to or destruction of the physical Enterprise will be used for repairing or rebuilding the damaged or destroyed portions of the Enterprise, (to the extent that such repair or rebuilding is determined by the City to be useful or of continuing value to the Enterprise) and to the extent not so applied, will be applied to the redemption of the Outstanding Bonds issued on a pro rata basis, and for such purpose will be paid into the Redemption Account.

Any such insurance will be in the form of policies or contracts for insurance with insurers of good standing and will be payable to the City, or may be in the form of self-insurance by the City. The City will establish such fund or funds or reserves as are necessary to provide for its share of any such self-insurance. 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 of the City (a) setting forth a description in reasonable detail of the insurance then in effect, including any self-insurance fund, maintained pursuant to the requirements of the Indenture, (b) stating that the City is then in compliance with the requirements of the Indenture, and (c) stating whether during the preceding Fiscal Year any loss has been incurred with respect to the Enterprise and, if so, the amount of Net Proceeds of insurance, including the Net Proceeds of any self-insurance fund, covering such loss and specifying the reasonable and necessary costs of repair, reconstruction or replacement thereof.

Records and Accounts. The City covenants that it will keep proper books of record and accounts of the Enterprise, separate from all other records and accounts, in which complete and correct entries will be made of all transactions relating to the Enterprise. Said books will, upon reasonable request, be subject to the inspection of the Owners of not less than ten percent (10%) of the Outstanding Bonds or their representatives authorized in writing.

The City covenants that it will cause the books and accounts of the Enterprise to be audited annually by an Independent Certified Public Accountant and will make available for inspection by the Bond Owners at the Trust Office of the Trustee, upon reasonable request, a copy of the report of such Independent Certified Public Accountant.

The City covenants that it will cause to be prepared annually, not more than one hundred eighty (180) days after the close of each Fiscal Year a summary statement showing the amount of Gross Revenues and the amount of all other funds collected which are required to be pledged or otherwise made available as security for payment of principal of and interest on the Bonds, the disbursements from the Gross Revenues and other funds in reasonable detail, and a general statement of the financial and physical condition of the Enterprise. The City will furnish a copy of the statement to the Trustee, and upon written request, to any Bond Owner.

No Priority for Additional Obligations. The City covenants that no additional bonds or other obligations will be issued or incurred having any priority in payment of principal or interest out of the Net Revenues over the Bonds. See "SECURITY FOR THE SERIES 2026A BONDS-Parity Bonds and State Loans" in the main body of the Official Statement.

Nothing in the Indenture prohibits or impairs the authority of the City to issue bonds or other obligations secured by a lien on Gross Revenues or Net Revenues which is subordinate to

the lien established under the Indenture, upon such terms and in such principal amounts as the City may determine.

No Arbitrage. The City will not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the proceeds of the Bonds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the date of issuance of the Bonds would have caused the Bonds to be "arbitrage bonds" within the meaning of section 148 of the Tax Code.

Rebate Requirement. The City will take any and all actions necessary to assure compliance with section 148(f) of the Tax Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the Bonds.

Private Activity Bond Limitation. The City will assure that the proceeds of the Bonds are not so used as to cause the Bonds to satisfy the private business tests of section 141(b) of the Tax Code or the private loan financing test of section 141(c) of the Tax Code.

Federal Guarantee Prohibition. The City will not take any action or permit or suffer any action to be taken if the result of the same would be to cause any of the Bonds to be "federally guaranteed" within the meaning of section 149(b) of the Tax Code.

Compliance with Tax Certificate. The City will comply with the provisions of the Tax Certificate and the Use of Proceeds Certificate with respect to the Series 2026A Bonds, which are incorporated herein as if fully set forth herein. The covenants of this Section will survive payment in full or defeasance of the Series 2026A Bonds.

Non-application to Taxable Bonds. None of the provisions relating to tax exemption in the Indenture will apply to Bonds the interest on which is not subject to exclusion from gross income under applicable federal income tax laws and regulations.

Further Assurances. The City will adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Indenture, and for the better assuring and confirming unto the Owners of the Bonds the rights and benefits provided in the Indenture.

Record Retention. The City will retain its records of all accounting and monitoring it carries out with respect to Bonds issued after January 1, 2018 for at least 3 years after such Bonds mature or are redeemed (whichever is earlier); however, if such Bonds are redeemed and refunded, the City will retain its records of accounting and monitoring at least 3 years after the earlier of the maturity or redemption of the obligations that refunded such Bonds.

The Trustee

Appointment of Trustee. The City agrees that it will maintain a Trustee having a corporate trust office in San Francisco, California, with a combined capital and surplus of at least One Hundred Million Dollars (\$100,000,000), and subject to supervision or examination by federal or State authority, so long as any Bonds are Outstanding. If such bank or trust company publishes a report of condition at least annually pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of the Indenture, the combined

capital and surplus of such bank or trust company will be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The Trustee is authorized in the Indenture to pay the Bonds when duly presented for payment at maturity, or on redemption or purchase prior to maturity, and to cancel all Bonds upon payment thereof. The Trustee will keep accurate records of all funds administered by it and of all Bonds paid and discharged.

Acceptance of Trusts. The Trustee thereby accepts the trusts imposed upon it by the Indenture, and agrees to perform said trusts, but only upon and subject to the following express terms and conditions:

(a) The Trustee, prior to the occurrence of an Event of Default and after curing of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in the Indenture. In case an Event of Default thereunder has occurred (which has not been cured or waived) the Trustee may exercise such of the rights and powers vested in it by the Indenture, and will use the same degree of care and skill in their exercise, as a prudent and reasonable person would exercise or use under the circumstances in the conduct of his own affairs.

(b) The Trustee may execute any of the trusts or powers hereof and perform the duties required of it thereunder by or through attorneys, agents, or receivers but will be answerable for the selection of the same in accordance with the standard specified above, and will be entitled to advice of counsel concerning all matters of trust and its duty thereunder.

(c) In the absence of bad faith on its part, the Trustee will be protected in acting upon any notice, request, consent, certificate, order, affidavit, letter, telegram or other paper or document believed by it to be genuine and correct and to have been signed or sent by the proper person or persons. Any action taken or omitted to be taken by the Trustee in good faith and without negligence pursuant to the Indenture upon the request or authority or consent of any person who at the time of making such request or giving such authority or consent is the Owner of any Bond, will be conclusive and binding upon all future Owners of the same Bond and upon Bonds issued in exchange therefor or in place thereof. The Trustee will not be bound to recognize any person as an Owner of any Bond or to take any action at such persons request unless the ownership of such Bond by such person will be reflected on the Bond Registration Books.

(d) The permissive right of the Trustee to do things enumerated in the Indenture will not be construed as a duty and it will not be answerable for other than its negligence or willful default. The immunities and exceptions from liability of the Trustee will extend to its officers, directors, employees and agents.

(e) The Trustee will not be required to take notice or be deemed to have notice of any Event of Default thereunder except failure by the City to make any of the payments to the Trustee required to be made by the City pursuant hereto or failure by the City to file with the Trustee any document required by the Indenture to be so filed subsequent to the issuance of the Bonds, unless the Trustee will be specifically notified in writing of such default by the City or by the Owners of at least twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding and all notices or other instruments required by the Indenture to be delivered to the Trustee must, in order to be effective, be delivered at the Trust Office of the Trustee, and in the absence of such notice so delivered the Trustee may conclusively assume there is no Event of Default thereunder except as aforesaid.

Fees, Charges and Expenses of Trustee. The Trustee will be entitled to payment and reimbursement for reasonable fees for its services rendered under the Indenture and all advances, counsel fees (including expenses) and other expenses reasonably and necessarily made or incurred by the Trustee in connection with such services. Upon the occurrence of an Event of Default thereunder, but only upon an Event of Default, the Trustee will have a first lien with right of payment prior to payment of any Bond upon the amounts held thereunder for the foregoing fees, charges and expenses incurred by it respectively.

Notice to Bond Owners of Default. If an Event of Default under the Indenture occurs with respect to any Bonds, of which the Trustee has been given or is deemed to have notice, as provided in the Indenture, then the Trustee will promptly give written notice thereof by first-class mail to the Owner of each such Bond, unless such Event of Default will have been cured before the giving of such notice; provided, however, that unless such Event of Default consists of the failure by the City to make any payment when due, the Trustee may elect not to give such notice if and so long as the Trustee in good faith determines that it is in the best interests of the Bond Owners not to give such notice.

Intervention by Trustee. In any judicial proceeding to which the City is a party which, in the opinion of the Trustee and its counsel, has a substantial bearing on the interests of Owners of any of the Bonds, the Trustee may intervene on behalf of such Bond Owners, and subject to the Indenture, will do so if requested in writing by the Owners of at least twenty-five percent (25%) in aggregate principal amount of such Bonds then Outstanding.

Removal of Trustee. The Owners of a majority in aggregate principal amount of the Outstanding Bonds may at any time, and the City may so long as no Event of Default will have occurred and then be continuing, remove the Trustee initially appointed, and any successor thereto, by an instrument or concurrent instruments in writing delivered to the Trustee, whereupon the City or such Owners, as the case may be, will appoint a successor or successors thereto; provided that any such successor will be a bank or trust company meeting the requirements set forth in the Indenture.

Resignation by Trustee. The Trustee and any successor Trustee may at any time resign by giving thirty (30) days' written notice by registered or certified mail to the City. Upon receiving such notice of resignation, the City will promptly appoint a successor Trustee. Any resignation or removal of the Trustee and appointment of a successor Trustee will become effective upon acceptance of appointment by the successor Trustee. Upon such acceptance, the City will cause notice thereof to be given by first class mail to the Bond Owners at their respective addresses set forth on the Bond Registration Books.

Appointment of Successor Trustee. In the event of the removal or resignation of the Trustee pursuant to the Indenture, respectively, the City will promptly appoint a successor Trustee. In the event the City will for any reason whatsoever fail to appoint a successor Trustee within ninety (90) days following the delivery to the Trustee of the instrument described in the Indenture or within ninety (90) days following the receipt of notice by the City pursuant to the Indenture, the Trustee may apply to a court of competent jurisdiction for the appointment of a successor Trustee meeting the requirements of the Indenture. Any such successor Trustee appointed by such court will become the successor Trustee thereunder notwithstanding any action by the City purporting to appoint a successor Trustee following the expiration of such ninety-day period. *Any successor Trustee will be a bank with corporate trust powers or a trust company.*

Merger or Consolidation. Any company into which the Trustee may be merged or converted or which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it will be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided that such company will be eligible under the Indenture, will be the successor to the Trustee and vested with all of the title to the trust estate and all of the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any paper or further act, anything therein to the contrary notwithstanding.

Indemnification; Limited Liability of Trustee. The City will indemnify and hold the Trustee harmless from and against all claims, losses, costs, expenses, liabilities and damages including legal fees and expenses arising from the exercise and performance of its duties hereunder. No provision in the Indenture will require the Trustee to risk or expend its own funds or otherwise incur any financial liability thereunder if it will have reasonable grounds for believing repayment of such funds or adequate indemnity against such liability or risk is not assured to it. The Trustee will not be liable for any action taken or omitted to be taken by it in accordance with the direction of a majority of the Owners of the principal amount of Bonds Outstanding relating to the time, method and place of conducting any proceeding or remedy available to the Trustee under the Indenture.

Additional Successor Trustee Qualifications. Any successor Trustee appointed pursuant to the provisions of the Indenture will (i) be subject to the prior written approval of FGIC (so long as it insures any Bonds), (ii) be a trust company or bank in good standing, located in or incorporated under the laws of the State, duly authorized to exercise trust powers and subject to examination by federal or state authority, (iii) have a reported capital and surplus of not less than \$50,000,000 and (iv) have, in the opinion of FGIC (so long as it insures any Bonds), substantial prior experience as a trustee for the benefit of municipal bondholders. FGIC (so long as it insures any Bonds) will be notified immediately of the resignation or removal of the Trustee and will be provided with a list of candidates being considered for the office of the successor Trustee.

Modification and Amendment of the Indenture

Amendment by Consent of Bond Owners. The Indenture and the rights and obligations of the City and of the Owners of the Bonds may be modified or amended at any time by a Supplemental Indenture which will become binding when the written consent of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding exclusive of Bonds disqualified as provided in the Indenture, are filed with the Trustee. No such modification or amendment will (a) extend the maturity of or reduce the interest rate on any Bond or otherwise alter or impair the obligation of the City to pay the principal, interest or redemption premiums at the time and place and at the rate and in the currency provided therein of any Bond without the express written consent of the Owner of such Bond, (b) reduce the percentage of Bonds required for the written consent to any such amendment or modification, or (c) without its written consent thereto, modify any of the rights or obligations of the Trustee.

Amendment Without Consent of Bondholders. The Indenture and the rights and obligations of the City and of the Owners of the Bonds may also be modified or amended at any time by a Supplemental Indenture which will become binding upon adoption, without consent of any Bond Owners, but only to the extent permitted by law and only for any one or more of the following purposes --

(a) to add to the covenants and agreements of the City in the Indenture contained, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power therein reserved to or conferred upon the City;

(b) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the Indenture, or in any other respect whatsoever as the City may deem necessary or desirable, provided under any circumstances that such modifications or amendments will not adversely affect the interests of the Owners of the Bonds;

(c) to provide for the issuance of any Parity Bonds, and to provide the terms and conditions under which such Parity Bonds may be issued, including but not limited to the establishment of special funds and accounts relating to such Parity Bonds and any other provisions relating solely to such Parity Bonds, subject to and in accordance with the provisions of the Indenture; and

(d) to amend any provision hereof relating to the Tax Code, to any extent whatsoever but only if and to the extent such amendment will not adversely affect the exemption from federal income taxation of interest on any of the Bonds, in the opinion of nationally-recognized bond counsel.

In determining whether any amendments or supplements to the Indenture may be made without the consent of Bondowners, the effect on the rights of the Bondowners will be considered as if the Municipal Bond Insurance Policy were not in effect.

Events of Default and Remedies of Bond Owners

Events of Default and Acceleration of Maturities. The following events will be Events of Default under the Indenture:

(a) Default in the due and punctual payment of the principal of any Bond when and as the same will become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by declaration or otherwise;

(b) Default in the due and punctual payment of any installment of interest on any Bond when and as such interest installment will become due and payable;

(c) Default by the City in the observance of any of the covenants, agreements or conditions on its part in the Indenture or in any Supplemental Indenture or in the Bonds contained, and such default will have continued for a period of thirty (30) days after the City has received notice thereof from the Trustee; and

(d) The filing by the City of a petition or answer seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction will approve a petition, filed with or without the consent of the City, seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction will assume custody or control of the City or of the whole or any substantial part of its property.

Upon the occurrence and during the continuance of any Event of Default, the Trustee may, and upon written notice from the Owners of a majority in aggregate principal amount of the Bonds

at the time Outstanding will, declare the principal of all of the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same will become and will be immediately due and payable, anything in the Indenture or in the Bonds contained to the contrary notwithstanding. This provision, however, is subject to the condition that if, at any time after the principal of the Bonds will have been so declared due and payable and before any judgment or decree for the payment of the moneys due will have been obtained or entered, the City will deposit with the Trustee a sum sufficient to pay all of the principal of and interest on the Bonds having come due prior to such declaration, with interest on such overdue principal and interest calculated at the rate of interest per annum then borne by the Outstanding Bonds, and the reasonable expenses of the Trustee, and any and all other defaults known to the Trustee (other than in the payment of the principal of and interest on the Bonds having come due and payable solely by reason of such declaration) will have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate will have been made therefor, then, and in every such case, the Owners of a majority in aggregate principal amount of the Bonds at the time Outstanding may, by written notice to the City and to the Trustee, on behalf of the Owners of all of the Outstanding Bonds, rescind and annul such declaration and its consequences. However, no such rescission and annulment will extend to or will affect any subsequent default, or will impair or exhaust any right or power consequent thereon.

Application of Funds Upon Acceleration. All amounts received by the Trustee pursuant to any right given or action taken by the Trustee under the provisions of the Indenture will be applied by the Trustee in the following order upon presentation of the several Bonds, and the stamping thereon of the amount of the payment if only partially paid, or upon the surrender thereof if fully paid --

First, to the payment of the costs and expenses of the Trustee and of Bond Owners in declaring such Event of Default, including reasonable compensation to their agents, attorneys and counsel, and to the payment of the costs and expenses of the Trustee, if any, in carrying out the provisions of the Indenture, including reasonable compensation to its agents, attorneys and counsel; and

Second, to the payment of the whole amount then owing and unpaid upon the Bonds for interest and principal, with interest on such overdue amounts to the extent permitted by law at the rate of interest then borne by the Outstanding Bonds, and in case such moneys will be insufficient to pay in full the whole amount so owing and unpaid upon the Bonds, then to the payment of such interest, principal and interest on overdue amounts without preference or priority among such interest, principal and interest on overdue amounts ratably in proportion to the aggregate of such interest, principal and interest on overdue amounts.

Other Remedies; Rights of Bond Owners. Upon the occurrence of an Event of Default, the Trustee may pursue any available remedy, in addition to the remedy specified in the Indenture, at law or in equity to enforce the payment of the principal of, premium, if any, and interest on the Outstanding Bonds, and to enforce any rights of the Trustee under or with respect to the Indenture.

If an Event of Default will have occurred and be continuing and if requested so to do by the Owners of at least twenty-five percent (25%) in aggregate principal amount of Outstanding Bonds and indemnified as provided in the Indenture, the Trustee will be obligated to exercise such one or more of the rights and powers conferred by the Indenture, as the Trustee, being advised by counsel, will deem most expedient in the interests of the Bond Owners.

No remedy by the terms of the Indenture conferred upon or reserved to the Trustee (or to the Bond Owners) is intended to be exclusive of any other remedy, but each and every such remedy will be cumulative and will be in addition to any other remedy given to the Trustee or to the Bond Owners thereunder or now or hereafter existing at law or in equity.

No delay or omission to exercise any right or power accruing upon any Event of Default will impair any such right or power or will be construed to be a waiver of any such Event of Default or acquiescence therein; such right or power may be exercised from time to time as often as may be deemed expedient.

Power of Trustee to Control Proceedings. In the event that the Trustee, upon the happening of an Event of Default, will have taken any action, by judicial proceedings or otherwise, pursuant to its duties under the Indenture, whether upon its own discretion or upon the request of the Owners of a majority in principal amount of the Bonds then Outstanding, it will have full power, in the exercise of its discretion for the best interests of the Owners of the Bonds, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that the Trustee will not, unless there no longer continues an Event of Default, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Owners of a majority in principal amount of the Outstanding Bonds thereunder opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation. Any suit, action or proceeding which any Owner of Bonds will have the right to bring to enforce any right or remedy thereunder may be brought by the Trustee for the equal benefit and protection of all Owners of Bonds similarly situated and the Trustee is thereby appointed (and the successive respective Owners of the Bonds issued thereunder, by taking and holding the same, will be conclusively deemed so to have appointed it) the true and lawful attorney-in-fact of the respective Owners of the Bonds for the purpose of bringing any such suit, action or proceeding and to do and perform any and all acts and things for and on behalf of the respective Owners of the Bonds as a class or classes, as may be necessary or advisable in the opinion of the Trustee as such attorney-in-fact.

Appointment of Receivers. Upon the occurrence of an Event of Default under the Indenture, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Bond Owners under the Indenture, the Trustee will be entitled, as a matter of right, to the appointment of a receiver or receivers of the Net Revenues and other amounts pledged thereunder, pending such proceedings, with such powers as the court making such appointment will confer.

Non-Waiver. Nothing in the Indenture, or in the Bonds, will affect or impair the obligation of the City, which is absolute and unconditional, to pay the interest on and principal of the Bonds to the respective Owners of the Bonds at the respective dates of maturity, as therein provided, out of the Net Revenues and other moneys therein pledged for such payment.

A waiver of any default or breach of duty or contract by the Trustee or any Bond Owners will not affect any subsequent default or breach of duty or contract, or impair any rights or remedies on any such subsequent default or breach. No delay or omission of the Trustee or any Owner of any of the Bonds to exercise any right or power accruing upon any default will impair any such right or power or will be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy conferred upon the Trustee or Bond Owners by the Bond Law or by the Indenture may be enforced and exercised from time to time and as often as will be deemed expedient by the Trustee or the Bond Owners, as the case may be.

If a suit, action or proceeding to enforce any right or exercise any remedy is abandoned or determined adversely to the Bond Owners, the City and the Bond Owners will be restored to their former positions, rights and remedies as if such suit, action or proceeding had not been brought or taken.

Rights and Remedies of Bond Owners. No Owner of any Bond issued under the Indenture will have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon the Indenture, unless (a) such Owner will have previously given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of a majority in aggregate principal amount of all the Bonds then Outstanding will have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name; (c) said Owners will have tendered to the Trustee indemnity reasonably acceptable to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee will have refused or omitted to comply with such request for a period of sixty (60) days after such written request will have been received by, and said tender of indemnity will have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are thereby declared in the Indenture, in every case, to be conditions precedent to the exercise by any Owner of Bonds of any remedy thereunder; it being understood and intended that no one or more Owners of Bonds will have any right in any manner whatever by his or their action 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 will be instituted, had and maintained in the manner therein provided and for the equal benefit of all Owners of the Outstanding Bonds.

The right of any Owner of any Bond to receive payment of the principal of and interest and premium (if any) on such Bond as therein provided or to institute suit for the enforcement of any such payment, will not be impaired or affected without the written consent of such Owner, notwithstanding the foregoing provisions of the Indenture or any other provision of the Indenture.

Termination of Proceedings. In case the Trustee will have proceeded to enforce any right under the Indenture by the appointment of a receiver or otherwise, and such proceedings will have been discontinued or abandoned for any reason, or will have been determined adversely, then and in every such case, the City, the Trustee and the Bond Owners will be restored to their former positions and rights thereunder, respectively, with regard to the property subject to the Indenture, and all rights, remedies and powers of the Trustee will continue as if no such proceedings had been taken.

Miscellaneous

Limited Liability of City. Notwithstanding anything in the Indenture contained, the City will not be required to advance any moneys derived from any source of income other than the Net Revenues for the payment of the principal of or interest on the Bonds, or any premiums upon the redemption thereof, or for the performance of any covenants therein contained (except to the extent any such covenants are expressly payable thereunder from the Gross Revenues). The City may, however, advance funds for any such purpose, provided that such funds are derived from a source legally available for such purpose and may be used by the City for such purpose without incurring indebtedness.

Discharge of Indenture. If the City will pay and discharge any or all of the Outstanding Bonds in any one or more of the following ways:

(a) by well and truly paying or causing to be paid the principal of and interest and premium (if any) on such Bonds, as and when the same become due and payable;

(b) by depositing with the Trustee, in trust, at or before maturity, money which, together with the available amounts then on deposit in the funds and accounts established pursuant to the Indenture, is fully sufficient to pay such Bonds, including all principal, interest and redemption premiums; or

(c) by depositing with a qualified escrow holder, in trust, non-callable Federal Securities (other than the securities identified in paragraph (b) of the definition thereof when used with respect to defeasance of 1990 Series A Bonds) in such amount as the City (verified by an Independent Certified Public Accountant) will determine will, together with the interest to accrue thereon and available moneys then on deposit in the Funds and Accounts established pursuant to the Indenture, be fully sufficient to pay and discharge the indebtedness on such Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates;

and if such Bonds are to be redeemed prior to the maturity thereof notice of such redemption will have been mailed pursuant to the Indenture or provision satisfactory to the Trustee will have been made for the mailing of such notice, then, at the election of the City, and notwithstanding that any of such Bonds will not have been surrendered for payment, the pledge of the Net Revenues and other funds provided for in the Indenture with respect to such Bonds, and all other pecuniary obligations of the City under the Indenture with respect to all such Bonds, will cease and terminate, except only the obligation of the City to pay or cause to be paid to the Owners of such Bonds not so surrendered and paid all sums due thereon from amounts set aside for such purpose as aforesaid, and all expenses and costs of the Trustee. Notice of such election will be filed with the Trustee.

Any funds thereafter held by the Trustee, which are not required for said purposes, will be paid over to the City.

Refunding bonds may be issued at any time without regard to whether an Event of Default exists.

Waiver of Personal Liability. No officer, agent or employee of the City will be individually or personally liable for the payment of the interest on or principal of the Bonds; but nothing in the Indenture will relieve any such officer, agent or employee from the performance of any official duty provided by law.

Partial Invalidity. If any one or more of the covenants or agreements, or portions thereof, provided in the Indenture on the part of the City (or of the Trustee) to be performed should be contrary to law, then such covenant or covenants, such agreement or agreements, or such portions thereof, will be null and void and will be deemed separable from the remaining covenants and agreements or portions thereof and will in no way affect the validity of the Indenture or of the Bonds; but the Bond Owners will retain all rights and benefits accorded to them under the Bond Law or any other applicable provisions of law. The City thereby declares in the Indenture that it would have entered into the Indenture and each and every other section, paragraph, subdivision, sentence, clause and phrase hereof and would have authorized the issuance of the Bonds

pursuant hereto irrespective of the fact that any one or more sections, paragraphs, subdivisions, sentences, clauses or phrases of the Indenture or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

Destruction of Cancelled Bonds. Whenever in the Indenture provision is made for the surrender to the City of any Bonds which have been paid or cancelled pursuant to the provisions of the Indenture, the City may, by a Request of the City, direct the Trustee to destroy such Bonds and furnish to the City a certificate of such destruction.

Funds and Accounts. Any Fund or Account required by the Indenture to be established and maintained by the City or the Trustee may be established and maintained in the accounting records of the City or the Trustee, as the case may be, either as a Fund or an Account, and may, for the purpose of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a Fund or as an Account. All such records with respect to all such Funds and Accounts held by the City will at all times be maintained in accordance with generally accepted accounting principles and all such records with respect to all such Funds and Accounts held by the Trustee will be at all times maintained in accordance with industry practices; in each case with due regard for the protection of the security of the Bonds and the rights of every Owner thereof.

Unclaimed Moneys. Anything in the Indenture to the contrary notwithstanding, any moneys held by the Trustee in trust for the payment and discharge of any of the Bonds which remain unclaimed for two (2) years after the date when such Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Trustee at such date, or for two (2) years after the date of deposit of such moneys if deposited with the Trustee after said date when such Bonds become due and payable, will, at the Request of the City, be repaid by the Trustee to the City, as its absolute property and free from trust, and the Trustee will thereupon be released and discharged with respect thereto and the Bond Owners will look only to the City for the payment of such Bonds; provided, however, that before being required to make any such payment to the City, the Trustee will, at the expense of the City, cause to be mailed to the Owners of all such Bonds, at their respective addresses appearing on the Bond Registration Books, a notice that said moneys remain unclaimed and that, after a date named in said notice, which date will not be less than thirty (30) days after the date of mailing of such notice, the balance of such moneys then unclaimed will be returned to the City.

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APPENDIX C

GENERAL DEMOGRAPHIC INFORMATION ABOUT THE CITY OF SANTA ROSA AND COUNTY OF SONOMA

The following information concerning the City of Santa Rosa (the “City”) and Sonoma County (the “County”) is included only for the purpose of supplying general information regarding the area of the City. The Series 2026A Bonds are not a debt of the City, the County, the State of California (the “State”) or any of its political subdivisions, and neither the City, the County, the State nor any of its political subdivisions is liable therefor.

General

The City. The City is located in the central portion of the County, and covers an area of about 41 square miles. The City is centered at the crossroads of U.S. Highway 101 and State Route 12.

Incorporated in 1868, the City became a charter city in 1872. The City operates under the council-manager form of government, with a City Council comprised of seven members elected by district to serve overlapping four-year terms. The City Council, which acts as the City’s legislative and policy-making body, also selects the City Manager. As the City’s chief administrator, the City Manager is responsible for implementing the policies established by the City Council.

The County. One of California’s original 27 counties (incorporated in 1850), the County is the northernmost of the nine greater San Francisco Bay Area counties. Bordered on the north and east by Mendocino, Lake, and Napa counties and to the west and south by the Pacific Ocean, Marin County, and San Pablo Bay, its area encompasses 1,598 square miles. Varied terrain in the County includes Pacific coastline, the Russian River, vineyards, and old growth redwoods. The County is the original home of wine production in northern California and still the largest producer of quality wine.

Geographically, the County is divided almost equally into mountainous regions, rolling hills and valley land. Three narrow valleys, separated by mountains, run northwest to southeast. Elevations range from sea level to 4,262 feet at Mt. Saint Helena, where Sonoma, Napa, and Lake counties converge.

Population

The historic population estimates of the towns and cities that are in the County, as of January 1 of the past five years are shown in the following table.

**Sonoma County
Population Estimates
Years 2022 through 2026, as of January 1**

<u>Area</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
Cloverdale	8,863	8,790	8,767	8,729	8,719
Cotati	7,405	7,362	7,348	7,325	7,264
Healdsburg	11,107	11,047	11,126	11,156	11,205
Petaluma	58,550	58,389	58,903	59,395	59,160
Rohnert Park	43,709	43,744	44,107	44,318	44,191
Santa Rosa	175,731	175,257	176,940	178,786	179,798
Sebastopol	7,426	7,348	7,339	7,407	7,350
Sonoma	10,732	10,618	10,606	10,575	10,528
Windsor	25,818	25,568	25,556	25,650	25,498
Unincorporated	131,273	130,750	131,268	131,423	130,309
County Total	480,614	478,873	481,960	484,764	484,022

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

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Employment and Industry

The City is included in the Santa Rosa Metropolitan Statistical Area (“**MSA**”), which consists of the County. The unemployment rate in the County was 4.5% in August 2026, up from a revised 4.3% in July 2026, and below the year-ago estimate of 4.8%. This compares with an unadjusted unemployment rate of 5.4% for the State and 4.3% for the nation during the same period.

The following table shows the average annual estimated numbers by industry comprising the civilian labor force, as well as unemployment information for years 2021 through 2025.

**Santa Rosa MSA
(Sonoma County)
Annual Average Civilian Labor Force, Employment and Unemployment,
Employment by Industry
(March 2025 Benchmark)**

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Civilian Labor Force ⁽¹⁾	241,500	245,000	246,900	247,300	248,700
Employment	228,000	237,100	238,100	237,200	237,700
Unemployment	13,500	7,900	8,900	10,200	11,000
Unemployment Rate	5.6%	3.2%	3.6%	4.1%	4.4%
<u>Wage and Salary Employment ⁽²⁾</u>					
Agriculture	5,900	6,100	6,300	6,100	5,700
Mining and Logging	200	200	200	200	200
Construction	16,100	16,400	16,400	16,300	16,100
Manufacturing	22,900	23,600	22,700	21,100	19,900
Wholesale Trade	7,500	7,300	6,700	6,400	6,000
Retail Trade	23,100	23,100	23,000	22,500	22,100
Transportation, Warehousing and Utilities	4,400	4,600	4,400	4,500	4,500
Information	2,500	2,600	2,500	2,600	2,500
Financial Activities	7,600	7,800	7,100	6,800	6,800
Professional and Business Services	23,700	24,500	24,400	24,200	24,600
Educational and Health Services	34,000	35,000	36,400	37,900	40,200
Leisure and Hospitality	21,100	25,100	25,700	25,600	25,600
Other Services	6,400	7,200	7,600	7,900	7,900
Federal Government	1,300	1,200	1,300	1,400	1,300
State Government	2,900	3,000	3,000	3,000	2,700
Local Government	21,100	22,100	22,900	23,800	23,800
Total, All Industries ⁽³⁾	200,500	209,800	210,600	210,100	209,800

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

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

(3) Totals may not add due to rounding.

Source: State of California Employment Development Department.

Largest Employers

The City's largest employers are set forth in the table below.

City of Santa Rosa Largest Employers (As of June 30, 2025)

Employer	Employees	Percentage of Total City Employment
County of Sonoma	4,210	4.53%
Kaiser Permanente – Santa Rosa Medical Center	3,358	3.61
Santa Rosa Junior College	2,833	3.05
Providence/Santa Rosa Memorial Hospital	2,333	2.51
Santa Rosa City School District	1,692	1.82
Keysight/Agilent Technologies	1,500	1.61
Sutter Medical Center of Santa Rosa	1,481	1.59
City of Santa Rosa	1,308	1.41
Safeway	718	0.77
Aurora Behavioral Healthcare	441	0.47
Total	19,874	21.39%

Source: City of Santa Rosa, Annual Comprehensive Financial Report for Fiscal Year 2024-25.

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Major Employers

The County's major employers are set forth below, in alphabetical order.

Sonoma County Major Employers As of October 2026

Employer Name	Location	Industry
Aabalat Fine & Rare Wines	Penngrove	Wines-Retail
Amy's Kitchen Inc	Petaluma	Frozen Food Processors (mfrs)
Amy's Kitchen Inc	Santa Rosa	Frozen Food Processors (mfrs)
Army National Guard Recruiter	Santa Rosa	Government Offices-State
Clover Sonoma	Petaluma	Dry Condensed/Evprtd Dairy Prod (mfrs)
COAST Guard Training Ctr	Petaluma	Federal Government-National Security
County-Sonoma Trnsprtn-Pubc	Santa Rosa	Fire Departments
Fairmont Sonoma Msn Inn & Spa	Sonoma	Hotels & Motels
First Security Svc	Rohnert Park	Security Guard & Patrol Service
Freeman Toyota	Santa Rosa	Automobile Dealers-New Cars
Ghilotti Construction Co	Santa Rosa	Road Building Contractors
H2Hotel	Healdsburg	Hotels & Motels
La Torilla Factory	Santa Rosa	Factory Outlets
Macy's	Santa Rosa	Department Stores
Medtronic	Santa Rosa	Physicians & Surgeons Equip & Supls-Mfrs
Petaluma Valley Hospital	Petaluma	Hospitals
Protransport-1	Rohnert Park	Transportation Services
Providence Santa Rosa Meml Hsp	Santa Rosa	Hospitals
Redwood Empire Recycling	Santa Rosa	Recycling Centers (whls)
Santa Rosa Police Dept	Santa Rosa	Police Departments
Sonoma County of Water Agency	Santa Rosa	Water Companies-Bottled/Bulk & Etc
Sonoma County Office of Edu	Santa Rosa	County Government-Education Programs
Stockham Construction Inc	Cotati	General Contractors
Sutter Santa Rosa Regl Hosp	Santa Rosa	Hospitals
Walmart	Windsor	Department Stores

Source: State of California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database, 2026 2nd edition.

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Effective Buying Income

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

The following table summarizes the estimated total effective buying income for the City, the County, the State and the United States for the period 2022 through 2026.

City of Santa Rosa, Sonoma County, State of California and United States Estimated Effective Buying Income 2022 through 2026

<u>Year</u>	<u>Area</u>	<u>Total Effective Buying Income (000's Omitted)</u>	<u>Median Household Effective Buying Income</u>
2022	City of Santa Rosa	\$6,684,891	\$79,132
	Sonoma County	21,216,228	83,997
	California	1,452,426,153	77,058
	United States	11,208,582,541	64,448
2023	City of Santa Rosa	\$6,856,337	\$80,795
	Sonoma County	20,942,065	84,761
	California	1,461,799,662	77,175
	United States	11,454,846,397	65,326
2024	City of Santa Rosa	\$7,023,193	\$83,276
	Sonoma County	21,955,860	88,920
	California	1,510,708,521	80,973
	United States	11,987,185,826	67,876
2025	City of Santa Rosa	\$6,974,055	\$81,427
	Sonoma County	21,732,264	87,095
	California	1,557,429,767	82,725
	United States	12,525,577,707	69,687
2026	City of Santa Rosa	\$8,230,581	\$91,463
	Sonoma County	24,595,379	95,658
	California	1,730,654,738	90,403
	United States	13,932,177,817	75,433

Source: Claritas, LLC.

Commercial Activity

Summaries of historic taxable sales within the City and the County during the past five years in which data is available are shown in the following tables.

Total taxable sales during calendar year 2025 in the City were reported to be \$3,748,091,696, a 2.13% decrease from the total taxable sales of \$3,829,613,152 reported during calendar year 2024.

**City of Santa Rosa
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)**

	Retail Stores		Total All Outlets	
	Numbers of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2020	3,788	\$2,500,670	6,905	\$3,099,851
2021	3,340	3,089,986	6,126	3,759,439
2022	3,317	3,270,633	6,102	4,009,354
2023	3,213	3,177,697	5,940	3,921,999
2024	3,146	3,076,077	5,945	3,829,613

Source: State Department of Tax and Fee Administration.

Total taxable sales during calendar year 2025 in the County were reported to be \$11,611,381,900, a 0.50% decrease from the total taxable sales of \$11,669,998,176 reported during calendar year 2024.

**Sonoma County
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)**

	Retail Stores		Total All Outlets	
	Numbers of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2020	11,772	\$6,933,190	22,668	\$9,851,112
2021	10,288	8,032,232	20,305	11,395,414
2022	10,094	8,448,454	20,216	12,227,868
2023	9,754	8,212,171	19,685	11,906,680
2024	9,658	8,032,047	19,714	11,669,998

Source: State Department of Tax and Fee Administration.

Construction Activity

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

City of Santa Rosa Total Building Permit Valuations (Figures in Thousands) 2020 through 2024

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
<u>Permit Valuation</u>					
New Single-family	\$58,674.6	\$88,588.5	\$76,443.2	\$117,484.7	\$54,754.3
New Multi-family	38,029.5	162,029.8	194,919.3	76,024.0	7,698.5
Res. Alterations/Additions	49,119.7	28,907.7	29,082.2	22,411.4	<u>17,640.0</u>
Total Residential	145,823.8	279,526.0	300,444.7	215,920.1	80,092.8
New Commercial	9,856.1	12,867.4	34,052.0	15.0	16,650.0
New Industrial	0.0	0.0	0.0	0.0	0.0
New Other	39,202.3	10,933.0	35,824.9	10,854.9	19,169.3
Com. Alterations/Additions	42,373.4	25,294.3	25,319.7	23,040.8	15,644.1
Total Nonresidential	91,431.8	49,094.7	95,196.6	33,910.7	51,463.4
<u>New Dwelling Units</u>					
Single Family	240	337	234	288	155
Multiple Family	<u>213</u>	924	969	<u>439</u>	<u>33</u>
TOTAL	453	1,261	1,203	727	188

Source: Construction Industry Research Board, Building Permit Summary.

Sonoma County Total Building Permit Valuations (Figures in Thousands) 2020 through 2024

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
<u>Permit Valuation</u>					
New Single-family	\$259,578.5	\$375,940.9	\$231,894.7	\$244,290.1	\$204,897.5
New Multi-family	100,949.9	234,588.8	308,327.8	139,952.1	98,044.9
Res. Alterations/Additions	111,109.8	111,529.3	128,334.3	64,561.5	<u>101,105.3</u>
Total Residential	471,638.2	722,059.0	668,556.8	448,803.7	404,047.7
New Commercial	60,122.5	80,466.2	264,484.0	72,327.8	26,072.6
New Industrial	4,360.0	0.0	1,724.4	70,426.0	0.0
New Other	74,321.3	208,103.5	81,855.3	69,511.4	72,723.8
Com. Alterations/Additions	108,262.5	74,937.8	72,654.9	65,952.4	69,604.4
Total Nonresidential	247,066.3	363,507.5	420,718.6	278,217.6	168,400.8
<u>New Dwelling Units</u>					
Single Family	1,038	1,245	902	807	674
Multiple Family	778	1,262	1,460	1,548	<u>323</u>
TOTAL	1,816	2,507	2,362	2,355	997

Source: Construction Industry Research Board, Building Permit Summary.

Transportation

All modes of commercial transportation are available in the County. The Petaluma River is capable of handling water barge freight from the San Francisco Bay to Petaluma. Northwestern Pacific Railroad provides rail transportation within the County with connections to major rail interchanges. The Sonoma County Airport, located just outside the City of Santa Rosa, handles commercial and private air traffic. Seven private airfields serve the County as well. In addition, highways bisect the County; the major freeway is U.S. Highway 101, which runs north-south. State Highway 12 is the major east-west thoroughfare.

Education

The County is divided into 40 school districts for kindergarten through twelfth-grade (K-12) educational services. There are 31 elementary, 3 high school, and 6 unified districts. Unified districts operate both elementary and secondary schools for the students residing within their boundaries.

Although many districts are small in size, approximately 71,000 students attend the 179 public schools that are located in the County. There are 111 elementary, 28 middle/junior high, and 19 high schools, as well as 14 alternative schools and 7 independent study schools. Fifty-six of the County's public schools are charter schools. Eighty-one schools have been named California Distinguished Schools and eleven have been recognized as National Blue Ribbon Schools.

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APPENDIX D
FORM OF OPINION OF BOND COUNSEL

[Letterhead of Jones Hall]

____, 2026

City of Santa Rosa
100 Santa Rosa Avenue
Santa Rosa, California 95404

OPINION: \$____ City of Santa Rosa Wastewater Revenue Bonds, Series 2026A

Members of the Council:

We have acted as bond counsel in connection with the issuance by the City of Santa Rosa, California (the "City") of the captioned bonds (the "Bonds").

The Bonds are issued pursuant to Article XI, Section 5 of the Constitution of the State of California and Chapter 3-12 (commencing with Section 3-12.010) of the Santa Rosa City Code, enacted pursuant to Sections 3 and 53 of the charter of the City (the "Bond Law"), the Indenture of Trust, dated as of February 1, 1988, by and between the City and U.S. Bank Trust Company, National Association, as successor trustee (the "Trustee"), as amended and supplemented, including by the Twenty-Second Supplemental Indenture of Trust, dated as of November 1, 2026, by and between the City and the Trustee (the Indenture of Trust, as amended and supplemented, is herein referred to as the "Indenture"), and a resolution (the "Resolution") of the Council of the City adopted on October 27, 2026. We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

Regarding questions of fact material to our opinion, we have relied upon representations of the City contained in the Resolution and in the Indenture, and in the certified proceedings and

other certifications of public officials furnished to us, without undertaking to verify such facts by independent investigation. Regarding certain questions of law material to our opinion, we have assumed the correctness of certain legal conclusions contained in the written opinions of the City Attorney, without undertaking to verify the same by independent investigation.

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

1. The City is a duly created and validly existing municipal corporation and chartered city with the power to enter into the Indenture and to perform the agreements on its part contained therein.

2. The Indenture has been duly authorized, executed and delivered by the City, and is valid, binding and enforceable against the City in accordance with its terms.

3. The Indenture creates a valid lien on the Net Revenues of the Enterprise (as such terms are defined in the Indenture) and other funds pledged by the Indenture for the security of the Bonds on a parity basis with other bonds (if any) issued or to be issued in accordance with the Indenture.

4. The Bonds have been duly authorized and executed by the City and constitute valid and binding special obligations of the City, payable solely from Net Revenues of the Enterprise and other moneys, as described in the Indenture.

5. The interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. It should be noted however that interest on the Bonds may be subject to the corporate alternative minimum tax. The opinions set forth in the preceding sentences are subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The City has made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of issuance of the Bonds.

6. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

We express no opinion regarding any other tax consequences arising with respect to the ownership, sale or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Indenture are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur. Moreover, our opinions are not a guarantee of a particular result, and are not binding on the Internal Revenue Service or any court; rather, our opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions, and any assumptions expressed herein, and in reliance upon the representations, and covenants referenced above. Our engagement with respect to this matter has terminated as of the date hereof.

Respectfully submitted,

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APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

\$ _____
**CITY OF SANTA ROSA
WASTEWATER REVENUE BONDS,
SERIES 2026A**

This Continuing Disclosure Certificate (this “Disclosure Certificate”) is executed and delivered by the City of Santa Rosa (the “City”) in connection with the issuance of the captioned bonds (the “Bonds”). The Bonds are being issued under an Indenture of Trust dated as of February 1, 1988 (the “Master Indenture”), as amended by Supplemental Indentures of Trust, including the Twenty-Second Supplemental Indenture of Trust dated as of November 1, 2026 (as so amended, the “Indenture”) between the City and U.S. Bank Trust Company, National Association, as trustee (the “Trustee”). The City covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

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 have the following meanings:

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

“*Annual Report Date*” means the date that is nine months after the end of the City’s fiscal year (currently March 31 based on the City’s fiscal year end of June 30).

“*Dissemination Agent*” means a Dissemination Agent designated in writing by the City and which has filed with the City and the Trustee a written acceptance of such designation.

“*Listed Events*” means any of the events listed in Section 5(a) of this Disclosure Certificate.

“*MSRB*” means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

“*Official Statement*” means the final official statement executed by the City in connection with the issuance of the Bonds.

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

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

Section 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 31, 2027, with the report for fiscal year 2025-26, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 below. Not later than 15 Business Days prior to the Annual Report Date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the City) has not received a copy of the Annual Report, the Dissemination Agent shall contact the City to determine if the City is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package and may include by reference other information as provided in Section 4; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the City's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(b). The City shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the City hereunder.

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

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

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

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

(b) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, financial information and operating data with respect to the City for the preceding fiscal year, substantially similar to that provided in the corresponding tables in the Official Statement:

- (i) Principal amount of Bonds (as defined in the Official Statement) and State Loans outstanding.
- (ii) Balance in the Rate Stabilization Fund.
- (iii) Updated information set forth in the following tables of the Official Statement (in all cases, information for only the preceding fiscal year is required):
 - a. Table 2 (City Customer Accounts).
 - b. Table 4 (Top 10 Wastewater Customers in City). The City is not obligated to disclose the identity of the users.
 - c. Table 7 (Sewer Customer Accounts).
 - d. Table 8b (Monthly User Charges/Fixed Monthly Charges) as to current rates only.
 - e. Table 9 (Typical Monthly Wastewater Charges for Single Family User).
 - f. Table 13 (Historical and Projected Revenues, Expenses and Debt Service Coverage) as to historical amounts only.
- (iv) Status of any significant legislative, administrative and judicial challenges to the construction and operation of the Enterprise known to the City.

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

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. The City shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) The City shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds:

- (1) Principal and interest payment delinquencies.
- (2) Non-payment related defaults, if material.
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (5) Substitution of credit or liquidity providers, or their failure to perform.
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.
- (7) Modifications to rights of security holders, if material.

- (8) Bond calls, if material, and tender offers.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities, if material.
- (11) Rating changes.
- (12) Bankruptcy, insolvency, receivership or similar event of the obligated person.
- (13) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.
- (15) Incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material.
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

(b) The City shall, or shall cause the Dissemination Agent (if not the City) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds under the Indenture.

(c) The City acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), (a)(14) and (a)(15) of this Section 5 contain the qualifier “if material” and that subparagraph (a)(6) also contains the qualifier “material” with respect to certain notices, determinations or other events affecting the tax status of the Bonds. The City shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that it determines the event’s occurrence is material for purposes of U.S. federal securities law. Upon 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 paragraph (b) above.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the 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.

(e) For purposes of Section 5(a)(15) and (16), “financial obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

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

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

Section 8. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign by providing thirty days’ written notice to the City and the Trustee. The City will initially act as the Dissemination Agent.

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

- (a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(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 Bonds, or type of business conducted;
- (b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and
- (c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of holders, or (ii) does not, in the opinion of the Trustee or nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first Annual Report filed pursuant hereto

containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to this Disclosure Certificate modifying the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the City to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative.

A notice of any amendment made pursuant to this Section 9 shall be filed in the same manner as for a Listed Event under Section 5(b).

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

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

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. Article VI of the Indenture is hereby made applicable to this Disclosure Certificate as if this Disclosure Certificate were (solely for this purpose) contained in the Indenture. The Dissemination Agent shall be entitled to the protections and limitations from liability afforded to the Trustee thereunder. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 13. Notices. Any notice or communications to be given under this Disclosure Certificate may be given as follows:

To the Issuer:

City of Santa Rosa
100 Santa Rosa Avenue
Santa Rosa, CA 95404
Attention: Chief Financial Officer

To the Participating Underwriter:

Stifel, Nicolaus & Company, Incorporated
One Montgomery Street, 35th Floor
San Francisco, CA 94104
Attn: Eileen Gallagher, Managing Director

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

Section 14. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Bonds and shall create no rights in any other person or entity.

Date: _____, 2026

CITY OF SANTA ROSA

By _____
Chief Financial Officer

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Obligated Party: City of Santa Rosa

Name of Bond Issue: \$_____ City of Santa Rosa Wastewater Revenue Bonds,
Series 2026A

Date of Issuance: _____, 2026

NOTICE IS HEREBY GIVEN that the City has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate, dated _____, 2026. The City anticipates that the Annual Report will be filed by _____.

Dated: _____

DISSEMINATION AGENT:

By: _____
Its: _____

cc: Trustee and Participating Underwriter

APPENDIX F

BOOK ENTRY ONLY SYSTEM

The following description of the Depository Trust Company (“DTC”), the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, interest and other payments on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters but should instead confirm the same with DTC or the DTC Participants, as the case may be.

*Neither the issuer of the Bonds (the “**Issuer**”) nor the trustee, fiscal agent or paying agent appointed with respect to the Bonds (the “**Agent**”) take any responsibility for the information contained in this Appendix.*

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation of ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.

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

2. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned

subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org. *The information contained on this Internet site is not incorporated herein by reference.*

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

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

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

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

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as

possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

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

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

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