



# Municipal Market Disclosure Information Cover Sheet

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**This Filing Applies to:**

1. City of Sacramento Water Revenue Refunding Bonds, Series 2020 (Federally Taxable),  
\$188,390,000 Dated: May 6, 2020  
786089JD5, 786089JE3, 786089JF0, 786089JG8, 786089JH6, 786089JJ2, 786089JK9, 786089JL7,  
786089JM5, 786089JN3, 786089JP8, 786089JQ6, 786089JR4
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**TYPE OF FILING:**

If information is also available on the Internet, give URL: [www.dacbond.com](http://www.dacbond.com)

**WHAT TYPE OF INFORMATION ARE YOU PROVIDING? (Check all that apply)****Financial / Operating Data Disclosures****Rule 15c2-12 Disclosure**

- Annual Financial Information & Operating Data (Rule 15c2-12)
- Audited Financial Statements or ACFR (Rule 15c2-12)
- Failure to provide as required

**Additional / Voluntary Disclosure**

- Quarterly / Monthly Financial Information
- Change in Fiscal Year / Timing of Annual Disclosure
- Change in Accounting Standard
- Interim / Additional Financial Information / Operating Data
- Budget
- Investment / Debt / Financial Policy
- Information Provided to Rating Agency, Credit / Liquidity Provider or Other Third Party
- Consultant Reports

Other Financial / Operating Data

## Event Filing

### Rule 15c2-12 Disclosure

- Principal / Interest Payment Delinquency
- Non-payment Related Default
- Unscheduled Draw on Debt Service Reserve Reflecting Financial Difficulties
- Unscheduled Draw on Credit Enhancement Reflecting Financial Difficulties
- Substitution of Credit or Liquidity Provider, or Its Failure to Perform
- Adverse Tax Opinion or Event Affecting the Tax-exempt Status of the Security
- Modification to the Rights of Security Holders
- Bond Call
- Defeasance
- Release, Substitution or Sale of Property Securing Repayment of the Security
- Rating Change
- Tender Offer / Secondary Market Purchases

#### Invitation to Tender

- Merger / Consolidation / Acquisition and Sale of All or Substantially All Assets
- Bankruptcy, insolvency, receivership or similar event
- Successor, Additional or Change in Trustee
- Failure to Provide Event Filing Information as Required
- Financial Obligation - Incurrence and Agreement
- Financial Obligation - Event Reflecting Financial Difficulties

### Additional / Voluntary Disclosure

- Amendment to Continuing Disclosure Undertaking
- Change in Obligated Person
- Notice to Investor Pursuant to Bond Documents
- Communication From the Internal Revenue Service
- Bid For Auction Rate or Other Securities
- Capital or Other Financing Plan
- Litigation / Enforcement Action
- Change of Tender Agent, Remarketing Agent or Other On-going Party
- Derivative or Other Similar Transaction
- Other Event-based Disclosures

## Asset-Backed Securities Filing

### Additional / Voluntary Disclosure

- Initial Asset-Backed Securities Disclosure (SEC Rule 15Ga-1(c)(1))
- Quarterly Asset-Backed Securities Disclosure (SEC Rule 15Ga-1(c)(2)(i))
- Annual Asset-Backed Securities Disclosure (SEC Rule 15Ga-1(c)(2)(ii))
- Other Asset-Backed Securities Disclosure (e.g. notice of termination of duty to file reports pursuant to SEC Rule 15Ga-1(c)(3))

**Disclosure Dissemination Agent Contact:**

Name: DAC

Address: 315 East Robinson Street

Suite 300

City: Orlando

State: FL

Zip Code: 32801-1674

Telephone: 407 515 - 1100

Fax: 407 515 - 6513

Email Address: emmaagent@dacbond.com

Relationship to Issuer: Dissemination Agent

**Certification Authorized By:**

/s/ Claudia Lara

Name: Claudia Lara

Title: Debt Analyst

Entity: Sacramento, CA, City of Sacramento

**Digital Assurance Certification**

## Filing Certificate

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**DAC transmitted the Tender Offer / Secondary Market Purchases to EMMA/SID (if applicable) on behalf of Sacramento, CA, City of Sacramento under their SEC Rule 15c-2-12 Continuing Disclosure Agreement.**

Transmission Details: P21325606

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Date & Time Stamp:	11/15/2023
Document:	Tender Offer / Secondary Market Purchases: Invitation to Tender
DAC Bond Coversheet:	Yes
Transmitted to:	MSRB-EMMA
Total CUSIPs associated with this Filing:	13
Filing made on Series:	2020

**Codes:** P (Prerefunded), R (Refunded), U (Unrefunded), E (Escrowed), A (Advance Refunding), D (Defeased), T (Tendered), V (Derivatives), UD (Undetermined), NLO (No Longer Outstanding)

**Red:** Original CUSIPs - filing missed · **Blue:** Non-Original CUSIPs - filing missed · **Green:** Outstanding CUSIPs - filing made · **Black:** Inactive CUSIPs

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1. Issue: City of Sacramento Water Revenue Refunding Bonds, Series 2020 (Federally Taxable), \$188,390,000 Dated: May 6, 2020

CUSIP: 786089JD5, 786089JE3, 786089JF0, 786089JG8, 786089JH6, 786089JJ2, 786089JK9, 786089JL7, 786089JM5, 786089JN3, 786089JP8, 786089JQ6, 786089JR4

No missing CUSIPs for this bond issue

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**INVITATION TO TENDER FOR PURCHASE MADE BY THE  
CITY OF SACRAMENTO**

**to the Bondowners described herein of all or any portion of the maturities  
listed on page (i) herein of the**

**City of Sacramento Water Revenue Refunding Bonds, Series 2020 (Federally Taxable)  
(the “Series 2020 Bonds”)**

**THIS INVITATION TO TENDER FOR PURCHASE WILL EXPIRE  
AT 5:00 P.M., NEW YORK CITY TIME ON DECEMBER 1, 2023  
UNLESS EARLIER TERMINATED OR EXTENDED AS DESCRIBED HEREIN.**

The City of Sacramento, California (the “City”) invites the beneficial owners (the “Bondowners”) of the bonds listed and maturing on the dates set forth in the tables on page (i) (the “Target Bonds”) to sell their Target Bonds to the City for payment in cash at the purchase prices set forth herein, plus accrued interest on the Target Bonds tendered for purchase up to but not including the Settlement Date (“Accrued Interest”), all on the terms and conditions as set forth in more detail below (the “Invitation”). Purchase prices will be based on the following:

The purchase prices for each CUSIP of the Target Bonds will be based on fixed spreads added to the yields on certain benchmark United States Treasury Securities (each, a “Fixed Spread”), which are as set forth in Section 4 of this Invitation. On or about November 22, 2023, the City will publish the Pricing Notice in the form attached hereto as Appendix B, which will set forth the “Fixed Spreads” for each CUSIP and corresponding maturity of the respective Target Bonds.

The purchase of any Target Bonds pursuant to the Invitation is contingent on the issuance of the City’s Water Revenue Refunding Bonds, Series 2023 (the “Series 2023 Bonds”) and is also subject to the terms of this Invitation and certain other conditions described herein. The Series 2023 Bonds, if issued, will be issued in the manner, on the terms and with the security therefor to be described in the Preliminary Official Statement dated November 15, 2023, attached hereto as Appendix A (as may be amended and supplemented) (the “Series 2023 Bonds POS”). If the Series 2023 Bonds are issued, the source of funds to purchase the Target Bonds validly tendered for purchase and accepted for purchase pursuant to this Invitation with respect to principal amount thereof will be from proceeds of the Series 2023 Bonds. Accrued Interest will be funded by funds on hand held by, or on behalf of, the City.

This Invitation is part of a plan by the City to refund a portion of the City’s outstanding indebtedness consisting of the Target Bonds, as described in the Series 2023 Bonds POS. As outlined on page (i) of this Invitation, the City intends to purchase some or all of each CUSIP of the Target Bonds pursuant to this Invitation, although the City may elect to purchase a lesser principal amount or none of each CUSIP of the Target Bonds tendered for purchase as described herein. Should the City accept a portion of a specific CUSIP of tendered Target Bonds, such tendered Target Bonds will be accepted on a pro rata basis as described under the caption “Acceptance of Target Bonds for Purchase” of the Invitation. Bondowners of the Target Bonds who do not accept this Invitation and Bondowners of the Target Bonds whose tenders are rejected by the City will continue to hold their interest in such Target Bonds. **In addition, the City may determine to defease certain Target Bonds not tendered, or tendered but not accepted for purchase, in order to maximize the projected or actual financial benefit resulting from the transaction. See “PLAN OF REFUNDING” in the Series 2023 Bonds POS.**

To make an informed decision as to whether, and how, to tender the Target Bonds for purchase pursuant to the Invitation, Bondowners must read the entire Invitation carefully, including the Series 2023 Bonds POS, and consult their broker, account executive, financial advisor, investment manager, legal,

accounting, tax and/or other professionals. **This Invitation and the Series 2023 Bonds POS, collectively, shall constitute an invitation to Bondowners to tender their Target Bonds for purchase.**

**Key Dates and Times**

*All of these dates and times are subject to change. All times in this Invitation are New York City time.  
Notices of changes will be sent in the manner provided for in this Invitation.*

Launch Date and Series 2023 Bonds POS Posting .....	<b>November 15, 2023</b>
Pricing Notice .....	<b>On or about November 22, 2023</b>
Expiration Date (unless extended as provided herein).....	<b>December 1, 2023 at 5:00 p.m.</b>
Preliminary Notice of Results.....	<b>December 4, 2023</b>
Determination of Target Bonds Purchase Prices .....	<b>December 5, 2023 at 10:00 a.m.</b>
Notice of Target Bonds Purchase Price .....	<b>December 5, 2023</b>
Notice of Acceptance; Acceptance Date .....	<b>December 6, 2023</b>
Settlement Date (unless extended as provided herein) .....	<b>December 19, 2023</b>

***The Information Agent and Tender Agent for this Invitation is  
GLOBIC ADVISORS***

Attention: Robert Stevens  
1-212-227-9622, rstevens@globic.com  
**Document Website: [www.globic.com/sacramento](http://www.globic.com/sacramento)**

***The Dealer Manager for this Invitation is***

**Goldman Sachs & Co. LLC**  
Contact your Goldman Sachs & Co. LLC representative or  
Ken Ukaigwe at (212) 357-3189 or ken.ukaigwe@gs.com

Any Bondowner wishing to tender the Target Bonds for purchase pursuant to this Invitation should follow the procedures more fully described herein. Bondowners and their brokers and account executives with questions about this Invitation should contact the Dealer Manager or the Information Agent and Tender Agent.

The date of this Invitation is November 15, 2023.

## INVITATION

### TARGET BONDS

#### SUBJECT TO INVITATION TO TENDER FOR PURCHASE

#### City of Sacramento Water Revenue Refunding Bonds, Series 2020 (Federally Taxable) (the “Series 2020 Bonds” or the “Target Bonds”)<sup>(1)</sup>

<u>CUSIP No.</u> <sup>‡</sup>	<u>Maturity Date</u> <u>(September 1)</u>	<u>Interest</u> <u>Rate</u>	<u>Par Amount</u> <u>Outstanding</u>	<u>Par Call</u> <u>Date</u> <sup>(2)</sup> <u>(September 1)</u>	<u>Benchmark</u> <u>U.S. Treasury</u> <u>Security</u> <sup>*</sup>	<u>Indicative</u> <u>Fixed Spread</u> <u>(Basis</u> <u>Points)</u> <sup>**</sup>
786089JD5	2024	1.714%	\$2,115,000	N/A	2-year	25
786089JE3	2025	1.814	7,925,000	N/A	2-year	15
786089JF0	2026	1.953	8,075,000	N/A	3-year	25
786089JG8	2027	2.103	8,240,000	N/A	5-year	32
786089JH6	2028	2.147	8,420,000	N/A	5-year	35
786089JJ2	2029	2.197	8,600,000	N/A	7-year	35
786089JK9	2030	2.297	8,800,000	N/A	7-year	38
786089JL7	2031	2.447	9,010,000	2030	10-year	45
786089JM5	2032	2.547	9,235,000	2030	10-year	50
786089JN3	2033	2.647	9,480,000	2030	10-year	55
786089JP8	2034	2.747	9,740,000	2030	10-year	60
786089JQ6	2035	2.897	10,020,000	2030	10-year	65
786089JR4	2042 <sup>(T)</sup>	3.180	79,695,000	2030	20-year	57

(T) Term Bond.

\* Each Benchmark U.S. Treasury Security will be the most recently auctioned “on-the-run” U.S. Treasury Security for the maturity indicated as of the date and time that the Purchase Price for the Target Bonds is set, currently expected to be December 5, 2023. The yield on each Benchmark Treasury Security to be used in establishing the Purchase Price for the Target Bonds will equal the bid-side yield of the applicable Benchmark Treasury Security as quoted on the Bloomberg Bond Trader FIT1 series of pages at 10:00 a.m., New York City time, on December 5, 2023.

\* Subject to change. On or about November 22, 2023, the City will publish the Pricing Notice in the form attached hereto as Appendix B, which will set forth the final “Fixed Spreads” for each CUSIP and corresponding maturity of the respective Target Bonds.

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<sup>(1)</sup> See Section 4 herein for the calculation of the purchase price.

<sup>‡</sup> CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein are provided by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association. CUSIP numbers have been assigned by an independent company and are included solely for the convenience of the holders of the Series 2023 Bonds. None of the City, the Underwriter or their agents or counsel assume responsibility for the accuracy of such numbers. The CUSIP number for a specific maturity is subject to being changed after the execution and delivery of the Target Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of the Target Bonds.

<sup>(2)</sup> First Optional Redemption Date at par for Series 2020 Bonds maturing on and after September 1, 2031 is September 1, 2030. However, the Series 2020 Bonds are also subject to optional redemption prior to maturity, on any date prior to September 1, 2030, at the option of the City, at the Make-Whole Redemption Price (as set forth in documents pursuant to which the Series 2020 Bonds were issued), plus accrued interest to the redemption date.

## IMPORTANT INFORMATION

*This Invitation and other information with respect to the Invitation are available from the Dealer Manager and the Information Agent and Tender Agent at [www.globic.com/sacramento](http://www.globic.com/sacramento). Bondowners wishing to tender their Target Bonds for purchase pursuant to the Invitation should follow the procedures more fully described herein. The City reserves the right to modify the Invitation at any time on or prior to the Acceptance Date and reserves the right to make a future tender invitation for bonds at prices different than the purchase prices described herein in its sole discretion. The City's obligation to purchase the Target Bonds tendered pursuant to the Invitation is subject to the conditions set forth herein, including but not limited to Section 13 hereof. The City further reserves the right to waive any irregularities or defects in any tendered bonds received.*

*The City also reserves the right in the future to refund any portion of outstanding Target Bonds not purchased or defeased through the issuance of bonds. The Target Bonds maturing after the first optional redemption date are subject to redemption in whole or in part, at the option of the City on any date on or after its first optional redemption date indicated in the table above, at a redemption price equal to 100% of the principal amount of the Target Bonds, or portions thereof, to be redeemed plus accrued but unpaid interest to the date fixed for redemption; provided that the Target Bonds are subject to redemption before their stated maturities, at the option of the City, from any source of available funds, as a whole or in part by such maturity or maturities as may be specified by the City, on any date prior to September 1, 2030, at the Make-Whole Redemption Price (as set forth in documents pursuant to which the Target Bonds were issued), plus accrued but unpaid interest to the date fixed for redemption. **Further details concerning the City's debt refunding plan are contained in the Series 2023 Bonds POS.***

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THIS INVITATION OR PASSED UPON THE FAIRNESS OR MERITS OF THIS INVITATION OR UPON THE ACCURACY OR ADEQUACY OF THE INFORMATION CONTAINED IN THIS INVITATION. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

This Invitation is not being made to, and the Target Bonds tendered for purchase in response to this Invitation will not be accepted from or on behalf of, Bondowners in any jurisdiction in which the Invitation, tendering the Target Bonds or the acceptance thereof would not be in compliance with the laws of such jurisdiction. In those jurisdictions whose laws require the Invitation to be made through a licensed or registered broker or dealer, the Invitation is being made on behalf of the City by the Dealer Manager.

The City is not recommending to any Bondowner whether to tender its Target Bonds for purchase in connection with the Invitation. Each Bondowner must make these decisions and should read the entire Invitation and the Series 2023 Bonds POS in their entirety and consult with its broker, account executive, financial advisor, investment manager, legal, accounting, tax and/or other professionals in making these decisions.

No dealer, salesperson or other person has been authorized to give any information or to make any representation not contained in this Invitation and, if given or made, such information or representation may not be relied upon as having been authorized by the City.

The delivery of this Invitation shall not under any circumstances create any implication that the information contained herein is correct as of any time subsequent to the date hereof or that there has been no change in the information set forth herein or in any attachments hereto or materials delivered herewith or in the affairs of the City since the date hereof.



This Invitation contains statements relating to future results that are “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995. When used in this Invitation and other materials referred to or incorporated herein, the words “estimate,” “anticipate,” “forecast,” “project,” “intend,” “propose,” “plan,” “expect” and similar expressions identify forward-looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

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**INVITATION  
made by the  
THE CITY OF SACRAMENTO**

**1. Introduction**

The City of Sacramento (the “**City**”) invites the beneficial owners (the “**Bondowners**”) of the bonds listed and maturing on the dates set forth in the table on page (i) of this Invitation (the “**Target Bonds**”) to sell their Target Bonds to the City for payment in cash at purchase prices for the Target Bonds (as defined below) set forth herein, plus accrued interest on the Target Bonds tendered for purchase up to but not including the Settlement Date (“**Accrued Interest**”), all on the terms and conditions as set forth in more detail in this Invitation (the “**Invitation**”).

The purchase prices for each CUSIP of the Target Bonds will be based on fixed spreads added to the yields on certain benchmark United States Treasury Securities (each, a “**Fixed Spread**”), which will be set forth in the Pricing Notice described in Section 4 of the Invitation. On or about November 22, 2023, the City will publish the Pricing Notice in the form attached hereto as Appendix B, which will set forth the final “Fixed Spreads” for each CUSIP and corresponding maturity of the respective Target Bonds.

The purchase of any Target Bonds pursuant to the Invitation is contingent on the issuance of the City’s Water Revenue Refunding Bonds, Series 2023 (the “**Series 2023 Bonds**”) and is also subject to the terms of this Invitation (this “**Invitation**”), including satisfaction or waiver of the conditions set forth in Section 13 hereof. The City may also determine to purchase less than all of the Target Bonds, or to defease certain of the Target Bonds, in order to maximize the projected or actual financial benefit resulting from the transaction. The Series 2023 Bonds, if issued, will be issued in the manner, on the terms and with the security therefor described in the Preliminary Official Statement dated November 15, 2023, attached hereto as Appendix A (as may be amended and supplemented) (the “**Series 2023 Bonds POS**”).

If the Series 2023 Bonds are issued, the source of funds to purchase the Target Bonds validly tendered and accepted for purchase pursuant to this Invitation with respect to the principal amount thereof will be from proceeds of the Series 2023 Bonds. Accrued Interest will be funded by funds on hand held by, or on behalf of, the City.

The Target Bonds were issued by the City pursuant to an Indenture, dated as of March 1, 2013, as supplemented (as supplemented, the “**Indenture**”), between the City and U.S. Bank National Association (now succeeded by U.S. Bank Trust Company, National Association), as trustee (the “**Trustee**”).

This Invitation is part of a plan by the City to refinance some or all of the outstanding Target Bonds, as described in the Series 2023 Bonds POS. **The outstanding bonds of the City of any series that are not identified in the tables above on page (i) are not subject to this Invitation.** For additional information concerning the City, its plan of refunding and its outstanding indebtedness, see the Series 2023 Bonds POS.

Pursuant to the Invitation, each Bondowner may tender to the City for purchase the Target Bonds, in a denomination of \$1,000 principal amount (the “**Minimum Authorized Denomination**”) or any integral multiple of \$1,000 in excess thereof, with respect to which the Bondowner has a beneficial ownership interest.

See below for more information on how a Bondowner can tender its Target Bonds for purchase, and the Purchase Price offered.

Subject to the terms of this Invitation, and provided that the Target Bonds tendered by a Bondowner for purchase (i) have been validly tendered by 5:00 p.m., New York City time, on December 1, 2023 (as

extended from time to time in accordance with this Invitation, the “**Expiration Date**”), and (ii) accepted by the City on or before December 6, 2023 (as extended from time to time in accordance with this Invitation, the “**Acceptance Date**”), the City will purchase such Target Bonds at the applicable Purchase Prices on December 19, 2023 or such later date as the City shall determine; provided however, that the Settlement Date may not be extended more than 30 calendar days (such date, the “**Settlement Date**”). Accrued Interest on the Target Bonds purchased will also be paid on the Settlement Date.

All times in this Invitation are local time in New York City.

No assurances can be given that the Series 2023 Bonds will be issued or that the other conditions will be satisfied or waived or that any Target Bonds tendered for purchase by a Bondowner will be purchased. See Section 9, “Acceptance of Target Bonds for Purchase,” for more information on the selection of tendered Target Bonds to be purchased, if any. Subject to the terms and conditions set forth in this Invitation, the City reserves the right to amend or waive the terms of this Invitation as to any or all of the Target Bonds in any respect and at any time prior to the Acceptance Date or from time to time. The City also has the right to terminate this Invitation as described herein. See Section 13, “Conditions to Purchase,” and Section 14, “Extension, Termination and Amendment of Invitation,” below.

The purpose of the issuance of this Invitation and the Series 2023 Bonds is to produce total cashflow savings for the benefit of the ratepayers of the City’s Water System. Thus, one of the reasons that provide for termination of this Invitation by the City (including its obligation to purchase tendered Target Bonds as described herein) is that the City reasonably determines that the projected financial benefits of the transaction contemplated by this Invitation and the Series 2023 Bonds POS, as a result of market conditions, expected or actual level of participation in the Tender Offer by Bondowners of the Target Bonds, or any other factors, does not meet the City’s reasonable expectation regarding cash flow savings.

Any Target Bonds tendered by Bondowners pursuant to this Invitation but not accepted by the City will be returned to the Bondowners and will continue to be payable and secured under the Indenture until maturity or prior redemption. If all conditions to this Invitation are not satisfied or waived by the City on or prior to the Settlement Date, or if the City terminates the Invitation, any Target Bonds tendered by Bondowners pursuant to this Invitation will be returned to the Bondowners and will continue to be payable and secured under the terms of the Indenture until maturity or prior redemption.

**It is anticipated that all of the Target Bonds not tendered for purchase pursuant to this Invitation will remain outstanding. However, the City may determine to defease certain Target Bonds not tendered, or tendered but not accepted for purchase, in order to maximize the projected or actual financial benefit resulting from the transaction.**

**Further details concerning the City’s debt refunding plan are contained in the Series 2023 Bonds POS. See also Section 16, “Additional Considerations,” below.**

**To make an informed decision as to whether, and how, to tender the Target Bonds for purchase pursuant to the Invitation, a Bondowner must read the entire Invitation carefully, including the Series 2023 Bonds POS.**

**None of the City, the Dealer Manager (as defined below) or the Information Agent and Tender Agent (as defined below) make any recommendation that any Bondowner tender or refrain from tendering all or any portion of such Bondowner’s Target Bonds for purchase. Bondowners must make these decisions and should consult with their broker, account executive, financial advisor, investment manager, legal, accounting, tax and/or other professionals.**

The Dealer Manager for this Invitation is Goldman Sachs & Co. LLC (the “**Dealer Manager**”). Globic Advisors is serving as information agent and Tender agent (the “**Information Agent and Tender Agent**”) in connection with this Invitation. Bondowners with questions about the substance of this Invitation should contact the Dealer Manager. Bondowners with questions about the mechanics of this Invitation should contact the Information Agent and Tender Agent at the email address and telephone number set forth on the inside cover page of this Invitation.

## **2. Information to Bondowners**

The City will provide additional information about this Invitation, if any, to the market and Bondowners, including, without limitation, the Series 2023 Bonds POS and any supplement thereto, by delivery of such information in the following ways: (i) to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access website, currently located at <http://emma.msrb.org> (the “**EMMA Website**”), using the CUSIP numbers for the Target Bonds listed in the tables on page (i) of the Invitation; (ii) to DTC (defined below) and to the DTC participants holding the Target Bonds; and (iii) by posting electronically on the website of the Information Agent and Tender Agent at [www.globic.com/sacramento](http://www.globic.com/sacramento). Delivery by the City of information in this manner will be deemed to constitute delivery of the information to each Bondowner. The Dealer Manager, and the Information Agent and Tender Agent have no obligation to ensure that a Bondowner actually receives any information provided by the City in this manner. A Bondowner who would like to receive information furnished by or on behalf of the City as described above must make appropriate arrangements with its broker, account executive or other financial advisor or representative. The final Official Statement with respect to the Series 2023 Bonds will be posted to the EMMA Website.

## **3. Expiration Date; Offers Only Through Financial Institutions; Brokerage Commissions**

This Invitation will expire at 5:00 p.m., New York City time, on December 1, 2023, the Expiration Date, unless earlier terminated or extended as described in this Invitation. Tenders of the Target Bonds received after 5:00 p.m., New York City time, on the Expiration Date (as it may be extended) will not be considered. See Section 13, “Conditions to Purchase” and Section 14, “Extension, Termination and Amendment of Invitation,” for a discussion of the ability of the City to extend the Expiration Date and to terminate or amend this Invitation.

All of the Target Bonds are held in book-entry-only form through the facilities of The Depository Trust Company of New York (“**DTC**”). The Information Agent and Tender Agent and DTC have confirmed that the Invitation is eligible for submission of tenders for purchase through DTC’s Automated Tender Offer Program (known as the “**ATOP**” system). ***Bondowners of the Target Bonds who want to accept this Invitation to sell the Target Bonds must do so through a DTC participant in accordance with the relevant DTC procedures for the ATOP system. The City will not accept any tenders of the Target Bonds for purchase that are not made through the ATOP system.*** Bondowners who are not DTC participants can only tender the Target Bonds for purchase pursuant to this Invitation by making arrangements with and instructing the bank or brokerage firm through which they hold their Target Bonds (sometimes referred to herein as a “custodial intermediary”) to tender the Bondowner’s Target Bonds on their behalf through the ATOP system. To ensure a Bondowner’s Target Bonds are tendered through the ATOP system by 5:00 p.m., New York City time, on the Expiration Date, Bondowners must provide instructions to the bank or brokerage firm through which their Target Bonds are held in sufficient time for such custodial intermediary to tender the Target Bonds in accordance with DTC procedures through the ATOP system by this deadline. Bondowners should contact their bank or brokerage firm through which they hold their Target Bonds for information on when such custodial intermediary needs the Bondowner’s instructions in order to tender the Bondowner’s Target Bonds through the ATOP system by 5:00 p.m., New York City time, on the Expiration Date. See also Section 6, “Transmission of Offers by Financial Institutions; DTC ATOP Procedures,” below.

The City, the Dealer Manager, and the Information Agent and Tender Agent are not responsible for making or transmitting any tender of the Target Bonds or for the transfer of any tendered Target Bonds through the ATOP system or for any mistakes, errors or omissions in the making or transmission of any tender or transfer.

Bondowners will not be obligated to pay any brokerage commissions or solicitation fees to the City, the Dealer Manager or the Information Agent and Tender Agent in connection with this Invitation. However, Bondowners should check with their broker, account executive or other financial institution which maintains the account in which their Target Bonds are held to determine if it will charge any commission or fees.

#### **4. Minimum Denominations and Consideration for Offers; Changes to the Terms of the Invitation**

**Authorized Denominations for Offers.** A Bondowner may tender all or a portion of the Target Bonds of a particular CUSIP that it owns in an amount of its choosing, but only in principal amounts equal to the Minimum Authorized Denomination or any integral multiple of \$1,000 in excess thereof.

##### **Tender Consideration.**

The Target Bonds may only be tendered by a Bondowner for purchase by the City pursuant to this Invitation at the Fixed Spread for each CUSIP, to be set forth in the Pricing Notice.

The table below sets forth the Indicative Fixed Spread for each CUSIP for the Target Bonds that will be used to determine the purchase price for the Target Bonds tendered and accepted. On or before November 22, 2023, the City will publish the Pricing Notice in the form attached hereto as Appendix B, which Pricing Notice will set forth either a confirmation of the Indicative Fixed Spreads set forth below or an amendment to the Indicative Fixed Spreads for each maturity and corresponding CUSIP of the Target Bonds tendered and accepted for purchase pursuant to this Invitation.

The applicable Fixed Spread for each CUSIP of the Target Bonds as set forth in the Pricing Notice will represent the yield, expressed as an interest rate percentage above the yield on the indicated benchmark United States Treasury Securities (set forth on page (i) of this Invitation) (“**Benchmark Treasury Securities**”) at which the City will purchase Target Bonds. The Fixed Spreads will be added to the yield on the relevant Benchmark Treasury Security for each CUSIP.

The yields on the corresponding Benchmark Treasury Securities (the “**Treasury Security Yields**”) will be based on the bid-side price of the Benchmark Treasury Security as quoted on the Bloomberg Bond Trader FIT1 series of pages determined at 10:00 a.m., New York City time, on December 5, 2023 and calculated in accordance with standard market practice. The Fixed Spread will be added to the Treasury Security Yield to arrive at a purchase yield for each CUSIP (the “**Purchase Yields**”).

The Purchase Yields will be used to calculate the Purchase Prices for the Target Bonds. The Purchase Prices for the Target Bonds will be the sum of the present value of all remaining scheduled principal and interest on the applicable Target Bonds on the Settlement Date, as determined on December 5, 2023, as such date may be extended (the “**Determination of Target Bonds Purchase Prices Date**”) discounted at the applicable Purchase Yield on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) minus Accrued Interest up to but not including the Settlement Date, in accordance with standard market practice. For the Target Bond maturing September 1, 2042 only (CUSIP 786089JR4), the Purchase Price will be calculated using the above bond pricing formula assuming an average life date of October 17, 2039 as the maturity date.

The City will determine the preliminary principal amount (if any) of the Target Bonds of a CUSIP that it wishes to purchase and will publish a Preliminary Notice of Results on or about December 4, 2023. The Preliminary Notice of Results will be provided in the manner described in Section 2.

The principal amount (if any) for the Target Bonds of a CUSIP in the Preliminary Notice of Results are preliminary and subject to change. The final principal amount (if any) for the Target Bonds of a CUSIP accepted for purchase will be announced on the Acceptance Date.

The City will publish a Notice of Target Bonds Purchase Prices at or around 5:00 p.m., New York City time, on December 5, 2023.

The City will make a final determination of the principal amount (if any) of the Target Bonds of a CUSIP that it will purchase from among those Target Bonds of such CUSIP that were initially identified in the Preliminary Notice of Results. The City will publish a Notice of Acceptance on the Acceptance Date (December 6, 2023). Subject to the terms and conditions of the Invitation, the City shall be under no obligation to accept any Target Bonds tendered for purchase pursuant to this Invitation. The City may also determine to purchase less than all of the Target Bonds that were initially accepted for purchase in order to maximize the projected or actual financial benefit resulting from the transaction. Notice of the principal amount of the Target Bonds (if any) for each CUSIP that the City will agree to purchase will be provided in the manner described in Section 2 on the Acceptance Date.

In addition to the Purchase Price of the Target Bonds accepted for purchase by the City, Accrued Interest on such Target Bonds will be paid by, or on behalf of, the City to the tendering Bondowners on the Settlement Date. The Purchase Prices (and the Accrued Interest) will constitute the sole consideration payable by the City for the Target Bonds purchased by the City pursuant to the Invitation.

The tables on the following page provide an example of the Purchase Prices realized by a Bondowner that tendered Target Bonds based on the following closing yields as of November 14, 2023 for the Benchmark Treasury Securities provided below and the Indicative Fixed Spreads. ***This example is being provided for convenience only and is not to be relied upon by a Bondowner as an indication of the Purchase Price that may be accepted by the City.***

**Indicative Purchase Prices for the Target Bonds\***

<u>CUSIP No.</u> <sup>†</sup>	<u>Maturity (September 1)</u>	<u>Benchmark U.S. Treasury Security</u>	<u>Treasury Security Yield</u>	<u>Indicative Fixed Spread (Basis Points)*</u>	<u>Indicative Purchase Yield *</u>	<u>Indicative Purchase Price (% of Principal Amount)*</u>
786089JD5	2024	2-year	4.833%	25	5.083%	97.709
786089JE3	2025	2-year	4.833%	15	4.983%	94.892
786089JF0	2026	3-year	4.593%	25	4.843%	92.764
786089JG8	2027	5-year	4.438%	32	4.758%	91.086
786089JH6	2028	5-year	4.438%	35	4.788%	88.998
786089JJ2	2029	7-year	4.470%	35	4.820%	87.058
786089JK9	2030	7-year	4.470%	38	4.850%	85.540
786089JL7	2031	10-year	4.452%	45	4.902%	84.407
786089JM5	2032	10-year	4.452%	50	4.952%	83.162
786089JN3	2033	10-year	4.452%	55	5.002%	82.070
786089JP8	2034	10-year	4.452%	60	5.052%	81.122
786089JQ6	2035	10-year	4.452%	65	5.102%	80.747
786089JR4	2042 <sup>(T)</sup>	20-year	4.822%	57	5.392%	76.644

(T) Term Bond.

\*Subject to change.

**\* THIS EXAMPLE IS BEING PROVIDED FOR CONVENIENCE ONLY AND IS NOT TO BE RELIED UPON BY A BONDOWNER AS AN INDICATION OF THE PURCHASE PRICES THAT MAY BE ACCEPTED BY THE CITY.**

The Notice of Target Bonds Purchase Prices will be made available by 5:00 p.m., New York City time, on December 5, 2023 in the manner described in Section 2 of this Invitation.

**Changes to Terms of the Invitation.** As described in Section 14, “Extension, Termination and Amendment of Invitation,” hereof, the City may revise the terms of this Invitation prior to the Acceptance Date. If the City determines to revise the terms of the Invitation, it shall provide notice thereof in the manner described in Section 2, “Information to Bondowners,” of this Invitation no later than 11:00 a.m., New York City time, on the Business Day prior to the Acceptance Date.

If the City changes the Fixed Spread for any of the Target Bonds pursuant to the Invitation (including any increases in the Fixed Spread for any of the Target Bonds) after the publication of this Pricing Notice, or makes any other material change to the terms of the Series 2023 Bonds (as reasonably determined by the City) pursuant to the Invitation, the City shall provide notice thereof (as described in Section 2, “Information to Bondowners”) no less than five (5) Business Days prior to the Expiration Date, as extended. **In such event, any tenders submitted with respect to the affected Target Bonds prior to such change in the Purchase Price for such Target Bonds pursuant to the Invitation, or any other material change to the terms of the Series 2023 Bonds (as reasonably determined by the City)**

<sup>†</sup> CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein are provided by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association. CUSIP numbers have been assigned by an independent company and are included solely for the convenience of the holders of the Series 2023 Bonds. None of the City, the Underwriter or their agents or counsel assume responsibility for the accuracy of such numbers. The CUSIP number for a specific maturity is subject to being changed after the execution and delivery of the Target Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of the Target Bonds.



**pursuant to the Invitation, will remain in full force and effect and any Bondowner of such affected Target Bonds wishing to revoke their tender of such Target Bonds must affirmatively withdraw such tender for purchase prior to the Expiration Date as described in Section 8, “Withdrawals of Offers Prior to Expiration Date; Irrevocability of Offers on Expiration Date,” hereof.**

If the City amends the terms of the Invitation to decrease (but not increase) any of the Fixed Spreads for any of the Target Bonds after the publication of this Pricing Notice, it may do so by providing notice in accordance with Section 2 of any such decrease(s) in Fixed Spreads no later than 5:00 p.m., New York City time, on the Business Day prior to the Expiration Date.

## **5. Provisions Applicable to all Offers**

A Bondowner should ask its financial advisor, investment manager, broker or account executive for advice in determining whether to tender the Target Bonds for purchase and the principal amount of the Target Bonds to be tendered. A Bondowner should also inquire as to whether its financial institution will charge a fee for submitting tenders. The City, the Dealer Manager, and the Information Agent and Tender Agent will not charge fees to any Bondowner making an offer or completing the purchase of the Target Bonds.

A tender of the Target Bonds cannot exceed the par amount of the Target Bonds owned by the Bondowner. The Target Bonds may be tendered and accepted for payment only in principal amounts equal to the Minimum Authorized Denomination and integral multiples of \$1,000 in excess thereof.

“All or none” tenders are not permitted. No alternative, conditional or contingent tenders will be accepted. All tenders shall survive the death or incapacity of the tendering Bondowner.

By tendering the Target Bonds pursuant to this Invitation, each Bondowner will be deemed to have represented and warranted to and agreed with the City and the Dealer Manager that:

- (a) the Bondowner has received, and has had the opportunity to review, this Invitation (including the Series 2023 Bonds POS) prior to making the decision as to whether or not it should tender its Target Bonds for purchase;
- (b) the Bondowner has full authority to tender, sell, assign and transfer such Target Bonds, and that, on the Settlement Date, the City, as transferee, will acquire good title, free and clear of all liens, charges, encumbrances, conditional sales agreements or other obligations and not subject to any adverse claims, subject to payment to the Bondowner of the applicable Purchase Price, plus payment of the Accrued Interest;
- (c) the Bondowner has made its own independent decision to tender the Target Bonds, the appropriateness of the terms thereof, and whether it is appropriate for the Bondowner;
- (d) such decisions are based upon the Bondowner's own judgment and upon advice from such advisors as the Bondowner has consulted;
- (e) the Bondowner is not relying on any communication from the City or the Dealer Manager as investment advice or as a recommendation to tender bonds, it being understood that the information from the City or the Dealer Manager related to the terms and conditions of this Invitation shall not be considered investment advice or a recommendation to tender bonds; and

(f) the Bondowner is capable of assessing the merits of and understanding (on its own and/or through independent professional advice), and does understand and accept, the terms and conditions of the Invitation.

## **6. Transmission of Offers by Financial Institutions; DTC ATOP Procedures**

Tenders of the Target Bonds for purchase pursuant to this Invitation may only be made to the City through DTC's ATOP system. Bondowners that are not DTC participants must tender their Target Bonds through their custodial intermediary. A DTC participant must tender the Target Bonds offered by the Bondowner pursuant to the Invitation on behalf of the Bondowner for whom it is acting, by book-entry through the ATOP system. In so doing, such custodial intermediary and the Bondowner on whose behalf the custodial intermediary is acting agree to be bound by DTC's rules for the ATOP system. In accordance with ATOP procedures, DTC will then verify receipt of the tendered bonds and send an Agent's Message (as described below) to the Information Agent and Tender Agent.

The term "Agent's Message" means a message transmitted by DTC to, and received by, the Information Agent and Tender Agent and forming a part of the book-entry confirmation which states that DTC has received an express acknowledgement from the DTC participant tendering the Target Bonds for purchase that are the subject of such book-entry confirmation, stating: (i) the par amount of the Target Bonds that have been tendered by such DTC participant on behalf of the Bondowner pursuant to the Invitation, and (ii) that the Bondowner agrees to be bound by the terms of this Invitation, including the representations, warranties, agreements and affirmations deemed made by it as set forth in Section 5 above.

Agent's Messages must be transmitted to and received by the Information Agent and Tender Agent by not later than 5:00 p.m., New York City time, on the Expiration Date (as such date may have been changed as provided in this Invitation). The Target Bonds will not be deemed to have been tendered for cash purchase pursuant to the Invitation until an Agent's Message with respect thereto is received by the Information Agent and Tender Agent.

Each DTC participant is advised to submit each beneficial owner's instruction individually into DTC's ATOP system to ensure proper settlement.

## **7. Determinations as to Form and Validity of Offers; Right of Waiver and Rejection**

All questions as to the validity (including the time of receipt of Agent's Messages by the Information Agent and Tender Agent), eligibility, and acceptance of any tenders of the Target Bonds for purchase will be determined by the City in its sole discretion and will be final, conclusive and binding.

The City reserves the right to waive any irregularities or defects in any tender. The City, the Dealer Manager, and the Information Agent and Tender Agent are not obligated to give notice of any defects or irregularities in tenders, and they will have no liability for failing to give such notice.

## **8. Withdrawals of Offers Prior to Expiration Date; Irrevocability of Offers on Expiration Date**

A Bondowner may withdraw the Target Bonds tendered for purchase pursuant to this Invitation by causing a withdrawal notice to be transmitted via DTC's ATOP system to, and received by, the Information Agent and Tender Agent at or before 5:00 p.m., New York City time, on the Expiration Date (as the date and time may have been changed as provided in this Invitation).

Bondowners who are not DTC participants can only withdraw their tendered Target Bonds by making arrangements with and instructing the custodial intermediary through which they hold their Target Bonds to submit the Bondowner's notice of withdrawal through the DTC ATOP system.

**All tenders of the Target Bonds for purchase will become irrevocable as of 5:00 p.m., New York City Time, on the Expiration Date (as such date may have been changed from time to time as provided in this Invitation).**

## **9. Acceptance of Target Bonds for Purchase**

On or before 5:00 p.m., New York City Time, on the Acceptance Date (*i.e.*, December 6, 2023, unless extended), the City will provide (in the manner described in Section 2 hereof) the Notice of Acceptance of Target Bonds tendered for purchase.

Subject to satisfaction of the conditions contained herein, the City intends to purchase some or all of each CUSIP of the Target Bonds tendered pursuant to this Invitation, although the City may elect to purchase a lesser principal amount of the Target Bonds in order to maximize the projected or actual financial benefit resulting from the transaction. In addition, the City may determine to defease certain Target Bonds not tendered, or tendered but not accepted for purchase, in order to maximize the projected or actual financial benefit resulting from the transaction.

If the aggregate principal amount of Target Bonds of a particular CUSIP tendered and accepted for purchase is less than aggregate principal amount of Target Bonds of a particular CUSIP tendered for purchase, the City will accept such Target Bonds on a pro rata basis. In such case, the principal amount of each individual offer will be reduced, pro rata, based upon the ratio of principal amount of the Target Bonds of a particular CUSIP accepted for purchase divided by the aggregate principal amount of Target Bonds of a particular CUSIP tendered for purchase. If, as a result of any such pro rata acceptance, the City is required to accept a principal amount of Target Bonds that is not equal to an Authorized Denomination, the City will round up to the nearest principal amount of Target Bonds to be accepted from any affected tender submission so that the principal amount of its Target Bonds accepted will be equal to an Authorized Denomination and not in an amount in excess of the amount accepted for purchase.

The Notice of Acceptance will state: (i) the principal amount of the Target Bonds of each CUSIP number that the City has accepted for purchase in accordance with the Invitation, or (ii) that the City has decided not to purchase any Target Bonds of such CUSIP number.

Shortly following the Notice of Acceptance, the City will instruct DTC to release from the controls of the ATOP system all the Target Bonds that were tendered but were not accepted for purchase. The release of such Target Bonds will take place in accordance with DTC's ATOP procedures. The City, the Dealer Manager, and the Information Agent and Tender Agent are not responsible or liable for the operation of the ATOP system by DTC to properly credit such released Target Bonds to the applicable account of the DTC participant or custodial intermediary or by such DTC participant or custodial intermediary for the account of the Bondowner.

**Notwithstanding any other provision of this Invitation, the obligation of the City to accept for purchase the Target Bonds validly tendered (and not validly withdrawn) by Bondowners pursuant to the Invitation is subject to satisfaction or waiver by the City of the conditions set forth herein, including the conditions described in Section 13, "Conditions to Purchase." Subject to the terms and conditions set forth in this Invitation, the City reserves the right to amend or waive any of the terms of or conditions to this Invitation, in whole or in part, at any time prior to the Acceptance Date.**

## **10. Acceptance of Offers Constitutes Irrevocable Agreement**

Acceptance by the City of the Target Bonds tendered for purchase by Bondowners will constitute an irrevocable agreement between the tendering Bondowner and the City to sell and purchase such Target Bonds, subject to the conditions and terms of this Invitation, including the conditions set forth in Section 13, “Conditions to Purchase.”

The acceptance of the Target Bonds tendered for purchase is expected to be made by notification in accordance with Section 2 on the Acceptance Date. The Notice of Acceptance will state: (i) the principal amount of the Target Bonds of each CUSIP number that the City has accepted for purchase in accordance with the Invitation, or (ii) that the City has decided not to purchase any Target Bonds of such CUSIP number.

## **11. Settlement Date; Purchase of Target Bonds**

Subject to satisfaction or waiver of the conditions to the City’s obligation to purchase tendered Target Bonds, as described herein, the Settlement Date is the day on which the Target Bonds accepted for purchase will be purchased and paid for at the applicable Purchase Price, and the Accrued Interest on the Target Bonds to be purchased will also be paid. Such purchase and payment are expected to occur by 3:00 p.m., New York City time, on the Settlement Date. The Settlement Date has initially been set as December 19, 2023, unless extended by the City in its sole discretion, provided, however that the Settlement Date may not be extended by more than 30 calendar days as described in Section 1 of this Invitation by giving notice thereof in the manner described in Section 2 of this Invitation prior to the change.

Payment by the City for Target Bonds accepted for purchase will be made through DTC on the Settlement Date. The City expects that, in accordance with DTC’s standard procedures, DTC will transmit the aggregate Purchase Prices to be paid for the Target Bonds tendered for purchase (plus Accrued Interest) to DTC participants holding the Target Bonds accepted for purchase on behalf of Bondowners for subsequent disbursement to the Bondowners. **The City, the Dealer Manager and the Information Agent and Tender Agent have no responsibility or liability for the distribution of the Purchase Prices paid and Accrued Interest by DTC to DTC participants or by DTC participants to Bondowners.**

Promptly following such payments, the City will instruct the Trustee for the Target Bonds purchased to cause such Target Bonds to be cancelled and retired.

## **12. Sources of Funds to Pay Purchase Prices and Accrued Interest**

The source of funds to purchase the Target Bonds validly tendered and accepted for purchase pursuant to this Invitation with respect to the principal amount thereof will be from proceeds of the Series 2023 Bonds, expected to be issued on the Settlement Date. Accrued Interest will be funded by funds on hand held by, or on behalf of, the City. The City’s ability to settle the cash purchase of the Target Bonds tendered for purchase is contingent upon the successful delivery of its Series 2023 Bonds and the other conditions set forth herein.

## **13. Conditions to Purchase**

The City will not be obligated to accept for payment, or purchase or pay for any Target Bonds tendered for purchase pursuant to the Invitation, and may terminate the Invitation, if, at any time after issuance of this Invitation and before payment for the Target Bonds on the Settlement Date, in the City’s reasonable judgement, any of the following events shall have occurred:

- (i) the City cannot effectuate the issuance of the Series 2023 Bonds on terms and conditions reasonably satisfactory to the City;
- (ii) litigation or another proceeding is pending or threatened which the City reasonably believes may, directly or indirectly, have an adverse impact on this Invitation or the expected benefits of this Invitation to the City or its Water System or the Bondowners;
- (iii) war, public health or other national emergency, banking moratorium, suspension of payments by banks, a general suspension of trading by the New York Stock Exchange or a limitation of prices on the New York Stock Exchange exists;
- (iv) a material change in the business or affairs of the City or its Water System has occurred which has or could have a material adverse effect on the City or its Water System or that could materially adversely affect the benefits of the purchase of the tendered Target Bonds to the City;
- (v) the City reasonably determines that the projected financial benefits of the transaction contemplated by this Invitation and the Series 2023 Bonds POS, as a result of market conditions, expected or actual level of participation in the Tender Offer by Bondowners of the Target Bonds, or any other factors, does not meet the City's reasonable expectation regarding cash flow savings; or
- (vi) a material disruption in securities settlement, payment or clearance services shall have occurred.

**These conditions are for the sole benefit of the City. They may be asserted by the City at any time prior to the time of payment for the Target Bonds on the Settlement Date. The rights may be waived by the City in whole or in part at any time and from time to time in its sole discretion and may be exercised independently for each maturity date and CUSIP number of the Target Bonds. Each of these rights will be deemed an ongoing right of the City which may be asserted at any time and from time to time prior to payment. Any determination by the City concerning the events described in this Section 13 will be final and binding upon all parties. If, prior to the time of payment for any Target Bonds any of the events described happens, the City will have the absolute right (but shall not be obligated), subject to applicable law, to (a) terminate its obligations to purchase the Target Bonds without any liability to any Bondowner or any other person; (b) waive any rights and purchase Target Bonds (if any) accepted for purchase; or (c) extend or amend this Invitation as described in Section 14.**

#### **14. Extension, Termination and Amendment of Invitation**

Through and including the Acceptance Date, the City has the right to extend this Invitation, to any date in its sole discretion subject to the terms and conditions set forth in this Invitation. Notice of an extension of the Expiration Date will be given in the manner described in Section 2 of this Invitation, on or about 11:00 a.m., New York City time, on the first Business Day prior to the then current Expiration Date.

The City also has the right to terminate this Invitation at any time prior to the payment of the Target Bonds (if any) accepted for purchase as provided in Section 13 hereof by giving notice of such termination in the manner described in Section 2 of this Invitation.

Subject to the terms and conditions set forth in this Invitation, the City also has the right to amend or waive the terms of this Invitation in any respect and at any time by giving notice of the amendment or waiver in the manner described in Section 2 of this Invitation. The amendment or waiver will be effective at the time specified in such notice.

If the City amends the terms of this Invitation in any material respect, notice of such amendment will be given no later than five (5) Business Days prior to the Expiration Date, as extended to provide reasonable time for dissemination of such amendment or waiver to Bondowners and for Bondowners to respond.

If the City amends the terms of the Invitation to decrease (but not increase) any of the Fixed Spreads for any of the Target Bonds after the publication of this Pricing Notice, it may do so by providing notice in accordance with Section 2 hereof of any such decrease(s) in Fixed Spreads no later than 5:00 p.m., New York City time, on the Business Day prior to the Expiration Date.

**If the City changes the Purchase Price for any of the Target Bonds pursuant to the Invitation, or makes any other material change to the terms of the Series 2023 Bonds (as reasonably determined by the City) pursuant to the Invitation, any tenders submitted with respect to the affected Target Bonds prior to such change in the Purchase Price for such Target Bonds pursuant to the Invitation will remain in full force and effect, and any Bondowner of such affected Target Bonds wishing to revoke its tender for such Target Bonds for purchase must affirmatively withdraw such tender prior to the Expiration Date as described in Section 8 hereof.**

No extension, termination or amendment of this Invitation (or waiver of any terms of this Invitation) will: (i) change the City's right to decline to purchase, any Target Bonds without liability (subject to the conditions set forth herein); or (ii) give rise to any liability of the City, the Dealer Manager, or the Information Agent and Tender Agent to any Bondowner or nominee.

## **15. Certain Federal Income Tax Consequences**

The following discussion summarizes certain U.S. federal income tax considerations generally applicable to U.S. Holders (as defined below) of the Target Bonds that tender their Target Bonds for cash. The discussion below is based upon laws, regulations, rulings, and decisions in effect and available on the date hereof, all of which are subject to change, possibly with retroactive effect. Prospective tendering investors should note that no rulings have been or are expected to be sought from the U.S. Internal Revenue Service (the “IRS”) with respect to any of the U.S. federal income tax considerations discussed below, and no assurance can be given that the IRS will not take contrary positions. Further, the following discussion does not deal with U.S. tax consequences applicable to any given investor, nor does it address the U.S. tax considerations applicable to all categories of investors, some of which may be subject to special taxing rules (regardless of whether or not such investors constitute U.S. Holders), such as certain U.S. expatriates, banks, REITs, RICs, insurance companies, tax-exempt organizations, dealers or traders in securities or currencies, partnerships, S corporations, estates and trusts, investors that hold their Target Bonds as part of a hedge, straddle or an integrated or conversion transaction, or investors whose “functional currency” is not the U.S. dollar, or certain taxpayers that are required to prepare certified financial statements or file financial statements with certain regulatory or governmental agencies. Furthermore, it does not address (i) alternative minimum tax consequences, (ii) the net investment income tax imposed under Section 1411 of the Internal Revenue Code of 1986 (the “Code”), or (iii) the indirect effects on persons who hold equity interests in a holder. This summary also does not consider the tax consequences of a tender of the Target Bonds under state, local or non-U.S. tax laws. In addition, this summary generally is limited to U.S. tax considerations applicable to investors who will hold their Target Bonds as “capital assets” within the meaning of Section 1221 of the Code. The following discussion does not address tax considerations applicable to any holders of the Target Bonds other than investors that are U.S. Holders.

As used herein, “U.S. Holder” means a beneficial owner of a Target Bond that for U.S. federal income tax purposes is an individual citizen or resident of the United States, a corporation or other entity taxable as a corporation created or organized in or under the laws of the United States or any state thereof (including the District of Columbia), an estate the income of which is subject to U.S. federal income taxation

regardless of its source or a trust where a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons (as defined in the Code) have the authority to control all substantial decisions of the trust (or a trust that has made a valid election under U.S. Treasury Regulations to be treated as a domestic trust). If a partnership holds the Target Bonds, the tax treatment of such partnership or a partner in such partnership generally will depend upon the status of the partner and upon the activities of the partnership. Partnerships holding the Target Bonds, and partners in such partnerships, should consult their own tax advisors regarding the tax consequences of a tender of Target Bonds (including their status as U.S. Holders).

Prospective tendering investors should consult their own tax advisors in determining the U.S. federal, state, local or non-U.S. tax consequences to them from the tender of the Target Bonds in light of their particular circumstances.

**Tendering U.S. Holders.** The tender of a Target Bond for cash will be a taxable event for U.S. federal income tax purposes. In such event, in general, a U.S. Holder of a Target Bond will recognize gain or loss equal to the difference between (i) the amount of cash received (except to the extent attributable to accrued but unpaid interest and original issue discount (the “OID”) accrued since the most recent compounding date on the Target Bond, which will be treated for federal income tax purposes as a coupon payment on the Target Bond) and (ii) the U.S. Holder’s adjusted U.S. federal income tax basis in the Target Bond (generally, the purchase price paid by the U.S. Holder for the Target Bond, decreased by any amortized premium, and increased by the amount of any OID previously accrued by such U.S. Holder with respect to such Target Bond). Any such gain or loss generally will be capital gain or loss. In the case of a non-corporate U.S. Holder of the Target Bonds, the maximum marginal U.S. federal income tax rate applicable to any such gain will be lower than the maximum marginal U.S. federal income tax rate applicable to ordinary income if such U.S. holder’s holding period for the Target Bonds exceeds one year. The deductibility of capital losses is subject to limitations.

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

## **16. Additional Considerations**

In deciding whether to participate in the Invitation, each Bondowner should consider carefully, in addition to the other information contained in this Invitation, the following:

**Market for Target Bonds.** The Target Bonds are not listed on any national or regional securities exchange. To the extent that the Target Bonds are traded, their prices may fluctuate greatly depending on the trading volume and the balance between buy and sell orders. Bondowners may be able to effect a sale of the Target Bonds at a price higher than the Purchase Price established pursuant to the Invitation.

**Target Bonds Not Tendered, or Not Accepted for Purchase.** The City may determine to defease certain Target Bonds not tendered, or tendered but not accepted for purchase, in order to maximize the projected or actual financial benefit resulting from the transaction. If the Target Bonds are purchased pursuant to this Invitation, or defeased, the principal amount of the Target Bonds for a particular CUSIP that remains outstanding will be reduced, which could adversely affect the liquidity and market value of the Target Bonds of that CUSIP that remain outstanding.

**The terms of the Target Bonds that remain outstanding will continue to be governed by the terms of the Indenture. The Target Bonds maturing after the first optional redemption date are subject to redemption in whole or in part, at the option of the City on any date on or after its first optional redemption date indicated in the table above, at a redemption price equal to 100% of the principal amount of the Target Bonds, or portions thereof, to be redeemed plus accrued but unpaid interest to the date fixed for redemption; provided that the Target Bonds are subject to redemption before their stated maturities, at the option of the City, from any source of available funds, as a whole or in part, by such maturity or maturities as may be specified by the City, on any date prior to September 1, 2030, at the Make-Whole Price (as set forth in Indenture), plus accrued but unpaid interest to the date fixed for redemption. Further details concerning the City's debt refunding plan are contained in the Series 2023 Bonds POS.**

To the extent the Target Bonds are not purchased pursuant to this Invitation the City reserves the right to, and may in the future decide to, acquire some or all of the Target Bonds through open market purchases, privately negotiated transactions, subsequent tender offers, exchange offers or otherwise, upon such terms and at such prices as it may determine, which may be more or less than the consideration offered pursuant to this Invitation, which could be cash or other consideration. Any future acquisition of the Target Bonds may be on the same terms or on terms that are more or less favorable to Bondowners than the terms of the Invitation described in this Invitation. The City also reserves the right in the future to refund, or cause the refunding of (on an advance or current basis), any remaining portion of outstanding Target Bonds through the issuance of publicly offered or privately placed bonds. The decision to undertake any such future transactions will depend on various factors existing at that time. There can be no assurance as to which of these alternatives, if any, the City may ultimately choose to pursue in the future.

## **17. The Dealer Manager**

References in this Invitation to the Dealer Manager is to Goldman Sachs & Co. LLC only in its capacity as the Dealer Manager.

The Dealer Manager may contact Bondowners regarding this Invitation and may request brokers, dealers, custodian banks, depositories, trust companies and other nominees to forward this Invitation to beneficial owners of the Target Bonds.

The City will pay to the Dealer Manager customary fees for its services in connection with this Invitation. In addition, the City will pay the Dealer Manager its reasonable out-of-pocket costs and expenses relating to this Invitation.

The Dealer Manager and its affiliates are full service financial institutions engaged in various activities, which may include securities 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. The Dealer Manager and its affiliates have, from time to time, performed, and may in the future perform, a variety of these services for the City, for which they received and or will receive customary fees and expenses. In the ordinary course of their various business activities, the Dealer Manager and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities, which may include credit default swaps)





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**APPENDIX A**  
**PRELIMINARY OFFICIAL**  
**STATEMENT**

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NEW ISSUE-BOOK-ENTRY ONLY

RATINGS: S&amp;P: "AA"

Fitch: "AA-"

See "Ratings" Herein

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



\$26,500,000\*

## CITY OF SACRAMENTO

## WATER REVENUE REFUNDING BONDS, SERIES 2023

Dated: Date of Delivery

Due: September 1, as shown on inside cover

The City of Sacramento Water Revenue Refunding Bonds, Series 2023 (the "**Series 2023 Bonds**") are being issued by the City of Sacramento (the "**City**") to refund a portion of the City of Sacramento Water Revenue Refunding Bonds, Series 2020 (Federally Taxable) (the "**Series 2020 Bonds**"), by purchasing and cancelling certain Series 2020 Bonds purchased through a tender offer (such Series 2020 Bonds so purchased and cancelled are referred to herein as the "**Purchased Bonds**") and/or defeasing certain Series 2020 Bonds (such Series 2020 Bonds so defeased are referred to herein as the "**Defeased Bonds**," and, together with the Purchased Bonds, the "**Refunded Bonds**").

The Series 2023 Bonds will be issued in book-entry form only, initially registered in the name of Cede & Co., as nominee for The Depository Trust Company ("**DTC**"), New York, New York. Beneficial owners of Series 2023 Bonds will not receive physical certificates representing the Series 2023 Bonds purchased but will receive a credit balance on the books of the nominees of such purchasers. The Series 2023 Bonds will be issued in fully registered form in denominations of \$5,000 or any integral multiple thereof.

Interest on the Series 2023 Bonds will be payable semiannually on March 1 and September 1, commencing March 1, 2024. Payments of interest on and principal of the Series 2023 Bonds will be made to DTC. DTC is obligated in turn to remit such interest and principal to the DTC participants for subsequent disbursement to the beneficial owners of the Series 2023 Bonds. See APPENDIX F – "BOOK-ENTRY ONLY SYSTEM."

The Series 2023 Bonds are subject to optional redemption and mandatory sinking fund redemption prior to their respective stated maturities, as described herein. See "THE SERIES 2023 BONDS – Redemption Provisions" herein.

The Series 2023 Bonds are being issued pursuant to an Indenture, dated as of March 1, 2013, as supplemented, including as supplemented by the Fourth Supplemental Indenture, dated as of December 1, 2023 (as supplemented, the "**Indenture**"), between the City and U.S. Bank Trust Company, National Association, as successor trustee (the "**Trustee**"). The Series 2023 Bonds are limited obligations of the City, secured by a pledge of and payable solely from the Trust Estate, which primarily consists of (i) all System Net Revenues; (ii) all funds and accounts held by the Trustee under the Indenture (other than the Rebate Fund and certain other funds specified in the Indenture); and (iii) all investments, money, instruments, and other property credited thereto or on deposit therein, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture. "**System Net Revenues**" means System Revenues remaining after payment of Maintenance and Operation Costs then due and payable. "**System Revenues**" consist primarily of all income, rents, rates, fees, charges and other moneys derived from the ownership or operation of the Water System excluding certain moneys as described herein.

The Series 2023 Bonds are payable from System Net Revenues on a parity with (i) the City's Water Revenue Bonds, Series 2013 (the "**Series 2013 Bonds**"), (ii) the City's Water Revenue Bonds, Series 2017 (the "**Series 2017 Bonds**"); (iii) the Series 2020 Bonds; (iv) a Funding Agreement with the State of California Department of Public Health (currently administered by the State Water Resources Control Board) ("**State Funding Agreement**"); and (v) a loan through the State Water Resources Control Board (the "**SRF Loan**"). See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Outstanding Parity Obligations." Pursuant to the Indenture, the City may issue additional bonds (together with the Series 2013 Bonds, Series 2017 Bonds, Series 2020 Bonds and Series 2023 Bonds, the "**Bonds**") and incur other obligations (together with the State Funding Agreement and the SRF Loan, the "**Parity Obligations**") secured by the pledge of and payable from the Trust Estate on a parity basis with the outstanding Bonds, the State Funding Agreement and the SRF Loan and may also issue or incur other obligations secured by the pledge of and payable from the Trust Estate on a basis junior and subordinate to the Bonds and Parity Obligations, subject to the terms of the Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."

**The Series 2023 Bonds are limited obligations of the City and are secured by a pledge of and payable, both as to principal and interest and as to any premiums upon the redemption thereof, solely from the Trust Estate as provided in the Indenture, and the City is not obligated to pay the Series 2023 Bonds except from the Trust Estate as provided in the Indenture. 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 Series 2023 Bonds or the interest or premium, if any, thereon. The Series 2023 Bonds are not secured by a legal or equitable pledge of, or charge, lien or encumbrance upon, any of the property of the City or any of its income or receipts, except the Trust Estate as provided in the Indenture.**

**This cover page contains certain information for general reference only and is not a summary of the issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. See "CERTAIN RISK FACTORS" herein for a description of certain risks associated with an investment in the Series 2023 Bonds.**

The Series 2023 Bonds will be offered when, as and if issued and received by the Underwriter, subject to the approval of validity of the Series 2023 Bonds and certain other legal matters by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the City, and certain other conditions. Certain legal matters will be passed upon for the Underwriter by their counsel, Nixon Peabody LLP, and for the City by its Disclosure Counsel, Stradling Yocca Carlson & Rauth, a Professional Corporation, and the City Attorney. It is expected that the Series 2023 Bonds in definitive form will be available for delivery to DTC in New York, New York on or about December 19, 2023.

Goldman Sachs &amp; Co. LLC

Dated: \_\_\_\_\_, 2023

\* Preliminary; subject to change.

**\$26,500,000\***  
**CITY OF SACRAMENTO**  
**WATER REVENUE REFUNDING BONDS, SERIES 2023**

**MATURITY SCHEDULE**

**BASE CUSIP NO. †: 786089**

<b><u>Maturity</u></b> <b><u>(September 1)</u></b>	<b><u>Principal Amount</u></b>	<b><u>Interest Rate</u></b>	<b><u>Price</u></b>	<b><u>CUSIP†</u></b>
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\$ \_\_\_\_\_ % Term Bonds due September 1, 20\_\_; Price: \_\_\_\_\_; CUSIP† 786089

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\* *Preliminary; subject to change.*

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein are provided by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association. CUSIP numbers have been assigned by an independent company and are included solely for the convenience of the holders of the Series 2023 Bonds. None of the City, the Underwriter or their agents or counsel assume responsibility for the accuracy of such numbers. The CUSIP number for a specific maturity is subject to being changed after the execution and delivery of the Series 2023 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of the Series 2023 Bonds.

**CITY OF SACRAMENTO, CALIFORNIA**

Darrel Steinberg  
*Mayor*

**CITY COUNCIL MEMBERS**

Lisa Kaplan  
*District 1*

Caity Maple  
*District 5*

Sean Loloee<sup>1</sup>  
*District 2*

Eric Guerra  
*District 6*

Karina Talamantes  
*District 3*

Rick Jennings, II  
*District 7*

Katie Valenzuela  
*District 4*

Mai Vang  
*District 8*

**CHIEF CITY ADMINISTRATIVE PERSONNEL**

Howard Chan  
*City Manager*

John P. Colville Jr.  
*City Treasurer*

Susana Alcala Wood  
*City Attorney*

Pete Coletto  
*Finance Director*

Mindy Cuppy  
*City Clerk*

Brian Wong  
*Debt Manager*

Pravani Vandeyar  
*Director of Utilities*

Sherill Huun  
*Engineering Services Division Manager*

David Herrmann  
*Water Division Manager*

Chuong (Ryan) Pham  
*Business Services Division Manager*

**Special Services**

**Bond Counsel**

Orrick, Herrington & Sutcliffe LLP

**Disclosure Counsel**

Stradling Yocca Carlson & Rauth,  
A Professional Corporation

**Trustee**

U.S. Bank Trust Company, National Association

**Municipal Advisor**

Fieldman, Rolapp & Associates, Inc.

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<sup>1</sup> In April 2022, the U.S. Department of Labor sued City Council Member Sean Loloee alleging, in part, he threatened to deport employees who cooperated with a federal investigation into grocery stores he owned, underpaid employees, employed minors in hazardous occupations, and interfered with multiple federal investigations spanning over a decade. Published reports indicate that, on October 26, 2023, certain federal authorities conducted an authorized criminal enforcement activity at certain grocery stores Council Member Loloee owns. As of the date hereof, Council Member Loloee has not been arrested or charged with a crime. He has publicly stated he intends to dispute the allegations against him.

No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations other than those contained herein and, if given or made, such other information or representation must not be relied upon. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Series 2023 Bonds in any jurisdiction in which it is unlawful to make such offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Series 2023 Bonds. Statements contained in this Official Statement that involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact.

The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in affairs of the City since the date hereof. This Official Statement, including any supplement or amendment hereto, is intended to be deposited with the Municipal Securities Rulemaking Board through the Electronic Municipal Market Access (“EMMA”) website.

**In connection with this offering, the Underwriter may overallocate or effect transactions which may stabilize or maintain the market price of the Series 2023 Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.**

Certain statements included or incorporated by reference in the following information constitute “forward-looking statements.” Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “budget” or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involves known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. No assurance is given that actual results will meet the City’s forecasts in any way. Except as set forth in the Continuing Disclosure Certificate, 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 or do not occur.

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

The Series 2023 Bonds have not been registered under the Securities Act of 1933, as amended, in reliance on an exemption from the registration requirements contained in such Act.

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement. The City maintains a website and social media accounts. The information therein is not incorporated by reference, and should not be relied upon in making an investment decision.



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**OFFICIAL STATEMENT**  
**\$26,500,000\***  
**CITY OF SACRAMENTO**  
**WATER REVENUE REFUNDING BONDS, SERIES 2023**

**INTRODUCTION**

This introduction contains only a brief summary of certain of the terms of the City of Sacramento Water Revenue Refunding Bonds, Series 2023 (the “**Series 2023 Bonds**”) being offered and a brief description of the Official Statement (which includes the cover page and Appendices hereto). All statements contained in this introduction are qualified in their entirety by reference to the entire Official Statement. References to, and summaries of, provisions of the Constitution and laws of the State of California (the “**State**”) and any documents referred to herein do not purport to be complete, and such references are qualified in their entirety by reference to the complete provisions. Capitalized terms used in this Official Statement and not defined elsewhere herein have the meanings given such terms under the Indenture (defined below). See APPENDIX C — “SUMMARY OF THE INDENTURE.”

**Authority for Issuance and Purpose**

The purpose of this Official Statement is to set forth certain information concerning the issuance and sale of the, Series 2023 Bonds in the aggregate principal amount of \$26,500,000\* pursuant to an Indenture, dated as of March 1, 2013, as supplemented, including as supplemented by the Fourth Supplemental Indenture, dated as of December 1, 2023 (as so supplemented, the “**Indenture**”), between the City of Sacramento (the “**City**”) and U.S. Bank Trust Company, National Association, as trustee (the “**Trustee**”). The Series 2023 Bonds are being issued by the City to refund a portion of the City of Sacramento Water Revenue Refunding Bonds, Series 2020 (Federally Taxable) (the “**Series 2020 Bonds**”) by purchasing and cancelling certain Series 2020 Bonds purchased through a tender offer (such Series 2020 Bonds so purchased and cancelled are referred to herein as the “**Purchased Bonds**”) or defeasing certain Series 2020 Bonds (such Series 2020 Bonds so defeased are referred to herein as the “**Purchased Bonds**,” and, together with the Purchased Bonds, the “**Refunded Bonds**”). See “ESTIMATED SOURCES AND USES OF FUNDS” and “PLAN OF REFUNDING.”

**The City of Sacramento**

The City is at the confluence of the Sacramento and American Rivers in the Northern part of California’s Central Valley (the “**Central Valley**”), approximately 75 air miles northeast of San Francisco. As of January 1, 2023, the City had an estimated population of 518,161. See APPENDIX B — “GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING THE CITY OF SACRAMENTO.”

**The Water System**

The City’s water system (the “**Water System**”) is owned and operated by the City under the administration of the City’s Department of Utilities (the “**Department**”). The operations of the Water System are accounted for in an enterprise fund established and maintained by the City on its books (the “**Water Fund**”). The Water System provides water to a service area consisting of the City, four outside wholesale customers and one customer to which it provides water conveyance services, and it includes water treatment facilities, storage facilities, pumps and pipes to deliver treated water to customers. All System Revenues (as defined herein) are accounted for in the Water Fund. See “THE WATER SYSTEM.”

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\* Preliminary; subject to change.

## Security and Sources of Payment for the Bonds

The Series 2023 Bonds are limited obligations of the City, secured by a pledge of and payable solely from the Trust Estate, which primarily consists of (i) all System Net Revenues; and (ii) all funds and accounts held by the Trustee under the Indenture (other than the Rebate Fund and certain other funds specified in the Indenture) and (iii) all investments, money, instruments, and other property credited thereto or on deposit therein; subject to the provision of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture. “**System Net Revenues**” means System Revenues remaining after payment of Maintenance and Operation Costs then due and payable. “**System Revenues**” consist primarily of all income, rents, rates, fees, charges and other moneys derived from the ownership or operation of the Water System excluding certain moneys as described herein. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS.”

The Series 2023 Bonds are payable from System Net Revenues on a parity with (i) the City’s Water Revenue Bonds, Series 2013 (“**Series 2013 Bonds**”); (ii) the City’s Water Revenue Bonds, Series 2017 (“**Series 2017 Bonds**”); (iii) the Series 2020 Bonds; (iv) a Funding Agreement with the State of California Department of Public Health (currently administered by the State Water Resources Control Board) (“**State Funding Agreement**”); and (v) a loan through the State Water Resources Control Board (the “**SRF Loan**”). See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Outstanding Parity Obligations.” Pursuant to the Indenture, the City may issue additional bonds (together with the Series 2013 Bonds, Series 2017 Bonds, Series 2020 Bonds and Series 2023 Bonds, the “**Bonds**”) and incur other obligations (together with the State Funding Agreement and the SRF Loan, the “**Parity Obligations**”) secured by the pledge of and payable from the Trust Estate on a parity basis with the outstanding Bonds, the State Funding Agreement and the SRF Loan and may also issue or incur other obligations secured by the pledge of and payable from the Trust Estate on a basis junior and subordinate to the Bonds and Parity Obligations, subject to the terms of the Indenture. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS.”

If no Event of Default has occurred and is continuing under the Indenture, all Maintenance and Operation Costs are being and have been paid and are then current, and all payments then due and payable with respect to the Outstanding Bonds and outstanding Parity Obligations, Subordinate Obligations and Fee and Expense Obligations have been paid, then the City may spend System Net Revenues for any lawful purpose of the City. Any System Net Revenues so spent by the City for a lawful purpose as described in the preceding sentence will no longer be subject to the lien of the Indenture.

**The Series 2023 Bonds are limited obligations of the City and are secured by a pledge of and payable, both as to principal and interest and as to any premiums upon the redemption thereof, solely from the Trust Estate as provided in the Indenture, and the City is not obligated to pay the Series 2023 Bonds except from the Trust Estate as provided in the Indenture. 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 Series 2023 Bonds or the interest or premium thereon. The Series 2023 Bonds are not secured by a legal or equitable pledge of, or charge, lien or encumbrance upon, any of the property of the City or any of its income or receipts, except the Trust Estate as provided in the Indenture.**

## Rate Covenant

Pursuant to the Indenture, the City has covenanted that it will at all times during each Fiscal Year fix, prescribe and collect rates, fees and charges for the Water Service that are reasonably estimated to yield System Net Revenues for such Fiscal Year equal to at least the Coverage Requirement for such Fiscal Year. “**Coverage Requirement**” means, for any Fiscal Year, an amount of System Net Revenues equal, in each case, to at least (i) 120% of the Debt Service on all Outstanding Bonds and Parity Obligations for such Fiscal Year, (ii) 110% of the Debt Service on all Outstanding Bonds, Parity Obligations and Subordinate Obligations for such Fiscal Year, and (iii) 100% of all obligations of the City payable from System Net Revenues in such Fiscal Year. In fixing and prescribing such rates, fees and charges, the City may make reasonable assumptions

concerning contingencies that may affect System Revenues and the timing and amount of payments on Bonds, Parity Obligations, Subordinate Obligations and any other obligations of the City that may become due and payable from System Revenues in such Fiscal Year. The City may make adjustments from time to time in such rates, fees and charges and may make such classification thereof as it deems necessary, but shall not reduce the rates, fees and charges then in effect unless the System Net Revenues from such reduced rates, fees and charges will at all times be sufficient to meet the requirements set forth in this paragraph. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Rate Covenant.”

### **Outstanding Obligations**

In order to fund certain improvements to the Water System, the City has previously (i) issued the Series 2013 Bonds, the Series 2017 Bonds, and the Series 2020 Bonds and (ii) entered into the State Funding Agreement and the SRF Loan. The City’s obligations with respect to the State Funding Agreement and the SRF Loan constitute Parity Obligations pursuant to the Indenture. As of October 24, 2023, the outstanding principal amount of the Series 2013 Bonds is \$5,580,000, of the Series 2017 Bonds is \$47,245,000; the outstanding principal amount of the Series 2020 Bonds is \$179,355,000 (including the Refunded Bonds); the outstanding principal amount owed by the City pursuant to the State Funding Agreement is \$5,117,275; and the outstanding principal amount of the SRF Loan is \$130,321,408. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Outstanding Parity Obligations.” See also “CERTAIN RISK FACTORS – Potential Acceleration of Parity Obligations and Liquidity Facility Bonds; No Acceleration of Bonds.”

In addition, the City has previously funded certain improvements to the Water System by the issuance of bonds by the Sacramento City Financing Authority (“SCFA”) through the City’s Master Lease Program (as defined herein). Approximately \$85.9 million principal amount of Master Lease Bonds (as defined herein) relating to Water System improvements are currently outstanding and payable from any legally available funds of the City. In connection with the Master Lease Program, the City has leased certain components of the Water System to the SCFA and the SCFA has subleased those components of the Water System back to the City. Pursuant to the Indenture, the City has covenanted that it will not use System Net Revenues to pay, or reimburse the City’s General Fund for the payment of, any existing or future General Fund lease obligation of the City unless no Event of Default has occurred and is continuing under the Indenture, all Maintenance and Operation Costs are being and have been paid and are then current, and all payments then due and payable with respect to the Outstanding Bonds and outstanding Parity Obligations, Subordinate Obligations and Fee and Expense Obligations have been paid or unless such payment or reimbursement has been secured as a Parity Obligation, Subordinate Obligation or Fee and Expense Obligation after compliance with the conditions of the Indenture. See “THE WATER SYSTEM - Leasing of Certain Components of the Water System.”

Pursuant to the Indenture, the City also has covenanted that it will not encumber any components of the Water System under a City General Fund lease except for the components of the Water System that were, as of March 28, 2013, encumbered by a City General Fund lease. However, this covenant does not prohibit the City from improving, making additions to, rehabilitating or replacing components of the Water System that were, as of March 28, 2013, encumbered by a City General Fund lease or incurring additional obligations under any City General Fund lease that, as of March 28, 2013, encumbered components of the Water System.

### **No Bond Reserve Fund With Respect to the Series 2023 Bonds**

No bond reserve fund is being established with respect to the Series 2023 Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – No Bond Reserve Fund With Respect to Series 2023 Bonds.”

### **Rate Stabilization Fund**

Pursuant to the Indenture, the City has established and currently maintains a Rate Stabilization Fund. As of the date of issuance of the Series 2023 Bonds, approximately \$8.4 million will be on deposit in the Rate

Stabilization Fund. Upon compliance with the terms of the Indenture, from time to time the City may allocate to the Rate Stabilization Fund from current System Revenues such amounts as the City shall reasonably determine, and the amount of available current System Revenues shall be reduced by the amount so allocated. The City may only allocate amounts accounted for in the Rate Stabilization Fund to the Water Fund for inclusion in System Revenues for any Fiscal Year. Allocations to or from the Rate Stabilization Fund for each Fiscal Year shall be made before the end of the ninth month after the close of each Fiscal Year. All interest or other earnings upon amounts allocated to the Rate Stabilization Fund may be allocated to the Water Fund and accounted for as System Revenues. While the City currently maintains the Rate Stabilization Fund as described herein, the City is not required to do so pursuant to the Indenture. The City is actively considering discontinuation of the use of the Rate Stabilization Fund and there can be no assurances that the use of the Rate Stabilization Fund will not be discontinued after the issuance of the Series 2023 Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Rate Stabilization Fund” and “THE WATER SYSTEM – Budgetary and Financial Procedures.”

### **Continuing Disclosure**

The City has covenanted for the benefit of the holders and beneficial owners of the Series 2023 Bonds to provide certain financial information and operating data relating to the Water System by not later than the end of the ninth month following the end of the City’s Fiscal Year (which as of the date of this Official Statement is June 30) (the “**Annual Report**”), commencing with the Annual Report for Fiscal Year 2022-23, and to provide notices of the occurrence of certain enumerated events. The Annual Report and notices of the enumerated events will be filed by the City with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system (“**EMMA**”). The specific nature of the information to be contained in the Annual Report and the notice of material events is set forth in APPENDIX D – “FORM OF CONTINUING DISCLOSURE CERTIFICATE” hereto. This covenant has been made in order to assist the Underwriter (as defined herein) in complying with S.E.C. Rule 15c2-12(b)(5). See “CONTINUING DISCLOSURE” for additional information, including information regarding the City’s history of compliance with previous continuing disclosure undertakings.

### **Certain Risk Factors**

See “CERTAIN RISK FACTORS” for a description of certain risks associated with an investment in the Series 2023 Bonds.

### **Other Matters**

Copies of the Indenture will be available for inspection at the City’s offices in Sacramento, California, and will be available upon request and payment of duplication costs from the Trustee.

## ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds for the Series 2023 Bonds are as follows:

**Sources:**

Principal Amount  
City Contribution<sup>(1)</sup>  
[[Available Amounts from accounts related to  
Refunded Bonds]]  
Total Sources \_\_\_\_\_

**Uses:**

Purchase Price for Refunded Bonds<sup>(2)</sup>  
Deposit to Escrow Fund  
Costs of issuance<sup>(3)</sup>  
Total Use \_\_\_\_\_

<sup>(1)</sup> Used to pay costs of issuance, dealer manager fee, underwriter’s discount, and accrued interest.

<sup>(2)</sup> Includes accrued interest.

<sup>(3)</sup> Includes fees of Bond Counsel, Disclosure Counsel, Municipal Advisor, the Trustee, Verification Agent, the Dealer Manager, Underwriter’s discount, rating agency fees, printing costs, and certain miscellaneous expenses.

### PLAN OF REFUNDING

On November 15, 2023, the City, with the assistance of Goldman Sachs & Co. LLC, as dealer manager (the “**Dealer Manager**”), released an “Invitation to Tender Bonds made by the City of Sacramento” (the “**Invitation to Tender**”) inviting owners of the Series 2020 Bonds, as set forth in the tables below (the “**Target Bonds**”) to tender their Target Bonds for purchase. If issued, proceeds of the Series 2023 Bonds would be applied to pay the purchase price of the particular Series 2020 Bonds that are accepted for tender for cash, if any (the “**Tendered Bonds**”), and/or defease Target Bonds. Upon purchase by the City, the Tendered Bonds will no longer be outstanding under the Indenture.

With respect to any Defeased Bonds, a portion of the proceeds of the Series 2023 Bonds, together with other available funds, will be deposited in an escrow fund (the “**Escrow Fund**”) held by U.S. Bank Trust Company, National Association, as escrow agent for the Defeased Bonds (the “**Escrow Agent**”) under an escrow agreement for the Defeased Bonds (the “**Escrow Agreement**”). A portion of the amounts deposited in the Escrow Fund will be invested in certain investments permitted by the terms of the Indenture (the “**Defeasance Securities**”). The principal of and interest on the Defeasance Securities, together with uninvested amounts held in the Escrow Fund, will be sufficient to pay the principal of and interest on the Defeased Bonds to their redemption date(s) or maturity date(s), as applicable, and to redeem or pay the Defeased Bonds on such redemption date(s) or maturity date(s), at redemption prices equal to 100% of the outstanding principal amount thereof plus all accrued but unpaid interest on the Defeased Bonds on the redemption date(s) or maturity dates(s), as applicable.

For information on the mathematical verification of the sufficiency of the principal of and interest on the Defeasance Securities and the funds held by the Escrow Agent to make such payments, see “VERIFICATION OF MATHEMATICAL COMPUTATIONS.” Upon such deposits with the Escrow Agent, the Defeased Bonds will be defeased, and the owners of the Defeased Bonds will no longer be entitled to the benefits of the Indenture.

The following table contains certain information relating to the Target Bonds.

**CITY OF SACRAMENTO  
WATER REVENUE REFUNDING BONDS, SERIES 2020 (FEDERALLY TAXABLE)**

<u>CUSIP No.</u> <sup>†</sup>	<u>Maturity Date (September 1)</u>	<u>Interest Rate</u>	<u>Par Amount Outstanding</u>	<u>Par Call Date<sup>(1)</sup> (September 1)</u>
786089JD5	2024	1.714%	\$2,115,000	N/A
786089JE3	2025	1.814	7,925,000	N/A
786089JF0	2026	1.953	8,075,000	N/A
786089JG8	2027	2.103	8,240,000	N/A
786089JH6	2028	2.147	8,420,000	N/A
786089JJ2	2029	2.197	8,600,000	N/A
786089JK9	2030	2.297	8,800,000	N/A
786089JL7	2031	2.447	9,010,000	2030
786089JM5	2032	2.547	9,235,000	2030
786089JN3	2033	2.647	9,480,000	2030
786089JP8	2034	2.747	9,740,000	2030
786089JQ6	2035	2.897	10,020,000	2030
786089JR4	2042 <sup>(T)</sup>	3.180	79,695,000	2030

(T) Term Bond.

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<sup>†</sup> CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein are provided by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association. CUSIP numbers have been assigned by an independent company and are included solely for the convenience of the holders of the Series 2023 Bonds. None of the City, the Underwriter or their agents or counsel assume responsibility for the accuracy of such numbers. The CUSIP number for a specific maturity is subject to being changed after the execution and delivery of the Target Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of the Target Bonds.

<sup>(1)</sup> First Optional Redemption Date at par for Series 2020 Bonds maturing on and after September 1, 2031 is September 1, 2030. However, the Series 2020 Bonds are also subject to optional redemption prior to maturity, on any date prior to September 1, 2030, at the option of the City, at the Make-Whole Redemption Price (as set forth in documents pursuant to which the Series 2020 Bonds were issued), plus accrued interest to the redemption date.



Owners of the Target Bonds must review the Invitation to Tender for further information regarding the City's offer. The Invitation to Tender provides that all tenders for purchase must be made on or before December 1, 2023 (the "Expiration Date"), as may be revised pursuant to the Invitation to Tender. Following the Expiration Date, on December 1, 2023, the City will determine whether to accept the Target Bonds tendered for purchase, and/or to defease any Target Bonds. *The City reserves the right to cancel or modify the Invitation to Tender at any time on or prior to the acceptance date and reserves the right to make a future invitation to tender bonds at prices different than the offer purchase prices described in the Invitation to Tender in its sole discretion. Subject to the terms and conditions of the Invitation to Tender, the City will have no obligation to purchase Target Bonds offered pursuant to the Invitation to Tender. Nothing in the Invitation to Tender limits the City's ability to refund the Target Bonds at any time or in the future.*

## THE SERIES 2023 BONDS

### General

The Series 2023 Bonds will be issued in fully registered form, without coupons, in denominations of \$5,000 or any integral multiple thereof (each, an "**Authorized Denomination**"), will be dated their date of delivery, and will bear interest from such date at the rates set forth on the inside cover of this Official Statement, payable on March 1 and September 1 of each year, commencing March 1, 2024 (each, an "**Interest Payment Date**"). Interest on the Series 2023 Bonds will be computed on the basis of a 360-day year, composed of twelve 30-day months.

The Series 2023 Bonds will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York ("**DTC**," and, together with any successor securities depository, the "**Depository**"). DTC will act as Depository for the Series 2023 Bonds. Individual purchases will be made in book-entry form. Purchasers will not receive a bond certificate representing their beneficial ownership interest in Series 2023 Bonds. So long as Cede & Co. as nominee of DTC, is the registered owner of the Series 2023 Bonds, references herein to Bondholders, Holders or Owners of the Series 2023 Bonds shall mean Cede & Co. as aforesaid, and shall not mean the Beneficial Owners of Series 2023 Bonds.

So long as Cede & Co. is the registered owner of the Series 2023 Bonds, principal of and interest on the Series 2023 Bonds will be payable by wire transfer of same day funds by the Trustee to Cede & Co., as nominee for DTC. DTC is obligated, in turn, to remit such amounts to the DTC Participants for subsequent disbursement to Beneficial Owners of the Series 2023 Bonds. See APPENDIX F – "BOOK-ENTRY ONLY SYSTEM" herein.

In the event the use of the book-entry system is discontinued, principal of the Series 2023 Bonds will be payable upon surrender thereof at the designated office of the Trustee. All interest payable on the Series 2023 Bonds will be paid by check mailed by first-class mail on each Interest Payment Date to the person in whose name each Series 2023 Bond is registered in the registration books maintained by the Trustee as of the close of business on the 15<sup>th</sup> day of the calendar month immediately preceding the Interest Payment Date (each, a "**Record Date**"), provided that registered owners of \$1,000,000 or more in aggregate principal amount of Series 2023 Bonds may request payment by wire transfer, such request to be submitted in writing and received by the Trustee on or before the applicable Record Date for such Interest Payment Date, in accordance with the provisions set forth in the Indenture.

### Redemption Provisions

**Optional Redemption.** The Series 2023 Bonds maturing on and after September 1, 20\_\_ are subject to redemption prior to their respective stated maturities, at the option of the City, from any source of available funds, on any date on or after September 1, 20\_\_, as a whole or in part by such maturity or maturities as may

be specified by the City (and by lot within a maturity), at a Redemption Price equal to 100% of the principal amount thereof to be redeemed, plus accrued interest to the date fixed for redemption, without premium.

**Mandatory Redemption.** The Series 2023 Bonds maturing on September 1, 20\_\_, are also subject to mandatory redemption from Mandatory Sinking Account Payments for such Series 2023 Bonds on each September 1 on and after September 1, 20\_\_, at a redemption price equal to the principal amount of the Series 2023 Bonds to be redeemed plus accrued interest, if any, to the redemption date, without premium. Such Mandatory Sinking Account Payments will be sufficient to redeem (or pay at maturity) the following principal amounts of such Series 2023 Bonds on the dates set forth below (except that if any such Series 2023 Bonds are optionally redeemed, the amounts of the remaining Mandatory Sinking Fund Account Payments for such Series 2023 Bonds will be revised as directed by the City):

<b>Mandatory Sinking Account Payment Date (September 1)</b>	<b>Mandatory Sinking Account Payment</b>
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\* Final Maturity

**Selection of Series 2023 Bonds for Redemption.** While the Series 2023 Bonds are in book-entry form and so long as DTC acts as Depository for the Series 2023 Bonds, whenever provision is made for redemption of less than all of the Series 2023 Bonds of any maturity, applicable provisions for selection of Series 2023 Bonds to be redeemed under DTC’s book-entry system shall apply. See APPENDIX F – “BOOK-ENTRY ONLY SYSTEM” herein. In the event that the use of the book-entry system is discontinued, whenever provision is made for redemption of less than all of the Series 2023 Bonds of any maturity, the Trustee shall select the Series 2023 Bonds of such maturity to be redeemed by lot in authorized denominations.

**Notice of Redemption; Conditional Notice.** The Trustee shall give notice of redemption not less than 20 days nor more than 60 days prior to the redemption date to each registered owner of a Series 2023 Bond designated for redemption. The Trustee shall also give notice of redemption to the Repository. Neither failure by the Trustee to give notice to the Repository, nor failure of any registered owner or the Repository to receive such notice nor any defect therein shall affect the sufficiency or validity of the proceedings for the redemption of any of the Series 2023 Bonds.

With respect to any notice of optional redemption of Series 2023 Bonds, unless, upon the giving of such notice, such Series 2023 Bonds shall be deemed to have been paid within the meaning of the provisions of the Indenture, such notice shall state that such redemption shall be conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of amounts sufficient to pay the principal of, premium, if any, and interest on, such Series 2023 Bonds to be redeemed, and that if such amounts shall not have been so received said notice shall be of no force and effect and the City shall not be required to redeem such Series 2023 Bonds. The City may also instruct the Trustee to provide conditional notice of optional redemption, which may be conditioned on the occurrence of any other event if such notice states that if such event does not occur said notice shall be of no force and effect and the City shall not be required to redeem such Series 2023 Bonds. In the event that such notice of optional redemption contains such a condition and such amounts are not so received or such event does not occur, the optional redemption shall not be made and the Trustee shall within a reasonable time thereafter give notice to the Holders to the effect that such amounts were not so received or such event did not occur and such redemption was not made, such notice to be given by the Trustee in the manner in which the notice of redemption was given. Such failure to optionally redeem such Bonds shall not constitute an Event of Default pursuant to the Indenture.

Any notice of optional redemption given pursuant to the provisions of the Indenture described herein may be rescinded by notice given to the Trustee by the City no later than five Business Days prior to the date specified for redemption. The Trustee shall give notice of such rescission as soon thereafter as practicable in the same manner, and to the same parties, as notice of such redemption was given.

For so long as the Series 2023 Bonds are in book-entry form, all notices of redemption and all other notices described under this caption, shall be delivered to DTC, as Depository. Neither the City nor the Trustee can or do give any assurance that any such notice will be distributed by DTC to Beneficial Owners or that any such notice will be distributed on a timely basis. See APPENDIX F – “BOOK-ENTRY ONLY SYSTEM” herein.

***Cessation of Interest.*** Interest on all Series 2023 Bonds for which notice of redemption has been given pursuant to the provisions of the Indenture and for which funds have been provided to the Trustee for the payment of the Redemption Price thereof, together with interest accrued to the redemption date thereon, shall cease to accrue on the redemption date. Such Series 2023 Bonds shall cease to be entitled to any benefit or security under the Indenture on the redemption date and the registered owners of such Series 2023 Bonds shall have no rights in respect thereof except to receive payment of the Redemption Price and accrued interest to the redemption date from the funds provided to the Trustee therefor.

## **SECURITY AND SOURCES OF PAYMENT FOR THE BONDS**

### **General; Pledge of the Trust Estate**

The Bonds, including the Series 2023 Bonds, are limited obligations of the City secured by a pledge of and payable solely from the Trust Estate, which consists of (i) all System Net Revenues; (ii) all funds and accounts held by the Trustee under the Indenture and any Supplemental Indenture (other than the Rebate Fund, all Letter of Credit Funds and all Purchase Funds) and all investments, money, instruments, and other property credited thereto or on deposit therein; (iii) all investment earnings on amounts held by the Trustee in the funds and accounts established under the Indenture, excluding amounts deposited in the Rebate Fund, any Letter of Credit Fund and any Purchase Fund; (iv) all Swap Revenues; (v) all Subsidy Payments; and (vi) all proceeds of the foregoing, whether now existing or hereafter arising, subject to the provision of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.

“**System Net Revenues**” means System Revenues remaining after payment of Maintenance and Operation Costs then due and payable.

“**System Revenues**” means all income, rents, rates, fees, charges and other moneys derived from the ownership or operation of the Water System, determined in accordance with generally accepted accounting principles, consistently applied, including, without limiting the generality of the foregoing, (i) all income, rents, rates, fees, connection fees, water system development fees, charges, standby charges, capacity charges or other moneys derived by the City from the water services or facilities, and commodities or byproducts, sold, furnished or supplied through the facilities of or in the conduct or operation of the business of the Water System, and including, without limitation, investment earnings on the operating reserves to the extent that the use of such earnings is limited to the Water System by or pursuant to law; (ii) any amount received from the levy or collection of taxes which are solely available and are earmarked for the support of the operation of the Water System; (iii) allocations from the Rate Stabilization Fund to the Water Fund; and (iv) grants for maintenance and operations to the extent that the restrictions for the use thereof do not preclude them from being applied to the payment of Maintenance and Operation Costs or the Obligations; provided, however, that System Revenues shall not include in all cases, (1) customers’ deposits or any other deposits or advances subject to refund until such deposits or advances have become the property of the City and (2) any proceeds of the voter-approved general tax imposed on the gross revenues of the Water System from user fees and charges, which proceeds are paid into the City’s General Fund pursuant to Section 3.20.010 of the Sacramento City Code (the “**City Code**”). As provided in the Indenture, the amount of available System Revenues is reduced by

the amount of System Revenues allocated to the Rate Stabilization Fund. See “– Rate Stabilization Fund” below.

**“Maintenance and Operation Costs”** means costs spent or incurred by the City for maintaining and operating the Water System, calculated in accordance with generally accepted accounting principles used by the City, consistently applied, including but not limited to the expenses of maintenance, repair, billing and collection and other expenses incurred to maintain and preserve the Water System in good repair and working order, and including administrative costs of the City, salaries and wages of employees, payments to employees retirement systems, overhead, taxes (if any), fees of auditors, accountants, attorneys, engineers or other consultants and insurance premiums, in each case as attributable to the Water System, including all other reasonable and necessary costs of the City or charges required to be paid by it to comply with the terms of the Bonds, Parity Obligations, Subordinate Obligations and Fee and Expense Obligations but excluding in all cases (i) depreciation, replacement and obsolescence charges or reserves therefor, (ii) amortization of intangibles or other bookkeeping entries of a similar nature, (iii) costs of capital additions, replacements, betterments, extensions or improvements to the Water System that under generally accepted accounting principles are chargeable to a capital account or to a reserve for depreciation and (iv) charges for the payment of Bonds, Parity Obligations, Subordinate Obligations and Fee and Expense Obligations.

The Indenture provides that the pledge of the Trust Estate constitutes a lien on and security interest in the Trust Estate to the extent set forth in, and in accordance with, the Indenture.

If no Event of Default has occurred and is continuing under the Indenture, all Maintenance and Operation Costs are being and have been paid and are then current, and all payments then due and payable with respect to the Outstanding Bonds and outstanding Parity Obligations, Subordinate Obligations and Fee and Expense Obligations have been paid, then the City may spend System Net Revenues for any lawful purpose of the City. Any System Net Revenues so spent by the City for a lawful purpose as described in the preceding sentence will no longer be subject to the lien of the Indenture.

**The Series 2023 Bonds are limited obligations of the City and are secured by a pledge of and payable, both as to principal and interest and as to any premiums upon the redemption thereof, solely from the Trust Estate as provided in the Indenture, and the City is not obligated to pay the Series 2023 Bonds except from the Trust Estate as provided in the Indenture. 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 Series 2023 Bonds or the interest or premium thereon. The Series 2023 Bonds are not secured by a legal or equitable pledge of, or charge, lien or encumbrance upon, any of the property of the City or any of its income or receipts, except the Trust Estate as provided in the Indenture.**

#### **Water Fund; Application of System Revenues**

So long as any Bonds are Outstanding or Parity Obligations, Subordinate Obligations, Fee and Expense Obligations or any other amounts payable under the Indenture remain unpaid, the City covenants and agrees that all System Revenues received by it shall be accounted for when and as received in the Water Fund, which the City covenants and agrees to maintain on the City’s books, and all money accounted for within the Water Fund shall be applied and used only as provided in the Indenture, and the Water Fund shall be accounted for separate and apart from all other moneys, funds or other resources of the City. The City may, to the extent provided in the Indenture, allocate amounts accounted for in the Water Fund to the Rate Stabilization Fund or allocate amounts accounted for in the Rate Stabilization Fund to the Water Fund. From amounts accounted for within the Water Fund, the City shall pay, in the following order of priority: first, to the applicable payee or as otherwise required, all Maintenance and Operation Costs (including amounts reasonably required by the City to be set aside in contingency reserves for Maintenance and Operation Costs the payment of which is not immediately required) as they become due and payable; and second, to the Trustee on or before each date the Trustee is required to make any transfer or deposit from the Revenue Fund as described below under the caption “Allocation of Revenues”, such amount as is required for the Trustee to make the transfers

and deposits required to be made by the Trustee on such date including all amounts of principal, purchase price, interest, and Redemption Price then due and payable with respect to the Bonds. If (a) no Event of Default has occurred and is continuing, (b) all Maintenance and Operation Costs are being and have been paid and are then current, and (c) all payments then due and payable with respect to the Outstanding Bonds and outstanding Parity Obligations, Subordinate Obligations and Fee and Expense Obligations have been paid, then all money accounted for in the Water Fund, and the proceeds thereof, will be available for any lawful purpose of the City.

### **Allocation of Revenues**

The Trustee shall deposit in the Revenue Fund established under the Indenture all amounts received by it from the City pursuant to the Indenture, when and as received by the Trustee.

The Trustee shall set aside on each date set forth below the moneys in the Revenue Fund in the following respective funds in the following amounts, in the following order of priority, the requirements of each such fund (including the making up of any deficiencies in any such fund resulting from lack of moneys in the Revenue Fund sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any deposit is made to any fund subsequent in priority; provided that (i) on a parity with such deposits the Trustee may set aside or transfer amounts with respect to any outstanding Parity Obligations as provided in the proceedings for such Parity Obligations delivered to the Trustee pursuant to the Indenture (which shall be proportionate in the event such amounts are insufficient to provide for all deposits required as of any date to be made with respect to the Bonds and such Parity Obligations), (ii) payments on Interest Rate Swap Agreements that constitute Parity Obligations shall be payable from the Interest Fund and the required deposits below shall be adjusted to include payments on such Interest Rate Swap Agreements (which shall be proportionate in the event such amounts are insufficient to provide for all deposits required as of any date to be made with respect to the Bonds and such Parity Obligations) and (iii) in the event any of the deposits or transfers requires more than one such deposit or payment and there is not then on deposit in the Revenue Fund sufficient moneys to make all such deposits and payments, then such deposits and payments shall be made pro rata (based on the total amount of such deposits and payments then due) to the extent of available moneys:

First Priority - Interest Fund. No later than the Business Day prior to each Interest Payment Date, the Trustee shall set aside in the Interest Fund as soon as practicable in such month an amount equal to the aggregate amount of interest becoming due and payable on the Outstanding Bonds on such Interest Payment Date (excluding any interest for which there are moneys deposited in the Interest Fund from the proceeds of any Series of Bonds or other source and reserved as capitalized interest to pay such interest on said Interest Payment Date). No deposit need be made into the Interest Fund with respect to any Bonds if the amount contained therein is at least equal to the interest to become due and payable on said Interest Payment Date and on each Interest Payment Date any excess amounts in the Interest Fund not needed to pay interest on such Interest Payment Date shall be transferred to the Revenue Fund (excepting any moneys deposited in the Interest Fund from the proceeds of any Series of Bonds or other source and reserved as capitalized interest to pay interest on any future Interest Payment Dates following such Interest Payment Date).

If there are Liquidity Facility Bonds outstanding at the time of any required deposits to the Interest Fund, such deposits shall take into account and include the Liquidity Facility Rate on Liquidity Facility Bonds required by the Liquidity Facility then in effect with respect to such Bonds.

Second Priority - Principal Fund; Sinking Accounts. No later than the Business Day prior to each Principal Payment Date, the Trustee shall set aside in the Principal Fund an amount equal to (a) the aggregate amount of Bond Obligation becoming due and payable on such Principal Payment Date on the Outstanding Serial Bonds of all Series plus (b) the aggregate of the Mandatory Sinking Account Payments to be paid on such Principal Payment Date into the respective Sinking Accounts for the Term Bonds of all Series. If, however, the City certifies to the Trustee that any principal payments are expected to be paid from amounts on deposit in a Reserve Fund that would be in excess of the Bond Reserve Requirement applicable to such

Reserve Fund upon such payment, no amounts need be set aside towards such principal to be so refunded or paid. All of the aforesaid deposits made in connection with Mandatory Sinking Account Payments shall be made without priority of any payment over any other such payment.

In the event that moneys in the Revenue Fund shall not be sufficient to make the required deposits so that moneys in the Principal Fund on any Principal Payment Date are equal to the amount of Bond Obligation to become due and payable on the Outstanding Serial Bonds of all Series on such Principal Payment Date plus the Bond Obligation amount of and redemption premium on the Outstanding Term Bonds required to be redeemed or paid at maturity on such date, then such moneys shall be applied on a Proportionate Basis and in such proportion as said amount of Bond Obligation on such Serial Bonds and said Bond Obligation of and redemption premium on such Term Bonds shall bear to each other. In the event that moneys in the Revenue Fund shall not be sufficient to pay in full all Mandatory Sinking Account Payments required to be paid at any one time into all such Sinking Accounts, then payments into all such Sinking Accounts shall be made on a Proportionate Basis, in the proportion that the respective Mandatory Sinking Account Payments required to be made into each Sinking Account on such date bear to the aggregate of all of the Mandatory Sinking Account Payments required to be made into all such Sinking Accounts on such date.

No deposit need be made into the Principal Fund on any date so long as there shall be in such fund (i) moneys sufficient to pay the Bond Obligations of all Serial Bonds issued under the Indenture and then Outstanding and maturing by their terms on the immediately succeeding Principal Payment Date plus (ii) the aggregate of all Mandatory Sinking Account Payments required to be made on such Principal Payment Date. On each Principal Payment Date or as soon as practicable thereafter any excess amounts in the Principal Fund not needed to pay Bond Obligation or Mandatory Sinking Account Payments on such Principal Payment Date shall be transferred to the Revenue Fund.

If there are any Liquidity Facility Bonds outstanding at the time of any required deposits to the Principal Fund, such deposits shall take into account and include any amortizations or redemptions of any Liquidity Facility Bonds required by the Liquidity Facility then in effect with respect to such Bonds. For purposes of the provisions above relating to the Principal Fund, Liquidity Facility Bonds shall be treated as Serial Bonds with maturity dates on the payment dates of any amortization or redemptions.

Third Priority - Reserve Funds. Upon the occurrence of any deficiency in any Reserve Fund, the Trustee shall make such deposit to such Reserve Fund (including such amounts as are required by the Indenture to replenish withdrawals on any Reserve Facility), as is required pursuant to the Indenture, each such deposit to be made as soon as possible in each month, until the balance therein is at least equal to the applicable Bond Reserve Requirement.

Fourth Priority - Subordinate Obligations Fund. After any transfers described above that are required to be made on a given date have been made, the Trustee shall deposit in the Subordinate Obligations Fund such amount as the City shall specify in writing is necessary to make payments due and payable on such date with respect to Subordinate Obligations then outstanding.

Fifth Priority - Fees and Expenses Fund. After the transfers described above that are required to be made on a given date have been made, the Trustee shall deposit in the Fees and Expenses Fund the amounts necessary for payment of Fee and Expense Obligations owing on such date.

Transfer to the City. If no Event of Default has occurred and is continuing and all payments then due and payable by the City pursuant to the Indenture have been paid, then, except as the City shall otherwise direct in writing or as is otherwise provided in a Supplemental Indenture, amounts remaining in the Revenue Fund after all transfers described above that are required to be made on a given date have been made, and the proceeds thereof, will be transferred to the City on the same Business Day or as soon as practicable thereafter. The City may use and apply such amounts when received by it for any lawful purpose of the City, including

the redemption of Bonds upon the terms and conditions set forth in the Supplemental Indenture relating to such Bonds and the purchase of Bonds as and when and at such prices as it may determine.

The City plans to continue to pay debt service on approximately \$86 million principal amount of currently outstanding Master Lease Bonds from System Net Revenues. Pursuant to the Indenture, the City has covenanted that it will not use System Net Revenues to pay, or reimburse the City's General Fund for the payment of, any existing or future General Fund lease obligation of the City unless no Event of Default has occurred and is continuing under the Indenture, all Maintenance and Operation Costs are being and have been paid and are then current, and all payments then due and payable with respect to the Outstanding Bonds and outstanding Parity Obligations, Subordinate Obligations and Fee and Expense Obligations have been paid or unless such payment or reimbursement has been secured as a Parity Obligation, Subordinate Obligation or Fee and Expense Obligation after compliance with the conditions of the Indenture. See “- Other Outstanding Obligations.”

### **Rate Covenant**

Pursuant to the Indenture, the City has covenanted that it will at all times during each Fiscal Year fix, prescribe and collect rates, fees and charges for the Water Service that are reasonably estimated to yield System Net Revenues for such Fiscal Year equal to at least the Coverage Requirement for such Fiscal Year. “**Coverage Requirement**” means, for any Fiscal Year, an amount of System Net Revenues equal, in each case, to at least (i) 120% of the Debt Service on all Outstanding Bonds and Parity Obligations for such Fiscal Year, (ii) 110% of the Debt Service on all Outstanding Bonds, Parity Obligations and Subordinate Obligations for such Fiscal Year, and (iii) 100% of all obligations of the City payable from System Net Revenues in such Fiscal Year. This obligation of the City in the Indenture is referred to herein as the “**Rate Covenant.**” In fixing and prescribing such rates, fees and charges, the City may make reasonable assumptions concerning contingencies that may affect System Revenues and the timing and amount of payments on Bonds, Parity Obligations, Subordinate Obligations and any other obligations of the City that may become due and payable from System Revenues in such Fiscal Year. The City may make adjustments from time to time in such rates, fees and charges and may make such classification thereof as it deems necessary, but shall not reduce the rates, fees and charges then in effect unless the System Net Revenues from such reduced rates, fees and charges will at all times be sufficient to meet the requirements of the Rate Covenant. See APPENDIX C — “SUMMARY OF THE INDENTURE.”

### **No Bond Reserve Fund With Respect to Series 2023 Bonds**

The Indenture provides that, in connection with the issuance of particular Series of Bonds, the City may designate such Series as Participating Bonds, which are to be secured by amounts in the Bond Reserve Fund, or provide for the establishment of a separate Bond Series Reserve Fund with respect thereto. The City is not establishing a Bond Series Reserve Fund with respect to the Series 2023 Bonds. The Series 2023 Bonds do not constitute Participating Bonds.

### **Outstanding Parity Obligations**

In order to fund certain improvements to the Water System, the City has previously issued the Series 2013 Bonds, which are currently outstanding in the principal amount of \$5,580,000, the Series 2017 Bonds, which are currently outstanding in the principal amount of \$47,245,000, and the Series 2020 Bonds, which are currently outstanding in the principal amount of \$179,355,000 (including the Refunded Bonds).

In addition, in order to fund certain improvements to the Water System, the City has previously entered into (i) the State Funding Agreement with the California Department of Public Health (currently administered by the State Water Resources Control Board) and (ii) the SRF Loan. The City's obligations with respect to the State Funding Agreement and the SRF Loan constitute Parity Obligations pursuant to the Indenture. The current outstanding principal amount owed by the City pursuant to the State Funding

Agreement is \$5,117,275 and the current outstanding principal amount of the SRF Loan is \$130,321,408. The State Funding Agreement and the SRF Loan both provide that all payments thereunder may be immediately due and payable in the event of material breach by the City (and failure to cure). See “CERTAIN RISK FACTORS – Potential Acceleration of Parity Obligations and Liquidity Facility Bonds; No Acceleration of Bonds.”

The payment schedule with respect to the Series 2013 Bonds, Series 2017 Bonds, the Series 2020 Bonds, the State Funding Agreement and the SRF Loan is set forth in “DEBT SERVICE SCHEDULE.”

The City has previously established debt service reserve funds in connection with the State Funding Agreement and the SRF Loan. Amounts in such reserve funds are not available for the payment of any Bonds (including the Series 2023 Bonds) or other Parity Obligations.

### **Other Outstanding Obligations**

In addition to the State Funding Agreement and the SRF Loan, the City has previously funded certain improvements to the Water System by the issuance of bonds by the SCFA through the City’s Master Lease Program. Approximately \$85.9 million principal amount of Master Lease Bonds relating to Water System improvements are currently outstanding. In connection with the Master Lease Program, the City has leased certain components of the Water System to the SCFA and the SCFA has subleased those components of the Water System back to the City. Pursuant to the Indenture, the City has covenanted that it will not use System Net Revenues to pay, or reimburse the City’s General Fund for the payment of, any existing or future General Fund lease obligation of the City unless no Event of Default has occurred and is continuing under the Indenture, all Maintenance and Operation Costs are being and have been paid and are then current, and all payments then due and payable with respect to the Outstanding Bonds and outstanding Parity Obligations, Subordinate Obligations and Fee and Expense Obligations have been paid or unless such payment or reimbursement has been secured as a Parity Obligation, Subordinate Obligation or Fee and Expense Obligation after compliance with the conditions of the Indenture.

Pursuant to the Indenture, the City also has covenanted that it will not encumber any components of the Water System under a City General Fund lease except for the components of the Water System that were, as of March 28, 2013, encumbered by a City General Fund lease. However, this covenant does not prohibit the City from improving, making additions to, rehabilitating or replacing components of the Water System that were, as of March 28, 2013, encumbered by a City General Fund lease or incurring additional obligations under any City General Fund lease that, as of March 28, 2013, encumbered components of the Water System.

See “THE WATER SYSTEM - Leasing of Certain Components of the Water System.”

### **Additional Bonds, Parity Obligations, Subordinate Obligations and Fee and Expense Obligations**

**Additional Bonds.** The City may, by Supplemental Indenture, issue one or more additional Series of Bonds that, subject to the provision of the Indenture permitting the application thereof for the purposes of and on the terms and conditions set forth in the Indenture, are secured by a pledge of and payable from the Trust Estate equally and ratably with the Outstanding Bonds. Additional Series of Bonds may be issued upon compliance by the City with the provisions set forth in the Indenture and subject to certain specific conditions precedent set forth in the Indenture.

Conditions precedent to the issuance of an additional Series of Bonds, include, but are not limited to, the following:

(a) No Event of Default shall have occurred and then be continuing (or the issuance of such additional Series of Bonds will cure any such Event of Default).



(b) The Supplemental Indenture providing for the issuance of such Series shall state whether the Bonds of such Series are Participating Bonds. (The Series 2023 Bonds are not Participating Bonds.) If the Bonds of such Series are Participating Bonds, the Supplemental Indenture shall require a deposit of the amount, if any, necessary to increase the amount on deposit in the Bond Reserve Fund to an amount at least equal to the Bond Reserve Requirement with respect to such Series of Bonds and all other Participating Bonds secured by such Bond Reserve Fund to be considered Outstanding upon the issuance of such additional Series of Bonds. Subject to the provisions of the Indenture, in the event a Supplemental Indenture providing for the issuance of such Series shall require either (i) the establishment of a Bond Series Reserve Fund to provide additional security for such Series of Bonds, or (ii) that the balance on deposit in an existing Bond Series Reserve Fund be increased, forthwith upon the receipt of the proceeds of the sale of such Series, to an amount at least equal to the Bond Reserve Requirement with respect to such Series of Bonds and all other Bonds secured by such Bond Series Reserve Fund to be considered Outstanding upon the issuance of such additional Series of Bonds, the Supplemental Indenture providing for the issuance of such additional Series of Bonds shall require deposit of the amount necessary. The deposit shall be made as provided in the Supplemental Indenture providing for the issuance of such additional Series of Bonds and may be made from the proceeds of the sale of such Series of Bonds or from other funds of the City or from both such sources or may be made in the form of a Reserve Facility.

(c) The aggregate principal amount of Bonds issued shall not exceed any limitation imposed by law or by any Supplemental Indenture.

(d) The City shall deliver to the Trustee a Certificate of the City, which Certificate shall also set forth the computations upon which such Certificate is based, certifying either of the following:

(1) The System Net Revenues for either the most recent Fiscal Year for which audited financial statements are available or for any other period of twelve (12) consecutive months (selected by the City) during the eighteen (18) months immediately preceding the date on which such additional Series of Bonds will become Outstanding shall have been at least equal to the Coverage Requirement for the most recently completed Fiscal Year, including in the calculation of the Coverage Requirement for this purpose the Average Annual Debt Service for the additional Series of Bonds to be issued. For the purpose of providing such Certificate, the City may adjust the System Net Revenues for such Fiscal Year or twelve (12) month period, as the case may be, to reflect:

(A) an allowance for System Net Revenues that would have been derived from each new connection to the Water System that was made prior to the issuance of such additional Series of Bonds but which was not in existence, during all or any part of such Fiscal Year or twelve (12) month period under consideration, in an amount equal to 90% of the estimated additional System Net Revenues that would have been derived from each such connection if it had been made prior to the beginning of such Fiscal Year or twelve (12) month period, and

(B) an allowance for System Net Revenues that would have been derived from any increase in the rates, fees and charges fixed and prescribed for Water Service which became effective prior to the issuance of such additional Series of Bonds but which was not in effect, during all or any part of such Fiscal Year or twelve (12) month period, in an amount equal to the estimated additional System Net Revenues that would have been derived from such increase in rates, fees and charges if it had been in effect prior to the beginning of such Fiscal Year or twelve (12) month period; or

(2) The estimated System Net Revenues for each of the five Fiscal Years next following the earlier of (i) the end of the period during which interest on the additional Series of Bonds is to be capitalized or, if no interest is capitalized, the Fiscal Year in which the additional Series of Bonds is to be issued, or (ii) the date on which substantially all projects financed with the proceeds of any Bonds, including the additional Series of Bonds to be issued, are expected to commence operations will be at

least equal to the Coverage Requirement for each such Fiscal Year. For the purpose of providing such Certificate, the City may adjust the System Net Revenues to reflect:

(A) an allowance for System Net Revenues that are estimated to be derived from any increase in the rates, fees and charges for Water Service which have been adopted by the City and which will be in effect during all or any portion of the period for which such estimates are provided; and

(B) an allowance for System Net Revenues that are estimated to be derived from new customers of the Water System anticipated to be served by any additions or improvements to or replacements or extensions of the Water System reasonably expected to become available during all or any portion of the period for which such estimates are provided in an amount equal to 90% of the additional System Net Revenues that are estimated to be derived from such customers.

For purposes of any computation pursuant to (2), with respect to Maintenance and Operation Costs, the City shall use such assumptions (which shall be set forth in such Certificate) as the City believes to be reasonable, taking into account: (i) historical Maintenance and Operation Costs, (ii) Maintenance and Operation Costs associated with the additions or improvements to or replacements or extensions of the Water System to be financed with the proceeds of such additional Series of Bonds and any other new additions or improvements to or extensions of the Water System during any period for which estimates are provided and (iii) such other factors, including inflation and changing operations or policies of the City, as the City believes to be appropriate.

In addition, Refunding Bonds may be issued without satisfaction of the tests set forth in subsection (d) above if Maximum Annual Debt Service on all Bonds and Parity Obligations which will be outstanding following the issuance of such Series of Refunding Bonds is less than or equal to Maximum Annual Debt Service on all Bonds Outstanding and Parity Obligations outstanding prior to the issuance of such Refunding Bonds.

**Parity Obligations.** In addition to additional Bonds, the City may also issue or incur other obligations, including Interest Rate Swap Agreements (but excluding termination payments on Interest Rate Swap Agreements which shall be secured as Fee and Expense Obligations), secured by a pledge of and payable from the Trust Estate on a parity basis with the Outstanding Bonds, subject to the provisions of the Indenture, provided that certain conditions precedent to the issuance or incurrence of such Parity Obligations, as set forth in the Indenture, are satisfied.

Conditions precedent to the issuance or incurrence of Parity Obligations include, but are not limited to, the following:

(a) No Event of Default shall have occurred and then be continuing (or the issuance of such Parity Obligations will cure any such Event of Default), as evidenced by the delivery to the Trustee of a Certificate of the City to that effect; and

(b) The City shall deliver to the Trustee a Certificate of the City, which Certificate shall also set forth the computations upon which such Certificate is based, certifying one of the following:

(A) Such Parity Obligations are being issued or incurred for purposes of refunding and the City has determined that Maximum Annual Debt Service on all Bonds Outstanding and all Parity Obligations outstanding following the issuance or incurrence of such Parity Obligations is less than or equal to Maximum Annual Debt Service on all Bonds Outstanding and all Parity Obligations outstanding prior to the issuance or incurrence of such Parity Obligations; or

(B) The requirements set forth in paragraph (d) above under “- Additional Bonds” shall have been satisfied with respect to such Parity Obligations; provided, however that if the Parity Obligation being issued or incurred consists of an Interest Rate Swap Agreement that relates to a Series of Bonds or Parity Obligations (excluding fees and expenses and termination payments on such Interest Rate Swap Agreement), the City shall be deemed to have complied with this requirement, with respect to such Interest Rate Swap Agreement to the extent that the Series of Bonds or Parity Obligations to which the Interest Rate Swap Agreement relates (x) satisfies this requirement after taking into account the adjustment of Debt Service on such Series of Bonds or Parity Obligations to reflect the impact of the Interest Rate Swap Agreement (in the case of Interest Rate Swap Agreements entered into concurrently with, or subsequent to, the issuance of such Bonds or Parity Obligations), or (y) is expected to satisfy this requirement after taking into account the adjustment of Debt Service on such Series of Bonds or Parity Obligations to reflect the impact of the Interest Rate Swap Agreement (in the case of Interest Rate Swap Agreements entered into in advance of the issuance of such Bonds or Parity Obligations); or

(C) Such Parity Obligations consist of Reimbursement Obligations relating to Bonds or Parity Obligations.

***Subordinate Obligations.*** Except to the extent restricted by the Indenture, the City may issue or incur other obligations, including Interest Rate Swap Agreements (but excluding termination payments on the Interest Rate Swap Agreements which shall be secured as Fee and Expense Obligations) secured by a pledge of and payable from the Trust Estate on a basis junior and subordinate to any Bonds and Parity Obligations.

***Fee and Expense Obligations.*** The City may also issue or incur obligations secured by a pledge of and payable from the Trust Estate on a basis junior and subordinate to the Subordinate Obligations. See APPENDIX C – “SUMMARY OF THE INDENTURE.”

### **Rate Stabilization Fund**

Pursuant to the Indenture, the City has established and maintained on the City’s books a fund known as the “**Rate Stabilization Fund.**” As of the date of issuance of the Series 2023 Bonds, approximately \$8.4 million will be on deposit in the Rate Stabilization Fund. Upon compliance with the terms of the Indenture, from time to time thereafter the City may allocate to the Rate Stabilization Fund from current System Revenues such amounts as the City shall reasonably determine, and the amount of available current System Revenues shall be reduced by the amount so allocated for purposes of the Indenture, including the Rate Covenant. The City may only allocate amounts accounted for in the Rate Stabilization Fund to the Water Fund for inclusion in System Revenues for any Fiscal Year. Allocations to or from the Rate Stabilization for each Fiscal Year shall be made before the end of the ninth month after the close of each Fiscal Year. All interest or other earnings upon amounts allocated to the Rate Stabilization Fund may be allocated to the Water Fund and accounted for as System Revenues.

While the City currently maintains the Rate Stabilization Fund as described herein, the City is not required to do so pursuant to the Indenture. The City is actively considering discontinuation of the use of the Rate Stabilization Fund and there can be no assurances that the use of the Rate Stabilization Fund will not be discontinued after the issuance of the Series 2023 Bonds.

### **Separate Utility Systems**

The City may create, acquire, construct, finance, own and operate one or more additional systems not constituting any part of the then-existing Water System for water service or other commodity or service, and the revenues of that separate utility system shall not be included in the System Revenues and may be pledged to the payment of revenue obligations issued to purchase, construct, condemn or otherwise acquire or expand

such separate utility system. The System Net Revenues shall not be pledged by the City to the payment of any obligations of a separate utility system except in accordance with the other provisions of the Indenture.

## DEBT SERVICE SCHEDULE

Debt Service with respect to the State Funding Agreement, the SRF Loan, the Series 2013 Bonds, the Series 2017 Bonds, and the Series 2020 Bonds is set forth below. The following table does not include amounts which respect to the Master Lease Bonds which the City expects to pay from System Net Revenues. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Outstanding Parity Obligations” and “THE WATER SYSTEM - Leasing of Certain Components of the Water System.” (As described in “PLAN OF REFUNDING,” the Series 2020 Bonds which are Target Bonds are subject to tender for purchase and/or defeasance.)

Fiscal Year Ending June 30	State Funding Agreement		SRF Loan		Series 2013 Bonds		Series 2017 Bonds		Series 2020 Bonds		TOTAL		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total
	2024	\$507,357	\$131,172	\$6,052,730	\$1,648,278	\$5,315,000	\$403,875	\$1,010,000	\$2,367,413	\$2,080,000	\$4,898,376	\$14,965,087	\$9,449,114
2025	520,129	118,400	6,153,037	2,086,528	5,580,000	139,500	1,060,000	2,315,663	2,115,000	4,863,496	15,428,166	9,523,587	24,951,753
2026	533,222	105,307	6,258,083	1,981,482			1,115,000	2,261,288	7,925,000	4,773,491	15,831,305	9,121,568	24,952,873
2027	546,645	91,884	6,364,923	1,874,642			1,175,000	2,204,038	8,075,000	4,622,759	16,161,568	8,793,323	24,954,891
2028	560,406	78,123	6,473,586	1,765,979			1,235,000	2,143,788	8,240,000	4,457,263	16,508,992	8,445,153	24,954,145
2029	574,514	64,016	6,584,105	1,655,460			1,295,000	2,080,538	8,420,000	4,280,231	16,873,619	8,080,245	24,953,864
2030	588,976	49,553	6,696,510	1,543,054			1,365,000	2,014,038	8,600,000	4,095,371	17,250,486	7,702,016	24,952,503
2031	603,803	34,726	6,810,835	1,428,730			1,435,000	1,944,038	8,800,000	3,899,832	17,649,638	7,307,326	24,956,964
2032	619,003	19,527	6,927,111	1,312,454			1,505,000	1,870,538	9,010,000	3,688,527	18,061,114	6,891,046	24,952,160
2033	315,320	3,944	7,045,373	1,194,192			1,585,000	1,793,288	9,235,000	3,460,682	18,180,693	6,452,106	24,632,799
2034			7,165,653	1,073,912			1,665,000	1,712,038	9,480,000	3,217,606	18,310,653	6,003,556	24,314,209
2035			7,287,987	951,578			1,750,000	1,626,663	9,740,000	2,958,359	18,777,987	5,536,600	24,314,587
2036			7,412,409	827,156			1,830,000	1,546,313	10,020,000	2,679,441	19,262,409	5,052,910	24,315,319
2037			7,538,956	700,609			1,905,000	1,471,613	10,330,000	2,370,054	19,773,956	4,542,276	24,316,232
2038			7,667,662	571,902			1,985,000	1,393,813	10,665,000	2,036,234	20,317,662	4,001,949	24,319,612
2039			7,798,567	440,998			2,075,000	1,302,238	11,005,000	1,691,681	20,878,567	3,434,917	24,313,484
2040			7,931,706	307,859			2,180,000	1,195,863	11,365,000	1,335,998	21,476,706	2,839,720	24,316,426
2041			8,067,118	172,447			2,295,000	1,083,988	11,725,000	968,867	22,087,118	2,225,302	24,312,420
2042			4,085,059	34,723			2,410,000	966,363	12,105,000	589,970	18,600,059	1,591,056	20,191,115
2043							2,535,000	842,738	12,500,000	198,750	15,035,000	1,041,488	16,076,488
2044							2,665,000	709,406			2,665,000	709,406	3,374,406
2045							2,810,000	565,688			2,810,000	565,688	3,375,688
2046							2,960,000	414,225			2,960,000	414,225	3,374,225
2047							3,120,000	254,625			3,120,000	254,625	3,374,625
2048							3,290,000	86,363			3,290,000	86,363	3,376,363
<b>Totals</b>	<b>\$5,369,375</b>	<b>\$696,652</b>	<b>\$130,321,408</b>	<b>\$21,571,982</b>	<b>\$10,895,000</b>	<b>\$543,375</b>	<b>\$48,255,000</b>	<b>\$36,166,567</b>	<b>\$181,435,000</b>	<b>\$61,086,988</b>	<b>\$376,275,783</b>	<b>\$120,065,564</b>	<b>\$496,341,347</b>

Source: The City

## THE WATER SYSTEM

### General

The City is located at the confluence of the Sacramento and American Rivers in the northern part of California's Central Valley and is approximately 75 air miles northeast of San Francisco. Settled in the late 1830s and incorporated in 1849, the City became the location of the capital of the State in 1854. Today, State government employees and government-related activities contribute substantially to the City's economy.

The City operates under a City Charter that currently provides for an elected nine-member City Council including an elected Mayor. There are no other elected City officials. The City Council appoints the City Manager, the City Attorney, the City Clerk, the City Auditor and the City Treasurer to carry out its adopted policies. The Mayor is chairperson of the City Council and is elected in at-large City elections. Members of the City Council serve four-year terms and are elected from eight geographic council districts.

As of January 1, 2023, the City had an estimated population of 518,161 according to the State of California Department of Finance.

### Service Area

The Water System began providing service in the City in approximately 1854. Today, the City's retail water service area covers approximately 63,182 acres within a boundary that is largely contiguous with the City limits. The Sacramento Suburban Water District ("SSWD") serves a small portion of City residents and businesses on the eastern side of the City, and the Water System serves a number of customers in the unincorporated portion of the County of Sacramento (the "County") adjacent to the service area of the California American Water Company ("Cal Am"). The population within both of these areas are roughly equivalent.

The City wholesales water to the Cal Am, SSWD, Natomas Unified School District ("NUSD"), and Sacramento County Water Agency ("SCWA") (for service to Sacramento International Airport and Metro Air Park, a 1,320 acre business park), and wheels water to the SCWA (for South Sacramento Zone 40 service area). The differentiation between the terms "wholesale" and "wheeling" are a function of water rights accounting. In either case, the City is treating and delivering potable water through its distribution system to those customers.

### Management

The Water System is administered by the City's Department of Utilities (the "Department"), which also administers the City's wastewater treatment and conveyance system (the "Wastewater System") and the storm drainage system (the "Storm Drainage System"). The Water System, the Wastewater System, and the Storm Drainage System are financially independent from each other. The following are biographies of key Department personnel with responsibility for management of the Water System:

*Pravani Vandeyar, Director* – Ms. Vandeyar has over 28 years of experience in research, analysis and reporting for regulatory and environmental compliance. She has held several positions within the Department, starting as the Supervising Water Quality Chemist overseeing the Department's Laboratory. She was then promoted to the position of Water Quality Superintendent where she oversaw drinking water regulatory compliance and water quality research. Ms. Vandeyar then spent time as the Water O&M Division Manager before filling the position of Interim Director of Utilities on December 7, 2022. Subsequently, she became the Director of Utilities on February 22, 2023. She holds a Bachelor of Science (Chemistry) from the University of the Witwatersrand and a Master of Science (Chemistry) from the University of Pretoria in South Africa, along with a Water Treatment Operator II Certification and a Distribution System Operator II Certification from the State Water Resources Control Board Division of Drinking Water.

*Sherill Huun, Engineering and Water Resources, Engineering Services Division Manager* – Ms. Huun has over 27 years of water resources engineering experience including design and regulatory compliance. She was promoted to Engineering and Water Resources Services Division Manager in July 2022. Prior to her promotion, Ms. Huun held several positions in the Department, including Associate Engineer, Senior Engineer, and Supervising Engineer overseeing the Environmental and Regulatory Compliance. Ms. Huun holds a Bachelor of Science in Civil Engineering from the University of the Pacific and a California Professional Civil Engineering License.

*David Herrmann, Water Operations and Maintenance (O&M) Division Manager* – Mr. Herrmann has over 38 years of experience in the operations and maintenance of the water, wastewater and drainage systems. He has held two positions within the Department, starting as the Water Production Superintendent overseeing surface water treatment, groundwater treatment and storage reservoirs for the Water System. Mr. Herrmann was promoted to the Water O&M Division Manager in June of 2023. He previously served as a community college adjunct professor teaching water treatment, water distribution and wastewater treatment coursework. Mr. Herrmann holds Water Treatment Grade 5, Water Distribution Grade 5, and Wastewater Treatment Grade 4 licenses issued by the California State Water Resources Control Board, and Collection System Maintenance Grade 3 certification issued by the California Water Environment Association.

*Chuong (Ryan) Pham, Business Services Division Manager* – Mr. Pham has over 26 years of experience in state and local government with 17 years in a leadership capacity. He previously served as Revenue Officer of the City of Stockton. Before his current role as the Business Services Division Manager to the Department, Mr. Pham served as the Department’s Billing Services Manager. He holds a Bachelor of Science degree in Business Administration from California State University Sacramento, and a Master of Business Administration in Organization Development from University of Phoenix, and has been an affiliate member of the International City/County Management Association and a member of the California Society of Municipal Finance Officers.

**Employees**

During Fiscal Year 2023-24, the City has assigned 582.2 employees to the Department, many of whom perform work for more than one of the City’s utility systems. Employee costs of the Department are allocated by the City among the various utility systems. For Fiscal Year 2023-24, the Water System was allocated approximately 62% of Department employee costs. Employees assigned to the Department are represented by the bargaining units with the memorandum of understanding expiration dates set forth in the following table. The City has commenced negotiations with respect to the Memoranda that expired in June and September 2023. The expired Memoranda will continue in place until successor agreements are executed. Employee Services cost increases are subject to approval by the City Council. The Projected Operating Results in Table 12 assumes a 3% increase for Fiscal Year 2024-25 and 2% annually thereafter for cost-of-living adjustments, step increases, and/or other labor negotiated increases. If negotiations are approved in Fiscal Year 2023-24 and sufficient budget is not available, a budget augmentation will be requested and is not included in the projections.

<b>Bargaining Unit</b>	<b>Number of Employees</b>	<b>Expiration</b>
Western Council of Engineers (WCE)	25	December 29, 2023
UA Local 447 Plumbers & Pipefitters Local Union	180	June 30, 2023
Stationary Engineers Local 39	201	September 22, 2023
Sac Sierra Building and Construction Trades, rep unit 6	61	June 30, 2023
Sacramento City Exempt Employees Association (SCXEA)	114	September 22, 2023
Non-Represented	1.2	
<b>Total Employees Assigned to Department</b>	<b>582.2</b>	

## Water System Facilities

The Water System includes two surface-water treatment facilities, groundwater wells, storage facilities, pumping facilities, and distribution/transmission pipelines. The City maintains eight metered wholesale/wheeling connections to other adjacent agencies and 21 additional emergency interties.

Water Treatment Plants. The City treats surface water diverted from the Sacramento and American Rivers through the Sacramento River Water Treatment Plant (“**SRWTP**”), while the E.A. Fairbairn Water Treatment Plant (“**FWTP**”) treats surface water diverted from the American River.

*Sacramento River Water Treatment Plant.* The SRWTP began operation in 1924 with an initial capacity of 32 million gallons per day (“**MGD**”), and treats water diverted approximately one-half mile downstream of the American River confluence with the Sacramento River. A new intake structure was completed in 2004. The most recent major project in 2016 restored SRWTP design capacity to 160 MGD. The project included rehabilitation and replacement work on the sedimentation basins, high service pump station, filters, solid dewatering facilities, and electrical switchgear. In its current configuration, the SRWTP has four treatment trains, flow from all four treatment trains is recombined after filtration, before post-chlorination, fluoridation, and eventual discharge from a high service pump station to the distribution system.

Operation of SRWTP at 160 MGD is limited to the period from May 15 to September 30 of each year, which includes the warmer summer months when peak capacity is needed. At other times of the year the treatment is limited to 120 MGD. The actual available capacity of SRWTP may also be adversely affected by drought conditions if low river elevations reduce the operating efficiency of supply pumps.

*Fairbairn Water Treatment Plant.* The FWTP is located on the American River approximately seven miles upstream of the confluence of the American and Sacramento Rivers. The FWTP began operation in 1964 and has a current design capacity of 200 MGD following an expansion completed in 2005. As of the date of this Official Statement, the State Water Resources Control Board Division of Drinking Water (“**DDW**”) has permitted the FWTP with a capacity of 160 MGD. The amount of water allowed to be diverted for treatment at FWTP is further limited by the Conference Year and Hodge Flow Criteria described below. (See “— Water Rights and Resources – Extremely Dry Years (Conference Years) and Hodge Flow Criteria.”) Generally, during the time of peak demand, most often in June, July, or August, the Hodge Flow Criteria potentially limits the diversion rate at the FWTP to 100 MGD.

Currently facility conditions, principally the rated filter capacity and need to clean the filters at a regular interval, limit sustainable treatment at present to 80 MGD. A project to bring the FWTP capacity back to 100 MGD, with a hydraulic capacity of 120 MGD, is under consideration and included in a draft Environmental Impact Report. The Department is considering implementation of this project as part of the water resiliency projects and has budgeted for planning activities in the approved 2023-2028 Capital Improvement Program (“**CIP**”) (see the Projected Operating Results in Table 12). Construction of the FWTP project could begin as early as Fiscal Year 2026-27, with most of the heavy construction work completed by Fiscal Year 2028-29; however, the project would likely not be operational until Fiscal Year 2032-33 due to timing of receiving all equipment and materials, testing and permitting.

*Groundwater Wells.* The City currently is permitted to operate 30 municipal groundwater supply wells, a majority of which have been in service for over 50 years, with total groundwater production capacity of approximately 20 MGD. Twenty-six City wells are located in the northern portion of the City, north of the American River and four are located south of the American River. Of the 30 permitted wells, 10 wells are currently in operation and 8 wells are inactive due to conjunctive use (but are available for use). In addition 10 wells are active and can be operated, and 2 wells are inactive and scheduled to be abandoned. (As described in “Water System Facilities,” 11 of the 12 wells in the preceding sentence were taken offline for water quality issues. Although these wells are not currently in service, they are still listed on the City’s Operating Permit



and will remain so until an engineering determination is made whether or not to undertake any necessary capital improvements to bring the wells into compliance.)

The City completed a groundwater masterplan in 2017 and anticipates completing CEQA for the systematic replacement of wells that are at or are nearing the end of their useful life. Currently the City has received input on the public draft and expects completion of the CEQA documentation by the end of 2023. Groundwater wells have a life expectancy of 60-80 years, depending on their construction method and material. An aging well refers to a well that is nearing or exceeding that age, which usually results in increased maintenance cost and decreased water production, in addition to other structural issues. As of 2023, all but three of the City's 28 existing wells have less than 10 years remaining useful life. The comment period for the draft EIR has ended and the document is expected to be finalized by the end of 2023 with ratification by City Council in 2024. In order to ensure the City's groundwater reliability, the draft EIR provides for a total of 38 groundwater wells (including the 30 currently permitted wells). The anticipated replacement cycle is greater than 15 years and will raise the long-term sustainable pumping capacity to approximately 35 MGD if executed in accordance with the future program. See "—Environmental Compliance" and "—Water Rights and Resources" below for additional details).

Four wells were taken offline for water quality issues from 2014 to 2019. Since 2019, seven wells have been taken offline over water quality issues. These water quality issues included impermissible levels of arsenic, bacterial growth and detection of tetrachloroethylene. (Although these wells are not currently in service, they are still listed on the City's Operating Permit and will remain so until an engineering determination is made whether or not to undertake any necessary capital improvements to bring the wells into compliance.)

One of the seven wells taken offline since 2019 was done so due to detection of Perfluoroalkyl substances ("PFAS") above notification levels. See "— Environmental Compliance" herein for a discussion of recent regulatory developments concerning PFAS.

*Storage Facilities.* The City currently has 16 water storage facilities: 11 distributed storage tanks are located throughout the City, and five clearwells are located at the water treatment plants (three at the SRWTP and two at the FWTP). Ten of the storage tanks located throughout the City's distribution system have a capacity of 3 million gallons each, while one storage tank (Florin Reservoir) has a capacity of 15 million gallons, for a cumulative distribution system storage capacity of 45 million gallons. The combined plant clearwells have a nominal capacity of approximately 45 million gallons and a usable capacity of 38 million gallons. An additional storage tank (Shasta Reservoir) will add 4 million gallons to the distribution storage capacity once it is brought online. It is anticipated that the Shasta Reservoir will be operational by the end of 2023. The Shasta Reservoir will increase the number of distributed storage tanks from 11 to 12.

*Pumping Facilities.* The City currently operates high lift pump stations at both the SRWTP and the FWTP. The City also has an additional 10 pump stations, located at storage tanks within the distribution system.

*Transmission and Distribution Mains.* The City maintains approximately 1,479 miles of distribution system mains (12 inches in diameter or less) and approximately 160 miles of transmission mains (greater than 12 inches in diameter). The City's oldest transmission and distribution mains date back to the early 1900's. Less than one percent of the City's transmission and distribution mains' age is unknown. Over 60 miles of distribution mains were replaced with the Accelerated Water Meter Program which concluded in 2021. Approximately 9% of the distribution and transmission mains are less than 10 years old. Mains within an age range of 10-40 years is 35%, 40-50 years is 13%, mains greater than 50 years is 42% and the remaining 1% is unknown. As a result of aging infrastructure and the deterioration of the transmission and distribution mains, the Water System experiences significant pipe breaks from time to time. The City monitors the condition of the transmission and distribution system and rehabilitates or repairs pipes regularly.

*Water Asset Management Program Development:* Currently a city-wide Water System Asset Management Program (“**WSAMP**”) is in development which will define a standardized process for making short- and long-term rehabilitation/replacement decisions. The program will identify and define criteria for risk-based project prioritization to ensure system reliability and reduce future operation, maintenance, and replacement costs. The WSAMP has been divided into two phases. The first phase is underway and includes developing a program implementation plan and guiding framework documents such as the Water System asset management plans, system data management standards, and financial planning methodology. Implementation of the first phase into the Department’s decision making is expected by the end of 2024. The second phase will include full roll-out of the WSAMP which aims to further define the Water System reliability centered maintenance guidance and provide internal training to Department staff. The second phase is slated to begin mid- to late 2024. Full WSAMP implementation is expected to be completed by the end of 2028.

The development and implementation of the Water Main Rehabilitation and Replacement Program (“**Water Main R&R Program**”) is expected to begin in 2029, once the WSAMP is completed. The Water Main R&R Program will use the risk-based pipeline criteria framework developed as part of the WSAMP to prioritize and design future water main infrastructure improvement projects. Initial stages for the Water Main R&R Program development and design have been funded for \$2.5 million. Future funding based on current planning efforts is projected and will allow for pilot projects to test new technologies and rehabilitation techniques prior to implementing the full program. An estimated \$12 million per fiscal year from 2028-29 through 2039-40 is needed to fully implement the Water Main R&R Program.

*System Production Capacity.* The following table shows the Water System’s existing sustainable capacity to be considered for meeting existing and future water demand. Sustainable capacity is the treatment capacity that can be provided 24 hours per day 365 days per year while meeting all water quality goals.

**Table 1**  
**Water System Sustainable Capacity (as of June 30, 2023)**

Facility	Sustainable Capacity (MGD)	
	Existing	Future
SRWTP <sup>(1)</sup>	160	160
FWTP <sup>(2)</sup>	80	100
Groundwater Wells <sup>(3)</sup>	<u>20</u>	<u>35</u>
New facility/expansion of SRWTP <sup>(4)</sup>	<u>0</u>	<u>20-75</u>
<b>TOTAL</b>	<b>260</b>	<b>315-370</b>

- <sup>(1)</sup> It is expected that, annually, May 15<sup>th</sup> to September 30<sup>th</sup> will continue to be the permitted period for peak treatment capacity of 160 MGD. Outside of that window, the peak capacity is 120 MGD.
- <sup>(2)</sup> While the permitted capacity is 160 MGD for FWTP, the City’s Water Forum diversion restrictions limit FWTP diversions to 100 MGD during the peak demand period of June through August, if lower American River flows fall below the Hodge Flow Criteria. Current facility conditions now limit sustainable capacity to 80 MGD. The principle limiting factor is filter capacity. Future FWTP rehabilitation will provide 100-MGD firm and 120-MGD hydraulic capacity.
- <sup>(3)</sup> The City has just completed the public review period of a programmatic CEQA document to support a long-term well replacement program. The Well Replacement Program involves the long-term (up to 15 years or potentially longer) replacement and addition of wells bringing the total up to 38 municipal groundwater wells that are at or near the end of their useful life. The long-term yield of the proposed project is 38,700 acre-feet of water. That is the equivalent of about 35 MGD.
- <sup>(4)</sup> The City is under preliminary planning for creation of a regional water treatment plant facility (branded as “River Arc”). See “Additional Sources of Water” below.

Source: The City

*Additional Sources of Water:* Two of the City’s previously described wholesale interties are designed to allow both the delivery of water from the City to the adjacent water agency, but also the receipt of potable water from those agencies to the City. Both facilities are permitted by the State. The first is SSWD, which is capable of delivering up to 17MGD of potable water to the City. The second intertie is with SCWA which is capable of delivering up to 10 MGD. The City would look to these facilities to support groundwater substitution transfers or to augment City operated supply facilities in the event of an emergency.

*Future Source of Surface Water: “RiverArc”:* The RiverArc project is a multi-agency project currently in the early planning stages that is expected to enhance water supply diversity and reliability on a regional scale. The approved 2023-2028 CIP includes costs for preliminary planning costs for RiverArc (see the Projected Operating Results in Table 12). RiverArc will divert water through existing modern, fish-friendly intakes from the Sacramento River, convey it to a new regional water treatment plant, and distribute potable water through a combination of new and existing pipelines to local water agencies. The current partners are the Placer County Water Agency, the Sacramento County Water Agency, and the City. The City has expressed interest in securing between 20-40 MGD of supply in the first phase. In early 2023, the project partners applied for a planning grant from the Wildlife Conservation Board (“WCB”) to support CEQA efforts and water rights application needs to the State Water Resources Control Board. On August 24, 2023 the WCB awarded a \$5.1 million grant. The Planning phase is on track to conclude in 2026, with the first phase of construction forecasted to conclude near 2030. The City has included preliminary costs for RiverArc in the CIP cost estimates. On a preliminary basis, the Department estimates the cost of RiverArc to be \$230 million in 2023 dollars.

## Recent System Production

The City experienced a steady increase in water demands from the early 1990's to its peak in 2007. Between 2007 and 2011, the City's average water demand decreased from 134 MGD to approximately 103 MGD. The City believes that this decline can be attributed to the economic recession which began in 2008, resulting in vacant properties and a reduction in wholesale water deliveries. Coinciding with a regional economic recovery, water demands increased between 2011 and 2013. Between 2014 and 2017 water demand decreased again, as the City responded to a significant statewide drought, which required reduced water usage by customers to meet State mandated emergency water conservation goals. On April 7, 2017, the Governor rescinded the emergency drought proclamation and the mandated emergency water conservation goals. Since the 2017 drought order was rescinded, the City's average daily retail demand for water has remained at approximately 80 MGD as the City left in place some of the conservation practices to prioritize water use efficiency as a matter of policy. City customers also responded to a return to statewide drought proclamations in 2021 and 2022 by reducing consumption. The City maintained access to a reliable supply of water through its various entitlements under the State water rights priority system and its access to previously stored water in federal and SMUD storage facilities upstream of all diversions points, irrespective of drought conditions. The policy response to drought conditions was aligned with State orders and a desire to support state-wide initiatives as opposed to a shortfall in access to supply. The City has rescinded any drought related proclamations in alignment with the State rescission of emergency orders, but maintains an active water efficiency outreach program. The City's water planning program is tracking upcoming statewide regulations on long-term water efficiency and will be updating its water efficiency programs throughout 2023 through 2025 to align business practices to most efficiently meet pending State standards. Any future increases in water demands are projected to be a function of potential growth rather than a return to past water use practices.

The following two tables show the annual and average total water production from the Water System's three supply sources. Table 2 also identifies the allocation of the total water production (in millions of gallons or "MG") between retail and wholesale customers. Including the expected volatility in water demands during a drought, City retail demands between Fiscal Year 2018 and Fiscal Year 2023 remained relatively stable (ranging from -9% to + 7%). Larger variations in the relatively small wholesale demands are related to external business practices of those agencies that are wholesale customers (which generally maintain access to alternative supplies) and agreements supporting the City's occasional participation in groundwater substitution programs.

**Table 2  
Water Production by Source**

<b>Fiscal Year</b>	<b>Fairbairn Water Treatment Plant (MG)</b>	<b>Sacramento River Water Treatment Plant (MG)</b>	<b>Groundwater Wells (MG)<sup>(1)</sup></b>	<b>Total Production (MG)</b>	<b>Water Production to Retail (MG)</b>	<b>Water Production to Wholesale (MG)</b>
2018-19	10,223	10,183	8,908	29,314	28,876	438
2019-20	10,760	15,244	6,907	32,911	29,714	3,198
2020-21	9,591	13,493	9,387	32,471	31,461	1,011
2021-22	7,433	15,892	6,388	29,713	28,489	1,224
2022-23	10,338	9,481	7,753	27,572	26,133	1,439
<b>Average</b>	<b>9,669</b>	<b>12,859</b>	<b>7,869</b>	<b>30,397</b>	<b>28,935</b>	<b>1,462</b>

<sup>(1)</sup> Total groundwater production includes occasional supply obtained from permitted adjacent water agencies. The water was delivered to blend with the City’s water supply to remediate operational needs or to affect regional groundwater substitution transfers in 2018, 2020, and 2022, whereby the City preferentially relied upon groundwater and sold surface water to other statewide interests.

Source: The City

The production facilities in the Water System are interconnected and operated in a dynamic fashion. The City utilizes the various facilities to meet demands and other water resources mandates. As an example, in 2018, 2020, and 2022, the City elected to reduce production at FWTP and increase groundwater production to take advantage of market opportunities for a water transfer. The window of time to utilize State Department of Water Resources (“DWR”) facilities to effectuate water transfers is generally between July and November of any given year. By shifting production sources, the City was able to generate approximately \$8.2 million in additional revenue for those fiscal years. The revenues for the groundwater transfer program are included in the Historical Operating Results contained in Table 11 as “User Fees and Charges.”

**Table 3  
Average Water Production<sup>(1)</sup>**

<b>Water Source</b>	<b>Average Annual Production (MG)</b>	<b>Average %</b>	<b>Average Daily Production Rate Over Calendar Year (MG)</b>	<b>Average Daily Maximum Month Production Rate (MGD)</b>
SRWTP	12,859	42%	35	59
FWTP	9,669	32%	26	36
Groundwater Wells	7,869	26%	22	27
<b>TOTAL</b>	<b>30,397</b>	<b>100%</b>	<b>83</b>	<b>122</b>

<sup>(1)</sup> For the period Fiscal Year 2018-19 through Fiscal Year 2022-23.

Source: The City

The SWRCB has proposed regulations which include permanent water conservation mandates, including requiring certain water suppliers to provide a new water-use budget every year beginning in 2025 and make significant water use reductions in the next few years. The City has provided the SWRCB comments on the proposed regulations. Principal concerns articulated in the comment letter relate to maintaining a vibrant and livable City for customers without compromising water affordability, which is a separate SWRCB goal of maintaining water affordability. The principal scope is to develop a program, with measures ranked by cost effectiveness, that will meet the potential regulations. The Department may need to install additional submetering to capture dedicated irrigation use. This will likely require additional funding to enhance water efficiency rebate programs. If the regulations are adopted, any related costs will have to be factored into future

financial modeling and, if necessary, rates. The Water System infrastructure will likely see limited impact as future growth is projected to offset downward pressure on the water use, leading to gradual increase in water demand. This gradual increase and the infrastructure needs to meet that increase are factored into the Water System CIP. To the extent that isolated sections of the Water System experience large unforeseen drops in water use, and water quality is degraded by aging water, the Department has a flushing program to maintain high quality water for its customers.

## **Water Rights and Resources**

In addition to the groundwater wells described above, the City possesses significant surface water rights, including five appropriative water rights permits issued by the State Water Resources Control Board (“**SWRCB**”) and pre-1914 rights (as described below and in Table 4). Diversions under the City’s water right permits are subject to the provisions of a water rights operating contract with the U.S. Bureau of Reclamation (“**BuRec**”). In addition, there also are some conditions whereby the City’s diversion rights are limited by the “Hodge Flow Criteria” as described below. The City’s water-rights permits (described in the table below) have a maturation date of 2030, which is the time by which the City must demonstrate its maximum water usage of surface water diverted to secure full licensure, request permanent license for past practices, or request a date extension. Conservation practices as required by the Water Conservation Act of 2009 (Senate Bill X7-7) enacted in November 2009, and modest growth have limited demonstrable increases in surface water usage and the City is unlikely to exercise its full entitlements by 2030. The City anticipates additional future demands as 2030 draws near and is planning to follow existing State procedures for requesting an extension, which would require consideration and approval by the SWRCB in accordance with applicable statutory and regulatory requirements. The City’s General Plan and Urban Water Management Plan support growth plans beyond 2030.

The State began its permitting system for water rights in 1914. Accordingly, all of the City’s water right permits (one on the Sacramento River and four on the American River) were issued by the State after 1914, and Table 4 provides data on these five permits. The City also possesses so called “pre-1914 rights” by virtue of the fact that the City was diverting water off the Sacramento River for service to City inhabitants prior to the State’s adoption of its water right permitting system in 1914. Based on the amount of Sacramento River water that was being diverted before the City’s SRWTP was expanded in the early 1920s, the City’s pre-1914 right entitles the City to divert Sacramento River water at a rate of up to 75 cubic feet per second. When the City reports its annual surface water diversions to the State, the City allocates these diversions between its five water right permits and its pre-1914 rights.

Surface water is currently diverted at two locations: from the American River downstream from the Howe Avenue Bridge, and from the Sacramento River downstream of the confluence of the American and Sacramento Rivers. The City’s current authorized Place of Use (“**POU**”) for water diverted under the Sacramento River permit includes all the land within the City limits, while the POU for water diverted under the American River permits includes land within the City limits and adjacent portions of the service areas of several other water purveyors.

The State is currently considering new, and potentially more stringent long-term conservation programs, and the City is tracking and providing input to this endeavor. The likely impact of more stringent long-term conservation programs on the City’s water infrastructure would be to extend any future date where demands would exceed capacity. Depending on growth in demand, any climate change adaptation infrastructure projects, and any new statewide mandates for water usage, new water production infrastructure may be needed, which could require changes to water rates or the issuance of additional Bonds or other Parity Obligations.

The following table summarizes the City’s water rights permits (note that the City’s rights as described below are limited in certain circumstances by the BuRec Operating Contract (defined below), the Hodge Flow Criteria, and Conference Year restrictions).

**Table 4**  
**City State Water Right Permits Post 1914 Summary**  
**City of Sacramento**

Permit No.	Priority Date <sup>(1)</sup>	River Source	Maximum Rate and Amount Specified		Place of Use
992	March 30, 1920	Sacramento	225 CFS*	26,655 MG	City of Sacramento
11358	October 29, 1947	American	675 CFS	79,833 MG <sup>(2)</sup>	79,500 acres within and adjacent to the City
11359	February 13, 1948	Tributaries of American			96,000 acres within and adjacent to the City
11360	July 29, 1948	Tributaries of American			96,000 acres within and adjacent to the City
11361	September 22, 1954	American			79,500 acres within and adjacent to the City

<sup>(1)</sup> The “**Priority Dates**” shown above are the dates that each water right application was filed. Since 1914, a party seeking surface water rights in the State has been required to apply to the State for a permit. Under permits issued by the State since 1914, when there is not adequate water available to satisfy all permittees’ uses, water use is governed by a priority doctrine where permits with earlier application dates (i.e., “**senior rights**”) take precedence over permits with later application dates (i.e., “**junior rights**”). Water rights obtained by water use before the permit system was instituted in 1914 are referred to as “pre-1914” rights, and during times of water shortage pre-1914 water rights take precedence over water right permits issued after 1914.

<sup>(2)</sup> Aggregate maximum applicable to the City’s diversions under all four American River permits pursuant to the 1957 operating contract between the City and BuRec. The full maximum amount of 79,833 MG is expected to occur in 2030.

\* CFS = Cubic feet per second.

Source: The City

*Bureau of Reclamation Operating Contract.* The City’s ability to use its entitlements for the Sacramento and American Rivers is subject to the provisions of an “Operating Contract Relating to Folsom and Nimbus Dams and Their Related Works and to Diversions of Water by the City of Sacramento,” Contract No. 14-06-200-6497 entered into in 1957 by the City and the BuRec (the “**BuRec Operating Contract**”). Under the BuRec Operating Contract, the City agreed to limit its combined diversion under its American River water right permits to a maximum rate of 675 cubic feet per second (“**CFS**”), and a maximum amount that may scale up to 79,833 MG a year by the year 2030. The City also agreed to limit diversion under its Sacramento River water right permit to a maximum rate of 225 CFS and a maximum amount of 26,655 MG per year. This limits the City’s total diversions of Sacramento and American River water under its water right permits to 106,488 MG in the year 2030 and in succeeding years. In return, the BuRec Operating Contract requires the BuRec to operate BuRec facilities so as to make available enough water in the rivers to enable the agreed-upon diversions by the City. The agreement is permanent and not subject to renewal.

*Water Forum Agreement.* The Water Forum was started in 1993 by a group of water managers, local governments, business leaders, agricultural leaders, environmentalists, and citizen groups with two “co-equal” goals: to provide a reliable and safe water supply through the year 2030, and to preserve the wildlife, fishery, recreational, and aesthetic values of the Lower American River. In 1999, after six years of negotiation, the Water Forum participants approved the 2000 Water Forum Agreement. It remains voluntary and in effect through 2030. (“**Water Forum Agreement**”).

As part of the Water Forum Agreement, each purveyor signed a purveyor specific agreement (“**PSA**”) that specified that purveyor’s Water Forum commitments. Of the various elements in the City’s PSA, two elements were also added to the City’s obligations under its water rights: the City’s PSA limits the quantity of water diverted from the American River to the FWTP during two conditions: extremely dry years (i.e., “**Conference Years**”) and periods when river flows are below the “Hodge Flow Criteria” issued by Judge Richard Hodge in the Environmental Defense Fund v. East Bay Municipal Utility District litigation (“**Hodge**

**Flow Criteria**”). These two conditions, collectively referred to as the “**PSA Limitations**,” are described in more detail below.

The Water Forum Agreement is in the middle of an update process to ensure the agreement remains relevant to current or changing conditions. This process is expected to take another two years and will likely include an extension to the 2030 termination date.

*Extremely Dry Years (Conference Years).* The PSA defines Conference Years as years in which the DWR projects an annual unimpaired flow into Folsom Reservoir of 550,000 acre feet per year (179,200 million gallons) or less, or the projected March through November unimpaired flow into Folsom Reservoir is less than 400,000 acre feet per year (130,300 million gallons). During extremely dry years, the City has agreed to limit its diversions for water treated at the FWTP to 155 cubic feet per second (100 MGD) and 50,000 acre-feet per year (16,300 million gallons). This has happened three times since 1922 (i.e., a frequency of about three years out of every 100 years). Any additional water needs must be met by diversions at other locations and/or other sources.

*Hodge Flow Criteria.* The Water Forum parties agreed to use the Hodge Flow Criteria as a minimum flow that would preserve and protect the in-stream resources of the Lower American River. The City’s PSA restricts the City from using a portion of the maximum allowable FWTP diversion capacity during periods when these flows are not met.

Under the City’s PSA, the FWTP may divert up to 200 MGD as long as the flow in the American River is greater than the Hodge Flow Criteria. When the flow in the American River is less than the Hodge Flow Criteria, diversion limits apply. Diversion limits have applied from time to time. However, application of the limits has not materially adversely affected the City’s ability to meet demand in the Water System.

*Delta Conveyance Project.* On January 15, 2020, the DWR released a Notice of Preparation announcing the preparation of an environmental impact report for the proposed Delta Conveyance Project — a single underground tunnel that could divert as much as 6,000 CFS of water from the Sacramento – San Joaquin River Delta during high-flow events. In July 2022, the project proponents released a Draft Environmental Impact Report (“**DEIR**”) and in December 2022 a companion document was released as Draft Environmental Impact Statement (“**DEIS**”). The City responded to both the DEIR and the DEIS with concerns the documents were deficient in a number of areas, including insufficient evaluation of water quality impacts, insufficient monitoring and mitigation related to water quality, lack of operational detail for impacts to water supplies and water rights, inadequate climate change analysis and technical errors and omissions.

The City continues to evaluate the proposed Delta Conveyance Project to determine whether it could cause operational changes that would adversely affect available water supply or water quality in the American River region or cause an adverse effect on fish and wildlife not addressed by the project proponents.

*Groundwater.* The City has historically relied on groundwater to satisfy a portion of its demand. The City overlays two subbasins of the Sacramento Valley Groundwater Basin (the North American and South American Subbasins). The City is one of many water purveyors that utilizes groundwater from the subbasins. The City has 26 permitted potable supply wells north of the American River, and 4 potable supply wells are located south of the American River. The City pumps groundwater from both subbasins, although approximately 80-90% of the amount pumped by the City is pumped from the North American Subbasin.

In 2014 the State enacted the Sustainable Groundwater Management Act (“**SGMA**”). The legislation provides a framework for sustainable management of groundwater supplies by local authorities. The SGMA requires the formation of local groundwater sustainability agencies (“**GSAs**”) that must assess conditions in their local water basins and adopt locally based groundwater-sustainability plans. The SGMA required these GSAs to submit Groundwater Sustainability Plans (“**GSP**”) by January 1, 2022, which was accomplished by both GSAs the City participates in.



The City is an active member of two local groundwater management agencies: 1) the Sacramento Groundwater Authority whose boundaries include the portion of the City north of the American River, and 2) the Sacramento Central Groundwater Authority, whose boundary includes all portions of the City limits south of the American River. Both GSAs are in compliance with SGMA regulations. Given the relatively recent passage of SGMA, and the creation of the GSPs, the long-term impacts are not fully understood, though submitted GSPs identify a positive position for the North and South American subbasin. Relative to the entirety of the State, State DWR has identified the North and South American subbasin as being the few geographic areas showing positive trends in groundwater levels. The initial assessment is that curtailment of the City's current groundwater production capacity is unlikely. Current groundwater extractions and future goals to expand the City's groundwater resources were included with locally developed groundwater sustainability plans. The GSAs supply annual reports of basin conditions to DWR on an annual basis and plan GSP updates on a five-year cycle to maintain currency of basin conditions. The most current annual report from the North and South American Subbasins were published in March and April 2023, respectively. Those reports are available on those agencies' websites. In July 2020, DWR announced that the GSPs affecting the City were approved.

### **Environmental Compliance**

The Stage 2 Disinfectants and Disinfection Byproducts (“DBP”) Rule requires two types of disinfection byproducts (trihalomethanes and haloacetic acids) to be lower than their respective regulatory standards at representative monitoring locations throughout the distribution system. Based on past monitoring results, the City continues to be in compliance with the Stage 2 DBP Rule. However, during the 2012 to 2016 drought, lower water levels in the American and Sacramento Rivers ultimately resulted in higher DBPs in the distribution system, highlighting the potential to exceed regulatory limits, especially in the southern portion of the City's distribution system. To mitigate the effect of future drought conditions on distribution system DBP levels, the City is in the process of working with regulators on finalizing the permitting of a groundwater treatment facility in the south area. Due to differing water chemistry and different treatment processes, the City's treated groundwater typically has lower levels of DBPs than does the City's treated surface water. The City's south area is predominantly supplied with treated surface water. Increasing the supply of treated groundwater is expected to lower DBP levels in the south area. The new facility is expected to be in service by the end of 2023.

Beginning April 1, 2016, water systems were required to comply with the United State Environmental Protection Agency (“USEPA”) Revised Total Coliform Rule. This regulation requires public drinking water systems to notify the public if a test exceeds the standard for E. Coli in drinking water. The regulation also requires the prioritization of the distribution system for rehabilitation and implementation of a flushing program. The City is in compliance with the revised Total Coliform Rule.

In 2014, DDW published a Final Hexavalent Chromium Regulation which included a Maximum Contaminant Level (“MCL”) of 10ppb. Monitoring data at the time indicated 13 wells were within 50% of the MCL and therefore required more frequent monitoring. In addition, one City well was suspended from service due to levels approaching the MCL. However, on May 31, 2017, the Supervisor Court of Sacramento County issued a judgement invalidating the hexavalent chromium MCL for drinking water. The court ordered the State Water Resources Control Board (State Water Board) to take the necessary actions to delete the hexavalent chromium MCL from the California Code of Regulations. As of September 11, 2017, the maximum contaminant level for a hexavalent chromium is no longer in effect and there is currently no MCL in place. Rulemaking for a new Hexavalent Chromium Regulation which includes MCL of 10 ppb started on June 16, 2023, and will be followed by a public hearing to receive oral comments on August 2, 2023, with written comments due August 4, 2023. All comments received will be considered by State Water Board staff prior to presenting to the State Water Board for adoption. The timing of the State Water Board's consideration depends on the number and nature of comments received, but regular rulemakings are required to be completed and submitted to the Office of Administrative Law no later than one year after publication of the Rulemaking Notice. The re-establishment of a Hexavalent Chromium MCL at 10 ppb will likely require the addition of

treatment at some City wells or their removal from service; either approach would significantly increase system operating costs.

The USEPA's Lead and Copper Rule ("LCR") was promulgated in 1997. On January 15, 2021, US EPA issued revisions to federal LCR. USEPA's new Lead and Copper Rule Revisions ("LCRR") aim to strengthen the LCR to better protect communities and children in elementary schools and childcare facilities from the impacts of lead exposure. The LCR was finalized in December 2021. On December 16, 2021, USEPA announced the development of a new regulation, Lead and Copper Rule Improvements ("LCRI"), to better protect communities from exposure to lead in drinking water. The objective of the LCR, LCRR, and LCRI is to minimize the corrosion of lead- and copper-containing plumbing materials in public water systems by requiring utilities to optimize treatment control. The LCR establishes action levels instead of MCLs for regulating the levels of both lead and copper in drinking water. Historically, lead pipe was used in some City service connections but unfortunately, the City does not have an inventory of all such components due to the absence of specific historical records. However, as an added benefit of the Accelerated Meter Project, the City has replaced approximately 38,500 service connections since 2015, including those in neighborhoods more likely to have lead whip service connections. The City is currently engaged in a service line inventory project in compliance with the LCRR. The inventory is due to the State by October 2024 in order to meet the LCRR requirements and the City is on track to meet this deadline. In addition, the City practices corrosion control in its surface water treatment processes and 2017 and 2020 monitoring data of representative customer homes demonstrates compliance with the LCR. The City will complete an updated round of LCR monitoring in 2023. Compliance with the LCRR and LCRI will likely increase Water System costs.

Compliance with the LCRR and LCRI may entail additional testing in school facilities, as will legislation currently pending in the CA legislature. Compliance with these regulations will likely increase Water System costs.

Pending regulatory activity with potential to impact Water System costs include the USEPA Contaminant Candidate List 5 ("CCL") which was announced in July 2021. The CCL is a list of contaminants that are currently not subject to any proposed or promulgated national primary drinking water regulations but are known or anticipated to occur in public water systems. Contaminants listed on the CCL may require future regulation under the Safe Drinking Water Act ("SDWA"). USEPA began developing a draft version of CCL 6 in February 2023.

In August 2019, the California Office of Environmental Health Hazard Assessment recommended a notification level for PFAS at the lowest levels that substances can be reliably detected in drinking water. Subsequently the Division of Drinking Water of the State Water Resources Control Board ("SWRCB") set the notification levels at 6.5 parts per trillion (ppt) for Perfluorooctane sulfonic acid ("PFOS") and 5.1 ppt for Perfluorooctanoic acid ("PFOA"). If exceeded, water providers must notify their governing bodies, and the SWRCB recommends they inform customers. In early 2020, SWRCB also set response (action) levels at 10 ppt for PFOA and 40 ppt for PFOS. If exceeded, water providers are required to either take the water source out of service, provide treatment, or notify customers in writing. On January 1, 2020, Legislation requires the water systems that receive a monitoring order from SWRCB and detect levels of PFAS that exceed their respective response level must either take a drinking water source out of use or provide specified public notification if they continue to supply the water above the response level. The regulatory requirements associated with PFAS continue to evolve, including USEPA's March 14, 2023, announcement of a proposed National Primary Drinking Water Regulation for six PFAS compounds. Once MCLs for PFAS are promulgated, it is likely that Water System operational costs will also increase due to the addition of treatment at some City wells or their removal from service. As described in "Water System Facilities" the City has currently discontinued use of one groundwater well as a result of the detection of PFAS above the notification levels. In addition to State monitoring requirements, the City has performed additional monitoring to ensure compliance and gather data to assist with remediation assessment. The frequency of additional PFAS monitoring under the City's internal, voluntary monitoring plan varies depending on the source (i.e., which

well) and the trending of analytical results derived to date. Groundwater wells with a trend of PFAS detections are monitored more frequently than wells with a consistent trend of non-detect results.

The 2018 America's Water Infrastructure Act ("AWIA") required that water systems serving more than 3,300 people conduct a Risk and Resilience Assessment ("RRA"), prepare or revise an Emergency Response Plan ("ERP"), submit a certification letter upon completion to the USEPA, review, update, revise as necessary and, maintain records (keep copies of RRA and ERP and any updates for 5 years after certification submittal). In accordance with AWIA, the Department produced a RRA which includes a review of climate change consequences related to drought and loss of source water. Due to the City's groundwater supplies and to recent improvements at the intake structures for both water treatment plants, drought is classified as a low-risk hazard under the AWIA. However, potential loss of source water, which includes the effects of wildfire on water quality, are classified as a high-risk hazard for the City's water treatment plants. The RRA classifies potential loss of source water for the City's groundwater supplies as a medium-risk hazard principally due to infrastructure age.

In partnership with other local water agencies, the City is developing a Voluntary Agreement ("VA") with the State and other local agencies on conjunctive use of surface water and groundwater supplies that will allow flexibility in meeting local water demands based on water availability while supporting regional water resources management and sustainability. The goal for the State is to secure outflowing surface water for aquatic resources. As of July 2023, the State has entered into an agreement with the Regional Water Authority ("RWA") to disperse \$55 million in an "early funding grant" to local agencies (including the City) for the construction of groundwater-related facilities in exchange for those agencies operating their facilities in such a fashion to shift towards 30,000 acre-feet in groundwater production rather than use surface water in dry years. The term is three out of eight years (with a four-year extension rider if no dry years occur). The City anticipates entering into a subsequent agreement with the RWA by the end of 2023 to receive approximately \$7.06 million (12.8%) of the \$55 million with a guarantee to shift towards 3,932 acre-feet of groundwater (13.1% of the 30 thousand acre-feet) as part of its participation share. Additionally, the City anticipates entering into partnerships with its wholesale customers during "calls" for groundwater to reduce delivery of wholesale surface water as those wholesale customers rely on their own groundwater facilities. Those other agencies would also be eligible for a share of the \$55 million grant commensurate with a prorata commitment to produce surface water outflow. The full VA process is still being contemplated as part of the update to the State of California Bay-Delta Water Quality Control Plan.

As a member of the RWA, the City participates in other regional groundwater planning activities that include stakeholder participation in groundwater protection from historic contamination plumes at Aerojet and the former McClellan Air Force Base. City staff has met with staff from the Central Valley Regional Water Quality Control Board and California Department of Toxic Substances Control to obtain the latest information on groundwater-contamination plumes north of the American River. Discussions are still occurring regarding the movement of these plumes and whether additional treatment along the edges of the plumes will be required.

The City, along with other local agencies that draw water from the Sacramento and American Rivers, participates in several efforts to preserve and protect the water quality of our surface water sources. Activities include participation in watershed management programs, tracking the latest information, and conducting technical evaluations and public outreach. These efforts help the City anticipate and prepare for impacts to surface water due to urbanization in the watershed, climate change and other threats to water quality.

Process and equipment repairs and upgrades at the water treatment plants and wells are routine and ongoing activities in the operation of a water system. However, more extensive modifications may be necessary to address potential future changes to federal and State water quality standards. While the City has included the estimated cost of compliance with regulatory requirements in the Projected Operating Results, there can be no assurances that compliance with existing or future requirements will not significantly exceed such estimates. See "CERTAIN RISK FACTORS - Statutory and Regulatory Impact."

There can be no assurances that compliance with existing or potential future regulatory requirements will not materially adversely impact the operation or finances of the Water System.

**Customers**

The following table below shows the number of connections of the Water System by user type. Between Fiscal Year 2018-19 and Fiscal Year 2022-23, on average approximately \$7.7 million annually in Water System revenues was derived from irrigation purposes. The delineation of Water System revenues from irrigation purposes between residential and commercial/industrial customers cannot easily be determined. In the worst-case scenario where 100% of revenues derived from irrigation purposes is attributable to commercial/industrial customers, commercial/industrial customers would account for about 26% of Water System Revenues. In reality, commercial/industrial customers account for somewhere between 20 – 26% of Water System revenues annually.

**Table 5**  
**City of Sacramento**  
**Water System**  
**Number of Connections by User Type**  
**as of June 30**

User Type	2019	2020	2021	2022	2023
Residential	131,277	132,818	133,731	135,056	136,040
Commercial/Industrial	11,554	11,851	12,038	12,094	12,197
Total All Users <sup>(1)</sup>	142,831	144,669	145,769	147,150	148,237

<sup>(1)</sup> Total does not include the three outside wholesale accounts, one wholesale/wheeling account and one wheeling account.

Source: The City

The table below shows the ten largest Water System customers based on service charge revenues (as well as percentage of total revenues) during the Fiscal Year 2022-23.

**Table 6**  
**City of Sacramento**  
**Water System**  
**Largest Customers by Service Charge Revenue<sup>(1)</sup>**  
**Fiscal Year 2023**

User	Service Charge Revenue	Percentage of Total Revenue <sup>(1)</sup>
City of Sacramento	\$ 4,590,089	3.42%
State of California	1,139,582	0.85%
Sacramento City Unified School District	1,050,785	0.78%
Proctor & Gamble Mfg Co	734,539	0.55%
HP Hood LLC	581,325	0.43%
SMUD (Sacramento Power Authority)	477,759	0.36%
Sacramento Housing and Redevelopment Agency <sup>(2)</sup>	457,437	0.34%
Regents of the University of California	422,278	0.31%
County of Sacramento	417,100	0.31%
CG Woodlands Limited Partnership	288,389	0.21%
<b>Total</b>	<b>\$ 10,159,283</b>	<b>7.56%</b>

<sup>(1)</sup> Total revenue of approximately \$134.2 million in Fiscal Year 2022-23.

<sup>(2)</sup> Includes SHRA and City Housing Authority Entities.

Source: The City

The City wholesales water to Cal Am, the SSWD, NUSD, and the SCWA. The City also provides wheeling services to the SCWA. Each of these customers has an agreement stating specific maximum rates of treated City surface water it receives utilizing “firm capacity.” Firm capacity is defined as the capacity in the City’s treatment and transmission facilities to divert, treat, and deliver surface water on an equal priority to the use of such capacity to meet demands of the City’s retail customers, with two exceptions: (1) The maximum rate specified in the Cal Am agreement is reduced when flows in the lower American River at the City’s FWTP fall below the Hodge Flow Criteria; and (2) No water is delivered to SSWD from the FWTP when flows in the lower American River at the City’s FWTP fall below the Hodge Flow Criteria.

### **Rates and Charges**

Subject to the requirements of Proposition 218, the City has the power to establish rates and charges for services provided through the Water System. See “CERTAIN RISK FACTORS - Certain Limitations on the Ability of the City to Impose Taxes, Fees and Charges.” The rates and charges are recommended by the Utilities Rate Advisory Commission, a non-binding advisory commission established by the City Council and are not subject to approval by any agency other than the City Council. The following table shows the percentage amount of rate increases adopted by the City since Fiscal Year 2012-13.

**Table 7**  
**City of Sacramento**  
**Water System**  
**Adopted Increases<sup>(1)</sup>**

<b><u>Fiscal Year</u></b> <b><u>(ending June 30)</u></b>	<b><u>Rate Increase %</u></b>
2013	10%
2014	10
2015	10
2016	0
2017	10
2018	10
2019	10
2020	10
2021	0
2022	0
2023	0
2024	0

<sup>(1)</sup> At this time, the City does not anticipate a rate adjustment for the Water System through the end of the projection period in Fiscal Year 2027-28.

Source: The City

To analyze the revenue requirements needed to fund infrastructure projects to ensure Water System reliability and sustainability; move toward meeting industry best practices for infrastructure replacement and maintenance; and maintain compliance with federal, state, and local regulatory mandates, the Department contracted with the FCS Group, a consulting firm specializing in the process of setting utility rates. The Department used the revenue requirements developed by the FCS Group as the basis for the rate adjustments which the Department recommended and the City Council approved for Fiscal Years 2012-13, 2013-14, and 2014-15. Utilizing the same methodology, the Department recommended rate adjustments that the City Council approved for Fiscal Years 2016-17, 2017-18, 2018-19, and 2019-20. No rate increase is currently planned through Fiscal Year 2027-28.

The following table shows selected monthly rates for the Water System for Fiscal Years 2020-21 through 2023-24.

**Table 8**  
**City of Sacramento**  
**Water System**  
**Selected Monthly Rates<sup>(1)</sup>**

	July 1, 2020	July 1, 2021	July 1, 2022	July 1, 2023
<b>Flat Water Use Rates (per month)</b>				
<b>Single Family Residential:</b>				
1-3 rooms	\$ 47.32	\$ 47.32	\$ 47.32	\$ 47.32
4-5 rooms	61.58	61.58	61.58	61.58
6-9 rooms	66.95	66.95	66.95	66.95
10-15 rooms	77.35	77.35	77.35	77.35
Over 15, each additional room	5.43	5.43	5.43	5.43
<b>Metered Water Use Rates</b>				
<b>Water Usage Rate (\$/CCF)</b>	\$ 1.4587	\$ 1.4587	\$ 1.4587	\$ 1.4587
<b>Service Charge (per month)</b>				
<b>Metered Size:</b>				
5/8" x 3/4"	\$ 35.72	\$ 35.72	\$ 35.72	\$ 35.72
3/4"	35.72	35.72	35.72	35.72
1"	35.72	35.72	35.72	35.72
1½"	67.29	67.29	67.29	67.29
2"	105.15	105.15	105.15	105.15
3"	193.49	193.49	193.49	193.49
4"	319.72	319.72	319.72	319.72
6"	635.25	635.25	635.25	635.25
8"	1,013.87	1,013.87	1,013.87	1,013.87
10"	1,455.63	1,455.63	1,455.63	1,455.63
12"	2,717.78	2,717.78	2,717.78	2,717.78

CCF = One hundred cubic feet

<sup>(1)</sup> At this time, the City does not anticipate a rate adjustment for the Water System through the end of the projection period in Fiscal Year 2027-28.

Source: The City

*Transition to Usage-Based Water Rates for Single Family Customers.* The State adopted legislation requiring that all existing residential metered water services begin receiving metered water bills effective January 2011. The same legislation requires that all water utility customers (including the Water System's customers) have meters installed no later than January 1, 2025. On May 24, 2005, the City Council adopted Resolution No. 2005-347, directing that water meters be installed throughout the City. The City began transitioning single family residential customers who had received more than one year of comparative metered billing from the flat-water rates to water-usage in January 2011.

The City currently charges both a flat-rate structure and a uniform metered charge for its customers. Where meters are installed and charged, metered consumption fees consist of two components – a monthly fixed charge based upon the meter size; and a volumetric uniform commodity rate charged per hundred cubic feet of water usage.

Once a meter is installed, the customer continues to be billed on a flat rate for one year before the metered rate is charged. During this year of "comparative billing", the customer's water usage and respective metered rates are displayed on the bill allowing the customer to become familiar with his or her water usage

and make water conservation choices. This “comparative billing” is a communication and public outreach strategy employed by the City to encourage conservation.

As of August 2023, the City was over 99% metered. The City anticipates meeting the State mandate prior to January 1, 2025.

In addition to imposing fees for water service, the City also imposes development impact fees as a condition for connecting new properties to the Water System.

### **Collection Procedures**

The City bills the legal owners of parcels for water service connections to the City’s Water System. Water service connections include domestic potable, irrigation, and fire service. Billing for water service is included on a monthly bill that may include other utility services provided by the City. Bills are generated within 16 billing cycles a month. Typically, one cycle is billed each business day. Bills are due 20 days from the bill-generation date in accordance with the City Code, and late-payment penalties are automatically assessed once an account becomes 15 days past due (i.e., 35 days after the bill date). A 10% late charge is added to each service charge on the account for a single bill’s current charges once it becomes 15 days past due. An additional 0.5% late penalty is added each month to the portion of the overall outstanding balance that is 45 days past due.

Late-payment penalties on the City’s utility bills were not charged from March 2020, when the City temporarily waived penalties to reduce the impacts of the COVID-19 pandemic on customers in response to City Council direction and State COVID emergency order limited nonpayment enforcement options, until September 2023. In October 2023, the City resumed imposing late payment penalties on delinquent utility bills. A delinquency notice is generated to the legal owners once an account becomes 60 days past due. If the account is not paid current, a lien is then assessed against the parcel at 75 days past due (i.e., 95 days after the bill date).

The City received approximately \$2.65 million from State and federal COVID-related funding to pay a portion of customer arrearages resulting from the pandemic. These funds are included in “User Fees and Charges” in Table 12.

Annually, legal owners of parcels with delinquent accounts that have a balance more than 75 days past due are noticed with a special-assessment levy. Legal owners are given the opportunity to protest the charges and have a hearing before an independent hearing officer. Unpaid delinquent amounts are placed on the County property-tax bills annually once approved by City Council in July.

In Fiscal Year 2022-23, 12,000 liens were recorded against properties having delinquent service charges each year, and 5,453 properties have had special assessment levies placed on the property-tax bills. The number of liens and levies represent the properties that had at least one delinquent utility-service charge. From Fiscal Year 2021-22 to Fiscal Year 2022-23, \$2 million in delinquent water service charges have been placed on delinquent customers’ property tax bills as a special assessment levy.

The City believes that the use of liens to secure the payment of delinquent charges and late fees is an effective tool to ensure collection of delinquent accounts. If a property changes ownership and there is a lien on the property, the title companies issue a demand notice and payment is made to the utility. If a subject property is foreclosed and a trust deed is in place, the lien with respect to the utility bills is removed (without payment of the delinquent amounts). Accounts with these types of foreclosures as well as accounts that close with delinquent amounts less than 75 days past due are sent to a collection agency, which then pursues collection of the unpaid amount on the closed accounts.



The following table shows unpaid water charges which the City was unable to collect through the lien and special-assessment procedure described above. When establishing rates each year, the City takes into account projected amounts of charges that it will be unable to collect.

**Table 9**  
**Uncollected Water System Charges**  
**(Fiscal Year ended June 30)**

Amount	2019	2020	2021	2022	2023
	\$147,268	\$0	\$370,275	\$130,904	\$89,864

Note: In May 2019, the Department implemented new billing software. As a result, the write-off process was not activated during fiscal year 2019-20. The uncollected Water System charges for fiscal year 2019-20 in the amount of \$191,185 was reported in fiscal year 2020-21.

Source: The City

### **General Fund Tax on Water System Revenues**

In 1998, voters in the City approved Measure I, which provides for a general tax on the City’s water, sewer, storm drainage and solid waste enterprises in the rate of 11% of the total gross revenues received from user fees and charges of all of the enterprises combined. Measure I (codified as Section 41.10.150 and superseded by Section 3.20.010 of the City Code) also provides that, in levying the tax, the City Council may impose a tax rate higher or lower than the 11% on one or more of the enterprises, so long as the total tax paid by all of the enterprises does not exceed 11% of the total gross revenues received from user fees and charges of all of the enterprises combined.

The City currently imposes the tax at the rate of 11% of the collected utility user fees of each of the enterprises, including the Water System. In preparing the budget for the Water System each year, the City takes into account the requirement that 11% of collected utility user fees be paid as the tax, and sets rates and charges accordingly. The City estimates the total amount of the general tax that will be due, and by the first day of each month during the fiscal year, one-twelfth of that amount is recorded to the General Fund on the City’s books from the receipts of the Water System. At the end of each Fiscal Year, the City compares the total amount of monthly amounts allocated to 11% of the actual collected utility user fees of the Water System, and a reconciliation is made between the Water Fund and the General Fund.

Pursuant to the Indenture, System Revenues do not include the portion of gross revenues of the Water System from user fees and charges that are recorded to the City’s General Fund as part of the voter approved general tax pursuant to the City Code. Such amounts have not been included for purposes of the calculation of debt service coverage in the Projected Operating Results. See “Projected Operating Results.”

The City successfully defended its 11% General Fund Tax against a recent taxpayer lawsuit. On January 29, 2021, the Court of Appeal ruled in *Wyatt v. City of Sacramento* that the City’s imposition of a surcharge in the form of a general tax on its property-related utility services payable to the City’s General Fund did not violate the California Constitution’s Proposition 218 restrictions on fees and taxes.

### **Budgetary and Financial Procedures**

The Water Fund is an enterprise fund used to account for the activities associated with the production, distribution, and transmission of potable water by the City to its users. The Water Fund supports both the capital and operating costs of providing potable water throughout the City including production, treatment, and distribution systems. Revenues are generated by user fees, interest earnings, development impact fees, tap sales, and reimbursements from other entities for service performed by or paid by the Water Fund. Generally, revenues are to be used to offset enterprise operations and improvements and may not exceed the estimated reasonable cost of providing these services, plus overhead.

The user fees and development impact fees are collected through various methods and deposited to a commercial bank. Then, typically within one business day of receipt, such amounts are deposited into the City's general bank account, which account is used for the receipt of all of the City's cash (including cash from the City's other utilities, parking facilities and General Fund amounts). Each night, the amounts in this account are swept into the City's primary investment account, which is part of the City's Pool A (described below). The City then identifies the amounts within Pool A that consist of utility payments (includes payments from all of the City's utilities, including the Water System) and records these amounts to a utility revolving fund in the City's books. Payments for each utility are then recorded to the appropriate enterprise fund in the City's books, which in the case of the Water System is the Water Fund.

*Designated Reserve Fund Policy.* On January 24, 2023, the City Council approved the Department's Designated Reserve Fund Policy ("**Policy**"). This Policy establishes the level of reserves necessary for maintaining the sustainability, creditworthiness, and credit ratings for the enterprise utility systems under the Department's management and for adequately providing for unforeseen circumstances. The purpose of this Policy is to ensure the Department's ongoing fiscally sound financial management of the Water, Wastewater, and Storm Drainage Systems, which provides the Department with a formal process to establish unrestricted Operating and Capital Reserves.

*Operating Reserve.* The Operating Reserve has a minimum of 120 days of working capital consistent with past practices, and the Capital Reserve has one-year budgeted capital expenditures with a target of five years. Per the Policy, the five-year target for the Capital Reserve will be achieved over time through annual budget savings.

*Rate Stabilization Fund.* The City has currently elected to maintain a Rate Stabilization Fund pursuant to the Indenture. The balance in the Rate Stabilization Fund as of the date hereof is approximately \$8.4 million, and consists of 25% of the maximum annual debt service for all Parity Obligations (with exception of the SRF Loan, which has a separate reserve), and unsecured obligations. These funding requirements are reflected in the Historical Operating Results and the Projected Operating Results. (While the City currently maintains the Rate Stabilization Fund as described herein, the City is not required to do so pursuant to the Indenture. The City is actively considering discontinuation of the use of the Rate Stabilization Fund and there can be no assurances that the use of the Rate Stabilization Fund will not be discontinued after the issuance of the Series 2023 Bonds.)

*Operating and Capital Reserves.* The Operating and Capital Reserves are unrestricted and are therefore included in the available fund balance in the Projected Operating Results. There will be a variance between the available fund balance depicted in the Projected Operating Results, and the available fund balance of the Water Fund depicted in the City Council approved budget. For budgeting purposes, the annual budget excludes the unrestricted reserves from the available fund balance.

The City maintains a number of funds in connection with the Water System, consisting of the following:

*Water Fund.* Revenue generated by the City for the purpose of providing water service to its customers is deposited in the Water Fund. Revenues are derived from customer fees, interest earnings, development impact fees, tap sales, and reimbursements from other entities for services provided. Water Fund revenues are structured to cover the costs of providing water service to its customers which include water treatment, plant maintenance, water distribution system repair and maintenance, water conservation and education programs, water quality monitoring, related engineering services, customer service and billing, the City-County Office of Metropolitan Water Planning, and capital improvements.

*Development Impact Fee Fund.* Revenue generated by the City in relation to Water System development impact fees are deposited in the Development Impact Fee Fund. Water System development impact fees are one-time fees paid at the time of connection to the Water System and represent the estimated reasonable cost of providing system capacity to new development. The Water System development impact fees are based on the system buy-in and incremental methodologies. The City completed an updated Nexus Study in October 2023 using best practices, current data, and ensuring the calculation methods meet all regulatory guidelines. Impact fees were approximately \$5.8 million in Fiscal Year 2019-20, \$4.7 million in Fiscal Year 2020-21, \$4.4 million in Fiscal Year 2021-22, and \$5.1 million in Fiscal Year 2022-23. Impact fees were expected to decline each year to approximately \$1.5 million in Fiscal Year 2025-26, but on October 2023, the City Council approved increases in the impact fees which, over time, will triple the fees from current levels. The approved increases in the impact fees have not been included in the Projected Operating Results or in the expected sources of funding in the Official Statement.

*Grant Projects Fund.* The Grant Projects Fund was established in Fiscal Year 2011-12 to account separately for Water Fund restricted grants and other third-party reimbursements for multi-year programs.

In addition, the SRF Loan requires that the City establish a stand-alone reserve fund at an amount equal to maximum annual debt service with respect to the SRF Loan (approximately \$8.2 million).

*Financial Planning.* The Department utilizes a general set of business principles in making day-to-day or long-term decisions. These business principles include regulatory compliance, financial self-sufficiency, maintenance of creditworthiness, and an intention that capacity charges should pay for the costs of increased capacity.

The Department has developed long-range financial plans to evaluate alternatives for funding its capital and operational needs related to the Water System. The current version of the Financial Plan for the Water System was presented to the City Council on March 29, 2016. The plan included a 30-year Water Infrastructure Investment Program (the “**Program**”) and a four-year rate plan, which allowed the City to begin to implement the Program. The Department is working with the City Treasurer’s Office and the City’s primary municipal advisor to strategize and formalize a long-range financial plan, which will be taken to City Council for approval upon its completion.

The Department submits the annual budget for review and eventual inclusion within the City Manager’s budget proposal submitted to the Mayor and City Council by May 1<sup>st</sup> of each year preceding the start of each fiscal year (July 1).

The City Council formed the Utilities Rate Advisory Commission in 2008 to provide input to the Mayor and City Council on the City’s utilities service rates. At this time, the City intends to use available revenues and unrestricted fund balance of the Water Fund to fund the CIP through the end of the Fiscal Year 2027-28.

In October 2023, the City entered into an agreement with Raftelis Financial Consultants (“Raftelis”) to conduct reviews of the City of Sacramento’s Water Fund and Wastewater Fund. The reviews will be managed by the Office of the City Auditor, and will include consideration of (i) fiscal policies and procedures; (ii) expenses, revenues and funding history; (iii) service level and system capacity; (iv) valuation; (v) fiscal forecasting; and (vi) reports and presentation. The reports are scheduled to be completed in mid-2024, at which time Raftelis will present the results of its analysis to the City, which will include comparisons to peer utilities. The reports will take into account regulations proposed by the SWRCB described in “Recent System Production.”

## Investment of Funds

Funds of the Water System are invested in the City's Investment Pool A ("**Pool A**"). Pool A contains approximately 99% of the City's cash and investments and is governed by the investment policy of the City Treasurer (the "**Investment Policy**") which is annually presented to the City Council for approval. This policy requires the City Treasurer to conform to Government Code sections 53600, et seq., with the primary objectives, in order of priority, of safety, liquidity, and yield. Quarterly, the City's investment committee (the "**Investment Committee**") consisting of representatives of the various entities which are investors in Pool A (including various City, Sacramento City Employees' Retirement System, Sacramento Housing and Redevelopment Agency, Capital Area Development Authority, American River Flood Control District, The Natomas Basin Conservancy, Sacramento Public Library Authority, and several endowment funds representatives) convenes to review the investments and performance of the investments. The Investment Committee also reviews the implemented investment strategy in relation to the changing financial markets. The City Treasurer submits an investment activity report monthly for review by the City Council, which report includes minutes of each quarterly Investment Committee meeting.

Water System Funds in Pool A are available to the City (including the General Fund) for cash flow purposes during each fiscal year. Any amounts used by such purpose must be repaid prior to June 30 in the fiscal year in which they are borrowed. While the City utilized Water System and other enterprise funds for cash flow purposes from time to time in the past (and may do so in the future), the City also has utilized tax revenue anticipation notes for cash flow purposes from time to time, but has not done so since July 18, 2013.

See "CERTAIN RISK FACTORS- Effect of Losses in City Investment Pool."

## Capital Improvement Program

The City's capital improvement program includes a comprehensive five-year plan for capital project expenditures for the entire City, including the Water System. The capital improvement program is a guide for identifying current and future fiscal requirements and becomes the basis for determining annual capital budget expenditures. Capital improvements are major projects undertaken by the City that are generally not recurring and are for repairs, maintenance, improvement, or acquisition with a total cost of at least \$20,000.

*Water CIP.* The focus of the Water System CIP over the next five years will be on rehabilitating and/or replacing critical infrastructure, including groundwater production facilities and rehabilitation and improvements at many of the City's drinking water storage reservoirs. Additionally, the focus will be on the continued development of resiliency projects at the water treatment plants to address climate change and reliability.

The following table sets forth capital improvement costs identified in the CIP through Fiscal Years 2027-28, as well as sources of funding.

**Table 10**  
**City of Sacramento**  
**Projected Water System CIP and Sources of Funding**  
**(in Millions)**

<b>Fiscal Year Ending June 30</b>	<b>Grant Proceeds</b>	<b>Impact Fees</b>	<b>Current Revenues</b>	<b>Total Capital Improvement Cost</b>
2024	\$ 1.4	\$ 1.5	\$ 25.7	\$ 28.6
2025	0	5.4	18.0	23.4
2026	0	1.0	28.0	29.0
2027	0	1.0	28.8	29.8
2028	0	1.0	25.4	26.4
Total	\$ 1.4	\$ 9.9	\$ 125.9	\$ 137.2

Source: The City

The impact fees in the table above are based on the current fee schedule. On October 24, 2023, the City Council approved the Department’s recommendation for adjusted Water development fees. See “Budgetary and Financial Procedures - *Development Impact Fee Fund*.”

*Future Capital Improvements.* The City’s Water Master Plan Update (“**2023 Water Plan Update**”) was completed in January 2023, and reevaluated the City’s water supply needs, the projected availability and reliability of the City’s water supplies, and the required Water System infrastructure improvements to ensure a safe and reliable water supply for the City’s residents and businesses. Long-term planning includes rehabilitation and new construction projects to meet future water demands projected for 2030, 2040, and 2050. A key example of a future supply project is the aforementioned RiverArc project (see “Water System Capacity”). As mentioned above, the CIP includes a comprehensive five-year plan for identifying current fiscal requirements. Additionally, the program includes a long-term 30-year capital investment plan that serves as a planning tool and guide for longer term projects/programs to ensure that it is consistent and incrementally keeping pace with the need to invest in the City’s critical and aging infrastructure. The goals of the 30-year plan are to fully comply with regulatory, legislative, and other requirements, to accelerate Water System infrastructure replacement to the “Best Practices” level and, where necessary, to improve systems where they do not meet current levels of service.

The City will continue to face future fiscal challenges in sustaining the level of service customers expect with an aged Water System infrastructure that has some components nearing or exceeding their remaining service life. The City needs to continue its ongoing effort to implement the long-term plan to address the above-mentioned goals beyond the current five-year plan.

The 2023 Water Plan Update considered the projected impact of potential future growth in the City through 2040, in alignment with the City’s General Plan update, and through 2050 using Sacramento Area Council of Governments’ estimates. Substantial improvements and expansions to the Water System may be required if projected growth as outlined in the Water Plan Update occurs. Currently the City is in the early planning stages for expanding water supply capacity to meet potential growth within the City. The City considered the potential for expansion of the SRWTP treatment capacity, or participation in a new regional water treatment plant- the RiverArc project. The RiverArc project is the preferable option as a result of an evaluation of project costs, cash flow, and comparative benefits of the two projects. RiverArc would include updating and using an existing river intake located on the Sacramento River and constructing a new raw water booster pump station and raw water pipelines to a new water treatment plant. The water treatment plant would be constructed on a site north of the City. The City’s policy is that new development would bear the cost of these growth-related expansions or improvements, and therefore the costs of these expansions or improvements are not included in the Projected Operating Results. Any planned capital improvement costs are evaluated to ensure the appropriate funding source (Water Fund or Development Impact Fee Fund) is utilized

to support the project. The City also adopted its 2020 Urban Water Management Plan, in June 2021, which demonstrates that the City holds sufficient water rights to meet all projected water demands through at least 2045 (subject to perfection of the City's water rights, as described in "- Water Rights and Resources"). The Urban Water Management Plan also demonstrates that the City is meeting statewide mandates in water conservation. Urban Water Management Plans require updates on a five-year cycle and the City anticipates returning to City Council mid-2026 to consider a 2025 update.

*Impact of Supply Chain Delays:* Following the COVID-19 pandemic, issues with supply chains have created considerable challenges to construction. Due to disruptions in supply chains, costs of equipment and materials have increased substantially, demanding higher budget for projects. Longer lead times have also impacted project delivery schedules. This has resulted in a need to prioritize projects to stay within the five-year approved CIP included in the Projected Operating Results in Table 12.

*Deferred Maintenance.* On June 30, 2022, the Director of Public Works provided a report to the City Council concerning deferred maintenance of City assets, including the Water System. The report noted that deferred maintenance can result in failures in infrastructure and services, including broken water mains, often resulting in increased costs due to the need for major emergency repairs or replacements, can increase risks and liability, and can result in sub-optimal services to users of City facilities and infrastructure. The report estimated that there was approximately \$740 million of deferred maintenance in the Water System in 2022 dollars. When the Water Program Budget is developed or updated for the five-year Water and 30-year CIP budgets, deferred maintenance projects and programs are included. The highest priority projects are placed on the five-year budget list based on asset management criteria. Projects move to the 30-year CIP if funding in the five-year budget isn't available. The deferred maintenance projects have also been identified in the Water Supply and the Groundwater Plans.

## **Retirement Programs**

Salary and benefit costs of the Water System include funding of retirement benefits for employees assigned to the Water System who, as City employees, participate in the California Public Employees Retirement System ("PERS"). City employees assigned to the Water System constitute approximately 7% of all City employees. Retirement payments paid from System Revenues, with respect to employees assigned to the Water System, were approximately \$5.2 million in Fiscal Year 2019-20, approximately \$5.4 million in Fiscal Year 2020-21, approximately \$5.8 million in Fiscal Year 2021-22, and approximately \$6.1 million in Fiscal Year 2022-23. The City projects the required contribution for Fiscal Year 2023-24 will be approximately \$6.8 million. Payments to PERS constitute Maintenance and Operation Costs of the Water System.

For a variety of reasons, including investment losses, the City has experienced significant unfunded accrued liabilities, and retirement costs payable with respect to all City employees, including those assigned to the Water System, have increased in recent years. As of June 30, 2021, the City's "Miscellaneous Plan" with PERS (in which the City employees assigned to the Water System participate) had an unfunded liability (with respect to all participating City employees, including employees assigned to the General Fund, the Water Fund and other enterprise funds) of approximately \$318 million and a funded ratio 80.6%; a material change from the unfunded liability of approximately \$440 million and a funded ratio of 70.9% as of June 30, 2020. This is due to the City's decision to prepay a portion of the unfunded accrued liability annually since Fiscal Year 2013-14. Prepayments since Fiscal Year 2013-14 have totaled approximately \$67.2 million. Due to market fluctuations, the total prepayments were valued at approximately \$84.8 million as of June 30, 2023. There can be no assurances that the City may continue to prepay certain unfunded obligations. As of June 30, 2022, the City's "Miscellaneous Plan" with PERS (in which the City employees assigned to the Water System participate) had an unfunded liability (with respect to all participating City employees, including employees assigned to the General Fund, the Water Fund and other enterprise funds) of approximately \$513 million and a funded ratio of 70.2%.

Separate from PERS is the Sacramento City Employees' Retirement System ("SCERS"). SCERS is a closed defined benefit pension system that is administered by the City of Sacramento. While there are no active Department employees that are part of SCERS, the Water Fund is responsible for covering actuarially determined contributions of retirees that were former employees of the City's Water System, if necessary. While the Water Fund did not make any actuarially determined contributions to SCERS in Fiscal Year 2022-23, the Water Fund is expected to contribute \$117,000 in Fiscal Year 2023-24. Going forward, any contributions from the Water Fund to SCERS would be dependent on the number of living retirees, the funded ratio of SCERS, and the proportion of Water Fund retirees as compared to the total number of living SCERS retirees in that fiscal year. It is not expected that any future contributions from the Water Fund to SCERS will have any material impact to the financial health of the Water Fund.

As a result, required contributions from the City are expected to continue to decrease. See APPENDIX A — "AUDITED FINANCIAL STATEMENTS OF THE CITY FOR FISCAL YEAR ENDED JUNE 30, 2022 — Note 8 to the Basic Financial Statements" for a discussion of retirement liabilities payable by the City. The actual amount payable by the City to CalPERS will depend on a variety of factors including investment performance, and changes in actuarial assumptions and benefits.

In addition to required contributions for retirement benefits for employees, the City pays certain post-employment health-care and other post-employment benefits ("OPEB") for such employees. The City's OPEB related payments were approximately \$10.86 million in Fiscal Year 2021-22, approximately \$10.85 million in Fiscal Year 2022-23, and are projected to be approximately \$11.04 million in Fiscal Year 2023-24. The City estimates that 4.1% of these amounts will be paid from Water System revenues. In Fiscal Year 2015-16, the City adopted the OPEB Funding Policy and began contributing to the California Employers Retiree Benefit Trust (CERBT) to prefund OPEB obligations. This policy directed staff to continue efforts to reduce and eventually eliminate this unfunded accrued liability for retiree benefits. See APPENDIX A — "AUDITED FINANCIAL STATEMENTS OF THE CITY FOR FISCAL YEAR ENDED JUNE 30, 2022 — Note 9 to the Basic Financial Statements" for additional information for a discussion of OPEB liabilities payable by the City, as well as the City's current unfunded OPEB liability.

## **Insurance**

The City insures its assets (including assets of the Water System) through the Alliant Property Insurance Program ("APIP"). APIP was formed in 1993 to meet the property insurance needs faced by public entities. APIP is a joint purchase program. The total insurable property values for the City are \$2,746,199,637 for Fiscal Year 2024. The policy contains a \$100,000 deductible with coverage limits of \$1,000,000,000. Coverage limits are shared with other APIP members in different geographical areas to reduce the risk of one large property loss affecting a high percentage of members. Earthquake insurance is not purchased due to the high cost and limited coverage.

The City purchases excess insurance coverage for the following risks: general liability, automobile liability and workers' compensation. All coverage is on an occurrence basis. Excess liability limits are \$40,000,000 with a self-insured retention of \$2,000,000 and a \$2,000,000 loss corridor deductible. The City is currently participating in the California State Association of Counties Excess Insurance Authority ("CSAC EIA") GL2 Program for the purchase of excess liability insurance. CSAC EIA provides comprehensive liability coverage to public agencies across the nation.

The City's excess workers' compensation limits are set at statutory coverage for Fiscal Year 2024 with a self-insured retention of \$2,000,000. Statutory coverage provides payment for claims up to the amount required by law, without limits. Excess workers' compensation insurance is purchased through CSAC EIA. The CSAC EIA program is the largest pool in the nation and provides services to a large number of counties and cities in California. The program has a \$5,000,000 pooled limit and statutory reinsurance coverage for each accident.

The City's insurance program is subject to modifications based on insurance market conditions, the availability of insurance to public entities and the cost effectiveness of certain levels of self-insured retentions.

### **Leasing of Certain Components of the Water System**

Since 1999, the City has from time-to-time financed capital improvements (including capital improvements to the Water System) through the issuance of bonds ("**Master Lease Bonds**") by the Sacramento City Financing Authority (the "**SCFA**") under a "**Master Lease Program**." There are currently approximately \$278 million of Master Lease Bonds outstanding. Pursuant to the Master Lease Program and pursuant to a lease agreement, the City has leased a pool of various City-owned properties (the "**Leased Property**") to SCFA. Examples of Leased Property include City Hall, the Granite Regional Park, various City fire stations, and the Memorial Auditorium and, as described below, certain components of the Water System. SCFA concurrently subleased the Leased Property back to the City pursuant to a lease agreement (the "**Master Lease**") in consideration for the payment of rent by the City in an amount equal to debt service on the Master Lease Bonds. SCFA then assigned to a trustee for the holders of the Master Lease Bonds (the "**Master Lease Trustee**") SCFA's rights under the Master Lease, including the right to receive City's lease payments.

Approximately \$85.9 million in principal of the Master Lease Bonds issued for Water System improvements remains outstanding. In order to effectuate the issuance of these Master Lease Bonds for Water System purposes, the City added portions of the SRWTP (including a settlement basin and other facilities) and the Florin Reservoir as part of the Leased Property. The final maturity of the Master Lease Bonds is December 1, 2036. However, the components of the Water System that constitute Leased Property will not be released from the Master Lease until (i) the City either adds additional property satisfying the requirements of the Master Lease, or determines that the Leased Property that remains after the release meets the requirements of the Master Lease and (ii) the City elects to effectuate the release. There can be no assurances that the Water System components that constitute Leased Property will be released from the Master Lease prior to the maturity of the Series 2023 Bonds.

Pursuant to the Master Lease, the City is obligated to make lease payments from the City's General Fund. (The obligation of the City to make lease payments is subject to abatement to the extent the Leased Property is unavailable for beneficial use due to damage, destruction or condemnation.) However, in circumstances where Master Lease Bonds were issued to finance improvements for one of the City's enterprise funds (water, solid waste or storm drainage), the City has generally paid the portion of Master Lease payments allocable to such bonds from the enterprise that benefitted. Accordingly, the City has paid from System Revenues the portion of the overall Master Lease payments allocable to the Master Lease Bonds issued for Water System purposes, and intends to continue to do so. Pursuant to the Indenture, the City has covenanted that it will not use System Net Revenues to pay, or reimburse the City's General Fund for the payment of, any existing or future General Fund lease obligation of the City unless no Event of Default has occurred and is continuing under the Indenture, all Maintenance and Operation Costs are being and have been paid and are then current, and all payments then due and payable with respect to the Outstanding Bonds and outstanding Parity Obligations, Subordinate Obligations and Fee and Expense Obligations have been paid or unless such payment or reimbursement has been secured as a Parity Obligation, Subordinate Obligation or Fee and Expense Obligation after compliance with the conditions of the Indenture.

Pursuant to the Master Lease, the Master Lease Trustee (as assignee of SCFA) has certain remedies in the event the City fails to pay the entire amount of rent due from time to time with respect to the Leased Property. These remedies include the right to bring an action against the City to compel payment, as well as the right to relet all or any portion of the Leased Property. (The remedies of the Trustee do not include the right to sell any portion of the Leased Property.) If any portion of the City's Master Lease payments are not made (regardless of the source), the Master Lease Trustee can avail itself of remedies with respect to any portion of the Leased Property. Therefore, even if the portion of the overall Master Lease payments allocable to the Master Lease Bonds issued for Water System purposes is paid from System Revenues in a timely manner, in the event that the City fails to make payments allocable to the Master Lease Bonds issued for



purposes other than the Water System, then the Master Lease Trustee could elect to exercise remedies against the portion of the Leased Property consisting of the components of the Water System.

Pursuant to the Indenture, the City has covenanted that it will not encumber any components of the Water System under a City General Fund lease except for the components of the Water System that are encumbered by a City General Fund lease. However, this covenant does not prohibit the City from improving, making additions to, rehabilitating or replacing components of the Water System that are encumbered by a City General Fund lease or incurring additional obligations under any City General Fund lease that, as of March 28, 2013, encumbered components of the Water System.

There can be no assurances that, in the event that the City fails to make required payments pursuant to the Master Lease for any reason, such circumstances would not result in significant increases in costs of the Water System, or materially adversely affect the operation of the Water System or the ability of the Water System to generate System Net Revenues in the amounts required by the Indenture.

## **Floods**

The Federal Emergency Management Agency (“**FEMA**”) produces Flood Insurance Rate Maps (“**FIRMS**”) that show which portions of the city are in the 100-year floodplain. A 100-year floodplain is an area expected to be inundated during a flood event of the magnitude for which there is a 1-in-100 probability of occurrence in any year.

The Natomas area was remapped into a 100-year floodplain, AE flood zone, on December 8, 2008, after the United States Army Corps of Engineers (the “**Corps**”) determined that the levees around the basin did not meet current federal standards. The AE flood zone designation required elevating or floodproofing structures at or above the 100-year floodplain, which would be up to 20 feet in some areas. This caused a de facto building moratorium in Natomas.

Before the remap of Natomas into an AE flood zone, city officials worked with Sutter County, Sacramento County, the Sacramento Area Flood Control Agency (“**SAFCA**”), the California Department of Water Resources (“**DWR**”), the Central Valley Flood Protection Board, and the USACE to identify and implement a comprehensive flood control project to provide a minimum of 100-year flood protection and ultimately provide 200-year protection (“**Levee Improvement Project**”). On June 16, 2015, the City obtained new FIRMS with an A99 flood zone designation. According to FEMA, an area designated as Zone A99 has a 1% annual chance of a flood event (i.e., a 100-year flood) but ultimately will be protected upon completion of an under-construction federal flood-protection system. The four major requirements for that designation are (a) 50% of the critical improvements to achieve a 100-year level of flood protection have been constructed, (b) 50% of the total cost for such improvements has been expended, (c) 60% of the total cost of the improvements has been appropriated, and (d) 100% of the improvements have been authorized. Construction of the Levee Improvement Project is underway, as explained in detail in SAFCA’s latest Urban Level of Flood Protection (“**ULOP**”) Annual Report, dated August 2023.

**Compliance with Federal Flood-Protection Requirements.** As required by 44 C.F.R. § 65.14 (g), the City annually submits to FEMA a certification that the Zone A99 restoration plan will be completed within a specified time. This regulation also requires the City and the cost-sharing Federal agency to update the restoration plan and identify any permitting or construction problems that will delay the Levee Improvement Project’s completion beyond the deadline set out in the restoration plan previously submitted to the Federal Insurance Administrator. The FEMA Regional Office that has jurisdiction makes an annual assessment and recommendation to the Federal Insurance Administrator of the FEMA about the viability of the restoration plan and will conduct periodic on-site inspections of the flood-protection system under restoration. Should FEMA make an adverse finding as to the viability of the restoration plan, FEMA could revise the flood map from its current Zone A99 designation, which might result in the Natomas Basin becoming subject again to a de facto building moratorium and therefore would result in the loss of additional revenue to the Water Fund.

***Compliance with State Flood Protection Requirements.*** The Central Valley Flood Protection Act of 2008 requires that cities and counties within the California Central Valley (including the City) make certain findings with respect to flood protection before approving development agreements, tentative maps, discretionary permits, and ministerial permits for new residences. One of those findings is that the local flood-management agency has made “adequate progress” on the construction of a flood-protection system that will provide an ULOP by 2025. An ULOP is the level of flood protection needed to withstand a flood event that has a 0.5% chance of occurring in a year (i.e., a 200-year flood).

When making the adequate progress finding, the City has relied on annual progress reports prepared by SAFCA, which demonstrate that the Levee Improvement Project is meeting specified development milestones toward providing a ULOP by 2025. If construction of the Levee Improvement Project is delayed so that the City is unable to make a finding of adequate progress toward a ULOP, then the City might not be able to approve either or both of the following: a discretionary permit or other discretionary entitlement for construction of a new building or construction that would result in an increase in allowed occupancy for an existing building; or a ministerial permit for construction of a new residence. This could result in the loss of additional revenue to the Water Fund.

***Status of the Levee Project.*** Even though the Natomas Basin has been designated as Zone A99, the Natomas Basin will not be outside of a 100-year flood zone until the Levee Improvement Project is completed. The Corps began construction of the Levee Improvement Project in 2017 and the Levee Improvement Project is currently estimated to be complete in 2025. Although no local or state delays have occurred and all federal funding has been secured, the Levee Improvement Project may not be completed by the end of 2025. SAFCA reports that no local or State delays in ULOP have occurred, and SAFCA, State, and Federal appropriations remain consistent with the ULOP plan. Nonetheless, the Corps’ construction schedules and Federal funding appropriations over the course of the coming year may affect ULOP attainment behind certain Natomas East Main Drainage Canal levee reaches, Beach Lake Levee, and the Magpie Creek Diversion Channel levee. SAFCA is evaluating whether this will have an impact on achieving ULOP.

When the Levee Improvement Project is completed, the City expects that, under current FEMA criteria, the Natomas Basin will be re-zoned to an “X (shaded) zone,” meaning an area that is subject to between a 1.0% (100-year flood zone) to 0.2% annual chance of a flood event (i.e., a 500-year flood zone). As described above, under State law, completion of the Levee Improvement Project will mean the Natomas Basin will have a ULOP, which is the level of flood protection needed to withstand a flood event that has a 0.5% chance of occurring in any given year (200-year flood zone).

According to the current FEMA maps, the SRWTP and the FWTP are currently outside the Flood Zone A99. There are however, three wells and four reservoirs that are within A99 zone designation. The above-described Levee Improvement Project is expected to protect all of these wells and reservoirs from significant flooding events. However, even when completed, there can be no assurances that a significant flooding event would not materially adversely affect the operations of the Water System. See “CERTAIN RISK FACTORS - Earthquake, Flood or Other Natural Disasters.”

## **Historical Operating Results**

The following table contains a summary of certain historical operating results of the Water System, as excerpted from the City’s audited financial statements.

**Table 11**  
**Summary of Historical Operating Results**  
**(Dollars in Thousands)**

	Fiscal Year 2018-19	Fiscal Year 2019-20	Fiscal Year 2020-21	Fiscal Year 2021-22	Fiscal Year <sup>(9)</sup> 2022-23
<b><u>Operating Revenues</u></b>					
User Fees & Charges <sup>(1)</sup>	\$ 127,017	\$ 141,801	\$ 142,099	\$ 134,817	\$ 132,604
Wholesale Water Sales	851	2,247	1,931	1,676	1,300
Interest and Investment Revenue (loss) <sup>(3)</sup>	6,570	3,885	259	(13,603)	(1,329)
Miscellaneous Revenues	2,128	941	225	649	1,684
<b>Total Operating Revenues</b>	<b>\$ 136,566</b>	<b>\$ 148,874</b>	<b>\$ 144,514</b>	<b>\$ 123,539</b>	<b>\$ 134,259</b>
<b><u>General Fund Tax Transfer Out</u></b>					
General Fund Tax <sup>(4)</sup>	\$ (13,694)	\$ (15,083)	\$ (14,907)	\$ (14,576)	\$ (14,221)
<b>System Revenues:</b>	<b>\$ 122,872</b>	<b>\$ 133,791</b>	<b>\$ 129,607</b>	<b>\$ 108,963</b>	<b>\$ 120,038</b>
<b><u>Operation and Maintenance Costs<sup>(5)</sup></u></b>					
Employee Services	\$ 42,161	\$ 44,755	\$ 39,345	\$ 35,293	\$ 36,869
Services and Supplies	19,198	23,025	26,605	24,691	31,016
<b>Total Operation and Maintenance Costs</b>	<b>\$ 61,359</b>	<b>\$ 67,780</b>	<b>\$ 65,950</b>	<b>\$ 59,984</b>	<b>67,886</b>
(Deposit to)/Withdrawal from Rate Stabilization Fund <sup>(6)</sup>	-	-	(12,606)	1,716	4,617
<b>System Net Revenues</b>	<b>\$ 61,513</b>	<b>\$ 66,011</b>	<b>\$ 51,051</b>	<b>\$ 50,695</b>	<b>\$ 56,770</b>
<b><u>Obligations and Debt Service</u></b>					
<b><u>Parity Obligations and Bonds</u></b>					
California Department of Public Health Loan (ARRA Loan) <sup>(7)</sup>	\$ 702	\$ 639	\$ 638	\$ 639	\$ 639
Water Revenue Bonds, Series 2013	14,083	13,662	5,715	5,717	5,726
Water Revenue Bonds, Series 2017	3,375	3,375	3,378	3,379	3,376
Water Revenue Refunding Bonds, Series 2020	-	-	6,969	6,976	6,980
California State Water Resources Control Board Drinking Water Loan (SRF Loan)	163	448	1,350	5,966	8,194
<b>Subtotal Parity Obligations and Bonds Debt Service</b>	<b>\$ 18,323</b>	<b>\$ 18,124</b>	<b>\$ 18,050</b>	<b>\$ 22,677</b>	<b>\$ 24,916</b>
<b><u>Unsecured Obligations <sup>(8)</sup></u></b>					
2006 Capital Improvement Revenue Bonds, Series E	\$ 4,844	\$ 4,844	\$ 4,845	\$ 4,845	\$ 11,084
2015 Refunding Revenue Bonds	6,882	6,876	6,864	6,854	-
<b>Subtotal Subordinate Obligations Debt Service</b>	<b>\$ 11,726</b>	<b>\$ 11,720</b>	<b>\$ 11,709</b>	<b>\$ 11,699</b>	<b>\$ 11,084</b>
<b>Total Debt Service</b>	<b>\$ 30,049</b>	<b>\$ 29,844</b>	<b>\$ 29,759</b>	<b>\$ 34,376</b>	<b>\$ 36,000</b>
<b><u>Coverage Requirement Compliance</u></b>					
Parity Obligations and Bonds (Requirement is 1.20 times)	3.36 x	3.64 x	2.83 x	2.24 x	2.28 x
<b>Parity Obligations and Bonds + Subordinate Obligations + Unsecured Obligations (Requirement is 1.00 times)</b>	<b>2.05 x</b>	<b>2.21 x</b>	<b>1.72 x</b>	<b>1.47 x</b>	<b>1.58 x</b>

(Notes on following page)

- (1) User fees and charges have decreased since Fiscal Year 2020-21 due to the city-wide implementation of water meters in compliance with State law, the implementation of ongoing water conservation measures, and the suspension of late fees due to COVID. The suspension of late fees was lifted in October 2023. The impacts of COVID on Water System revenues were limited to late fees due to funding received from the California Water and Wastewater Arrearage Payment Program and the Federal Low Income Household Water Assistance Program administered by the U.S. Department of Health and Human Services. The Water Fund received \$2.65 million as well as \$91,000 in administrative cost reimbursement from the two programs to cover delinquent accounts.
- (2) The Water Fund receives Water Impact Fees that are deposited into a separate account; however, the Water Impact Fees are restricted and can only be used to cover eligible costs specified in the Sacramento City Code.
- (3) Includes interest earnings/revenue associated with the Water Use Fee Fund. Also includes, the allocated portion of the unrealized loss in the City's Pool A portfolio. In prior years, the Water Fund reported the allocable portion of unrealized gains. Recent market interest rate increases have led to the reduced market valuation of fixed-income securities in the City's Pool A portfolio in Fiscal Year 2021-22.
- (4) The voter approved general fund tax is equal to 11% of the collected utility rate revenue. See "General Fund Tax on Water System Revenues." These figures are net of uncollected Water System charges or bad debt.
- (5) The large variance in operating costs from Fiscal Year 2021-22 to Fiscal Year 2022-23 – specifically the Services and Supplies line item, is primarily due to the backlog of vehicle purchases caused by supply chain issues during the COVID pandemic. Other increases included: overtime, chemicals, legal services, insurance premiums, and miscellaneous supply accounts due to the heavy storms in Fiscal Year 2022-2023 and inflation.
- (6) Fiscal Years 2018-19 through 2021-22 include deposits to the Rate Stabilization Fund that reflect funding in an amount equal to 25% of the maximum annual debt service for Parity Obligations and Unsecured Obligations payable from Net Revenues of the Water System. In addition, in Fiscal Year 2020-21, a deposit was made to the Rate Stabilization Fund to meet the \$10.25 million SRF Loan reserve requirement (which was equal to the maximum annual debt service with respect to the SRF Loan, assuming the entire \$173 million maximum amount of the SRF Loan was drawn down). See "Budgetary and Financial Procedures." In Fiscal Year 2022-23, the City determined it was necessary to maintain the SRF Loan Reserve separate from the Rate Stabilization Fund and thus created a new account for the SRF Loan Reserve. The SRF Loan Reserve was reduced to \$8.2 million, which reflects the current amortization schedule of the final loan amount of about \$139.2 million. Annual accounting adjustments to the Rate Stabilization Fund reflects withdrawals from the Rate Stabilization Fund (based on the current debt service obligations in that year) to the unrestricted fund balance of the Water Fund. Since both reserves are restricted, the SRF Loan Reserve is reported in the Annual Comprehensive Financial Report combined with the Rate Stabilization Fund.
- (7) Pursuant to the terms of the Funding Agreement between the California Department of Public Health and the City (currently administered by the State Water Resources Control Board), a deposit to the reserve fund is required during the first ten years of the loan repayment term. The reserve became fully funded in August 2022.
- (8) Existing payments by the Water Fund to the City's General Fund to cover existing General Fund debt for water-related facilities associated with the City's Master Lease Revenue Bond Program. The Water Fund revenue is utilized, but not directly pledged, to make debt service payments.
- (9) Fiscal Year 2022-23 include unaudited estimated year-end adjustments and financial results.

Source: The City

## **Projected Operating Results**

The following table contains a summary of certain projected operating results of the Water System, as prepared by the City. The projected operating results are based upon a variety of assumptions, calculations, and qualifications. While the City believes these assumptions to be reasonable, the assumptions may vary significantly from actual future conditions because of unanticipated events and circumstances. To the extent that actual future conditions vary from those assumed in the preparation of the projected operating results, the actual results will vary from those contained in the Table. See “CERTAIN RISK FACTORS – Rate Covenant Not a Guarantee; Failure to Meet Projections.”

For the purposes of projecting revenue, minimal growth in customers has been assumed. If there is significant growth, additional improvements and expansions to the Water System infrastructure may be required and could be substantial depending on the level of growth expected at the time. The City’s policy is that new development would bear the cost of these growth-related expansions or improvements, and therefore the costs of these expansions or improvements are not included in the Projected Operating Results. These projects will only be constructed as projected development occurs and are expected to be funded using impact fee revenues and/or to be developer built and dedicated.

**Table 12**  
**Summary of Projected Operating Results**  
(Dollars in Thousands)

	Fiscal Year 2023-24 <sup>(11)</sup>	Fiscal Year 2024-25	Fiscal Year 2025-26	Fiscal Year 2026-27	Fiscal Year 2027-28
<b><u>Operating Revenues</u></b>					
User Fees and Charges <sup>(2)</sup>	\$ 132,191	\$ 133,103	\$ 133,448	\$ 133,796	\$ 134,064
Wholesale Water Sales	1,500	1,500	1,500	1,500	1,500
Interest Earnings <sup>(3)</sup>	865	1,214	1,187	991	778
Miscellaneous Revenues <sup>(4)</sup>	2,242	2,281	2,281	2,281	2,281
<b>Subtotal Operating Revenues</b>	<b>\$ 136,798</b>	<b>\$ 138,098</b>	<b>\$ 138,416</b>	<b>\$ 138,569</b>	<b>\$ 138,623</b>
<b><u>General Fund Tax Transfer Out</u></b>					
General Fund Tax <sup>(5)</sup>	\$ 14,484	\$ 14,584	\$ 14,622	\$ 14,660	\$ 14,690
<b>System Revenues:</b>	<b>\$ 122,314</b>	<b>\$ 123,514</b>	<b>\$ 123,794</b>	<b>\$ 123,909</b>	<b>\$ 123,934</b>
<b><u>Operation and Maintenance Costs</u></b>					
Employee Services <sup>(6)</sup>	\$ 48,721	\$ 50,182	\$ 51,186	\$ 52,210	\$ 53,254
Services and Supplies <sup>(7)</sup>	25,039	26,278	27,441	28,194	28,581
<b>Total Operation and Maintenance Costs</b>	<b>\$ 73,760</b>	<b>\$ 76,460</b>	<b>\$ 78,627</b>	<b>\$ 80,404</b>	<b>\$ 81,834</b>
<b>(Deposit to)/Withdrawal from Rate Stabilization Fund<sup>(8)</sup></b>	<b>\$ 1,946</b>	<b>\$ 706</b>	<b>\$ (713)</b>	<b>\$ 3</b>	<b>\$ 1</b>
<b>System Net Revenues</b>	<b>\$ 50,501</b>	<b>\$ 47,760</b>	<b>\$ 44,453</b>	<b>\$ 43,508</b>	<b>\$ 42,100</b>
<b><u>Obligations and Debt Service</u></b>					
<b><u>Parity Obligations</u></b>					
California Department of Public Health Loan (ARRA Loan)	\$ 639	\$ 639	\$ 639	\$ 639	\$ 639
Water Revenue Bonds, Series 2013	5,719	2,860	-	-	-
Water Revenue Bonds, Series 2017	3,377	3,376	3,376	3,379	3,379
Drinking Water State Revolving Fund Loan	8,240	8,240	8,240	8,240	8,240
Water Revenue Refunding Bonds, Series 2020*	6,978	6,978	12,698	12,698	12,700
Water Revenue Refunding Bonds, Series 2023*	-	-	-	-	-
<b>Subtotal Parity Obligations Debt Service</b>	<b>\$ 24,953</b>	<b>\$ 22,092</b>	<b>\$ 24,953</b>	<b>\$ 24,955</b>	<b>\$ 24,957</b>
<b><u>Unsecured Obligations<sup>(9)</sup></u></b>					
2006, Series E	\$ 11,081	\$ 11,071	\$ 11,062	\$ 11,048	\$ 11,042
<b>Subtotal Unsecured Obligations</b>	<b>\$ 11,081</b>	<b>\$ 11,071</b>	<b>\$ 11,062</b>	<b>\$ 11,048</b>	<b>\$ 11,042</b>
<b>Total Current Water Fund Obligations</b>	<b>\$ 36,034</b>	<b>\$ 33,163</b>	<b>\$ 36,015</b>	<b>\$ 36,003</b>	<b>\$ 35,999</b>
<b><u>Coverage Requirement Compliance</u></b>					
<b>Parity Obligations and Bonds (Requirement is 1.2 times)</b>	<b>2.02 x</b>	<b>2.16 x</b>	<b>1.78 x</b>	<b>1.74 x</b>	<b>1.69 x</b>
<b><u>Capital Outlay</u></b>					
Capital Outlay (Pay Go)	\$ 25,684	\$ 18,002	\$ 28,000	\$ 28,840	\$ 25,407
<b>Net Change to Unrestricted Fund Balance</b>	<b>\$ (11,217)</b>	<b>\$ (3,405)</b>	<b>\$ (19,562)</b>	<b>\$ (21,335)</b>	<b>\$ (19,306)</b>
Beginning Unrestricted Water Fund Balance <sup>(10)</sup>	\$ 114,078	\$ 102,861	\$ 99,456	\$ 79,894	\$ 58,560
Ending Unrestricted Water Fund Balance	\$ 102,861	\$ 99,456	\$ 79,894	\$ 58,560	\$ 39,254

## NOTES

1. Represents the portion of the adopted Fiscal Year 2023-24 Budget associated with the Water Fund.
2. There are no approved rate increases for the Water Fund through the projection period. Revenue growth is assumed at 0.6% for Fiscal Year 2024-25 and 0.2% annually thereafter.
3. Interest earnings are estimated at 1% on unrestricted fund balance and the restricted rate stabilization reserve.
4. Miscellaneous revenues include water tap sales, hydrant use fees and other miscellaneous service revenue. Revenue growth is assumed at 1.75% for Fiscal Year 2023-24 and Fiscal Year 2024-25; 0% Fiscal Year 2025-26 through Fiscal Year 2027-28.
5. The voter approved General Fund tax is equal to 11% of the collected Water Fund revenue. See “General Fund Tax on Water System Revenues.”
6. Employee Services cost increases are subject to approval by the City Council. Growth is assumed at 3% for Fiscal Year 2024-25 and 2% annually thereafter for cost-of-living adjustments, step increases, and/or other labor negotiated increases. The City is or will be in labor negotiations for all labor contracts in Fiscal Year 2023-24. If negotiations are approved in Fiscal Year 2023-24 and sufficient budget is not available, a budget augmentation will be requested and is not included in the projections. The City determined, after budget approval, a SCERS contribution to be made by the Water Fund in the amount of \$117,335 associated with the actuarially determined contribution was due and should be covered by Employee Services savings.
7. Services and Supplies costs assume annual increases of 5% in Fiscal Year 2024-25 and 4% thereafter for utilities, 2.5% for fuel, and 2.75% for Fiscal Year 2024-25 and 2.5% in each fiscal year thereafter for chemicals and all other Services and Supplies.
8. Deposits to and withdrawals from the Rate Stabilization Fund are estimated to result in the Rate Stabilization Fund being funded in an amount equal to 25% of the maximum annual debt service for Parity Obligations (except the SRF Loan), Subordinate Obligations and unsecured debt obligations payable from the Water System, if any.
9. Existing payments by the Water Fund to the City’s General Fund to cover existing general fund debt for water-related facilities associated with the City’s Master Lease Revenue Bond Program. The Water Fund revenue is utilized, but not directly pledged, to make debt service payments.
10. The Beginning Unrestricted Fund Balance is based on the City’s budgetary fund balance plus the unrestricted operating and capital reserves of \$51.7 million. This is significantly lower than the unrestricted cash and investments reported in the City’s Annual Comprehensive Annual Financial report where accounting treats purchase order encumbrances and multi-year projects as expended in the year appropriated.
11. All Fiscal Year 2023-24 revenues and expenditures are based on the Fiscal Year 2023-24 Budget approved by the City Council.

\* Does not reflect any savings which result from the tender and/or defeasance of any Series 2020 Bonds and the issuance of the Series 2023 Bonds.

Source: The City.

## **CERTAIN RISK FACTORS**

The following factors, which represent certain major risk factors, should be considered along with all other information in this Official Statement by potential investors in evaluating the Series 2023 Bonds. There can be no assurance that other risk factors do not currently exist or will not arise at any future time due to changed circumstances or otherwise.

### **Rate Covenant Not a Guarantee**

The ability of the City to pay the principal of and interest on the Series 2023 Bonds depends on the ability of the City to generate System Net Revenues at the levels required by the Indenture. Although the City has covenanted in the Indenture to impose rates, fees and charges as more particularly described herein, and expects that sufficient revenues will be generated through the imposition and collection of such rates, fees and charges and other System Revenues described herein, there is no assurance that such imposition of such fees, connection fees or other System Revenues will result in the generation of System Net Revenues in the amounts required by the Indenture. The City's covenant does not constitute a guarantee that sufficient System Net Revenues will be available to make debt service payments on the Series 2023 Bonds.

### **Increased Costs**

The actual cost of operating and maintaining the Water System and implementing necessary capital improvements will depend on a variety of factors, including but not limited to potential rising costs or shortages of labor or materials, the discovery of unforeseen subsurface conditions, earthquake, flood or other natural disasters, severe weather conditions, environmental conditions, regulatory requirements, or other events outside of the control of the City. There can be no assurances that such costs will not significantly exceed the amounts projected by the City.

In the event that actual costs of operating and maintaining the Water System and/or implementing necessary capital improvements significantly exceed the amounts projected by the City, such circumstances could have a material adverse impact on the ability of the City to generate System Net Revenues in the amounts required by the Indenture.

### **Reliance on Projections**

Table 12 in this Official Statement contains certain assumptions and forecasts. The notes following Table 12 should be read for a discussion of certain assumptions and rationale underlying the forecasts. Any forecast is subject to uncertainties. There will usually be differences between actual and forecast results because not all events and circumstances occur as expected, and those differences may be material.

Accordingly, the projections contained in Table 12 and elsewhere in the Official Statement, and any projections that may be contained in any future certificate of the City or a consultant, are not necessarily indicative of future performance, and the City does not assume any responsibility for the failure to meet such projections. In addition, certain assumptions with respect to future business and financing decisions of the City are subject to change. No representation is made or intended, nor should any representation be inferred, with respect to the likely existence of any particular future set of facts or circumstances, and prospective purchasers of the Series 2023 Bonds are cautioned not to place undue reliance upon any projections or requirements for projections. If actual results are less favorable than the results projected, or if the assumptions used in preparing such projections prove to be incorrect, then the amount of System Net Revenues may be materially less than expected. Consequently, the ability of the City to make timely payments of the principal of and interest on the Series 2023 Bonds may be materially adversely affected.

Neither the City's independent auditors nor any other independent accountants have compiled, examined, or performed any procedures with respect to any forecasts or projection contained in the Official



Statement. The City’s independent auditors assume no responsibility for, and disclaim any association with, the System Net Revenues forecast; they have not expressed any opinion or any form of assurance on such information or its achievability, and they assume no responsibility for, and disclaim any association with, the System Net Revenue forecast. See “THE WATER SYSTEM—Projected Operating Results.”

### **Statutory and Regulatory Impact**

Laws and regulations governing the treatment and delivery of drinking water are enacted and promulgated by government agencies on the federal, state and local levels. Compliance with these laws and regulations may be costly, and, as more stringent standards are developed to protect the environment, these costs will likely increase.

The City has identified a number of existing environmental conditions, as well as anticipated regulatory requirements, which could materially impact the City’s operations, and could require significant increases in capital and/or operating costs of the City. See “THE WATER SYSTEM—Environmental Compliance.”

Although rates are the major source of funding for regulatory costs and the City has covenanted in the Indenture to establish such rates as are estimated to enable the City to pay debt service with respect to the Series 2023 Bonds, no assurance can be given that the cost of remediation of identified environmental conditions or compliance with such laws and regulations will not materially adversely affect the ability of the City to generate System Net Revenues in the amounts required by the Indenture and to pay debt service with respect to the Series 2023 Bonds.

### **Availability of Water Supply; Drought**

There are a variety of factors that can adversely affect the supply of water available to the City. If the water supply decreases significantly, whether by operation of mandatory supply restrictions or otherwise, sales of water could diminish and System Net Revenues available to pay debt service with respect to the Bonds may be adversely affected. In addition, lower water usage by customers in response to drought measures has resulted in reduced water consumption and consequently lower System Net Revenues. The Department plans for and manages its operations to account for normal occurrences of drought conditions. Between 2014 and 2017, and again from 2020 to 2022, the State experienced some of the worst drought conditions in recorded State history, which resulted in significant limitations on water use by residences and commercial establishment throughout the State. The City met all terms and conditions put in place by the State, though it should be noted that the City’s water supply portfolio provided access to sufficient water irrespective of conditions imposed by the State. Droughts can also result in low levels on the Sacramento River, which can also adversely impact the ability of the City to utilize Sacramento River supplies. Additional declines in water consumption, whether due to future potential drought-related usage restrictions or otherwise, could result in further declines in System Net Revenues and materially adversely affect the financial condition of the Water System.

The State requires every Supplier that either provides over 3,000 acre-feet of water annually or serves more than 3,000 urban connections to perform an Annual Assessment and submit an Annual Shortage Report to DWR every year beginning July 1, 2022 (Section 10632 of California Water Code). The City is in compliance and identifies zero shortage under the various dry year scenarios required by the State. These reports are publicly available under the State’s *Annual Water Supply and Demand Assessment* webpage.

### **Potential Acceleration of Parity Obligations and Liquidity Facility Bonds; No Acceleration of Bonds**

As described herein in “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Outstanding Parity Obligations,” in 2009 the City entered into the State Funding Agreement and in 2017 entered into the SRF Loan. The City’s obligations with respect to the State Funding Agreement constitute a

Parity Obligation under the Indenture. The State Funding Agreement and the SRF Loan each provide that all payments under the respective agreements may be immediately due and payable in the event of material breach by the City (and failure to cure). The Bonds (including the Series 2023 Bonds) are not subject to acceleration; provided, however that if in the future any Bonds are issued as Variable Rate Obligations, such Bonds might be subject to acceleration if such Bonds become Liquidity Facility Bonds. In addition to the City's obligations with respect to the State Funding Agreement and the SRF Loan, other Parity Obligations issued or incurred by the City in the future may be subject to acceleration upon the occurrence of an event of default thereunder. There can be no assurances that, in the event that the payments with respect to the State Funding Agreement any Liquidity Facility Bonds, or any future Parity Obligations are accelerated, such circumstances would not materially adversely affect the ability of the City to pay debt service with respect to the Series 2023 Bonds.

### **Aging Components of Water System**

Significant portions of the pipeline within the Water System are significantly older than their originally expected useful life. There can be no assurances that this will not result in higher than expected pipe failures, or higher than expected repair and replacement costs. See "THE WATER SYSTEM – Water System Facilities."

### **Earthquake, Flood, Wildfire or Other Natural Disasters**

The potential for natural disasters to cause catastrophic damage to any urban area, including its above-ground and below-ground water infrastructure, in California is great. The occurrence of a flood, earthquake, wildfire or other natural disaster could result in the temporary or permanent closure of one or more components of the Water System. Certain areas in the Water System service area and certain facilities of the Water System have been identified as being within a 100-year flood plain. See "THE WATER SYSTEM — Floods" herein.

The occurrence of a flood, earthquake, wildfire or other natural disaster could result in significantly increased costs that could materially adversely affect the ability of the City to operate the Water System or to generate System Net Revenues at the levels required by the Indenture.

### **Climate Change**

Climate change has the potential to alter local climatic patterns and meteorology. The City adopted the Sacramento Climate Action Plan ("CAP") in 2012 to identify how the City and the broader community can reduce greenhouse gas emissions ("GHGs"). The CAP identifies strategies and actions to adapt to the effects of climate change. Examples of strategies and actions include planning for mixed-use developments that encourage walking and biking, use of public transit, or water conservation measures. The CAP was incorporated into the City's 2035 General Plan. As part of the 2040 General Plan, the CAP has been updated to be a standalone document to provide framework for GHG reduction and establish the City as a leader of climate action. On October 10, 2023, the public comment period closed for the draft 2040 General Plan and the CAP. The City is reviewing all comments received and preparing to bring the proposed changes to the Planning and Design Commission meeting on November 29, 2023. City staff estimates that the documents will be presented to the City Council in February or March 2024.

Incorporated into the Draft 2040 CAP are the results of a 2022 study published by BuRec. The 2022 American River Basin Study ("ARBS") was the product of a multi-year study to identify water supply-demand imbalances and climate change adaptation strategies specific to the American River Basin.

The ARBS' intent was not focused on individual water-supplier's portfolios, but rather how the region could plan to increase regional reliability. The precise composition, scale, operations, partnerships, funding, and governance to advance these project concepts will require further evaluations and coordination among American River Basin interests, including the federal and state agencies.

Overall, results of the ARBS indicate the region can expect a probability of fewer wet years and increased temperatures with earlier run-off times. The study does acknowledge uncertainty with future forecasting though, and under some climate modeling scenarios different outcomes could occur. While undefined at this time, an increase in dry years within this watershed could increase the evapotranspiration rates for irrigation practices, change the snowpack and runoff dynamic and more frequently trigger Hodge flow criteria on the lower American River resulting in an annualized reduction of diversions at the FWTP (though the City maintains rights to increase deliveries at the SRWTP). This, in turn, will increase the need to divert water from the Sacramento River and to use alternative water supplies to augment surface water supplies. Alternative supply sources for the regions include increased groundwater production, recycled water use, stormwater capture opportunities and even use of excess available water supplies from others (such as the City).

The ARBS also predicts warmer source water conditions in the future. Warmer source water conditions can degrade the quality of the water and may trigger conditions where treatment technologies currently being employed are inadequate to meet appropriate drinking water standards. The City's surface water treatment plants are being evaluated to add additional treatment technologies to adapt to changing conditions. Other benefits of more advanced treatment would be a reduction in disinfection byproduct formation compared to current treatment processes.

While ARBS identifies regional vulnerabilities, the specifics of the City's water portfolio provide a robustness not shared by all. The high priority of the City's water rights, access to stored water in SMUD's upstream reservoirs and USBR's Folsom reservoir, the operating agreement with USBR, access to water sources from both the Sacramento and America Rivers through multiple surface water treatment plants, as well as access to groundwater resources help mitigate exposure of the City to potential climate change impacts on water supply.

The recently approved Groundwater Sustainability Plans affecting the City included planned climate change forecasts in establishing long-term sustainability goals.

The City continues to monitor a variety of sources addressing climate changes as it aligns its policies and water supply portfolio to adapt to the future. Despite planning efforts such as the ARBS, the City cannot accurately predict the timing, extent, or severity of climate change or its effect on the City's operations and finances (including the Water System) or economies, and there can be no assurances such effects will not be material and adverse.

### **Cybersecurity**

The City relies on computers and technology to conduct its operations. The City and its departments face cyber threats from time to time, including but not limited to hacking, viruses, malware, and other attacks on computers and other sensitive digital networks and systems. The City experienced a cyber event a few years ago relating to a fraudulently misdirected payment of a substantial amount. The City has recovered almost all of the payment, and has instituted procedures intended to prevent a reoccurrence.

No assurances can be given that the City's security and operational control measures will guard against all cyber threats and attacks. The results of any attack on the City's computer and information-technology systems could adversely affect the City's operations and damage its digital networks and systems, and potential losses from such attacks, as well as the costs of defending against future attacks, could be substantial.

### **Commingling of System Revenues**

As described herein in "THE WATER SYSTEM - Budgetary and Financial Procedures," the City commingles the System Revenues with its other funds, and can use such Water System Funds for cash flow

purposes. The Trustee and the holders of the Series 2023 Bonds may not have a perfected interest in such commingled System Net Revenues and the City may not be required to turn over to the Trustee any System Net Revenues that are in its possession and have been commingled with other moneys. Under such circumstances, there could be delays or reductions in payments on the Series 2023 Bonds.

### **Effect of City Bankruptcy**

The City is authorized to file a bankruptcy proceeding under Chapter 9 of the U.S. Bankruptcy Code in certain circumstances. Should the City file for such bankruptcy relief, there could be adverse effects on the Holders or Beneficial Owners of the Series 2023 Bonds.

If the System Net Revenues are “special revenues” under the Bankruptcy Code, then System Net Revenues collected after the date of the bankruptcy filing should be subject to the lien of the Indenture. “Special revenues” are defined to include receipts derived from the ownership or operation of projects or systems that are primarily used to provide utility services. Although the System Net Revenues appear to satisfy this definition and thus be “special revenues,” no assurance can be given that a court would hold that the System Net Revenues are special revenues or are otherwise subject to the lien of the Indenture post-bankruptcy. In addition, the determination of whether or not particular revenues are “special revenues,” and (if they are special revenues) the parallel determination of whether the Bankruptcy Code mandates that such revenues continue to be used to pay obligations to Holders or Beneficial Owners post-bankruptcy, are subject to broad judicial discretion, and may evolve over time as decisions are rendered in various Chapter 9 bankruptcy cases throughout the United States. If the System Net Revenues are determined not to be “special revenues,” then System Net Revenues collected after the commencement of the bankruptcy case will likely not be subject to the lien of the Indenture. The Holders or Beneficial Owners of the Series 2023 Bonds may not be able to assert a claim against any property of the City other than the System Net Revenues, and if these amounts are no longer subject to the lien of the Indenture, then there may be no amounts from which the Holders or Beneficial Owners of the Series 2023 Bonds are entitled to be paid.

The Bankruptcy Code provides that special revenues can be applied to necessary operating expenses of the project or system, before they are applied to other obligations. This rule applies regardless of the provisions of the transaction documents. Thus, the City may be able to use System Net Revenues to pay necessary operating expenses of the Water System that are greater or different than the Maintenance and Operation Costs defined in the Indenture, before the remaining System Net Revenues are made available to the Trustee to pay amounts owed to the holders of the Series 2023 Bonds. It is not clear precisely which expenses would constitute necessary operating expenses.

If the City is in bankruptcy, the City’s creditors (including the holders of the Series 2023 Bonds) may be prohibited from taking any action to collect any amount from the City (including but not limited to the System Net Revenues constituting “special revenues”) or to enforce any obligation of the City, unless the permission of the bankruptcy court is obtained. These restrictions may also prevent the Trustee from making payments to the holders of the Series 2023 Bonds from funds in the Trustee’s possession. The Rate Covenant (see “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Rate Covenant”) may not be enforceable in bankruptcy by the Trustee or the holders of the Series 2023 Bonds.

The provisions of the Indenture that provide that the commencement of a bankruptcy case by the City is an Event of Default, and that certain other insolvency-related events with respect to the City are also Events of Default, may be unenforceable. This may limit the ability of the Trustee to require the City to turn over to the Trustee System Net Revenues and may allow the City to continue to spend System Net Revenues for any lawful purpose as provided in the Indenture free and clear of the lien of the Indenture, notwithstanding that the City is in bankruptcy.

The City is permitted to commingle the System Revenues with its own funds for up to one year before transferring System Net Revenues to the Trustee. If the City files for bankruptcy relief, the City may not be

required to turn over to the Trustee any System Net Revenues that are in its possession at the time of the bankruptcy filing and have been commingled with other moneys. With respect to System Net Revenues collected after the bankruptcy filing, if the City does not voluntarily turn over such System Net Revenues to the Trustee, it is not entirely clear what procedures the Trustee and the holders of the Series 2023 Bonds would have to follow to attempt to obtain possession of such System Net Revenues, how much time it would take for such procedures to be completed, or whether such procedures would ultimately be successful. Under such circumstances, there may be delays or reductions in payments on the Series 2023 Bonds.

The City may be able to borrow additional money that is secured by a lien on any of its property (including the System Net Revenues), which lien could have priority over the lien of the Indenture, as long as the bankruptcy court determines that the rights of the Trustee and the holders of the Series 2023 Bonds will be adequately protected. The City may also be able to cause some of the System Net Revenues to be released to it, free and clear of lien of the Indenture, as long as the bankruptcy court determines that the rights of the Trustee and the holders of the Series 2023 Bonds will be adequately protected.

The City may be able, without the consent and over the objection of the Trustee and the holders of the Series 2023 Bonds, to alter the priority, interest rate, principal amount, payment terms, collateral, maturity dates, payment sources, covenants (including tax-related covenants), and other terms or provisions of the Indenture and the Series 2023 Bonds, as long as the bankruptcy court determines that the alterations are fair and equitable.

As described herein in “THE WATER SYSTEM - Leasing of Certain Components of the Water System,” the City has leased certain assets of the Water System in connection with the City’s Master Lease Program. In bankruptcy, if the City decided not to, failed to, or was unable to, assume the Master Project Lease, the City could lose its rights to the leased assets. Under such circumstances, the Trustee and the holders of the Series 2023 Bonds may no longer be entitled to receive any System Net Revenues generated by such leased assets and the Water System may experience an increase in operating costs, thereby further reducing the System Net Revenues available to pay debt service on the Series 2023 Bonds. Similarly, if the City is authorized by the bankruptcy court to assume the Master Project Lease and then assign it to a third party, the City could lose its rights to the leased assets. Under such circumstances, the Trustee and the holders of the Series 2023 Bonds may no longer be entitled to receive any System Net Revenues generated by such leased assets and the Water System may experience an increase in operating costs, thereby further reducing the System Net Revenues available to pay debt service on the Series 2023 Bonds.

There may be delays in payments on the Series 2023 Bonds while the court considers any of these issues. There may be other possible effects of a bankruptcy of the City that could result in delays or reductions in payments on the Series 2023 Bonds, or result in losses to the holders of the Series 2023 Bonds. Regardless of any specific adverse determinations in a City bankruptcy proceeding, the fact of a City bankruptcy proceeding could have an adverse effect on the liquidity and value of the Series 2023 Bonds.

### **Effect of Losses in City Investment Pool**

Pending delivery of System Net Revenues to the Trustee, the City intends to invest System Revenues in the City’s Investment Pool A. Should those investments suffer any losses, there may be delays or reductions in payments on the Series 2023 Bonds.

### **Limitation on Remedies**

If an Event of Default should occur, the Trustee and the holders of the Series 2023 Bonds have no ability to accelerate the maturity of the Series 2023 Bonds. This means that even after an Event of Default occurs, the Series 2023 Bonds may be paid according to the regularly scheduled due dates. This may result in delays or reductions in payments on the Series 2023 Bonds compared to what would happen if the Trustee could accelerate the maturity of the Series 2023 Bonds, and could cause the market value of the Series 2023

Bonds to decline after the occurrence of an Event of Default. Also see “-Potential Acceleration of Parity Obligations and Liquidity Facility Bonds; No Acceleration of Bonds.

### **Certain Limitations on the Ability of the City to Impose Taxes, Fees and Charges**

On November 5, 1996, the voters of the State approved Proposition 218, a constitutional initiative, entitled the “Right to Vote on Taxes Act” (“**Proposition 218**”). Proposition 218 added Articles XIII C and XIII D to the California Constitution and contains a number of interrelated provisions affecting the ability of local governments, including the City, to levy and collect both existing and future taxes, assessments, fees and charges.

Section 3 of Article XIII C expressly extends the initiative power to give voters the power to reduce or repeal local taxes, assessments, fees and charges, regardless of the date such taxes, assessments, fees or charges were imposed. Section 3 expands the initiative power to include reducing or repealing assessments, fees and charges, which had previously been considered administrative rather than legislative matters and therefore beyond the initiative power. This extension of the initiative power is not limited by the terms of Article XIII C to fees imposed after November 6, 1996, the effective date of Proposition 218, and absent other legal authority could result in the reduction in any existing taxes, assessments or fees and charges imposed prior to November 6, 1996.

“Fees” and “charges” are not expressly defined in Article XIII C or in SB 919, the Proposition 218 Omnibus Implementation Act enacted in 1997 to prescribe specific procedures and parameters for local jurisdictions in complying with Article XIII C and Article XIII D (“**SB 919**”). However, on July 24, 2006, the California Supreme Court ruled in *Bighorn-Desert View Water Agency v. Verjil (Kelley)* (the “**Bighorn Decision**”) that charges for ongoing water delivery are property related fees and charges within the meaning of Article XIII D and are also fees or charges within the meaning of Section 3 of Article XIII C. The California Supreme Court held that such water service charges may, therefore, be reduced or repealed through a local voter initiative pursuant to Section 3 of Article XIII C.

In the *Bighorn Decision*, the Supreme Court stated that nothing in Section 3 of Article XIII C authorizes initiative measures that impose voter-approval requirements for future increases in fees or charges for water delivery. The Supreme Court stated that water providers may determine rates and charges upon proper action of the governing body and that the governing body may increase a charge which was not affected by a prior initiative or impose an entirely new charge.

The Supreme Court further stated in the *Bighorn Decision* that it was not holding that the initiative power is free of all limitations and was not determining whether the initiative power is subject to the statutory provision requiring that water service charges be set at a level that will pay debt service on bonded debt and operating expenses. Such initiative power could be subject to the limitations imposed on the impairment of contracts under the contract clause of the United States Constitution. Additionally, SB 919 provides that the initiative power provided for in Proposition 218 “shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after (the effective date of Proposition 218) assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights” protected by the United States Constitution. However, no assurance can be given that the voters within the service area of the City will not, in the future, approve an initiative which reduces or repeals local taxes, assessments, fees or charges. (In 2010, an initiative qualified for the November 2010 ballot which would have repealed rate increases for the City’s utilities, including the Water System. The initiative was not approved by the voters.)

Article XIII D defines a “fee” or “charge” as any levy other than an ad valorem tax, special tax, or assessment imposed upon a parcel or upon a person as an incident of property ownership, including a user fee or charge for a property-related service. A “**property-related service**” is defined as “a public service having a direct relationship to a property ownership.” In the *Bighorn Decision*, the California Supreme Court held that

a public water authority's charges for ongoing water delivery are fees and charges within the meaning of Article XIIID. Article XIIID requires that any agency imposing or increasing any property-related fee or charge must provide written notice thereof to the record owner of each identified parcel upon which such fee or charge is to be imposed and must conduct a public hearing with respect thereto. The proposed fee or charge may not be imposed or increased if a majority of owners of the identified parcels file written protests against it. As a result, the local government's ability to increase such fee or charge may be limited by a majority protest.

In addition, Article XIIID also includes a number of limitations applicable to existing fees and charges including provisions to the effect that (i) revenues derived from the fee or charge shall not exceed the funds required to provide the property-related service; (ii) such revenues shall not be used for any purpose other than that for which the fee or charge was imposed; (iii) the amount of a fee or charge imposed upon any parcel or person as an incident of property ownership shall not exceed the proportional cost of the service attributable to the parcel; and (iv) no such fee or charge may be imposed for a service unless that service is actually used by, or immediately available to, the owner of the property in question. Property-related fees or charges based on potential or future use of a service are not permitted.

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIIIC of the State Constitution by expanding the definition of "tax" to include "any levy, charge, or exaction of any kind imposed by a local government" except the following: (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 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 does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, for performing investigations, inspections, and audits, for enforcing agricultural marketing orders, and for the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIIID. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bears a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity. As of the date of this Official Statement, the City is unaware of any fees relating to the Water System that would have to be reduced or eliminated because of Proposition 26.

The City believes that it has complied with the requirements of Proposition 218 with respect to the charges that it currently imposes.

In addition to imposing fees for water service, the City also imposes development impact fees as a condition for connecting new properties to the Water System. The City does not believe that these development impact fees are subject to Proposition 218.

Pursuant to the Indenture, the City has covenanted that it will set rates for Water System services at specified levels. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Rate Covenant" herein. In the event that proposed increased service charges cannot be imposed as a result of a majority protest or an initiative, such circumstances may adversely affect the ability of the City to generate System Revenues in the amounts required by the Indenture, and to pay principal and interest on the Series 2023 Bonds.

## Initiative Measure Relating to Water Revenues

On February 1, 2023, the California Secretary of State announced that a ballot initiative, designated as Initiative 1935 and known as the “Taxpayer Protection and Government Accountability Act,” had received the required number of signatures to appear on the November 5, 2024 ballot.

If approved by a majority of voters casting a ballot at the November 5, 2024 Statewide election, Initiative 1935 would make numerous significant changes to Articles XIII, XIII A, XIII C and XIII D of the California Constitution to further limit the authority of local governments, and electors via the initiative process, to adopt and impose taxes and fees. See the caption “Certain Limitations on the Ability of the City to Impose Taxes, Fees and Charges.” The full text of Initiative 1935 may be viewed at the website of the California Attorney General.

Among other things:

- Initiative 1935 would amend Article XIII C to state that every levy, charge or exaction of any kind imposed by local law is either a “tax” or an “exempt charge,” and would amend the definition of “tax” added to Article XIII C by Proposition 26 to state that “every levy, charge, or exaction of any kind imposed by a local law that is not an exempt charge” constitutes a tax. Initiative 1935 narrows the definition of “exempt charge” to mean a “reasonable charge for a local specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the *actual costs* [as opposed to the reasonable costs] to the local government of providing the service or product to the payor.” “Exempt charges” also encompass existing exceptions from the definition of “tax” added to Article XIII C by Proposition 26. “Actual costs” is defined in Initiative 1935 to mean “the minimum amount necessary to reimburse the government for the cost of providing the service or product to the payor ... where the amount charged is not used by the government for any purpose other than reimbursing that cost. In computing “actual cost” the maximum amount that may be imposed is the actual cost less all other sources of revenue including, but not limited to taxes, other exempt charges, grants, and state or federal funds received to provide such service or product.” Initiative 1935 would retain an exemption from the definition of “tax” for assessments, fees or charges which are subject to Article XIII D.

- Initiative 1935 would amend Article XIII C to state that only the governing body of a local government, or an elector acting pursuant to the initiative power, has the authority to impose an exempt charge, and that exempt charges must be imposed by an ordinance specifying the type of exempt charge and the amount or rate of the exempt charge to be imposed, and passed by the governing body, other than for certain exempt charges imposed for a specific health care service. In addition, Initiative 1935 would amend Article XIII C to prohibit any amendment to a municipal charter which provides for the imposition, extension or increase of a tax or exempt charge from being submitted to or approved by the electors.

- Initiative 1935 would amend Article XIII C to require the title, summary and ballot label or questions for a measure providing for the imposition of a tax to include: (a) the type and amount or rate of the tax; (b) the duration of the tax; and (c) the use of the revenue derived from the tax; and (d) if the proposed tax is a general tax, the phrase “for general government use.” In addition, no advisory measure may appear on the same ballot that would indicate that the revenue from the general tax will, could or should be used for specific purposes.

- Initiative 1935 would amend Article XIII C to require that any special tax, whether proposed by the governing body or by an elector, be approved by a two-thirds vote of the electorate.

- Initiative 1935 would amend Article XIII C to state that the local government bears the burden of proving by *clear and convincing evidence* (as opposed to a preponderance of the evidence) that: (a) a levy, charge or exaction is an exempt charge and not a tax; and (b) the amount of the exempt charge is reasonable and that the amount charged does not exceed the actual cost of providing the service or product to the payor.



- Initiative 1935 would amend Article XIII C to state that any tax or exempt charge adopted after January 1, 2022, but prior to the effective date of Initiative 1935, which was not adopted in compliance with the requirements thereof is void 12 months after the effective date of Initiative 1935, if adopted, unless the tax or exempt charge is reenacted in compliance with the provisions of Initiative 1935.

The City cannot predict whether Initiative 1935 will be approved by a majority of voters casting a ballot at the November 5, 2024 Statewide election. If Initiative 1935 is approved, the City cannot provide any assurances as to the effect of the implementation or judicial interpretations of Initiative 1935 on the finances of the State or the City or the Water System.

### **ABSENCE OF LITIGATION**

There is no controversy or litigation of any nature now pending or threatened restraining or enjoining the issuance of the Series 2023 Bonds or in any way contesting or affecting the validity of the Series 2023 Bonds or any proceedings of the City taken with respect to the execution, delivery or sale thereof.

In addition, there is no litigation pending or threatened against the City which, in the opinion of the City Attorney, would materially adversely affect the Water System or the sources of payment for the Series 2023 Bonds.

### **CONTINUING DISCLOSURE**

The City will covenant for the benefit of owners of the Series 2023 Bonds to provide certain financial information and operating data relating to the City by not later than the end of the ninth month after the end of each fiscal year of the City (currently June 30th), commencing with the report for the 2022-23 Fiscal Year (the “**Annual Report**”), and to provide notices of the occurrence of certain enumerated events. Such reports are required to be filed with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system (“**EMMA**”). The specific nature of the information to be contained in the Annual Report or the notices of enumerated events is described in APPENDIX D – “FORM OF CONTINUING DISCLOSURE CERTIFICATE,” attached to this Official Statement. These covenants have been made in order to assist the underwriter of the Series 2023 Bonds in complying with Securities Exchange Commission Rule 15c2 12(b)(5). (the “**Rule**”).

The City has previously entered into a number of continuing disclosure undertakings under the Rule in connection with the issuance of long-term obligations and has provided annual financial information and event notices in accordance with those undertakings. Certain continuing disclosure filings during the past five years were made after the required filing date, such as the City’s annual reports for one of the past five fiscal years with respect to a certain prior issue, and certain required information supplementing the City’s annual reports for certain prior issues (including the actuarial valuation reports for the Sacramento City Employees’ Retirement System and the City’s Public Employees’ Retirement System plans for two prior issues). The City did not file notices of late filings in the past five years. On two occasions, the City filed annual reports with tables determined later not to be entirely accurate. The City subsequently filed corrected tables.

The City believes it has established processes to ensure that in the future it will make its continuing disclosure filings as required.

### **TAX MATTERS**

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the City (“**Bond Counsel**”), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2023 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “**Code**”) and is exempt from State

of California personal income taxes. Bond Counsel is of the further opinion that interest on the Series 2023 Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel observes that, for tax years beginning after December 31, 2022, interest on the Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual, or receipt of interest on, the Bonds. A complete copy of the proposed form of opinion of Bond Counsel is set forth as APPENDIX E hereto.

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

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

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

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

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

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

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

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

## VERIFICATION OF MATHEMATICAL COMPUTATIONS

Upon delivery of the Series 2023 Bonds, Causey Demgen & Moore P.C., independent certified public accountants, will deliver a report stating that the firm has verified the mathematical accuracy of certain computations relating to the adequacy of the Defeasance Securities and the interest thereon, together with cash deposits, to pay when due the principal of and interest on the Defeased Bonds to their redemption date(s) or maturity date(s), as applicable, and the redemption price or payment at maturity of the Defeased Bonds on their redemption date(s) or maturity date(s), as applicable.

## APPROVAL OF LEGALITY

The validity of the Series 2023 Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the City. A complete copy of the proposed form of Bond Counsel Opinion is contained in Appendix E hereto. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the Underwriter by Nixon Peabody LLP, and for the City by the City Attorney and its Disclosure Counsel, Stradling Yocca Carlson & Rauth, a Professional Corporation.

## RATINGS

S&P Global Ratings and Fitch Ratings have assigned the Series 2023 Bonds the long-term ratings of “AA (positive outlook)” and “AA- (positive outlook),” respectively.

The ratings reflect only the respective views of the rating agencies, and any explanation of the significance of such ratings may be obtained only from such rating agencies. There is no assurance that the ratings will remain in effect for any given period of time or that they will not be revised downward or withdrawn entirely by such rating agencies, or either of them, if, in their respective judgments, circumstances so warrant. Any downward revision or withdrawal of any rating may have an adverse effect on the market price of the Series 2023 Bonds.

## UNDERWRITING

The underwriter listed on the cover of this Official Statement (the “**Underwriter**”) has agreed, subject to certain conditions, to purchase the Series 2023 Bonds at the aggregate purchase price of \$ \_\_\_\_\_ (consisting of the principal amount of the Series 2023 Bonds [plus a premium of \$ \_\_\_\_\_][less original issue discount of \$ \_\_\_\_\_]). The Purchase Contract relating to the Series 2023 Bonds provides that the Underwriter will purchase all of the Series 2023 Bonds if any are purchased.

The Series 2023 Bonds are being offered for sale to the public at the prices shown on the inside cover page hereof. The Underwriter reserves the right to lower such initial offering prices as it deems necessary in connection with the marketing of the Series 2023 Bonds. The Underwriter may offer and sell the Series 2023 Bonds to certain dealers (including dealers depositing the Series 2023 Bonds into investment trusts) and others at prices lower than the initial public offering price or prices set forth in the Official Statement. The Underwriter reserve the right to join with dealers and other underwriter in offering the Series 2023 Bonds to the public. The obligation of the Underwriter to accept delivery of the Series 2023 Bonds is subject to the terms and conditions set forth in the Purchase Contract, the approval of legal matters by counsel and other conditions. The Underwriter may over-allot or effect transactions which stabilize or maintain the market price of the Series 2023 Bonds at levels above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

In addition to its role as the Underwriter of the Bonds, Goldman Sachs & Co. LLC is also serving as Dealer Manager for the Invitation to Tender. The Target Bonds were offered solely by means of the Invitation to Tender, as described herein. The Dealer Manager has entered into an exclusive Dealer Manager Agreement

with the City under which the Dealer Manager will be compensated in an amount equal to a percentage of the aggregate principal amount of Target Bonds tendered and accepted for cash purchase.

The Underwriter has provided the following for inclusion in the Official Statement:

In the ordinary course of its various business activities, the Underwriter and its respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps 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. The Underwriter and its respective 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, long and/or short positions in such assets, securities and instruments.

#### **MUNICIPAL ADVISOR**

The City has retained Fieldman, Rolapp & Associates, Inc., as municipal advisor in connection with the issuance and sale of the Series 2023 Bonds. Although Fieldman, Rolapp & Associates, Inc. has assisted in the review of the Official Statement, Fieldman, Rolapp & Associates, Inc. is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in the Official Statement or any of the other legal documents, and further Fieldman, Rolapp & Associates, Inc. does not assume any responsibility for the possible impact of any current, pending or future actions taken by any legislative or judicial bodies or rating agencies.

#### **INDEPENDENT AUDITOR**

Audited financial statements of the City (including the Water Fund) for the Fiscal Year ended June 30, 2022 are attached hereto as Appendix A. The City's financial statements were audited by the independent accounting firm of Macias Gini & O'Connell LLP of Sacramento, California (the "**Auditors**"). The Auditors have not reviewed or audited this Official Statement and the City has not sought the consent of the Auditors to the inclusion of the Auditor's report in this Official Statement. The audited financial statements include information concerning the City's General Fund and other funds, including the Water Fund and the other enterprise funds relating to the City's Wastewater System, Solid Waste System and Stormwater Drainage System. The Series 2023 Bonds are special obligations of the City, secured by and payable solely from the Trust Estate. No other funds of the City are available for payment of the Series 2023 Bonds.

## MISCELLANEOUS

Included herein are brief summaries of certain documents and reports, which summaries do not purport to be complete or definitive, and reference is made to such documents and reports for full and complete statements of the contents thereof. Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or owners of any of the Series 2023 Bonds.

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

## CITY OF SACRAMENTO

By: \_\_\_\_\_  
John P. Colville Jr., City Treasurer

**APPENDIX A**  
**AUDITED FINANCIAL STATEMENTS OF THE CITY**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

The audited financial statements of the City have been prepared in accordance with generally accepted accounting principles. The Projected Operating Results and certain other information presented in the Official Statement have been prepared in accordance with the requirement and definitions contained in the Indenture, which may differ from generally accepted accounting principles.

The audited financial statements include information concerning the City's General Fund and other funds, including the Water Fund and the funds relating to the City's Wastewater System, Solid Waste System and Stormwater Drainage System. The Series 2023 Bonds are special obligations of the City, secured by and payable solely from the Trust Estate. No other funds of the City are available for payment of the Series 2023 Bonds.

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# Annual Comprehensive Financial Report

FISCAL YEAR ENDED JUNE 30, 2022  
CITY OF SACRAMENTO, CALIFORNIA



[CityofSacramento.org](http://CityofSacramento.org)

**City of Sacramento**

**California**

# **Annual Comprehensive Financial Report**

**Fiscal Year Ended June 30, 2022**

**Prepared by the Department of Finance,  
Accounting Division**

**Emily Combs, Finance Director  
Osvaldo Lopez, Finance Manager**

## **Principal/Senior Accountant Auditors**

**Sharina Bali  
Doreen Chia  
Svetlana Donkova  
Jennifer Gilbertson**

**Emily Hsia  
Thomas Keegan  
Bilal Malik  
Rona Mao**

**Susan Nazari  
Ray Tang  
Juliana Wong**

# CITY OF SACRAMENTO, CALIFORNIA

## ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2022

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# CITY OF SACRAMENTO, CALIFORNIA

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For the Fiscal Year Ended June 30, 2022

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# Introductory Section

Howard Chan  
City Manager

City Hall  
915 I Street, Fifth Floor  
Sacramento, CA 95814-2604  
916-808-5704

December 19, 2022

Honorable Mayor and City Council  
City of Sacramento, California:

Dear Mayor and Members of the City Council:

We are pleased to present the Annual Comprehensive Financial Report (ACFR) for the City of Sacramento, California (City) for the fiscal year ended June 30, 2022. Article IX of the City Charter and federal and state law requires that the City issue an annual report on its financial position and activity, and that the report be audited by an independent firm of certified public accountants. Macias Gini & O'Connell LLP, a national certified public accounting firm, performed the audit for the fiscal year ended June 30, 2022. Their unmodified ("clean") opinion has been included as the first component of the financial section of the ACFR.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal controls that have been 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.

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

#### **PROFILE OF THE CITY**

The City of Sacramento, capital of the State of California, was established in 1849. The sixth largest city in California based on population, Sacramento also serves as the seat of Sacramento County government. The State of California Department of Finance estimated the population on January 1, 2022, at 518,037 for the City and 1,576,618 for the County. Encompassing approximately 100 square miles, the City is located in the northern section of California's Central Valley at the confluence of the Sacramento and American rivers.

Sacramento is a charter city operating under a Council-Manager form of government. The City provides a full range of municipal services including police, fire, emergency medical response, water, wastewater, storm drainage, solid waste, construction and maintenance of streets and parks, community development, recreational and cultural activities, economic development, and administrative services.

### **REPORTING ENTITY**

This ACFR presents the financial status of the City and its four component units. Component units are separate legal entities included in this report due to significant operational or financial relationships with the City as defined below:

- **Sacramento City Financing Authority (SCFA) and Sacramento Public Financing Authority (SPFA)** are entities created to issue debt to finance City projects. The financial statements for these entities are reported on a blended basis as part of the primary government because the governing boards are composed of all City Councilmembers.
- **Sacramento City Employees' Retirement System (SCERS)**, a single employer pension plan for certain City employees and retirees, is reported as a fiduciary component unit. The SCERS pension plan was closed to new enrollment of employees in 1977.
- **Successor Agency to the Redevelopment Agency of the City of Sacramento (RASA)** was created to serve as the custodian for the assets and to wind down the affairs of the former Redevelopment Agency of the City of Sacramento. RASA is reported as a fiduciary component unit.

### **BUDGET INFORMATION**

The City Charter requires that the City Manager submit a proposed budget to the City Council (Council) at least 60 days prior to the start of each fiscal year. Once approved by Council, the annual budget serves as the foundation for the City's financial planning, control and reporting. Budgetary control is maintained at the department level by fund. Budgetary control for multi-year projects is maintained at the individual project level by fund. The City Manager is authorized to administratively amend the budget during the year for transactions up to \$250 thousand without Council approval. Additional budgetary information can be found in Note 1 to the financial statements and on the City's website.

### **LOCAL ECONOMY**

The regional economy and employment base continue its long-term transition from a state government concentration to a diverse economic base including health care providers, high-tech manufacturers, software development companies, biotechnology and medical research laboratories, food processors, and medical equipment manufacturers. The region is also a transportation hub served by air cargo airports, an international airport, a deep-water shipping port, two major interstate freeways, freight and passenger rail lines, and an extensive regional commuter bus and light-rail system. These key industries interface with Sacramento's service, hospitality and government employers.



While the public health emergency related to the global COVID-19 pandemic has presented unprecedented challenges, our local government and healthcare-based economy is expected to continue its economic recovery through 2022. As of June 2022, unemployment for the Sacramento metropolitan area was 3.4% compared to 6.9% a year earlier. The efforts in FY2019/20 to curb the transmission of the COVID-19 virus had a negative impact on the City's revenues. The economy rebounded in FY2020/21 and growth continued into FY2021/22; however, with inflation reaching a decades high rate of over 9% in June 2022, a looming recession could negatively impact future City revenues as early as 2023.

### **BUDGET INITIATIVES AND LONG-TERM FINANCIAL PLANNING**

Along with other state and local agencies across the country, the City faced extraordinary budget challenges due to the COVID-19 pandemic. The unprecedented event had a negative effect on the City's revenues and while the City is experiencing a faster recovery than previously anticipated, some revenue streams like parking and Transient Occupancy Taxes (hotel taxes) remain below pre-pandemic levels. The FY2022/23 Operating, and Capital Improvement Program (CIP) Budgets (Approved Budget) were approved on June 14, 2022, and total approximately \$1.4 billion from all funding sources. The Approved Budget provides for ongoing funding for the Department of Community Response to continue to implement the City's response to homelessness, expands Recycling and Solid Waste services and funding to implement the second year of the Fire Department's Diversity Outreach and Recruitment program and includes adjustments required to realize efficiencies and provide the funding necessary to deliver programs and services in the coming fiscal year.

The financial forecasts presented in the FY2022/23 Budget are based on in-depth analysis and review of Department revenues to ensure that the forecast is based on the most current information available relative to economic indicators and estimated levels of recovery.

### **RELEVANT FINANCIAL POLICIES**

The City maintains a General Fund Economic Uncertainty Reserve (EUR) for the purpose of bridging a gap between projected revenue and expenditures during periods of significant revenue declines and/or expenditure growth and to ensure the City has adequate resources in case of emergency or unforeseen events. Pursuant to Council's adopted policy, the City will maintain an EUR at a minimum of 10% of budgeted General Fund revenues. In addition, the City will seek to achieve and maintain a General Fund EUR equal to two months of regular on-going General Fund expenditures, including transfers (i.e., 17% of General Fund expenditures).

On June 12, 2019, the EUR Policy was amended to include Measure U resources in determining the annual set aside amount necessary to maintain a minimum General Fund/Measure U (G/MU) Fund reserve level of 10%. Further, the policy includes a goal of achieving and maintaining the value of two months of regular ongoing G/MU Fund expenditures in the reserve. The current EUR balance is \$62 million, which is approximately 8.4% of budgeted FY2022/23 G/MU Fund revenues. The EUR is reported in the ACFR as committed fund balance in the G/MU Fund.

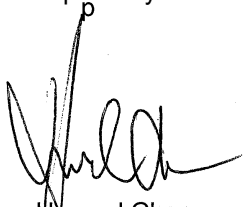
**AWARDS AND ACKNOWLEDGEMENTS**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its ACFR for the fiscal year ended June 30, 2021. This marks the 34<sup>th</sup> consecutive year the City has received this award. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

To receive this award, the City published an easily readable and efficiently organized ACFR. The report satisfied accounting principles generally accepted in the United States of America and applicable legal requirements. We believe this ACFR also meets the requirements of the program, and we will be submitting it to the GFOA to determine its eligibility for the certificate.

The Department of Finance, Accounting Division in particular, takes great pride in the preparation of the ACFR. The professionalism, commitment, and effort of each employee of the Accounting Division have made this report possible. We also want to thank the other employees in the Finance Department and other City Departments who contributed to the preparation of this report. Finally, we thank the Mayor and City Council for their continuing interest and support in planning and conducting the City's financial operations in a responsible manner, consistent with the City's mission to protect, preserve and enhance the quality of life for present and future generations.

Respectfully submitted,



Howard Chan  
City Manager



Emily Combs  
Finance Director



Osvaldo Lopez  
Finance Manager

Mayor/Council

Office Public Safety Accountability  
LaTasha Watson

Organization Chart as of June 30, 2022

City Attorney  
Susana Alcala Wood

Community Advocacy & Public Safety  
General Council & Advisory  
Litigation & Human Resources  
Strategic Project & Research

City Auditor  
Jorge Oseguera

Auditing  
Research & Analysis  
Whistleblower

City Manager  
Howard Chan

City Clerk  
Mindy Cuppy

Bids & Contracts  
Boards & Commissions  
Elections  
Legislative Support  
Records

City Treasurer  
John Colville

Citywide Banking  
Debt Management  
Investments

Assistant to the City Manager  
Amy Williams  
Chief of Staff

Assistant City Manager  
Leyne Milstein  
Internal Services

Assistant City Manager  
Mario Lara  
Public Safety

Assistant City Manager  
Hector Barron  
Municipal Services

Assistant City Manager  
Michael Jasso  
Community

Media & Communications

Governmental Affairs

Performance Measures

Finance  
Emily Combs

Accounting  
Budget, Policy and Strategic Planning  
Payroll  
Procurement Services  
Public Improvement Financing  
Revenue

Human Resources  
Shelley Banks-Robinson

ADA & Leaves  
Benefits & Retirement  
Diversity, Inclusion, & Development  
Employment, Classification & Development  
Equal Employment Opportunity  
Labor Relations/Policies  
Risk Management (Safety & Workers' Compensation)

Information Technology  
Maria MacGunigal

311 Center  
Applications & Data Management  
Enterprise Business Systems  
Geographic Information Systems  
IT Customer Services  
Technical Support Services  
Technical Administration

Cannabis

Community Response  
Bridgette Dean

Alternative 911 Response  
Unsheltered Response and Support

Fire  
Leyne Milstein, Acting Chief

Emergency Medical Services  
Fire Prevention  
Fire Suppression

Police  
Kathy Lester, Chief

Operations  
Investigations  
Specialized Services

Emergency Management

Public Works  
Ryan Moore

Engineering Services  
Facilities/Real Property Management  
Fleet Management  
Maintenance Services  
Parking Services  
Sacramento Marina  
Solid Waste  
Transportation

Utilities  
Bill Busath

Business & Integrated Planning  
Engineering & Water Resources  
Government Affairs  
Operations & Maintenance  
Public Affairs  
Sustainability

Youth, Parks & Community  
Enrichment (YPCE)  
Mario Lara

Community Enrichment  
Golf Operations (Contracted)  
Park Maintenance/Historic Cemetery  
Park Rangers  
Planning & Development  
Youth Division

Climate Action & Sustainability

Community Development  
Tom Pace

Animal Care Services  
Building  
Business Compliance  
Housing & Dangerous Buildings  
Neighborhood Code Enforcement  
Planning

Convention & Cultural Services  
Jody Ulich

Center for Sacramento History  
Crocker Art Museum  
Fairytale Town  
Metropolitan Arts Commission  
Old Sacramento Historic District  
Sacramento Convention Center  
Sacramento History Museum  
Sacramento Zoo  
SMUD Museum of Science & Curiosity

Economic Development  
Denise Malvetti  
Deputy Director

Community Engagement  
Community Investment  
Economic Development, Innovation, & Entrepreneurship  
Housing Policy  
Workforce Development  
Youth Development

LEGEND

Mayor/Council  
Charter Office

Mayor/Council  
Office or Program

City Manager  
Reporting Department

City Manager  
Office or Program

<

# City of Sacramento

## Directory of City Officials

June 30, 2022

---

**Darrell Steinberg**  
Mayor

**Angelique Ashby**  
Vice Mayor, District 1

**Jay Schenirer**  
Councilmember, District 5

**Sean Loloee**  
Councilmember, District 2

**Eric Guerra**  
Mayor Pro Tempore, District 6

**Jeff Harris**  
Councilmember, District 3

**Rick Jennings, II**  
Councilmember, District 7

**Katie Valenzuela**  
Councilmember, District 4

**Mai Vang**  
Councilmember, District 8

---

**Howard Chan**  
City Manager

**Susana Alcala Wood**  
City Attorney

**Mindy Cuppy**  
City Clerk

**John Colville**  
City Treasurer

---



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**City of Sacramento  
California**

For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

June 30, 2021

*Christopher P. Morill*

Executive Director/CEO

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# Financial Section



Certified  
Public  
Accountants

## Independent Auditor's Report

To the Honorable Mayor and Members of the  
City Council of the City of Sacramento, California

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sacramento, California (City), as of and for the fiscal year ended June 30, 2022, 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, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and Measure U Special Revenue Fund 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 1 and 6 to the basic financial statements, effective July 1, 2021, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 87, *Leases*. 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 schedule of changes in net pension liability and related ratios – CalPERS Miscellaneous Plan, the schedule of contributions – CalPERS Miscellaneous Plan, the schedule of changes in net pension liability and related ratios – CalPERS Safety Plan, the schedule of contributions – CalPERS Safety Plan, the schedule of changes in net pension liability and related ratios – Sacramento City Employees' Retirement System, the schedule of contributions – Sacramento City Employees' Retirement System, the schedule of changes in net OPEB liability and related ratios, and the schedule of contributions – OPEB, 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 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 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 and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2022, 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 19, 2022

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# City of Sacramento

## Management's Discussion and Analysis (Required Supplementary Information - Unaudited)

For the Fiscal Year Ended June 30, 2022

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This section of the City's Annual Comprehensive Financial Report presents a narrative overview and analysis of the City's financial activities for the fiscal year ended June 30, 2022. City management recommends this information be read in conjunction with the transmittal letter located in the introductory section, and with the City's financial statements which follow this discussion.

### FINANCIAL HIGHLIGHTS

- The City's General Fund revenue and other financing sources (uses) exceeded expenditures by \$88 million in fiscal year 2022. This is primarily attributable to tax and intergovernmental revenues in excess of expectation for the year.
- The City's General Fund budgetary expenditures were \$140 million lower than final budgeted amounts. Most of the General Fund departments reported favorable operating expenditure budget variances and capital outlay expenditures were less than budgeted amounts by \$29 million due to the multi-year nature of capital projects. Unspent multi-year project budgets are carried over to the subsequent fiscal year.
- The City's total government-wide net position increased by \$268 million in fiscal year 2022, an 11.4 percent increase.
- The City received \$112 million of American Rescue Plan Act (ARPA) funding over the past two years. In September 2021, the City Council approved an ARPA Framework and Priorities. The framework provides funding for: small businesses and commercial corridor revitalization; homelessness and housing; youth, workforce training, and gang prevention programs; arts and creative economy; and addressing organizational needs. As of June 30, 2022, \$21 million of ARPA reinvestment available funding remains after factoring in budgetary encumbrances and carryovers.
- In fiscal year 2022, the City introduced the Department of Community Response (DCR), established to provide an alternative response model for 911 calls that do not require traditional emergency services. The DCR deploys social workers and outreach specialists who are trained to resolve certain crises such as behavioral health, homelessness, youth and family disturbances, school response, and substance use issues.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The City's Annual Comprehensive Financial Report consists of four main components: (1) management's discussion and analysis, (2) the basic financial statements, (3) required supplementary information, and (4) combining nonmajor fund financial statements. The basic financial statements include two kinds of statements that present different views of the City, the government-wide and the fund financial statements.

- The government-wide financial statements provide both long-term and short-term information about the City's overall financial status.
- The fund financial statements focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements.

The basic financial statements also include notes that provide additional information essential to understanding the data contained in the government-wide and fund financial statements. The statements and notes are followed by the Schedules of Changes in Net Pension Liability and Related Ratios and Schedules of Contributions for the City's pension plans along with the Schedule of Changes in Net Other Postemployment Benefits (OPEB) Liability and Related Ratios and Schedule of Contributions for the City's OPEB plan, which are required supplementary information. In addition to these required elements, we have included combining statements and schedules that provide details about the City's other governmental funds, other enterprise funds, the Water enterprise fund, the Wastewater enterprise fund, the Community Center enterprise fund, internal service funds, and custodial funds, each of which is presented in a column in the basic financial statements.

**City of Sacramento**  
**Management's Discussion and Analysis (Continued)**  
**(Required Supplementary Information - Unaudited)**  
For the Fiscal Year Ended June 30, 2022

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**Government-wide Financial Statements**

The government-wide statements report information about the City using accounting methods like those used by private-sector companies. The statement of net position includes all the City's assets and liabilities, as well as any deferred outflows or inflows of resources. The statement of activities includes all current year revenues and expenses regardless of when cash is received or paid. These government-wide statements report the City's net position and how the City's net position has changed during the fiscal year. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial health of the City is improving or deteriorating.

The government-wide financial statements of the City are divided as follows:

- *Governmental activities* - Most of the City's basic services are included here, such as police; fire; public works; community development; youth, parks, and community enrichment; and general government. Taxes and state and federal grants finance most of these activities.
- *Business-type activities* - Certain services provided by the City are funded by customer fees. Among these are the City's utility services, convention center, and off-street parking facilities.

**Fund Financial Statements**

A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund financial statements provide more detailed information about the City's largest funds, not the City as a whole.

The City has three types of fund financial statements:

- *Governmental funds* - Governmental fund statements tell how general government services such as police, fire, and public works, among others, were financed in the short-term as well as what remains for future spending. Most of the City's basic services are included in governmental funds, which focus on (1) short-term inflows and outflows of spendable resources, and (2) the remaining year-end balances available for spending. Because this information does not encompass the additional long-term focus of the government-wide statements, reconciliations that explain the relationship (or differences) between governmental funds and governmental activities follow the governmental fund statements.
- *Proprietary funds* - Services for which customer fees are intended to finance the costs of operations are generally reported in proprietary funds. Proprietary fund statements, like the government-wide statements, provide short-term and long-term financial information about the activities the City operates like businesses, such as utility services, parking facilities, convention center, etc.
- *Fiduciary funds* - Fiduciary fund statements provide information about the financial relationships in which the City acts solely as a trustee or custodian for the benefit of others, to whom the resources belong. The City is the trustee, or *fiduciary*, for a closed pension plan. It is also responsible for other assets held for bonded assessment and community facilities districts and investment trust funds, reported as custodial funds. Investment trust funds can only be used for the trust beneficiaries in accordance with trust agreements. The City elected to serve as the successor agency for its former redevelopment agency, which was dissolved by state law. The successor agency activity is accounted for in a private-purpose trust fund. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All the City's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. The City excludes these activities from the government-wide financial statements because the City cannot use these resources to finance its operations.

**City of Sacramento**  
**Management's Discussion and Analysis (Continued)**  
**(Required Supplementary Information - Unaudited)**  
For the Fiscal Year Ended June 30, 2022

**FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS**

This section provides analysis of the government-wide financial statements including long-term and short-term information about the City's overall financial condition. The following table addresses the financial results of the City as a whole.

As of June 30, 2022 and 2021<sup>(1)</sup>  
(in millions)

	Governmental Activities		Business-type Activities		Total Primary Government		Total Percent Change
	2022	2021	2022	2021	2022	2021	
Current and other assets	\$ 1,307	\$ 1,196	\$ 564	\$ 574	\$ 1,871	\$ 1,770	5.7%
Capital assets	1,875	1,841	1,850	1,821	3,725	3,662	1.7%
Total assets	3,182	3,037	2,414	2,395	5,596	5,432	3.0%
Deferred outflows of resources	190	210	31	30	221	240	-7.9%
Long-term liabilities	1,534	1,836	1,082	1,132	2,616	2,968	-11.9%
Other liabilities	84	140	44	51	128	191	-33.0%
Total liabilities	1,618	1,976	1,126	1,183	2,744	3,159	-13.1%
Deferred inflows of resources	397	141	64	28	461	169	172.8%
Net position							
Net investment in							
capital assets	1,370	1,361	938	1,167	2,308	2,528	-8.7%
Restricted	394	366	48	46	442	412	7.3%
Unrestricted	(407)	(597)	269	1	(138)	(596)	76.8%
Total net position	\$ 1,357	\$ 1,130	\$ 1,255	\$ 1,214	\$ 2,612	\$ 2,344	11.4%

Note (1) FY21 amounts have not been restated for GASB 87 which was implemented in 2022.

**Analysis of net position**

As noted in the financial highlights, total net position of the primary government increased by \$268 million in fiscal year 2022. Total assets increased \$164 million and total liabilities decreased \$415 million. Deferred outflows of resources decreased \$19 million and deferred inflows of resources increased \$292 million.

The following analysis of governmental and business-type activities provides more detailed information for these changes.

**Governmental activities**

Current and other assets increased \$111 million primarily due to increases in cash and receivables. Cash increased by \$49 million in the governmental funds from higher-than-expected tax revenue and unspent ARPA reinvestment funding. Receivables increased \$58 million primarily due to \$32 million of new lease receivables with the implementation of GASB Statement No. 87 and \$18 million of new housing and Cannabis CORE loans issued in the current year.

Capital assets of governmental activities increased \$34 million primarily due to continuing development and improvements. Capital asset additions include the Greenbriar Community Facilities District project, North Natomas Community Center and Aquatics Complex, Meadowview land purchase, and Fire Station 14 projects. More detailed information about the City's capital assets is presented in Note 4 to the financial statements.

**City of Sacramento**  
**Management's Discussion and Analysis (Continued)**  
**(Required Supplementary Information - Unaudited)**

For the Fiscal Year Ended June 30, 2022

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Deferred outflows of resources decreased \$20 million primarily due to a \$24 million decrease in deferred outflows related to pensions, partially offset by a \$4 million increase in deferred outflows related to OPEB. The decrease in deferred outflows related to pensions was mainly driven by a decrease in net differences between projected and actual earnings, offset partially by an increase in deferred outflows for pension contributions subsequent to the measurement date. More detailed information about pension and OPEB plans is presented in Notes 8 and 9 to the financial statements.

Long-term liabilities decreased \$302 million primarily due to a \$295 million decrease in net pension liability, \$42 million decrease in net OPEB liability, and \$15 million of principal payments on existing debt obligations and amortization of bond premiums. Both net pension and OPEB liabilities decreased due to better than expected investment earnings during the measurement year. This was offset partially by a \$33 million increase in financing plan fee credits and \$11 million increase in accrued claims and judgments related to the City's Risk Management Internal Service Fund. More detailed information about long-term liabilities is presented in Note 7 to the financial statements.

Other liabilities decreased \$56 million due to recognition of \$56 million of revenue related to ARPA funding that was previously unearned.

Deferred inflows of resources increased \$256 million primarily due to a \$215 increase in deferred inflows related to pensions. The increase in deferred inflows related to pensions was mainly driven by an increase in deferred inflows for net differences between projected and actual earnings. There was also \$31 million of new deferred inflows related to leases with the implementation of GASB Statement No. 87 this fiscal year. More detailed information about leases and pension plans is presented in Notes 6 and 8 to the financial statements.

Restricted net position, representing amounts that must be used in accordance with external restrictions, increased \$28 million primarily due to increases in restrictions for capital projects, public works programs, and economic development programs.

**Business-type activities**

Current and other assets of business-type activities decreased \$10 million primarily due to spending down of 2013 Water revenue bond, 2018 Transient Occupancy Tax (TOT) revenue bond, and 2019 Wastewater revenue bond proceeds received in previous years, offset partially by cash provided by operational activities.

Capital assets increased \$29 million due to capital asset additions including the Convention Center expansion, Community Center Theater Renovation, Pump outfall replacements, and McKinley Park Combined Sewer System Storage project, offset by current year depreciation. More detailed capital asset information is presented in Note 4 to the financial statements.

Long-term liabilities decreased \$50 million primarily due to a \$34 million decrease in net pension liability, \$6 million decrease in net OPEB liability, and \$32 million of principal payments on existing debt obligations and amortization of bond premiums. This was offset partially by an increase of \$23 million of the Drinking Water State Revolving Fund Note Payable. More detailed information is presented in Note 7 to the financial statements.

Deferred inflows of resources increased \$36 million primarily due to a \$24 million increase in deferred inflows related to pensions. The increase in deferred inflows related to pensions was mainly driven by an increase in deferred inflows for net differences between projected and actual earnings. There was also \$11 million of new deferred inflows related to leases with the implementation of GASB Statement No. 87 this fiscal year. More detailed information about leases and pension plans is presented in Notes 6 and 8 to the financial statements.

**City of Sacramento**  
**Management's Discussion and Analysis (Continued)**  
**(Required Supplementary Information - Unaudited)**  
For the Fiscal Year Ended June 30, 2022

<b>City of Sacramento</b>							
<b>Changes in Net Position</b>							
For the Fiscal Years Ended June 30, 2022 and 2021 <sup>(1)</sup>							
(in millions)							
	<b>Governmental</b>		<b>Business-type</b>		<b>Total Primary</b>		<b>Total</b>
	<b>Activities</b>		<b>Activities</b>		<b>Government</b>		
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>	<b>Change</b>
Revenues							
Program revenues:							
Charges for services	\$ 213	\$ 181	\$ 328	\$ 313	\$ 541	\$ 494	9.5%
Operating grants and contributions	234	186	2	1	236	187	26.2%
Capital grants and contributions	111	142	17	18	128	160	-20.0%
General revenues:							
Property taxes	211	198	-	-	211	198	6.6%
Utility users tax	66	62	-	-	66	62	6.5%
Local sales taxes	133	117	-	-	133	117	13.7%
Other taxes	61	55	27	16	88	71	23.9%
Unrestricted:							
Sales taxes shared state revenue	115	99	-	-	115	99	16.2%
Investment earnings (loss)	(28)	5	(24)	-	(52)	5	-1140.0%
Miscellaneous	15	12	-	-	15	12	25.0%
<b>Total revenues</b>	<b>1,131</b>	<b>1,057</b>	<b>350</b>	<b>348</b>	<b>1,481</b>	<b>1,405</b>	<b>5.4%</b>
Expenses							
General government	228	260	-	-	228	260	-12.3%
Police	215	234	-	-	215	234	-8.1%
Fire	165	192	-	-	165	192	-14.1%
Public works	116	116	-	-	116	116	0.0%
Convention and cultural services	21	18	-	-	21	18	16.7%
Youth, parks, community enrichment	68	57	-	-	68	57	19.3%
Community development	64	71	-	-	64	71	-9.9%
Community response	11	-	-	-	11	-	N/A
Library	23	22	-	-	23	22	4.5%
Interest on long-term debt	19	21	-	-	19	21	-9.5%
Water	-	-	102	103	102	103	-1.0%
Wastewater	-	-	31	32	31	32	-3.1%
Storm drainage	-	-	41	41	41	41	0.0%
Solid waste	-	-	63	64	63	64	-1.6%
Community center	-	-	29	25	29	25	16.0%
Parking	-	-	11	12	11	12	-8.3%
Child development	-	-	6	3	6	3	100.0%
<b>Total expenses</b>	<b>930</b>	<b>991</b>	<b>283</b>	<b>280</b>	<b>1,213</b>	<b>1,271</b>	<b>-4.6%</b>
Revenue over (under) expenses	201	66	67	68	268	134	100.0%
Transfers	26	19	(26)	(19)	-	-	-
<b>Change in net position</b>	<b>227</b>	<b>85</b>	<b>41</b>	<b>49</b>	<b>268</b>	<b>134</b>	<b>100.0%</b>
Net position, beginning of year	1,130	1,045	1,214	1,165	2,344	2,210	6.1%
<b>Net position, end of year</b>	<b>\$ 1,357</b>	<b>\$ 1,130</b>	<b>\$ 1,255</b>	<b>\$ 1,214</b>	<b>\$ 2,612</b>	<b>\$ 2,344</b>	<b>11.4%</b>

Note (1) FY21 amounts have not been restated for GASB 87 which was implemented in 2022.



**City of Sacramento**  
**Management's Discussion and Analysis (Continued)**  
**(Required Supplementary Information - Unaudited)**  
For the Fiscal Year Ended June 30, 2022

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**Analysis of the changes in net position**

Total government-wide revenues of the primary government increased \$76 million, a 5.4 percent increase compared to the prior fiscal year, and total expenses decreased \$58 million, a 4.6 percent decrease compared to the prior fiscal year. These changes are discussed in more detail below.

**Governmental activities**

Total revenues for governmental activities increased \$74 million, a 7 percent increase compared to the prior fiscal year. Total expenses decreased \$61 million, a 6.2 percent decrease compared to the prior fiscal year. Transfers in primarily consist of in-lieu taxes paid by the business-type activities to the General Fund. Transfers out primarily consist of community center and parking program support transferred out from the General Fund.

**Revenue**

Charges for services revenue increased by \$32 million during fiscal year 2022 compared to fiscal year 2021. The main contributors to the increase were fire and public works activities. Fire charges for services increased \$8 million primarily due to increases in fire district reimbursements and Advanced Life Support (ALS) first responder and transportation services provided. Public works charges for services increased \$13 million primarily due to an increase in on-street parking meter revenues and related parking citations and penalties as the Downtown area continues to recover from the COVID-19 pandemic.

Operating grants and contributions revenue increased \$48 million primarily due to funding the City received for the ARPA program and Sacramento Emergency Rental Assistance program.

Capital grants and contributions decreased by \$31 million during fiscal year 2022 compared to fiscal year 2021. This was mainly due to a decrease in revenue associated with special tax bond issuances. In fiscal year 2022, \$3 million of Community Facilities District (CFD) special tax bonds were issued, compared to \$46 million in fiscal year 2021.

Property tax revenue increased \$13 million due to continued increases in Sacramento area commercial and residential real estate property assessed valuations.

Sales taxes, net of increase in state shared sales tax revenue, increased \$32 million due to a rise in local spending.

The increase in revenue is offset by a net decrease of \$33 million in investment earnings mainly attributable to a decrease in the fair value of Pool A investment holdings from the prior year. The cost of Pool A investment holdings exceeded the fair value by \$69 million as of June 30, 2022. This loss was allocated among governmental and business-type activities, with a small portion allocated to non-City Pool A participants as well.

**Expenses**

Total governmental activities expenses decreased \$61 million primarily due to decreases in department functional expenses. General government expenses decreased \$32 million as less general government programs were funded by grants in comparison to the prior year. Police and Fire expenses decreased a combined \$46 million mainly due to pension expense associated with the net pension liability adjustment. Community development expenses decreased \$7 million due to the timing of community development projects within the City's Capital Projects Funds and associated special tax bond issuances. These decreases were offset by an \$11 million increase in youth, parks, and community enrichment expense as facilities began to open and operate closer to pre-COVID levels and an \$11 million increase in community response expense as the DCR was introduced in fiscal year 2022.

**Business-type activities**

Total revenues for business-type activities increased \$2 million, a 0.6 percent increase compared to the prior fiscal year. Total expenses for business-type activities increased \$3 million, a 1.1 percent increase. Transfers out primarily consist of in-lieu taxes paid by the business-type activities to the General Fund. Transfers in primarily consist of consist of community center and parking program support received from the General Fund.

**City of Sacramento**  
**Management's Discussion and Analysis (Continued)**  
**(Required Supplementary Information - Unaudited)**  
For the Fiscal Year Ended June 30, 2022

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**Revenue**

Charges for services increased \$15 million primarily due to an increase in Community Center revenue. The Community Center was closed for reconstruction in the prior year. All Community Center facilities were reopened during fiscal year 2022. There was also an increase in parking and child development fees as both continue to rebound from the economic effects of COVID-19.

Other tax revenue increased \$11 million due to an increase in TOT revenue as travel and hotel occupancy are on the rise.

The increase in revenue is offset by a net decrease of \$24 million in investment earnings due mainly to a decrease in the fair value of Pool A investment holdings from the prior year

**Expenses**

Community Center expenses increased \$4 million as operations expanded with the reopening of Community Center facilities in fiscal year 2022.

Child development expenses increased by \$3 million primarily due to staff and operating costs as all 4<sup>th</sup> R sites and summer camps reopened in fiscal year 2022.

**FINANCIAL ANALYSIS OF THE FUND STATEMENTS**

Funds are accounting devices the City uses to keep track of specific sources of funding and spending for particular purposes. The fund financial statements focus on individual parts of City government, reporting City operations in more detail than the government-wide statements.

**Governmental Funds**

The City's governmental funds provide information on near-term inflows, outflows, and balances of spendable resources. Total revenues for governmental funds increased \$68 million compared to the prior fiscal year. Total expenditures increased \$31 million compared to the prior fiscal year. Net other financing sources increased \$42 million compared to the prior fiscal year. These changes are discussed in more detail below.

**General Fund**

Total General Fund revenue increased \$41 million compared to the prior fiscal year. Tax revenues increased by \$36 million primarily due to an increase in property taxes associated with an increase in the assessed value of properties and sales and use tax associated with the growth of retail and e-commerce sales. Intergovernmental revenue increased by \$4 million primarily due to \$3 million in one-time revenue associated with the dissolution of the Solid Waste Authority. Charges for services and fines, forfeitures, and penalties increased by a combined \$17 million due to the increase in franchise fees, reimbursements for Advanced Life Support services, and parking revenues as City activities continue to rebound from COVID-19. These increases are offset by a decrease in interest, rents, and concessions of \$15 million, driven by the fair value adjustment related to the General Fund's share of Pool A holdings.

Total General Fund expenditures decreased \$32 million compared to the prior fiscal year. Expenditures in Police and Fire departments decreased \$35 million in total mainly due to the use of operating grant funds for public safety payroll costs. Youth, parks, and community enrichment decreased \$20 million, convention and cultural services decreased \$4 million, community development decreased \$4 million, and library decreased \$12 million as a majority of these operations are now funded by the Measure U Fund beginning this fiscal year. These decreases were offset by increases in general government, citywide and community support, and capital outlay expenditures. General government and citywide and community expenditures increased \$12 million primarily due to labor, OPEB, and pension cost increases. Capital outlay increased by \$23 million. The General Fund's largest capital outlay expenditures during the fiscal year consisted of land purchased in Meadowview to be used as a site for homeless services, expenditures for Fire Station #14 and fire apparatus, and construction of the North Natomas Community Center and Aquatics Complex.

# City of Sacramento

## Management's Discussion and Analysis (Continued)

### (Required Supplementary Information - Unaudited)

For the Fiscal Year Ended June 30, 2022

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#### **General Fund Budgetary Highlights**

As part of the approved fiscal year 2022 Budget, General Fund and Measure U expenditures were realigned to better reflect spending priorities and provide additional transparency. This realignment resulted in moving the majority of funding from public safety programming from Measure U to the General Fund and redirecting Measure U funding to the following programs and services: affordable housing, arts, climate action, community investment, community response, homelessness, inclusive economic development, library, and youth. The City Council revised the budget throughout the fiscal year with midyear revenue and appropriation adjustments, changes made to appropriations for the use of committed fund balance, and other revenue and appropriation adjustments after the original budget was adopted.

After accounting for these budget adjustments, General Fund revenues were \$21 million higher than final budgeted amounts. Collection of various taxes exceeded the budget by \$27 million primarily due to increases in property taxes and sales and use taxes. Intergovernmental revenue exceeded budget by \$7 million primarily due to reimbursements received by the City's Fire Department from the federal government and other fire districts. Charges for services exceeded the budget by \$4 million primarily due to commercial solid waste franchise fees. These positive variances with final budget amounts are offset by interest, rents, and concessions coming in lower than final budgeted amounts by \$19 million due to the fair value adjustment for Pool A investment holdings.

General Fund budgetary expenditures were \$140 million lower than final budgeted amounts. Most of the General Fund departments reported favorable operating expenditure budget variances primarily due to labor savings and labor reimbursements from grants and other funds. Capital outlay expenditures were less than budgeted amounts by \$29 million due to the multi-year nature of capital projects. Unspent multi-year project budgets, as well as other unspent City Council approved program budgets, are carried over to the subsequent fiscal year.

#### **Measure U Fund**

Measure U Fund revenue and expenditures increased by \$12 million and \$13 million, respectively. Tax revenue increased \$16 million due to retail and e-commerce sales growth and was partially offset by a decrease of \$4 million in interest revenue due to the fair value adjustment related to its share of Pool A investment holdings. During the fiscal year, use of Measure U resources on police and fire decreased by \$52 million, while use of resources towards general government, public works, convention and culture services, youth, parks, and community enrichment services, community development, community response, and citywide support increased by \$63 million due to the budget realignment mentioned above. During the fiscal year, the Measure U Fund transferred \$3 million to the Economic Development Special Revenue Fund to provide resources for the Step Up Housing Development project.

#### **2015 Golden 1 Center Lease Revenue Bond Fund**

2015 Golden 1 Center Lease Revenue Bond Fund revenue and expenditures both decreased by \$1 million. Transfers in decreased by \$2 million as there was a one-time transfer from the General Fund in the prior year to increase the liquidity reserve for the 2015 Golden 1 Center Lease Revenue Bond Fund.

#### **Operating Grants Fund**

Operating Grants Fund revenue and expenditures increased by \$55 million and \$45 million, respectively. The increase in revenue is primarily due to \$112 million increase in ARPA revenue and \$22 million increase in Sacramento Emergency Rental Assistance Program revenue, offset partially by an \$82 million decrease in CARES Act revenue. The increase in expenditures is primarily due to a \$17 million increase in expenditures related to COVID-19 response, \$32 million increase related to the Sacramento Emergency Rental Assistance Program, and \$4 million increase related to homeless housing assistance and prevention, offset by a \$13 million decrease in expenditures for the Whole Person Care program.

**City of Sacramento**  
**Management's Discussion and Analysis (Continued)**  
**(Required Supplementary Information - Unaudited)**

For the Fiscal Year Ended June 30, 2022

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**Other Governmental Funds**

Other governmental fund revenues decreased by \$39 million primarily due to a decrease of \$45 million in revenues for capital projects funds. The decrease in capital projects funds revenue is primarily due to the following:

- \$44 million decrease in the Special Districts Fund mainly due to the difference in special tax bonds issued. \$3 million of revenue was recognized in fiscal year 2022 with the issuance of the Delta Shores CFD 2019-01 Improvement Area No. 2, Series 2022 Special Tax Bonds. \$47 million of total revenue was recognized in fiscal year 2021 with the issuance of McKinley Village CFD 2015-04, Series 2020 and Greenbriar CFD 2018-03 Improvement Area No. 1, Series 2021 Special Tax Bonds.
- \$10 million decrease in the Capital Grants Fund primarily due to decreases in revenues associated with the construction of the North Natomas Community Center and Aquatics Complex and Meadowview Navigation Center, and the Railyards Green Street Urban Grant.
- \$6 million increase in the Financing Plans Fund primarily due to adjustments to the Railyards On-Site Infrastructure Credits Trust Account for improvements that became the financial responsibility of the developer.

Other governmental fund expenditures increased by \$6 million primarily due to an increase of \$10 million in expenditures for capital projects funds. The increase in capital projects funds expenditures is primarily due to the following:

- \$42 million increase in the Financing Plans Fund primarily due to increases in expenditures for community development and capital outlay and the redemption of Park Development and North Natomas financing plan fee credits.
- \$21 million decrease in the Special Districts Fund primarily due to a decrease in expenditures related to Greenbriar Improvement Area 1 and McKinley Village CFDs.
- \$9 million decrease in the Capital Grants Fund primarily due to a decrease in North Natomas Community Center and Aquatics Complex construction expenditures.

There was also a \$4 million decrease in expenditures for debt service funds. This decrease was related to the final payoff of the 1993 Series A and B bonds occurring in the prior fiscal year.

\$52 million of financing plan fee credits were issued in fiscal year 2022, in comparison to \$11 million in fiscal year 2021. \$40 million of Delta Shores financing plan fee credits were issued in the current year. More detailed fee credit information is presented in Note 7 to the financial statements.

**City of Sacramento**  
**Management's Discussion and Analysis (Continued)**  
**(Required Supplementary Information - Unaudited)**  
For the Fiscal Year Ended June 30, 2022

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**Enterprise Funds**

The City's enterprise fund financial statements provide the same type of information as the government-wide financial statements but in greater detail. Total operating revenues increased \$14 million and operating expenses increased \$2 million compared to the prior fiscal year. Net nonoperating expenses increased \$12 million and capital contributions decreased \$7 million compared to the prior fiscal year. These changes are discussed in more detail below.

**Water Fund**

Water Fund operating revenues decreased \$7 million primarily due to \$4 million in one-time water sales from groundwater transfers in fiscal year 2021 and a decrease of \$3 million in utility service charges. Operating expenses decreased \$2 million primarily due to a \$5 million decrease in pension expense that fluctuates due to a variety of actuarial factors affecting net pension liability, and a decrease of \$2 million in services and supplies related to a decrease in vehicle replacements and land and water rights for water transfers. Net nonoperating expenses increased \$15 million primarily due to the fair value adjustment related to the Water Fund's share of Pool A investment holdings. Capital contributions decreased \$2 million. Current year capital contributions were associated with East Commerce Way, the Core/River Oaks, and Twin Rivers Development projects.

**Wastewater Fund**

Wastewater expenses decreased \$2 million due to a decrease in vehicle replacement charges as fleet orders were temporarily put on hold due to supply chain shortages and cost inflation. Wastewater net nonoperating expenses increased \$4 million primarily due to the fair value adjustment related to the Wastewater Fund's share of Pool A investment holdings. Developer fees and capital contributions decreased \$3 million.

**Storm Drainage Fund**

Net nonoperating expenses increased by \$3 million in the current year primarily due to the fair value adjustment related to the Storm Drainage Fund's share of Pool A investment holdings.

**Solid Waste Fund**

Solid Waste Fund operating revenues increased \$3 million primarily due to an increase in service accounts with the addition of new development and homes.

**Community Center Fund**

Community Center Fund operating revenues increased \$10 million and operating expenses increased by \$5 million. Operations in the previous year were heavily impacted by the temporary closure of the Convention Center Complex for renovations and cancellations of various events due to COVID-19. All Community Center facilities were open for events during fiscal year 2022, which led to a \$3 million increase in user fees and charges and a \$7 million increase in rents and concessions. Net nonoperating revenue increased by \$10 million primarily due to an increase in TOT revenue of \$11 million. The increase in TOT revenue is a result of increased hotel stays and travel due to the easing of restrictions in relation to the pandemic.

**Other Enterprise Funds**

Other Enterprise Funds consist of the activities of the City's Parking and 4<sup>th</sup> R Child Development Funds. Total operating revenues increased by \$7 million due to the reopening of all 4<sup>th</sup> R sites in August 2021. These sites were previously closed during fiscal year 2021. Additionally, events have resumed in Downtown Sacramento resulting in increased event parking revenue. Net transfers in decreased by \$5 million due to decreases in budgeted program support received from the General Fund as operations continue to rebound from the economic effects of COVID-19.

**City of Sacramento**  
**Management's Discussion and Analysis (Continued)**  
**(Required Supplementary Information - Unaudited)**

For the Fiscal Year Ended June 30, 2022

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

As of June 30, 2022, the City had invested \$3.7 billion in a broad range of capital assets, including land, buildings, vehicles, parks and park improvements, roads, bridges, and water, wastewater and storm drainage transmission and distribution systems. Current year capital asset additions, net of deletions, of \$199 million were offset by current year depreciation/amortization expense of \$136 million, resulting in a net increase in capital assets of \$63 million.

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
Capital assets not being depreciated						
Land	\$ 220	\$ 203	\$ 49	\$ 48	\$ 269	\$ 251
Easements	2	2	-	-	2	2
Construction in progress	270	224	445	665	715	889
Depreciable capital assets:						
Buildings and improvements	412	418	284	165	696	583
Equipment	12	15	105	24	117	39
Software	1	2	9	10	10	12
Vehicles	94	90	-	-	94	90
Transmission and distribution system	4	4	956	909	960	913
Roadway network	547	572	-	-	547	572
Streetlight network	173	169	-	-	173	169
Parks and park improvements	138	142	-	-	138	142
Leased assets, net	2	-	2	-	4	-
Total capital assets	\$ 1,875	\$ 1,841	\$ 1,850	\$ 1,821	\$ 3,725	\$ 3,662

This year's major capital asset additions include:

- \$183 million for the Treatment Plant Rehabilitation Design Project,
- \$32 million for the East Sacramento Water Meter Replacement Project,
- \$31 million for the McKinley Park Combined Sewer System Storage Project,
- \$24 million for the River Park Water Meter Replacement Project,
- \$12 million for the 100 Acres in Meadowview Project,
- Other capital project additions in progress including the Broadway/Alhambra Navigation Center Project, Sacramento Northern Parkway Bike Trail Project, Federal Downtown Controller Project, and Combined Sewer System Replacement Project. Many other capital projects were completed during the year and transferred from construction in progress to the appropriate capital asset categories.

The City has \$106 million in commitments for contracts awarded but not completed as of June 30, 2022. The major contracts outstanding are \$4 million for installation of motor-controlled valves and drainage system as part of the Ground Water Flush-to-Waste project; \$3 million for AWMP installations tracking and investigation and contract compliance; \$3 million for Hope Cooperative outreach services within the Department of Community Response; \$3 million for providing support to businesses affected by COVID-19; \$3 million for the operation of Outreach and Engagement Center for providing respite resources for the most vulnerable members of the community; \$3 million for Oak Park Broadway development; \$2 million for support services and public outreach for the Sacramento River Water Treatment Plant Expansion Project; \$2 million for assisting La Familia Counseling Center with property acquisition, site readiness work and overall project support; and \$17 million for the purchase of vehicles, primarily for the replacement of refuse trucks and garbage trucks.

During fiscal year 2022, the City implemented GASB Statement No. 87, *Leases*, which introduced the recognition of right-to-use leased assets as capital assets. The City leases various land sites, buildings, and equipment valued at \$4 million, net of accumulated amortization as of June 30, 2022.

More detailed information about the City's capital assets and leased assets is presented in Notes 4 and 6 to the financial statements.

**City of Sacramento**  
**Management's Discussion and Analysis (Continued)**  
**(Required Supplementary Information - Unaudited)**  
For the Fiscal Year Ended June 30, 2022

**Long-term Debt**

The following table summarizes the City's outstanding debt (excluding other long-term liabilities):

<b>City of Sacramento</b>						
<b>Outstanding Debt</b>						
As of June 30, 2022 and 2021						
(in millions)						
	<b>Governmental</b>		<b>Business-Type</b>		<b>Total Primary</b>	
	<b>Activities</b>		<b>Activities</b>		<b>Government</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Revenue and other bonds, net	\$ 460	\$ 475	\$ 794	\$ 822	\$ 1,254	\$ 1,297
Notes payable	17	17	143	124	160	141
Total outstanding debt	<u>\$ 477</u>	<u>\$ 492</u>	<u>\$ 937</u>	<u>\$ 946</u>	<u>\$ 1,414</u>	<u>\$ 1,438</u>

Total outstanding debt for governmental activities decreased \$15 million due to principal payments on existing obligations and amortization of bond premiums.

Total outstanding debt for business-type activities decreased \$9 million mainly due to \$32 million of principal payments on existing obligations and amortization of bond premiums, offset by the addition of \$23 million to the Drinking Water State Revolving Fund Note.

More detailed information about the City's long-term liabilities is presented in Note 7 to the financial statements.

**Credit rating**

The following table summarizes the City's bonded debt ratings (nr designates not rated) at June 30, 2022, as determined by S&P Global Ratings (S & P), Moody's Investors Service, Inc. (Moody's), and Fitch Ratings (Fitch):

Bond issues:	<u>S &amp; P</u>	<u>Moody's</u>	<u>Fitch</u>
• 2006 Capital Improvement Revenue Bonds, Series B	AA-	Aa3	nr
• 2006 Capital Improvement Revenue Bonds, Series E	AA-	Aa3	nr
• 2013 Water Revenue Bonds	AA	nr	AA-
• 2013 Wastewater Revenue Bonds	AA	nr	AA
• 2015 Refunding Revenue Bonds	AA-/AA	Aa3	nr
• 2015 Lease Revenue Bonds (Golden 1 Center)	AA-	nr	A+
• 2017 Water Revenue Bonds	AA	nr	AA-
• 2018 TOT Revenue Bonds, Senior Series A&B	nr	A1	nr
• 2018 TOT Revenue Bonds, Subordinate Series C	nr	A2	nr
• 2019 Wastewater Revenue Bonds	AA	nr	AA
• 2019 STID Assessment Revenue Bonds	nr	A2	nr
• 2020 Water Revenue Refunding Bonds	AA	nr	AA-
• 2020 Wastewater Revenue Refunding Bonds	AA	nr	AA

# City of Sacramento

## Management's Discussion and Analysis (Continued)

### (Required Supplementary Information - Unaudited)

For the Fiscal Year Ended June 30, 2022

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The City's issuer credit rating as of June 30, 2022 is AA with a stable outlook from S&P, Aa2 with a stable outlook from Moody's, and AA- with a stable outlook from Fitch. The issuer credit rating is an assessment of the City's creditworthiness and capacity to meet financial commitments as they come due without regard to the terms of a specific debt instrument. The ratings and stable outlook determination are based on a multitude of factors for each of the rating agencies. Highlights include: the City's improved economic condition, as demonstrated by the steady rise in assessed values, in combination with the City's operating surpluses driving the growing reserve balances; the City's continued growth despite the pandemic-driven effects on the regional economy; and the City's tight budget management, adequate expenditure flexibility, moderate long-term liabilities, and strong reserves relative to the City's moderate revenue volatility.

#### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

##### **Economic Factors**

The full impact of the COVID-19 pandemic has continued to create economic uncertainty for the foreseeable future. With restrictions loosening and an increase in vaccination rates, the City remains cautiously optimistic about an impending economic recovery. However, in this transition to post-pandemic life, the City still faces significant financial challenges. Housing demand remains higher than supply in the region as Bay Area residents continue to look for cheaper housing alternatives. Homelessness and the need to increase services, shelter capacity, and housing is one of the biggest issues the City faces.

##### **Next Year's Budget**

General Fund budget appropriations for fiscal year 2023 are \$596.4 million, an increase of 6.1 percent compared to the fiscal year 2022 approved budget. In addition to the allocation of resources for several priority initiatives, the approved budget appropriations include an \$11 million contribution to the City's Economic Uncertainty Reserve (EUR). This contribution is intended to maintain the minimum EUR level for the General Fund and Measure U Fund as required by adopted City policy.

City Council adopted a balanced budget for fiscal year 2023 based on strategic use of one-time, fiscal year 2023 department savings, and available fund balance.

#### **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances, and to demonstrate the City's accountability for the money it receives. If you have questions about this report, need additional financial information, or would like to obtain component unit financial statements, contact the City of Sacramento Department of Finance, Accounting Division, 915 I Street, Fourth Floor, Sacramento, CA, 95814, or visit the City's web page at <http://www.cityofsacramento.org>.



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# Government-wide Financial Statements

# City of Sacramento

## Statement of Net Position

June 30, 2022  
(in thousands)

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 889,601	\$ 396,813	\$ 1,286,414
Receivables, net	361,999	68,136	430,135
Internal balances	5,031	(5,031)	-
Inventories	-	1,591	1,591
Prepaid items	17,139	233	17,372
Restricted cash and investments	32,993	102,418	135,411
Intangible assets	-	112	112
Land and other capital assets not being depreciated/amortized	492,307	494,097	986,404
Other capital assets, net of depreciation/amortization	1,382,779	1,356,000	2,738,779
<b>Total assets</b>	<b>3,181,849</b>	<b>2,414,369</b>	<b>5,596,218</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Loss on refunding of debt	2,417	9,902	12,319
Pensions	162,530	17,375	179,905
OPEB	24,567	3,464	28,031
<b>Total deferred outflows of resources</b>	<b>189,514</b>	<b>30,741</b>	<b>220,255</b>
<b>LIABILITIES</b>			
Payables	78,830	39,828	118,658
Unearned revenue	5,534	3,923	9,457
Long-term liabilities:			
Due within one year	57,812	33,908	91,720
Due in more than one year	1,475,467	1,048,635	2,524,102
<b>Total liabilities</b>	<b>1,617,643</b>	<b>1,126,294</b>	<b>2,743,937</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Service concession arrangement	6,492	-	6,492
Gain on refunding of debt	-	353	353
Pensions	254,174	35,964	290,138
OPEB	105,366	17,002	122,368
Leases	30,957	10,559	41,516
<b>Total deferred inflows of resources</b>	<b>396,989</b>	<b>63,878</b>	<b>460,867</b>
<b>NET POSITION</b>			
Net investment in capital assets	1,370,530	937,751	2,308,281
Restricted for:			
Capital projects	223,243	45,942	269,185
Debt service	907	-	907
Public works programs	35,497	-	35,497
Economic development programs	55,545	-	55,545
Other programs	67,600	2,594	70,194
Trust and endowments:			
Expendable	10,249	-	10,249
Nonexpendable	578	-	578
Unrestricted	(407,418)	268,651	(138,767)
<b>Total net position</b>	<b>\$ 1,356,731</b>	<b>\$ 1,254,938</b>	<b>\$ 2,611,669</b>

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

## City of Sacramento

### Statement of Activities

For the Fiscal Year Ended June 30, 2022

(in thousands)

Functions/Programs	Program Revenues					Net (Expense) Revenue
	Operating Expenses	Indirect Expenses Allocation	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary government:</b>						
Governmental activities:						
General government	\$ 248,447	\$ (20,292)	\$ 30,628	\$ 84,733	\$ 51	\$ (112,743)
Police	214,867	-	12,626	71,620	598	(130,023)
Fire	165,526	-	54,968	48,604	-	(61,954)
Public works	116,113	-	55,885	16,349	64,663	20,784
Convention and cultural services	21,421	-	10,901	1,653	3,056	(5,811)
Youth, parks, and community enrichment	67,602	-	12,470	1,343	11,316	(42,473)
Community development	64,151	-	35,516	1,215	31,277	3,857
Community response	10,703	-	-	-	-	(10,703)
Library	23,304	-	-	8,777	-	(14,527)
Interest on long-term debt	18,800	-	-	-	-	(18,800)
Total governmental activities	950,934	(20,292)	212,994	234,294	110,961	(372,393)
Business-type activities:						
Water	94,640	6,906	136,613	552	7,056	42,675
Wastewater	27,827	3,001	44,327	65	3,990	17,554
Storm drainage	38,388	2,850	41,901	25	6,116	6,804
Solid waste	58,632	4,596	76,221	1,099	-	14,092
Community center	27,717	1,739	10,140	-	-	(19,316)
Parking	9,475	1,200	13,977	-	-	3,302
Child development	5,626	-	4,356	123	-	(1,147)
Total business-type activities	262,305	20,292	327,535	1,864	17,162	63,964
Total primary government	\$ 1,213,239	\$ -	\$ 540,529	\$ 236,158	\$ 128,123	\$ (308,429)

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

## City of Sacramento

### Statement of Activities

For the Fiscal Year Ended June 30, 2022  
(in thousands)

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Changes in net position:			
Net (expense) revenue	\$ (372,393)	\$ 63,964	\$ (308,429)
General revenues:			
Taxes:			
Property taxes	211,331	-	211,331
Utility user taxes	65,461	-	65,461
Local sales tax	133,255	-	133,255
Property transfer tax	19,372	-	19,372
Business operations tax	33,334	-	33,334
Transient occupancy tax	5,366	26,843	32,209
Other taxes	2,585	-	2,585
Unrestricted sales taxes shared state revenue	115,260	-	115,260
Unrestricted investment loss	(27,883)	(24,014)	(51,897)
Unrestricted miscellaneous	15,304	-	15,304
Transfers	25,995	(25,995)	-
Total general revenues and transfers	599,380	(23,166)	576,214
Changes in net position	226,987	40,798	267,785
Net position, beginning of year	1,129,744	1,214,140	2,343,884
Net position, end of year	\$ 1,356,731	\$ 1,254,938	\$ 2,611,669

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

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# Fund Financial Statements

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**City of Sacramento**  
**Governmental Funds**  
**Balance Sheet**  
June 30, 2022  
(in thousands)

	General Fund	Measure U Fund	2015 Golden 1 Center Lease Revenue Bond Fund
<b>ASSETS</b>			
Cash and investments held by City	\$ 314,185	\$ 70,946	\$ 8,523
Cash and investments held by fiscal agent	-	-	-
Receivables, net:			
Taxes	33,309	23,664	-
Accounts	28,454	75	1,928
Loans	1,873	-	136,971
Intergovernmental	4,224	-	-
Leases	28,936	-	-
Interest	1,204	205	31
Prepaid items	1,767	1,049	-
Restricted assets:			
Cash and investments held by City	-	-	-
Cash and investments held by fiscal agent	-	-	16,797
<b>Total assets</b>	<b>\$ 413,952</b>	<b>\$ 95,939</b>	<b>\$ 164,250</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 21,065	\$ 4,607	\$ -
Accrued payroll	20,477	1,534	-
Accrued claims and judgments	34	-	-
Due to other funds	-	-	-
Deposits	119	-	-
Unearned revenue	974	-	-
Advances from other funds	1,873	-	-
<b>Total liabilities</b>	<b>44,542</b>	<b>6,141</b>	<b>-</b>
Deferred inflows of resources:			
Unavailable revenue	13,496	-	136,971
Leases	27,904	-	-
<b>Total deferred inflows of resources</b>	<b>41,400</b>	<b>-</b>	<b>136,971</b>
Fund balances:			
Nonspendable:			
Prepaid items	1,767	1,049	-
Leases	1,032	-	-
Permanent fund principal	-	-	-
Restricted:			
Capital projects	-	-	-
Debt service	-	-	16,797
Public works programs	-	-	-
Economic development programs	-	-	-
Other programs	-	-	-
Committed:			
Economic uncertainty	61,310	1,046	-
Capital projects	50,410	18,385	-
Debt service	-	-	10,451
Fire programs	8,426	-	-
Housing trust fund	1,000	904	-
OPEB	5,727	289	-
Set-aside for FY23 Budget	20,891	1,971	-
Other programs	133,367	66,154	-
Assigned:			
Debt service	-	-	31
Unassigned	44,080	-	-
<b>Total fund balances</b>	<b>328,010</b>	<b>89,798</b>	<b>27,279</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 413,952</b>	<b>\$ 95,939</b>	<b>\$ 164,250</b>

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

**City of Sacramento**  
**Governmental Funds**  
**Balance Sheet**  
June 30, 2022  
(in thousands)

	Operating Grants Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and investments held by City	\$ 22,495	\$ 339,486	\$ 755,635
Cash and investments held by fiscal agent	-	2	2
Receivables, net:			
Taxes	-	6,104	63,077
Accounts	271	15,065	45,793
Loans	-	19,266	158,110
Intergovernmental	18,489	26,548	49,261
Leases	-	3,093	32,029
Interest	-	325	1,765
Prepaid items	9,218	-	12,034
Restricted assets:			
Cash and investments held by City	-	11,111	11,111
Cash and investments held by fiscal agent	-	5,085	21,882
<b>Total assets</b>	<b>\$ 50,473</b>	<b>\$ 426,085</b>	<b>\$ 1,150,699</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 4,082	\$ 12,576	\$ 42,330
Accrued payroll	-	48	22,059
Accrued claims and judgments	-	-	34
Due to other funds	-	1,657	1,657
Deposits	297	2,736	3,152
Unearned revenue	54	4,278	5,306
Advances from other funds	-	5,971	7,844
<b>Total liabilities</b>	<b>4,433</b>	<b>27,266</b>	<b>82,382</b>
Deferred inflows of resources:			
Unavailable revenue	17,760	30,419	198,646
Leases	-	3,053	30,957
<b>Total deferred inflows of resources</b>	<b>17,760</b>	<b>33,472</b>	<b>229,603</b>
Fund balances:			
Nonspendable:			
Prepaid items	9,218	-	12,034
Leases	-	40	1,072
Permanent fund principal	-	578	578
Restricted:			
Capital projects	-	241,218	241,218
Debt service	-	4,832	21,629
Public works programs	-	21,293	21,293
Economic development programs	-	55,545	55,545
Other programs	36,822	29,133	65,955
Committed:			
Economic uncertainty	-	-	62,356
Capital projects	-	795	69,590
Debt service	-	1,351	11,802
Fire programs	-	-	8,426
Housing trust fund	-	-	1,904
OPEB	-	1	6,017
Set-aside for FY23 Budget	-	-	22,862
Other programs	-	20,238	219,759
Assigned:			
Debt service	-	1,986	2,017
Unassigned	(17,760)	(11,663)	14,657
<b>Total fund balances</b>	<b>28,280</b>	<b>365,347</b>	<b>838,714</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 50,473</b>	<b>\$ 426,085</b>	<b>\$ 1,150,699</b>

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

# City of Sacramento

## Governmental Funds

### Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2022

(in thousands)

<b>Fund balances - total governmental funds</b>		<b>\$ 838,714</b>
Amounts reported for governmental activities in the statement of net position are different because:		
Revenue and other resources not available to liquidate liabilities of the current period are not recognized in the funds.		198,646
Prepaid bond insurance represents costs associated with the issuance of long-term debt which are amortized over the period the debt is outstanding. The costs are reported as expenditures of the current period in the governmental funds.		188
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds:		
Governmental capital assets	3,541,726	
Less: accumulated depreciation/amortization	<u>(1,760,028)</u>	
		1,781,698
Certain current liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of the following:		
Interest payable		(5,068)
Deferred outflows and inflows of resources are not recognized in the current period and therefore not reported in the governmental funds.		
Deferred outflows related to pensions	160,769	
Deferred outflows related to OPEB	24,129	
Deferred inflows related to pensions	(249,338)	
Deferred inflows related to OPEB	(103,165)	
Loss on refunding of debt	<u>2,417</u>	
		(165,188)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Accrued compensated absences	(46,164)	
Accrued claims and judgments	(4,804)	
Financing plan fee credits	(70,548)	
Net pension liability	(648,059)	
Net OPEB liability	(156,962)	
Pollution remediation obligations	(596)	
Revenue and other bonds payable, net	(459,585)	
Notes payable	(16,702)	
Lease liabilities	<u>(1,621)</u>	
		(1,405,041)
Internal service funds are used by management to charge the costs of certain activities, such as insurance and fleet, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		<u>112,782</u>
<b>Net position of governmental activities</b>		<b><u>\$ 1,356,731</u></b>

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

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**City of Sacramento**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
For the Fiscal Year Ended June 30, 2022  
(in thousands)

	General Fund	Measure U Fund	2015 Golden 1 Center Lease Revenue Bond Fund
<b>Revenues:</b>			
Taxes	\$ 439,558	\$ 133,255	\$ -
Intergovernmental	24,335	-	-
Charges for services	113,565	-	-
Fines, forfeits, and penalties	10,057	-	-
Interest, rents, and concessions	(14,530)	(3,769)	265
Community service fees	-	-	-
Assessment levies	483	-	-
Contributions and donations	37	-	-
Miscellaneous	653	-	-
<b>Total revenues</b>	<b>574,158</b>	<b>129,486</b>	<b>265</b>
<b>Expenditures:</b>			
<b>Current:</b>			
General government	65,855	11,504	-
Police	147,890	4,087	-
Fire	122,548	8,230	-
Public works	14,615	3,424	-
Convention and cultural services	1,485	4,779	-
Youth, parks, and community enrichment	1,653	37,292	-
Community development	30,471	8,410	-
Community response	6,141	4,305	-
Library	-	13,572	-
Utilities	3,859	-	-
Citywide and community support	57,700	883	-
Capital outlay	45,776	10,603	-
<b>Debt service:</b>			
Principal	39	87	3,945
Interest and fiscal charges	283	7	8,512
<b>Total expenditures</b>	<b>498,315</b>	<b>107,183</b>	<b>12,457</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>75,843</b>	<b>22,303</b>	<b>(12,192)</b>
<b>Other financing sources (uses):</b>			
Transfers in	48,184	33	10,600
Transfers out	(36,010)	(3,676)	-
Issuance of long-term debt	-	-	-
<b>Total other financing sources (uses)</b>	<b>12,174</b>	<b>(3,643)</b>	<b>10,600</b>
<b>Changes in fund balances</b>	<b>88,017</b>	<b>18,660</b>	<b>(1,592)</b>
<b>Fund balances, beginning of year</b>	<b>239,993</b>	<b>71,138</b>	<b>28,871</b>
<b>Fund balances, end of year</b>	<b>\$ 328,010</b>	<b>\$ 89,798</b>	<b>\$ 27,279</b>

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

## City of Sacramento

### Governmental Funds

#### Statement of Revenues, Expenditures and Changes in Fund Balances

For the Fiscal Year Ended June 30, 2022

(in thousands)

	Operating Grants Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ -	\$ 14,324	\$ 587,137
Intergovernmental	202,814	65,037	292,186
Charges for services	1,342	18,779	133,686
Fines, forfeits, and penalties	-	207	10,264
Interest, rents, and concessions	94	43	(17,897)
Community service fees	-	25,076	25,076
Assessment levies	-	56,032	56,515
Contributions and donations	5,293	6,306	11,636
Miscellaneous	-	11,890	12,543
Total revenues	<u>209,543</u>	<u>197,694</u>	<u>1,111,146</u>
Expenditures:			
Current:			
General government	75,611	17,424	170,394
Police	71,636	-	223,613
Fire	49,365	-	180,143
Public works	-	35,508	53,547
Convention and cultural services	28	8,262	14,554
Youth, parks, and community enrichment	386	10,321	49,652
Community development	1,247	24,267	64,395
Community response	-	-	10,446
Library	-	8,777	22,349
Utilities	-	278	4,137
Citywide and community support	-	-	58,583
Capital outlay	945	98,925	156,249
Debt service:			
Principal	210	29,583	33,864
Interest and fiscal charges	2	10,980	19,784
Total expenditures	<u>199,430</u>	<u>244,325</u>	<u>1,061,710</u>
Excess (deficiency) of revenues over (under) expenditures	<u>10,113</u>	<u>(46,631)</u>	<u>49,436</u>
Other financing sources (uses):			
Transfers in	-	27,273	86,090
Transfers out	(2,930)	(16,429)	(59,045)
Issuance of long-term debt	-	51,914	51,914
Total other financing sources (uses)	<u>(2,930)</u>	<u>62,758</u>	<u>78,959</u>
Changes in fund balances	7,183	16,127	128,395
Fund balances, beginning of year	<u>21,097</u>	<u>349,220</u>	<u>710,319</u>
Fund balances, end of year	<u>\$ 28,280</u>	<u>\$ 365,347</u>	<u>\$ 838,714</u>

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

**City of Sacramento**  
**Governmental Funds**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in**  
**Fund Balances to the Statement of Activities**

For the Fiscal Year Ended June 30, 2022

(in thousands)

<b>Changes in fund balances - total governmental funds</b>		<b>\$ 128,395</b>
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlay as expenditures. In the statement of activities, however, the cost of those assets is allocated over their estimated useful lives as depreciation/amortization expense.</p>		
Capital outlay	84,101	
Depreciation/amortization expense	<u>(72,909)</u>	11,192
<p>Losses on retirement of capital assets in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
		(52)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds:</p>		
Infrastructure dedications		17,443
<p>Long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>		
Issuance of long-term debt	(51,914)	
Principal repayments on long-term debt	<u>33,864</u>	(18,050)
<p>Revenue and other resources not available to liquidate liabilities of the current period are not recognized in governmental funds. Revenue in the statement of activities is not limited by availability, so certain revenues need to be reduced by the amounts that were unavailable at the beginning of the year and increased by the amounts that were unavailable at the end of the year. This adjustment records a net increase in revenues - unavailable revenues at the end of the year were greater than beginning unavailable revenues by this amount.</p>		
		5,382
<p>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.</p>		
Accrued compensated absences	(3,750)	
Accrued claims and judgments	(1,071)	
Pension expense	54,379	
Other postemployment benefits	34,064	
Pollution remediation	(23)	
Interest	86	
Amortization of prepaid bond insurance	(17)	
Amortization of bond premium	1,136	
Amortization of gain/loss on refunding	<u>(220)</u>	84,584
<p>Internal service funds are used by management to charge the costs of certain activities, such as insurance and fleet, to individual funds. The net expense of the internal service funds is reported with the governmental activities.</p>		
		<u>(1,907)</u>
<b>Change in net position of governmental activities</b>		<b><u>\$ 226,987</u></b>

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

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**City of Sacramento**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**- Budget and Actual (Non-GAAP Budgetary Basis)**  
**with Budget to GAAP Reconciliation**

For the Fiscal Year Ended June 30, 2022

(in thousands)

	Budgeted Amounts		Actual	Variance with	Budget	Actual
	Original	Final	Amounts - Budgetary Basis			
Revenues:						
Taxes	\$ 399,637	\$ 412,589	\$ 439,558	\$ 26,969	\$ -	\$ 439,558
Intergovernmental	10,530	17,304	24,335	7,031	-	24,335
Charges for services	101,279	109,107	113,565	4,458	-	113,565
Fines, forfeits and penalties	7,029	8,952	10,057	1,105	-	10,057
Interest, rents, and concessions	2,959	4,758	(14,530)	(19,288)	-	(14,530)
Assessment levies	74	74	483	409	-	483
Contributions and donations	-	1	37	36	-	37
Miscellaneous	780	154	653	499	-	653
<b>Total revenues</b>	<b>522,288</b>	<b>552,939</b>	<b>574,158</b>	<b>21,219</b>	<b>-</b>	<b>574,158</b>
Expenditures:						
Current:						
Mayor/Council	6,212	13,980	6,769	7,211	(69)	6,700
City Auditor	1,012	1,287	1,278	9	-	1,278
City Manager	41,459	73,609	23,954	49,655	(9,543)	14,411
City Attorney	11,056	21,831	10,808	11,023	(222)	10,586
City Clerk	2,225	2,642	2,173	469	(17)	2,156
City Treasurer	2,000	2,172	1,662	510	-	1,662
Finance	8,234	8,830	8,080	750	104	8,184
Information technology	15,873	17,130	14,862	2,268	1,211	16,073
Human resources	8,514	9,832	4,891	4,941	(86)	4,805
Subtotal - General government	96,585	151,313	74,477	76,836	(8,622)	65,855
Police	208,571	151,977	147,941	4,036	(51)	147,890
Fire	158,395	116,357	122,558	(6,201)	(10)	122,548
Public works	17,562	20,807	14,667	6,140	(52)	14,615
Convention and cultural services	2,498	13,368	1,856	11,512	(371)	1,485
Youth, parks, and community enrichment	1,884	1,969	1,504	465	149	1,653
Community development	34,579	38,612	30,635	7,977	(164)	30,471
Community response	5,276	22,765	10,154	12,611	(4,013)	6,141
Utilities	4,165	4,165	3,859	306	-	3,859
Citywide and community support	54,737	55,075	57,431	(2,356)	269	57,700
Capital outlay	53,523	79,461	50,449	29,012	(4,673)	45,776
Debt service:						
Principal	-	39	39	-	-	39
Interest and fiscal charges	-	283	283	-	-	283
<b>Total expenditures</b>	<b>637,775</b>	<b>656,191</b>	<b>515,853</b>	<b>140,338</b>	<b>(17,538)</b>	<b>498,315</b>
Excess (deficiency) of revenues over (under) expenditures	(115,487)	(103,252)	58,305	161,557	17,538	75,843
Other financing sources (uses):						
Transfers in	34,465	45,852	48,184	2,332	-	48,184
Transfers out	(22,058)	(36,115)	(36,010)	105	-	(36,010)
<b>Total other financing sources (uses)</b>	<b>12,407</b>	<b>9,737</b>	<b>12,174</b>	<b>2,437</b>	<b>-</b>	<b>12,174</b>
Changes in fund balance	(103,080)	(93,515)	70,479	163,994	17,538	88,017
Fund balance, beginning of year	239,993	239,993	239,993	-	-	239,993
<b>Fund balance, end of year</b>	<b>\$ 136,913</b>	<b>\$ 146,478</b>	<b>\$ 310,472</b>	<b>163,994</b>	<b>\$ 17,538</b>	<b>\$ 328,010</b>

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

# City of Sacramento

## Measure U Fund

### Statement of Revenues, Expenditures and Changes in Fund Balance

#### - Budget and Actual (Non-GAAP Budgetary Basis)

#### with Budget to GAAP Reconciliation

For the Fiscal Year Ended June 30, 2022

(in thousands)

	Budgeted Amounts		Actual Amounts - Budgetary Basis	Variance with Final Budget	Budget to GAAP Reconciliation	Actual Amounts - GAAP Basis
	Original	Final				
Revenues:						
Taxes	\$ 108,801	\$ 124,238	\$ 133,255	\$ 9,017	\$ -	\$ 133,255
Interest, rents, and concessions	-	-	(3,769)	(3,769)	-	(3,769)
Total revenues	108,801	124,238	129,486	5,248	-	129,486
Expenditures:						
Current:						
General government	19,538	31,571	17,218	14,353	(5,714)	11,504
Police	6,226	6,233	4,087	2,146	-	4,087
Fire	8,590	8,593	8,230	363	-	8,230
Public works	3,984	3,879	3,452	427	(28)	3,424
Convention and cultural services	6,830	6,668	5,330	1,338	(551)	4,779
Youth, parks, and community enrichment	42,178	43,696	37,437	6,259	(145)	37,292
Community development	11,532	18,375	9,031	9,344	(621)	8,410
Community response	13,337	19,257	8,513	10,744	(4,208)	4,305
Library	13,572	13,572	13,572	-	-	13,572
Citywide and community support	991	371	883	(512)	-	883
Capital outlay	22,958	29,290	11,441	17,849	(838)	10,603
Debt service:						
Principal	87	87	87	-	-	87
Interest and fiscal charges	7	7	7	-	-	7
Total expenditures	149,830	181,599	119,288	62,311	(12,105)	107,183
Excess (deficiency) of revenues over (under) expenditures	(41,029)	(57,361)	10,198	67,559	12,105	22,303
Other financing sources (uses):						
Transfers in	-	21	33	12	-	33
Transfers out	(250)	(3,676)	(3,676)	-	-	(3,676)
Total other financing sources (uses)	(250)	(3,655)	(3,643)	12	-	(3,643)
Changes in fund balance	(41,279)	(61,016)	6,555	67,571	12,105	18,660
Fund balance, beginning of year	71,138	71,138	71,138	-	-	71,138
Fund balance, end of year	\$ 29,859	\$ 10,122	\$ 77,693	\$ 67,571	\$ 12,105	\$ 89,798

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

**City of Sacramento**  
**Proprietary Funds**  
**Statement of Net Position**

June 30, 2022  
(in thousands)

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Water Fund</b>	<b>Wastewater Fund</b>	<b>Storm Drainage Fund</b>	<b>Solid Waste Fund</b>
<b><u>ASSETS</u></b>				
Current assets:				
Cash and investments held by City	\$ 189,894	\$ 54,001	\$ 47,394	\$ 47,261
Cash and investments held by fiscal agent	-	-	-	-
Receivables, net:				
Taxes	-	-	-	-
Accounts	19,779	11,048	7,234	10,578
Loans	-	-	47	-
Intergovernmental	462	434	1,174	-
Leases	66	-	-	153
Interest	752	183	140	144
Due from other funds	-	-	-	-
Inventories	1,163	37	391	-
Prepaid items	219	-	1	-
Intangible asset, current portion	-	-	-	-
	<u>212,335</u>	<u>65,703</u>	<u>56,381</u>	<u>58,136</u>
Total current assets				
Noncurrent assets:				
Restricted assets:				
Cash and investments held by City	67,155	9,125	1,037	1,722
Cash and investments held by fiscal agent	3,450	411	-	-
Advances to other funds	-	-	-	-
Leases receivable	822	-	-	1,596
Loans receivable	-	-	922	-
Intangible assets	-	-	-	-
Capital assets:				
Land	2,899	1,138	17,885	1,133
Buildings and improvements	165,383	78,996	11,805	32,153
Machinery and equipment	114,327	5,820	18,365	12,437
Vehicles	-	-	-	-
Transmission and distribution system	917,853	216,066	437,818	-
Construction in progress	57,123	9,267	5,627	2,917
Software	3,491	3,447	3,747	2,772
Easements	134	-	157	-
Leased land	-	-	-	-
Leased building	-	-	177	-
Leased equipment	184	-	-	-
Less: accumulated depreciation/amortization	<u>(369,114)</u>	<u>(97,865)</u>	<u>(237,785)</u>	<u>(35,824)</u>
	<u>963,707</u>	<u>226,405</u>	<u>259,755</u>	<u>18,906</u>
Total noncurrent assets				
Total assets	<u>1,176,042</u>	<u>292,108</u>	<u>316,136</u>	<u>77,042</u>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>				
Loss on refunding of debt	7,565	2,337	-	-
Pensions	6,468	2,070	2,765	3,542
OPEB	<u>1,022</u>	<u>390</u>	<u>569</u>	<u>802</u>
Total deferred outflows of resources	<u>15,055</u>	<u>4,797</u>	<u>3,334</u>	<u>4,344</u>

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

**City of Sacramento**  
**Proprietary Funds**  
**Statement of Net Position**

June 30, 2022  
(in thousands)

	<b>Business-type Activities - Enterprise Funds</b>			<b>Governmental</b>
	<b>Community Center Fund</b>	<b>Other Enterprise Funds</b>	<b>Total</b>	<b>Activities - Internal Service Funds</b>
<b><u>ASSETS</u></b>				
Current assets:				
Cash and investments held by City	\$ 33,376	\$ 24,887	\$ 396,813	\$ 133,080
Cash and investments held by fiscal agent	-	-	-	884
Receivables, net:				
Taxes	2,998	-	2,998	-
Accounts	419	714	49,772	5,174
Loans	-	-	47	-
Intergovernmental	-	-	2,070	-
Leases	-	262	481	-
Interest	126	41	1,386	298
Due from other funds	-	-	-	1,907
Inventories	-	-	1,591	-
Prepaid items	1	12	233	4,917
Intangible asset, current portion	-	8	8	-
<b>Total current assets</b>	<b>36,920</b>	<b>25,924</b>	<b>455,399</b>	<b>146,260</b>
Noncurrent assets:				
Restricted assets:				
Cash and investments held by City	12,594	-	91,633	-
Cash and investments held by fiscal agent	6,924	-	10,785	-
Advances to other funds	-	-	-	12,625
Leases receivable	-	8,042	10,460	-
Loans receivable	-	-	922	-
Intangible assets	-	104	104	-
Capital assets:				
Land	20,071	5,825	48,951	-
Buildings and improvements	113,040	63,538	464,915	7,454
Machinery and equipment	4,913	6,235	162,097	543
Vehicles	-	-	-	204,106
Transmission and distribution system	-	-	1,571,737	-
Construction in progress	363,955	5,966	444,855	144
Software	46	32	13,535	256
Easements	-	-	291	-
Leased land	-	1,978	1,978	-
Leased building	-	-	177	35
Leased equipment	-	-	184	-
Less: accumulated depreciation/amortization	(72,617)	(45,418)	(858,623)	(119,150)
<b>Total noncurrent assets</b>	<b>448,926</b>	<b>46,302</b>	<b>1,964,001</b>	<b>106,013</b>
<b>Total assets</b>	<b>485,846</b>	<b>72,226</b>	<b>2,419,400</b>	<b>252,273</b>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>				
Loss on refunding of debt	-	-	9,902	-
Pensions	1,229	1,301	17,375	1,761
OPEB	386	295	3,464	438
<b>Total deferred outflows of resources</b>	<b>1,615</b>	<b>1,596</b>	<b>30,741</b>	<b>2,199</b>

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

(continued)

**City of Sacramento**  
**Proprietary Funds**  
**Statement of Net Position**

June 30, 2022  
(in thousands)

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Water Fund</b>	<b>Wastewater Fund</b>	<b>Storm Drainage Fund</b>	<b>Solid Waste Fund</b>
<b><u>LIABILITIES</u></b>				
Current liabilities:				
Accounts payable	4,723	14,562	1,375	2,888
Due to other funds	-	-	-	-
Accrued payroll	922	199	356	502
Accrued compensated absences	260	73	123	98
Interest payable	3,177	642	30	41
Liability for landfill closure	-	-	-	298
Deposits	5	-	487	-
Unearned revenue	2,450	-	292	-
Accrued claims and judgments	77	162	143	258
Lease liabilities	-	-	34	-
Revenue and other bonds payable, net	16,208	2,320	-	1,265
Notes payable	3,437	-	95	-
<b>Total current liabilities</b>	<b>31,259</b>	<b>17,958</b>	<b>2,935</b>	<b>5,350</b>
Noncurrent liabilities:				
Accrued compensated absences	3,594	959	1,479	1,642
Advances from other funds	-	-	-	-
Water fee credits	192	-	-	-
Wastewater fee credits	-	10,772	-	-
Net OPEB liability	10,290	3,922	4,434	14,891
Accrued claims and judgments	-	-	-	-
Liability for landfill closure	-	-	-	3,740
Lease liabilities	-	-	108	-
Revenue and other bonds payable, net	341,802	56,608	-	10,343
Notes payable	137,835	-	1,844	-
Net pension liability	24,533	8,909	22,527	13,361
<b>Total noncurrent liabilities</b>	<b>518,246</b>	<b>81,170</b>	<b>30,392</b>	<b>43,977</b>
<b>Total liabilities</b>	<b>549,505</b>	<b>99,128</b>	<b>33,327</b>	<b>49,327</b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>				
Gain on refunding of debt	-	-	-	183
Pensions	14,375	4,274	6,773	5,653
OPEB	5,587	1,781	2,569	4,972
Leases	854	-	-	1,739
<b>Total deferred inflows of resources</b>	<b>20,816</b>	<b>6,055</b>	<b>9,342</b>	<b>12,547</b>
<b><u>NET POSITION</u></b>				
Net investment in capital assets	406,247	152,701	255,405	3,191
Restricted for:				
Capital projects	45,942	-	-	-
Other programs	-	-	1,621	973
Unrestricted	168,587	39,021	19,775	15,348
<b>Total net position</b>	<b>\$ 620,776</b>	<b>\$ 191,722</b>	<b>\$ 276,801</b>	<b>\$ 19,512</b>

(continued)

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

**City of Sacramento**  
**Proprietary Funds**  
**Statement of Net Position**  
June 30, 2022  
(in thousands)

	<b>Business-type Activities - Enterprise Funds</b>			<b>Governmental</b>
	<b>Community Center Fund</b>	<b>Other Enterprise Funds</b>	<b>Total</b>	<b>Activities - Internal Service Funds</b>
<b><u>LIABILITIES</u></b>				
Current liabilities:				
Accounts payable	5,350	2,238	31,136	5,856
Due to other funds	250	-	250	-
Accrued payroll	194	317	2,490	329
Accrued compensated absences	41	42	637	62
Interest payable	1,277	41	5,208	2
Liability for landfill closure	-	-	298	-
Deposits	-	502	994	-
Unearned revenue	819	362	3,923	228
Accrued claims and judgments	5	15	660	28,834
Lease liabilities	-	108	142	14
Revenue and other bonds payable, net	7,655	1,191	28,639	411
Notes payable	-	-	3,532	-
<b>Total current liabilities</b>	<b>15,591</b>	<b>4,816</b>	<b>77,909</b>	<b>35,736</b>
Noncurrent liabilities:				
Accrued compensated absences	561	805	9,040	1,243
Advances from other funds	4,781	-	4,781	-
Water fee credits	-	-	192	-
Wastewater fee credits	-	-	10,772	-
Net OPEB liability	193	1,360	35,090	4,753
Accrued claims and judgments	-	-	-	83,060
Liability for landfill closure	-	-	3,740	-
Lease liabilities	-	1,762	1,870	8
Revenue and other bonds payable, net	347,012	9,808	765,573	-
Notes payable	-	-	139,679	-
Net pension liability	6,120	7,229	82,679	9,853
<b>Total noncurrent liabilities</b>	<b>358,667</b>	<b>20,964</b>	<b>1,053,416</b>	<b>98,917</b>
<b>Total liabilities</b>	<b>374,258</b>	<b>25,780</b>	<b>1,131,325</b>	<b>134,653</b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>				
Gain on refunding of debt	-	170	353	-
Pensions	1,914	2,975	35,964	4,836
OPEB	917	1,176	17,002	-
Leases	-	7,966	10,559	2,201
<b>Total deferred inflows of resources</b>	<b>2,831</b>	<b>12,287</b>	<b>63,878</b>	<b>7,037</b>
<b><u>NET POSITION</u></b>				
Net investment in capital assets	95,484	24,723	937,751	90,591
Restricted for:				
Capital projects	-	-	45,942	-
Other programs	-	-	2,594	-
Unrestricted	14,888	11,032	268,651	22,191
<b>Total net position</b>	<b>\$ 110,372</b>	<b>\$ 35,755</b>	<b>\$ 1,254,938</b>	<b>\$ 112,782</b>

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

**City of Sacramento**  
**Proprietary Funds**  
**Statement of Revenues, Expenses**  
**and Changes in Net Position**

For the Fiscal Year Ended June 30, 2022  
(in thousands)

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Water Fund</b>	<b>Wastewater Fund</b>	<b>Storm Drainage Fund</b>	<b>Solid Waste Fund</b>
Operating revenues:				
Charges for services:				
User fees and charges	\$ 136,493	\$ 43,141	\$ 39,960	\$ 75,856
Rents and concessions	60	-	49	163
Charge to other agencies for contract services	-	1,186	1,892	-
Miscellaneous	60	-	-	202
Total operating revenues	<u>136,613</u>	<u>44,327</u>	<u>41,901</u>	<u>76,221</u>
Operating expenses:				
Employee services	35,293	10,543	13,709	16,546
Services and supplies	24,691	13,541	16,143	45,050
Depreciation/amortization	27,184	4,879	11,215	1,226
Insurance premiums	-	-	-	-
Claims and judgments	33	150	103	83
Total operating expenses	<u>87,201</u>	<u>29,113</u>	<u>41,170</u>	<u>62,905</u>
Operating income (loss)	<u>49,412</u>	<u>15,214</u>	<u>731</u>	<u>13,316</u>
Nonoperating revenues (expenses):				
Interest and investment revenue (loss)	(13,603)	(3,338)	(2,507)	(2,540)
Transient occupancy taxes	-	-	-	-
Revenue from other agencies	552	65	25	1,099
Insurance and other claim recoveries	-	-	-	-
Interest expense	(14,322)	(1,715)	(68)	(323)
Amortization of bond prepaid insurance	(23)	-	-	-
Gain on disposition of capital assets	-	-	-	-
Total nonoperating revenues (expenses)	<u>(27,396)</u>	<u>(4,988)</u>	<u>(2,550)</u>	<u>(1,764)</u>
Income (loss) before capital contributions and transfers	22,016	10,226	(1,819)	11,552
Capital contributions	7,056	3,990	6,116	-
Transfers in	117	62	53	349
Transfers out	(15,096)	(4,765)	(4,602)	(8,414)
Changes in net position	14,093	9,513	(252)	3,487
Total net position, beginning of year	<u>606,683</u>	<u>182,209</u>	<u>277,053</u>	<u>16,025</u>
Total net position, end of year	<u>\$ 620,776</u>	<u>\$ 191,722</u>	<u>\$ 276,801</u>	<u>\$ 19,512</u>

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

**City of Sacramento**  
**Proprietary Funds**  
**Statement of Revenues, Expenses**  
**and Changes in Net Position**

For the Fiscal Year Ended June 30, 2022  
(in thousands)

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Community Center Fund	Other Enterprise Funds	Total	
Operating revenues:				
Charges for services:				
User fees and charges	\$ 2,837	\$ 17,374	\$ 315,661	\$ 104,868
Rents and concessions	7,303	890	8,465	-
Charge to other agencies for contract services	-	-	3,078	-
Miscellaneous	-	69	331	125
Total operating revenues	10,140	18,333	327,535	104,993
Operating expenses:				
Employee services	5,225	7,960	89,276	11,333
Services and supplies	8,530	6,405	114,360	33,911
Depreciation/amortization	1,384	1,566	47,454	15,302
Insurance premiums	-	-	-	12,336
Claims and judgments	-	33	402	30,766
Total operating expenses	15,139	15,964	251,492	103,648
Operating income (loss)	(4,999)	2,369	76,043	1,345
Nonoperating revenues (expenses):				
Interest and investment revenue (loss)	(2,339)	313	(24,014)	(4,711)
Transient occupancy taxes	26,843	-	26,843	-
Revenue from other agencies	-	123	1,864	-
Insurance and other claim recoveries	-	-	-	2,374
Interest expense	(14,317)	(337)	(31,082)	(16)
Amortization of bond prepaid insurance	-	-	(23)	-
Gain on disposition of capital assets	-	-	-	151
Total nonoperating revenues (expenses)	10,187	99	(26,412)	(2,202)
Income (loss) before capital contributions and transfers	5,188	2,468	49,631	(857)
Capital contributions	-	-	17,162	-
Transfers in	9,461	10,458	20,500	21
Transfers out	(2,630)	(10,988)	(46,495)	(1,071)
Changes in net position	12,019	1,938	40,798	(1,907)
Total net position, beginning of year	98,353	33,817	1,214,140	114,689
Total net position, end of year	\$ 110,372	\$ 35,755	\$ 1,254,938	\$ 112,782

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



**City of Sacramento**  
**Proprietary Funds**  
**Statement of Cash Flows**

For the Fiscal Year Ended June 30, 2022  
(in thousands)

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Water Fund</b>	<b>Wastewater Fund</b>	<b>Storm Drainage Fund</b>	<b>Solid Waste Fund</b>
Cash flows from operating activities:				
Receipts from customers and users	\$ 139,475	\$ 46,218	\$ 41,902	\$ 75,495
Receipts from interfund services provided	-	-	-	-
Payments to suppliers	(24,634)	(12,969)	(16,560)	(44,632)
Payments to employees	(40,882)	(12,228)	(15,956)	(19,648)
Claims and judgments paid	(40)	(118)	(90)	(105)
Net cash provided by (used for) operating activities	<u>73,919</u>	<u>20,903</u>	<u>9,296</u>	<u>11,110</u>
Cash flows from noncapital financing activities:				
Transient occupancy taxes	-	-	-	-
Transfers in from other funds	117	62	53	349
Transfers out to other funds	(14,576)	(4,719)	(4,602)	(8,306)
Collections on interfund loans	-	-	-	-
Loans made to other funds	-	-	-	-
Interfund loan repayments	-	-	-	-
Intergovernmental revenue received	424	65	25	1,224
Net cash provided by (used for) noncapital financing activities	<u>(14,035)</u>	<u>(4,592)</u>	<u>(4,524)</u>	<u>(6,733)</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(17,004)	(18,947)	(4,320)	(1,842)
Proceeds from sale of capital assets	-	-	-	-
Proceeds from issuance of debt	22,646	-	-	-
Principal payments on capital debt	(17,875)	(1,900)	(92)	(1,055)
Interest payments on capital debt	(16,499)	(1,965)	(69)	(513)
Principal payments on lease liabilities	(61)	-	(35)	-
Interest payments on lease liabilities	-	-	(1)	-
Transfers in from other funds	-	-	-	-
Transfers out to other funds	(520)	(46)	-	(108)
Capital contributions received	4,747	3,201	-	-
Receipts from leases	27	-	-	153
Collection of interest from leases	5	-	-	24
Loan repayments received	-	-	46	-
Cash reimbursement for fee credits	-	(1,631)	-	-
Net cash used for capital and related financing activities	<u>(24,534)</u>	<u>(21,288)</u>	<u>(4,471)</u>	<u>(3,341)</u>
Cash flows from investing activities:				
Collection (loss) of interest and investment revenue	(13,705)	(3,323)	(2,506)	(2,568)
Net increase (decrease) in cash and cash equivalents	21,645	(8,300)	(2,205)	(1,532)
Cash and cash equivalents, beginning of year	<u>238,854</u>	<u>71,837</u>	<u>50,636</u>	<u>50,515</u>
Cash and cash equivalents, end of year	<u>\$ 260,499</u>	<u>\$ 63,537</u>	<u>\$ 48,431</u>	<u>\$ 48,983</u>

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

**City of Sacramento**  
**Proprietary Funds**  
**Statement of Cash Flows**

For the Fiscal Year Ended June 30, 2022  
(in thousands)

	Business-type Activities - Enterprise Funds			Governmental
	Community Center Fund	Other Enterprise Funds	Total	Activities - Internal Service Funds
Cash flows from operating activities:				
Receipts from customers and users	\$ 9,990	\$ 17,714	\$ 330,794	\$ -
Receipts from interfund services provided	-	-	-	179,009
Payments to suppliers	(6,971)	(6,090)	(111,856)	(119,808)
Payments to employees	(6,256)	(8,933)	(103,903)	(13,098)
Claims and judgments paid	-	(24)	(377)	(24,001)
Net cash provided by (used for) operating activities	(3,237)	2,667	114,658	22,102
Cash flows from noncapital financing activities:				
Transient occupancy taxes	26,522	-	26,522	-
Transfers in from other funds	6,720	10,458	17,759	-
Transfers out to other funds	(2,630)	(1,488)	(36,321)	(1,026)
Collections on interfund loans	-	-	-	4,179
Loans made to other funds	-	-	-	(1,657)
Interfund loan repayments	(250)	-	(250)	-
Intergovernmental revenue received	-	123	1,861	-
Net cash provided by (used for) noncapital financing activities	30,362	9,093	9,571	1,496
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(32,421)	(1,147)	(75,681)	(19,148)
Proceeds from sale of capital assets	-	-	-	870
Proceeds from issuance of debt	-	-	22,646	-
Principal payments on capital debt	(6,150)	(990)	(28,062)	(13)
Interest payments on capital debt	(15,559)	(486)	(35,091)	(21)
Principal payments on lease liabilities	-	(108)	(204)	-
Interest payments on lease liabilities	-	(28)	(29)	-
Transfers in from other funds	2,741	-	2,741	21
Transfers out to other funds	-	(9,500)	(10,174)	(45)
Capital contributions received	-	-	7,948	-
Receipts from leases	-	201	381	-
Collection of interest from leases	-	84	113	-
Loan repayments received	-	-	46	-
Cash reimbursement for fee credits	-	-	(1,631)	-
Net cash used for capital and related financing activities	(51,389)	(11,974)	(116,997)	(18,336)
Cash flows from investing activities:				
Collection (loss) of interest and investment revenue	(2,263)	188	(24,177)	(4,753)
Net increase (decrease) in cash and cash equivalents	(26,527)	(26)	(16,945)	509
Cash and cash equivalents, beginning of year	79,421	24,913	516,176	133,455
Cash and cash equivalents, end of year	\$ 52,894	\$ 24,887	\$ 499,231	\$ 133,964

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

(continued)

**City of Sacramento**  
**Proprietary Funds**  
**Statement of Cash Flows**

For the Fiscal Year Ended June 30, 2022  
(in thousands)

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Water Fund</b>	<b>Wastewater Fund</b>	<b>Storm Drainage Fund</b>	<b>Solid Waste Fund</b>
Reconciliation of cash and cash equivalents to the Statement of Net Position:				
Cash and investments held by City	\$ 189,894	\$ 54,001	\$ 47,394	\$ 47,261
Cash and investments held by fiscal agent	-	-	-	-
Restricted cash and investments held by City	67,155	9,125	1,037	1,722
Restricted cash and investments held by fiscal agent	3,450	411	-	-
Total cash and cash equivalents, end of year	<u>\$ 260,499</u>	<u>\$ 63,537</u>	<u>\$ 48,431</u>	<u>\$ 48,983</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ 49,412	\$ 15,214	\$ 731	\$ 13,316
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation/amortization expense	26,895	4,623	10,902	1,038
Amortization of intangible assets	289	256	313	188
Nonoperating claims and judgments	-	-	-	-
Changes in assets, liabilities, and deferred outflows and inflows of resources:				
Accounts receivable, net	3,492	1,891	(588)	(563)
Intergovernmental receivables	-	-	297	-
Inventories	(391)	10	18	-
Prepaid items	(6)	-	16	-
Accounts payable	454	562	(436)	719
Accrued payroll	(66)	(42)	13	(3)
Accrued compensated absences	404	151	313	203
Accrued claims and judgments	(7)	32	13	(22)
Liability for landfill closure	-	-	-	(298)
Deposits	(1)	-	(15)	(3)
Unearned revenue	(535)	-	292	-
Water fee credits	(34)	-	-	-
Net pension liability and related deferred outflows/inflows of resources	(4,484)	(1,244)	(1,770)	(2,170)
Net OPEB liability and related deferred outflows/inflows of resources	(1,443)	(550)	(803)	(1,132)
Deferred inflows related to leases	(60)	-	-	(163)
Net cash provided by (used for) operating activities	<u>\$ 73,919</u>	<u>\$ 20,903</u>	<u>\$ 9,296</u>	<u>\$ 11,110</u>
Noncash investing, capital and financing activities:				
Contributions of capital assets	\$ 2,634	\$ 1,187	\$ 6,116	\$ -
Amortization of bond premium and discount	1,720	339	-	160
Amortization of bond loss on refunding	(131)	(116)	-	-
Amortization of bond gain on refunding	-	-	-	-
Amortization of bond prepaid insurance	(23)	-	-	-
Increase in prepaid items for capital assets	-	-	-	-
Capital asset acquisitions on accounts payable	1,354	432	310	795
Fee credit reimbursement accounts payable	-	1,509	-	-

(continued)

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

**City of Sacramento**  
**Proprietary Funds**  
**Statement of Cash Flows**

For the Fiscal Year Ended June 30, 2022  
(in thousands)

	Business-type Activities - Enterprise Funds			Governmental
	Community Center Fund	Other Enterprise Funds	Total	Activities - Internal Service Funds
Reconciliation of cash and cash equivalents to the Statement of Net Position:				
Cash and investments held by City	\$ 33,376	\$ 24,887	\$ 396,813	\$ 133,080
Cash and investments held by fiscal agent	-	-	-	884
Restricted cash and investments held by City	12,594	-	91,633	-
Restricted cash and investments held by fiscal agent	6,924	-	10,785	-
Total cash and cash equivalents, end of year	<u>\$ 52,894</u>	<u>\$ 24,887</u>	<u>\$ 499,231</u>	<u>\$ 133,964</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ (4,999)	\$ 2,369	\$ 76,043	\$ 1,345
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation/amortization expense	1,384	1,557	46,399	15,302
Amortization of intangible assets	-	9	1,055	-
Nonoperating claims and judgments	-	-	-	(2,676)
Changes in assets, liabilities, and deferred outflows and inflows of resources:				
Accounts receivable, net	(418)	6	3,820	4
Intergovernmental receivables	-	-	297	-
Inventories	-	-	(363)	-
Prepaid items	(1)	1	10	176
Accounts payable	1,560	314	3,173	310
Accrued payroll	84	99	85	(19)
Accrued compensated absences	183	198	1,452	149
Accrued claims and judgments	-	9	25	9,441
Liability for landfill closure	-	-	(298)	-
Deposits	-	(32)	(51)	(5)
Unearned revenue	268	(54)	(29)	(29)
Water fee credits	-	-	(34)	-
Net pension liability and related deferred outflows/inflows of resources	(753)	(853)	(11,274)	(1,278)
Net OPEB liability and related deferred outflows/inflows of resources	(545)	(417)	(4,890)	(618)
Deferred inflows related to leases	-	(539)	(762)	-
Net cash provided by (used for) operating activities	<u>\$ (3,237)</u>	<u>\$ 2,667</u>	<u>\$ 114,658</u>	<u>\$ 22,102</u>
Noncash investing, capital and financing activities:				
Contributions of capital assets	\$ -	\$ -	\$ 9,937	\$ -
Amortization of bond premium and discount	1,259	151	3,629	5
Amortization of bond loss on refunding	-	-	(247)	-
Amortization of bond gain on refunding	-	24	24	-
Amortization of bond prepaid insurance	-	-	(23)	-
Increase in prepaid items for capital assets	-	-	-	1,347
Capital asset acquisitions on accounts payable	2,125	394	5,410	2,365
Fee credit reimbursement accounts payable	-	-	1,509	-

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

**City of Sacramento**  
**Fiduciary Funds**  
**Statement of Fiduciary Net Position**

June 30, 2022  
(in thousands)

	<u>Pension Trust Fund</u>	<u>Private-Purpose Trust Fund</u>	<u>Investment Pool Custodial Fund</u>	<u>Other Custodial Funds</u>
<b><u>ASSETS</u></b>				
Cash and investments held by City	\$ 7,825	\$ 12,435	\$ 122,690	\$ 155,428
Cash and investments held by fiscal agent	-	21,370	-	4,201
Prepaid items	-	151	-	-
Receivables, net:				
Interest	888	-	269	287
Special assessments	-	-	-	316
Investments, at fair value:				
Corporate bonds/notes	45,810	-	-	-
Equities	21,197	-	-	-
Exchange traded funds	149,073	-	-	-
Mortgage loans	558	-	-	-
Municipal bonds/notes	28,798	-	-	-
U.S. agencies	745	-	-	-
U.S. Treasury bonds	1,569	-	-	-
Restricted assets:				
Cash and investments held by City	-	-	-	5,228
Cash and investments held by fiscal agent	-	-	-	21,095
Loans receivable	-	3,875	-	-
Capital assets:				
Land	-	4,969	-	-
Buildings and improvements	-	141	-	-
Less: accumulated depreciation	-	(48)	-	-
<b>Total assets</b>	<b>256,463</b>	<b>42,893</b>	<b>122,959</b>	<b>186,555</b>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>				
Loss on refunding of debt	-	993	-	-
<b><u>LIABILITIES</u></b>				
Accounts payable	3	1,689	-	46
Benefits payable	2,289	-	-	-
Due to bondholders	-	-	-	44,420
Interest payable	-	259	-	-
Contracts payable	-	12,059	-	-
Bonds payable	-	33,871	-	-
Notes payable	-	164,428	-	-
<b>Total liabilities</b>	<b>2,292</b>	<b>212,306</b>	<b>-</b>	<b>44,466</b>
<b><u>NET POSITION</u></b>				
Held in trust for:				
Restricted for pensions	254,171	-	-	-
Redevelopment dissolution	-	(168,420)	-	-
Held for external pool participants	-	-	122,959	142,089
<b>Total net position (deficit)</b>	<b>\$ 254,171</b>	<b>\$ (168,420)</b>	<b>\$ 122,959</b>	<b>\$ 142,089</b>

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

**City of Sacramento**  
**Fiduciary Funds**  
**Statement of Changes in Fiduciary Net Position**

For the Fiscal Year Ended June 30, 2022  
(in thousands)

	Pension Trust Fund	Private-Purpose Trust Fund	Investment Pool Custodial Fund	Other Custodial Funds
Additions:				
Deposits	\$ -	\$ -	\$ 110,725	\$ 6,579
Property taxes	-	27,234	-	-
Special assessments	-	-	-	26,038
Fines, forfeits, and penalties	-	-	-	3
Contributions:				
Employer	3,479	-	-	-
Employees	9	-	-	-
Total contributions	3,488	-	-	-
Investment income:				
From investment activities:				
Net depreciation in fair value of investments	(37,595)	-	(5,568)	(7,693)
Interest	2,779	230	1,104	1,208
Dividends	3,732	-	-	-
Total investment income (loss)	(31,084)	230	(4,464)	(6,485)
Investment expenses:				
Banking, interest, and fiscal agent expenses	25	-	275	-
Professional services	1,196	-	-	-
Total investment expenses	1,221	-	275	-
Net income (loss) from investment activities	(32,305)	230	(4,739)	(6,485)
Total additions	(28,817)	27,464	105,986	26,135
Deductions:				
Benefit payments	28,145	-	-	-
Withdrawals	-	-	105,437	29,008
Interest expense	-	14,791	-	-
Other enforceable obligations	-	(415)	-	-
Loan forgiveness	-	177	-	-
Paid to bondholders	-	-	-	23,496
Administrative expenses	-	-	-	1,243
Developer reimbursements	-	-	-	86
Depreciation expense	-	4	-	-
Total deductions	28,145	14,557	105,437	53,833
Changes in net position	(56,962)	12,907	549	(27,698)
Net position (deficit), beginning of year	311,133	(181,327)	122,410	169,787
Net position (deficit), end of year	\$ 254,171	\$ (168,420)	\$ 122,959	\$ 142,089

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

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# Notes to the Basic Financial Statements



# City of Sacramento

## Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2022  
(dollar amounts expressed in thousands)

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### DEFINITION OF REPORTING ENTITY

The City of Sacramento (City) was incorporated in 1849 under the laws of the State of California. Sacramento is a charter city and operates under a City Council – City Manager form of government. The City provides a full range of municipal services including police, fire, water, wastewater, storm drainage, solid waste, construction and maintenance of streets, planning and zoning, code enforcement, parks, recreation programs, and cultural activities.

These basic financial statements present the financial status of the City and its component units, which are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

#### Blended Component Units

The Sacramento City Financing Authority (SCFA) is a joint exercise of powers entity created by the City and the former Redevelopment Agency of the City of Sacramento to facilitate the financing and refinancing of public capital facilities. Most of the debt of the SCFA is backed by the City's General Fund. The SCFA is governed by the City Council.

The Sacramento Public Financing Authority (SPFA) is a joint exercise of powers entity created by the City and the Housing Authority of the City of Sacramento (Housing Authority) to facilitate the financing and refinancing of public capital facilities. The debt of the SPFA is backed by the City. The SPFA is governed by the City Council.

#### Fiduciary Component Units

Sacramento City Employees' Retirement System (SCERS) is a single employer pension plan sponsored and administered by the City for City employees, except public safety employees, hired before January 29, 1977 and public safety employees who retired with SCERS benefits before December 30, 1989. Under provisions of the City Charter, SCERS is managed by the Administration, Investment and Fiscal Management Board (the SCERS Board), consisting of the City Manager, City Director of Finance, City Treasurer and two residents of the City appointed by the City Council. Duties of the SCERS Board include the adoption of investment standards for SCERS, the establishment of contribution rates, the administration and investment of funds, the selection of investment advisors, the crediting of interest, and any action relating to the fiscal management of SCERS. Stand-alone financial statements may be obtained at <https://www.cityofsacramento.org/Finance/Accounting/Reporting>.

The Successor Agency to the Redevelopment Agency of the City of Sacramento (Successor Agency) was created to serve as a custodian for the assets and to wind down the affairs of the former Redevelopment Agency of the City of Sacramento. The City was designated to serve as the Successor Agency subject to control of a County Oversight Board. The Oversight Board is comprised of seven members; two of which will be appointed by the Oversight Board: a Board member or staff person from the County of Sacramento (County), member of the public, member appointed by the city selection committee, representative from a special district as appointed by the independent special district selection committee, representative appointed by the County Board of Education, representative appointed by the Chancellor of the California Community Colleges, and a representative of the largest number of successor agency employees in the County appointed by the recognized employee organization. Based upon the nature of the Successor Agency's custodial role, it is reported as a fiduciary fund (private-purpose trust fund).

#### ACCOUNTING POLICIES

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the City are described below.

**City of Sacramento**  
**Notes to the Basic Financial Statements**  
For the Fiscal Year Ended June 30, 2022  
(dollar amounts expressed in thousands)

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

**Governmental Accounting Standards Implemented During the Fiscal Year Ended June 30, 2022**

GASB Statement No. 87 – In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases; enhancing the comparability of financial statements between governments; and enhancing the relevance, reliability (representational faithfulness), and consistency of information about the leasing activities of governments. The provisions in Statement 87 are effective for fiscal years beginning after June 15, 2021. The applicable provisions were implemented July 1, 2021 and as a result, the City has restated lease related assets, liabilities, and deferred inflows of resources for certain City funds, as well as governmental and business-type activities. There was no restatement to beginning net position. See note 6 for more information.

GASB Statement No. 92 – In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The provisions in Statement 92 are effective for fiscal years beginning after June 15, 2021. The applicable provisions were implemented July 1, 2021 and did not have a material impact to the financial statements.

GASB Statement No. 93 – In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this statement is to address those and other accounting and financial reporting implications that result from the replacement of an interbank offered rate. The provisions in Statement 93 are effective for fiscal years beginning after June 15, 2021. The applicable provisions were implemented July 1, 2021 and did not have a material impact to the financial statements.

GASB Statement No. 97 – In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided through those plans. The provisions in Statement 97 are effective for fiscal years beginning after June 15, 2021. The applicable provisions were implemented July 1, 2021 and did not have a material impact to the financial statements.

GASB Statement No. 99 – In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The provisions of paragraphs 26 through 32 of Statement 99 are effective upon issuance in April 2022. The applicable provisions were implemented and did not have a material impact to the financial statements.

**City of Sacramento**  
**Notes to the Basic Financial Statements**  
For the Fiscal Year Ended June 30, 2022  
(dollar amounts expressed in thousands)

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

**Upcoming Governmental Accounting Standards Implementation**

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

GASB Statement No. 91 – In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The provisions in Statement 91 are effective for fiscal years beginning after December 15, 2021. The City has not determined the effect of implementing this statement.

GASB Statement No. 94 – In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. The provisions in Statement 94 are effective for fiscal years beginning after June 15, 2022. The City has not determined the effect of implementing this statement.

GASB Statement No. 96 – In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements for government end users. The provisions in Statement 96 are effective for fiscal years beginning after June 15, 2022. The City has not determined the effect of implementing this statement.

GASB Statement No. 99 – In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The provisions of paragraphs 11 through 15 of Statement 99 are effective for fiscal years beginning after June 15, 2022. The provisions of paragraphs 4 through 10 of Statement 99 are effective for fiscal years beginning after June 15, 2023. The City has not determined the effect of implementing paragraphs 4 through 10 and 11 through 15 of this statement.

GASB Statement No. 100 – In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62*. The objective of this statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The provisions in Statement 100 are effective for fiscal years beginning after June 15, 2023. The City has not determined the effect of implementing this statement.

GASB Statement No. 101 – In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The provisions in Statement 101 are effective for fiscal years beginning after December 15, 2023. The City has not determined the effect of implementing this statement.

**City of Sacramento**  
**Notes to the Basic Financial Statements**  
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(dollar amounts expressed in thousands)

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

**Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all the non-fiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely significantly on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the City is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Certain indirect costs are allocated to expenses and capital assets of governmental and business-type activities. At the government-wide level, citywide and community support expenses/expenditures within the General Fund are allocated to City departments. Utilities expenditures within the General Fund is allocated to public works. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

As a general rule the effect of interfund activity has been removed from the government-wide financial statements. Internal service fund activity has been eliminated from the statement of activities. The effect of interfund services provided and used between functions, such as the sale of water from the Water Fund to the General Fund, has not been eliminated in the statement of activities. The City's payments in lieu of taxes from its enterprise funds to the General Fund are reported as interfund transfers.

The accounts of the City are organized on the basis of funds. A fund is a separate accounting entity with a self-balancing set of accounts. Each fund was established for the purpose of accounting for specific activities in accordance with applicable regulations, restrictions, or limitations. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, utility user taxes, intergovernmental revenue, special assessments, charges for services, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

**City of Sacramento**  
**Notes to the Basic Financial Statements**  
For the Fiscal Year Ended June 30, 2022  
(dollar amounts expressed in thousands)

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

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

The City reports the following major governmental funds:

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

The Measure U Fund was established to account for the temporary half-cent sales tax approved by voters on November 6, 2012. On November 6, 2018, Sacramento voters approved a new version of the City's Measure U sales and use tax eliminating the sunset provision and raising it from half-cent to one cent. The one cent sales and use tax was effective April 1, 2019.

The 2015 Golden 1 Center Lease Revenue Bond Fund accounts for debt service activities related to financing a portion of construction costs of a multi-purpose entertainment and sports complex located in the downtown area of Sacramento.

The Operating Grants Fund accounts for federal, state, and other agency grants received for various specific purposes.

The City reports the following major enterprise funds:

The Water Fund accounts for the operation and maintenance of the City's water treatment and water transmission and distribution systems.

The Wastewater Fund accounts for the operation and maintenance of the City's wastewater system.

The Storm Drainage Fund accounts for the operation and maintenance of the City's surface drainage system.

The Solid Waste Fund accounts for the collection and disposal of refuse throughout the City and for landfill closure.

The Community Center Fund accounts for the operation and maintenance of the City's Community Center, including the theater and exhibit halls.

Additionally, the City reports the following fund types:

Internal Service Funds account for the financing of fleet and risk management services to other departments on a cost reimbursement basis.

The Pension Trust Fund accounts for the assets held on behalf of the Sacramento City Employees' Retirement System (SCERS) for pension benefit payments to qualified employees.

The Private-Purpose Trust Fund accounts for the assets received by the Successor Agency from the City's former redevelopment agency in order to liquidate its enforceable obligations, pursuant to Assembly Bill X1 26 which dissolved redevelopment agencies in California.

Custodial Funds account for assets held by the City as a custodian for individuals, private organizations, and other governments. The City's Custodial Funds include assets held by the City for bonded assessment and community facilities districts and Investment Trust Funds. Investment Trust Funds account for the net position held on behalf of investors, in the City's investment pool and individual accounts, who are not part of the City's financial reporting entity.

**City of Sacramento**  
**Notes to the Basic Financial Statements**  
For the Fiscal Year Ended June 30, 2022  
(dollar amounts expressed in thousands)

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

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, including fees, fines, and forfeitures, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Program revenues also include earnings on investments that are legally restricted for a specific program. Internally dedicated resources are reported as general revenues rather than as program revenue. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds and internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation and amortization on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted net position are available for use, it is the City's practice to use restricted resources first followed by unrestricted resources as they are needed. When all fund balance types are available, it is the City's practice to use restricted resources first, followed by committed, assigned, and unassigned resources as they are needed.

Permanent funds, commonly referred to as endowment funds, are governmental funds used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support City programs. The City has received endowments for various programs, a list of which can be found in the Permanent Funds section of the Combining and Individual Fund Financial Statements and Schedules. The investments of donor-restricted endowments have \$6,048 of net appreciation that is available for authorization for expenditures by the governing board. The corpus of permanent funds is reported as Nonspendable Fund Balance and investment earnings available for expenditure are reported as Restricted Fund Balance in the fund level financial statements, and as Restricted for Nonexpendable Trust and Endowments in the statement of net position. Funds are spent in accordance with legal trust agreements and the City budget, subject to State law governing the spending of endowment fund investment earnings in California Probate Code Section 18504.

**Budget Information**

The City Manager submits a proposed budget to the City Council no later than 60 days prior to the commencement of the fiscal year. The City Council holds public hearings, modifies the City Manager's recommendations, and adopts a final budget in June. The budget adoption resolution specifies that budgets will be controlled at the department level (e.g., police, fire, public works, parks and recreation etc.) by fund.

Annual budgets are adopted for the General Fund, Measure U Fund, the City/County Office of Metropolitan Water Planning (CCOMWP) Fund, the Cal EPA Fund, as well as certain activities within the Transportation and Development Fund, the Culture and Leisure Fund, the Parks and Recreation Fund, and the Special Districts Fund. Annual budgets are also adopted for the enterprise and internal service funds, although they are not legally required. Multi-year project-length budgets are adopted for the General Fund, capital projects funds, and the Operating Grants Fund where appropriations remain authorized for each project until closed, irrespective of fiscal year. Expenditures are appropriated on a modified accrual basis, except that commitments related to purchase orders are treated as expenditures in the year of commitment.

Budgets are modified throughout the year when the tax base changes, fees are modified, new revenue sources are identified, or programs are changed. The City Manager is authorized to administratively amend the budget during the year for transactions up to \$250 without City Council approval. All other appropriation adjustments during the year require City Council approval. Unencumbered annual budget appropriations lapse at fiscal year-end. The City honors contracts represented by year-end encumbrances and the appropriations carried over provide authority to complete these transactions in future years. Multi-year project-length budget appropriations are automatically carried over into the next fiscal year.

**City of Sacramento**  
**Notes to the Basic Financial Statements**  
For the Fiscal Year Ended June 30, 2022  
(dollar amounts expressed in thousands)

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

**Financial Statements Elements**

**Fair Value Measurement** – The City categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs.

**Property Taxes** - Article XIII of the California Constitution (Proposition 13) limits ad valorem taxes on real property to one percent of value plus taxes necessary to pay indebtedness approved by voters prior to July 1, 1978. The Article also established the 1975/76 assessed valuation as the base and limits annual increases to the cost-of-living, not to exceed two percent, for each year thereafter. Property may also be reassessed to full market value after a sale, transfer of ownership, or completion of new construction. The State is prohibited under the Article from imposing new ad valorem, sales, or transactions taxes on real property. Local governments may impose special taxes (except on real property) with the approval of two-thirds of the qualified electors.

Property taxes are levied annually by the Sacramento County Assessor on July 1 and become a lien on property on the preceding January 1. Taxes are due November 1 and February 1 and are delinquent if not paid by December 10 and April 10, respectively.

The City participates in an alternative method of distribution of property tax levies and assessments known as the "Teeter Plan". The State Revenue and Taxation Code allows counties to distribute secured real property, assessment and supplemental property taxes on an accrual basis resulting in full payment to cities each fiscal year. Any subsequent delinquent payments and related penalties and interest during a fiscal year will revert to the County. The Teeter Plan payment, which includes 95% of the outstanding accumulated delinquency, is included in property tax revenue. Under the Teeter Plan code, 5% of the delinquency must remain with the County as a reserve for Teeter Plan funding.

**Receivables and Payables** – Property taxes, sales taxes, utility user taxes, and other taxes, related to the current fiscal year are accrued as revenue and accounts receivable and considered available if received within 60 days of year end.

Federal and State grants are considered receivable and accrued as revenue when all eligibility requirements have been met under the accrual basis of accounting in the government-wide statement of net position. The amount recognized as revenue under the modified accrual basis of accounting is limited to the amount that is deemed measurable and available as described above.

Long-term loans receivable reported in the governmental fund statements are recorded with offsetting unavailable revenue because the amounts will not be received within 60 days after fiscal year-end. Long-term loans receivable reported in the proprietary fund statements, as well as long-term loans reported in the government-wide statements, are not offset by unavailable revenue. Unbilled utility revenue earned is recognized as revenue and accounts receivable in the enterprise funds.

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is 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 non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

**Inventories and Prepaid Items** - Inventories in the proprietary funds are stated at cost and consist of expendable materials and supplies. Inventories are expensed when consumed using the first-in, first-out (FIFO) method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items, using the consumption method, in both government-wide and fund financial statements.

**City of Sacramento**  
**Notes to the Basic Financial Statements**  
 For the Fiscal Year Ended June 30, 2022  
 (dollar amounts expressed in thousands)

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

**Financial Statements Elements (Continued)**

**Restricted Assets** - Certain proceeds of debt issues, as well as certain resources set aside for their repayment, are classified as restricted assets on the statements of net position and balance sheets because their use is limited by applicable bond covenants. Unspent developer impact fees are classified as restricted assets on the statements of net position for the Water and Wastewater enterprise funds.

**Capital Assets** - Capital assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements, as well as the proprietary funds and fiduciary funds financial statements. Capital assets are recorded at the lower of actual historical cost or acquisition value (as of the date donated for contributed assets) although for certain older assets estimated historical costs are used.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Building and improvements	Primarily 15 to 70 years
Transmission and distribution system	Primarily 15 to 100 years
Machinery, vehicles and equipment	Primarily 5 to 30 years
Software	Primarily 5 to 20 years
Roadway network	Primarily 20 to 70 years
Streetlight network	Primarily 40 to 50 years
Park and park improvements	Primarily 15 to 30 years

It is the policy of the City to capitalize all land, buildings and improvements, equipment, and infrastructure assets, except assets costing less than \$20, unless a federal funding source is utilized. All capital assets in excess of \$5 financed by a federal funding source are capitalized. The City also capitalizes all intangible capital assets, primarily easements and software, except assets costing less than \$100, unless a federal funding source is utilized. Costs of capital assets sold or retired (and related amounts of accumulated depreciation/amortization) are eliminated from the accounts in the year of sale or retirement and the resulting gain or loss is included in the operating statement of the related proprietary fund, governmental activities, and business-type activities. In governmental funds, the sale of general capital assets is included in the statement of revenues, expenditures and changes in fund balances as proceeds from sale.

The Crocker Art Museum’s collection of works of art, held in trust by the City, has not been reported in these financial statements. The City has elected not to report the collection because it meets the three criteria for waiving capitalization: the collection is held for reasons other than financial gain; the collection is protected, kept unencumbered, cared for, and preserved; and the collection is subject to an organizational policy requiring that the proceeds from sales of collection items be used to acquire other items for the collection.

The intangible right-to-use leased assets are also reported as capital assets. Refer to the Lease section of Note 1 for further information.

**Deferred Outflows/Inflows of Resources** - In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to future periods and will not be recognized as an expense/expenditure until then. The City has three items, deferred outflows related to loss on refunding of debt, pensions, and OPEB, which qualify for reporting in this category.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to future periods and will not be recognized as revenue until then. The City has five items recognized in the statement of net position: deferred inflows related to gain on refunding of debt, service concession arrangement revenue, pensions, OPEB, and leases. In addition, there is one item recognized in the governmental funds, unavailable revenue, which qualifies for reporting in this category.



**City of Sacramento**  
**Notes to the Basic Financial Statements**  
For the Fiscal Year Ended June 30, 2022  
(dollar amounts expressed in thousands)

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

**Financial Statement Elements (Continued)**

**Compensated Absences** - Benefit qualified employees accrue vacation, sick, and holiday benefits. A full-time employee may accumulate up to sixty days of vacation. Sick leave vests and may be accumulated until retirement. An employee with sixty or more days of accumulated sick leave at the end of a calendar year may elect to receive a 25% payment of any unused sick leave earned in the previous calendar year. The amount of sick leave paid is deducted from the employee's total accumulation. Upon retirement, employees with a minimum of 20 years of City service, excluding SCERS employees, have the option of converting their sick leave accumulation into CalPERS service credit hours, or receiving a cash payment of one-third of the accumulated sick leave. The City accrues expected cash payments of accumulated sick leave at fiscal year-end. Employees who leave the City and are not retiring forfeit any remaining sick leave.

Employees receive 14 holidays per calendar year. Employees accrue all or a portion of these 14 days during the year depending on their job classification. Classifications that accrue all 14 days get paid in cash throughout the year whenever their holiday leave balances exceed the 14 days total. All other employees accrue one or two days of "floating" holiday time, depending on the bargaining unit, throughout the year in conjunction with their remaining twelve holidays. Employees who accrue "floating" holiday time get paid annually in January for any calendar year-end balance greater than eight hours.

All hourly employees have the option of being compensated for their overtime pay with compensatory time off (CTO). Depending on the employee's CTO plan, the employee may accrue a maximum of 80, 120 or 160 hours of CTO. The employee's applicable labor agreement or the City Council's resolution for unrepresented employees determines the maximum accruable number of CTO hours.

All compensated absences are accrued when earned in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**Unearned Revenue** - Unearned revenue in accrual-based statements arises when resources are received by the City before it has a legal claim to them (i.e., when grant monies are received prior to incurring qualified expenditures).

**Long-term Obligations** - In the government-wide and proprietary and fiduciary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Gains and losses on debt refunding are deferred and amortized over the shorter of the remaining life of the old debt or the life of the new debt using the straight-line method. Bonds payable are reported net of bond premium or discount. Bond issuance costs, except prepaid bond insurance which is deferred and amortized, are reported as expenditures/expenses when incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**City of Sacramento**  
**Notes to the Basic Financial Statements**  
For the Fiscal Year Ended June 30, 2022  
(dollar amounts expressed in thousands)

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

**Financial Statement Elements (Continued)**

**Fund Balance** - In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Nonspendable fund balances include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Amounts that are restricted to specific purposes, either by a) constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through constitutional provisions or enabling legislation, are classified as restricted fund balances. Amounts that can only be used for specific purposes pursuant to constraints imposed by the City Council through a resolution, which is the highest form of decision authority, are classified as committed fund balances. Amounts that are constrained by the City Council's intent to be used for specific purposes through a resolution, but are neither restricted nor committed, are classified as assigned fund balances. Negative fund balance in governmental funds and residual fund balance in the General Fund, after determining the fund balance classifications described above, is reported as unassigned fund balance. The General Fund is the only fund that can report a positive unassigned fund balance amount.

The City's Economic Uncertainty Reserve (Reserve) is a stabilization arrangement in the General Fund and Measure U Fund reported as committed fund balance. The adopted Reserve goal is to achieve a reserve equal to 10% of annual General Fund and Measure U revenues and a target reserve equal to two months of regular ongoing General Fund and Measure U expenditures, including transfers. The City Manager may recommend a release from the Reserve when the gap between projected revenue and expenditures is greater than \$1,000 in the proposed budget. Additions and releases from the Reserve must be approved by City Council by resolution.

**Statement of Cash Flows** - For purposes of the statement of cash flows, cash equivalents are defined as investments with original maturities of 90 days or less, which are readily convertible to known amounts of cash. The City considers all pooled cash and investments (consisting of cash and investments and restricted cash and investments) held by the City as cash and cash equivalents because the pool is used essentially as a demand deposit account from the standpoint of the funds. The City also considers all non-pooled cash and investments (consisting of cash with fiscal agent and restricted cash and investments held by fiscal agent) as cash and cash equivalents because investments meet the criteria for cash equivalents defined above.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

**Pensions** - For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's California Public Employees' Retirement System (CalPERS) and Sacramento Employees' Retirement System (SCERS) Plans and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS and SCERS, respectively. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Other Postemployment Benefits (OPEB)** - For purposes of measuring the net OPEB liability and deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City's CalPERS Plan 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 are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**City of Sacramento**  
**Notes to the Basic Financial Statements**  
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(dollar amounts expressed in thousands)

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

**Financial Statement Elements (Continued)**

**Leases, City as a Lessee** - The City is a lessee in various noncancellable leases of land, buildings, and equipment. For leases with a maximum possible term of 12 months or less at commencement, the City recognizes expenses/expenditures based on the provisions of the lease agreement. For all other leases, the City recognizes a lease liability and an intangible right-to-use leased asset in the statement of net position.

At lease commencement, the City measures the lease liability at the present value of fixed payments expected to be made during the lease term. Subsequently, lease liabilities are reduced by the principal portion of lease payments made. The leased asset is initially measured at the initial amount of the lease liability, plus any initial direct costs ancillary to placing the underlying asset into service and lease payments made at or before the lease commencement date, less any lease incentives received. Subsequently, the leased asset is amortized into depreciation and amortization expense on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset. If the City is reasonably certain of exercising a purchase option contained in a lease, the leased asset will be amortized over the useful life of the underlying asset. It is the policy of the City to capitalize all leased land, buildings, and equipment, except those with less than \$20 of fixed payments expected to be made during the lease term, unless a federal funding source is utilized. All leased assets in excess of \$5 financed by a federal funding source are capitalized. These same thresholds are used in the recognition of lease liabilities.

**Leases, City as a Lessor** - The City is a lessor in various noncancellable leases of land, buildings, and equipment. For leases with a maximum possible term of 12 months or less at commencement, the City recognizes revenues based on the provisions of the lease agreement. For all other leases, the City recognizes a lease receivable and a deferred inflow of resources related to leases in the statement of net position and governmental fund balance sheet.

At lease commencement, the City measures the lease receivable at the present value of fixed payments expected to be received during the lease term. Subsequently, lease receivables are reduced by the principal portion of lease payments received. The deferred inflow of resources related to leases is initially measured at the initial amount of the lease receivable. Subsequently, the deferred inflow of resources related to leases is amortized into lease revenue on a straight-line basis over the term of the agreement. It is the policy of the City to recognize lease receivables and deferred inflow of resources related to leases for all leased out land, buildings, and equipment, except leases with less than \$20 of fixed payments expected to be received during the lease term.

**Other Lease Considerations** - Key estimates and judgments include the City's determination of the discount rate used to calculate the present value of the lease, lease term, and lease payments and receipts. The City generally uses its estimated incremental borrowing rate as the discount rate for leases unless the rate charged is explicitly stated or known. The City's incremental borrowing rate for leases is based on the estimate of interest rates that the City would be charged for borrowing lease amounts during the term of the lease. The City uses an incremental borrowing rate of between 0.316% and 1.779%. The lease term includes noncancellable periods of lease arrangements, plus any additional periods covered by an option to extend for which it is reasonably certain to be exercised or an option to terminate for which it is reasonably certain to not be exercised. Periods in which both the lessee and lessor have a unilateral option to terminate (or if both parties must agree to extend) are excluded from the lease term. Receipts and payments are evaluated by the City to determine if they should be included in the measurement of lease receivables and liabilities, including receipts and payments that require a determination of whether they are reasonably certain of being made, such as residual value guarantees, purchase options, termination penalties, and other receipts and payments.

The City monitors changes in circumstances that may require remeasurement of a lease agreement. When certain changes occur that are expected to significantly affect the value of the lease, the lease amounts are remeasured and adjusted.

**City of Sacramento**  
**Notes to the Basic Financial Statements**  
For the Fiscal Year Ended June 30, 2022  
(dollar amounts expressed in thousands)

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**NOTE 2 – CASH AND INVESTMENTS**

The following is a summary of cash and investments at June 30, 2022:

	Government-wide Statement of Net Position	Fiduciary Funds Statement of Fiduciary Net Position	Total
Cash and investments	\$ 1,286,414	\$ 571,699	\$ 1,858,113
Restricted cash and investments	135,411	26,323	161,734
<b>Total</b>	<b>\$ 1,421,825</b>	<b>\$ 598,022</b>	<b>\$ 2,019,847</b>

Under the authority of the Sacramento City Charter, the Sacramento City Council, by Resolution 2021-0229, has delegated its investment authority to the City Treasurer. The City Treasurer manages the City's investments in accordance with the City's investment policy, which was last reaffirmed by the City Council on July 20, 2021. The City's investment policy requires compliance with the California Government Code for investments of public funds. The City's investment policy also provides limits on rate anticipation, arbitrage, and other swap investments.

SCERS pension trust fund investments are managed by the SCERS Board pursuant to an investment policy adopted by the SCERS Board and approved by the City Council by Resolution 2021-0230. Investment standards adopted by the SCERS Board were last approved by the City Council on July 20, 2021. The investment policy allows the SCERS Board to invest in fixed income and equity securities deemed prudent. Pursuant to the investment policy, the SCERS Board annually allocates the funds to different investment groups. For fiscal year 2022, the asset allocations consisted of the following: 30% Fixed Income securities, 35% Large Cap Growth stocks, 27.5% Equity Income stocks and 7.5% International stocks. The investment policy allows for up to 5% variance from these approved allocation levels to provide flexibility to investment activities without altering the risk profile of the SCERS portfolio.

**City of Sacramento**  
**Notes to the Basic Financial Statements**  
For the Fiscal Year Ended June 30, 2022  
(dollar amounts expressed in thousands)

**NOTE 2 – CASH AND INVESTMENTS (Continued)**

The table below identifies the investment types that are authorized for public funds of the City by the California Government Code. The table also identifies certain provisions of the California Government Code that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer	Minimum Rating
Local agency bonds	5 years*	None	None	None
U.S. Treasury obligations	5 years*	None	None	None
U.S. agency securities	5 years*	None	None	None
Supranational securities	5 years	30%	None	AA
Bankers' acceptances	180 days	40%	30%	None
Commercial paper	270 days	25%	10%	A1/P1
Negotiable certificates of deposit	5 years	30%	None	None
Repurchase agreements	1 year	None	None	None
Reverse repurchase and securities lending agreements	92 days	20% of base value of portfolio	None	None
Medium term notes (bank notes and corporate bonds)	5 years*	30%	None	A
Mutual funds	N/A	20%	10%	Aaa
Money market mutual funds	N/A	20%	10%	Aaa
Collateralized bank deposits	5 years	None	None	None
Mortgage pass-through securities	5 years	20%	None	AA
Joint Powers Authority pool	N/A	None	None	None
County pooled investment	N/A	None	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None	None

\*The City investment policy allows these investments to have maximum maturities of 5 years, plus not more than 30 days. Such approved maturity extensions are authorized by California Government Code section 53601.

The table above does not address the investments held by the SCERS pension trust fund. The SCERS Board was established by the City Charter to maintain and manage investments of this system, including but not limited to the adoption of investment standards and the administration and investment of the funds. The statutory authority for the SCERS Board is created in Sacramento City Charter Section 383. Allowable investments are governed by the SCERS investment policy and are different than those prescribed by the City's investment policy.

The table above also does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the City or other trust funds.

The table above also does not address investments of equities held by permanent funds that are governed by the provisions of the trust agreements.

**City of Sacramento**  
**Notes to the Basic Financial Statements**  
For the Fiscal Year Ended June 30, 2022  
(dollar amounts expressed in thousands)

**NOTE 2 – CASH AND INVESTMENTS (Continued)**

**Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity its fair value is to changes in market interest rates. The City's investment policy limits interest rate risk by requiring compliance with the California Government Code for investments of public funds, as described in detail above. One of the ways that the City and SCERS manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturing evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the City's and SCERS' investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following tables that show the distribution of the investments by maturity. The remaining maturity of the City's and SCERS' investments included in the tables below are based on the stated maturity dates of the individual investments, except in the case of variable rate investments where the maturity date is the next reset date. Variable rate securities are investments with terms that provide for the adjustment of interest rates on specified dates based on predefined mathematical formulas. The fair value of such investments can reasonably be expected to be affected at each interest rate reset date.

The City's cash and investments by maturities as of June 30, 2022 are as follows:

Cash and Investment Type	No Maturity	Remaining Maturity in Years			Total
		Under 1	1-5	Over 5	
Bank deposits	\$ 89,796	\$ -	\$ -	\$ -	\$ 89,796
Commercial paper	-	204,171	-	-	204,171
Corporate bonds/notes	-	87,508	403,572	780	491,860
Equities	5,568	-	-	-	5,568
Exchange traded funds	2,263	-	-	-	2,263
Investment Trust of California (CalTRUST)	-	137,716	57,080	-	194,796
Local Agency Investment Fund (LAIF)	-	46,800	-	-	46,800
Municipal bonds/notes	-	21,730	80,924	-	102,654
Money market mutual funds	-	37,789	-	-	37,789
Negotiable certificates of deposit	-	49,422	55,307	-	104,729
Supranational securities	-	9,950	19,842	-	29,792
U.S. agency securities	-	6,155	429,422	-	435,577
U.S. Treasury notes	-	259	18,218	-	18,477
<b>Total Cash and Investments</b>	<b>\$ 97,627</b>	<b>\$ 601,500</b>	<b>\$ 1,064,365</b>	<b>\$ 780</b>	<b>\$ 1,764,272</b>

The \$780 of corporate bonds/notes with remaining maturities longer than five years are held by other trust funds. The \$5,568 of equities and \$2,263 of exchange traded funds are also held by other trust funds. Allowable investments of these other trust funds are not governed by the City's investment policy. Investment discretion is given to the City Treasurer and funds are invested to meet objectives based on the agreements in place for these other trust funds.

**City of Sacramento**  
**Notes to the Basic Financial Statements**  
For the Fiscal Year Ended June 30, 2022  
(dollar amounts expressed in thousands)

**NOTE 2 – CASH AND INVESTMENTS (Continued)**

**Interest Rate Risk (Continued)**

SCERS' cash and investments by maturities as of June 30, 2022 are as follows:

Cash and Investment Type	No Maturity	Remaining Maturity in Years			Total
		Under 1	1-5	Over 5	
City of Sacramento Investment Pool	\$ -	\$ 7,825	\$ -	\$ -	\$ 7,825
Corporate bonds/notes	-	-	5,943	39,867	45,810
Equities	21,197	-	-	-	21,197
Exchange traded funds	149,073	-	-	-	149,073
Mortgage loan	-	-	558	-	558
Municipal bonds/notes	-	-	2,466	26,332	28,798
U.S. agency securities	-	-	5	740	745
U.S. Treasury bonds	-	-	-	1,569	1,569
<b>Total Cash and Investments</b>	<b>\$ 170,270</b>	<b>\$ 7,825</b>	<b>\$ 8,972</b>	<b>\$ 68,508</b>	<b>\$ 255,575</b>

Investments in callable securities are investments that, although having clearly defined maturities, allow for the issuer to redeem or call such securities earlier than their respective maturity dates. The investor must then replace the called securities with investments that may have lower yield than the original securities. The fair values of the callable securities held by the City and SCERS at June 30, 2022, by investment type, are as follows:

Investment Type	City	SCERS
Corporate bonds/notes	\$ 122,144	\$ 8,154
Municipal bonds/notes	8,213	3,366
Negotiable certificates of deposit	14,987	-
Supranational securities	5,635	-
U.S. agency securities	420,878	400
	<b>\$ 571,857</b>	<b>\$ 11,920</b>

As of June 30, 2022, the City held notes issued by the Bank of Montreal that are not rated by S & P but are rated Aa2 by Moody's Investors Service. The notes have a fair value of \$6,791 as of June 30, 2022.

**City of Sacramento**  
**Notes to the Basic Financial Statements**  
For the Fiscal Year Ended June 30, 2022  
(dollar amounts expressed in thousands)

**NOTE 2 – CASH AND INVESTMENTS (Continued)**

**Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City's investment policy limits credit risk by requiring compliance with the California Government Code for the purchase of investments with public funds, as described in detail above. The S & P Global Ratings (S & P) credit ratings of the City and SCERS investments subject to credit risk as of June 30, 2022 are as follows:

Investment Type	S & P	City	SCERS
City of Sacramento Investment Pool	not rated	\$ -	\$ 7,825
Commercial paper	A	204,171	-
Corporate bonds/notes	A	372,178	7,973
	AA	99,878	4,694
	AAA	3,689	-
	BBB	9,324	33,133
	not rated	6,791	10
Investment Trust of California (CalTRUST)	not rated	194,796	-
Local Agency Investment Fund (LAIF)	not rated	46,800	-
Municipal bonds/notes	A	6,479	-
	AA	78,267	18,393
	AAA	8,255	-
	BBB	-	4,780
	not rated	9,653	5,625
Money market mutual funds	AAA	37,789	-
Negotiable certificates of deposit	A	77,733	-
	BB	10,402	-
	not rated	16,594	-
Supranational securities	AAA	29,792	-
U.S. agency securities	AA	413,842	400
	AAA	-	30
	not rated	21,735	-
	Total	\$ 1,648,168	\$ 82,863

\$8,957 of the \$9,324 in corporate bonds/notes rated BBB are investments that were purchased at the minimum A rating but were subsequently downgraded due to negative economic impact caused by the Coronavirus pandemic. The City's investment policy allows for holding assets purchased at the minimum rating that were subsequently downgraded. The other \$367 of corporate bonds/notes rated BBB are held by other trust funds.



**City of Sacramento**  
**Notes to the Basic Financial Statements**  
For the Fiscal Year Ended June 30, 2022  
(dollar amounts expressed in thousands)

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**NOTE 2 – CASH AND INVESTMENTS (Continued)**

**Concentration of Credit Risk**

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. As of June 30, 2022, the City held the following investments in an individual issuer exceeding 5% of total investments (other than U.S. Treasury securities, mutual funds, and external investment pools):

Federal Home Loan Bank	\$	157,127
Federal Farm Credit Bank		109,522

As of June 30, 2022, SCERS held the following investments in individual issuers exceeding 5% of total SCERS investments and net position (other than U.S. Treasury securities, mutual funds, and external investment pools):

iShares Russell 1000 Value ETF	\$	39,983
Technology Select Sector SPDR Fund (ETF)		16,705
Healthcare Select SPDR Fund (ETF)		14,996

**Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the City or SCERS 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 has provisions for financial institutions that limit custodial credit risk for deposits. Financial institutions are required to secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. The City's financial institutions also have insurance through the Federal Depository Insurance Corporation (FDIC). The City's investment policy has no additional provisions for limiting custodial credit risk for deposits. All SCERS cash and cash equivalents are held with the City of Sacramento Investment Pool and SCERS is not exposed to custodial credit risk for deposits.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the City or SCERS will not be able to recover the value of its investment or collateral securities that are in the possession of another 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 investments; however, it is the practice of the City Treasurer that all City investments are insured, registered or held by the Treasurer's custodial agent in the City's name. All SCERS investments registered or held with the custodial agent are in SCERS' name.

**City of Sacramento**  
**Notes to the Basic Financial Statements**  
For the Fiscal Year Ended June 30, 2022  
(dollar amounts expressed in thousands)

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**NOTE 2 – CASH AND INVESTMENTS (Continued)**

**Fair Value Measurement and Application**

The City and SCERS categorize fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the City and SCERS have the ability to access.

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs reflect the City's and SCERS' own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the City's and SCERS' own data.

The asset's level within the hierarchy is based on the lowest level of input that is significant to the fair value measurement. Valuation techniques used, need to maximize the use of observable inputs and minimize the use of unobservable inputs. The determination of what constitutes observable requires judgment by management. City and SCERS management consider observable data to be that market data, which is readily available, regularly distributed or updated, reliable, and verifiable, not proprietary, and provided by multiple independent sources that are actively involved in the relevant market. The categorization of an investment within the hierarchy is based upon the relative observability of the inputs to its fair value measurement and does not necessarily correspond to City and SCERS management's perceived risk of that investment.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. Assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The money market mutual funds held by the City pool and outside the City pool are at \$1 net asset value per share. The total net asset value of these at June 30, 2022 was \$4,827 and \$32,962, respectively, with \$0 unfunded commitments. The redemption frequency is daily and redemption notice period of intra-daily. This type of investment primarily invests in short-term U.S. Treasury and government agency securities (including repurchase agreements collateralized by U.S. Treasury and government agency securities).

Deposits and withdrawals in governmental investment pools, such as LAIF and CalTRUST for the City and the City of Sacramento Investment Pool for SCERS, are made on the basis of \$1 and not fair value. Accordingly, the City's measured fair value of its proportionate share in these types of investments is based on uncategorized inputs not defined as a Level 1, Level 2, or Level 3 input.

**City of Sacramento**  
**Notes to the Basic Financial Statements**  
For the Fiscal Year Ended June 30, 2022  
(dollar amounts expressed in thousands)

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**NOTE 2 – CASH AND INVESTMENTS (Continued)**

**Fair Value Measurement and Application (Continued)**

The City's treasury pools' asset market prices are derived from closing bid prices as of the end of business day as supplied by ICE Data Services, Inc. Where prices are not available from generally recognized sources, the securities are priced using a yield-based matrix system to arrive at an estimated fair value. Prices that fall between data points are interpolated. Nonnegotiable FDIC-insured bank certificates of deposit are priced at par.

The following is a description of the valuation methods and assumptions used by the City and SCERS to estimate the fair value of its investments:

- When available, quoted prices are used to determine fair value. When quoted prices in active markets are available, investments are classified within Level 1 of the fair value hierarchy.
- For investments classified within Level 2 of the fair value hierarchy, the City's and SCERS' custodians generally use a multi-dimensional relational model. Inputs to their pricing models are based on observable market inputs in active markets. The inputs to the pricing models are typically benchmark yields, reported trades, broker-dealer quotes, issuer spreads and benchmark securities, among others.
- SCERS holds one investment measured using Level 3 inputs, a Mortgage Loan. The Mortgage Loan is reported using the income approach. The value of the Mortgage Loan is materially close to the Discounted Cash Flow, therefore the book value is reported.

There have been no changes in the methods and assumptions used at June 30, 2022. The methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. City and SCERS management believe its valuation methods are appropriate and consistent with other market participants. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**City of Sacramento**  
**Notes to the Basic Financial Statements**  
For the Fiscal Year Ended June 30, 2022  
(dollar amounts expressed in thousands)

**NOTE 2 – CASH AND INVESTMENTS (Continued)**

**Fair Value Measurement and Application (Continued)**

The City has the following recurring fair value measurements as of June 30, 2022:

	Balance at June 30, 2022	Fair Value Measurements on a Recurring Basis Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments by Fair Value Level</b>				
Commercial paper	\$ 204,171	\$ -	\$ 204,171	\$ -
Corporate bonds/notes	467,134	-	467,134	-
Equities	5,568	5,568	-	-
Exchange traded funds	2,263	2,263	-	-
Municipal bonds/notes	102,654	-	102,654	-
Negotiable certificates of deposit	90,574	-	90,574	-
Supranational securities	29,792	-	29,792	-
U.S. agency securities	428,581	-	428,581	-
U.S. Treasury notes	18,218	18,218	-	-
<b>Total Investments by Fair Value Level</b>	<b>1,348,955</b>	<b>\$ 26,049</b>	<b>\$ 1,322,906</b>	<b>\$ -</b>
<b>Investments Measured at Net Asset Value</b>				
Money market mutual funds	4,827			
<b>Investments Uncategorized</b>				
Investment Trust of California (CalTRUST)	194,796			
Local Agency Investment Fund (LAIF)	46,800			
<b>Total Investments Uncategorized</b>	<b>241,596</b>			
<b>Total Investments Held by City</b>	<b>1,595,378</b>			
<b>Investments Held by Fiscal Agent by Fair Value Level</b>				
Corporate bonds/notes	24,726	\$ -	\$ 24,726	\$ -
Negotiable certificates of deposit	14,155	-	14,155	-
U.S. agency securities	6,996	-	6,996	-
U.S. Treasury notes	259	259	-	-
<b>Total Investments Held by Fiscal Agent by Fair Value Level</b>	<b>46,136</b>	<b>\$ 259</b>	<b>\$ 45,877</b>	<b>-</b>
<b>Investments Held by Fiscal Agent Measured at Net Asset Value</b>				
Money market mutual funds	32,962			
<b>Total Investments Held by Fiscal Agent</b>	<b>79,098</b>			
<b>Total Investments</b>	<b>1,674,476</b>			
<b>Total Bank Deposits</b>	<b>89,796</b>			
<b>Total Cash and Investments</b>	<b>\$ 1,764,272</b>			

**City of Sacramento**  
**Notes to the Basic Financial Statements**  
For the Fiscal Year Ended June 30, 2022  
(dollar amounts expressed in thousands)

**NOTE 2 – CASH AND INVESTMENTS (Continued)**

**Fair Value Measurement and Application (Continued)**

SCERS has the following recurring fair value measurements as of June 30, 2022:

Investments by Fair Value Level	Balance at June 30, 2022	Fair Value Measurements on a Recurring Basis Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Corporate bonds/notes	\$ 45,810	\$ -	\$ 45,810	\$ -
Equities	21,197	21,197	-	-
Exchange traded funds	149,073	149,073	-	-
Mortgage loans	558	-	-	558
Municipal bonds/notes	28,798	-	28,798	-
U.S. agency securities	745	-	745	-
U.S. Treasury bonds	1,569	1,569	-	-
<b>Total Investments by Fair Value Level</b>	<b>247,750</b>	<b>\$ 171,839</b>	<b>\$ 75,353</b>	<b>\$ 558</b>
<b>Investments at Fair Value not Subject to Fair Value Hierarchy</b>				
City of Sacramento Investment Pool	7,825			
<b>Total Cash and Investments</b>	<b>\$ 255,575</b>			

**City Sponsored Investment Pool**

As part of the City's total cash and investments portfolio, the City Treasurer manages an investment pool, which includes both internal and external investors. The pool is not registered with the Securities and Exchange Commission as an investment company. The City Treasurer is granted authority for managing the pool by City Charter Section 73 and City Council ordinances and resolutions. Monthly, the City Treasurer reports investment activity to the Council for review.

The fair value of investments is determined monthly. Participants' shares sold and redeemed are determined by the daily cash balance deposited in the pool (the value of its pool shares). The value of the pool shares is based upon amortized cost in day-to-day operations but is adjusted to the fair value at year-end. The investments are reported at fair value. The value of the shares is supported by the value of the underlying investments. External participants, including various joint powers agencies, comprise 7.97% of pool participation. The City Sponsored Investment Pool excludes activities of the pension trust fund, the Sacramento Housing and Redevelopment Agency (SHRA), and funds held by fiscal agents.

The City Treasurer also manages external individual investment accounts for SHRA and the Sacramento Public Library Authority Hurst Trust.

**City of Sacramento**  
**Notes to the Basic Financial Statements**  
For the Fiscal Year Ended June 30, 2022  
(dollar amounts expressed in thousands)

**NOTE 2 – CASH AND INVESTMENTS (Continued)**

**City Sponsored Investment Pool (Continued)**

The following represents a condensed statement of net position and changes in net position for the City Sponsored Investment Pool and external individual investment accounts as of June 30, 2022:

	Fair Value	Adjusted Cost	Interest Rates	Maturity Dates
Commercial paper	\$ 204,171	\$ 204,779	0.23-3.17%	07/22-03/23
Corporate bonds/notes	466,218	499,724	0.45-4.05%	09/22-03/27
Deposits	93,852	93,852	0.61-2.97%	N/A
Investment Trust of California (CalTRUST)	194,796	194,796	1.01-1.14%	N/A
Local Agency Investment Fund (LAIF)	46,800	46,800	0.86%	N/A
Municipal bonds/notes	102,654	106,981	0.37-6.09%	07/22-06/27
Money market mutual funds	4,827	4,827	0.53%	N/A
Negotiable certificates of deposit	90,574	92,500	0.17-3.00%	07/22-06/26
Supranational securities	29,792	31,449	0.37-1.75%	08/22-11/26
U.S. agency securities	428,581	460,693	0.30-4.70%	07/23-06/27
U.S. Treasury notes	18,218	19,820	0.37-0.50%	01/26-02/26
Total cash and investments in City sponsored investment pool and external individual investment accounts	<u>\$ 1,680,483</u>	<u>\$ 1,756,221</u>		

A summary of cash and investments as of June 30, 2022 is as follows:

	City Sponsored Investment Pool	External Individual Investment Accounts	Total
<b>Statement of Net Position:</b>			
Cash and investments at fair value	\$ 1,538,660	\$ 141,823	\$ 1,680,483
Interest receivables	3,381	266	3,647
Net Position	<u>\$ 1,542,041</u>	<u>\$ 142,089</u>	<u>\$ 1,684,130</u>
Equity of internal pool participants	\$ 1,419,082	\$ -	\$ 1,419,082
Equity of external pool participants	122,959	142,089	265,048
Total equity	<u>\$ 1,542,041</u>	<u>\$ 142,089</u>	<u>\$ 1,684,130</u>
<b>Statement of Changes in Net Position:</b>			
Net position at July 1, 2021	\$ 1,514,457	\$ 169,787	\$ 1,684,244
Net change in investments by pool participants	27,584	(27,698)	(114)
Net position at June 30, 2022	<u>\$ 1,542,041</u>	<u>\$ 142,089</u>	<u>\$ 1,684,130</u>

**City of Sacramento**  
**Notes to the Basic Financial Statements**  
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**NOTE 2 – CASH AND INVESTMENTS (Continued)**

**Participation in External Investment Pools**

The City is a voluntary participant in the California Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Local Investment Advisory Board (Board). The Board consists of five members as designated by state statute. The balance available for withdrawal is based on the accounting records maintained by the LAIF, which are recorded on an amortized cost basis, which is different from the fair value of the City's position in the LAIF pool. As of June 30, 2022, the City's investment in LAIF is \$46,800. The total amount invested by all public agencies in LAIF at that date is \$35,761,173. LAIF is part of the California Pooled Money Investment Account (PMIA), which at June 30, 2022 had a balance of \$231,570,068. Of that amount, 98.12% is invested in non-derivative financial products, and 1.88% is invested in derivative financial products.

The City is also a voluntary participant in the Investment Trust of California (CalTRUST), which is a Joint Powers Authority governed by a Board of Trustees made up of local treasurers and investment officers. The Board of Trustees sets overall policy for CalTRUST and selects and supervises the activities of the Investment Manager and other agents. As of June 30, 2022, the City's investment in CalTRUST is \$194,796, of which \$27,247 was invested in the Liquidity funds pool, \$74,327 in the Short-term pool, \$57,078 in the Medium-term pool, and \$36,144 in the BlackRock federal funds pool. Amounts that may be withdrawn from CalTRUST are based upon the fund's assets valued using the amortized cost method. Amounts that may be withdrawn from the Short-term and Medium-term pools are based on the net asset value per share and the number of shares held by participants in each pool.

**City of Sacramento**  
**Notes to the Basic Financial Statements**  
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(dollar amounts expressed in thousands)

**NOTE 3 – RECEIVABLES**

Receivables as of June 30, 2022, were as follows:

	Taxes	Accounts	Loans	Inter-govern- mental	Leases	Interest	Total
<b>Governmental activities</b>							
General Fund	\$ 33,309	\$ 28,454	\$ 1,873	\$ 4,224	\$ 28,936	\$ 1,204	\$ 98,000
Measure U Fund	23,664	75	-	-	-	205	23,944
2015 Golden 1 Center							
Lease Revenue Bond Fund	-	1,928	136,971	-	-	31	138,930
Operating Grants Fund	-	271	-	18,489	-	-	18,760
Other governmental funds	6,104	15,065	25,758	26,548	3,093	325	76,893
Internal service funds	-	5,174	-	-	-	298	5,472
	<u>\$ 63,077</u>	<u>\$ 50,967</u>	<u>\$ 164,602</u>	<u>\$ 49,261</u>	<u>\$ 32,029</u>	<u>\$ 2,063</u>	<u>\$ 361,999</u>
<b>Amounts not scheduled for collection during the subsequent year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 154,247</u>	<u>\$ 11,328</u>	<u>\$ 30,138</u>	<u>\$ -</u>	<u>\$ 195,713</u>
<b>Business-type activities</b>							
Water Fund	\$ -	\$ 19,779	\$ -	\$ 462	\$ 888	\$ 752	\$ 21,881
Wastewater Fund	-	11,048	-	434	-	183	11,665
Storm Drainage Fund	-	7,234	969	1,174	-	140	9,517
Solid Waste Fund	-	10,578	-	-	1,749	144	12,471
Community Center Fund	2,998	419	-	-	-	126	3,543
Other enterprise funds	-	714	-	-	8,304	41	9,059
	<u>\$ 2,998</u>	<u>\$ 49,772</u>	<u>\$ 969</u>	<u>\$ 2,070</u>	<u>\$ 10,941</u>	<u>\$ 1,386</u>	<u>\$ 68,136</u>

Included in the Accounts Receivable amounts above are allowances for doubtful accounts of \$30,586 in governmental activities and \$1,451 in business-type activities.

Included in the Loans Receivable amount related to other governmental funds above is the present value of the installment payments under the golf service concession arrangement of \$6,492, reported with the associated deferred inflow in the government-wide statement of net position.

The Golden 1 Center was sold to the Sacramento Kings under the terms of the Arena Management, Operations and Lease Agreement during the fiscal year ended June 30, 2017. The agreed-upon minimum lease payments to be received from the Kings was \$389,414 over 35 years. Total minimum lease payments have since gone up to \$397,990 over 35 years in accordance with the agreement's annual fee escalation tied to the Consumer Price Index. The present value of these minimum lease payments discounted at 5.674% is \$145,822 and the current loan receivable balance as of June 30, 2022 is \$136,971. Payments from the Sacramento Kings will be used to fund the payment of debt service related to the Golden 1 Center 2015 lease revenue bonds.



**City of Sacramento**  
**Notes to the Basic Financial Statements**  
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**NOTE 4 – CAPITAL ASSETS**

**Summary**

The following is a summary of capital assets as of June 30, 2022:

	Governmental Activities	Business- type Activities	Total
Capital assets not being depreciated/amortized			
Land	\$ 219,585	\$ 48,951	\$ 268,536
Easements	2,348	291	2,639
Construction in progress	270,374	444,855	715,229
Total capital assets not being depreciated/amortized	492,307	494,097	986,404
Depreciable/amortizable capital assets			
Buildings and improvements	715,677	464,915	1,180,592
Equipment	80,479	162,097	242,576
Software	6,413	13,535	19,948
Vehicles	206,885	-	206,885
Transmission and distribution system	4,777	1,571,737	1,576,514
Roadway network	1,723,815	-	1,723,815
Streetlight network	287,938	-	287,938
Parks and park improvements	233,996	-	233,996
Total depreciable/amortizable capital assets	3,259,980	2,212,284	5,472,264
Less accumulated depreciation/amortization for:			
Buildings and improvements	(303,772)	(180,680)	(484,452)
Equipment	(67,909)	(56,647)	(124,556)
Software	(5,134)	(4,833)	(9,967)
Vehicles	(113,423)	-	(113,423)
Transmission and distribution system	(1,271)	(616,214)	(617,485)
Roadway network	(1,176,858)	-	(1,176,858)
Streetlight network	(114,556)	-	(114,556)
Parks and park improvements	(95,831)	-	(95,831)
Total accumulated depreciation/amortization	(1,878,754)	(858,374)	(2,737,128)
Depreciable/amortizable capital assets, net	1,381,226	1,353,910	2,735,136
Leased assets, net (Note 6)	1,553	2,090	3,643
Total capital assets, net	\$ 1,875,086	\$ 1,850,097	\$ 3,725,183

Refer to Note 6 for more detailed information on leased assets activity and amortization expense by function.

**City of Sacramento**  
**Notes to the Basic Financial Statements**  
For the Fiscal Year Ended June 30, 2022  
(dollar amounts expressed in thousands)

**NOTE 4 – CAPITAL ASSETS (Continued)**

**Governmental Activities**

Governmental capital asset activity for the fiscal year ended June 30, 2022 was as follows:

	Beginning Balance	Increases	Decreases	Transfers In/Out	Ending Balance
Capital assets not being depreciated/amortized					
Land	\$ 202,628	\$ 16,957	\$ -	\$ -	\$ 219,585
Easements	2,348	-	-	-	2,348
Construction in progress	223,892	80,083	(33,601)	-	270,374
Total capital assets not being depreciated/amortized	<u>428,868</u>	<u>97,040</u>	<u>(33,601)</u>	<u>-</u>	<u>492,307</u>
Depreciable/amortizable capital assets					
Buildings and improvements	708,379	7,298	-	-	715,677
Equipment	80,565	-	(86)	-	80,479
Software	6,413	-	-	-	6,413
Vehicles	195,817	19,897	(8,829)	-	206,885
Transmission and distribution system	4,777	-	-	-	4,777
Roadway network	1,713,981	15,836	(6,002)	-	1,723,815
Streetlight network	276,613	11,325	-	-	287,938
Parks and park improvements	230,286	3,710	-	-	233,996
Total depreciable/amortizable capital assets	<u>3,216,831</u>	<u>58,066</u>	<u>(14,917)</u>	<u>-</u>	<u>3,259,980</u>
Less accumulated depreciation/amortization for:					
Buildings and improvements	(290,089)	(13,683)	-	-	(303,772)
Equipment	(65,690)	(2,254)	35	-	(67,909)
Software	(4,627)	(507)	-	-	(5,134)
Vehicles	(106,324)	(15,255)	8,156	-	(113,423)
Transmission and distribution system	(1,184)	(87)	-	-	(1,271)
Roadway network	(1,141,544)	(41,316)	6,002	-	(1,176,858)
Streetlight network	(107,916)	(6,640)	-	-	(114,556)
Parks and park improvements	(87,786)	(8,045)	-	-	(95,831)
Total accumulated depreciation/amortization	<u>(1,805,160)</u>	<u>(87,787)</u>	<u>14,193</u>	<u>-</u>	<u>(1,878,754)</u>
Depreciable/amortizable capital assets, net	<u>1,411,671</u>	<u>(29,721)</u>	<u>(724)</u>	<u>-</u>	<u>1,381,226</u>
Leased assets, net (Note 6)	<u>1,977</u>	<u>(424)</u>	<u>-</u>	<u>-</u>	<u>1,553</u>
Governmental activities capital assets, net	<u>\$ 1,842,516</u>	<u>\$ 66,895</u>	<u>\$ (34,325)</u>	<u>\$ -</u>	<u>\$ 1,875,086</u>
Depreciation/amortization expense was charged to functions as follows:					
General government		\$ 4,878			
Police		893			
Fire		780			
Public works		50,643			
Convention and cultural services		3,892			
Youth, parks, and community enrichment		10,298			
Community development		160			
Library		955			
Capital assets held by the City's internal service funds are charged to the functions based on their usage of assets		<u>15,288</u>			
Total governmental activities depreciation/amortization expense		<u>\$ 87,787</u>			

**City of Sacramento**  
**Notes to the Basic Financial Statements**  
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(dollar amounts expressed in thousands)

**NOTE 4 – CAPITAL ASSETS (Continued)**

**Business-type Activities**

Business-type capital asset activity for the fiscal year ended June 30, 2022 was as follows:

	Beginning Balance	Increases	Decreases	Transfers In/Out	Ending Balance
Capital assets not being depreciated/amortized					
Land	\$ 47,806	\$ 1,145	\$ -	\$ -	\$ 48,951
Easements	291	-	-	-	291
Construction in progress	665,116	63,919	(284,180)	-	444,855
Total capital assets not being depreciated/amortized	<u>713,213</u>	<u>65,064</u>	<u>(284,180)</u>	<u>-</u>	<u>494,097</u>
Depreciable/amortizable capital assets					
Buildings and improvements	337,976	126,939	-	-	464,915
Equipment	76,104	85,993	-	-	162,097
Software	13,535	-	-	-	13,535
Transmission and distribution system	1,491,454	80,283	-	-	1,571,737
Total depreciable/amortizable capital assets	<u>1,919,069</u>	<u>293,215</u>	<u>-</u>	<u>-</u>	<u>2,212,284</u>
Less accumulated depreciation/amortization for:					
Buildings and improvements	(173,197)	(7,483)	-	-	(180,680)
Equipment	(52,420)	(4,227)	-	-	(56,647)
Software	(3,853)	(980)	-	-	(4,833)
Transmission and distribution system	(581,653)	(34,561)	-	-	(616,214)
Total accumulated depreciation/amortization	<u>(811,123)</u>	<u>(47,251)</u>	<u>-</u>	<u>-</u>	<u>(858,374)</u>
Depreciable/amortizable capital assets, net	<u>1,107,946</u>	<u>245,964</u>	<u>-</u>	<u>-</u>	<u>1,353,910</u>
Leased assets, net (Note 6)	<u>2,284</u>	<u>(194)</u>	<u>-</u>	<u>-</u>	<u>2,090</u>
Business-type activities capital assets, net	<u>\$ 1,823,443</u>	<u>\$ 310,834</u>	<u>\$ (284,180)</u>	<u>\$ -</u>	<u>\$ 1,850,097</u>
Depreciation/amortization expense was charged to functions as follows:					
Water		\$ 27,147			
Wastewater		4,879			
Storm drainage		11,180			
Solid waste		1,226			
Community center		1,384			
Parking		1,372			
Child development		<u>63</u> <sup>(1)</sup>			
Total business-type activities depreciation/amortization expense		<u>\$ 47,251</u>			

(1) \$9 of depreciation/amortization expense reported in the Other Enterprise Funds Financials is related to the amortization of the Regency Park joint-use agreement and is not recognized within this note or Note 6.

**City of Sacramento**  
**Notes to the Basic Financial Statements**  
For the Fiscal Year Ended June 30, 2022  
(dollar amounts expressed in thousands)

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**NOTE 5 – PAYABLES**

Payables as of June 30, 2022, were as follows:

	<u>Vendors</u>	<u>Employees</u>	<u>Interest</u>	<u>Deposits</u>	<u>Total</u>
Governmental activities					
General Fund	\$ 21,065	\$ 20,511	\$ -	\$ 119	\$ 41,695
Measure U Fund	4,607	1,534	-	-	6,141
2015 Golden 1 Center Lease					
Revenue Bond Fund	-	-	3,572	-	3,572
Operating Grants Fund	4,082	-	-	297	4,379
Other governmental funds	12,576	48	1,496	2,736	16,856
Internal service funds	5,856	329	2	-	6,187
Total governmental activities	<u>\$ 48,186</u>	<u>\$ 22,422</u>	<u>\$ 5,070</u>	<u>\$ 3,152</u>	<u>\$ 78,830</u>
Business-type activities					
Water Fund	\$ 4,723	\$ 922	\$ 3,177	\$ 5	\$ 8,827
Wastewater Fund	14,562	199	642	-	15,403
Storm Drainage Fund	1,375	356	30	487	2,248
Solid Waste Fund	2,888	502	41	-	3,431
Community Center Fund	5,350	194	1,277	-	6,821
Other enterprise funds	2,238	317	41	502	3,098
Total business-type activities	<u>\$ 31,136</u>	<u>\$ 2,490</u>	<u>\$ 5,208</u>	<u>\$ 994</u>	<u>\$ 39,828</u>

Included in the Interest Payable amount related to 2015 Golden 1 Center Lease Revenue Bond Fund above is the interest payable accrual of \$3,572, reported in the government-wide statement of net position.

Included in the Interest Payable amount related to other governmental funds above is the interest payable accrual for other debt service funds of \$1,496, reported in the government-wide statement of net position.

**City of Sacramento**  
**Notes to the Basic Financial Statements**  
For the Fiscal Year Ended June 30, 2022  
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**NOTE 6 – LEASES**

**City as a Lessee**

As discussed in Note 1, the City is a lessee for various non-cancellable leases of land, buildings, and equipment. Leases of land have initial terms of 5 to 35 years, and contain one or more renewal provisions, generally in 5 or 10-year periods. Leases of buildings and equipment have initial terms of 3 to 5 years, and contain one or more renewal provisions, generally in 1 or 5-year periods. The City's lease arrangements generally do not include termination options reasonably certain to be exercised by either party to the lease or restrictive financial or other covenants. The City's lease arrangements do not contain any material residual value guarantees.

A summary of leased assets activity for the fiscal year ended June 30, 2022 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
Leased assets:				
Land	\$ 188	\$ -	\$ -	\$ 188
Buildings	1,789	-	-	1,789
Total leased assets	<u>1,977</u>	<u>-</u>	<u>-</u>	<u>1,977</u>
Less accumulated amortization for:				
Leased assets:				
Land	-	(6)	-	(6)
Buildings	-	(418)	-	(418)
Total accumulated amortization	<u>-</u>	<u>(424)</u>	<u>-</u>	<u>(424)</u>
Governmental activities leased assets, net	<u>\$ 1,977</u>	<u>\$ (424)</u>	<u>\$ -</u>	<u>\$ 1,553</u>
<b>Business-type activities</b>				
Leased assets:				
Land	\$ 1,978	\$ -	\$ -	\$ 1,978
Buildings	177	-	-	177
Equipment	184	-	-	184
Total leased assets	<u>2,339</u>	<u>-</u>	<u>-</u>	<u>2,339</u>
Less accumulated amortization for:				
Leased assets:				
Land	-	(122)	-	(122)
Buildings	-	(35)	-	(35)
Equipment	(55)	(37)	-	(92)
Total accumulated amortization	<u>(55)</u>	<u>(194)</u>	<u>-</u>	<u>(249)</u>
Business-type activities leased assets, net	<u>\$ 2,284</u>	<u>\$ (194)</u>	<u>\$ -</u>	<u>\$ 2,090</u>

Leased asset amortization expense was charged to functions as follows:

	Governmental activities	Business-type activities
General Government	\$ 69	\$ -
Police	72	-
Fire	144	-
Public works	42	-
Convention and cultural services	56	-
Youth, parks, and community enrichment	41	-
Water	-	37
Storm drainage	-	35
Parking	-	122
	<u>\$ 424</u>	<u>\$ 194</u>

**City of Sacramento**  
**Notes to the Basic Financial Statements**  
For the Fiscal Year Ended June 30, 2022  
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**NOTE 6 – LEASES (Continued)**

**City as a Lessee (Continued)**

A summary of changes in the related lease liabilities for the fiscal year ended June 30, 2022 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities	\$ 2,176	\$ -	\$ (533)	\$ 1,643
Business-type activities	2,216	-	(204)	2,012
Total lease liabilities	<u>\$ 4,392</u>	<u>\$ -</u>	<u>\$ (737)</u>	<u>\$ 3,655</u>

The June 30, 2021 beginning balance of governmental activities and business-type activities have been restated to reflect the leased assets and lease liabilities required by GASB Statement No. 87. Governmental activities leased assets and lease liabilities have been restated in the amount of \$1,977. Business-type activities leased assets and lease liabilities have been restated in the amount of \$2,284 and \$2,216, respectively.

Future minimum lease payments are as follows:

Fiscal Year Ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2023	\$ 478	\$ 14	\$ 142	\$ 29
2024	289	11	146	28
2025	195	10	150	26
2026	137	9	154	25
2027	64	8	120	24
2028-2032	251	28	155	109
2033-2037	125	12	152	95
2038-2042	32	8	166	81
2043-2047	34	5	182	66
2048-2052	38	2	199	49
2053-2057	-	-	217	30
2058-2062	-	-	229	10
Totals	<u>\$ 1,643</u>	<u>\$ 107</u>	<u>\$ 2,012</u>	<u>\$ 572</u>

Variable lease payments - Variable lease payments, other than those that are fixed in substance, are excluded from the measurement of the lease liability. Such amounts are recognized as lease expense/expenditures in the period in which the obligation for those payments is incurred.

Certain land leases require the City to make variable lease payments based on a percentage of gross revenue. These amounts are generally determined quarterly or annually. The amount recognized as expense/expenditures for these variable lease payments not included in the measurement of lease liabilities was \$384 for the fiscal year ended June 30, 2022. The City also leases land from the State Lands Commission and subleases this land to various lessees. Each year, the City pays a percentage of gross revenues to the State Lands Commission. The City recognized \$124 of expense associated with this lease with the State Lands Commission during the fiscal year ended June 30, 2022.

Certain vehicle leases require the City to make variable lease payments based on usage. These amounts are generally determined monthly. The amount recognized as expense/expenditures for these variable lease payments not included in the measurement of lease liabilities was \$933 during the fiscal year ended June 30, 2022.

**City of Sacramento**  
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**NOTE 6 – LEASES (Continued)**

**City as a Lessor**

As discussed in Note 1, the City is a lessor for various non-cancellable leases of land, buildings, and equipment. Leases of land have initial terms of 3 to 50 years, and contain one or more renewal provisions, generally in five or ten-year periods. Leases of buildings and equipment have initial terms of 3 to 45 years, and contain one or more renewal provisions, generally in 1 or 5-year periods. The City's lease arrangements do not contain any material residual value guarantees.

Future minimum lease payments receivable are as follows:

Fiscal Year Ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2023	\$ 1,891	\$ 614	\$ 481	\$ 138
2024	2,263	408	544	216
2025	2,185	381	647	149
2026	1,982	356	681	141
2027	1,956	331	693	132
2028-2032	9,412	1,263	2,951	527
2033-2037	6,775	678	1,835	341
2038-2042	3,547	282	1,744	198
2043-2047	562	153	1,221	59
2048-2052	547	107	144	1
2053-2057	646	53	-	-
2058-2062	263	5	-	-
Totals	\$ 32,029	\$ 4,631	\$ 10,941	\$ 1,902

Lease related revenue recognized during the fiscal year ended June 30, 2022, excluding variable lease receipts, is as follows:

	Governmental Activities	Business-type Activities
Lease revenue	\$ 2,544	\$ 763
Interest revenue	441	165

Variable lease receipts - Variable lease receipts, other than those that are fixed in substance, are excluded from the measurement of the lease receivable. Such amounts are recognized as lease revenue in the period in which it is earned.

Certain leases require the lessee to make variable lease payments based on a percentage of gross receipts. These amounts are determined monthly, quarterly, or annually as noted in the lease arrangement. The amount recognized as revenue for variable lease payments not included in the measurement of lease receivable was \$2,180 during the fiscal year ended June 30, 2022.

**City of Sacramento**  
**Notes to the Basic Financial Statements**  
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**NOTE 7 – LONG-TERM LIABILITIES**

**Activity**

The following is a summary of changes in long-term liabilities at June 30, 2022. Certain long-term liabilities provide financing to both governmental and business-type activities.

	Beginning Balance, As Restated	Additions	Reductions	Ending Balance	Due Within One Year
<b>GOVERNMENTAL ACTIVITIES:</b>					
Revenue and Other Bonds, Direct Placements:					
2016 Lease Financing	\$ 6,555	\$ -	\$ (490)	\$ 6,065	\$ 505
Revenue and Other Bonds, Public Offerings:					
2006 Capital Improvement Revenue Bonds, Series B	40,380	-	(1,575)	38,805	1,670
2006 Capital Improvement Revenue Bonds, Series E	79,822	-	(1,760)	78,062	5,549
2015 Refunding Revenue Bonds	74,390	-	(6,375)	68,015	3,735
2015 Lease Revenue Bonds - Golden 1 Center	258,510	-	(3,945)	254,565	4,005
Subtotal, revenue and other bonds, public offerings	453,102	-	(13,655)	439,447	14,959
Direct Borrowing Notes Payable:					
1985 Marina Phase I	1,234	-	(59)	1,175	62
1985 Marina Phase II	1,959	-	(79)	1,880	83
2008 Sacramento Marina South Basin	13,716	-	(69)	13,647	172
Subtotal, direct borrowing notes payable	16,909	-	(207)	16,702	317
Plus deferred amounts:					
For issuance premiums	15,625	-	(1,141)	14,484	1,136
Subtotal, debt governmental activities	492,191	-	(15,493)	476,698	16,917
Other Long-term Liabilities:					
Accrued claims and judgments	106,186	31,723	(21,211)	116,698	33,638
Accrued compensated absences	43,570	44,796	(40,897)	47,469	2,831
Lease liabilities	2,176	-	(533)	1,643	478
Net OPEB liability	203,319	-	(41,604)	161,715	-
Net pension liability	952,894	32,095	(327,077)	657,912	-
Pollution remediation obligations	573	234	(211)	596	76
Financing plan fee credits:					
Delta Shores	-	39,909	-	39,909	-
Jacinto Creek	978	25	-	1,003	25
North Natomas	26,609	7,758	(6,339)	28,028	3,396
Park Development	1,885	580	(906)	1,559	451
Railyards	8,024	3,642	(11,666)	-	-
Willowcreek	130	-	(81)	49	-
Subtotal, other long-term liabilities	1,346,344	160,762	(450,525)	1,056,581	40,895
Total governmental activities	\$ 1,838,535	\$ 160,762	\$ (466,018)	\$ 1,533,279	\$ 57,812



**City of Sacramento**  
**Notes to the Basic Financial Statements**  
For the Fiscal Year Ended June 30, 2022  
(dollar amounts expressed in thousands)

**NOTE 7 – LONG-TERM LIABILITIES (Continued)**

**Activity (Continued)**

	Beginning Balance, As Restated	Additions	Reductions	Ending Balance	Due Within One Year
<b>BUSINESS-TYPE ACTIVITIES:</b>					
Revenue and Other Bonds, Public Offerings:					
2006 Capital Improvement Revenue Bonds, Series E	\$ 92,277	\$ -	\$ -	\$ 92,277	\$ 6,412
Water Revenue Bonds, Series 2013	20,775	-	(4,815)	15,960	5,065
Water Revenue Bonds, Series 2017	50,130	-	(915)	49,215	960
Water Revenue Refunding Bonds, Series 2020	185,500	-	(2,015)	183,485	2,050
Wastewater Revenue Bonds, Series 2013	2,295	-	(725)	1,570	765
Wastewater Revenue Bonds, Series 2019	25,960	-	(840)	25,120	880
Wastewater Revenue Refunding Bonds, Series 2020	27,440	-	(335)	27,105	335
2015 Refunding Revenue Bonds	29,186	-	(8,761)	20,425	2,145
2018 TOT Revenue Bonds, Senior Series A	195,815	-	-	195,815	-
2018 TOT Revenue Bonds, Senior Series B	16,680	-	(4,070)	12,610	4,215
2018 TOT Revenue Bonds, Subordinate Series C	65,740	-	(1,200)	64,540	1,266
2019 STID Assessment Revenue Bonds	49,620	-	(880)	48,740	915
Subtotal, revenue and other bonds, public offerings	<u>761,418</u>	<u>-</u>	<u>(24,556)</u>	<u>736,862</u>	<u>25,008</u>
Direct Borrowing Notes Payable:					
California Department of Public Health	6,347	-	(483)	5,864	495
California Infrastructure and Economic Development Bank (I-Bank)	2,031	-	(92)	1,939	95
Drinking Water State Revolving Fund	115,695	22,646	(2,933)	135,408	2,942
Subtotal, direct borrowing notes payable	<u>124,073</u>	<u>22,646</u>	<u>(3,508)</u>	<u>143,211</u>	<u>3,532</u>
Less deferred amounts:					
For issuance premiums	60,979	-	(3,629)	57,350	3,631
Subtotal, debt, business type activities	<u>946,470</u>	<u>22,646</u>	<u>(31,693)</u>	<u>937,423</u>	<u>32,171</u>
Other Long-term Liabilities:					
Accrued compensated absences	8,225	9,286	(7,834)	9,677	637
Lease liabilities	2,216	-	(204)	2,012	142
Net OPEB liability	40,930	-	(5,840)	35,090	-
Net pension liability	116,810	13,061	(47,192)	82,679	-
Accrued claims and judgments	635	25	-	660	660
Water fee credits	531	-	(339)	192	-
Wastewater fee credits	13,912	-	(3,140)	10,772	-
Liability for landfill post closure	4,336	-	(298)	4,038	298
Subtotal, other long-term liabilities	<u>187,595</u>	<u>22,372</u>	<u>(64,847)</u>	<u>145,120</u>	<u>1,737</u>
Total business-type activities	<u>1,134,065</u>	<u>45,018</u>	<u>(96,540)</u>	<u>1,082,543</u>	<u>33,908</u>
Total long-term liabilities	<u>\$ 2,972,600</u>	<u>\$ 205,780</u>	<u>\$ (562,558)</u>	<u>\$ 2,615,822</u>	<u>\$ 91,720</u>

The June 30, 2021 beginning balance of governmental activities and business-type activities have been restated to reflect the lease liabilities required by GASB Statement No. 87, in the amounts of \$1,977 and \$2,216, respectively.

**City of Sacramento**  
**Notes to the Basic Financial Statements**  
For the Fiscal Year Ended June 30, 2022  
(dollar amounts expressed in thousands)

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**NOTE 7 – LONG-TERM LIABILITIES (Continued)**

The following is a list of long-term debt issues outstanding at June 30, 2022, including the amount of original debt issuance, a description of the debt issue, and disclosure of pledged revenue.

**Revenue and Other Bonds**

Issued Amount

- |           |   |
|-----------|---|
| \$55,235  | <p>2006 Capital Improvement Revenue Bonds, Series B (Taxable)<br/>Authorized and issued June 15, 2006, due in annual installments of \$720 to \$3,760 through December 1, 2036, bearing interest rates of 5.4% to 5.8%. Net proceeds of \$50,692 are being utilized for the purpose of financing certain public capital improvements and redevelopment projects including an arts rehearsal building, Pocket Area Library and other capital projects within the City of Sacramento. The debt is secured by collateral of real property situated in the City of Sacramento, the indenture contains a provision that in the event of a default and upon written request of the bond holders, the outstanding principal and any accrued interest may be due and payable immediately.</p>   |
| \$186,950 | <p>2006 Capital Improvement Revenue Bonds, Series E (Refunding)<br/>Authorized and issued December 12, 2006, due in annual installments of \$402 to \$8,570 through December 1, 2033, bearing interest rates of 4% to 5.25%. Net proceeds of \$216,661 plus cash of \$13,441 have been utilized for the purpose of establishing an irrevocable escrow to defease \$218,000 principal amount of the outstanding 2001 Capital Improvement Revenue Bonds and a portion of the outstanding 2002 and 2003 Capital Improvement Revenue Bonds, and the associated liabilities have been removed from the governmental and business-type activities columns of the statement of net position. The debt is secured by collateral of real property situated in the City of Sacramento, the indenture contains a provision that in the event of a default and upon written request of the bond holders, the outstanding principal and any accrued interest may be due and payable immediately.</p> |
| \$215,195 | <p>2013 Water Revenue Bonds<br/>Authorized and issued March 2013, due in annual installments of \$9,731 to \$14,018 through fiscal year 2043, bearing interest rates of 1% to 5%, for the purpose of financing the costs of improvements to the City's municipal water system. In May 2020, the City issued 2020 Water Revenue Refunding Bonds to defease and refund \$166,405 of the outstanding 2013 Water Revenue Bonds. Remaining amount due in annual installments of \$5,717 to \$ 5,720 through fiscal year 2025, bearing interest rate of 5%. The debt is secured by the pledge of, and payable solely from, the Trust Estate, which consists primarily of all system net revenues and trustee accounts held under the indenture. Total principal and interest remaining to be paid on the bonds is \$17,159 as of June 30, 2022. Current year principal and interest paid was \$5,717 and water fee revenue was \$136,613.</p>   |
| \$30,855  | <p>2013 Wastewater Revenue Bonds<br/>Authorized and issued June 2013, due in annual installments of \$951 to \$1,958 through fiscal year 2043, bearing interest rates of 3% to 5%, for the purpose of financing the costs of improvements to the City's wastewater system. In July 2020, the City issued 2020 Wastewater Revenue Refunding Bonds to defease and refund \$24,835 of the outstanding 2013 Wastewater Revenue Bonds. Remaining amount due in annual installments of \$822 to \$ 825 through fiscal year 2024, bearing interest rate of 5%. The debt is secured by a pledge of, and payable solely from, the Trust Estate, which consists primarily of all system net revenues and trustee accounts held under the indenture. Total principal and interest remaining to be paid on the bonds is \$1,650 as of June 30, 2022. Current year principal and interest paid was \$822 and wastewater fee revenue was \$44,327.</p>  |

**City of Sacramento**  
**Notes to the Basic Financial Statements**  
For the Fiscal Year Ended June 30, 2022  
(dollar amounts expressed in thousands)

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**NOTE 7 – LONG-TERM LIABILITIES (Continued)**

**Revenue and Other Bonds (Continued)**

Issued Amount

\$183,380	<p><b>2015 Refunding Revenue Bonds</b>  Authorized and issued October 1, 2015, due in annual installments of \$5,120 to \$24,773 through December 1, 2037, bearing interest rates of 3% to 5%. Net proceeds of \$205,778 plus cash of \$28,165, together with certain proceeds of the Tax Allocation Bonds, were utilized to establish an irrevocable escrow to defease \$257,630 principal amount of outstanding 2002 Capital Improvement Revenue Bonds, 2003 Capital Improvement Revenue Bonds, 2005 Refunding Revenue Bonds, 2006 Capital Improvement Revenue Bonds, Series A, 2006 Capital Improvement Revenue Bonds, Series C, and pay costs of issuance. The refunded liabilities have been removed from the associated fund and government-wide financial statements. The debt is secured by collateral of real property situated in the City of Sacramento. The indenture contains a provision that in the event of a default and upon written request of the bond holders, the outstanding principal and any accrued interest may be due and payable immediately.</p>
\$272,870	<p><b>2015 Lease Revenue Bonds – Golden 1 Center</b>  The bonds were originally issued on August 13, 2015, in the aggregate principal amount of \$299,995, to pay for a portion of the acquisition and construction of the multi-purpose entertainment and sports center (the Golden 1 Center) in downtown Sacramento. On the fixed rate conversion date, October 6, 2015, \$27,125 principal amount of the bonds were cancelled. The bonds are due in annual installments of \$7,229 to \$18,379 through fiscal year 2050, bearing interest of 2.5% to 5.6%. The debt is secured by collateral of the Golden 1 Center and other improvements made to the associated parcel of land.</p>
\$9,115	<p><b>2016 Lease Financing – H Street Theater Complex (Direct Placement)</b>  The City delivered its 2016 Lease Financing on January 26, 2016, due in annual installments of \$668 to \$1,010 through fiscal year 2033, bearing interest at 2.8%. Bond proceeds of \$9,115, together with cash of \$3,471 were utilized to establish a prepayment fund to refund \$12,010 aggregate principal, plus interest, and pay the costs of issuance of the outstanding Sacramento Regional Arts Facilities 2002 Certificates of Participation. The debt is secured by lease rental payments from the California Musical Theatre.</p>
\$52,610	<p><b>2017 Water Revenue Bonds</b>  Authorized and issued June 2017, due in annual installments of \$1,805 to 3,379 through fiscal year 2048, bearing interest rate of 4% to 5%, for the purpose of financing the costs of improvements to the City’s municipal water system. The debt is secured by the pledge of, and payable solely from, the Trust Estate, which consists primarily of all system net revenues and trustee accounts held under the indenture. Total principal and interest remaining to be paid on the bonds is \$87,798 as of June 30, 2022. Current year principal and interest paid was \$3,379 and water fee revenue was \$136,613.</p>
\$195,815	<p><b>2018 Transient Occupancy Tax (TOT) Revenue Bonds, Senior Series A</b>  Authorized September 2018, issued November 2018, due in annual installments of \$5,711 to \$14,482 through fiscal year 2048, bearing an interest rate of 5%, for the purpose of financing the costs of renovating the City’s Convention Center, Community Center Theater, and Memorial Auditorium, as well as other projects eligible for TOT funding. The debt is secured by the pledge of, and payable solely from, TOT revenues and trustee accounts held under the indenture. Total principal and interest remaining to be paid on the bonds is \$362,909 as of June 30, 2022. Current year interest paid was \$9,791 and TOT revenue was \$26,843. Principal payments begin June 2025.</p>

**City of Sacramento**  
**Notes to the Basic Financial Statements**  
For the Fiscal Year Ended June 30, 2022  
(dollar amounts expressed in thousands)

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**NOTE 7 – LONG-TERM LIABILITIES (Continued)**

**Revenue and Other Bonds (Continued)**

Issued Amount

\$20,610	<p>2018 Transient Occupancy Tax (TOT) Revenue Bonds, Senior Series B (Taxable)  Authorized September 2018, issued November 2018, due in annual installments of \$441 to \$4,690 through fiscal year 2025, bearing interest rates of 3.5% to 3.9%, for the purpose of financing the costs of renovating the City’s Convention Center, Community Center Theater, and Memorial Auditorium, as well as other projects eligible for TOT funding. The debt is secured by the pledge of, and payable solely from, TOT revenues and trustee accounts held under the indenture. Total principal and interest remaining to be paid on the bonds is \$13,559 as of June 30, 2022. Current year principal and interest paid was \$4,690 and TOT revenue was \$26,843.</p>
\$66,890	<p>2018 Transient Occupancy Tax (TOT) Revenue Bonds, Subordinate Series C  Authorized September 2018, issued November 2018, due in annual installments of \$1,951 to \$4,495 through fiscal year 2048, bearing an interest rate of 5%, for the purpose of financing the costs of renovating the City’s Convention Center, Community Center Theater, and Memorial Auditorium, as well as other projects eligible for TOT funding. The debt is secured by the pledge of, and payable solely from, TOT revenues and trustee accounts held under the indenture. Total principal and interest remaining to be paid on the bonds is \$116,729 as of June 30, 2022. Current year principal and interest paid was \$4,487 and TOT revenue was \$26,843.</p>
\$25,960	<p>2019 Wastewater Revenue Bonds  Authorized March 2019, issued April 2019, due in annual installments of \$1,157 to \$2,119 through fiscal year 2040, bearing an interest rate of 5%, for the purpose of financing the costs of improvements to the City’s wastewater system. The debt is secured by a pledge of, and payable solely from, the Trust Estate, which consists primarily of all system net revenues and trustee accounts held under the indenture. Total principal and interest remaining to be paid on the bonds is \$38,095 as of June 30, 2022. Current year principal and interest paid was \$2,117 and wastewater fee revenue was \$44,327.</p>
\$50,465	<p>2019 Sacramento Tourism Infrastructure District (STID) Assessment Revenue Bonds  Authorized July 2019, issued August 2019, due in annual installments of \$1,469 to \$2,744 through fiscal year 2050, bearing interest rates of 4% to 5%, for the purpose of financing an additional Ballroom in the Sacramento Convention Center and other capital improvement projects. The debt is secured by the pledge of, and payable solely from, STID revenues and trustee accounts held under the indenture. Total principal and interest remaining to be paid on the bonds is \$76,746 as of June 30, 2022. Current year principal and interest paid was \$2,741 and STID fee revenue was \$3,292.</p>

**City of Sacramento**  
**Notes to the Basic Financial Statements**  
For the Fiscal Year Ended June 30, 2022  
(dollar amounts expressed in thousands)

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**NOTE 7 – LONG-TERM LIABILITIES (Continued)**

**Revenue and Other Bonds (Continued)**

Issued Amount

- \$188,390 2020 Water Refunding Revenue Bonds  
Authorized April 2020, issued May 2020, due in annual installments of \$6,976 to \$12,701 through fiscal year 2043, bearing interest rates of 1% to 3%. Net proceeds of \$188,390, together with City contribution of \$1,005 and bond reserve fund release of \$4,248, were utilized to establish an irrevocable escrow to defease \$166,405 principal amount of outstanding 2013 Water Revenue Bonds and pay costs of issuance. The refunded liabilities have been removed from the Water Fund and government-wide financial statements. The debt is secured by the pledge of, and payable solely from, the Trust Estate, which consists primarily of all system net revenues and trustee accounts held under the indenture. Total principal and interest remaining to be paid on the bonds is \$249,503 as of June 30, 2022. Current year principal and interest paid was \$6,976 and water fee revenue was \$136,613.
- \$27,970 2020 Wastewater Refunding Revenue Bonds  
Authorized April 2020, issued July 2020, due in annual installments of \$925 to \$1,752 through fiscal year 2043, bearing interest rates of .5% to 2.5%. Net proceeds of \$27,970, together with City contribution of \$401 and bond reserve fund release of \$580, were utilized to establish an irrevocable escrow to defease \$24,835 principal amount of outstanding 2013 Wastewater Revenue Bonds and pay costs of issuance. The refunded liabilities have been removed from the Wastewater Fund and government-wide financial statements. The debt is secured by the pledge of, and payable solely from, the Trust Estate, which consists primarily of all system net revenues and trustee accounts held under the indenture. Total principal and interest remaining to be paid on the bonds is \$35,059 as of June 30, 2022. Current year principal and interest paid was \$926 and wastewater fee revenue was \$44,327.

**City of Sacramento**  
**Notes to the Basic Financial Statements**  
For the Fiscal Year Ended June 30, 2022  
(dollar amounts expressed in thousands)

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**NOTE 7 – LONG-TERM LIABILITIES (Continued)**

**Notes Payable**

Issued Amount

- \$2,220 1985 Sacramento Marina Note Payable, Phase I  
Authorized July 1985, issued November 1985, refinanced August 1998, to the California Department of Boating and Waterways, due in annual installments of \$20 to \$82 through August 2030, bearing an interest rate of 4.5%, for the purpose of financing the expansion of the Sacramento Marina. The debt is secured by collateral of the Sacramento Marina.
- \$3,229 1985 Sacramento Marina Note Payable, Phase II  
Authorized July 1985, issued September 1987, refinanced August 1998, to the California Department of Boating and Waterways, due in annual installments of \$27 to \$150 through August 2037, bearing an interest rate of 4.5%, for the purpose of financing the expansion of the Sacramento Marina. The debt is secured by collateral of the Sacramento Marina.
- \$10,477 2008 Sacramento Marina Note Payable, South Basin  
Authorized February 2005, the City had made loan draws of \$9,000 plus accrued interest of \$1,477 through June 30, 2013, from the California Department of Boating and Waterways (DB&W), for the purpose of constructing the South Basin Improvements at the Sacramento Marina. Principal and interest was due in 30 annual installments of \$204 to \$662, through August 2041, bearing an interest rate of 4.6%. The City had made no principal payments and only a portion of interest payments on this loan since 2013, and had been working with the DB&W on a loan restructure. Effective August 2019, the DB&W and the City executed a formal agreement to restructure this loan. After restructuring, the maturity dates of previously matured principal and interest amounts have been extended and are no longer past due. The note still bears an interest rate of 4.6% and principal and interest are due in annual installments of \$500 to \$1,698, through August 2041. The debt is secured by collateral of the Sacramento Marina.
- \$10,000 California Department of Public Health  
Authorized September 2009 for the installation of approximately 13,000 water meters. The note, with a 2.5% interest rate, will be repaid over 20 years, through 2033, with annual principal and interest payments of approximately \$639. The City pledged future Water Enterprise Fund revenue to repay the note. Current year water fee revenue was \$136,613.
- \$2,975 California Infrastructure and Economic Development (I-Bank)  
Authorized in December 2007, due in annual principal and interest installments from \$163 to \$155 through August 2038, bearing an interest rate of 3.17%, for the purpose of financing the purchase and construction of the Basin 31 Detention Basin. The City pledged future storm drainage fee revenue to repay the note. The note is payable solely from the storm drainage fee revenue through August 2038. Total principal and interest remaining to be paid on the note is \$2,524. Current year principal and interest paid was \$161 and storm drainage fee revenue was \$41,901. The loan agreement contains a provision that in the event of a default, the principal of the loan and accrued interest on all unpaid installments would be due immediately.
- \$173,142 Drinking Water State Revolving Fund (DWSRF)  
Authorized in May 2017, the DWSRF has agreed to fund the City's Accelerated Meter Installation and Pipe Replacement Program. Under the agreement, the City is to pay for project costs upfront and the DWSRF is to reimburse the City with loan amounts not to exceed \$173,142. Construction began in October 2017 with an end date of June 2022. The final reimbursement request deadline is December 2022. The note will be repaid over a 20-year period beginning July 2022, bearing an interest rate of 1.7%. Annual principal and interest payments will be approximately \$10,248. The City has pledged future water fee revenues to repay the note. Current year water fee revenues were \$136,613. The amount claimed and reimbursed by the City as of June 30, 2022 was \$138,341.

**City of Sacramento**  
**Notes to the Basic Financial Statements**  
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(dollar amounts expressed in thousands)

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**NOTE 7 – LONG-TERM LIABILITIES (Continued)**

**Other Long-term Liabilities**

Accrued claims and judgments – Estimated liabilities of the City’s workers’ compensation, auto, and general liability self-insurance programs administered through the Risk Management Internal Service Fund. The first year of salary continuation in the City’s workers’ compensation program is accrued and paid by the City’s General Fund, enterprise funds, and internal service funds.

Lease liabilities – The City has entered into various agreements for the intangible right-to-use leased assets. Lease liabilities are recorded at the present value of future fixed payments for the remaining term of the agreements. Lease liabilities are reported in accordance with GASB Statement No. 87. Refer to Note 1 and Note 6 for more detailed information.

Compensated absences – Estimated amounts due to employees for earned, but unused, compensated absence accounts, including leave balances for vacation, sick, holiday and compensated time off. Compensated absences are generally liquidated by the City’s General Fund, enterprise funds, and internal service funds.

Net OPEB liability (other postemployment benefits) – Net liability for retiree medical benefits accounted for and reported in accordance with GASB Statement No. 75. The net OPEB liability is \$161,715 and \$35,090 for governmental activities and business-type activities, respectively, at June 30, 2022. The net liability is liquidated by the fund that has recorded the liability. Governmental activities net OPEB liability is liquidated primarily by the General Fund and business-type activities net OPEB liability is liquidated by the respective enterprise fund. Refer to Note 9 for more detailed information.

Pollution remediation obligations – Estimated liabilities to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities.

Financing plan fee credits – Issued to developers as consideration for infrastructure and other capital improvements constructed on behalf of the City within the scope of the Delta Shores, North Natomas, Jacinto Creek and other development impact fee programs. Credits are redeemable from or against future impact fees assessed within the geographic boundaries of the finance plan.

Water fee credits – Issued to developers as consideration for infrastructure constructed on behalf of the City. Credits are redeemable from or against future water development impact fees.

Wastewater fee credits – Issued to developers as consideration for infrastructure constructed on behalf of the City. Credits are redeemable from or against future wastewater development impact fees.

Liability for landfill closure – Estimated post-closure maintenance and monitoring costs for the closed landfill sites.

Net pension liability – The net pension liability is \$657,912 and \$82,679 for governmental activities and business-type activities, respectively, at June 30, 2022. The net liability is liquidated by the fund that has recorded the liability. Governmental activities net pension liability is liquidated primarily by the General Fund and business-type activities net pension liability is liquidated by the respective enterprise fund. Refer to Note 8 for more detailed information.

**City of Sacramento**  
**Notes to the Basic Financial Statements**  
For the Fiscal Year Ended June 30, 2022  
(dollar amounts expressed in thousands)

**NOTE 7 – LONG-TERM LIABILITIES (Continued)**

**Future Debt Service Requirements**

The following tables disclose the annual debt service requirements for the City's long-term debt outstanding as of June 30, 2022.

Annual debt service requirements of governmental activities to maturity are as follows:

Fiscal Year Ending June 30,	Revenue and Other Bonds, Direct Placements		Revenue and Other Bonds, Public Offerings	
	Principal	Interest	Principal	Interest
2023	\$ 505	\$ 169	\$ 14,959	\$ 23,652
2024	515	154	15,235	22,911
2025	535	140	15,971	22,079
2026	545	124	16,847	21,203
2027	565	109	17,784	20,279
2028-2032	3,070	292	102,741	86,064
2033-2037	330	4	90,622	59,180
2038-2042	-	-	50,160	41,241
2043-2047	-	-	65,960	25,420
2048-2050	-	-	49,168	5,646
Subtotals	6,065	992	439,447	327,675
Plus: Issuance premiums	-	-	14,484	-
Totals	\$ 6,065	\$ 992	\$ 453,931	\$ 327,675

Fiscal Year Ending June 30,	Direct Borrowing Notes Payable	
	Principal	Interest
2023	\$ 317	\$ 766
2024	431	751
2025	474	733
2026	547	710
2027	572	685
2028-2032	3,385	3,001
2033-2037	4,331	2,146
2038-2042	6,645	983
Totals	\$ 16,702	\$ 9,775



**City of Sacramento**  
**Notes to the Basic Financial Statements**  
For the Fiscal Year Ended June 30, 2022  
(dollar amounts expressed in thousands)

**NOTE 7 – LONG-TERM LIABILITIES (Continued)**

**Future Debt Service Requirements (Continued)**

Annual debt service requirements of business-type activities to maturity are as follows:

Fiscal Year Ending June 30,	Revenue and Other Bonds, Public Offerings		Direct Borrowing Notes Payable	
	Principal	Interest	Principal	Interest
2023	\$ 25,008	\$ 30,783	\$ 3,532	\$ 1,360
2024	26,130	29,644	6,565	2,420
2025	27,309	28,460	6,683	2,302
2026	28,443	27,309	6,803	2,182
2027	29,596	26,143	6,925	2,060
2028-2032	161,084	111,328	36,534	8,384
2033-2037	139,398	79,823	36,917	5,116
2038-2042	152,775	51,236	39,252	1,856
2043-2047	118,015	21,856	-	-
2048-2050	29,104	1,460	-	-
Subtotals	736,862	408,042	143,211	25,680
Plus: Issuance premiums	57,350	-	-	-
Totals	\$ 794,212	\$ 408,042	\$ 143,211	\$ 25,680

**Arbitrage**

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of all tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the U.S. Department of Treasury at least every five years. During the current year, the City performed calculations of excess investment earnings on various bonds and determined the liability to be zero at June 30, 2022.

**Special Assessment Debt**

Total matured and unmatured bonds outstanding related to special assessment and special tax districts are \$207,935 at June 30, 2022. The City acts as an agent for the property owners in collecting special assessments, forwarding the collections to bondholders and initiating foreclosure proceedings, when appropriate. The City is not liable for repayment of the special district bonds, and accordingly, they are not reflected in the accompanying basic financial statements. Cash held on deposit and corresponding amounts payable for the districts are reported in the Custodial Funds.

**Conduit Debt**

Outstanding obligations related to special facility and redevelopment agency revenue bonds total \$148,575 at June 30, 2022. Special facility revenue bonds were issued to provide administrative and service facilities for four non-profit organizations and for offices leased to the State of California Department of General Services (State). The bonds issued are special limited obligations of the City, payable solely from and secured by a pledge of revenue to be received from loan or lease agreements between the City and the non-profit organizations or the State. The redevelopment agency bonds were issued by the Sacramento City Financing Authority to finance redevelopment activities and to refund certain other obligations of the redevelopment agency. The City is not liable for repayment of these bonds, and accordingly, they are not reflected in the accompanying basic financial statements.

**City of Sacramento**  
**Notes to the Basic Financial Statements**  
For the Fiscal Year Ended June 30, 2022  
(dollar amounts expressed in thousands)

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**NOTE 8 – PENSION PLANS**

**Defined Benefit Plan Description**

The City of Sacramento provides defined benefit retirement benefits through the California Public Employees' Retirement System (CalPERS) and the Sacramento City Employees' Retirement System (SCERS). CalPERS is an agent multiple-employer public employee defined benefit pension plan. SCERS is a single-employer defined benefit pension plan.

As of June 30, 2022, the City reported total net pension liability, deferred outflows of resources and deferred inflows of resources for the CalPERS (Miscellaneous and Safety Plans) and SCERS plans as follows:

	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources
Miscellaneous Plan	\$ 241,724	\$ 50,840	\$ 121,620
Safety Plan	482,497	119,183	168,518
SCERS	16,370	9,882	-
Total	<u>\$ 740,591</u>	<u>\$ 179,905</u>	<u>\$ 290,138</u>

For the fiscal year ended June 30, 2022, the City recognized total pension expense of \$59,018 for CalPERS and SCERS plans.

**CalPERS**

All full-time and certain part-time City employees hired after January 28, 1977 and City safety employees, regardless of date of hire, are eligible to participate in CalPERS. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and their beneficiaries. Copies of CalPERS' annual financial report may be obtained from the CalPERS Executive Office at 400 Q Street, Sacramento, CA 95814. A separate report for the City's plan within CalPERS is not available.

**General Information about the Pension Plan**

**Plan Description** – All qualified permanent and probationary employees are eligible to participate in the City's separate Safety (police and fire) and Miscellaneous (all other) Plans, agent multiple-employer defined benefit pension plans administered by the CalPERS, which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Safety and Miscellaneous Plans (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 at <http://www.calpers.ca.gov>.

**Benefits Provided** – CalPERS provides 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 or 52, depending on the plan, 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.

**City of Sacramento**  
**Notes to the Basic Financial Statements**  
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(dollar amounts expressed in thousands)

**NOTE 8 – PENSION PLANS (Continued)**

**General Information about the Pension Plan (Continued)**

The Plans' provisions and benefits in effect at June 30, 2022, are summarized as follows:

	Miscellaneous	
	Classic	PEPRA
	Prior to	On or after
Hire Date	January 1, 2013	January 1, 2013
Formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50-63	52-67
Monthly benefits, as a % of annual salary	1.4% to 2.4%	1.0% to 2.5%
Required employee contribution rates	7.10%	7.50%
Required employer contribution rates	23.93%	23.93%

	Safety	
	Classic	PEPRA
	Prior to	On or after
Hire Date	January 1, 2013	January 1, 2013
Formula	3% @ 50	2.7% @ 57
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50	50-57
Monthly benefits, as a % of annual salary	3.0%	2.0% to 2.7%
Required employee contribution rates	9.99%	13.00%
Required employer contribution rates	53.03%	53.03%

**Employees Covered** – At June 30, 2020, the most recent valuation date, the following employees were covered by the benefit terms for each Plan:

	Miscellaneous	Safety
Inactive employees or beneficiaries currently receiving benefits	3,044	1,360
Inactive employees entitled to but not yet receiving benefits	4,501	483
Active employees	2,650	1,304
Total	<u>10,195</u>	<u>3,147</u>

**Contributions** – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rates of employees. For the fiscal year ended June 30, 2022, the contributions for the miscellaneous and safety plans were \$47,627 and \$74,528, respectively.

**City of Sacramento**  
**Notes to the Basic Financial Statements**  
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**NOTE 8 – PENSION PLANS (Continued)**

**Net Pension Liability**

The City’s net pension liability for each Plan is measured as the total pension liability, less the pension plan’s fiduciary net position. The net pension liability of each of the Plans is measured as of June 30, 2021, using an annual actuarial valuation as of June 30, 2020, rolled forward to June 30, 2021. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

**Actuarial Assumptions** – The total pension liabilities in the June 30, 2020 actuarial valuations were determined using the following actuarial assumptions:

	<u>Miscellaneous</u>	<u>Safety</u>
Valuation Date	June 30, 2020	June 30, 2020
Measurement Date	June 30, 2021	June 30, 2021
Actuarial Cost Method	Entry-Age Normal Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:		
Discount Rate	7.15%	7.15%
Inflation	2.50%	2.50%
Payroll Growth	2.75%	2.75%
Projected Salary Increase	3.3% - 14.2% <sup>(1)</sup>	3.3% - 14.2% <sup>(1)</sup>
Investment Rate of Return	7.00% <sup>(2)</sup>	7.00% <sup>(2)</sup>
Mortality	2017 CalPERS Experience Study	2017 CalPERS Experience Study

(1) Depending on age, service and type of employment

(2) Net of pension plan investment expenses, including inflation

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2020 valuation were based on the results of a December 2017 actuarial experience study for the period of 1997 to 2015. Further details of the Experience Study can be found on the CalPERS website at <https://www.calpers.ca.gov/docs/forms-publications/calpers-experience-study-2017.pdf>.

**City of Sacramento**  
**Notes to the Basic Financial Statements**  
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**NOTE 8 – PENSION PLANS (Continued)**

**Net Pension Liability (Continued)**

**Discount Rate** – The discount rate used to measure the total pension liability was 7.15% for each Plan. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at statutorily required rates. Based on those assumptions, each pension 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 pension 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 as well as the expected pension fund cash flows. Using historical returns of all the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach.

Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The table below reflects expected real rate of return by asset class.

Asset Class	Assumed Asset Allocation	Real Return Years 1 - 10 <sup>(1)</sup>	Real Return Years 11+ <sup>(2)</sup>
Public Equity	50%	4.80%	5.98%
Global Fixed Income	28%	1.00%	2.62%
Inflation Assets	-	0.77%	1.81%
Private Equity	8%	6.30%	7.23%
Real Assets	13%	3.75%	4.93%
Liquidity	1%	-	-0.92%
Total	<u>100%</u>		

(1) An expected inflation of 2% used for this period.

(2) An expected inflation of 2.92% used for this period.

**City of Sacramento**  
**Notes to the Basic Financial Statements**  
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**NOTE 8 – PENSION PLANS (Continued)**

**Net Pension Liability (Continued)**

**Changes in the Net Pension Liability** – The changes in the Net Pension Liability for each Plan for the measurement date of June 30, 2021 are as follows:

<u>Miscellaneous Plan:</u>	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balance at June 30, 2021	\$ 1,481,334	\$ 1,076,422	\$ 404,912
Changes in the year:			
Service cost	31,307	-	31,307
Interest on the total pension liability	105,037	-	105,037
Difference between expected and actual experience	3,743	-	3,743
Contribution - employer	-	43,930	(43,930)
Contribution - employee	-	15,899	(15,899)
Net investment income	-	244,522	(244,522)
Benefit payments, including refunds of employee contributions	(63,352)	(63,352)	-
Administrative expense	-	(1,076)	1,076
Net changes	<u>76,735</u>	<u>239,923</u>	<u>(163,188)</u>
Balance at June 30, 2022	<u>\$ 1,558,069</u>	<u>\$ 1,316,345</u>	<u>\$ 241,724</u>

<u>Safety Plan:</u>	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balance at June 30, 2021	\$ 2,129,490	\$ 1,435,924	\$ 693,566
Changes in the year:			
Service cost	44,416	-	44,416
Interest on the total pension liability	151,131	-	151,131
Difference between expected and actual experience	12,441	-	12,441
Contribution - employer	-	67,242	(67,242)
Contribution - employee	-	25,904	(25,904)
Net investment income	-	327,345	(327,345)
Benefit payments, including refunds of employee contributions	(100,827)	(100,827)	-
Administrative expense	-	(1,434)	1,434
Net changes	<u>107,161</u>	<u>318,230</u>	<u>(211,069)</u>
Balance at June 30, 2022	<u>\$ 2,236,651</u>	<u>\$ 1,754,154</u>	<u>\$ 482,497</u>
Totals of both Miscellaneous and Safety Plans	<u>\$ 3,794,720</u>	<u>\$ 3,070,499</u>	<u>\$ 724,221</u>

**City of Sacramento**  
**Notes to the Basic Financial Statements**  
For the Fiscal Year Ended June 30, 2022  
(dollar amounts expressed in thousands)

**NOTE 8 – PENSION PLANS (Continued)**

**Net Pension Liability (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 Plan, calculated using the discount rate for each Plan, as well as what the City’s net position 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:

	<u>Miscellaneous</u>	<u>Safety</u>	<u>Total</u>
1% Decrease	6.15%	6.15%	6.15%
Net Pension Liability	\$ 457,463	\$ 793,646	\$ 1,251,109
Current Discount Rate	7.15%	7.15%	7.15%
Net Pension Liability	\$ 241,724	\$ 482,497	\$ 724,221
1% Increase	8.15%	8.15%	8.15%
Net Pension Liability	\$ 64,044	\$ 227,715	\$ 291,759

**Pension Plan Fiduciary Net Position** – Detailed information about each pension plans’ fiduciary net position is available in the separately issued CalPERS financial reports.

**Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions**

For the fiscal year ended June 30, 2022, the City recognized pension expense of \$13,757 and \$46,952 for the Miscellaneous and Safety Plans, respectively. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Miscellaneous Plan</u>		<u>Safety Plan</u>		<u>Total</u>	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 47,627	\$ -	\$ 74,528	\$ -	\$ 122,155	\$ -
Changes of assumption	-	-	6,059	(4,229)	6,059	(4,229)
Differences between actual and expected experience	3,213	-	38,596	(854)	41,809	(854)
Net differences between projected and actual earnings on plan investments	-	(121,620)	-	(163,435)	-	(285,055)
Total	<u>\$ 50,840</u>	<u>\$ (121,620)</u>	<u>\$ 119,183</u>	<u>\$ (168,518)</u>	<u>\$ 170,023</u>	<u>\$ (290,138)</u>

The amount of \$122,155 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized as increases (decreases) in pension expense as follows:

Fiscal Year Ending June 30,	<u>Miscellaneous Plan</u>	<u>Safety Plan</u>	<u>Total</u>
2023	\$ (28,522)	\$ (25,407)	\$ (53,929)
2024	(27,111)	(25,364)	(52,475)
2025	(29,211)	(31,524)	(60,735)
2026	(33,563)	(42,272)	(75,835)
2027	-	704	704
Total	<u>\$ (118,407)</u>	<u>\$ (123,863)</u>	<u>\$ (242,270)</u>

**City of Sacramento**  
**Notes to the Basic Financial Statements**  
For the Fiscal Year Ended June 30, 2022  
(dollar amounts expressed in thousands)

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**NOTE 8 – PENSION PLANS (Continued)**

**SCERS**

The City reports SCERS as a pension trust fund. SCERS issues a publicly available financial report that includes financial statements and required supplementary information. The financial report may be obtained at <https://www.cityofsacramento.org/Finance/Accounting/Reporting>. The following is a summary of significant accounting policies:

**Basis of Accounting** – SCERS' financial statements are prepared using the accrual basis of accounting. City and member contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

**Method Used to Value Investments** – Investments are reported at fair value, except mortgage loans which are reported at amortized cost. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

**General Information about the Pension Plan**

**Plan Description** – The SCERS is a closed defined benefit pension plan. It has not accepted new members since January 28, 1977. All full-time, non-safety employees hired before January 29, 1977, are eligible to participate in SCERS.

**Benefits Provided** – SCERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries based on the plan that they belong to. SCERS has the following plans:

**Charter Section 399 Plan** – This defined benefit plan was established effective January 1, 1977 to provide retirement, disability and death benefits. Active members contribute at a rate based upon entry age and type of employment. The benefits for this plan are based on the average monthly compensation times years of service times benefit factor, but no larger than 75% of final average earnings. Employees may retire at age 70, or age 50 and 5 years of service.

**Equal Shares Plan** – This defined benefit plan was established July 1, 1970 to provide retirement, disability and death benefits to all City employees electing coverage at that date and to all employees who were hired from that date through January 1, 1977. The benefits for this plan are based on the average monthly compensation times years of service times benefit factor, but no larger than 75% of final average earnings. Employees may retire at age 70, or age 50 and 5 years of service.

**Charter Section 175 Plan** – This defined benefit plan was established in 1953 to provide for retirement, disability and death benefits at a lower amount than the successor Equal Shares Plan. The benefits for this plan are based on the average monthly compensation times years of service times benefit factor. For retirement after age 65 with 20 years of service, benefit is minimum of \$60 per month. Employees may retire at age 70, or age 55 and 20 years of service.

An employee who leaves City service may withdraw his or her contributions, plus any accumulated interest under all the retirement and disability benefit plans described above.



**City of Sacramento**  
**Notes to the Basic Financial Statements**  
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**NOTE 8 – PENSION PLANS (Continued)**

**General Information about the Pension Plan (Continued)**

Benefit factors at sample ages for benefit plans described above are as follows:

<u>Retirement Age</u>	<u>Section 175</u>	<u>Section 399 and Equal Share</u>
50	N/A	1.10%
55	1.10%	1.75%
60	1.67%	2.40%
65	2.44%	2.40%

**Employees Covered** – At June 30, 2022, the following employees were covered by the benefit terms for each Plan:

	<u>Section 399</u>	<u>Equal Shares</u>	<u>Section 175</u>	<u>Total</u>
Inactive members or beneficiaries receiving benefits	750	34	37	821
Inactive members entitled to but not yet receiving benefits	4	-	1	5
Active plan members	2	-	-	2
Total plan members	<u>756</u>	<u>34</u>	<u>38</u>	<u>828</u>

**Cost-of-living Adjustment** – This adjustment, established in 1969, provides for annual retirement benefit increases of up to 3% of normal benefits based on a corresponding rise in the consumer price index. Cost-of-living benefits are payable to retirees and beneficiaries of all of the above plans after one year of retirement. The cost-of-living adjustment was 1.7% for fiscal year 2022. Members contribute to this adjustment at a rate of 1% of their normal retirement contributions. The City is required to fund all costs in excess of members' contributions and investment earnings.

**Social Security Adjustments** – For members participating in Social Security, their benefit will be adjusted at the later of age 62 or actual retirement age. The amount of the adjustment is one half of the primary insurance amount (PIA) from Social Security, multiplied by the ratio of the sum of salary earned from the City to the sum of salary from all sources used in the calculation of the Social Security amount. The member's benefit under SCERS plus the amount received from Social Security cannot be less than the member's benefit under SCERS calculated with no reductions at the time of retirement. The City applies this offset to service retirees, not to disabled retirees.

**Contributions** – The City Charter grants the authority to establish and amend the contribution requirements of the City and active employees to the SCERS Board. The SCERS Board establishes rates based on actuarially determined rates recommended by an independent actuary. 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 accrual liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the fiscal year ended June 30, 2022, the average active employee contribution rate was 4.76% of annual pay, and the City's average contribution rate was 0.88% of annual payroll. For the fiscal year ended June 30, 2022, the contributions for the SCERS plan were \$3,479.

**City of Sacramento**  
**Notes to the Basic Financial Statements**  
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**NOTE 8 – PENSION PLANS (Continued)**

**Net Pension Liability**

The City’s net pension liability for SCERS was measured as of June 30, 2022 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

**Actuarial Assumption** – The total pension liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%	
Salary increase	2.50%	CPI Plus 0.5% merit, average
Discount rate	6.00%	

Mortality rates for service retirements and beneficiaries were based on CalPERS 2000-2019 Mortality Table projected for future mortality improvement utilizing Society of Actuaries Scale MP-2021. Mortality rates for disability retirements were based on CalPERS 2000-2019 Mortality Table for non-work related Disabled Retirees for Miscellaneous and CalPERS 2000-2019 Mortality Table for work-related Disabled Retirees for Safety. Both tables were projected for future mortality improvement utilizing Society of Actuaries Scale MP-2021.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	32.5%	2.6%
Large Cap Growth	32.5%	7.1%
Equity Income	30.0%	7.1%
International Equity	5.0%	7.3%
Total	100.0%	

**Discount Rate** – The discount rate used to measure the total pension liability was 6%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contributions rates and the employee rate. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**City of Sacramento**  
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**NOTE 8 – PENSION PLANS (Continued)**

**Net Pension Liability (Continued)**

**Changes in the Net Pension Liability (Asset)** – The changes in the Net Pension Liability (Asset) for the SCERS Plan for the measurement date of June 30, 2022 is as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at June 30, 2021	\$ 282,359	\$ 311,133	\$ (28,774)
Changes in the year:			
Service cost	6	-	6
Interest on the total pension liability	16,098	-	16,098
Change of assumptions	218	-	218
Differences between expected and actual experience	5	-	5
Contribution - employer	-	3,479	(3,479)
Contribution - employee	-	9	(9)
Net investment loss	-	(32,305)	32,305
Benefit payments, including refunds of employee contributions	(28,145)	(28,145)	-
Net changes	(11,818)	(56,962)	45,144
Balance at June 30, 2022	\$ 270,541	\$ 254,171	\$ 16,370

**Change of assumptions and changes in experience affecting the measurement of the Total Pension Liability since the prior measurement date** – Mortality tables were changed from the CalPERS 1997-2015 experience study tables to the CalPERS 2000-2019 experience study tables. Mortality improvement was changed from fully generational projection with Society of Actuaries Scale MP-2020 to fully generational projection with Society of Actuaries Scale MP-2021. The overall experience loss was due to a cost of living increase greater than expected, but this was offset by more deaths than expected.

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate** – The following presents the net pension liability of the City for the SCERS plan, calculated using the discount rate for the SCERS Plan, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% decrease (5%)	Current Discount Rate (6%)	1% increase (7%)
SCERS net pension liability (asset)	\$ 37,244	\$ 16,370	\$ (1,916)

**Pension Plan Fiduciary Net Position** – Detailed information about the pension plan's fiduciary net position is available in the Basic Financial Statements section of this report and the separately issued SCERS financial report that may be obtained at <https://www.cityofsacramento.org/Finance/Accounting/Reporting>.

**City of Sacramento**  
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**NOTE 8 – PENSION PLANS (Continued)**

**Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions**

For the fiscal year ended June 30, 2022, the City recognized pension expense (income) of \$(1,691) attributable to the SCERS plans. At June 30, 2022, the City reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Net differences between projected and actual earnings on plan investments	<u>\$ 9,882</u>

Amounts reported as deferred outflows of resources related to pensions will be recognized as increases (decreases) in pension expense as follows:

Fiscal Year Ending June 30,	Deferred Outflows of Resources
2023	\$ 515
2024	647
2025	(1,324)
2026	10,044
Total	<u>\$ 9,882</u>

**Defined Contribution Plan**

The City also provides defined contribution retirement benefits through the City’s 401(a) Money Purchase Plan (the 401(a)). The 401(a) is administered by Nationwide. The 401(a) provisions and contribution requirements are established and may be amended by City Council. Unrepresented exempt and certain represented employees may elect to participate. Participating employees of the aforementioned groups are required to contribute 5% and 2%, and the City contributes 4% and 2%, respectively, of covered salary. For the fiscal year ended June 30, 2022, employees contributed \$5,106 and the City contributed \$4,205 to the 401(a).

**NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

**General Information**

**Plan Description** – The City provides contributions for postemployment medical, dental and vision benefits to employees who retire directly from the City and their dependents through an agent-multiple employer defined benefit OPEB plan (OPEB Plan) through CalPERS. The postemployment health, dental, and vision care employer contributions range from \$0 to \$889 per month per participant, which covers between 0% and 100% of the benefit cost, depending on the choice of plan and number of dependents. Participants have the choice of enrolling in one of several health plans, one of two dental plans, and one of two vision plans. To be eligible for the City paid benefits, the employee must retire with a minimum of ten full years of active City service and be 50 years of age. Participants with a minimum of twenty years of service are eligible for 100% of the maximum benefit. Participants with more than fifteen years but less than twenty years of service are eligible for 75% of the maximum benefit. Participants with more than ten years but less than fifteen years of service are eligible for 50% of the maximum benefit. The eligibility of the City’s postemployment health contributions has been eliminated for employees hired after a certain date dependent upon the employee’s labor agreement. The postemployment health, dental and vision care contributions are defined by labor agreements and resolutions approved by the City Council. The City does not issue a separate stand-alone financial report for its OPEB plan.

In addition, the City established an irrevocable trust to pre-fund the other benefits with the California Employers’ Retiree Benefit Trust (CERBT). The CERBT financial statements and additional reports can be obtained from the CalPERS website [www.calpers.ca.gov](http://www.calpers.ca.gov).

**City of Sacramento**  
**Notes to the Basic Financial Statements**  
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**NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)**

**General Information (Continued)**

**Employees Covered** – At June 30, 2021, the most recent valuation date, the following current and former employees were covered by the benefit terms under the OPEB Plan:

Inactive employees or beneficiaries currently receiving benefits	2,991
Inactive employees entitled to but not yet receiving benefits	383
Active employees	<u>3,899</u>
Total	<u><u>7,273</u></u>

**Contributions** – The plan and its contribution requirements are established by memorandums of understanding with the applicable employee bargaining units and may be amended by agreements between the City and the bargaining units. The City is mainly funding the OPEB Plan on a pay-as-you-go basis. However, the City Council has authorized the City Manager to establish an OPEB trust fund with CalPERS that the City pre-funds with budgetary savings. Contributions recognized by the OPEB plan from the employer for the fiscal year ended June 30, 2022 were \$24,675.

**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, 2021, using an annual actuarial valuation as of June 30, 2021. A summary of principal assumptions and methods used to determine the net OPEB liability is shown below.

**Actuarial Assumptions** – The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.25%
Inflation	2.50%
Salary Increases	2.75%
Investment Rate of Return	6.25%
Healthcare cost trend rate	Non-Medicare - 6.5% for 2023, decreasing to 3.75% for 2076 and later. Medicare (Non-Kaiser) - 5.65% for 2023, decreasing to 3.75% for 2076 and later. Medicare (Kaiser) - 4.6% for 2023, decreasing to 3.75% in 2076.

Mortality and pre-retirement turnover assumptions were developed based on CalPERS’ specific data. For further details, please refer to the 2021 Experience Study based on CalPERS’ demographic experience during fiscal years 2000 to 2019. The 2021 Experience Study Report may be accessed on the CalPERS website [www.calpers.ca.gov](http://www.calpers.ca.gov) under Forms and Publications.

**City of Sacramento**  
**Notes to the Basic Financial Statements**  
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**NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)**

**Net OPEB Liability (Continued)**

**Discount Rate** – The discount rate used to measure the total OPEB liability was 6.25% for the OPEB Plan. The projection of cash flows used to determine the discount rate assumed an annual trust contribution of \$1,500, which is lower than the City’s annual trust contribution average for the previous five fiscal years. Based on this assumption, the OPEB Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on the OPEB Plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The long-term expected real rate of return on the OPEB Plan investments was determined using stochastic modeling based on expected real rate of return, standard deviation, correlation coefficients, and target allocation for each major asset class. The resulting real rate of return for the portfolio at the 50% confidence level is then adjusted for assumed long-term inflation and investment expenses to produce the long-term expected rate of return for the portfolio. The target asset allocation and most recent best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Global Equity	59%	4.56%
Fixed Income	25%	0.78%
Treasury Inflation-Protected Securities (TIPS)	5%	-0.08%
Commodities	3%	1.22%
Real Estate Investment Trusts (REITs)	8%	4.06%
Total	100%	

**Changes in the Net OPEB Liability** – The changes in the net OPEB liability for the OPEB Plan as of June 30, 2022 are as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2021	\$ 297,704	\$ 53,455	\$ 244,249
Changes in the year:			
Service cost	5,919	-	5,919
Interest on the total OPEB liability	19,968	-	19,968
Difference between expected and actual experience	(40,332)	-	(40,332)
Changes of assumptions	3,978	-	3,978
Contribution - employer	-	21,687	(21,687)
Contribution - employee	-	-	-
Net investment income	-	15,311	(15,311)
Benefit payments, including refunds	(15,625)	(15,625)	-
Administrative expense	-	(21)	21
Net changes	(26,092)	21,352	(47,444)
Balance at June 30, 2022	\$ 271,612	\$ 74,807	\$ 196,805

**City of Sacramento**  
**Notes to the Basic Financial Statements**  
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**NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)**

**Net OPEB Liability (Continued)**

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate** – The following presents the City's net OPEB liability, as well as what the City's net OPEB 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 discount rate:

	Discount Rate		
	1% decrease (5.25%)	Current Rate (6.25%)	1% increase (7.25%)
Net OPEB liability	\$ 228,974	\$ 196,805	\$ 169,776

**Sensitivity of the Net OPEB liability to Changes in the Healthcare Cost Trend Rates** – The following presents the City's net OPEB liability, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower or 1-percentage point higher than the current healthcare cost trend rates:

	Healthcare Cost Trend Rate		
	1% Decrease in Current Trend Rate	Current Trend Rate	1% Increase in Current Trend Rate
Net OPEB liability	\$ 174,884	\$ 196,805	\$ 223,251

**OPEB Plan Fiduciary Net Position** – Detailed information about the OPEB Plan's fiduciary net position is available in the separately issued CalPERS financial reports.

**OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB** – For the fiscal year ended June 30, 2022, the City recognized OPEB expense (income) of \$(14,897). At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflow s of Resources	Deferred Inflow s of Resources
Employer contributions subsequent to measurement date	\$ 24,675	\$ -
Changes of assumption	3,356	(65,425)
Differences between actual and expected experience	-	(48,971)
Net differences between projected and actual earnings on plan investments	-	(7,972)
Total	<u>\$ 28,031</u>	<u>\$ (122,368)</u>

**City of Sacramento**  
**Notes to the Basic Financial Statements**  
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**NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)**

**Net OPEB Liability (Continued)**

The amount of \$24,675 reported as deferred outflows of resources related to OPEB resulting from the OPEB Plan contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized as decreases in OPEB expense as follows:

Fiscal Year Ending June 30,	Deferred Outflows (Inflows) of Resources
2023	\$ (36,872)
2024	(33,215)
2025	(28,284)
2026	(12,556)
2027	(5,811)
Thereafter	(2,274)
Total	<u>\$ (119,012)</u>

**NOTE 10 – FUND EQUITY AND EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

At June 30, 2022, the government-wide statement of net position reported restricted net position of \$393,619 in governmental activities. Of this amount, \$52,710 is restricted for enabling legislation.

The Capital Grants Fund, a capital projects fund, had a deficit fund balance of \$3,889 as of June 30, 2022. The deficit represents grant expenditures unreimbursed by granting agencies within the 60-day period of availability for which corresponding revenues have not been recognized. The deficit will be recovered upon receipt of grantor reimbursements.

The 4th R Child Development Fund, an enterprise fund, had a deficit net position of \$2,885 as of June 30, 2022. It is anticipated that this deficit will be funded by future operating subsidies.

For the fiscal year ended June 30, 2022, General Fund expenditures for the Fire Department and citywide community support exceeded appropriations by \$6,201 and \$2,356, respectively. The overspending was funded by revenue collected in excess of budgeted amounts.

For the fiscal year ended June 30, 2022, Measure U Fund expenditures for citywide and community support exceeded appropriations by \$512. The overspending was funded by revenue collected in excess of budgeted amounts.

For the fiscal year ended June 30, 2022, Culture and Leisure Fund expenditures for convention and cultural services exceeded appropriations by \$350. The overspending was funded by revenue collected in excess of budgeted amounts.

For the fiscal year ended June 30, 2022, Special Districts Fund expenditures for general government exceeded appropriations by \$571, convention and cultural services by \$2,295, and library by \$2. This overspending was funded by revenue collected in excess of budgeted amounts.



**City of Sacramento**  
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**NOTE 11 – INTERFUND TRANSACTIONS**

**Interfund Transfers**

Interfund transfers report the nonreciprocal contribution of resources from one fund to another. The following is a summary of transfers for the fiscal year ended June 30, 2022:

	Description	Transfers In	Transfers Out	Net Transfers
<b>Governmental activities:</b>				
General Fund	Debt service	\$ 308	\$ (16,710)	\$ (16,402)
General Fund	In-lieu tax transfers	35,451	-	35,451
General Fund	Program support	12,425	(19,300)	(6,875)
Measure U Fund	Program support	33	(3,676)	(3,643)
2015 Golden 1 Center				
Lease Revenue Bond Fund	Debt service	10,600	-	10,600
Operating Grants Fund	Program support	-	(2,930)	(2,930)
Other Governmental Funds	Debt service	18,107	(5,259)	12,848
Other Governmental Funds	Program support	9,166	(11,170)	(2,004)
Internal Service Funds	Debt service	21	(45)	(24)
Internal Service Funds	Program support	-	(1,026)	(1,026)
Total governmental activities		<u>86,111</u>	<u>(60,116)</u>	<u>25,995</u>
<b>Business-type activities:</b>				
Water Fund	Debt service	-	(34)	(34)
Water Fund	In-lieu tax transfers	-	(14,576)	(14,576)
Water Fund	Program support	117	(486)	(369)
Wastewater Fund	Debt service	-	(46)	(46)
Wastewater Fund	In-lieu tax transfers	-	(4,719)	(4,719)
Wastewater Fund	Program support	62	-	62
Storm Drainage Fund	Debt service	-	(74)	(74)
Storm Drainage Fund	In-lieu tax transfers	-	(4,369)	(4,369)
Storm Drainage Fund	Program support	53	(159)	(106)
Solid Waste Fund	Debt service	-	(108)	(108)
Solid Waste Fund	In-lieu tax transfers	-	(8,306)	(8,306)
Solid Waste Fund	Program support	349	-	349
Community Center Fund	Debt service	2,741	-	2,741
Community Center Fund	In-lieu tax transfers	-	(1,993)	(1,993)
Community Center Fund	Program support	6,720	(637)	6,083
Other Enterprise Funds	Debt service	-	(9,500)	(9,500)
Other Enterprise Funds	In-lieu tax transfers	-	(1,488)	(1,488)
Other Enterprise Funds	Program support	10,458	-	10,458
Total business-type activities		<u>20,500</u>	<u>(46,495)</u>	<u>(25,995)</u>
<b>Total government-wide statements</b>		<u>\$ 106,611</u>	<u>\$ (106,611)</u>	<u>\$ -</u>

**City of Sacramento**  
**Notes to the Basic Financial Statements**  
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**NOTE 11 – INTERFUND TRANSACTIONS (Continued)**

**Interfund Balances**

Interfund balances report lending transactions between funds. The following is a summary of interfund balances as of June 30, 2022:

	Receivables	Payables	Interfund Balances
General Fund	\$ -	\$ (1,873)	\$ (1,873)
Other Governmental Funds	-	(7,628)	(7,628)
Internal Service Funds	14,532	-	14,532
Total governmental activities	<u>14,532</u>	<u>(9,501)</u>	<u>5,031</u>
Community Center Fund	-	(5,031)	(5,031)
Total business-type activities	<u>-</u>	<u>(5,031)</u>	<u>(5,031)</u>
Total	<u>\$ 14,532</u>	<u>\$ (14,532)</u>	<u>\$ -</u>

\$14,532 was loaned by the City’s internal service funds to cover short-term operating deficits (approximately \$6,093) and to assist in development of community resources (approximately \$8,439). Included in the \$14,532 of interfund loans is \$11,002 that is not expected to be repaid within one year.

\$1,657 was borrowed by the Capital Grants Fund for short-term loans.

\$5,971 was borrowed by the Culture and Leisure Fund for the Haggin Oaks renovation project and operating deficit.

\$5,031 was borrowed by the Community Center Fund for operational requirements.

\$1,873 was borrowed by the General Fund for the acquisition of Habitat Conservation Plan mitigation lands by the Natomas Basin Conservancy.

**City of Sacramento**  
**Notes to the Basic Financial Statements**  
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**NOTE 12 – RISK MANAGEMENT**

The City is exposed to various risks of loss related to the following: worker’s compensation; torts including errors and omissions; employment practices; theft of, damage to and destruction of assets; and natural disasters for which the City self-insures and/or carries commercial insurance. Earthquake damage is not included in the property insurance coverage carried by the City.

The Risk Management Internal Service Fund self-insures the first \$2,000 of each workers’ compensation claim. Excess worker’s compensation insurance is purchased through the Public Risk Innovation, Solutions, and Management (PRISM) member directed risk sharing pool and it provides statutory coverage over the City’s \$2,000 self-insured retention. The fund self-insures the first \$2,000 of liability claims plus claim costs that exceed excess coverage. PRISM provides \$35,000 in excess general and auto liability claims coverage, with a \$2,000 loss corridor deductible, for claims over the City’s self-insured retention.

Liabilities are estimated based on recommendations from an independent actuarial evaluation. Liabilities are based on estimated ultimate cost of settling claims, including effects of inflation and other social and economic factors. The estimated liability is then discounted by the City’s expected rate of return and anticipated timing of cash outlays to determine the present value of the liability. For the fiscal year ended June 30, 2022, the expected rate of return was 3%. Settled claims have not exceeded insurance coverage for each of the past three fiscal years.

All funds of the City participate in the program and make payments to the Risk Management Internal Service Fund based on estimates of the amounts needed to pay operating costs, insurance premiums, and prior and current year claims. At June 30, 2022, the Risk Management Internal Service Fund had a net position of \$13,780.

Liabilities are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, economic and social factors, and trends in damage awards. Accordingly, claims are reevaluated periodically to consider the effects of these factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claim liability estimate.

Changes in the Risk Management Internal Service Fund’s claims liability for the past two fiscal years are summarized as follows:

	<u>2022</u>	<u>2021</u>
Accrued claims and judgments, July 1	\$ 102,410	\$ 91,911
Incurred claims and adjustment expenses	30,617	25,781
Claim payments	<u>(21,211)</u>	<u>(15,282)</u>
Accrued claims and judgments, June 30	<u>\$ 111,816</u>	<u>\$ 102,410</u>

**City of Sacramento**  
**Notes to the Basic Financial Statements**  
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**NOTE 13 – COMMITMENTS AND CONTINGENCIES**

**Commitment of Fund Revenues**

Revenue of the Water Enterprise Fund is pledged to the payment of principal and interest on the California Department of Public Health Note Payable; the Drinking Water State Revolving Fund Note Payable; the Water Revenue Bonds, Series 2013; the Water Revenue Bonds, Series 2017 and the Water Revenue Refunding Bonds, Series 2020. Revenue of the Wastewater Enterprise Fund is pledged to the payment of principal and interest on the Wastewater Revenue Bonds, Series 2013; the Wastewater Revenue Bonds, Series 2019 and Wastewater Revenue Refunding Bonds, Series 2020. Revenue of the Storm Drainage Enterprise Fund is pledged to the payment of principal and interest on the California Infrastructure and Economic Development Bank Note Payable. Transient Occupancy Tax (TOT) revenue of the Community Center Fund is pledged to the payment of principal and interest on the 2018 TOT Revenue Bonds, Senior Series A, B and Subordinate Series C. Revenue of the Sacramento Tourism Infrastructure District (STID) Fund, a subfund of the Special Districts Special Revenue Fund, is pledged to the payment of principal and interest on the 2019 Sacramento Tourism Infrastructure District (STID) Assessment Revenue Bonds. See Note 7 for more detailed information.

**Construction and Other Commitments**

The City has commitments of \$105,975 for contracts awarded but not completed as of June 30, 2022. The following table shows the distribution of those commitments among major and nonmajor funds.

<b>Governmental Activities:</b>		<b>Business-type Activities:</b>	
General Fund	\$ 11,708	Water Fund	\$ 21,368
Measure U Fund	12,060	Wastewater Fund	4,575
Other governmental funds	28,787	Storm Drainage Fund	2,872
Internal service funds	17,499	Solid Waste Fund	3,287
		Community Center Fund	2,688
		Other enterprise funds	1,131
	<hr/>		<hr/>
Total governmental activities	<u>\$ 70,054</u>	Total business-type activities	<u>\$ 35,921</u>

The major contracts outstanding are \$3,666 for installation of motor-controlled valves and drainage system as part of the Ground Water Flush-to-Waste project; \$3,325 for AWMP installations tracking and investigation and contract compliance; \$3,190 for Hope Cooperative outreach services within the Department of Community Response; \$3,048 for providing support to businesses affected by COVID-19; \$2,811 for the operation of Outreach and Engagement Center for providing respite resources for the most vulnerable members of the community; \$2,631 for Oak Park Broadway development; \$2,175 for support services and public outreach for youth development; \$2,062 for the Sacramento River Water Treatment Plant Expansion Project; \$2,000 for assisting La Familia Counseling Center with property acquisition, site readiness work and overall project support; and \$17,087 for the purchase of vehicles, primarily for the replacement of refuse trucks and garbage trucks.

**Contingent Liabilities**

The City participates in various federal, state, and local grant programs primarily including the American Rescue Plan Act and the Emergency Rental Assistance Program. These programs are subject to financial and compliance audits by the grantors or their representatives. The audits of these programs for earlier years and the fiscal year ended June 30, 2022 have not been completed in all cases; accordingly, final determination of the City's compliance with applicable grant requirements may be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. The City believes any such claims would be immaterial to the City's financial position at June 30, 2022. Receipt of these grant revenues is not assured in the future.

**City of Sacramento**  
**Notes to the Basic Financial Statements**  
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**NOTE 13 – COMMITMENTS AND CONTINGENCIES (Continued)**

**Litigation**

Various claims and lawsuits are pending against the City. As discussed in Note 12, the City is primarily self-insured and has accrued a liability for estimated claims outstanding. Although the outcome of these claims and lawsuits is not presently determinable, management, after consultation with legal counsel, is of the opinion that final outcome of these matters will not have a material adverse effect on the financial condition of the City.

**Landfill Post Closure Care Cost**

The City has several landfill sites which have stopped accepting waste, have been covered, and are closed. State and federal laws and regulations require that the City perform certain maintenance and monitoring functions at these sites after closure. The most recent engineering report estimated that \$4,336 was required for future post closure monitoring costs as of June 30, 2021. The estimate was based on actual costs for the fiscal years ended June 30, 2018, 2019, and 2020, and may change due to inflation or deflation, technology, or applicable laws and regulations. The estimated liability was amortized to \$4,038 as of June 30, 2022.

**Pollution Remediation Obligations**

A pollution remediation obligation is an obligation to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities. The City is responsible for pollution remediation activities at several sites that have soil contaminated with petroleum, hydrocarbons, and/or metals. Regulatory agencies providing oversight of the City's pollution remediation obligations and activities include the State of California Regional Water Quality Control Board, the State of California Department of Toxic Substance Control, the Sacramento County Department of Environmental Management, and the State of California Department of Public Health. The estimated obligation was \$573 at June 30, 2021 and \$596 at June 30, 2022. Pollution remediation outlays totaled approximately \$59 for the fiscal year ended June 30, 2022. Pollution remediation obligations are measured based on outlays expected to be incurred to settle all estimable remediation efforts. Pollution remediation obligations are measured at the current value of reasonable and supportable assumptions about future events that may affect the eventual settlement of the obligations. Pollution remediation obligations are measured using the expected cash flow technique, which measures the obligation as the sum of probability-weighted amounts in a range of possible cash flows. Estimates are based on all currently available information, as well as the facts and circumstances of each situation, but may change due to price changes, changes in laws or regulations, changes in remediation technologies, or as additional information become available. There are no estimated recoveries from other parties that are included in the calculation of the City's pollution remediation obligations.

**NOTE 14 – JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS**

**JOINT VENTURES**

**Aggie Square Public Financing Authority**

The City is a participant with UC Davis and Wexford Science and Technology in the Aggie Square Public Financing Authority, formed in April 2021. As of June 30, 2022, the Aggie Square board is made up of three City appointed council members and two members of the public. Aggie Square is a project located at Stockton Boulevard and Second Avenue in Sacramento, mostly on property owned by UC Davis. It would expand the university's Sacramento campus, creating a state-of-the-art hub for research, innovation, and education. The proposed agreement between the City, UC Davis and Wexford Science and Technology includes inclusive economic development measures that reflect community priorities, including creation of an affordable housing fund prioritizing local residents for entry-level and higher-wage jobs and providing training pathways to those jobs; and improving biking, walking and transit access around the UC Davis Sacramento campus on Stockton Boulevard.

**City of Sacramento**  
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**NOTE 14 – JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS (Continued)**

**Sacramento Housing and Redevelopment Agency**

The City is a participant with the County of Sacramento in the Sacramento Housing and Redevelopment Agency (SHRA). SHRA is a stand-alone agency governed by the County Board of Supervisors over County housing activities and the City Council over City housing activities. Although the City does not have an equity interest in SHRA, it does have an ongoing financial interest. Based upon the approval process for activities of the Housing Authority of the City of Sacramento (Housing Authority), the City has the ability to directly influence SHRA to undertake projects for the citizenry of the City. Because the City's primary government does not have an equity interest in SHRA, SHRA's financial information is not included in these financial statements. Separately issued financial statements may be obtained from the Sacramento Housing and Redevelopment Agency, 801 12<sup>th</sup> Street, Sacramento, California, 95814.

SHRA administered the redevelopment agencies of the City and County until February 1, 2012. In 2011 the California Legislature enacted AB 1x 26, which coupled with a subsequent decision of the State Supreme Court, resulted in the dissolution of redevelopment agencies. Upon the dissolution of the redevelopment agency, the City elected to become the successor agency for the non-housing redevelopment agency activities. More information can be found in Note 15 – Successor Agency Trust Fund. The City designated the Housing Authority as the local authority to retain the housing assets and functions previously performed by the redevelopment agency, and the Housing Authority affirmatively elected pursuant to Health and Safety Code Section 34176 that it would serve as the "Successor Housing Agency" to the former redevelopment agency.

**Sacramento Public Library Authority**

The City is a participant with the County of Sacramento and the cities of Citrus Heights, Elk Grove, Galt, Isleton and Rancho Cordova in the Sacramento Public Library Authority (Library), a joint powers agency created to provide library services to the residents of the participating municipalities. The Library is governed by a board made up of five County appointees and various numbers of appointees from each city, depending upon population. As of June 30, 2022, five of seventeen members of the Library board were appointed by the City. The current joint powers agreement was effective beginning July 1, 2007. After June 30, 2010, any party may withdraw from the Library upon no less than one year's written notice. Upon withdrawal a party shall retain ownership of those capital facilities to which it holds title. The City is committed to fund annual contributions to operate library branches in the City. The City's Measure U Fund contributions for the fiscal year ended June 30, 2022, were \$13,572. In addition, the City paid cost reimbursements and program support of \$18 to the Library during the same period. The City also contributed the use of its library facilities to the Library. In order to provide funding for additional services and hours in City libraries, the City levies and passes through to the Library a parcel tax which totaled \$8,777 for the fiscal year ended June 30, 2022. Financial statements may be obtained from the Sacramento Public Library Authority, 828 I Street, Sacramento, California, 95814.

**Sacramento Regional Fire/EMS Communication Center**

The City is a participant with the Sacramento Metropolitan Fire District and other local fire agencies in the Sacramento Regional Fire/EMS Communication Center (SRFECC), a fire dispatch center. SRFECC provides fire protection and emergency medical service dispatching for 1,000 square miles and 1.3 million residents in Sacramento and Placer Counties. The City provided \$4,880 of support to SRFECC during the fiscal year ended June 30, 2022. Financial statements may be obtained from the Sacramento Regional Fire/EMS Communication Center, 10230 Systems Parkway, Sacramento, California, 95827.

**Northern California Regional Public Safety Training Authority**

The City is a participant with the County of Sacramento, the Los Rios Community College District and the Regional Fire and Rescue Authority in the Northern California Regional Public Safety Training Authority (NCRPSTA) which operates the Northern California Regional Public Safety Training College located at McClellan Park. During the fiscal year ended June 30, 2022, the City provided \$558 of annual support to the NCRPSTA. Payments for rent and training during the fiscal year ended June 30, 2022 were \$8. Financial statements may be obtained from the NCRPSTA Administrative Offices, 2409 Dean Street, Suite 119, McClellan, California, 95652.

**City of Sacramento**  
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**NOTE 14 – JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS (Continued)**

**California Fire and Rescue Training Authority**

The City is a participant with the Sacramento Metropolitan Fire District and the California Governor's Office of Emergency Services in the California Fire and Rescue Training Authority which provides training for fire and rescue personnel throughout the region as well as operating the California Regional Fire Academy. During the fiscal year ended June 30, 2022, the City provided general support of \$45, paid \$283 for training courses for City staff and provided staff support. Financial statements may be obtained from the California Fire and Rescue Training Authority Business Office, 10545 Armstrong Avenue, Suite 320, Mather, CA 95655.

**Riverfront Joint Powers Authority**

The City is a participant with the City of West Sacramento in the Riverfront Joint Powers Authority, formed in March 2017, to create, own and operate a fixed-rail streetcar system that would have operated within and between the two Cities. Initial bids for the project were received and exceeded the available project budget. A resolution was passed by City Council in October 2019 to develop an alternative plan with partnering agencies for a successor light rail transit project in place of the streetcar and sought collaboration with the City of West Sacramento to identify the necessary steps to dissolve the Riverfront Joint Powers Authority. A motion was passed by the City, in August 2020, to dissolve the Riverfront Joint Powers Authority. Subsequently, another motion was passed by the City to terminate the subrecipient agreement signed in 2017 with West Sacramento on February 1, 2022.

**JOINTLY GOVERNED ORGANIZATIONS WITH RELATED PARTY TRANSACTIONS**

The City participates in several jointly governed organizations for which it appoints a minority of board members. The City may also provide minor financial support or have other financial transactions with these organizations, but it does not have a financial interest in or responsibility to the organizations. The following organizations had financial transactions with the City during the fiscal year ended June 30, 2022:

The City provided \$130 in annual support and \$105 in project/program expenses to the Regional Water Authority.

The City provided \$230 in annual support to the Sacramento Groundwater Authority.

The City provided \$177 in annual support and \$34 in program expenses to the Sacramento Area Council of Governments.

The City received \$285 of administration fees from the Sacramento Area Flood Control Agency (SAFCA) for collecting and transmitting permitting fees. The City also participates in several cost-sharing agreements with SAFCA for individual projects related to flood control. The City's portion of said projects is remitted directly to SAFCA or other suppliers of services.

The City received \$68 in Workforce Investment Act grants from the Sacramento Employee and Training Agency.

**City of Sacramento**  
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**NOTE 15 – SUCCESSOR AGENCY TRUST FUND**

On December 29, 2011, the California Supreme Court upheld Assembly Bill x1 26 (“the Bill”) which dissolved all redevelopment agencies in the State of California. Successor agencies are allocated property tax revenue in an amount necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full. In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011), all redevelopment agencies in the State of California were dissolved and ceased to operate as legal entities as of February 1, 2012.

On January 31, 2012, the City elected to serve as the successor agency to the Redevelopment Agency of the City of Sacramento (Agency) for the Agency’s non-housing assets and liabilities pursuant to the provisions of AB x1 26 (Chapter 5, Statutes of 2011). Also, on January 1, 2012, the City Council elected not to serve as the successor agency for the former redevelopment agency’s housing assets and functions, but instead designated the City’s Housing Authority to serve as the successor housing agency.

Prior to February 1, 2012, California Redevelopment Law provided tax increment financing as a source of revenue to redevelopment agencies to fund redevelopment activities. Once a redevelopment area was adopted, the former Agency could only receive tax increment to the extent that it could show on an annual basis that it has incurred indebtedness that must be repaid with tax increment. Due to the nature of redevelopment financing, the former Agency liabilities exceeded its assets. Therefore, the Agency historically carried a deficit, which was expected to be reduced as future tax increment revenues were received and used to repay its outstanding long-term debt. This deficit was transferred to the successor agency on February 1, 2012. At June 30, 2022, the successor agency had a deficit net position of \$168,420 which will be eliminated with future property tax revenue distributions from the Redevelopment Property Tax Trust Fund administered by the County Auditor-Controller.

On June 27, 2012, Assembly Bill 1484 was enacted. Under AB 1484 (Chapter 16, Statutes of 2012; Health and Safety Code section 34173, subdivision (g)), the dissolution law was clarified to provide that the Agency is a separate legal entity from the City. Also, AB 1484 provided that the Agency’s bond fund assets can be expended in a manner consistent with the bond’s covenants after compliance with certain requirements.



**City of Sacramento**  
**Notes to the Basic Financial Statements**  
For the Fiscal Year Ended June 30, 2022  
(dollar amounts expressed in thousands)

**NOTE 15 – SUCCESSOR AGENCY TRUST FUND (Continued)**

On September 20, 2013, the Agency received its Finding of Completion from the State Department of Finance (DOF) and is now able to spend the unencumbered bond funds in a manner consistent with the original bond covenants. Pursuant to Health and Safety Code (HSC) section 34179.7, the DOF has verified that the former Redevelopment Agency Successor Agency of the City of Sacramento (RASA) does not owe any amounts to the taxing entities as determined under HSC section 34179.6, subdivisions (d) or (e) and HSC section 34183.5.

On August 25, 2015, the State Department of Finance (DOF) approved the Agency's Oversight Board action authorizing the Agency to refund certain outstanding tax-allocation obligations of the former Redevelopment Agency in accordance with Assembly Bill Nos. x1 26 and 1484. The RASA 2015 Tax Allocation Refunding Bonds, Series A (Tax-Exempt) and RASA 2015 Tax Allocation Refunding Bonds, Series B (Federally Taxable) were issued under the Indenture of Trust, dated as of October 1, 2015, to refund certain obligations of the former Redevelopment Agency of the City of Sacramento currently outstanding in the aggregate principal amount of \$119,360, to purchase a Municipal Bond Debt Service Reserve Insurance Policy from Build America Mutual Assurance Company for deposit in the Reserve Account, and to pay certain costs of issuance of the Bonds.

On October 6, 2015, the DOF approved the Agency's Oversight Board action approving the Excess Bond Expenditure Plan, approving the Master Excess Bond Expenditure Agreement between the Agency and the City, authorizing the transfer of the unspent non-housing bond proceeds to the City, approving an Excess Housing Bond Expenditure Agreement between RASA and the Housing Authority, and authorizing the transfer of the housing bond proceeds to the Housing Authority as the Housing Successor.

The City is to finance public and private development projects previously planned by the Agency; and the Housing Authority is to use the funds for low-moderate income housing projects.

On December 31, 2015, DOF completed the review of RASA's Long-Range Property Management Plan (LRPMP). DOF approved the use or disposition of all the properties listed in the LRPMP. The approved LRPMP will govern the disposition and use of all the real property assets of the former redevelopment agency.

As of June 30, 2022, contracts payable of \$12,059 reported in the private-purpose trust fund are allocations of SHRA's OPEB and pension unfunded liabilities for the former redevelopment agency employees.

**Capital Assets**

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2022:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land	\$ 4,969	\$ -	\$ -	\$ 4,969
Depreciable capital assets				
Buildings and improvements	141	-	-	141
Less accumulated depreciation for:				
Buildings and improvements	(44)	(4)	-	(48)
Depreciable capital assets, net	100	(4)	-	93
Total capital assets, net	<u>\$ 5,069</u>	<u>\$ (4)</u>	<u>\$ -</u>	<u>\$ 5,062</u>

**City of Sacramento**  
**Notes to the Basic Financial Statements**  
For the Fiscal Year Ended June 30, 2022  
(dollar amounts expressed in thousands)

**NOTE 15 – SUCCESSOR AGENCY TRUST FUND (Continued)**

**Long-term Debt**

The following is a summary of changes in long-term debt for the fiscal year ended June 30, 2022:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue Bonds:					
2015 Tax Allocation Refunding Bonds TE, Series A	\$ 36,911	\$ -	\$ (3,040)	\$ 33,871	\$ 2,560
Subtotal, revenue bonds	<u>36,911</u>	<u>-</u>	<u>(3,040)</u>	<u>33,871</u>	<u>2,560</u>
Notes Payable:					
2003 Del Paso TE TABS, Series A	6,182	26 <sup>(1)</sup>	(478)	5,730	770
2005 Merged Downtown TE, Series A	137,761	3,883 <sup>(1)</sup>	(7,834)	133,810	16,468
2005 Oak Park TE, Series A	4,047	13 <sup>(1)</sup>	(990)	3,070	497
2006 65th Street TX Master Lease, Series B	3,070	-	(120)	2,950	125
2006 North Sacramento TX Master Lease, Series B	3,585	-	(140)	3,445	150
2006 Stockton Blvd Master Lease	1,948	-	(1)	1,947	153
2008 BOA Public Capital Corporation	1,462	38	(193)	1,307	204
2009 Army Depot TX Swap	2,469	-	(96)	2,373	103
2009 River District TX Swap	2,311	-	(89)	2,222	97
City of Sacramento CIEDB - Utilities/Detention Basin	1,015	-	(46)	969	48
Globe Mills	2,388	-	(340)	2,048	361
North Sacramento CIEDB Loan	2,628	-	(141)	2,487	146
Stockton Blvd CIEDB Loan	2,189	-	(119)	2,070	122
Subtotal, notes payable	<u>171,055</u>	<u>3,960</u>	<u>(10,587)</u>	<u>164,428</u>	<u>19,244</u>
Total, long-term debt	<u>\$ 207,966</u>	<u>\$ 3,960</u>	<u>\$ (13,627)</u>	<u>\$ 198,299</u>	<u>\$ 21,804</u>

(1) Change in accreted value is recorded as an adjustment of Notes Payable.

As of June 30, 2022, accumulated accretion for the 2003 Del Paso TE TABS, Series A, is \$3,628, and accumulated accretion for the 2005 Merged Downtown and Oak Park TE, Series A, is \$77,869.

**City of Sacramento**  
**Notes to the Basic Financial Statements**  
For the Fiscal Year Ended June 30, 2022  
(dollar amounts expressed in thousands)

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**NOTE 15 – SUCCESSOR AGENCY TRUST FUND (Continued)**

**Future Debt Service Requirements**

Annual debt service requirements to maturity are as follows:

Fiscal Year Ending June 30,	Revenue Bonds		Notes Payable	
	Principal	Interest	Principal	Interest
2023	\$ 2,560	\$ 1,461	\$ 19,244	\$ 1,039
2024	2,870	1,326	18,394	966
2025	3,205	1,174	18,221	890
2026	1,320	1,061	20,609	810
2027	1,380	1,003	18,386	725
2028-2032	8,730	3,879	87,244	2,610
2033-2037	11,020	920	26,149	880
2038	-	-	76	1
Subtotal	31,085	10,824	208,323	7,921
Less: Unaccreted interest	-	-	(43,895)	-
Plus: Issuance premiums	2,786	-	-	-
Total	<u>\$ 33,871</u>	<u>\$ 10,824</u>	<u>\$ 164,428</u>	<u>\$ 7,921</u>

**NOTE 16 – SERVICE CONCESSION ARRANGEMENT FOR CITY GOLF COURSES**

Effective July 1, 2019, the City entered into a new service concession agreement with Morton Golf LLC (Morton) under which Morton operates and maintains City golf courses, collects user fees and remits a monthly payment for rent to the City. Morton pays the City minimum installment payments plus a percentage of gross revenues over the 15-year lease period. The present value of the installment payments was initially estimated to be \$9,180. The City reports a loan receivable and deferred inflows of resources of \$6,492 in the government-wide statement of net position as of June 30, 2022.

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# Required Supplementary Information

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**City of Sacramento**  
**Required Supplementary Information**  
**Agent Multiple-Employer Defined Benefit Pension Plan**  
**CalPERS Miscellaneous Plan**

Schedule of Changes in Net Pension Liability and Related Ratios  
Last Ten Years\* (in thousands)

	Fiscal Year			
	2015	2016	2017	2018
<b>Total pension liability</b>				
Service cost	\$ 23,110	\$ 22,342	\$ 23,374	\$ 27,795
Interest on the total pension liability	70,942	74,835	79,515	84,334
Changes of assumptions	-	(20,153)	-	75,970
Differences between expected and actual experience	-	(8,865)	(333)	(838)
Benefit payments, including refunds of employee contributions	(30,240)	(34,390)	(37,980)	(42,305)
<b>Net change in total pension liability</b>	<b>63,812</b>	<b>33,769</b>	<b>64,576</b>	<b>144,956</b>
<b>Total pension liability -- beginning</b>	<b>949,465</b>	<b>1,013,277</b>	<b>1,047,046</b>	<b>1,111,622</b>
<b>Total pension liability -- ending (a)</b>	<b>\$ 1,013,277</b>	<b>\$ 1,047,046</b>	<b>\$ 1,111,622</b>	<b>\$ 1,256,578</b>
<b>Plan fiduciary net position</b>				
Contributions - employer	\$ 21,613	\$ 22,827	\$ 25,963	\$ 28,719
Contributions - employee	11,670	11,302	11,991	12,190
Net investment income	118,326	18,047	4,260	91,481
Benefit payments, including refunds of employee contributions	(30,240)	(34,390)	(37,980)	(42,305)
Plan to plan resource movement	-	(3,066)	531	74
Administrative expense	-	(922)	(496)	(1,209)
Other miscellaneous expense	-	-	-	-
<b>Net change in fiduciary net position</b>	<b>121,369</b>	<b>13,798</b>	<b>4,269</b>	<b>88,950</b>
<b>Plan fiduciary net position -- beginning</b>	<b>678,261</b>	<b>799,630</b>	<b>813,428</b>	<b>817,697</b>
<b>Plan fiduciary net position -- ending (b)</b>	<b>\$ 799,630</b>	<b>\$ 813,428</b>	<b>\$ 817,697</b>	<b>\$ 906,647</b>
<b>Net pension liability -- ending (a) - (b)</b>	<b>\$ 213,647</b>	<b>\$ 233,618</b>	<b>\$ 293,925</b>	<b>\$ 349,931</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	78.92%	77.69%	73.56%	72.15%
<b>Covered payroll **</b>	<b>\$ 156,032</b>	<b>\$ 157,449</b>	<b>\$ 166,403</b>	<b>\$ 176,795</b>
<b>Net pension liability as a percentage of covered payroll</b>	136.93%	148.38%	176.63%	197.93%
<b>Measurement date</b>	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017

Notes to the Required Supplementary Information

\* Fiscal year 2015 was the first year of implementation, therefore, only eight years are shown.

\*\* Covered payroll was restated during fiscal year 2016 to reflect the implementation of GASB 82.

**City of Sacramento**  
**Required Supplementary Information**  
**Agent Multiple-Employer Defined Benefit Pension Plan**  
**CalPERS Miscellaneous Plan**

Schedule of Changes in Net Pension Liability and Related Ratios  
Last Ten Years\* (in thousands)

	Fiscal Year			
	2019	2020	2021	2022
<b>Total pension liability</b>				
Service cost	\$ 28,404	\$ 29,053	\$ 30,236	\$ 31,307
Interest on the total pension liability	89,060	94,760	99,810	105,037
Changes of assumptions	(7,898)	-	-	-
Differences between expected and actual experience	6,909	12,970	2,600	3,743
Benefit payments, including refunds of employee contributions	(48,384)	(53,695)	(59,069)	(63,352)
<b>Net change in total pension liability</b>	<b>68,091</b>	<b>83,088</b>	<b>73,577</b>	<b>76,735</b>
<b>Total pension liability -- beginning</b>	<b>1,256,578</b>	<b>1,324,669</b>	<b>1,407,757</b>	<b>1,481,334</b>
<b>Total pension liability -- ending (a)</b>	<b>\$ 1,324,669</b>	<b>\$ 1,407,757</b>	<b>\$ 1,481,334</b>	<b>\$ 1,558,069</b>
<b>Plan fiduciary net position</b>				
Contributions - employer	\$ 29,514	\$ 34,102	\$ 39,118	\$ 43,930
Contributions - employee	12,634	14,289	15,018	15,899
Net investment income	76,768	64,092	51,632	244,522
Benefit payments, including refunds of employee contributions	(48,384)	(53,695)	(59,069)	(63,352)
Plan to plan resource movement	(2)	-	-	-
Administrative expense	(1,413)	(694)	(1,454)	(1,076)
Other miscellaneous expense	(2,683)	2	-	-
<b>Net change in fiduciary net position</b>	<b>66,434</b>	<b>58,096</b>	<b>45,245</b>	<b>239,923</b>
<b>Plan fiduciary net position -- beginning</b>	<b>906,647</b>	<b>973,081</b>	<b>1,031,177</b>	<b>1,076,422</b>
<b>Plan fiduciary net position -- ending (b)</b>	<b>\$ 973,081</b>	<b>\$ 1,031,177</b>	<b>\$ 1,076,422</b>	<b>\$ 1,316,345</b>
<b>Net pension liability -- ending (a) - (b)</b>	<b>\$ 351,588</b>	<b>\$ 376,580</b>	<b>\$ 404,912</b>	<b>\$ 241,724</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>73.46%</b>	<b>73.25%</b>	<b>72.67%</b>	<b>84.49%</b>
<b>Covered payroll **</b>	<b>\$ 181,331</b>	<b>\$ 185,823</b>	<b>\$ 195,700</b>	<b>\$ 203,030</b>
<b>Net pension liability as a percentage of covered payroll</b>	<b>193.89%</b>	<b>202.66%</b>	<b>206.90%</b>	<b>119.06%</b>
<b>Measurement date</b>	<b>June 30, 2018</b>	<b>June 30, 2019</b>	<b>June 30, 2020</b>	<b>June 30, 2021</b>



**City of Sacramento**  
**Required Supplementary Information**  
**Agent Multiple-Employer Defined Benefit Pension Plan**  
**CalPERS Miscellaneous Plan**  
Schedule of Contributions  
Last Ten Years\* (in thousands)

	Fiscal Year			
	2015	2016	2017	2018
Actuarially determined contributions	\$ 22,711	\$ 26,156	\$ 30,084	\$ 26,947
Contributions in relation to the actuarially determined contribution	22,711	26,156	30,084	26,947
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll **	\$ 157,449	\$ 166,403	\$ 176,795	\$ 181,331
Contributions as a percentage of covered payroll	14.42%	15.72%	17.02%	14.86%

Notes to the Required Supplementary Information

Valuation date:	6/30/2012	6/30/2013	6/30/2014	6/30/2015
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Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal cost method
Amortization method	Level percentage of payroll
Asset valuation method	15 year smoothed market
Inflation	2.5%
Salary Increase	3.3% to 14.2% depending on Age, Service, and type of employment
Investment rate of return	7.00% (net of administrative expenses)
Retirement age	50 - 67 years
Mortality	Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board, first used in the June 30, 2009 valuation

\* Fiscal year 2015 was the first year of implementation, therefore, only eight years are shown.

\*\* Covered payroll was restated during fiscal year 2016 to reflect the implementation of GASB 82.

Ten year schedules of annual money-weighted rate of return on pension plan investments for CalPERS can be found in the Schedule of Investment Returns table within the separately issued CalPERS Basic Financial Statements available at: <https://www.calpers.ca.gov/page/investments/about-investment-office/investment-financial-reports>.

**City of Sacramento**  
**Required Supplementary Information**  
**Agent Multiple-Employer Defined Benefit Pension Plan**  
**CalPERS Miscellaneous Plan**  
Schedule of Contributions  
Last Ten Years\* (in thousands)

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	<b>Fiscal Year</b>			
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Actuarially determined contributions	\$ 33,664	\$ 39,797	\$ 43,941	\$ 47,627
Contributions in relation to the actuarially determined contribution	33,664	39,797	43,941	47,627
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll **	\$ 185,823	\$ 195,700	\$ 203,030	\$ 214,528
Contributions as a percentage of covered payroll	18.12%	20.34%	21.64%	22.20%
<u>Notes to the Required Supplementary Information</u>				
Valuation date:	6/30/2016	6/30/2017	6/30/2018	6/30/2019

**City of Sacramento**  
**Required Supplementary Information**  
**Agent Multiple-Employer Defined Benefit Pension Plan**  
**CalPERS Safety Plan**

Schedule of Changes in Net Pension Liability and Related Ratios  
Last Ten Years\* (in thousands)

	Fiscal Year			
	2015	2016	2017	2018
<b>Total pension liability</b>				
Service cost	\$ 29,539	\$ 29,653	\$ 31,672	\$ 37,372
Interest on the total pension liability	107,189	112,331	118,821	123,132
Changes of assumptions	-	(28,604)	-	107,046
Differences between expected and actual experience	-	(593)	14,398	(15,086)
Benefit payments, including refunds of employee contributions	(66,215)	(70,545)	(74,572)	(78,232)
<b>Net change in total pension liability</b>	<b>70,513</b>	<b>42,242</b>	<b>90,319</b>	<b>174,232</b>
<b>Total pension liability – beginning</b>	<b>1,447,520</b>	<b>1,518,033</b>	<b>1,560,275</b>	<b>1,650,594</b>
<b>Total pension liability – ending (a)</b>	<b>\$ 1,518,033</b>	<b>\$ 1,560,275</b>	<b>\$ 1,650,594</b>	<b>\$ 1,824,826</b>
<b>Plan fiduciary net position</b>				
Contributions - employer	\$ 27,935	\$ 30,798	\$ 36,001	\$ 40,609
Contributions - employee	16,094	15,565	18,465	18,980
Net investment income	171,795	25,341	4,971	125,586
Benefit payments, including refunds of employee contributions	(66,215)	(70,545)	(74,572)	(78,232)
Plan to plan resource movement	-	1	-	(74)
Administrative expense	-	(1,288)	(697)	(1,665)
Other miscellaneous expense	-	-	-	-
<b>Net change in fiduciary net position</b>	<b>149,609</b>	<b>(128)</b>	<b>(15,832)</b>	<b>105,204</b>
<b>Plan fiduciary net position – beginning</b>	<b>994,493</b>	<b>1,144,102</b>	<b>1,143,974</b>	<b>1,128,142</b>
<b>Plan fiduciary net position – ending (b)</b>	<b>\$ 1,144,102</b>	<b>\$ 1,143,974</b>	<b>\$ 1,128,142</b>	<b>\$ 1,233,346</b>
<b>Net pension liability – ending (a) - (b)</b>	<b>\$ 373,931</b>	<b>\$ 416,301</b>	<b>\$ 522,452</b>	<b>\$ 591,480</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>75.37%</b>	<b>73.32%</b>	<b>68.35%</b>	<b>67.59%</b>
<b>Covered payroll **</b>	<b>\$ 107,176</b>	<b>\$ 112,067</b>	<b>\$ 120,120</b>	<b>\$ 126,438</b>
<b>Net pension liability as a percentage of covered payroll</b>	<b>348.89%</b>	<b>371.48%</b>	<b>434.94%</b>	<b>467.80%</b>
<b>Measurement date</b>	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017

Notes to the Required Supplementary Information

\* Fiscal year 2015 was the first year of implementation, therefore, only eight years are shown.

\*\* Covered payroll was restated during fiscal year 2016 to reflect the implementation of GASB 82.

**City of Sacramento**  
**Required Supplementary Information**  
**Agent Multiple-Employer Defined Benefit Pension Plan**  
**CalPERS Safety Plan**

Schedule of Changes in Net Pension Liability and Related Ratios  
Last Ten Years\* (in thousands)

	Fiscal Year			
	2019	2020	2021	2022
<b>Total pension liability</b>				
Service cost	\$ 38,386	\$ 40,221	\$ 42,306	\$ 44,416
Interest on the total pension liability	127,930	136,323	143,878	151,131
Changes of assumptions	(17,242)	-	-	-
Differences between expected and actual experience	3,954	35,991	20,246	12,441
Benefit payments, including refunds of employee contributions	(82,999)	(88,688)	(95,642)	(100,827)
<b>Net change in total pension liability</b>	<b>70,029</b>	<b>123,847</b>	<b>110,788</b>	<b>107,161</b>
<b>Total pension liability -- beginning</b>	<b>1,824,826</b>	<b>1,894,855</b>	<b>2,018,702</b>	<b>2,129,490</b>
<b>Total pension liability -- ending (a)</b>	<b>\$ 1,894,855</b>	<b>\$ 2,018,702</b>	<b>\$ 2,129,490</b>	<b>\$ 2,236,651</b>
<b>Plan fiduciary net position</b>				
Contributions - employer	\$ 41,588	\$ 49,875	\$ 58,584	\$ 67,242
Contributions - employee	21,564	22,752	23,832	25,904
Net investment income	104,661	86,282	69,226	327,345
Benefit payments, including refunds of employee contributions	(82,999)	(88,688)	(95,642)	(100,827)
Plan to plan resource movement	(4)	-	-	-
Administrative expense	(1,922)	(937)	(1,947)	(1,434)
Other miscellaneous expense	(3,650)	3	-	-
<b>Net change in fiduciary net position</b>	<b>79,238</b>	<b>69,287</b>	<b>54,053</b>	<b>318,230</b>
<b>Plan fiduciary net position -- beginning</b>	<b>1,233,346</b>	<b>1,312,584</b>	<b>1,381,871</b>	<b>1,435,924</b>
<b>Plan fiduciary net position -- ending (b)</b>	<b>\$ 1,312,584</b>	<b>\$ 1,381,871</b>	<b>\$ 1,435,924</b>	<b>\$ 1,754,154</b>
<b>Net pension liability -- ending (a) - (b)</b>	<b>\$ 582,271</b>	<b>\$ 636,831</b>	<b>\$ 693,566</b>	<b>\$ 482,497</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	69.27%	68.45%	67.43%	78.43%
<b>Covered payroll **</b>	<b>\$ 132,206</b>	<b>\$ 138,718</b>	<b>\$ 147,409</b>	<b>\$ 157,333</b>
<b>Net pension liability as a percentage of covered payroll</b>	440.43%	459.08%	470.50%	306.67%
<b>Measurement date</b>	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021

**City of Sacramento**  
**Required Supplementary Information**  
**Agent Multiple-Employer Defined Benefit Pension Plan**  
**CalPERS Safety Plan**  
Schedule of Contributions  
Last Ten Years\* (in thousands)

	Fiscal Year			
	2015	2016	2017	2018
Actuarially determined contributions	\$ 36,638	\$ 40,959	\$ 47,222	\$ 49,102
Contributions in relation to the actuarially determined contribution	36,638	40,959	47,222	49,102
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll **	\$ 112,067	\$ 120,120	\$ 126,438	\$ 132,206
Contributions as a percentage of covered payroll	32.69%	34.10%	37.35%	37.14%

Notes to the Required Supplementary Information

Valuation date:	6/30/2012	6/30/2013	6/30/2014	6/30/2015
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Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal cost method
Amortization method	Level percentage of payroll
Asset valuation method	15 year smoothed market
Inflation	2.5%
Salary Increase	3.3% to 14.2% depending on age, service, and type of employment
Investment rate of return	7.00% (net of administrative expenses)
Retirement age	50 - 67 years
Mortality	Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board, first used in the June 30, 2009 valuation

\* Fiscal year 2015 was the first year of implementation, therefore, only eight years are shown.

\*\* Covered payroll was restated during fiscal year 2016 to reflect the implementation of GASB 82.

Ten year schedules of annual money-weighted rate of return on pension plan investments for CalPERS can be found in the Schedule of Investment Returns table within the separately issued CalPERS Basic Financial Statements available at: <https://www.calpers.ca.gov/page/investments/about-investment-office/investment-financial-reports>.

**City of Sacramento**  
**Required Supplementary Information**  
**Agent Multiple-Employer Defined Benefit Pension Plan**  
**CalPERS Safety Plan**  
Schedule of Contributions  
Last Ten Years\* (in thousands)

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	Fiscal Year			
	2019	2020	2021	2022
Actuarially determined contributions	\$ 56,327	\$ 66,147	\$ 66,915	\$ 74,528
Contributions in relation to the actuarially determined contribution	56,327	66,147	66,915	74,528
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll **	\$ 138,718	\$ 147,409	\$ 157,333	\$ 163,228
Contributions as a percentage of covered payroll	40.61%	44.87%	42.53%	45.66%
 <u>Notes to the Required Supplementary Information</u>				
Valuation date:	6/30/2016	6/30/2017	6/30/2018	6/30/2019

**City of Sacramento**  
**Required Supplementary Information**  
**Sacramento City Employees' Retirement System,**  
**a Single-Employer Defined Benefit Pension Plan**  
Schedule of Changes in Net Pension Liability and Related Ratios  
Last Ten Years\* (in thousands)

	Fiscal Year			
	2015	2016	2017	2018
<b>Total pension liability</b>				
Service cost	\$ 131	\$ 103	\$ 96	\$ 92
Interest on the total pension liability	23,134	23,416	22,759	20,877
Changes of assumptions	23,117	-	(16,246)	862
Differences between expected and actual experience	(8,783)	(1,173)	(3,701)	(2,457)
Benefit payments, including refunds of employee contributions	(33,791)	(32,683)	(32,171)	(31,583)
<b>Net change in total pension liability</b>	<b>3,808</b>	<b>(10,337)</b>	<b>(29,263)</b>	<b>(12,209)</b>
<b>Total pension liability -- beginning</b>	<b>372,670</b>	<b>376,478</b>	<b>366,141</b>	<b>336,878</b>
<b>Total pension liability -- ending (a)</b>	<b>\$ 376,478</b>	<b>\$ 366,141</b>	<b>\$ 336,878</b>	<b>\$ 324,669</b>
<b>Plan fiduciary net position</b>				
Contributions - employer	\$ 9,183	\$ 8,645	\$ 8,645	\$ 8,645
Contributions - employee	82	146	63	55
Net investment income (loss)	13,375	7,799	26,803	20,982
Benefits payments, including refunds of employee contributions	(33,791)	(32,683)	(32,171)	(31,583)
<b>Net change in fiduciary net position</b>	<b>(11,151)</b>	<b>(16,093)</b>	<b>3,340</b>	<b>(1,901)</b>
<b>Plan fiduciary net position -- beginning</b>	<b>312,414</b>	<b>301,263</b>	<b>285,170</b>	<b>288,510</b>
<b>Plan fiduciary net position -- ending (b)</b>	<b>\$ 301,263</b>	<b>\$ 285,170</b>	<b>\$ 288,510</b>	<b>\$ 286,609</b>
<b>Net pension liability (asset)-- ending (a) - (b)</b>	<b>\$ 75,215</b>	<b>\$ 80,971</b>	<b>\$ 48,368</b>	<b>\$ 38,060</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>80.02%</b>	<b>77.89%</b>	<b>85.64%</b>	<b>88.28%</b>
<b>Covered payroll **</b>	<b>\$ 1,180</b>	<b>\$ 1,020</b>	<b>\$ 1,049</b>	<b>\$ 921</b>
<b>Net pension liability (asset) as a percentage of covered payroll</b>	<b>6374.15%</b>	<b>7938.33%</b>	<b>4610.87%</b>	<b>4132.46%</b>
<b>Measurement date</b>	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018

Notes to the Required Supplementary Information

\* Fiscal year 2015 was the first year of implementation, therefore, only eight years are shown.

\*\* Covered payroll was restated during fiscal year 2016 to reflect the implementation of GASB 82.

For the fiscal year ended June 30, 2022, the calculation of the total pension liability was affected by the change in mortality tables used to the CalPERS 2000-2019 experience study tables, and change in assumption of mortality improvement to use Society of Actuaries Scale MP-2021.

**City of Sacramento**  
**Required Supplementary Information**  
**Sacramento City Employees' Retirement System,**  
**a Single-Employer Defined Benefit Pension Plan**  
Schedule of Changes in Net Pension Liability and Related Ratios  
Last Ten Years\* (in thousands)

	Fiscal Year			
	2019	2020	2021	2022
<b>Total pension liability</b>				
Service cost	\$ 66	\$ 49	\$ 18	\$ 6
Interest on the total pension liability	20,095	19,363	18,342	16,098
Changes of assumptions	(927)	(1,593)	2,673	218
Differences between expected and actual experience	304	(3,768)	(6,349)	5
Benefit payments, including refunds of employee contributions	(31,134)	(30,457)	(28,992)	(28,145)
<b>Net change in total pension liability</b>	<b>(11,596)</b>	<b>(16,406)</b>	<b>(14,308)</b>	<b>(11,818)</b>
<b>Total pension liability -- beginning</b>	<b>324,669</b>	<b>313,073</b>	<b>296,667</b>	<b>282,359</b>
<b>Total pension liability -- ending (a)</b>	<b>\$ 313,073</b>	<b>\$ 296,667</b>	<b>\$ 282,359</b>	<b>\$ 270,541</b>
<b>Plan fiduciary net position</b>				
Contributions - employer	\$ 7,507	\$ 4,410	\$ 3,822	\$ 3,479
Contributions - employee	49	25	16	9
Net investment income (loss)	18,537	7,591	73,150	(32,305)
Benefits payments, including refunds of employee contributions	(31,134)	(30,457)	(28,992)	(28,145)
<b>Net change in fiduciary net position</b>	<b>(5,041)</b>	<b>(18,431)</b>	<b>47,996</b>	<b>(56,962)</b>
<b>Plan fiduciary net position -- beginning</b>	<b>286,609</b>	<b>281,568</b>	<b>263,137</b>	<b>311,133</b>
<b>Plan fiduciary net position -- ending (b)</b>	<b>\$ 281,568</b>	<b>\$ 263,137</b>	<b>\$ 311,133</b>	<b>\$ 254,171</b>
<b>Net pension liability (asset)-- ending (a) - (b)</b>	<b>\$ 31,505</b>	<b>\$ 33,530</b>	<b>\$ (28,774)</b>	<b>\$ 16,370</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	89.94%	88.70%	110.19%	93.95%
<b>Covered payroll **</b>	<b>\$ 678</b>	<b>\$ 362</b>	<b>\$ 270</b>	<b>\$ 189</b>
<b>Net pension liability (asset) as a percentage of covered payroll</b>	4646.76%	9262.43%	-10657.04%	8661.38%
<b>Measurement date</b>	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022



**City of Sacramento**  
**Required Supplementary Information**  
**Sacramento City Employees' Retirement System,**  
**a Single-Employer Defined Benefit Pension Plan**

Schedule of Contributions  
Last Ten Years\* (in thousands)

	Fiscal Year			
	2015	2016	2017	2018
Actuarially determined contributions	\$ 9,183	\$ 8,645	\$ 8,330	\$ 8,267
Contributions in relation to the actuarially determined contribution	9,183	8,645	8,645	8,645
Contribution deficiency (excess)	\$ -	\$ -	\$ (315)	\$ (378)
Covered payroll **	\$ 1,180	\$ 1,020	\$ 1,049	\$ 921
Contributions as a percentage of covered payroll	778%	848%	824%	939%

Notes to the Required Supplementary Information

Valuation date: 6/30/2013 6/30/2014 6/30/2015 6/30/2016

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar payments over 12 years, open period
Asset valuation method	3 year smoothed market value
Inflation	2.75%
Salary increases	2.75% CPI plus 0.5% merit
Investment rate of return	6.50%
Retirement age	Deferred vested members covered under Section 399 are assumed to retire at age 62; those covered under Section 175 are assumed to retire at age 65.
Mortality	CalPERS 1997-2015 Mortality Tables with Scale MP-2019

\* Fiscal year 2015 was the first year of implementation, therefore, only eight years are shown.

\*\* Covered payroll was restated during fiscal year 2016 to reflect the implementation of GASB 82.

Ten year schedules of annual money-weighted rate of return on pension plan investments for SCERS can be found in the Schedule of Investment Returns table within the separately issued SCERS Annual Financial Reports available at: <https://www.cityofsacramento.org/Finance/Accounting/Reporting>.

**City of Sacramento**  
**Required Supplementary Information**  
**Sacramento City Employees' Retirement System,**  
**a Single-Employer Defined Benefit Pension Plan**

Schedule of Contributions  
 Last Ten Years\* (in thousands)

	Fiscal Year			
	2019	2020	2021	2022
Actuarially determined contributions	\$ 5,268	\$ 4,410	\$ 3,822	\$ 3,479
Contributions in relation to the actuarially determined contribution	7,507	4,410	3,822	3,479
Contribution deficiency (excess)	<u>\$ (2,239)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll **	\$ 678	\$ 362	\$ 270	\$ 189
Contributions as a percentage of covered payroll	1107%	1218%	1416%	1841%
<u>Notes to the Required Supplementary Information</u>				
Valuation date:	6/30/2017	6/30/2018	6/30/2019	6/30/2020

**City of Sacramento**  
**Required Supplementary Information**  
Schedule of Changes in Net OPEB Liability and Related Ratios  
Last Ten Years\* (in thousands)

	Fiscal Year				
	2018	2019	2020	2021	2022
<b>Total OPEB liability</b>					
Service cost	\$ 11,872	\$ 11,052	\$ 9,931	\$ 5,809	\$ 5,919
Interest on the total OPEB liability	15,313	16,612	18,106	19,582	19,968
Changes of benefit terms	-	-	383	-	-
Changes of assumptions	(24,429)	(30,845)	(92,281)	(4,097)	3,978
Differences between expected and actual experience	-	-	(28,948)	-	(40,332)
Benefit payments	(12,565)	(12,903)	(14,890)	(15,764)	(15,625)
<b>Net change in total OPEB liability</b>	<b>(9,809)</b>	<b>(16,084)</b>	<b>(107,699)</b>	<b>5,530</b>	<b>(26,092)</b>
<b>Total OPEB liability -- beginning</b>	<b>425,766</b>	<b>415,957</b>	<b>399,873</b>	<b>292,174</b>	<b>297,704</b>
<b>Total OPEB liability -- ending (a)</b>	<b>\$ 415,957</b>	<b>\$ 399,873</b>	<b>\$ 292,174</b>	<b>\$ 297,704</b>	<b>\$ 271,612</b>
<b>Plan fiduciary net position</b>					
Contributions - employer	\$ 21,605	\$ 21,072	\$ 18,406	\$ 24,598	\$ 21,687
Contributions - employee	297	308	303	310	-
Net investment income	2,034	2,156	2,432	1,064	15,311
Benefit payments	(12,565)	(12,903)	(14,890)	(15,764)	(15,625)
Administrative expense	(10)	(51)	(8)	(23)	(21)
<b>Net change in fiduciary net position</b>	<b>11,361</b>	<b>10,582</b>	<b>6,243</b>	<b>10,185</b>	<b>21,352</b>
<b>Plan fiduciary net position -- beginning</b>	<b>15,084</b>	<b>26,445</b>	<b>37,027</b>	<b>43,270</b>	<b>53,455</b>
<b>Plan fiduciary net position -- ending (b)</b>	<b>\$ 26,445</b>	<b>\$ 37,027</b>	<b>\$ 43,270</b>	<b>\$ 53,455</b>	<b>\$ 74,807</b>
<b>Net OPEB liability -- ending (a) - (b)</b>	<b>\$ 389,512</b>	<b>\$ 362,846</b>	<b>\$ 248,904</b>	<b>\$ 244,249</b>	<b>\$ 196,805</b>
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	6.36%	9.26%	14.81%	17.96%	27.54%
<b>Covered-employee payroll</b>	<b>\$ 237,926</b>	<b>\$ 236,885</b>	<b>\$ 245,622</b>	<b>\$ 261,187</b>	<b>\$ 249,162</b>
<b>Net OPEB liability as a percentage of covered payroll</b>	163.71%	153.17%	101.34%	93.51%	78.99%
<b>Measurement date</b>	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021

Notes to the Required Supplementary Information

\* Fiscal year 2018 was the first year of implementation, therefore, only five years are shown.

**City of Sacramento**  
**Required Supplementary Information**  
 OPEB Schedule of Contributions  
 Last Ten Years\* (in thousands)

	Fiscal Year				
	2018	2019	2020	2021	2022
Actuarially determined contributions	\$ 36,393	\$ 34,454	\$ 36,155	\$ 25,548	\$ 26,879
Contributions in relation to the actuarially determined contribution	21,072	18,406	24,598	21,687	24,675
Contribution deficiency (excess)	15,321	16,048	11,557	3,861	2,204
Covered-employee payroll	\$ 236,885	\$ 245,622	\$ 261,187	\$ 249,162	\$ 244,497
Contributions as a percentage of covered-employee payroll	8.90%	7.49%	9.42%	8.70%	10.09%

Notes to the Required Supplementary Information

Valuation date:	6/30/2016	6/30/2017	6/30/2018	6/30/2019	6/30/2020
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Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal cost method
Amortization method	Level percentage of payroll over a closed rolling 17 year period
Asset valuation method	Investment gains and losses spread over 5 year rolling period
Inflation	2.75%
Salary Increase	2.75%
Investment rate of return	6.75%
Healthcare cost trend rate	Non- Medicare - 7.5% for 2020, decreasing to 4% for 2076 and later Medicare - 6.5% for 2020, decreasing to 4% for 2076 and later
Mortality	Mortality and pre-retirement turnover assumptions were developed based on CalPERS' specific data. For further details, please refer to the 2021 Experience Study based on CalPERS' demographic experience during fiscal years 2000 to 2019.

\* Fiscal year 2018 was the first year of implementation, therefore, only five years are shown.

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## **OTHER GOVERNMENTAL FUNDS**

Other governmental funds are nonmajor funds reported in the other governmental funds column of the governmental funds financial statements and include:

**OTHER SPECIAL REVENUE FUNDS** are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. These funds are generally required by statute, charter, or ordinance to finance specific governmental functions. The individual funds are listed in the other special revenue funds section of the ACFR.

**OTHER DEBT SERVICE FUNDS** are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest, or that are being accumulated for principal and interest maturing in future years. The individual funds are listed in the other debt service funds section of the ACFR.

**OTHER CAPITAL PROJECTS FUNDS** are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for governmental capital assets. The individual funds are listed in the other capital projects funds section of the ACFR.

**PERMANENT FUNDS** are used to account for and report resources that are held by the City which are legally restricted to the extent that only earnings may be used for purposes that support City programs. The individual funds are listed in the permanent funds section of the ACFR.

**City of Sacramento**  
**Other Governmental Funds**  
**Combining Balance Sheet**

June 30, 2022  
(in thousands)

	Other Special Revenue Funds	Other Debt Service Funds	Other Capital Projects Funds	Permanent Funds	Total Other Governmental Funds
<b>ASSETS</b>					
Cash and investments held by City	\$ 133,252	\$ 3,302	\$ 196,316	\$ 6,616	\$ 339,486
Cash and investments held by fiscal agent	-	2	-	-	2
Receivables, net:					
Taxes	6,104	-	-	-	6,104
Accounts	2,570	7	12,488	-	15,065
Loans	19,266	-	-	-	19,266
Intergovernmental	1,627	11,803	13,118	-	26,548
Leases	123	2,970	-	-	3,093
Interest	121	26	163	15	325
Restricted assets:					
Cash and investments held by City	175	-	10,936	-	11,111
Cash and investments held by fiscal agent	-	5,085	-	-	5,085
<b>Total assets</b>	<b>\$ 163,238</b>	<b>\$ 23,195</b>	<b>\$ 233,021</b>	<b>\$ 6,631</b>	<b>\$ 426,085</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 7,778	\$ -	\$ 4,793	\$ 5	\$ 12,576
Accrued payroll	48	-	-	-	48
Due to other funds	-	-	1,657	-	1,657
Deposits	2,308	428	-	-	2,736
Unearned revenue	710	-	3,568	-	4,278
Advances from other funds	5,971	-	-	-	5,971
<b>Total liabilities</b>	<b>16,815</b>	<b>428</b>	<b>10,018</b>	<b>5</b>	<b>27,266</b>
Deferred inflows of resources:					
Unavailable revenue	1,339	11,803	17,277	-	30,419
Leases	123	2,930	-	-	3,053
<b>Total deferred inflows of resources</b>	<b>1,462</b>	<b>14,733</b>	<b>17,277</b>	<b>-</b>	<b>33,472</b>
Fund balances:					
Nonspendable:					
Leases	-	40	-	-	40
Permanent fund principal	-	-	-	578	578
Restricted:					
Capital projects	27,366	-	213,852	-	241,218
Debt service	175	4,657	-	-	4,832
Public works programs	21,293	-	-	-	21,293
Economic development programs	55,545	-	-	-	55,545
Other programs	22,180	-	905	6,048	29,133
Committed:					
Capital projects	795	-	-	-	795
Debt service	-	1,351	-	-	1,351
OPEB	1	-	-	-	1
Other programs	20,238	-	-	-	20,238
Assigned:					
Debt service	-	1,986	-	-	1,986
Unassigned	(2,632)	-	(9,031)	-	(11,663)
<b>Total fund balances</b>	<b>144,961</b>	<b>8,034</b>	<b>205,726</b>	<b>6,626</b>	<b>365,347</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 163,238</b>	<b>\$ 23,195</b>	<b>\$ 233,021</b>	<b>\$ 6,631</b>	<b>\$ 426,085</b>

**City of Sacramento**  
**Other Governmental Funds**  
**Combining Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**

For the Fiscal Year Ended June 30, 2022  
(in thousands)

	Other Special Revenue Funds	Other Debt Service Funds	Other Capital Projects Funds	Permanent Funds	Total Other Governmental Funds
Revenues:					
Taxes	\$ 11,258	\$ -	\$ 3,066	\$ -	\$ 14,324
Intergovernmental	19,201	446	45,390	-	65,037
Charges for services	18,519	-	260	-	18,779
Fines, forfeits and penalties	207	-	-	-	207
Interest, rents, and concessions	(24)	1,725	(1,782)	124	43
Community service fees	564	-	24,512	-	25,076
Assessment levies	55,983	-	49	-	56,032
Contributions and donations	445	-	5,861	-	6,306
Miscellaneous	-	-	11,890	-	11,890
	<u>106,153</u>	<u>2,171</u>	<u>89,246</u>	<u>124</u>	<u>197,694</u>
Total revenues					
Expenditures:					
Current:					
General government	16,616	-	630	178	17,424
Public works	27,372	-	8,136	-	35,508
Convention and cultural services	8,262	-	-	-	8,262
Youth, parks, and community enrichment	9,584	-	737	-	10,321
Community development	14,911	-	9,356	-	24,267
Library	8,777	-	-	-	8,777
Utilities	278	-	-	-	278
Capital outlay	3,556	-	95,369	-	98,925
Debt service:					
Principal	501	10,090	18,992	-	29,583
Interest and fiscal charges	1,002	9,958	20	-	10,980
	<u>90,859</u>	<u>20,048</u>	<u>133,240</u>	<u>178</u>	<u>244,325</u>
Total expenditures					
Excess (deficiency) of revenues over (under) expenditures	<u>15,294</u>	<u>(17,877)</u>	<u>(43,994)</u>	<u>(54)</u>	<u>(46,631)</u>
Other financing sources (uses):					
Transfers in	9,349	17,765	159	-	27,273
Transfers out	(14,987)	-	(1,442)	-	(16,429)
Issuance of long-term debt	-	-	51,914	-	51,914
	<u>(5,638)</u>	<u>17,765</u>	<u>50,631</u>	<u>-</u>	<u>62,758</u>
Total other financing sources (uses)					
Changes in fund balances	9,656	(112)	6,637	(54)	16,127
Fund balances, beginning of year	135,305	8,146	199,089	6,680	349,220
Fund balances, end of year	<u>\$ 144,961</u>	<u>\$ 8,034</u>	<u>\$ 205,726</u>	<u>\$ 6,626</u>	<u>\$ 365,347</u>



## OTHER SPECIAL REVENUE FUNDS

Other special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. These funds are generally required by statute, charter, or ordinance to finance specific government functions. The following other special revenue funds have been classified as nonmajor funds:

**TRANSPORTATION AND DEVELOPMENT FUND** is used to account for the receipts of taxes and fees which are used to maintain and repair streets, bridges, and bikeways as well as for traffic safety and community development activities.

**CULTURE AND LEISURE FUND** is used to account for a variety of cultural arts and leisure activities. Programs in the Culture and Leisure Fund include the Sacramento Zoo, Fairytale Town, Art in Public Places, Old Sacramento Market, H Street Theatre, Golf, Marina, the Crocker Master Trust, the Winchester G. and Mary Alice Felt Endowment, Marcy Friedman Art in Public Places, and Arts and Culture.

**PARKS AND RECREATION FUND** is used to account for a variety of parks programs and recreation activities. Programs in the Parks and Recreation Fund include START, Special Program Donations, Ethel MacLeod Hart Trust, Land Park, and Quimby.

**ECONOMIC DEVELOPMENT FUND** is used to account for the receipts and disbursements of former redevelopment property tax revenues as well as the Brownfield Revolving Loan Program and the Sheraton Master Owner Participation Agreement (MOPA).

**CCOMWP FUND** is used to account for the revenue and expenditures associated with the City/County Office of Metropolitan Water Planning (CCOMWP). The CCOMWP was formed to develop the Water Forum Agreement with objectives to provide a reliable water supply for planned development to the year 2030 and to preserve the region's Lower American River.

**SPECIAL DISTRICTS FUND** is used to account for a variety of programs that provide infrastructure maintenance and other services for specific areas of the City where special assessments or special taxes are levied. The Special Districts Fund includes the Business Improvement Districts Program, the Landscaping and Lighting Districts Program, the Maintenance Benefit Area Program, and the Assessment District Maintenance Program.

**CAL EPA FUND** is used to account for the expenditures associated with the maintenance of the Joe Serna, Jr. California EPA Headquarters Building.

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**City of Sacramento**  
**Other Special Revenue Funds**  
**Combining Balance Sheet**  
June 30, 2022  
(in thousands)

	Transportation and Development Fund	Culture and Leisure Fund	Parks and Recreation Fund	Economic Development Fund
<b>ASSETS</b>				
Cash and investments held by City	\$ 61,842	\$ 6,736	\$ 8,498	\$ 30,331
Receivables, net:				
Taxes	-	-	-	6,104
Accounts	577	70	10	4
Loans	-	-	-	19,266
Intergovernmental	-	-	231	-
Leases	-	123	-	-
Interest	117	-	4	-
Restricted assets:				
Cash and investments held by City	-	175	-	-
Total assets	<u>\$ 62,536</u>	<u>\$ 7,104</u>	<u>\$ 8,743</u>	<u>\$ 55,705</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 993	\$ 102	\$ 199	\$ 159
Accrued payroll	-	8	21	1
Deposits	2,140	168	-	-
Unearned revenue	690	20	-	-
Advances from other funds	-	5,971	-	-
Total liabilities	<u>3,823</u>	<u>6,269</u>	<u>220</u>	<u>160</u>
Deferred inflows of resources:				
Unavailable revenue	125	9	229	-
Leases	-	123	-	-
Total deferred inflows of resources	<u>125</u>	<u>132</u>	<u>229</u>	<u>-</u>
Fund balances:				
Restricted:				
Capital projects	19,013	-	4,219	-
Debt service	-	175	-	-
Public works programs	21,293	-	-	-
Economic development programs	-	-	-	55,545
Other programs	-	1,471	4,102	-
Committed:				
Capital projects	169	626	-	-
OPEB	-	1	-	-
Other programs	18,113	758	277	-
Unassigned	-	(2,328)	(304)	-
Total fund balances	<u>58,588</u>	<u>703</u>	<u>8,294</u>	<u>55,545</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 62,536</u>	<u>\$ 7,104</u>	<u>\$ 8,743</u>	<u>\$ 55,705</u>

**City of Sacramento**  
**Other Special Revenue Funds**  
**Combining Balance Sheet**  
June 30, 2022  
(in thousands)

	CCOMWP Fund	Special Districts Fund	Cal EPA Fund	Total Other Special Revenue Funds
<b>ASSETS</b>				
Cash and investments held by City	\$ 186	\$ 24,607	\$ 1,052	\$ 133,252
Receivables, net:				
Taxes	-	-	-	6,104
Accounts	-	1,871	38	2,570
Loans	-	-	-	19,266
Intergovernmental	1,396	-	-	1,627
Leases	-	-	-	123
Interest	-	-	-	121
Restricted assets:				
Cash and investments held by City	-	-	-	175
Total assets	<u>\$ 1,582</u>	<u>\$ 26,478</u>	<u>\$ 1,090</u>	<u>\$ 163,238</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 509	\$ 5,816	\$ -	\$ 7,778
Accrued payroll	18	-	-	48
Deposits	-	-	-	2,308
Unearned revenue	-	-	-	710
Advances from other funds	-	-	-	5,971
Total liabilities	<u>527</u>	<u>5,816</u>	<u>-</u>	<u>16,815</u>
Deferred Inflows of resources:				
Unavailable revenue	976	-	-	1,339
Leases	-	-	-	123
Total deferred inflows of resources	<u>976</u>	<u>-</u>	<u>-</u>	<u>1,462</u>
Fund balances:				
Restricted:				
Capital projects	-	4,134	-	27,366
Debt service	-	-	-	175
Public works programs	-	-	-	21,293
Economic development programs	-	-	-	55,545
Other programs	79	16,528	-	22,180
Committed:				
Capital projects	-	-	-	795
OPEB	-	-	-	1
Other programs	-	-	1,090	20,238
Unassigned	-	-	-	(2,632)
Total fund balances	<u>79</u>	<u>20,662</u>	<u>1,090</u>	<u>144,961</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,582</u>	<u>\$ 26,478</u>	<u>\$ 1,090</u>	<u>\$ 163,238</u>

**City of Sacramento**  
**Other Special Revenue Funds**  
**Combining Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**

For the Fiscal Year Ended June 30, 2022  
(in thousands)

	Transportation and Development Fund	Culture and Leisure Fund	Parks and Recreation Fund	Economic Development Fund
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ 11,258
Intergovernmental	16,147	-	490	-
Charges for services	16,366	2,153	-	-
Fines, forfeits and penalties	202	-	-	5
Interest, rents, and concessions	(1,957)	1,148	255	345
Community service fees	236	-	328	-
Assessment levies	155	-	-	-
Contributions and donations	-	92	353	-
Total revenues	<u>31,149</u>	<u>3,393</u>	<u>1,426</u>	<u>11,608</u>
Expenditures:				
Current:				
General government	-	-	-	1,072
Public works	10,795	-	-	-
Convention and cultural services	-	1,789	-	-
Youth, parks, and community enrichment	-	-	1,832	-
Community development	14,774	-	-	-
Library	-	-	-	-
Utilities	-	-	-	-
Capital outlay	1,143	174	619	7
Debt service:				
Principal	-	449	-	-
Interest and fiscal charges	-	1,001	-	-
Total expenditures	<u>26,712</u>	<u>3,413</u>	<u>2,451</u>	<u>1,079</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,437</u>	<u>(20)</u>	<u>(1,025)</u>	<u>10,529</u>
Other financing sources (uses):				
Transfers in	-	591	501	7,329
Transfers out	(396)	-	-	(11,850)
Total other financing sources (uses)	<u>(396)</u>	<u>591</u>	<u>501</u>	<u>(4,521)</u>
Changes in fund balances	4,041	571	(524)	6,008
Fund balances, beginning of year	<u>54,547</u>	<u>132</u>	<u>8,818</u>	<u>49,537</u>
Fund balances, end of year	<u>\$ 58,588</u>	<u>\$ 703</u>	<u>\$ 8,294</u>	<u>\$ 55,545</u>

**City of Sacramento**  
**Other Special Revenue Funds**  
**Combining Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**

For the Fiscal Year Ended June 30, 2022  
(in thousands)

	CCOMWP Fund	Special Districts Fund	Cal EPA Fund	Total Other Special Revenue Funds
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ 11,258
Intergovernmental	2,357	-	207	19,201
Charges for services	-	-	-	18,519
Fines, forfeits and penalties	-	-	-	207
Interest, rents, and concessions	7	171	7	(24)
Community service fees	-	-	-	564
Assessment levies	-	55,828	-	55,983
Contributions and donations	-	-	-	445
Total revenues	<u>2,364</u>	<u>55,999</u>	<u>214</u>	<u>106,153</u>
Expenditures:				
Current:				
General government	4,200	11,344	-	16,616
Public works	-	16,577	-	27,372
Convention and cultural services	-	6,473	-	8,262
Youth, parks, and community enrichment	-	7,752	-	9,584
Community development	-	137	-	14,911
Library	-	8,777	-	8,777
Utilities	-	278	-	278
Capital outlay	-	1,613	-	3,556
Debt service:				
Principal	52	-	-	501
Interest and fiscal charges	1	-	-	1,002
Total expenditures	<u>4,253</u>	<u>52,951</u>	<u>-</u>	<u>90,859</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,889)</u>	<u>3,048</u>	<u>214</u>	<u>15,294</u>
Other financing sources (uses):				
Transfers in	486	442	-	9,349
Transfers out	-	(2,741)	-	(14,987)
Total other financing sources (uses)	<u>486</u>	<u>(2,299)</u>	<u>-</u>	<u>(5,638)</u>
Changes in fund balances	(1,403)	749	214	9,656
Fund balances, beginning of year	<u>1,482</u>	<u>19,913</u>	<u>876</u>	<u>135,305</u>
Fund balances, end of year	<u>\$ 79</u>	<u>\$ 20,662</u>	<u>\$ 1,090</u>	<u>\$ 144,961</u>

**City of Sacramento**  
**Transportation and Development Special Revenue Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**- Budget and Actual**

For the Fiscal Year Ended June 30, 2022  
(in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues:</b>				
Intergovernmental	\$ 12,042	\$ 12,042	\$ 16,147	\$ 4,105
Charges for services	3,451	4,818	4,639	(179)
Fines, forfeits and penalties	400	400	202	(198)
Interest, rents, and concessions	40	40	(2,046)	(2,086)
<b>Total revenues</b>	<b>15,933</b>	<b>17,300</b>	<b>18,942</b>	<b>1,642</b>
<b>Expenditures:</b>				
<b>Current:</b>				
Public works	12,206	12,206	10,795	1,411
Community development	3,451	4,818	2,689	2,129
Capital outlay	1,065	1,078	1,077	1
<b>Total expenditures</b>	<b>16,722</b>	<b>18,102</b>	<b>14,561</b>	<b>3,541</b>
Excess (deficiency) of revenues over (under) expenditures	(789)	(802)	4,381	5,183
<b>Other financing uses:</b>				
Transfers out	-	-	(313)	(313)
Changes in fund balance for budgeted activities	(789)	(802)	4,068	4,870
Fund balance, beginning of year for budgeted activities	45,871	45,871	45,871	-
<b>Fund balance, end of year for budgeted activities</b>	<b>\$ 45,082</b>	<b>\$ 45,069</b>	<b>49,939</b>	<b>\$ 4,870</b>
Change in fund balance for Transportation and Development Special Revenue Fund activities for which annual budgets are not adopted			(27)	
Fund balance, beginning of year for non-budgeted activities			8,676	
<b>Fund balance, end of year</b>			<b>\$ 58,588</b>	

**City of Sacramento**  
**Culture and Leisure Special Revenue Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**- Budget and Actual**

For the Fiscal Year Ended June 30, 2022  
(in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Charges for services	\$ 1,701	\$ 1,701	\$ 2,153	\$ 452
Interest, rents and concessions	1,003	1,003	1,148	145
Contributions and donations	45	45	92	47
Total revenues	2,749	2,749	3,393	644
Expenditures:				
Current:				
Convention and cultural services	1,420	1,439	1,789	(350)
Capital outlay	774	821	174	647
Debt service:				
Principal	902	902	449	453
Interest and fiscal charges	1,039	1,039	1,001	38
Total expenditures	4,135	4,201	3,413	788
Deficiency of revenues under expenditures	(1,386)	(1,452)	(20)	1,432
Other financing sources:				
Transfers in	628	628	591	(37)
Changes in fund balance	(758)	(824)	571	1,395
Fund balance, beginning of year	132	132	132	-
Fund balance (deficit), end of year	\$ (626)	\$ (692)	\$ 703	\$ 1,395



**City of Sacramento**  
**Parks and Recreation Special Revenue Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**- Budget and Actual**

For the Fiscal Year Ended June 30, 2022  
(in thousands)

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
Revenues:				
Intergovernmental	\$ 658	\$ 754	\$ 490	\$ (264)
Interest, rents and concessions	23	23	99	76
Community service fees	-	-	60	60
Total revenues	<u>681</u>	<u>777</u>	<u>649</u>	<u>(128)</u>
Expenditures:				
Current:				
Youth, parks, and community enrichment	<u>1,475</u>	<u>1,571</u>	<u>1,498</u>	<u>73</u>
Deficiency of revenues under expenditures	(794)	(794)	(849)	(55)
Other financing sources:				
Transfers in	<u>-</u>	<u>501</u>	<u>501</u>	<u>-</u>
Changes in fund balance for budgeted activities	(794)	(293)	(348)	(55)
Fund balance, beginning of year for budgeted activities	<u>321</u>	<u>321</u>	<u>321</u>	<u>-</u>
Fund balance (deficit), end of year for budgeted activities	<u>\$ (473)</u>	<u>\$ 28</u>	<u>(27)</u>	<u>\$ (55)</u>
Change in fund balance for Parks and Recreation Special Revenue Fund activities for which annual budgets are not adopted.			(176)	
Fund balance, beginning of year for non-budgeted activities			<u>8,497</u>	
Fund balance, end of year			<u>\$ 8,294</u>	

**City of Sacramento**  
**CCOMWP Special Revenue Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**- Budget and Actual**

For the Fiscal Year Ended June 30, 2022  
(in thousands)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 1,127	\$ 6,127	\$ 2,357	\$ (3,770)
Interest, rents and concessions	-	-	7	7
Total revenues	<u>1,127</u>	<u>6,127</u>	<u>2,364</u>	<u>(3,763)</u>
Expenditures:				
Current:				
General government	2,020	6,987	4,200	2,787
Debt service:				
Principal	-	52	52	-
Interest and fiscal charges	-	1	1	-
Total expenditures	<u>-</u>	<u>1</u>	<u>4,253</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	1,127	6,126	(1,889)	(3,763)
Other financing sources:				
Transfers in	-	-	486	486
Changes in fund balance	1,127	6,126	(1,403)	(3,277)
Fund balance, beginning of year	<u>1,482</u>	<u>1,482</u>	<u>1,482</u>	<u>-</u>
Fund balance, end of year	<u>\$ 2,609</u>	<u>\$ 7,608</u>	<u>\$ 79</u>	<u>\$ (3,277)</u>

**City of Sacramento**  
**Special Districts Special Revenue Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**- Budget and Actual**

For the Fiscal Year Ended June 30, 2022  
(in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Interest, rents, and concessions	\$ -	\$ -	\$ 171	\$ 171
Assessment levies	50,911	52,671	55,828	3,157
Total revenues	50,911	52,671	55,999	3,328
Expenditures:				
Current:				
General government	10,402	10,773	11,344	(571)
Public works	17,399	17,516	16,577	939
Convention and cultural services	3,635	4,178	6,473	(2,295)
Youth, parks, and community enrichment	10,132	10,194	7,752	2,442
Community development	330	240	137	103
Library	8,775	8,775	8,777	(2)
Utilities	679	679	278	401
Capital outlay	5,086	5,106	1,613	3,493
Total expenditures	56,438	57,461	52,951	4,510
Excess (deficiency) of revenues over (under) expenditures	(5,527)	(4,790)	3,048	7,838
Other financing sources (uses):				
Transfers in	442	442	442	-
Transfers out	(2,741)	(2,744)	(2,741)	3
Total other financing sources (uses)	(2,299)	(2,302)	(2,299)	3
Changes in fund balance	(7,826)	(7,092)	749	7,841
Fund balance, beginning of year	19,913	19,913	19,913	-
Fund balance, end of year	\$ 12,087	\$ 12,821	\$ 20,662	\$ 7,841

**City of Sacramento**  
**Cal EPA Special Revenue Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**- Budget and Actual**  
For the Fiscal Year Ended June 30, 2022  
(in thousands)

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	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 188	\$ 188	\$ 207	\$ 19
Interest, rents, and concessions	-	-	7	7
Total revenues	188	188	214	26
Fund balance, beginning of year	876	876	876	-
Fund balance, end of year	<u>\$ 1,064</u>	<u>\$ 1,064</u>	<u>\$ 1,090</u>	<u>\$ 26</u>

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## OTHER DEBT SERVICE FUNDS

Other debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest, or that are being accumulated for principal and interest maturing in future years. The following debt service funds have been classified as nonmajor funds:

**2006 SERIES B REVENUE BOND FUND** is used to account for debt service activities related to financing an arts rehearsal facility and other public capital improvements and redevelopment projects.

**2006 SERIES E REVENUE BOND FUND** is used to account for refunding debt service related to refinancing all the 2001 Capital Improvement Revenue Bonds and a portion of the 2002 and 2003 Capital Improvement Revenue Bonds.

**2015 REFUNDING REVENUE BOND FUND** is used to account for debt service activities related to the refunding of the outstanding 2002 Capital Improvement Revenue Bonds, 2003 Capital Improvement Revenue Bonds, 2005 Refunding Revenue Bonds, and the 2006 Capital Improvement Revenue Bonds Series A and C.

**2016 SPFA LEASE FINANCING (H STREET THEATER COMPLEX) FUND** is used to account for debt service activities related to the refunding of the Sacramento Regional Arts Facilities 2002 Series Certificates of Participation (COPs).

**OTHER CITY DEBT FUND** is used to account for debt service activities related to the financing of other programs of the City.

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**City of Sacramento**  
**Other Debt Service Funds**  
**Combining Balance Sheet**

June 30, 2022

(in thousands)

	<b>2006</b>	<b>2006</b>	<b>2015</b>
	<b>Series B</b>	<b>Series E</b>	<b>Refunding</b>
	<b>Revenue</b>	<b>Revenue</b>	<b>Revenue</b>
	<b>Bond Fund</b>	<b>Bond Fund</b>	<b>Bond Fund</b>
<b><u>ASSETS</u></b>			
Assets:			
Cash and investments held by City	\$ 1,317	\$ -	\$ 1,984
Cash and investments held by fiscal agent	-	1	1
Receivables, net:			
Accounts	7	-	-
Intergovernmental	9,856	1,947	-
Leases	2,970	-	-
Interest	26	-	-
Restricted assets:			
Cash and investments held by fiscal agent	3,925	-	-
Total assets	<u>\$ 18,101</u>	<u>\$ 1,948</u>	<u>\$ 1,985</u>
<b><u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u></b>			
Liabilities:			
Deposits	\$ -	\$ -	\$ -
Deferred inflows of resources:			
Unavailable revenue	9,856	1,947	-
Leases	2,930	-	-
Total deferred inflows of resources	<u>12,786</u>	<u>1,947</u>	<u>-</u>
Fund balances:			
Nonspendable:			
Leases	40	-	-
Restricted:			
Debt service	3,925	-	-
Committed:			
Debt service	1,350	1	-
Assigned:			
Debt service	-	-	1,985
Total fund balances	<u>5,315</u>	<u>1</u>	<u>1,985</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 18,101</u>	<u>\$ 1,948</u>	<u>\$ 1,985</u>



**City of Sacramento**  
**Other Debt Service Funds**  
**Combining Balance Sheet**

June 30, 2022

(in thousands)

	2016 SPFA Lease Financing Fund	Other City Debt Fund	Total Other Debt Service Funds
<b><u>ASSETS</u></b>			
Assets:			
Cash and investments held by City	\$ -	\$ 1	\$ 3,302
Cash and investments held by fiscal agent	-	-	2
Receivables, net:			
Accounts	-	-	7
Intergovernmental	-	-	11,803
Leases	-	-	2,970
Interest	-	-	26
Restricted assets:			
Cash and investments held by fiscal agent	1,160	-	5,085
Total assets	<u>\$ 1,160</u>	<u>\$ 1</u>	<u>\$ 23,195</u>
<b><u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u></b>			
Liabilities:			
Deposits	\$ 428	\$ -	\$ 428
Deferred inflows of resources:			
Unavailable revenue	-	-	11,803
Leases	-	-	2,930
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>14,733</u>
Fund balances:			
Nonspendable:			
Leases	-	-	40
Restricted:			
Debt service	732	-	4,657
Committed:			
Debt service	-	-	1,351
Assigned:			
Debt service	-	1	1,986
Total fund balances	<u>732</u>	<u>1</u>	<u>8,034</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,160</u>	<u>\$ 1</u>	<u>\$ 23,195</u>

**City of Sacramento**  
**Other Debt Service Funds**  
**Combining Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**

For the Fiscal Year Ended June 30, 2022

(in thousands)

	<b>2006</b> <b>Series B</b> <b>Revenue</b> <b>Bond Fund</b>	<b>2006</b> <b>Series E</b> <b>Revenue</b> <b>Bond Fund</b>	<b>2015</b> <b>Refunding</b> <b>Revenue</b> <b>Bond Fund</b>
Revenues:			
Intergovernmental	\$ 445	\$ 1	\$ -
Interest, rents, and concessions	<u>442</u>	<u>103</u>	<u>16</u>
Total revenues	<u>887</u>	<u>104</u>	<u>16</u>
Expenditures:			
Debt service:			
Principal	1,575	1,760	6,265
Interest and fiscal charges	<u>2,366</u>	<u>4,040</u>	<u>3,369</u>
Total expenditures	<u>3,941</u>	<u>5,800</u>	<u>9,634</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,054)</u>	<u>(5,696)</u>	<u>(9,618)</u>
Other financing sources:			
Transfers in	<u>2,435</u>	<u>5,697</u>	<u>9,633</u>
Changes in fund balances	(619)	1	15
Fund balances, beginning of year	<u>5,934</u>	<u>-</u>	<u>1,970</u>
Fund balances, end of year	<u>\$ 5,315</u>	<u>\$ 1</u>	<u>\$ 1,985</u>

**City of Sacramento**  
**Other Debt Service Funds**  
**Combining Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**

For the Fiscal Year Ended June 30, 2022

(in thousands)

	<b>2016 SPFA Lease Financing Fund</b>	<b>Other City Debt Fund</b>	<b>Total Other Debt Service Funds</b>
Revenues:			
Intergovernmental	\$ -	\$ -	\$ 446
Interest, rents, and concessions	1,164	-	1,725
Total revenues	<u>1,164</u>	<u>-</u>	<u>2,171</u>
Expenditures:			
Debt service:			
Principal	490	-	10,090
Interest and fiscal charges	183	-	9,958
Total expenditures	<u>673</u>	<u>-</u>	<u>20,048</u>
Excess (deficiency) of revenues over (under) expenditures	<u>491</u>	<u>-</u>	<u>(17,877)</u>
Other financing sources:			
Transfers in	-	-	17,765
Changes in fund balances	491	-	(112)
Fund balances, beginning of year	<u>241</u>	<u>1</u>	<u>8,146</u>
Fund balances, end of year	<u>\$ 732</u>	<u>\$ 1</u>	<u>\$ 8,034</u>

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## OTHER CAPITAL PROJECTS FUNDS

Other capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for governmental capital assets. The following capital projects funds have been classified as nonmajor funds:

**GENERAL FUND CAPITAL PROJECTS FUND** is used to account for the proceeds of bond issues and associated capital projects.

**TRANSPORTATION AND DEVELOPMENT FUND** is used to account for the receipts of taxes and fees which are used to construct transportation-related capital projects.

**CROCKER ART MUSEUM EXPANSION FUND** is used to account for contributions from the Crocker Art Museum Association (CAMA) and related expenditures for the museum expansion project.

**CAPITAL GRANTS FUND** is used to account for capital improvement program projects that are funded by parties outside of the City including state and federal governments.

**FINANCING PLANS FUND** is used to account for the construction of public infrastructure funded by developer impact fees authorized under financing plans.

**SPECIAL DISTRICTS FUND** is used to account for the proceeds of special assessment bond issues which are used in the construction of street lighting, curbs, gutters, sidewalks, and drainage infrastructure.

**ECONOMIC DEVELOPMENT FUND** is used to account for the excess proceeds of Redevelopment Agency (RDA) pre-2011 non-housing bond issues and associated capital projects.

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**City of Sacramento**  
**Other Capital Projects Funds**  
**Combining Balance Sheet**

June 30, 2022  
(in thousands)

	General Fund Capital Projects Fund	Transportation and Development Fund	Crocker Art Museum Expansion Fund	Capital Grants Fund
<b><u>ASSETS</u></b>				
Cash and investments held by City	\$ -	\$ 92,982	\$ -	\$ -
Receivables, net:				
Accounts	-	976	-	485
Intergovernmental	-	2,835	-	10,283
Interest	-	84	-	-
Restricted assets:				
Cash and investments held by City	30	-	152	32
Total assets	<u>\$ 30</u>	<u>\$ 96,877</u>	<u>\$ 152</u>	<u>\$ 10,800</u>
<b><u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u></b>				
Liabilities:				
Accounts payable	\$ -	\$ 1,366	\$ -	\$ 2,391
Due to other funds	-	-	-	1,657
Unearned revenue	-	83	-	1,655
Total liabilities	<u>-</u>	<u>1,449</u>	<u>-</u>	<u>5,703</u>
Deferred inflows of resources:				
Unavailable revenue	-	993	-	8,986
Fund balances:				
Restricted:				
Capital projects	30	94,480	152	5,097
Other programs	-	-	-	-
Unassigned	-	(45)	-	(8,986)
Total fund balances (deficit)	<u>30</u>	<u>94,435</u>	<u>152</u>	<u>(3,889)</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 30</u>	<u>\$ 96,877</u>	<u>\$ 152</u>	<u>\$ 10,800</u>

**City of Sacramento**  
**Other Capital Projects Funds**  
**Combining Balance Sheet**

June 30, 2022  
(in thousands)

	<b>Financing Plans Fund</b>	<b>Special Districts Fund</b>	<b>Economic Development Fund</b>	<b>Total Other Capital Projects Funds</b>
<b><u>ASSETS</u></b>				
Cash and investments held by City	\$ 88,832	\$ 14,502	\$ -	\$ 196,316
Receivables, net:				
Accounts	11,027	-	-	12,488
Intergovernmental	-	-	-	13,118
Interest	79	-	-	163
Restricted assets:				
Cash and investments held by City	-	-	10,722	10,936
Total assets	<u>\$ 99,938</u>	<u>\$ 14,502</u>	<u>\$ 10,722</u>	<u>\$ 233,021</u>
<b><u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u></b>				
Liabilities:				
Accounts payable	\$ 754	\$ -	\$ 282	\$ 4,793
Due to other funds	-	-	-	1,657
Unearned revenue	1,830	-	-	3,568
Total liabilities	<u>2,584</u>	<u>-</u>	<u>282</u>	<u>10,018</u>
Deferred inflows of resources:				
Unavailable revenue	7,298	-	-	17,277
Fund balances:				
Restricted:				
Capital projects	89,151	14,502	10,440	213,852
Other programs	905	-	-	905
Unassigned	-	-	-	(9,031)
Total fund balances (deficit)	<u>90,056</u>	<u>14,502</u>	<u>10,440</u>	<u>205,726</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 99,938</u>	<u>\$ 14,502</u>	<u>\$ 10,722</u>	<u>\$ 233,021</u>



**City of Sacramento**  
**Other Capital Projects Funds**  
**Combining Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**

For the Fiscal Year Ended June 30, 2022  
(in thousands)

	General Fund Capital Projects Fund	Transportation and Development Fund	Crocker Art Museum Expansion Fund	Capital Grants Fund
Revenues:				
Taxes	\$ -	\$ 3,066	\$ -	\$ -
Intergovernmental	-	28,895	-	16,495
Charges for services	-	260	-	-
Interest, rents, and concessions	1	(1,057)	1	23
Community service fees	-	-	-	-
Assessment levies	-	-	-	-
Contributions and donations	-	-	-	2,856
Miscellaneous	-	-	-	-
<b>Total revenues</b>	<b>1</b>	<b>31,164</b>	<b>1</b>	<b>19,374</b>
Expenditures:				
Current:				
General government	-	-	-	-
Public works	-	8,055	-	-
Youth, parks, and community enrichment	-	-	-	-
Community development	-	-	-	-
Capital outlay	76	9,718	-	18,101
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total expenditures</b>	<b>76</b>	<b>17,773</b>	<b>-</b>	<b>18,101</b>
Excess (deficiency) of revenues over (under) expenditures	(75)	13,391	1	1,273
Other financing sources (uses):				
Transfers in	-	159	-	-
Transfers out	-	-	-	(23)
Issuance of long-term debt	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>159</b>	<b>-</b>	<b>(23)</b>
Changes in fund balances	(75)	13,550	1	1,250
Fund balances (deficit), beginning of year	105	80,885	151	(5,139)
Fund balances (deficit), end of year	<u>\$ 30</u>	<u>\$ 94,435</u>	<u>\$ 152</u>	<u>\$ (3,889)</u>

**City of Sacramento**  
**Other Capital Projects Funds**  
**Combining Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**

For the Fiscal Year Ended June 30, 2022  
(in thousands)

	<b>Financing Plans Fund</b>	<b>Special Districts Fund</b>	<b>Economic Development Fund</b>	<b>Total Other Capital Projects Funds</b>
<b>Revenues:</b>				
Taxes	\$ -	\$ -	\$ -	\$ 3,066
Intergovernmental	-	-	-	45,390
Charges for services	-	-	-	260
Interest, rents, and concessions	(959)	131	78	(1,782)
Community service fees	24,512	-	-	24,512
Assessment levies	28	21	-	49
Contributions and donations	-	3,005	-	5,861
Miscellaneous	11,890	-	-	11,890
<b>Total revenues</b>	<b>35,471</b>	<b>3,157</b>	<b>78</b>	<b>89,246</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	-	-	630	630
Public works	81	-	-	8,136
Youth, parks, and community enrichment	737	-	-	737
Community development	8,963	393	-	9,356
Capital outlay	53,973	12,647	854	95,369
<b>Debt service:</b>				
Principal	18,992	-	-	18,992
Interest and fiscal charges	20	-	-	20
<b>Total expenditures</b>	<b>82,766</b>	<b>13,040</b>	<b>1,484</b>	<b>133,240</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(47,295)</b>	<b>(9,883)</b>	<b>(1,406)</b>	<b>(43,994)</b>
<b>Other financing sources (uses):</b>				
Transfers in	-	-	-	159
Transfers out	(1,419)	-	-	(1,442)
Issuance of long-term debt	51,914	-	-	51,914
<b>Total other financing sources (uses)</b>	<b>50,495</b>	<b>-</b>	<b>-</b>	<b>50,631</b>
<b>Changes in fund balances</b>	<b>3,200</b>	<b>(9,883)</b>	<b>(1,406)</b>	<b>6,637</b>
<b>Fund balances (deficit) , beginning of year</b>	<b>86,856</b>	<b>24,385</b>	<b>11,846</b>	<b>199,089</b>
<b>Fund balances (deficit) , end of year</b>	<b>\$ 90,056</b>	<b>\$ 14,502</b>	<b>\$ 10,440</b>	<b>\$ 205,726</b>

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## PERMANENT FUNDS

Permanent funds are used to account for and report resources that are held by the City which are legally restricted to the extent that only earnings may be used for purposes that support City programs. The resources must be spent as provided in legal trust agreements and related state laws. The following permanent funds have been classified as nonmajor funds:

**ANN LAND FUND** is used to account for gifts to the City. The investment income is available to aid destitute persons in the City.

**BERTHA HENSCHEL FUND** is used to account for gifts to the City. The investment income is available to aid destitute persons in the City.

**GEORGE CLARK SCHOLARSHIP FUND** is used to account for an endowment established by George Clark, Mayor of Sacramento in 1900. The investment income is available to provide college scholarships for Sacramento high school seniors.

**ALICE MILLER FUND** is used to account for gifts to the City. The investment income is available to care for a specific area of the Old City Cemetery.

**City of Sacramento**  
**Permanent Funds**  
**Combining Balance Sheet**  
June 30, 2022  
(in thousands)

	<u>Ann Land Fund</u>	<u>Bertha Henschel Fund</u>	<u>George Clark Scholarship Fund</u>	<u>Alice Miller Fund</u>	<u>Total Permanent Funds</u>
<b><u>ASSETS</u></b>					
Cash and investments held by City	\$ 1,190	\$ 3,568	\$ 1,811	\$ 47	\$ 6,616
Receivables, net:					
Interest	3	10	2	-	15
Total assets	<u>\$ 1,193</u>	<u>\$ 3,578</u>	<u>\$ 1,813</u>	<u>\$ 47</u>	<u>\$ 6,631</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ 5	\$ -	\$ 5
Fund balances:					
Nonspendable:					
Permanent fund principal	272	278	25	3	578
Restricted:					
Other programs	921	3,300	1,783	44	6,048
Total fund balances	<u>1,193</u>	<u>3,578</u>	<u>1,808</u>	<u>47</u>	<u>6,626</u>
Total liabilities and fund balances	<u>\$ 1,193</u>	<u>\$ 3,578</u>	<u>\$ 1,813</u>	<u>\$ 47</u>	<u>\$ 6,631</u>

**City of Sacramento**  
**Permanent Funds**  
**Combining Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**

For the Fiscal Year Ended June 30, 2022  
(in thousands)

	<u>Ann Land Fund</u>	<u>Bertha Henschel Fund</u>	<u>George Clark Scholarship Fund</u>	<u>Alice Miller Fund</u>	<u>Total Permanent Funds</u>
Revenues:					
Interest, rents, and concessions	\$ 15	\$ 46	\$ 63	\$ -	\$ 124
Expenditures:					
Current:					
General government	38	116	24	-	178
Changes in fund balances	(23)	(70)	39	-	(54)
Fund balances, beginning of year	1,216	3,648	1,769	47	6,680
Fund balances, end of year	<u>\$ 1,193</u>	<u>\$ 3,578</u>	<u>\$ 1,808</u>	<u>\$ 47</u>	<u>\$ 6,626</u>

## OTHER ENTERPRISE FUNDS

Enterprise funds are used to account for self-supporting City programs that provide services on a user-fee basis to the general public. The following enterprise funds have been classified as nonmajor funds:

**PARKING FUND** is used to account for the operation and maintenance of the City's off-street parking facilities throughout the City.

**4<sup>th</sup> R CHILD DEVELOPMENT FUND** is used to account for a program that provides school age childcare services at various locations throughout the City.

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**City of Sacramento**  
**Other Enterprise Funds**  
**Combining Statement of Net Position**

June 30, 2022

(in thousands)

	<b>Parking Fund</b>	<b>4th R Child Development Fund</b>	<b>Total Other Enterprise Funds</b>
<b><u>ASSETS</u></b>			
Current assets:			
Cash and investments held by City	\$ 22,960	\$ 1,927	\$ 24,887
Receivables, net:			
Accounts	548	166	714
Leases	262	-	262
Interest	41	-	41
Prepaid items	12	-	12
Intangible asset, current portion	-	8	8
Total current assets	<u>23,823</u>	<u>2,101</u>	<u>25,924</u>
Noncurrent assets:			
Leases receivable	8,042	-	8,042
Intangible assets	-	104	104
Capital assets:			
Land	5,825	-	5,825
Buildings and improvements	61,896	1,642	63,538
Machinery and equipment	6,235	-	6,235
Construction in progress	5,966	-	5,966
Software	32	-	32
Leased land	1,978	-	1,978
Less: accumulated depreciation/amortization	<u>(44,025)</u>	<u>(1,393)</u>	<u>(45,418)</u>
Total noncurrent assets	<u>45,949</u>	<u>353</u>	<u>46,302</u>
Total assets	<u>69,772</u>	<u>2,454</u>	<u>72,226</u>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>			
Pensions	749	552	1,301
OPEB	215	80	295
Total deferred outflows of resources	<u>964</u>	<u>632</u>	<u>1,596</u>

**City of Sacramento**  
**Other Enterprise Funds**  
**Combining Statement of Net Position**

June 30, 2022

(in thousands)

	Parking Fund	4th R Child Development Fund	Total Other Enterprise Funds
<b><u>LIABILITIES</u></b>			
Current liabilities:			
Accounts payable	2,207	31	2,238
Accrued payroll	94	223	317
Accrued compensated absences	18	24	42
Interest payable	41	-	41
Deposits	502	-	502
Unearned revenue	219	143	362
Accrued claims and judgments	9	6	15
Lease liabilities	108	-	108
Revenue and other bonds payable, net	1,191	-	1,191
Total current liabilities	4,389	427	4,816
Noncurrent liabilities:			
Accrued compensated absences	456	349	805
Net OPEB liability	1,368	(8)	1,360
Lease liabilities	1,762	-	1,762
Revenue and other bonds payable, net	9,808	-	9,808
Net pension liability	3,541	3,688	7,229
Total noncurrent liabilities	16,935	4,029	20,964
Total liabilities	21,324	4,456	25,780
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Gain on debt refundings	170	-	170
Pensions	1,702	1,273	2,975
OPEB	934	242	1,176
Leases	7,966	-	7,966
Total deferred inflows of resources	10,772	1,515	12,287
<b><u>NET POSITION</u></b>			
Net investment in capital assets	24,474	249	24,723
Unrestricted	14,166	(3,134)	11,032
Total net position (deficit)	\$ 38,640	\$ (2,885)	\$ 35,755

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**City of Sacramento**  
**Other Enterprise Funds**  
**Combining Statement of Revenues,**  
**Expenses and Changes in Net Position**

For the Fiscal Year Ended June 30, 2022  
(in thousands)

	Parking Fund	4th R Child Development Fund	Total Other Enterprise Funds
Operating revenues:			
Charges for services:			
User fees and charges	\$ 13,049	\$ 4,325	\$ 17,374
Rents and concessions	875	15	890
Miscellaneous	53	16	69
Total operating revenues	<u>13,977</u>	<u>4,356</u>	<u>18,333</u>
Operating expenses:			
Employee services	3,447	4,513	7,960
Services and supplies	5,368	1,037	6,405
Depreciation/amortization	1,494	72	1,566
Claims and judgments	29	4	33
Total operating expenses	<u>10,338</u>	<u>5,626</u>	<u>15,964</u>
Operating income (loss)	<u>3,639</u>	<u>(1,270)</u>	<u>2,369</u>
Nonoperating revenues (expenses):			
Interest and investment revenue	296	17	313
Revenue from other agencies	-	123	123
Interest expense	(337)	-	(337)
Total nonoperating revenues (expenses)	<u>(41)</u>	<u>140</u>	<u>99</u>
Income (loss) before transfers	3,598	(1,130)	2,468
Transfers in	10,448	10	10,458
Transfers out	<u>(10,988)</u>	<u>-</u>	<u>(10,988)</u>
Changes in net position	3,058	(1,120)	1,938
Total net position (deficit), beginning of year	<u>35,582</u>	<u>(1,765)</u>	<u>33,817</u>
Total net position (deficit), end of year	<u>\$ 38,640</u>	<u>\$ (2,885)</u>	<u>\$ 35,755</u>

**City of Sacramento**  
**Other Enterprise Funds**  
**Combining Statement of Cash Flows**

For the Fiscal Year Ended June 30, 2022

(in thousands)

	Parking Fund	4th R Child Development Fund	Total Other Enterprise Funds
Cash flows from operating activities:			
Receipts from customers and users	\$ 13,469	\$ 4,245	\$ 17,714
Payments to suppliers	(5,067)	(1,023)	(6,090)
Payments to employees	(4,162)	(4,771)	(8,933)
Claims and judgments paid	(21)	(3)	(24)
Net cash provided by (used for) operating activities	<u>4,219</u>	<u>(1,552)</u>	<u>2,667</u>
Cash flows from noncapital financing activities:			
Transfers in from other funds	10,448	10	10,458
Transfers out to other funds	(1,488)	-	(1,488)
Intergovernmental revenue received	-	123	123
Net cash provided by noncapital financing activities	<u>8,960</u>	<u>133</u>	<u>9,093</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(1,051)	(96)	(1,147)
Principal payments on capital debt	(990)	-	(990)
Interest payments on capital debt	(486)	-	(486)
Principal payments on lease liabilities	(108)	-	(108)
Interest payments on lease liabilities	(28)	-	(28)
Transfers out to other funds	(9,500)	-	(9,500)
Receipts from leases	201	-	201
Collection of interest from leases	84	-	84
Net cash used for capital and related financing activities	<u>(11,878)</u>	<u>(96)</u>	<u>(11,974)</u>
Cash flows from investing activities:			
Collection of interest and investment revenue	171	17	188
Net increase (decrease) in cash and cash equivalents	1,472	(1,498)	(26)
Cash and cash equivalents, beginning of year	<u>21,488</u>	<u>3,425</u>	<u>24,913</u>
Cash and cash equivalents, end of year	<u>\$ 22,960</u>	<u>\$ 1,927</u>	<u>\$ 24,887</u>

**City of Sacramento**  
**Other Enterprise Funds**  
**Combining Statement of Cash Flows**

For the Fiscal Year Ended June 30, 2022

(in thousands)

	<u>Parking Fund</u>	<u>4th R Child Development Fund</u>	<u>Total Other Enterprise Funds</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ 3,639	\$ (1,270)	\$ 2,369
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation/amortization expense	1,494	63	1,557
Amortization of intangible assets	-	9	9
Changes in assets, liabilities, and deferred outflows and inflows of resources:			
Accounts receivable, net	124	(118)	6
Prepaid items	-	1	1
Accounts payable	301	13	314
Accrued payroll	2	97	99
Accrued compensated absences	94	104	198
Accrued claims and judgments	8	1	9
Deposits	(32)	-	(32)
Unearned revenue	(61)	7	(54)
Net pension liability and related deferred outflows/inflows of resources	(508)	(345)	(853)
Net OPEB liability and related deferred outflows/inflows of resources	(303)	(114)	(417)
Deferred inflows related to leases	(539)	-	(539)
Net cash provided by (used for) operating activities	<u>\$ 4,219</u>	<u>\$ (1,552)</u>	<u>\$ 2,667</u>
Noncash investing, capital and financing activities:			
Amortization of bond premium and discount	\$ 151	\$ -	\$ 151
Amortization of bond gain on refunding	24	-	24
Capital asset acquisitions on accounts payable	394	-	394

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**WATER FUND**



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**City of Sacramento**  
**Water Fund**  
**Combining Schedule of Net Position**

June 30, 2022  
(in thousands)

	Development Impact Fee Fund	User Fee Fund	Grant Projects Fund	2013 Water Revenue Bonds Fund	2017 Water Revenue Bonds Fund
<b>ASSETS</b>					
Current assets:					
Cash and investments held by City	\$ -	\$ 189,894	\$ -	\$ -	\$ -
Receivables, net:					
Accounts	551	19,228	-	-	-
Intergovernmental	-	-	462	-	-
Leases	-	66	-	-	-
Interest	-	752	-	-	-
Due from other funds	-	1,279	-	-	-
Inventories	-	1,163	-	-	-
Prepaid items	-	219	-	-	-
Total current assets	<u>551</u>	<u>212,601</u>	<u>462</u>	<u>-</u>	<u>-</u>
Noncurrent assets:					
Restricted assets:					
Cash and investments held by City	45,964	21,191	-	-	-
Cash and investments held by fiscal agent	-	602	-	2,848	-
Leases receivable	-	822	-	-	-
Capital assets:					
Land	1,729	1,170	-	-	-
Buildings and improvements	820	53,654	559	94,403	-
Machinery and equipment	680	23,818	641	77,305	8,624
Transmission and distribution systems	3,429	643,576	3,354	97,906	53,775
Construction in progress	19,711	22,465	2,534	7,836	614
Software	-	3,491	-	-	-
Easement	-	134	-	-	-
Leased equipment	-	184	-	-	-
Less: accumulated depreciation/amortization	(478)	(337,996)	(1,498)	(18,810)	(4,686)
Total noncurrent assets	<u>71,855</u>	<u>433,111</u>	<u>5,590</u>	<u>261,488</u>	<u>58,327</u>
Total assets	<u>72,406</u>	<u>645,712</u>	<u>6,052</u>	<u>261,488</u>	<u>58,327</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Loss on refunding of debt	-	3,605	-	-	-
Pensions	-	6,468	-	-	-
OPEB	-	1,022	-	-	-
Total deferred outflows of resources	<u>-</u>	<u>11,095</u>	<u>-</u>	<u>-</u>	<u>-</u>

**City of Sacramento**  
**Water Fund**  
**Combining Schedule of Net Position**

June 30, 2022  
(in thousands)

	Drinking Water SRF Loan Fund	2020 Water Revenue Refunding Bonds Fund	Eliminations	Total Water Fund
<b>ASSETS</b>				
Current assets:				
Cash and investments held by City	\$ -	\$ -	\$ -	\$ 189,894
Receivables, net:				
Accounts	-	-	-	19,779
Intergovernmental	-	-	-	462
Leases	-	-	-	66
Interest	-	-	-	752
Due from other funds	-	-	(1,279)	-
Inventories	-	-	-	1,163
Prepaid items	-	-	-	219
	<u>-</u>	<u>-</u>	<u>(1,279)</u>	<u>212,335</u>
Total current assets				
Noncurrent assets:				
Restricted assets:				
Cash and investments held by City	-	-	-	67,155
Cash and investments held by fiscal agent	-	-	-	3,450
Leases receivable	-	-	-	822
Capital assets:				
Land	-	-	-	2,899
Buildings and improvements	15,947	-	-	165,383
Machinery and equipment	3,259	-	-	114,327
Transmission and distribution systems	115,813	-	-	917,853
Construction in progress	3,963	-	-	57,123
Software	-	-	-	3,491
Easement	-	-	-	134
Leased equipment	-	-	-	184
Less: accumulated depreciation/amortization	(5,646)	-	-	(369,114)
	<u>133,336</u>	<u>-</u>	<u>-</u>	<u>963,707</u>
Total noncurrent assets	<u>133,336</u>	<u>-</u>	<u>(1,279)</u>	<u>1,176,042</u>
Total assets	<u>133,336</u>	<u>-</u>	<u>(1,279)</u>	<u>1,176,042</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Loss on refunding of debt	-	3,960	-	7,565
Pensions	-	-	-	6,468
OPEB	-	-	-	1,022
	<u>-</u>	<u>3,960</u>	<u>-</u>	<u>15,055</u>
Total deferred outflows of resources	<u>-</u>	<u>3,960</u>	<u>-</u>	<u>15,055</u>

**City of Sacramento**  
**Water Fund**  
**Combining Schedule of Net Position**

June 30, 2022  
(in thousands)

	Development Impact Fee Fund	User Fee Fund	Grant Projects Fund	2013 Water Revenue Bonds Fund	2017 Water Revenue Bonds Fund
<b><u>LIABILITIES</u></b>					
Current liabilities:					
Accounts payable	116	4,478	55	-	-
Due to other funds	-	-	387	-	-
Accrued payroll	-	922	-	-	-
Accrued compensated absences	-	260	-	-	-
Interest payable	-	454	-	261	814
Deposits	-	5	-	-	-
Unearned revenue	561	1,869	20	-	-
Accrued claims and judgments	-	77	-	-	-
Revenue and other bonds payable, net	-	7,035	-	5,833	1,290
Notes payable	-	495	-	-	-
Total current liabilities	<u>677</u>	<u>15,595</u>	<u>462</u>	<u>6,094</u>	<u>2,104</u>
Noncurrent liabilities:					
Accrued compensated absences	-	3,594	-	-	-
Water fee credits	12	180	-	-	-
Net OPEB liability	-	10,290	-	-	-
Revenue and other bonds payable, net	-	92,101	-	11,792	56,474
Notes payable	-	5,369	-	-	-
Net pension liability	-	24,533	-	-	-
Total noncurrent liabilities	<u>12</u>	<u>136,067</u>	<u>-</u>	<u>11,792</u>	<u>56,474</u>
Total liabilities	<u>689</u>	<u>151,662</u>	<u>462</u>	<u>17,886</u>	<u>58,578</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>					
Pensions	-	14,375	-	-	-
OPEB	-	5,587	-	-	-
Leases	-	854	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>20,816</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b><u>NET POSITION</u></b>					
Net investment in capital assets	25,775	310,139	5,590	245,851	563
Restricted for:					
Capital projects	45,942	-	-	-	-
Unrestricted	-	174,190	-	(2,249)	(814)
Total net position (deficit)	<u>\$ 71,717</u>	<u>\$ 484,329</u>	<u>\$ 5,590</u>	<u>\$ 243,602</u>	<u>\$ (251)</u>

(continued)

**City of Sacramento**  
**Water Fund**  
**Combining Schedule of Net Position**

June 30, 2022  
(in thousands)

	Drinking Water SRF Loan Fund	2020 Water Revenue Refunding Bonds Fund	Eliminations	Total Water Fund
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	74	-	-	4,723
Due to other funds	892	-	(1,279)	-
Accrued payroll	-	-	-	922
Accrued compensated absences	-	-	-	260
Interest payable	-	1,648	-	3,177
Deposits	-	-	-	5
Unearned revenue	-	-	-	2,450
Accrued claims and judgments	-	-	-	77
Revenue and other bonds payable, net	-	2,050	-	16,208
Notes payable	2,942	-	-	3,437
Total current liabilities	3,908	3,698	(1,279)	31,259
Noncurrent liabilities:				
Accrued compensated absences	-	-	-	3,594
Water fee credits	-	-	-	192
Net OPEB liability	-	-	-	10,290
Revenue and other bonds payable, net	-	181,435	-	341,802
Notes payable	132,466	-	-	137,835
Net pension liability	-	-	-	24,533
Total noncurrent liabilities	132,466	181,435	-	518,246
Total liabilities	136,374	185,133	(1,279)	549,505
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pensions	-	-	-	14,375
OPEB	-	-	-	5,587
Leases	-	-	-	854
Total deferred inflows of resources	-	-	-	20,816
<b>NET POSITION</b>				
Net investment in capital assets	(2,146)	(179,525)	-	406,247
Restricted for:				
Capital projects	-	-	-	45,942
Unrestricted	(892)	(1,648)	-	168,587
Total net position (deficit)	\$ (3,038)	\$ (181,173)	\$ -	\$ 620,776

**City of Sacramento**  
**Water Fund**  
**Combining Schedule of Revenues,**  
**Expenses and Changes in Net Position**  
For the Fiscal Year Ended June 30, 2022  
(in thousands)

	Development Impact Fee Fund	User Fee Fund	Grant Projects Fund	2013 Water Revenue Bonds Fund	2017 Water Revenue Bonds Fund
Operating revenues:					
Charges for services:					
User fees and charges	\$ -	\$ 136,493	\$ -	\$ -	\$ -
Rent and concessions	-	60	-	-	-
Miscellaneous	-	60	-	-	-
Total operating revenues	<u>-</u>	<u>136,613</u>	<u>-</u>	<u>-</u>	<u>-</u>
Operating expenses:					
Employee services	-	35,291	2	-	-
Services and supplies	-	24,635	56	-	-
Depreciation/amortization	148	17,874	203	5,221	1,097
Claims and judgments	-	33	-	-	-
Total operating expenses	<u>148</u>	<u>77,833</u>	<u>261</u>	<u>5,221</u>	<u>1,097</u>
Operating income (loss)	<u>(148)</u>	<u>58,780</u>	<u>(261)</u>	<u>(5,221)</u>	<u>(1,097)</u>
Nonoperating revenues (expenses):					
Interest and investment revenue (loss)	327	(13,716)	-	(16)	-
Revenue from other agencies	-	64	488	-	-
Interest expense	-	(4,816)	-	(54)	(2,120)
Amortization of bond prepaid insurance	-	(23)	-	-	-
Total nonoperating revenues (expenses)	<u>327</u>	<u>(18,491)</u>	<u>488</u>	<u>(70)</u>	<u>(2,120)</u>
Income (loss) before capital contributions and transfers	179	40,289	227	(5,291)	(3,217)
Capital contributions	4,374	2,682	-	-	-
Transfers in	-	117	-	5,717	3,379
Transfers out	-	(41,731)	-	-	-
Changes in net position	4,553	1,357	227	426	162
Total net position (deficit), beginning of year	<u>67,164</u>	<u>482,972</u>	<u>5,363</u>	<u>243,176</u>	<u>(413)</u>
Total net position (deficit), end of year	<u>\$ 71,717</u>	<u>\$ 484,329</u>	<u>\$ 5,590</u>	<u>\$ 243,602</u>	<u>\$ (251)</u>

**City of Sacramento**  
**Water Fund**  
**Combining Schedule of Revenues,**  
**Expenses and Changes in Net Position**  
For the Fiscal Year Ended June 30, 2022  
(in thousands)

	Drinking Water SRF Loan Fund	2020 Water Revenue Refunding Bonds Fund	Eliminations	Total Water Fund
Operating revenues:				
Charges for services:				
User fees and charges	\$ -	\$ -	\$ -	\$ 136,493
Rent and concessions	-	-	-	60
Miscellaneous	-	-	-	60
Total operating revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>136,613</u>
Operating expenses:				
Employee services	-	-	-	35,293
Services and supplies	-	-	-	24,691
Depreciation/amortization	2,641	-	-	27,184
Claims and judgments	-	-	-	33
Total operating expenses	<u>2,641</u>	<u>-</u>	<u>-</u>	<u>87,201</u>
Operating income (loss)	<u>(2,641)</u>	<u>-</u>	<u>-</u>	<u>49,412</u>
Nonoperating revenues (expenses):				
Interest and investment revenue (loss)	(198)	-	-	(13,603)
Revenue from other agencies	-	-	-	552
Interest expense	(2,185)	(5,147)	-	(14,322)
Amortization of bond prepaid insurance	-	-	-	(23)
Total nonoperating revenues (expenses)	<u>(2,383)</u>	<u>(5,147)</u>	<u>-</u>	<u>(27,396)</u>
Income (loss) before capital contributions and transfers	(5,024)	(5,147)	-	22,016
Capital contributions	-	-	-	7,056
Transfers in	10,563	6,976	(26,635)	117
Transfers out	-	-	26,635	(15,096)
Changes in net position	5,539	1,829	-	14,093
Total net position (deficit), beginning of year	<u>(8,577)</u>	<u>(183,002)</u>	<u>-</u>	<u>606,683</u>
Total net position (deficit), end of year	<u>\$ (3,038)</u>	<u>\$ (181,173)</u>	<u>\$ -</u>	<u>\$ 620,776</u>

**City of Sacramento**  
**Water Fund**  
**Combining Schedule of Cash Flows**  
For the Fiscal Year Ended June 30, 2022  
(in thousands)

	Development Impact Fee Fund	User Fee Fund	Grant Projects Fund	2013 Water Revenue Bonds Fund	2017 Water Revenue Bonds Fund
Cash flows from operating activities:					
Receipts from customers and users	\$ -	\$ 139,475	\$ -	\$ -	\$ -
Payments to suppliers	-	(24,573)	(61)	-	-
Payments to employees	-	(40,880)	(2)	-	-
Claims and judgments paid	-	(40)	-	-	-
Net cash provided by (used for) operating activities	-	73,982	(63)	-	-
Cash flows from noncapital financing activities:					
Interfund cash flow loans	-	(1,279)	387	-	-
Transfers in from other funds	-	117	-	-	-
Transfers out to other funds	-	(14,576)	-	-	-
Interfund loan repayments	-	24,151	(302)	-	-
Intergovernmental revenue received	-	64	360	-	-
Net cash provided by (used for) noncapital financing activities	-	8,477	445	-	-
Cash flows from capital and related financing activities:					
Acquisition and construction of capital assets	(2,352)	(5,297)	(382)	(4,276)	(609)
Proceeds from issuance of debt	-	-	-	-	-
Principal payments on capital debt	-	(7,197)	-	(4,815)	(915)
Interest payments on capital debt	-	(5,140)	-	(901)	(2,464)
Principal payments on lease liabilities	-	(61)	-	-	-
Transfers in from other funds	-	-	-	5,717	3,379
Transfers out to other funds	-	(27,155)	-	-	-
Capital contributions received	4,699	48	-	-	-
Receipts from leases	-	27	-	-	-
Collection of interest from leases	-	5	-	-	-
Net cash provided by (used for) capital and related financing activities	2,347	(44,770)	(382)	(4,275)	(609)
Cash flows from investing activities:					
Collection (loss) of interest and investment revenue	327	(13,818)	-	(16)	-
Net increase (decrease) in cash and cash equivalents	2,674	23,871	-	(4,291)	(609)
Cash and cash equivalents, beginning of year	43,290	187,816	-	7,139	609
Cash and cash equivalents, end of year	\$ 45,964	\$ 211,687	\$ -	\$ 2,848	\$ -
Reconciliation of cash and cash equivalents to the Schedule of Net Position:					
Cash and investments held by City	\$ -	\$ 189,894	\$ -	\$ -	\$ -
Restricted cash and investments held by City	45,964	21,191	-	-	-
Restricted cash and investments held by fiscal agent	-	602	-	2,848	-
Total cash and cash equivalents, end of year	\$ 45,964	\$ 211,687	\$ -	\$ 2,848	\$ -



**City of Sacramento**  
**Water Fund**  
**Combining Schedule of Cash Flows**  
For the Fiscal Year Ended June 30, 2022  
(in thousands)

	Drinking Water SRF Loan Fund	2020 Water Revenue Refunding Bonds Fund	Eliminations	Total Water Fund
Cash flows from operating activities:				
Receipts from customers and users	\$ -	\$ -	\$ -	\$ 139,475
Payments to suppliers	-	-	-	(24,634)
Payments to employees	-	-	-	(40,882)
Claims and judgments paid	-	-	-	(40)
Net cash provided by (used for) operating activities	-	-	-	73,919
Cash flows from noncapital financing activities:				
Interfund cash flow loans	892	-	-	-
Transfers in from other funds	-	-	-	117
Transfers out to other funds	-	-	-	(14,576)
Interfund loan repayments	(23,849)	-	-	-
Intergovernmental revenue received	-	-	-	424
Net cash provided by (used for) noncapital financing activities	(22,957)	-	-	(14,035)
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(4,088)	-	-	(17,004)
Proceeds from issuance of debt	22,646	-	-	22,646
Principal payments on capital debt	(2,933)	(2,015)	-	(17,875)
Interest payments on capital debt	(3,033)	(4,961)	-	(16,499)
Principal payments on lease liabilities	-	-	-	(61)
Transfers in from other funds	10,563	6,976	(26,635)	-
Transfers out to other funds	-	-	26,635	(520)
Capital contributions received	-	-	-	4,747
Receipts from leases	-	-	-	27
Collection of interest from leases	-	-	-	5
Net cash provided by (used for) capital and related financing activities	23,155	-	-	(24,534)
Cash flows from investing activities:				
Collection (loss) of interest and investment revenue	(198)	-	-	(13,705)
Net increase (decrease) in cash and cash equivalents	-	-	-	21,645
Cash and cash equivalents, beginning of year	-	-	-	238,854
Cash and cash equivalents, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 260,499</u>
Reconciliation of cash and cash equivalents to the Schedule of Net Position:				
Cash and investments held by City	\$ -	\$ -	\$ -	\$ 189,894
Restricted cash and investments held by City	-	-	-	67,155
Restricted cash and investments held by fiscal agent	-	-	-	3,450
Total cash and cash equivalents, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 260,499</u>

**City of Sacramento**  
**Water Fund**  
**Combining Schedule of Cash Flows**  
For the Fiscal Year Ended June 30, 2022  
(in thousands)

	Development Impact Fee Fund	User Fee Fund	Grant Projects Fund	2013 Water Revenue Bonds Fund	2017 Water Revenue Bonds Fund
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:					
Operating income (loss)	\$ (148)	\$ 58,780	\$ (261)	\$ (5,221)	\$ (1,097)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation/amortization expense	148	17,585	203	5,221	1,097
Amortization of intangible assets	-	289	-	-	-
Changes in assets, liabilities, and deferred outflows and inflows of resources:					
Accounts receivable, net		3,492	-	-	-
Inventories		(391)	-	-	-
Prepaid items		(6)	-	-	-
Accounts payable		459	(5)	-	-
Accrued payroll		(66)	-	-	-
Accrued compensated absences		404	-	-	-
Accrued claims and judgments		(7)	-	-	-
Deposits		(1)	-	-	-
Unearned revenue		(535)	-	-	-
Water fee credits		(34)	-	-	-
Net pension liability and related deferred outflows/inflows of resources	-	(4,484)	-	-	-
Net OPEB liability and related deferred outflows/inflows of resources	-	(1,443)	-	-	-
Deferred inflows related to leases		(60)	-	-	-
Net cash provided by (used for) operating activities	<u>\$ -</u>	<u>\$ 73,982</u>	<u>\$ (63)</u>	<u>\$ -</u>	<u>\$ -</u>
Noncash investing, capital and financing activities:					
Contributions of capital assets	\$ -	\$ 2,634	\$ -	\$ -	\$ -
Amortization of bond premium and discount	-	624	-	767	329
Amortization of bond loss on refunding	-	(328)	-	-	-
Amortization of bond prepaid insurance	-	(23)	-	-	-
Capital asset acquisitions on accounts payable	116	1,116	48	-	-

(continued)

**City of Sacramento**  
**Water Fund**  
**Combining Schedule of Cash Flows**  
For the Fiscal Year Ended June 30, 2022  
(in thousands)

	Drinking Water SRF Loan Fund	2020 Water Revenue Refunding Bonds Fund	Eliminations	Total Water Fund
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ (2,641)	\$ -	\$ -	\$ 49,412
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation/amortization expense	2,641	-	-	26,895
Amortization of intangible assets	-	-	-	289
Changes in assets, liabilities, and deferred outflows and inflows of resources:				
Accounts receivable, net	-	-	-	3,492
Inventories	-	-	-	(391)
Prepaid items	-	-	-	(6)
Accounts payable	-	-	-	454
Accrued payroll	-	-	-	(66)
Accrued compensated absences	-	-	-	404
Accrued claims and judgments	-	-	-	(7)
Deposits	-	-	-	(1)
Unearned revenue	-	-	-	(535)
Water fee credits	-	-	-	(34)
Net pension liability and related deferred outflows/inflows of resources	-	-	-	(4,484)
Net OPEB liability and related deferred outflows/inflows of resources	-	-	-	(1,443)
Deferred inflows related to leases	-	-	-	(60)
Net cash provided by (used for) operating activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 73,919</u>
Noncash investing, capital and financing activities:				
Contributions of capital assets	\$ -	\$ -	\$ -	\$ 2,634
Amortization of bond premium and discount	-	-	-	1,720
Amortization of bond loss on refunding	-	197	-	(131)
Amortization of bond prepaid insurance	-	-	-	(23)
Capital asset acquisitions on accounts payable	74	-	-	1,354

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**WASTEWATER FUND**

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**City of Sacramento**  
**Wastewater Fund**  
**Combining Schedule of Net Position**  
June 30, 2022  
(in thousands)

	Development Impact Fee Fund	User Fee Fund	Grant Projects Fund	2013 Wastewater Revenue Bonds Fund
<b><u>ASSETS</u></b>				
Current assets:				
Cash and investments held by City	\$ -	\$ 54,001	\$ -	\$ -
Receivables, net:				
Accounts	768	10,280	-	-
Intergovernmental	-	-	434	-
Interest	-	183	-	-
Due from other funds	-	434	-	-
Inventories	-	37	-	-
	<u>768</u>	<u>64,935</u>	<u>434</u>	<u>-</u>
Total current assets				
Noncurrent assets:				
Restricted assets:				
Cash and investments held by City	5,339	1,174	-	-
Cash and investments held by fiscal agent	-	-	-	411
Capital assets:				
Land	-	1,138	-	-
Buildings and improvements	20,339	42,057	127	12,041
Machinery and equipment	-	5,233	146	301
Transmission and distribution systems	1,013	171,108	6,679	21,135
Construction in progress	2,224	846	-	364
Software	-	604	-	97
Less: accumulated depreciation/amortization	(388)	(92,434)	(319)	(3,366)
	<u>28,527</u>	<u>129,726</u>	<u>6,633</u>	<u>30,983</u>
Total noncurrent assets				
Total assets	<u>29,295</u>	<u>194,661</u>	<u>7,067</u>	<u>30,983</u>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>				
Loss on refunding of debt	-	-	-	-
Pensions	-	2,070	-	-
OPEB	-	390	-	-
	<u>-</u>	<u>2,460</u>	<u>-</u>	<u>-</u>
Total deferred outflows of resources				

**City of Sacramento**  
**Wastewater Fund**  
**Combining Schedule of Net Position**

June 30, 2022  
(in thousands)

	2019 Wastewater Revenue Bonds Fund	2020 Wastewater Revenue Refunding Bonds Fund	Eliminations	Total Wastewater Fund
<b><u>ASSETS</u></b>				
Current assets:				
Cash and investments held by City	\$ -	\$ -	\$ -	\$ 54,001
Receivables, net:				
Accounts	-	-	-	11,048
Intergovernmental	-	-	-	434
Interest	-	-	-	183
Due from other funds	-	-	(434)	-
Inventories	-	-	-	37
	<u>-</u>	<u>-</u>	<u>(434)</u>	<u>65,703</u>
Total current assets				
Noncurrent assets:				
Restricted assets:				
Cash and investments held by City	2,612	-	-	9,125
Cash and investments held by fiscal agent	-	-	-	411
Capital assets:				
Land	-	-	-	1,138
Buildings and improvements	4,432	-	-	78,996
Machinery and equipment	140	-	-	5,820
Transmission and distribution systems	16,131	-	-	216,066
Construction in progress	5,833	-	-	9,267
Software	2,746	-	-	3,447
Less: accumulated depreciation/amortization	(1,358)	-	-	(97,865)
	<u>30,536</u>	<u>-</u>	<u>-</u>	<u>226,405</u>
Total noncurrent assets				
Total assets	<u>30,536</u>	<u>-</u>	<u>(434)</u>	<u>292,108</u>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>				
Loss on refunding of debt	-	2,337	-	2,337
Pensions	-	-	-	2,070
OPEB	-	-	-	390
	<u>-</u>	<u>-</u>	<u>-</u>	<u>390</u>
Total deferred outflows of resources	<u>-</u>	<u>2,337</u>	<u>-</u>	<u>4,797</u>



**City of Sacramento**  
**Wastewater Fund**  
**Combining Schedule of Net Position**  
June 30, 2022  
(in thousands)

	Development Impact Fee Fund	User Fee Fund	Grant Projects Fund	2013 Wastewater Revenue Bonds Fund
<b><u>LIABILITIES</u></b>				
Current liabilities:				
Accounts payable	1,512	12,679	-	-
Due to other funds	-	-	434	-
Accrued payroll	-	199	-	-
Accrued compensated absences	-	73	-	-
Interest payable	-	-	-	26
Accrued claims and judgments	-	162	-	-
Revenue and other bonds payable, net	-	-	-	809
Total current liabilities	<u>1,512</u>	<u>13,113</u>	<u>434</u>	<u>835</u>
Noncurrent liabilities:				
Accrued compensated absences	-	959	-	-
Wastewater fee credits	10,772	-	-	-
Net OPEB liability	-	3,922	-	-
Revenue and other bonds payable, net	-	-	-	812
Net pension liability	-	8,909	-	-
Total noncurrent liabilities	<u>10,772</u>	<u>13,790</u>	<u>-</u>	<u>812</u>
Total liabilities	<u>12,284</u>	<u>26,903</u>	<u>434</u>	<u>1,647</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>				
Pensions	-	4,274	-	-
OPEB	-	1,781	-	-
Total deferred inflows of resources	<u>-</u>	<u>6,055</u>	<u>-</u>	<u>-</u>
<b><u>NET POSITION</u></b>				
Net investment in capital assets	12,413	128,494	6,633	29,966
Unrestricted	4,598	35,669	-	(630)
Total net position (deficit)	<u>\$ 17,011</u>	<u>\$ 164,163</u>	<u>\$ 6,633</u>	<u>\$ 29,336</u>

(continued)

**City of Sacramento**  
**Wastewater Fund**  
**Combining Schedule of Net Position**  
June 30, 2022  
(in thousands)

	2019 Wastewater Revenue Bonds Fund	2020 Wastewater Revenue Refunding Bonds Fund	Eliminations	Total Wastewater Fund
<b><u>LIABILITIES</u></b>				
Current liabilities:				
Accounts payable	371	-	-	14,562
Due to other funds	-	-	(434)	-
Accrued payroll	-	-	-	199
Accrued compensated absences	-	-	-	73
Interest payable	419	197	-	642
Accrued claims and judgments	-	-	-	162
Revenue and other bonds payable, net	1,176	335	-	2,320
	<u>1,966</u>	<u>532</u>	<u>(434)</u>	<u>17,958</u>
Total current liabilities				
Noncurrent liabilities:				
Accrued compensated absences	-	-	-	959
Wastewater fee credits	-	-	-	10,772
Net OPEB liability	-	-	-	3,922
Revenue and other bonds payable, net	29,026	26,770	-	56,608
Net pension liability	-	-	-	8,909
	<u>29,026</u>	<u>26,770</u>	<u>-</u>	<u>81,170</u>
Total noncurrent liabilities				
Total liabilities	<u>30,992</u>	<u>27,302</u>	<u>(434)</u>	<u>99,128</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>				
Pensions	-	-	-	4,274
OPEB	-	-	-	1,781
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,055</u>
<b><u>NET POSITION</u></b>				
Net investment in capital assets	(37)	(24,768)	-	152,701
Unrestricted	(419)	(197)	-	39,021
Total net position (deficit)	<u>\$ (456)</u>	<u>\$ (24,965)</u>	<u>\$ -</u>	<u>\$ 191,722</u>

**City of Sacramento**  
**Wastewater Fund**  
**Combining Schedule of Revenues,**  
**Expenses and Changes in Net Position**

For the Fiscal Year Ended June 30, 2022  
(in thousands)

	Development Impact Fee Fund	User Fee Fund	Grant Projects Fund	2013 Wastewater Revenue Bonds Fund
Operating revenues:				
Charges for services:				
User fees and charges	\$ -	\$ 43,141	\$ -	\$ -
Charge to other agencies for contract services	-	1,186	-	-
Total operating revenues	-	44,327	-	-
Operating expenses:				
Employee services	-	10,493	50	-
Services and supplies	-	13,012	258	-
Depreciation/amortization	213	3,650	79	521
Claims and judgments	-	150	-	-
Total operating expenses	213	27,305	387	521
Operating income (loss)	(213)	17,022	(387)	(521)
Nonoperating revenues (expenses):				
Interest and investment revenue (loss)	41	(3,393)	-	(2)
Revenue from other agencies	-	65	-	-
Interest expense	-	-	-	(42)
Total nonoperating revenues (expenses)	41	(3,328)	-	(44)
Income (loss) before capital contributions and transfers	(172)	13,694	(387)	(565)
Capital contributions	2,497	1,187	306	-
Transfers in	-	62	-	822
Transfers out	-	(8,630)	-	-
Changes in net position	2,325	6,313	(81)	257
Total net position (deficit), beginning of year	14,686	157,850	6,714	29,079
Total net position (deficit), end of year	\$ 17,011	\$ 164,163	\$ 6,633	\$ 29,336

**City of Sacramento**  
**Wastewater Fund**  
**Combining Schedule of Revenues,**  
**Expenses and Changes in Net Position**

For the Fiscal Year Ended June 30, 2022  
(in thousands)

	2019 Wastewater Revenue Bonds Fund	2020 Wastewater Revenue Refunding Bonds Fund	Eliminations	Total Wastewater Fund
Operating revenues:				
Charges for services:				
User fees and charges	\$ -	\$ -	\$ -	\$ 43,141
Charge to other agencies for contract services	-	-	-	1,186
Total operating revenues	-	-	-	44,327
Operating expenses:				
Employee services	-	-	-	10,543
Services and supplies	271	-	-	13,541
Depreciation/amortization	416	-	-	4,879
Claims and judgments	-	-	-	150
Total operating expenses	687	-	-	29,113
Operating income (loss)	(687)	-	-	15,214
Nonoperating revenues (expenses):				
Interest and investment revenue (loss)	16	-	-	(3,338)
Revenue from other agencies	-	-	-	65
Interest expense	(967)	(706)	-	(1,715)
Total nonoperating revenues (expenses)	(951)	(706)	-	(4,988)
Income (loss) before capital contributions and transfers	(1,638)	(706)	-	10,226
Capital contributions				
Transfers in	2,117	926	(3,865)	3,990
Transfers out	-	-	3,865	62
Changes in net position	479	220	-	9,513
Total net position (deficit), beginning of year	(935)	(25,185)	-	182,209
Total net position (deficit), end of year	\$ (456)	\$ (24,965)	\$ -	\$ 191,722

**City of Sacramento**  
**Wastewater Fund**  
**Combining Schedule of Cash Flows**  
For the Fiscal Year Ended June 30, 2022  
(in thousands)

	Development Impact Fee Fund	User Fee Fund	Grant Projects Fund	2013 Wastewater Revenue Bonds Fund
Cash flows from operating activities:				
Receipts from customers and users	\$ -	\$ 46,218	\$ -	\$ -
Payments to suppliers	-	(12,440)	(258)	-
Payments to employees	-	(12,178)	(50)	-
Claims and judgments paid	-	(118)	-	-
Net cash provided by (used for) operating activities	-	21,482	(308)	-
Cash flows from noncapital financing activities:				
Interfund cashflow loans	-	(434)	434	-
Transfers in from other funds	-	62	-	-
Transfers out to other funds	-	(4,719)	-	-
Interfund loan repayments	-	293	(293)	-
Intergovernmental revenue received	-	65	-	-
Net cash provided by (used for) noncapital financing activities	-	(4,733)	141	-
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(2,460)	(6,617)	2	(252)
Principal payments on capital debt	-	-	-	(725)
Interest payments on capital debt	-	-	-	(97)
Transfers in from other funds	-	-	-	822
Transfers out to other funds	-	(3,911)	-	-
Capital contributions received	3,036	-	165	-
Loan repayments received	-	-	-	-
Cash reimbursement for fee credits	(1,631)	-	-	-
Net cash provided by (used for) capital and related financing activities	(1,055)	(10,528)	167	(252)
Cash flows from investing activities:				
Collection (loss) of interest and investment revenue	41	(3,378)	-	(2)
Net increase (decrease) in cash and cash equivalents	(1,014)	2,843	-	(254)
Cash and cash equivalents, beginning of year	6,353	52,332	-	665
Cash and cash equivalents, end of year	<u>\$ 5,339</u>	<u>\$ 55,175</u>	<u>\$ -</u>	<u>\$ 411</u>
Reconciliation of cash and cash equivalents to the Schedule of Net Position:				
Cash and investments held by City	\$ -	\$ 54,001	\$ -	\$ -
Restricted cash and investments held by City	5,339	1,174	-	-
Restricted cash and investments held by fiscal agent	-	-	-	411
Total cash and cash equivalents, end of year	<u>\$ 5,339</u>	<u>\$ 55,175</u>	<u>\$ -</u>	<u>\$ 411</u>

**City of Sacramento**  
**Wastewater Fund**  
**Combining Schedule of Cash Flows**  
For the Fiscal Year Ended June 30, 2022  
(in thousands)

	2019 Wastewater Revenue Bonds Fund	2020 Wastewater Revenue Refunding Bonds Fund	Eliminations	Total Wastewater Fund
Cash flows from operating activities:				
Receipts from customers and users	\$ -	\$ -	\$ -	\$ 46,218
Payments to suppliers	(271)	-	-	(12,969)
Payments to employees	-	-	-	(12,228)
Claims and judgments paid	-	-	-	(118)
Net cash provided by (used for) operating activities	<u>(271)</u>	<u>-</u>	<u>-</u>	<u>20,903</u>
Cash flows from noncapital financing activities:				
Interfund cashflow loans	-	-	-	-
Transfers in from other funds	-	-	-	62
Transfers out to other funds	-	-	-	(4,719)
Interfund loan repayments	-	-	-	-
Intergovernmental revenue received	-	-	-	65
Net cash provided by (used for) noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,592)</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(9,620)	-	-	(18,947)
Principal payments on capital debt	(840)	(335)	-	(1,900)
Interest payments on capital debt	(1,277)	(591)	-	(1,965)
Transfers in from other funds	2,117	926	(3,865)	-
Transfers out to other funds	-	-	3,865	(46)
Capital contributions received	-	-	-	3,201
Loan repayments received	-	-	-	-
Cash reimbursement for fee credits	-	-	-	(1,631)
Net cash provided by (used for) capital and related financing activities	<u>(9,620)</u>	<u>-</u>	<u>-</u>	<u>(21,288)</u>
Cash flows from investing activities:				
Collection (loss) of interest and investment revenue	16	-	-	(3,323)
Net increase (decrease) in cash and cash equivalents	(9,875)	-	-	(8,300)
Cash and cash equivalents, beginning of year	12,487	-	-	71,837
Cash and cash equivalents, end of year	<u>\$ 2,612</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 63,537</u>
Reconciliation of cash and cash equivalents to the Schedule of Net Position:				
Cash and investments held by City	\$ -	\$ -	\$ -	\$ 54,001
Restricted cash and investments held by City	2,612	-	-	9,125
Restricted cash and investments held by fiscal agent	-	-	-	411
Total cash and cash equivalents, end of year	<u>\$ 2,612</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 63,537</u>

**City of Sacramento**  
**Wastewater Fund**  
**Combining Schedule of Cash Flows**  
For the Fiscal Year Ended June 30, 2022  
(in thousands)

	Development Impact Fee Fund	User Fee Fund	Grant Projects Fund	2013 Wastewater Revenue Bonds Fund
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ (213)	\$ 17,022	\$ (387)	\$ (521)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation/amortization expense	213	3,596	79	502
Amortization of intangible assets	-	54	-	19
Changes in assets, liabilities, and deferred outflows and inflows of resources:				
Accounts receivable, net	-	1,891	-	-
Inventories	-	10	-	-
Accounts payable	-	562	-	-
Accrued payroll	-	(42)	-	-
Accrued compensated absences	-	151	-	-
Accrued claims and judgments	-	32	-	-
Net pension liability and related deferred outflows/inflows of resources	-	(1,244)	-	-
Net OPEB liability and related deferred outflows/inflows of resources	-	(550)	-	-
Net cash provided by (used for) operating activities	<u>\$ -</u>	<u>\$ 21,482</u>	<u>\$ (308)</u>	<u>\$ -</u>
Noncash investing, capital and financing activities:				
Contributions of capital assets	\$ -	\$ 1,187	\$ -	\$ -
Amortization of bond premium and discount	-	-	-	43
Amortization of bond loss on refunding	-	-	-	-
Capital asset acquisitions on accounts payable	3	58	-	-
Fee credit reimbursement accounts payable	1,509	-	-	-

(continued)

**City of Sacramento**  
**Wastewater Fund**  
**Combining Schedule of Cash Flows**  
For the Fiscal Year Ended June 30, 2022  
(in thousands)

	2019 Wastewater Revenue Bonds Fund	2020 Wastewater Revenue Refunding Bonds Fund	Eliminations	Total Wastewater Fund
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ (687)	\$ -	\$ -	\$ 15,214
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation/amortization expense	233	-	-	4,623
Amortization of intangible assets	183	-	-	256
Changes in assets, liabilities, and deferred outflows and inflows of resources:				
Accounts receivable, net	-	-	-	1,891
Inventories	-	-	-	10
Accounts payable	-	-	-	562
Accrued payroll	-	-	-	(42)
Accrued compensated absences	-	-	-	151
Accrued claims and judgments	-	-	-	32
Net pension liability and related deferred outflows/inflows of resources	-	-	-	(1,244)
Net OPEB liability and related deferred outflows/inflows of resources	-	-	-	(550)
Net cash provided by (used for) operating activities	<u>\$ (271)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,903</u>
Noncash investing, capital and financing activities:				
Contributions of capital assets	\$ -	\$ -	\$ -	\$ 1,187
Amortization of bond premium and discount	296	-	-	339
Amortization of bond loss on refunding	-	-	(116)	(116)
Capital asset acquisitions on accounts payable	371	-	-	432
Fee credit reimbursement accounts payable	-	-	-	1,509



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**COMMUNITY CENTER FUND**

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**City of Sacramento**  
**Community Center Fund**  
**Combining Schedule of Net Position**  
June 30, 2022  
(In thousands)

	Community Center Fund	2018 TOT Revenue Bonds, Tax-Exempt Fund	2018 TOT Revenue Bonds, Taxable Fund	2019 STID Assessment Revenue Bonds Fund	Total Community Center Fund
<b>ASSETS</b>					
Current assets:					
Cash and investments held by City	\$ 33,376	\$ -	\$ -	\$ -	\$ 33,376
Receivables, net:					
Taxes	2,998	-	-	-	2,998
Accounts	419	-	-	-	419
Interest	126	-	-	-	126
Prepaid items	1	-	-	-	1
Total current assets	<u>36,920</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>36,920</u>
Noncurrent assets:					
Restricted assets:					
Cash and investments held by City	-	9,360	2,327	907	12,594
Cash and investments held by fiscal agent	1,934	2,383	781	1,826	6,924
Capital assets:					
Land	20,071	-	-	-	20,071
Buildings and improvements	113,040	-	-	-	113,040
Machinery and equipment	4,913	-	-	-	4,913
Construction in progress	6,255	291,214	17,732	48,754	363,955
Software	46	-	-	-	46
Less: accumulated depreciation/amortization	(72,617)	-	-	-	(72,617)
Total noncurrent assets	<u>73,642</u>	<u>302,957</u>	<u>20,840</u>	<u>51,487</u>	<u>448,926</u>
Total assets	<u>110,562</u>	<u>302,957</u>	<u>20,840</u>	<u>51,487</u>	<u>485,846</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Pensions	1,229	-	-	-	1,229
OPEB	386	-	-	-	386
Total deferred outflows of resources	<u>1,615</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,615</u>

**City of Sacramento**  
**Community Center Fund**  
**Combining Schedule of Net Position**  
June 30, 2022  
(In thousands)

	Community Center Fund	2018 TOT Revenue Bonds, Tax-Exempt Fund	2018 TOT Revenue Bonds, Taxable Fund	2019 STID Assessment Revenue Bonds Fund	Total Community Center Fund
<b><u>LIABILITIES</u></b>					
Current liabilities:					
Accounts payable	3,264	2,086	-	-	5,350
Due to other funds	250	-	-	-	250
Accrued payroll	194	-	-	-	194
Accrued compensated absences	41	-	-	-	41
Interest payable	-	1,085	40	152	1,277
Unearned revenue	819	-	-	-	819
Accrued claims and judgments	5	-	-	-	5
Revenue and other bonds payable, net	-	2,366	4,215	1,074	7,655
Total current liabilities	<u>4,573</u>	<u>5,537</u>	<u>4,255</u>	<u>1,226</u>	<u>15,591</u>
Noncurrent liabilities:					
Accrued compensated absences	561	-	-	-	561
Advances from other funds	4,781	-	-	-	4,781
Net OPEB liability	193	-	-	-	193
Revenue and other bonds payable, net	-	286,509	8,395	52,108	347,012
Net pension liability	6,120	-	-	-	6,120
Total noncurrent liabilities	<u>11,655</u>	<u>286,509</u>	<u>8,395</u>	<u>52,108</u>	<u>358,667</u>
Total liabilities	<u>16,228</u>	<u>292,046</u>	<u>12,650</u>	<u>53,334</u>	<u>374,258</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>					
Pensions	1,914	-	-	-	1,914
OPEB	917	-	-	-	917
Total deferred inflows of resources	<u>2,831</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,831</u>
<b><u>NET POSITION</u></b>					
Net investment in capital assets	73,603	14,283	8,401	(803)	95,484
Unrestricted	19,515	(3,372)	(211)	(1,044)	14,888
Total net position (deficit)	<u>\$ 93,118</u>	<u>\$ 10,911</u>	<u>\$ 8,190</u>	<u>\$ (1,847)</u>	<u>\$ 110,372</u>

**City of Sacramento**  
**Community Center Fund**  
**Combining Schedule of Revenues,**  
**Expenses and Changes in Net Position**

For the Fiscal Year Ended June 30, 2022  
(in thousands)

	Community Center Fund	2018 TOT Revenue Bonds, Tax-Exempt Fund	2018 TOT Revenue Bonds, Taxable Fund
Operating revenues:			
Charges for services:			
User fees and charges	\$ 2,837	\$ -	\$ -
Rents and concessions	7,303	-	-
Total operating revenues	<u>10,140</u>	<u>-</u>	<u>-</u>
Operating expenses:			
Employee services	5,225	-	-
Services and supplies	8,530	-	-
Depreciation/amortization	1,384	-	-
Total operating expenses	<u>15,139</u>	<u>-</u>	<u>-</u>
Operating loss	<u>(4,999)</u>	<u>-</u>	<u>-</u>
Nonoperating revenues (expenses):			
Interest and investment revenue (loss)	(2,433)	63	27
Transient occupancy taxes	26,843	-	-
Interest expense	(37)	(11,973)	(608)
Total nonoperating revenues (expenses)	<u>24,373</u>	<u>(11,910)</u>	<u>(581)</u>
Income (loss) before transfers	19,374	(11,910)	(581)
Transfers in	6,720	15,468	5,080
Transfers out	<u>(23,178)</u>	<u>-</u>	<u>-</u>
Changes in net position	2,916	3,558	4,499
Total net position (deficit), beginning of year	<u>90,202</u>	<u>7,353</u>	<u>3,691</u>
Total net position (deficit), end of year	<u>\$ 93,118</u>	<u>\$ 10,911</u>	<u>\$ 8,190</u>

**City of Sacramento**  
**Community Center Fund**  
**Combining Schedule of Revenues,**  
**Expenses and Changes in Net Position**

For the Fiscal Year Ended June 30, 2022  
(in thousands)

	<b>2019 STID Assessment Revenue Bonds Fund</b>	<b>Eliminations</b>	<b>Total Community Center Fund</b>
Operating revenues:			
Charges for services:			
User fees and charges	\$ -	\$ -	\$ 2,837
Rents and concessions	-	-	7,303
Total operating revenues	-	-	10,140
Operating expenses:			
Employee services	-	-	5,225
Services and supplies	-	-	8,530
Depreciation/amortization	-	-	1,384
Total operating expenses	-	-	15,139
Operating loss	-	-	(4,999)
Nonoperating revenues (expenses):			
Interest and investment revenue (loss)	4	-	(2,339)
Transient occupancy taxes	-	-	26,843
Interest expense	(1,699)	-	(14,317)
Total nonoperating revenues (expenses)	(1,695)	-	10,187
Income (loss) before transfers	(1,695)	-	5,188
Transfers in	2,741	(20,548)	9,461
Transfers out	-	20,548	(2,630)
Changes in net position	1,046	-	12,019
Total net position (deficit), beginning of year	(2,893)	-	98,353
Total net position (deficit), end of year	\$ (1,847)	\$ -	\$ 110,372

**City of Sacramento**  
**Community Center Fund**  
**Combining Schedule of Cash Flows**  
For the Fiscal Year Ended June 30, 2022  
(in thousands)

	Community Center Fund	2018 TOT Revenue Bonds, Tax-Exempt Fund	2018 TOT Revenue Bonds, Taxable Fund
Cash flows from operating activities:			
Receipts from customers and users	\$ 9,990	\$ -	\$ -
Payments to suppliers	(6,971)	-	-
Payments to employees	(6,256)	-	-
Net cash used for operating activities	(3,237)	-	-
Cash flows from noncapital financing activities:			
Transient occupancy taxes	26,522	-	-
Transfers in from other funds	6,720	-	-
Transfers out to other funds	(2,630)	-	-
Interfund loan repayments	(250)	-	-
Net cash provided by noncapital financing activities	30,362	-	-
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	317	(19,532)	(13,206)
Principal payments on capital debt	-	(1,200)	(4,070)
Interest payments on capital debt	-	(13,078)	(620)
Transfers in from other funds	-	15,468	5,080
Transfers out to other funds	(20,548)	-	-
Net cash used for capital and related financing activities	(20,231)	(18,342)	(12,816)
Cash flows from investing activities:			
Collection (loss) of interest and investment revenue	(2,357)	63	27
Net increase (decrease) in cash and cash equivalents	4,537	(18,279)	(12,789)
Cash and cash equivalents, beginning of year	30,773	30,022	15,897
Cash and cash equivalents, end of year	<u>\$ 35,310</u>	<u>\$ 11,743</u>	<u>\$ 3,108</u>
Reconciliation of cash and cash equivalents to the Schedule of Net Position:			
Cash and investments held by City	\$ 33,376	\$ -	\$ -
Restricted cash and investments held by City	-	9,360	2,327
Restricted cash and investments held by fiscal agent	1,934	2,383	781
Total cash and cash equivalents, end of year	<u>\$ 35,310</u>	<u>\$ 11,743</u>	<u>\$ 3,108</u>



**City of Sacramento**  
**Community Center Fund**  
**Combining Schedule of Cash Flows**  
For the Fiscal Year Ended June 30, 2022  
(in thousands)

	2019 STID Assessment Revenue Bonds Fund	Eliminations	Total Community Center Fund
Cash flows from operating activities:			
Receipts from customers and users	\$ -	\$ -	\$ 9,990
Payments to suppliers	-	-	(6,971)
Payments to employees	-	-	(6,256)
Net cash used for operating activities	-	-	(3,237)
Cash flows from noncapital financing activities:			
Transient occupancy taxes	-	-	26,522
Transfers in from other funds	-	-	6,720
Transfers out to other funds	-	-	(2,630)
Interfund loan repayments	-	-	(250)
Net cash provided by noncapital financing activities	-	-	30,362
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	-	-	(32,421)
Principal payments on capital debt	(880)	-	(6,150)
Interest payments on capital debt	(1,861)	-	(15,559)
Transfers in from other funds	2,741	(20,548)	2,741
Transfers out to other funds	-	20,548	-
Net cash used for capital and related financing activities	-	-	(51,389)
Cash flows from investing activities:			
Collection (loss) of interest and investment revenue	4	-	(2,263)
Net increase (decrease) in cash and cash equivalents	4	-	(26,527)
Cash and cash equivalents, beginning of year	2,729	-	79,421
Cash and cash equivalents, end of year	<u>\$ 2,733</u>	<u>\$ -</u>	<u>\$ 52,894</u>
Reconciliation of cash and cash equivalents to the Schedule of Net Position:			
Cash and investments held by City	\$ -	\$ -	\$ 33,376
Restricted cash and investments held by City	907	-	12,594
Restricted cash and investments held by fiscal agent	1,826	-	6,924
Total cash and cash equivalents, end of year	<u>\$ 2,733</u>	<u>\$ -</u>	<u>\$ 52,894</u>

**City of Sacramento**  
**Community Center Fund**  
**Combining Schedule of Cash Flows**  
For the Fiscal Year Ended June 30, 2022  
(in thousands)

	<u>Community Center Fund</u>	<u>2018 TOT Revenue Bonds, Tax-Exempt Fund</u>	<u>2018 TOT Revenue Bonds, Taxable Fund</u>
Reconciliation of operating loss to net cash used for operating activities:			
Operating loss	\$ (4,999)	\$ -	\$ -
Adjustments to reconcile operating loss to net cash used for operating activities:			
Depreciation/amortization expense	1,384	-	-
Changes in assets, liabilities, and deferred outflows and inflows of resources:			
Accounts receivable, net	(418)	-	-
Prepaid items	(1)	-	-
Accounts payable	1,560	-	-
Accrued payroll	84	-	-
Accrued compensated absences	183	-	-
Unearned revenue	268	-	-
Net pension liability and related deferred outflows/inflows of resources	(753)	-	-
Net OPEB liability and related deferred outflows/inflows of resources	(545)	-	-
Net cash used for operating activities	<u>\$ (3,237)</u>	<u>\$ -</u>	<u>\$ -</u>
Noncash investing, capital and financing activities:			
Amortization of bond premium and discount	\$ -	\$ 1,100	\$ -
Capital asset acquisitions on accounts payable	39	2,086	-

(continued)

**City of Sacramento**  
**Community Center Fund**  
**Combining Schedule of Cash Flows**  
For the Fiscal Year Ended June 30, 2022  
(in thousands)

	2019 STID Assessment Revenue Bonds Fund	Eliminations	Total Community Center Fund
Reconciliation of operating loss to net cash used for operating activities:			
Operating loss	\$ -	\$ -	\$ (4,999)
Adjustments to reconcile operating loss to net cash used for operating activities:			
Depreciation/amortization expense	-	-	1,384
Changes in assets, liabilities, and deferred outflows and inflows of resources:			
Accounts receivable, net	-	-	(418)
Prepaid items	-	-	(1)
Accounts payable	-	-	1,560
Accrued payroll	-	-	84
Accrued compensated absences	-	-	183
Unearned revenue	-	-	268
Net pension liability and related deferred outflows/inflows of resources	-	-	(753)
Net OPEB liability and related deferred outflows/inflows of resources	-	-	(545)
Net cash used for operating activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,237)</u>
Noncash investing, capital and financing activities:			
Amortization of bond premium and discount	\$ 159	\$ -	\$ 1,259
Capital asset acquisitions on accounts payable	-	-	2,125

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## INTERNAL SERVICE FUNDS

Internal service funds are established to account for goods or services provided by one department within the City to other departments on a cost reimbursement basis. The following are internal service funds:

**FLEET MANAGEMENT FUND** is used to account for the operation, maintenance and replacement of the City's fleet of vehicles that serve the transportation and operating needs of all City departments and divisions.

**RISK MANAGEMENT FUND** is used to account for the City's self-funded general and automobile insurance program and workers' compensation insurance program.

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**City of Sacramento**  
**Internal Service Funds**  
**Combining Statement of Net Position**

June 30, 2022

(in thousands)

	<b>Fleet Management Fund</b>	<b>Risk Management Fund</b>	<b>Total Internal Service Funds</b>
<b><u>ASSETS</u></b>			
Current assets:			
Cash and investments held by City	\$ 21,727	\$ 111,353	\$ 133,080
Cash and investments held by fiscal agent	-	884	884
Receivables, net:			
Accounts	39	5,135	5,174
Interest	-	298	298
Due from other funds	-	1,907	1,907
Prepaid items	4,695	222	4,917
Total current assets	<u>26,461</u>	<u>119,799</u>	<u>146,260</u>
Noncurrent assets:			
Advances to other funds	-	12,625	12,625
Capital assets:			
Buildings and improvements	7,454	-	7,454
Machinery and equipment	543	-	543
Vehicles	204,106	-	204,106
Construction in progress	144	-	144
Software	256	-	256
Leased building	-	35	35
Less: accumulated depreciation/amortization	<u>(119,136)</u>	<u>(14)</u>	<u>(119,150)</u>
Total noncurrent assets	<u>93,367</u>	<u>12,646</u>	<u>106,013</u>
Total assets	<u>119,828</u>	<u>132,445</u>	<u>252,273</u>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>			
Pensions	1,069	692	1,761
OPEB	307	131	438
Total deferred outflows of resources	<u>1,376</u>	<u>823</u>	<u>2,199</u>

**City of Sacramento**  
**Internal Service Funds**  
**Combining Statement of Net Position**

June 30, 2022

(in thousands)

	<b>Fleet Management Fund</b>	<b>Risk Management Fund</b>	<b>Total Internal Service Funds</b>
<b><u>LIABILITIES</u></b>			
Current liabilities:			
Accounts payable	5,302	554	5,856
Accrued payroll	233	96	329
Accrued compensated absences	29	33	62
Interest payable	2	-	2
Unearned revenue	-	228	228
Accrued claims and judgments	78	28,756	28,834
Lease liabilities	-	14	14
Revenue and other bonds payable, net	411	-	411
Total current liabilities	<u>6,055</u>	<u>29,681</u>	<u>35,736</u>
Noncurrent liabilities:			
Accrued compensated absences	755	488	1,243
Net OPEB liability	4,301	452	4,753
Accrued claims and judgments	-	83,060	83,060
Lease liabilities	-	8	8
Net pension liability	6,174	3,679	9,853
Total noncurrent liabilities	<u>11,230</u>	<u>87,687</u>	<u>98,917</u>
Total liabilities	<u>17,285</u>	<u>117,368</u>	<u>134,653</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Pensions	3,113	1,723	4,836
OPEB	1,804	397	2,201
Total deferred inflows of resources	<u>4,917</u>	<u>2,120</u>	<u>7,037</u>
<b><u>NET POSITION</u></b>			
Net investment in capital assets	90,591	-	90,591
Unrestricted	8,411	13,780	22,191
Total net position	<u>\$ 99,002</u>	<u>\$ 13,780</u>	<u>\$ 112,782</u>



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**City of Sacramento**  
**Internal Service Funds**  
**Combining Statement of Revenues, Expenses**  
**and Changes in Net Position**

For the Fiscal Year Ended June 30, 2022  
(in thousands)

	<b>Fleet Management Fund</b>	<b>Risk Management Fund</b>	<b>Total Internal Service Funds</b>
Operating revenues:			
Charges for services:			
User fees and charges	\$ 52,445	\$ 52,423	\$ 104,868
Miscellaneous	125	-	125
Total operating revenues	<u>52,570</u>	<u>52,423</u>	<u>104,993</u>
Operating expenses:			
Employee services	6,867	4,466	11,333
Services and supplies	26,536	7,375	33,911
Depreciation/amortization	15,288	14	15,302
Insurance premiums	-	12,336	12,336
Claims and judgments	149	30,617	30,766
Total operating expenses	<u>48,840</u>	<u>54,808</u>	<u>103,648</u>
Operating income (loss)	<u>3,730</u>	<u>(2,385)</u>	<u>1,345</u>
Nonoperating revenues (expenses):			
Interest and investment revenue (loss)	155	(4,866)	(4,711)
Insurance and other claim recoveries	-	2,374	2,374
Interest expense	(16)	-	(16)
Gain on disposition of capital assets	151	-	151
Total nonoperating revenues (expenses)	<u>290</u>	<u>(2,492)</u>	<u>(2,202)</u>
Income (loss) before transfers	4,020	(4,877)	(857)
Transfers in	21	-	21
Transfers out	<u>(1,071)</u>	<u>-</u>	<u>(1,071)</u>
Changes in net position	2,970	(4,877)	(1,907)
Total net position, beginning of year	<u>96,032</u>	<u>18,657</u>	<u>114,689</u>
Total net position, end of year	<u>\$ 99,002</u>	<u>\$ 13,780</u>	<u>\$ 112,782</u>

**City of Sacramento**  
**Internal Service Funds**  
**Combining Statement of Cash Flows**  
For the Fiscal Year Ended June 30, 2022  
(in thousands)

	<b>Fleet Management Fund</b>	<b>Risk Management Fund</b>	<b>Total Internal Service Funds</b>
Cash flows from operating activities:			
Receipts from interfund services provided	\$ 52,574	\$ 126,435	\$ 179,009
Payments to suppliers	(26,181)	(93,627)	(119,808)
Payments to employees	(7,994)	(5,104)	(13,098)
Claims and judgments paid	(114)	(23,887)	(24,001)
Net cash provided by operating activities	<u>18,285</u>	<u>3,817</u>	<u>22,102</u>
Cash flows from noncapital financing activities:			
Transfers out to other funds	(1,026)	-	(1,026)
Collections on interfund loans	-	4,179	4,179
Loans made to other funds	-	(1,657)	(1,657)
Net cash used for noncapital financing activities	<u>(1,026)</u>	<u>2,522</u>	<u>1,496</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(19,148)	-	(19,148)
Proceeds from sale of capital assets	870	-	870
Principal payments on capital debt	-	(13)	(13)
Interest payments on capital debt	(21)	-	(21)
Transfers in from other funds	21	-	21
Transfers out to other funds	(45)	-	(45)
Net cash used for capital and related financing activities	<u>(18,323)</u>	<u>(13)</u>	<u>(18,336)</u>
Cash flows from investing activities:			
Collection (loss) of interest and investment revenue	155	(4,908)	(4,753)
Net increase (decrease) in cash and cash equivalents	(909)	1,418	509
Cash and cash equivalents, beginning of year	<u>22,636</u>	<u>110,819</u>	<u>133,455</u>
Cash and cash equivalents, end of year	<u>\$ 21,727</u>	<u>\$ 112,237</u>	<u>\$ 133,964</u>
Reconciliation of cash and cash equivalents to the Statement of Net Position:			
Cash and investments held by City	\$ 21,727	\$ 111,353	\$ 133,080
Cash and investments held by fiscal agent	-	884	884
Total cash and cash equivalents, end of year	<u>\$ 21,727</u>	<u>\$ 112,237</u>	<u>\$ 133,964</u>

**City of Sacramento**  
**Internal Service Funds**  
**Combining Statement of Cash Flows**  
For the Fiscal Year Ended June 30, 2022  
(in thousands)

	<b>Fleet Management Fund</b>	<b>Risk Management Fund</b>	<b>Total Internal Service Funds</b>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 3,730	\$ (2,385)	\$ 1,345
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation/amortization expense	15,288	14	15,302
Nonoperating claims and judgments	-	(2,676)	(2,676)
Changes in assets, liabilities, and deferred outflows and inflows of resources:			
Accounts receivable, net	4	-	4
Prepaid items	(1)	177	176
Accounts payable	356	(46)	310
Accrued payroll	(5)	(14)	(19)
Accrued compensated absences	103	46	149
Accrued claims and judgments	35	9,406	9,441
Deposits	-	(5)	(5)
Unearned revenue	-	(29)	(29)
Net pension liability and related deferred outflows/inflows of resources	(792)	(486)	(1,278)
Net OPEB liability and related deferred outflows/inflows of resources	(433)	(185)	(618)
Net cash provided by operating activities	<u>\$ 18,285</u>	<u>\$ 3,817</u>	<u>\$ 22,102</u>
Noncash investing, capital and financing activities:			
Amortization of bond premium and discount	\$ 5	\$ -	\$ 5
Increase in prepaid items for capital assets	1,347	-	1,347
Capital asset acquisitions on accounts payable	2,365	-	2,365

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## **OTHER CUSTODIAL FUNDS**

Custodial funds account for assets held by the City as a custodian for individuals, private organizations, and other governments. The following custodial funds have been classified as other custodial funds:

**INDIVIDUAL INVESTMENT ACCOUNTS FUND** is used to account for assets and liabilities, held for entities external to the City, which are not invested in the City Sponsored Investment Pool.

**ASSESSMENT DISTRICTS & COMMUNITY FACILITIES DISTRICTS FUND** is used to account for special tax assessments, debt service payments, and the payment of other costs related to bonds issued under the Improvement Bond Act of 1915 and Mello-Roos districts within the City.

**City of Sacramento**  
**Other Custodial Funds**  
**Combining Statement of Fiduciary Net Position**

June 30, 2022  
(in thousands)

	<u>Individual Investment Accounts</u>	<u>Assessment Districts &amp; Community Facilities Districts</u>	<u>Total Other Custodial Funds</u>
<b><u>ASSETS</u></b>			
Cash and investments held by City	\$ 141,823	\$ 13,605	\$ 155,428
Cash and investments held by fiscal agent	-	4,201	4,201
Receivables, net:			
Interest	266	21	287
Special assessments	-	316	316
Restricted assets:			
Cash and investments held by City	-	5,228	5,228
Cash and investments held by fiscal agent	-	21,095	21,095
Total assets	<u>142,089</u>	<u>44,466</u>	<u>186,555</u>
<b><u>LIABILITIES</u></b>			
Accounts payable	-	46	46
Due to bondholders	-	44,420	44,420
Total liabilities	<u>-</u>	<u>44,466</u>	<u>44,466</u>
<b><u>NET POSITION</u></b>			
Held for external pool participants	<u>\$ 142,089</u>	<u>\$ -</u>	<u>\$ 142,089</u>

**City of Sacramento**  
**Other Custodial Funds**  
**Combining Statement of Changes in Fiduciary Net Position**

For the Fiscal Year Ended June 30, 2022  
(in thousands)

	Individual Investment Accounts	Assessment Districts & Community Facilities Districts	Total Other Custodial Funds
Additions:			
Deposits	\$ 6,579	\$ -	\$ 6,579
Special assessments	-	26,038	26,038
Fines, forfeits, and penalties	-	3	3
Investment income:			
From investment activities:			
Net depreciation in fair value of investments	(6,477)	(1,216)	(7,693)
Interest	1,208	-	1,208
Total investment loss	(5,269)	(1,216)	(6,485)
Less investment expenses:			
Banking, interest, and fiscal agent expenses	-	-	-
Net loss from investment activities	(5,269)	(1,216)	(6,485)
Total additions	1,310	24,825	26,135
Deductions:			
Withdrawals	29,008	-	29,008
Paid to bondholders	-	23,496	23,496
Administrative expenses	-	1,243	1,243
Developer reimbursements	-	86	86
Total deductions	29,008	24,825	53,833
Changes in net position	(27,698)	-	(27,698)
Net position, beginning of year	169,787	-	169,787
Net position, end of year	<u>\$ 142,089</u>	<u>\$ -</u>	<u>\$ 142,089</u>



# 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 condition have changed over time.

### **Revenue Capacity Information**

These schedules contain trend information to help the reader understand the City's most significant local revenue source, property taxes.

### **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.

### **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.

### **Successor Agency Information**

These schedules present revenue and debt capacity information related to the Successor Agency for the former Redevelopment Agency of the City of Sacramento. These schedules contain trend information to help the reader understand the Successor Agency's primary revenue source, property tax distributions from the county redevelopment property tax trust fund, and affordability of the Successor Agency's current level of outstanding debt.

### **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.

**City of Sacramento**  
**Net Position by Component** <sup>(1) (2) (3) (4) (5) (6)</sup>  
**Last Ten Fiscal Years**

(accrual basis accounting, in thousands)

	Fiscal Year				
	2013	2014	2015	2016	2017
Governmental activities					
Net investment in capital assets	\$ 1,369,377	\$ 1,393,447	\$ 1,445,139	\$ 1,497,796	\$ 1,296,493
Restricted for:					
Capital projects	131,822	116,271	116,910	80,054	119,131
Debt service	641	652	665	1,203	872
Public works programs	16,756	16,462	19,027	20,521	18,866
Economic development programs	23,979	22,493	17,280	16,888	16,251
Ambulance services	-	-	1,085	1,085	-
Other programs	21,087	22,315	26,735	28,381	23,645
Trust and endowments:					
Expendable	7,225	7,928	7,789	8,008	8,545
Nonexpendable	878	878	878	878	878
Unrestricted	1,837	30,170	(591,896)	(581,697)	(443,845)
Total governmental activities net position	<u>\$ 1,573,602</u>	<u>\$ 1,610,616</u>	<u>\$ 1,043,612</u>	<u>\$ 1,073,117</u>	<u>\$ 1,040,836</u>
Business-type activities					
Net investment in capital assets	\$ 720,039	\$ 733,980	\$ 748,312	\$ 785,353	\$ 807,004
Restricted for:					
Capital projects	33,168	33,255	33,914	40,772	39,155
Debt service	-	-	-	-	-
Other programs	349	1,215	1,730	2,203	2,607
Unrestricted	140,385	177,814	107,305	123,842	150,049
Total business-type activities net position	<u>\$ 893,941</u>	<u>\$ 946,264</u>	<u>\$ 891,261</u>	<u>\$ 952,170</u>	<u>\$ 998,815</u>
Primary government					
Net investment in capital assets	\$ 2,089,416	\$ 2,127,427	\$ 2,193,451	\$ 2,283,149	\$ 2,103,497
Restricted for:					
Capital projects	164,990	149,526	150,824	120,826	158,286
Debt service	641	652	665	1,203	872
Public works programs	16,756	16,462	19,027	20,521	18,866
Economic development programs	23,979	22,493	17,280	16,888	16,251
Ambulance services	-	-	1,085	1,085	-
Other programs	21,436	23,530	28,465	30,584	26,252
Trust and endowments:					
Expendable	7,225	7,928	7,789	8,008	8,545
Nonexpendable	878	878	878	878	878
Unrestricted	142,222	207,984	(484,591)	(457,855)	(293,796)
Total primary government net position	<u>\$ 2,467,543</u>	<u>\$ 2,556,880</u>	<u>\$ 1,934,873</u>	<u>\$ 2,025,287</u>	<u>\$ 2,039,651</u>

- Notes: (1) The fiscal year 2013 net position restricted for economic development includes the remaining Sheraton proceeds restricted by the Master Owner Participation Agreement with Taylor/CIM Redevelopment Company, LLC.
- (2) Net position for governmental activities for all fiscal years prior to 2014 have been restated to remove the Cal EPA building and land.
- (3) Fiscal year 2013 amounts have been restated for the effects of the prior period adjustments for debt issuance costs and the reclassification of the Marina fund.
- (4) Fiscal year 2015 beginning net position was restated due to the implementation of GASB 68 and GASB 71.
- (5) Fiscal year 2017 beginning net position was restated due to the implementation of GASB 75.
- (6) GASB 87 was implemented in fiscal year 2022, and beginning net position has not been restated.

Source: City of Sacramento Annual Comprehensive Financial Reports

**City of Sacramento**  
**Net Position by Component** <sup>(1) (2) (3) (4) (5) (6)</sup>  
**Last Ten Fiscal Years**

(accrual basis accounting, in thousands)

	Fiscal Year				
	2018	2019	2020	2021	2022
<b>Governmental activities</b>					
Net investment in capital assets	\$ 1,335,576	\$ 1,267,837	\$ 1,318,817	\$ 1,360,966	\$ 1,370,530
Restricted for:					
Capital projects	136,831	166,705	191,919	214,188	223,243
Debt service	606	686	537	401	907
Public works programs	24,750	27,792	29,972	29,598	35,497
Economic development programs	44,920	48,878	46,954	49,537	55,545
Ambulance services	-	-	-	-	-
Other programs	26,786	39,380	60,466	61,142	67,600
Trust and endowments:					
Expendable	8,656	9,197	8,547	9,934	10,249
Nonexpendable	878	878	878	878	578
Unrestricted	<u>(667,254)</u>	<u>(606,222)</u>	<u>(612,827)</u>	<u>(596,900)</u>	<u>(407,418)</u>
<b>Total governmental activities net position</b>	<u>\$ 911,749</u>	<u>\$ 955,131</u>	<u>\$ 1,045,263</u>	<u>\$ 1,129,744</u>	<u>\$ 1,356,731</u>
<b>Business-type activities</b>					
Net investment in capital assets	\$ 869,183	\$ 925,128	\$ 1,166,785	\$ 1,167,408	\$ 937,751
Restricted for:					
Capital projects	38,473	40,411	47,256	43,253	45,942
Debt service	-	-	401	-	-
Other programs	2,633	2,963	2,929	2,200	2,594
Unrestricted	<u>124,001</u>	<u>138,742</u>	<u>(44,579)</u>	<u>1,279</u>	<u>268,651</u>
<b>Total business-type activities net position</b>	<u>\$ 1,034,290</u>	<u>\$ 1,107,244</u>	<u>\$ 1,172,792</u>	<u>\$ 1,214,140</u>	<u>\$ 1,254,938</u>
<b>Primary government</b>					
Net investment in capital assets	\$ 2,204,759	\$ 2,192,965	\$ 2,485,602	\$ 2,528,374	\$ 2,308,281
Restricted for:					
Capital projects	175,304	207,116	239,175	257,441	269,185
Debt service	606	686	938	401	907
Public works programs	24,750	27,792	29,972	29,598	35,497
Economic development programs	44,920	48,878	46,954	49,537	55,545
Ambulance services	-	-	-	-	-
Other programs	29,419	42,343	63,395	63,342	70,194
Trust and endowments:					
Expendable	8,656	9,197	8,547	9,934	10,249
Nonexpendable	878	878	878	878	578
Unrestricted	<u>(543,253)</u>	<u>(467,480)</u>	<u>(657,406)</u>	<u>(595,621)</u>	<u>(138,767)</u>
<b>Total primary government net position</b>	<u>\$ 1,946,039</u>	<u>\$ 2,062,375</u>	<u>\$ 2,218,055</u>	<u>\$ 2,343,884</u>	<u>\$ 2,611,669</u>

- Notes: (1) The fiscal year 2013 net position restricted for economic development includes the remaining Sheraton proceeds restricted by the Master Owner Participation Agreement with Taylor/CIM Redevelopment Company, LLC.  
(2) Net position for governmental activities for all fiscal years prior to 2014 have been restated to remove the Cal EPA building and land.  
(3) Fiscal year 2013 amounts have been restated for the effects of the prior period adjustments for debt issuance costs and the reclassification of the Marina fund.  
(4) Fiscal year 2015 beginning net position was restated due to the implementation of GASB 68 and GASB 71.  
(5) Fiscal year 2017 beginning net position was restated due to the implementation of GASB 75.  
(6) GASB 87 was implemented in fiscal year 2022, and beginning net position has not been restated.

Source: City of Sacramento Annual Comprehensive Financial Reports

**City of Sacramento**  
**Changes in Net Position** <sup>(1) (2)</sup>  
**Last Ten Fiscal Years**

(accrual basis of accounting, in thousands)

	Fiscal Year				
	2013	2014	2015	2016	2017
<b>Expenses</b>					
<i>Governmental activities</i>					
General government	\$ 36,681	\$ 41,190	\$ 52,474	\$ 59,037	\$ 59,033
Police	157,432	157,248	166,797	164,750	176,955
Fire	117,451	125,461	127,561	137,859	146,693
Public works	126,636	103,632	103,088	121,184	106,328
General services <sup>(3)</sup>	15,343	13,807	15,619	-	-
Economic development <sup>(4)</sup>	10,468	17,080	11,075	13,049	13,397
Convention and cultural services	19,537	17,916	19,441	24,139	20,380
Youth, parks, and community enrichment	48,457	52,336	56,573	53,911	50,156
Community development	29,253	26,484	30,221	36,251	41,726
Community response <sup>(5)</sup>	-	-	-	-	-
Library	13,753	13,720	15,629	16,294	16,122
Interest on long-term debt	22,420	22,178	29,046	30,404	27,626
<b>Total governmental activities expenses</b>	<b>597,431</b>	<b>591,052</b>	<b>627,524</b>	<b>656,878</b>	<b>658,416</b>
<i>Business-type activities</i>					
Water	68,643	66,627	69,428	73,150	80,176
Wastewater	22,776	25,673	25,432	25,348	29,075
Storm drainage	36,755	36,664	41,830	40,971	40,479
Solid waste	49,794	49,014	47,149	47,703	51,693
Community center	17,251	17,204	17,690	17,277	16,607
Parking	15,358	15,238	13,704	14,451	11,955
Child development	6,116	6,297	6,151	5,519	5,743
<b>Total business-type activities expenses</b>	<b>216,693</b>	<b>216,717</b>	<b>221,384</b>	<b>224,419</b>	<b>235,728</b>
<b>Total primary government expenses</b>	<b>\$ 814,124</b>	<b>\$ 807,769</b>	<b>\$ 848,908</b>	<b>\$ 881,297</b>	<b>\$ 894,144</b>

Notes: (1) The expenses reported in the governmental activities and business-type activities are net of indirect charges between the departments.

(2) Fiscal year 2013 amounts have been restated for the effects of the prior period adjustments for debt issuance costs and the reclassification of the Marina fund.

(3) The Department of General Services has been reallocated to the Departments of Community Development, Information Technology, and Public Works in FY16.

(4) The Economic Development function was reallocated to the General Government function in FY18.

(5) The Department of Community Response was created in FY22.

**City of Sacramento**  
**Changes in Net Position** <sup>(1) (2)</sup>  
**Last Ten Fiscal Years**

(accrual basis of accounting, in thousands)

	Fiscal Year				
	2018	2019	2020	2021	2022
<b>Expenses</b>					
<i>Governmental activities</i>					
General government	\$ 100,625	\$ 116,282	\$ 152,791	\$ 259,529	\$ 228,155
Police	199,746	203,303	233,686	233,883	214,867
Fire	160,216	169,819	179,626	191,814	165,526
Public works	122,340	132,958	125,025	115,565	116,113
General services <sup>(3)</sup>	-	-	-	-	-
Economic development <sup>(4)</sup>	-	-	-	-	-
Convention and cultural services	21,066	30,907	20,615	18,398	21,421
Youth, parks, and community enrichment	55,518	61,225	66,885	57,345	67,602
Community development	50,879	60,466	74,398	71,473	64,151
Community response <sup>(5)</sup>	-	-	-	-	10,703
Library	17,376	18,687	19,822	22,173	23,304
Interest on long-term debt	23,144	23,454	24,341	20,635	18,800
<b>Total governmental activities expenses</b>	<b>750,910</b>	<b>817,101</b>	<b>897,189</b>	<b>990,815</b>	<b>930,642</b>
<i>Business-type activities</i>					
Water	87,745	99,029	104,542	102,538	101,546
Wastewater	28,251	33,059	32,461	32,436	30,828
Storm drainage	41,199	40,186	44,786	40,942	41,238
Solid waste	56,698	57,408	59,176	64,060	63,228
Community center	17,795	27,058	31,298	25,257	29,456
Parking	13,475	14,354	13,997	11,454	10,675
Child development	6,589	6,766	5,594	3,422	5,626
<b>Total business-type activities expenses</b>	<b>251,752</b>	<b>277,860</b>	<b>291,854</b>	<b>280,109</b>	<b>282,597</b>
<b>Total primary government expenses</b>	<b>\$ 1,002,662</b>	<b>\$ 1,094,961</b>	<b>\$ 1,189,043</b>	<b>\$ 1,270,924</b>	<b>\$ 1,213,239</b>

Notes: (1) The expenses reported in the governmental activities and business-type activities are net of indirect charges between the departments.

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**City of Sacramento**  
**Changes in Net Position** <sup>(1) (2)</sup>  
**Last Ten Fiscal Years**

(accrual basis of accounting, in thousands)

	Fiscal Year				
	2013	2014	2015	2016	2017
<b>Program Revenues</b>					
<i>Governmental activities</i>					
Charge for services					
General government	\$ 6,924	\$ 7,270	\$ 6,436	\$ 7,103	\$ 6,573
Police	9,693	10,804	11,583	11,022	13,068
Fire	24,288	26,155	32,264	31,204	30,897
Public works	28,321	30,337	32,840	37,179	42,897
General services <sup>(3)</sup>	3,175	1,756	1,251	-	-
Economic development <sup>(4)</sup>	8,685	8,205	7,659	7,889	9,140
Convention and cultural services	8,817	9,311	9,303	10,085	10,860
Youth, parks, and community enrichment	10,604	13,359	15,004	13,792	12,954
Community development	15,423	17,141	25,069	27,025	32,428
Library	33	59	29	-	-
Total charge for services	115,963	124,397	141,438	145,299	158,817
Operating grants and contributions	81,822	47,430	52,306	35,442	36,938
Capital grants and contributions	69,323	89,539	115,354	122,528	86,856
Total governmental activities program revenues	267,108	261,366	309,098	303,269	282,611
<i>Business-type activities</i>					
Charge for services					
Water	88,754	94,382	100,523	98,533	108,867
Wastewater	25,134	28,493	32,223	31,532	34,311
Storm drainage	35,682	38,049	37,646	40,166	40,124
Solid waste	60,295	58,561	59,095	60,253	61,548
Community center	7,130	7,718	8,748	8,782	9,488
Parking	18,823	18,643	16,595	17,646	18,374
Child development	5,426	5,632	5,553	6,073	5,713
Total charge for services	241,244	251,478	260,383	262,985	278,425
Operating grants and contributions	1,095	1,963	2,142	3,435	3,967
Capital grants and contributions	7,480	4,403	7,292	7,433	6,229
Total business-type activities program revenues	249,819	257,844	269,817	273,853	288,621
Total primary government program revenues	\$ 516,927	\$ 519,210	\$ 578,915	\$ 577,122	\$ 571,232
<b>Net (Expense) Revenue</b>					
Governmental activities	\$ (330,323)	\$ 261,366	\$ (318,426)	\$ (353,609)	\$ (375,805)
Business-type activities	33,126	208,830	48,433	49,434	52,893
Total primary government net expenses	\$ (297,197)	\$ 470,196	\$ (269,993)	\$ (304,175)	\$ (322,912)

Notes: (1) The expenses reported in the governmental activities and business-type activities are net of indirect charges between the departments.

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(3) The Department of General Services has been reallocated to the Departments of Community Development, Information Technology, and Public Works in FY16.

(4) The Economic Development function was reallocated to the General Government function in FY18.

**City of Sacramento**  
**Changes in Net Position** <sup>(1) (2)</sup>  
**Last Ten Fiscal Years**

(accrual basis of accounting, in thousands)

	Fiscal Year				
	2018	2019	2020	2021	2022
<b>Program Revenues</b>					
<i>Governmental activities</i>					
Charge for services					
General government	\$ 19,438	\$ 22,908	\$ 26,527	\$ 28,247	\$ 30,628
Police	12,586	14,550	13,490	10,468	12,626
Fire	42,898	42,866	44,851	46,867	54,968
Public works	50,159	52,901	50,216	43,245	55,885
General services <sup>(3)</sup>	-	-	-	-	-
Economic development <sup>(4)</sup>	-	-	-	-	-
Convention and cultural services	12,456	12,622	10,385	8,823	10,901
Youth, parks, and community enrichment	13,065	13,365	12,429	8,952	12,470
Community development	36,019	38,218	38,646	34,287	35,516
Library	-	-	-	-	-
Total charge for services	186,621	197,430	196,544	180,889	212,994
Operating grants and contributions	41,811	55,535	75,897	185,641	234,294
Capital grants and contributions	101,476	98,903	160,395	141,760	110,961
Total governmental activities program revenues	329,908	351,868	432,836	508,290	558,249
<i>Business-type activities</i>					
Charge for services					
Water	119,379	127,868	142,041	144,070	136,613
Wastewater	37,596	42,275	44,562	43,829	44,327
Storm drainage	39,512	39,969	40,871	40,848	41,901
Solid waste	63,556	63,664	67,086	73,465	76,221
Community center	9,848	8,726	2,458	196	10,140
Parking	19,003	19,735	17,140	10,403	13,977
Child development	6,419	6,547	5,328	552	4,356
Total charge for services	295,313	308,784	319,486	313,363	327,535
Operating grants and contributions	2,179	3,300	1,693	501	1,864
Capital grants and contributions	23,726	20,457	32,726	18,445	17,162
Total business-type activities program revenues	321,218	332,541	353,905	332,309	346,561
Total primary government program revenues	\$ 651,126	\$ 684,409	\$ 786,741	\$ 840,599	\$ 904,810
<b>Net (Expense) Revenue</b>					
Governmental activities	\$ (421,002)	\$ (465,233)	\$ (464,353)	\$ (482,525)	\$ (372,393)
Business-type activities	69,466	54,681	62,051	52,200	63,964
Total primary government net expenses	\$ (351,536)	\$ (410,552)	\$ (402,302)	\$ (430,325)	\$ (308,429)

Notes: (1) The expenses reported in the governmental activities and business-type activities are net of indirect charges between the departments.

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(3) The Department of General Services has been reallocated to the Departments of Community Development, Information Technology, and Public Works in FY16.

(4) The Economic Development function was reallocated to the General Government function in FY18.

Source: City of Sacramento Annual Comprehensive Financial Reports



**City of Sacramento**  
**Changes in Net Position** <sup>(1) (2)</sup>  
**Last Ten Fiscal Years**

(accrual basis of accounting, in thousands)

	Fiscal Year				
	2013	2014	2015	2016	2017
<b>General Revenues and Other</b>					
<b>Changes in Net Position</b>					
<i>Governmental activities</i>					
Taxes:					
Property taxes	\$ 114,451	\$ 122,477	\$ 129,714	\$ 138,354	\$ 146,697
Utility user taxes	59,066	59,613	59,947	61,404	62,997
Other taxes	27,943	61,584	66,205	70,761	77,608
Sales taxes shared state revenue	52,300	56,575	58,476	67,983	81,296
In-lieu sales tax	16,113	16,823	16,632	14,387	-
Investment earnings (loss)	10,101	10,136	8,769	11,328	9,178
Miscellaneous	9,749	8,853	11,060	12,954	14,221
Contributions to permanent fund	1	1	1	-	-
Gain (loss) on disposition of capital assets	-	4,567	5,340	-	(79,916)
Special items	26,208	(2,500)	-	(8,830)	-
Transfers	19,002	28,571	32,148	14,773	31,443
<b>Total governmental activities</b>	<b>334,934</b>	<b>366,700</b>	<b>388,292</b>	<b>383,114</b>	<b>343,524</b>
<i>Business-type activities</i>					
Taxes:					
Other taxes	16,555	17,943	20,108	21,800	23,866
Investment earnings (loss)	1,299	3,294	1,567	4,428	1,292
Miscellaneous	-	3	5	20	20
Gain (loss) on disposition of capital assets	-	-	-	-	17
Special items	-	18,527	4,554	-	-
Transfers	(19,002)	(28,571)	(32,148)	(14,773)	(31,443)
<b>Total business-type activities</b>	<b>(1,148)</b>	<b>11,196</b>	<b>(5,914)</b>	<b>11,475</b>	<b>(6,248)</b>
<b>Total primary government</b>	<b>\$ 333,786</b>	<b>\$ 377,896</b>	<b>\$ 382,378</b>	<b>\$ 394,589</b>	<b>\$ 337,276</b>
<b>Change in Net Position</b>					
Governmental activities	\$ 4,611	\$ 366,700	\$ 69,866	\$ 29,505	\$ (32,281)
Business-type activities	31,978	11,196	42,519	60,909	47,180
<b>Total primary government</b>	<b>\$ 36,589</b>	<b>\$ 377,896</b>	<b>\$ 112,385</b>	<b>\$ 90,414</b>	<b>\$ 14,899</b>

Notes: (1) The expenses reported in the governmental activities and business-type activities are net of indirect charges between the departments.

(2) Fiscal year 2013 amounts have been restated for the effects of the prior period adjustments for debt issuance costs and the reclassification of the Marina fund.

**City of Sacramento**  
**Changes in Net Position** <sup>(1) (2)</sup>  
**Last Ten Fiscal Years**

(accrual basis of accounting, in thousands)

	Fiscal Year				
	2018	2019	2020	2021	2022
<b>General Revenues and Other</b>					
<b>Changes in Net Position</b>					
<i>Governmental activities</i>					
Taxes:					
Property taxes	\$ 156,710	\$ 170,439	\$ 184,142	\$ 198,380	\$ 211,331
Utility user taxes	62,989	60,128	60,039	62,164	65,461
Other taxes	83,981	105,997	148,998	171,808	193,912
Sales taxes shared state revenue	82,987	93,770	90,970	99,325	115,260
In-lieu sales tax	-	-	-	-	-
Investment earnings (loss)	5,593	20,923	19,646	4,618	(27,883)
Miscellaneous	17,328	14,834	15,743	12,064	15,304
Contributions to permanent fund	-	-	-	-	-
Gain (loss) on disposition of capital assets	-	-	-	-	-
Special items	-	7,000	-	-	-
Transfers	34,525	35,524	34,947	18,647	25,995
<b>Total governmental activities</b>	<b>444,113</b>	<b>508,615</b>	<b>554,485</b>	<b>567,006</b>	<b>599,380</b>
<i>Business-type activities</i>					
Taxes:					
Other taxes	26,839	29,477	21,504	15,545	26,843
Investment earnings (loss)	1,013	20,020	16,940	5	(24,014)
Miscellaneous	37	-	-	-	-
Gain (loss) on disposition of capital assets	424	1,747	-	27	-
Special items	-	2,553	-	-	-
Transfers	(34,525)	(35,524)	(34,947)	(18,647)	(25,995)
<b>Total business-type activities</b>	<b>(6,212)</b>	<b>18,273</b>	<b>3,497</b>	<b>(3,070)</b>	<b>(23,166)</b>
<b>Total primary government</b>	<b>\$ 437,901</b>	<b>\$ 526,888</b>	<b>\$ 557,982</b>	<b>\$ 563,936</b>	<b>\$ 576,214</b>
<b>Change in Net Position</b>					
Governmental activities	\$ 23,111	\$ 43,382	\$ 90,132	\$ 84,481	\$ 226,987
Business-type activities	63,254	72,954	65,548	49,130	40,798
<b>Total primary government</b>	<b>\$ 86,365</b>	<b>\$ 116,336</b>	<b>\$ 155,680</b>	<b>\$ 133,611</b>	<b>\$ 267,785</b>

Notes: (1) The expenses reported in the governmental activities and business-type activities are net of indirect charges between the departments.

(2) Fiscal year 2013 amounts have been restated for the effects of the prior period adjustments for debt issuance costs and the reclassification of the Marina fund.

**City of Sacramento**  
**Fund Balances, Governmental Funds <sup>(1)</sup>**  
**Last Ten Fiscal Years**

(modified accrual basis of accounting, in thousands)

	Fiscal Year				
	2013	2014	2015	2016	2017
<b>General Fund</b>					
Nonspendable:					
Prepaid items	\$ 24	\$ 66	\$ 7	\$ 2	\$ 12
Leases	-	-	-	-	-
Due from other funds	-	-	-	-	3,800
Noncurrent assets	48	-	4	-	-
Restricted:					
Capital projects	-	3,401	2,562	1,860	-
Ambulance service	-	-	1,085	1,085	-
Other programs	40	21	7	17	17
Committed:					
Economic uncertainty	27,765	33,714	38,967	46,950	49,644
Capital projects	21,789	21,728	32,987	37,526	49,265
Community center theater renovation	8,500	8,500	8,500	8,500	-
Housing trust fund	-	-	-	-	-
B Street Theater project	-	-	2,500	-	-
Fire programs	-	-	4,420	5,720	1,386
Pension	-	-	-	-	-
OPEB	2,000	-	6,717	6,752	5,324
Set-aside for FY23 Budget	-	-	-	-	-
SCXEA labor for FY2020	-	-	-	-	-
Homeless programs	-	1,000	750	250	-
Gas tax	-	-	-	-	2,087
Other programs	9,347	12,909	8,860	13,953	19,280
Assigned:					
Unrealized investment gains	-	173	50	732	-
Next year's budget	10,446	-	-	-	-
Unassigned	-	17,395	16,028	26,649	24,739
<b>Total general fund</b>	<b>\$ 79,959</b>	<b>\$ 98,907</b>	<b>\$ 123,444</b>	<b>\$ 149,996</b>	<b>\$ 155,554</b>
<b>All Other Governmental Funds</b>					
Nonspendable:					
Prepaid items	\$ 44	\$ 24	\$ 24	\$ -	\$ -
Leases	-	-	-	-	-
Noncurrent assets	530	451	369	283	193
Permanent fund principal	878	878	878	878	878
Restricted:					
Capital projects	135,069	126,262	124,790	138,562	149,664
Debt service	17,472	17,548	20,218	51,691	58,904
Public works programs	13,781	11,830	-	14,522	13,152
Ambulance service	-	-	13,842	-	-
Economic development programs	23,970	22,484	17,271	16,887	41,548
Other programs	31,115	29,924	27,029	27,793	28,818
Committed:					
Economic uncertainty	-	-	-	-	-
Capital projects	3,666	4,024	3,355	7,017	9,359
Grant retention	-	4,049	500	-	-
Debt service	2,278	6,583	5,660	8,733	19,110
Housing trust fund	-	-	-	-	-
B Street Theater project	-	-	16,391	21,360	-
Economic development programs	-	5,125	-	-	-
OPEB	-	-	-	-	-
Set-aside for FY23 Budget	-	-	-	-	-
Other programs	6,266	25,486	50,001	51,024	56,715
Assigned:					
Debt service	1,805	973	717	2,547	2,406
Unrealized investment gains	100	47	15	40	-
Other programs	3,758	4,047	2,344	60	-
Unassigned	(29,711)	(22,121)	(26,554)	(19,657)	(18,037)
<b>Total all other governmental funds</b>	<b>\$ 211,021</b>	<b>\$ 237,614</b>	<b>\$ 256,850</b>	<b>\$ 321,740</b>	<b>\$ 362,710</b>

Notes: (1) FY13 amounts have been restated for the effects of Marina fund reclassification to a governmental activity.

Source: City of Sacramento Annual Comprehensive Financial Reports

**City of Sacramento**  
**Fund Balances, Governmental Funds <sup>(1)</sup>**  
**Last Ten Fiscal Years**  
(modified accrual basis of accounting, in thousands)

	Fiscal Year				
	2018	2019	2020	2021	2022
General Fund					
Nonspendable:					
Prepaid items	\$ 45	\$ -	\$ 1,279	\$ 1,084	\$ 1,767
Leases	-	-	-	-	1,032
Due from other funds	3,800	-	-	-	-
Noncurrent assets	-	-	-	-	-
Restricted:					
Capital projects	-	-	-	-	-
Ambulance service	-	-	-	-	-
Other programs	-	-	-	-	-
Committed:					
Economic uncertainty	52,700	55,200	55,200	58,499	61,310
Capital projects	37,583	39,995	57,689	57,417	50,410
Community center theater renovation	-	-	-	-	-
Housing trust fund	-	-	-	-	1,000
B Street Theater project	-	-	-	-	-
Fire programs	6,189	9,568	5,635	7,438	8,426
Pension	5,000	13,500	-	-	-
OPEB	2,619	6,644	4,264	6,828	5,727
Set-aside for FY23 Budget	-	-	-	5,500	20,891
SCXEA labor for FY2020	-	4,256	-	-	-
Homeless programs	-	-	-	-	-
Gas tax	2,087	2,087	-	-	-
Other programs	37,325	46,052	49,405	72,809	133,367
Assigned:					
Unrealized investment gains	-	381	1,960	103	-
Next year's budget	-	-	-	-	-
Unassigned	25,021	32,923	50,007	30,315	44,080
Total general fund	<u>\$ 172,369</u>	<u>\$ 210,606</u>	<u>\$ 225,439</u>	<u>\$ 239,993</u>	<u>\$ 328,010</u>
All Other Governmental Funds					
Nonspendable:					
Prepaid items	\$ -	\$ -	\$ 5,715	\$ 8,783	\$ 10,267
Leases	-	-	-	-	40
Noncurrent assets	98	-	-	-	-
Permanent fund principal	878	878	878	578	578
Restricted:					
Capital projects	159,439	183,772	208,205	230,323	241,218
Debt service	28,539	28,119	27,884	22,722	21,629
Public works programs	18,857	22,071	23,618	21,141	21,293
Ambulance service	-	-	-	-	-
Economic development programs	44,920	48,878	46,954	49,537	55,545
Other programs	35,025	48,003	63,026	60,517	65,955
Committed:					
Economic uncertainty	-	-	-	449	1,046
Capital projects	18,245	14,407	15,369	23,523	19,180
Grant retention	-	-	-	-	-
Debt service	21,543	17,291	11,401	12,157	11,802
Housing trust fund	-	-	-	15,000	904
B Street Theater project	-	-	-	-	-
Economic development programs	-	-	-	-	-
OPEB	-	-	-	-	290
Set-aside for FY23 Budget	-	-	-	-	1,971
Other programs	40,683	48,473	62,167	55,672	86,392
Assigned:					
Debt service	2,008	2,700	2,968	2,270	2,017
Unrealized investment gains	-	51	675	51	-
Other programs	360	18	170	63	-
Unassigned	(22,656)	(18,503)	(33,465)	(32,460)	(29,423)
Total all other governmental funds	<u>\$ 347,939</u>	<u>\$ 396,158</u>	<u>\$ 435,565</u>	<u>\$ 470,326</u>	<u>\$ 510,704</u>

Notes: (1) FY13 amounts have been restated for the effects of Marina fund reclassification to a governmental activity.

Source: City of Sacramento Annual Comprehensive Financial Reports

**City of Sacramento**  
**Changes in Fund Balances, Governmental Funds <sup>(1)</sup>**  
**Last Ten Fiscal Years**

(modified accrual basis of accounting, in thousands)

	Fiscal Year				
	2013	2014	2015	2016	2017
<b>Revenues</b>					
Taxes	\$ 265,605	\$ 320,832	\$ 334,649	\$ 365,482	\$ 382,155
Intergovernmental	154,556	105,172	111,017	128,190	73,082
Charges for services	66,369	71,889	86,061	89,765	105,446
Fines, forfeits and penalties	9,892	11,221	11,403	12,720	11,429
Interest, rents, and concessions	13,909	14,417	12,681	15,221	14,220
Community service fees	7,136	4,693	7,869	16,460	29,740
Assessment levies	37,621	38,668	41,884	43,475	44,339
Contributions and donations	14,269	43,018	45,177	35,820	33,637
Miscellaneous	3,441	570	501	2,761	383
<b>Total revenues</b>	<b>572,798</b>	<b>610,480</b>	<b>651,242</b>	<b>709,894</b>	<b>694,431</b>
<b>Expenditures</b>					
General government	22,712	26,170	28,491	34,197	41,413
Police	138,779	138,653	149,448	152,245	159,572
Fire	99,630	107,538	110,585	119,814	127,970
Public works	34,995	34,706	35,502	42,194	45,457
General services <sup>(2)</sup>	10,306	9,564	10,058	-	-
Convention and cultural services	9,804	10,481	10,978	11,738	12,838
Economic development <sup>(3)</sup>	10,221	12,418	10,797	9,871	13,270
Youth, parks, and community enrichment <sup>(4)</sup>	32,257	35,632	38,894	37,801	38,707
Community development	23,568	23,902	26,819	34,110	40,499
Community response <sup>(5)</sup>	-	-	-	-	-
Library	12,362	12,482	14,496	14,771	14,903
Utilities	979	607	522	701	1,583
Citywide and community support	33,105	36,965	37,216	47,961	48,435
Capital outlay	116,705	106,840	128,805	337,817	82,465
Debt service					
Principal	19,470	26,218	23,699	16,481	28,677
Interest and fiscal charges	22,949	22,772	33,493	24,822	28,555
Bond issuance costs	-	-	-	5,483	49
Subtotal - debt service	42,419	48,990	57,192	84,838	57,281
<b>Total Expenditures</b>	<b>587,842</b>	<b>604,948</b>	<b>659,803</b>	<b>928,058</b>	<b>684,393</b>
Excess (deficiency) of revenues over (under) expenditures	(15,044)	5,532	(8,561)	(218,164)	10,038
<b>Other financing sources (uses)</b>					
Transfers in	55,166	63,584	69,117	306,810	66,386
Transfers out	(27,450)	(34,527)	(33,267)	(270,358)	(31,871)
Issuance of long-term debt	2,837	6,050	3,984	401,943	1,976
Premium on long-term debt	-	-	-	13,972	-
Proceeds from sale of property	-	4,902	12,500	-	-
Payments to refunded bond escrow	-	-	-	(133,931)	-
<b>Total other financing sources (uses)</b>	<b>30,553</b>	<b>40,009</b>	<b>52,334</b>	<b>318,436</b>	<b>36,491</b>
<b>Special items</b>	<b>31,208</b>	<b>-</b>	<b>-</b>	<b>(8,830)</b>	<b>-</b>
<b>Changes in fund balances</b>	<b>\$ 46,717</b>	<b>\$ 45,541</b>	<b>\$ 43,773</b>	<b>\$ 91,442</b>	<b>\$ 46,529</b>
Debt services as a percentage of noncapital expenditures	8.35%	9.49%	10.46%	12.71%	9.27%

Note: (1) FY13 amounts have been restated for the effects of Marina fund reclassification to a governmental activity.  
(2) The Department of General Services has been reallocated to the Departments of Community Development, Information Technology, and Public Works in FY16.  
(3) The Economic Development function was reallocated to the General Government function in FY18.  
(4) The Department of Parks and Recreation has been renamed to the Department of Youth, Parks, and Community Enrichment in FY19.  
(5) The Department of Community Response was created in FY22.

**City of Sacramento**  
**Changes in Fund Balances, Governmental Funds <sup>(1)</sup>**  
**Last Ten Fiscal Years**

(modified accrual basis of accounting, in thousands)

	Fiscal Year				
	2018	2019	2020	2021	2022
<b>Revenues</b>					
Taxes	\$ 406,011	\$ 434,759	\$ 489,569	\$ 533,811	\$ 587,137
Intergovernmental	80,415	97,658	114,274	237,428	292,186
Charges for services	121,368	131,609	131,135	120,468	133,686
Fines, forfeits and penalties	12,643	16,397	13,309	7,630	10,264
Interest, rents, and concessions	10,794	24,907	20,718	10,101	(17,897)
Community service fees	30,654	30,651	29,072	27,217	25,076
Assessment levies	47,048	52,476	50,080	52,000	56,515
Contributions and donations	14,253	49,053	36,603	52,877	11,636
Miscellaneous	731	718	974	1,250	12,543
<b>Total revenues</b>	<b>723,917</b>	<b>838,228</b>	<b>885,734</b>	<b>1,042,782</b>	<b>1,111,146</b>
<b>Expenditures</b>					
General government	72,772	85,272	117,640	222,591	170,394
Police	169,273	182,538	203,980	211,307	223,613
Fire	136,161	144,043	159,771	168,103	180,143
Public works	49,841	51,289	47,350	51,040	53,547
General services <sup>(2)</sup>	-	-	-	-	-
Convention and cultural services	14,372	15,117	13,459	12,415	14,554
Economic development <sup>(3)</sup>	-	-	-	-	-
Youth, parks, and community enrichment <sup>(4)</sup>	38,615	40,866	45,791	41,878	49,652
Community development	45,787	54,342	67,128	68,404	64,395
Community response <sup>(5)</sup>	-	-	-	-	10,446
Library	16,421	17,732	18,867	21,218	22,349
Utilities	2,034	2,495	3,555	3,882	4,137
Citywide and community support	46,576	42,827	50,691	51,632	58,583
Capital outlay	90,397	79,175	103,790	130,426	156,249
Debt service					
Principal	48,445	56,284	21,308	26,228	33,864
Interest and fiscal charges	24,529	24,818	24,501	21,661	19,784
Bond issuance costs	1,415	116	1	-	-
Subtotal - debt service	74,389	81,218	45,810	47,889	53,648
<b>Total Expenditures</b>	<b>756,638</b>	<b>796,914</b>	<b>877,832</b>	<b>1,030,785</b>	<b>1,061,710</b>
Excess (deficiency) of revenues over (under) expenditures	(32,721)	41,314	7,902	11,997	49,436
<b>Other financing sources (uses)</b>					
Transfers in	70,558	69,931	74,660	106,614	86,090
Transfers out	(35,801)	(33,114)	(37,657)	(80,551)	(59,045)
Issuance of long-term debt	8	1,325	5,452	11,255	51,914
Premium on long-term debt	-	-	-	-	-
Proceeds from sale of property	-	-	-	-	-
Payments to refunded bond escrow	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>34,765</b>	<b>38,142</b>	<b>42,455</b>	<b>37,318</b>	<b>78,959</b>
<b>Special items</b>	<b>-</b>	<b>7,000</b>	<b>3,883</b>	<b>-</b>	<b>-</b>
<b>Changes in fund balances</b>	<b>\$ 2,044</b>	<b>\$ 86,456</b>	<b>\$ 54,240</b>	<b>\$ 49,315</b>	<b>\$ 128,395</b>
Debt services as a percentage of noncapital expenditures	10.61%	10.56%	5.70%	5.10%	5.49%

Note: (1) FY13 amounts have been restated for the effects of Marina fund reclassification to a governmental activity.  
(2) The Department of General Services has been reallocated to the Departments of Community Development, Information Technology, and Public Works in FY16.  
(3) The Economic Development function was reallocated to the General Government function in FY18.  
(4) The Department of Parks and Recreation has been renamed to the Department of Youth, Parks, and Community Enrichment in FY19.  
(5) The Department of Community Response was created in FY22.

**City of Sacramento**  
**Tax Revenues by Source, Governmental Funds <sup>(1)</sup>**  
**Last Ten Fiscal Years**

(modified accrual basis of accounting, in thousands)

<b>Fiscal Year</b>	<b>Property <sup>(2)</sup></b>	<b>Sales &amp; Use <sup>(3)</sup></b>	<b>Utility Users</b>	<b>Others</b>	<b>Total</b>
2013	\$ 130,864	\$ 57,121	\$ 59,066	\$ 18,554	\$ 265,605
2014	140,690	99,615	59,613	20,914	320,832
2015	147,415	102,596	59,948	24,690	334,649
2016	164,719	110,212	61,404	29,147	365,482
2017	159,566	125,560	62,997	34,032	382,155
2018	170,701	131,371	62,989	40,950	406,011
2019	173,307	157,816	60,128	43,508	434,759
2020	187,768	194,868	60,039	46,894	489,569
2021	199,440	216,170	62,164	56,037	533,811
2022	212,016	248,515	65,461	61,145	587,137

Notes: (1) In lieu sales tax is reported as property tax.

(2) Includes residual property tax from redevelopment agency dissolution.

(3) Includes Measure U local sales and use tax.

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Sources: (A)Source: City of Sacramento Annual Comprehensive Financial Reports  
(B) Finance Department, City of Sacramento

**City of Sacramento**  
**Assessed Value and Estimated Actual Value of Taxable Property**  
**Last Ten Fiscal Years**  
(in thousands)

Fiscal Year End June 30	Gross Assessed Value <sup>(1)</sup>				Exemptions	Net Assessed Taxable Value	Total Direct Tax Rate <sup>(3)</sup>
	Real Property	Personal Property	Public Utility <sup>(2)</sup>	Total			
2013	\$ 34,332,037	\$ 1,626,943	\$ 13,157	\$ 35,972,137	\$ 477,326	\$ 35,494,811	1.00
2014	35,829,529	1,546,891	12,381	37,388,801	464,546	36,924,255	1.00
2015	37,918,666	1,585,876	18,173	39,522,715	455,212	39,067,503	1.00
2016	39,823,777	1,513,519	9,267	41,346,563	448,778	40,897,785	1.00
2017	42,300,010	1,623,203	9,193	43,932,406	446,690	43,485,716	1.00
2018	45,389,674	1,692,375	8,974	47,091,023	445,647	46,645,376	1.00
2019	48,919,753	1,868,599	8,701	50,797,053	444,652	50,352,401	1.00
2020	53,124,698	1,869,844	9,185	55,003,727	444,470	54,559,257	1.00
2021	56,812,389	1,993,337	9,069	58,814,795	444,432	58,370,363	1.00
2022	60,043,995	1,951,987	9,069	62,005,051	444,556	61,560,495	1.00

Notes: (1) Article XIII A, added to California Constitution by Proposition 13 in 1978, fixed the base for valuation of property subject to taxes at the full cash value appeared on the Assessor's 1975-76 assessment roll. Therefore, full cash value can be increased to reflect:

- a) annual inflation up to 2%;
- b) current market value at time of ownership change;
- c) market value for new construction.

Estimated actual value of taxable property cannot be easily determined as the property in the City is not reassessed annually. Reassessment normally occurs when ownership changes.

(2) The decrease in public utility assessed value is primarily due to the transfer of the downtown railyards from a railroad company to a private developer and the City.

(3) This 1% is shared by all taxing agencies for which the subject property resides within.



**City of Sacramento**  
**Direct and Overlapping Property Tax Rates <sup>(1)</sup>**  
**Per \$100 of Assessed Value**  
**Last Ten Fiscal Years**

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<b>Fiscal Year End June 30</b>	<b>Basic County, City, and School Levy <sup>(2)</sup></b>	<b>County of Sacramento</b>	<b>Schools</b>	<b>Special Districts</b>	<b>Total</b>
2013	1.0000	—	0.1192	—	1.1192
2014	1.0000	—	0.1406	—	1.1406
2015	1.0000	—	0.1325	—	1.1325
2016	1.0000	—	0.1426	—	1.1426
2017	1.0000	—	0.1418	—	1.1418
2018	1.0000	—	0.1365	—	1.1365
2019	1.0000	—	0.1295	—	1.1295
2020	1.0000	—	0.1371	—	1.1371
2021	1.0000	—	0.1394	—	1.1394
2022	1.0000	—	0.1167	—	1.1167

Notes : (1) Data is stated at full value as required under Article XIII-A of the Constitution of the State of California.

(2) This 1.00% is shared by all taxing agencies for which the subject property resides within.

**City of Sacramento**  
**Principal Property Taxpayers**  
**Current Fiscal Year and Nine Years Ago**

(in thousands)

Taxpayer	2022			2013		
	Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Sacramento Kings	\$ 320,347	1	0.52 %	-	-	-
Oakmont Properties LLC	209,780	2	0.34	-	-	-
Hancock SREIT Sacramento LLC	200,809	3	0.33	-	-	-
Pac West Office Equities LP	191,766	4	0.31	-	-	-
M/H Realty Partners VI LP	186,407	5	0.30	-	-	-
Natomas Development Partners LLC	173,065	6	0.28	-	-	-
SRI Eleven 621 Capitol Mall LLC	169,240	7	0.27	-	-	-
Prime US-Park Tower LLC	167,215	8	0.27	-	-	-
Arden Fair Associates	154,832	9	0.25	\$ 134,668	4	0.38 %
HP Hood LLC	153,717	10	0.25	78,083	10	0.22
Hines VAF II Sacramento	-	-	-	394,930	1	1.11
CIM Sacramento LLC	-	-	-	231,013	2	0.65
Verizon	-	-	-	152,482	3	0.43
621 Capitol Mall LLC	-	-	-	117,394	5	0.33
300 Capitol Association NF LP	-	-	-	109,000	6	0.31
Comcast Sacramento	-	-	-	105,943	7	0.30
CLPF Promenade LP	-	-	-	83,028	8	0.23
Target Corp	-	-	-	80,789	9	0.23
	1,927,178		3.12	1,487,330		4.19
All other taxpayers	59,633,317		96.88	34,007,481		95.81
Total	\$ 61,560,495		100.00 %	\$ 35,494,811		100.00 %

Source: County of Sacramento, Office of Auditor/Controller

**City of Sacramento**  
**Property Tax Levies and Collections**  
**Last Ten Fiscal Years**

(in thousands)

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year <sup>(1)</sup>	Collected within the Fiscal Year of the Levy		Collection in Subsequent Year <sup>(4)</sup>	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2013	\$ 130,755 <sup>(2)(3)</sup>	\$ 129,655	99.16%	\$ 1,100	\$ 130,755	100.00%
2014	140,273 <sup>(2)(3)</sup>	139,651	99.56%	622	140,273	100.00%
2015	147,483 <sup>(2)(3)</sup>	146,374	99.25%	1,109	147,483	100.00%
2016	155,024 <sup>(2)(3)</sup>	153,563	99.06%	1,461	155,024	100.00%
2017	149,456 <sup>(2)(3)</sup>	147,960	99.00%	1,496	149,456	100.00%
2018	158,378 <sup>(2)(3)</sup>	156,689	98.93%	1,689	158,378	100.00%
2019	170,117 <sup>(2)(3)</sup>	168,637	99.13%	1,480	170,117	100.00%
2020	185,127 <sup>(2)(3)</sup>	183,365	99.05%	1,762	185,127	100.00%
2021	196,743 <sup>(2)(3)</sup>	194,957	99.09%	1,786	196,743	100.00%
2022	209,259 <sup>(2)(3)</sup>	207,443	99.13%	1,816	209,259	100.00%

- Notes: (1) Property taxes in 2013 and subsequent years till 2016 include in lieu sales tax revenue from prior year. Program began in 2007 and ceased in 2017.  
(2) Total actual tax levy amount is not available from Sacramento County; amount provided is an estimate.  
(3) Includes residual property taxes resulting from the redevelopment agency dissolution.  
(4) Receipts from County's August distribution covering remaining levies not collected as of June 30 each year.

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**City of Sacramento**  
**Ratios of Outstanding Debt by Type**  
**Last Ten Fiscal Years**

(in thousands, except Population and Per Capita)

Fiscal Year	Governmental Activities			Business-Type Activities			Total Primary Government
	Revenue Bonds	Notes Payable	Leases <sup>(9)</sup>	Revenue Bonds	Notes Payable	Leases <sup>(9)</sup>	
2013 <sup>(1)</sup>	\$ 435,962	\$ 530	\$ 9,446	\$ 542,347	\$ 52,536	\$ 9,466	\$ 1,050,287
2014 <sup>(2)</sup>	419,477	16,053	13,562	540,117	33,288	6,098	1,028,595
2015	398,544	15,680	10,456	519,869	29,844	4,075	978,468
2016 <sup>(3)</sup>	627,351	15,290	7,294	493,406	26,340	8,654	1,178,335
2017 <sup>(4)</sup>	606,097	14,883	4,455	533,751	22,748	5,574	1,187,508
2018	564,929	14,459	2,299	510,016	22,919	3,685	1,118,307
2019 <sup>(5)</sup>	513,186	14,014	1,011	831,547	33,185	2,340	1,395,283
2020 <sup>(6)</sup>	494,320	16,915	325	858,891	56,713	973	1,428,137
2021 <sup>(7)</sup>	475,282	16,909	199	822,397	124,073 <sup>(8)</sup>	-	1,314,787
2022	459,996	16,702	1,643	794,212	143,211 <sup>(8)</sup>	2,012	1,274,565

Notes:

- (1) In 2013, \$281 million of revenue bonds and a \$2.8 million capital lease payable were issued.
- (2) In 2014, Marina fund notes payable and capital leases were reclassified to governmental activities.
- (3) In 2016, \$273 million of lease revenue bonds and a \$183 million refunding revenue bonds were issued.
- (4) In 2017, \$53 million of revenue bonds were issued for improvements to the City's municipal water system.
- (5) In 2019, \$284 million of revenue bonds were issued for the renovation of the City's Convention Center, Community Center Theater, and Memorial Auditorium. In 2019, \$25 million of revenue bonds were issued for improvements to the City's wastewater system.
- (6) In 2020, \$50 million of revenue bonds were issued for the purpose of financing an additional Ballroom in the Sacramento Convention Center and other capital-improvement projects. In 2020, \$188 million of refunding bonds were issued.
- (7) In 2021, \$28 million of refunding bonds were issued.
- (8) Notes payable includes State Revolving Fund Loan of \$173 million related to the AWMP Program Z14010000. Funding is currently scheduled to be fully spent by June 30, 2022. Several new construction contracts were awarded in FY21/FY22, and the City continues to draw on the SRF during the year to fund these projects.
- (9) In 2022, GASB Statement No. 87 was implemented and the term Leases replaced the term Capital Leases. NA Personal income data for the City was not available.

**City of Sacramento**  
**Ratios of Outstanding Debt by Type**  
**Last Ten Fiscal Years**

(in thousands, except Population and Per Capita)

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<b>Fiscal Year</b>	<b>Percentage of Personal Income</b>	<b>Population</b>	<b>Per Capita</b>
2013 <sup>(1)</sup>	NA	473,509	\$ 2,218
2014 <sup>(2)</sup>	NA	475,122	2,165
2015	NA	480,105	2,038
2016 <sup>(3)</sup>	NA	485,683	2,426
2017 <sup>(4)</sup>	NA	493,025	2,409
2018	NA	501,344	2,231
2019 <sup>(5)</sup>	NA	508,172	2,746
2020 <sup>(6)</sup>	NA	510,931	2,795
2021 <sup>(7)</sup>	NA	515,673	2,550
2022	NA	518,037	2,460

Notes:

- (1) In 2013, \$281 million of revenue bonds and a \$2.8 million capital lease payable were issued.
- (2) In 2014, Marina fund notes payable and capital leases were reclassified to governmental activities.
- (3) In 2016, \$273 million of lease revenue bonds and a \$183 million refunding revenue bonds were issued.
- (4) In 2017, \$53 million of revenue bonds were issued for improvements to the City's municipal water system.
- (5) In 2019, \$284 million of revenue bonds were issued for the renovation of the City's Convention Center, Community Center Theater, and Memorial Auditorium. In 2019, \$25 million of revenue bonds were issued for improvements to the City's wastewater system.
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- (8) Notes payable includes State Revolving Fund Loan of \$173 million related to the AWMP Program Z14010000. Funding is currently scheduled to be fully spent by June 30, 2022. Several new construction contracts were awarded in FY21/FY22, and the City continues to draw on the SRF during the year to fund these projects.
- (9) In 2022, GASB Statement No. 87 was implemented and the term Leases replaced the term Capital Leases.
- NA Personal income data for the City was not available.

**City of Sacramento**  
**Ratios of Net General Bonded Debt Outstanding**  
**Last Ten Fiscal Years**

(in thousands, except Population and Per Capita)

<b>Fiscal Year</b>	<b>Total Gross General Obligation Bonds</b>	<b>Amounts Restricted for Principal Repayments</b>	<b>Total Net General Obligation Bonds</b>	<b>Actual Taxable Value of Property</b>	<b>Percentage of Actual Taxable Value of Property</b>	<b>Population</b>	<b>Net Bonded Debt Per Capita</b>
2013	\$ -	\$ -	\$ -	\$ 35,494,811	0.00%	473,509	\$ -
2014	-	-	-	36,924,255	0.00%	475,122	-
2015	-	-	-	39,067,503	0.00%	480,105	-
2016	-	-	-	40,897,785	0.00%	485,683	-
2017	-	-	-	43,485,716	0.00%	493,025	-
2018	-	-	-	46,645,376	0.00%	501,344	-
2019	-	-	-	50,352,401	0.00%	508,172	-
2020	-	-	-	54,559,257	0.00%	510,931	-
2021	-	-	-	58,370,363	0.00%	515,673	-
2022	-	-	-	61,560,495	0.00%	518,037	-

Source: City of Sacramento Annual Comprehensive Financial Reports and the County of Sacramento.

**City of Sacramento**  
**Direct and Overlapping Governmental Activities Debt <sup>(1)</sup>**  
**As of June 30, 2022**  
(in thousands)

Governmental Unit	Total Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Overlapping Tax and Assessment Debt:			
Los Rios Community College District	\$ 495,095	26.894 %	\$ 133,151
Elk Grove Unified School District	309,250	11.603	35,882
Natomas Unified School District	404,974	85.192	345,005
Sacramento Unified School District	488,648	85.057	415,629
San Juan Unified School District	752,169	2.871	21,595
Twin Rivers Unified School District:			
Twin Rivers Unified School District (former Elementary School District bonds)	51,225	50.045	25,636
Twin Rivers Unified School District (former Grant Joint Union High School District bonds)	259,154	49.688	128,768
Robla School District	91,908	54.883	50,442
City of Sacramento Community Facilities Districts	207,935	100.000	207,935
Elk Grove Unified School District Community Facilities District No. 1	178,666	11.603	20,731
California Statewide Community Development Authority Assessment Districts	23,881	100.000	23,881
Sacramento Area Flood Control Agency Consolidated Capital Districts Assessment District	312,420	85.335	266,604
Sacramento Area Flood Control Agency Natomas Local Assessment District	30,970	82.936	25,685
Subtotal - Overlapping Tax and Assessment debt			<u>1,700,944</u>
Direct and Overlapping General Fund Debt:			
Sacramento County General Fund Obligations	128,277	32.400	41,562
Sacramento County Pension Obligation Bonds	625,201	32.400	202,565
Sacramento County Board of Education General Fund Obligations	2,635	32.400	854
Elk Grove Unified School District General Fund Obligations	11,330	11.603	1,315
Sacramento Unified School District General Fund Obligations	55,030	85.057	46,807
Twin Rivers Unified School District Certificates of Participation	8,090	49.688	4,020
Arcade Creek Recreation and Park District General Fund Obligations	181	1.075	2
Fulton-El Camino Recreation and Park District General Fund Obligations	1,024	16.937	173
Subtotal - Direct and Overlapping General Fund Debt			<u>297,298</u>
Total Overlapping Debt			1,998,242
City of Sacramento Direct Debt			<u>476,698</u>
Total Direct and Overlapping Debt			<u>\$ 2,474,940</u>

Note: (1) Overlapping governments are those that coincide, at least in part, with the geographical boundaries of the City of Sacramento. This schedule estimates the portion of outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt of each overlapping government. Details regarding the City's outstanding debt can be found in the notes to the financial statements.

Source: Data regarding overlapping debt is obtained from California Municipal Statistics, Inc.



**City of Sacramento  
 Legal Debt Margin  
 Last Ten Fiscal Years**  
 (in thousands)

Fiscal Year	Debt Limit		Debt Applicable to Limit			Legal Debt Margin	Total net debt applicable to the limit as a percentage of debt limit
	Net Assessed Value	Debt Limit - 15% of Assessed Value	General Obligation Bonds	Amount set aside for repayment of general obligation debt	Total net debt applicable to limit		
2013	\$ 35,494,811	\$ 5,324,222	\$ -	\$ -	\$ -	\$ 5,324,222	0.00%
2014	36,924,255	5,538,638	-	-	-	5,538,638	0.00%
2015	39,067,503	5,860,125	-	-	-	5,860,125	0.00%
2016	40,897,785	6,134,668	-	-	-	6,134,668	0.00%
2017	43,485,716	6,522,857	-	-	-	6,522,857	0.00%
2018	46,645,376	6,996,806	-	-	-	6,996,806	0.00%
2019	50,352,401	7,552,860	-	-	-	7,552,860	0.00%
2020	54,559,257	8,183,889	-	-	-	8,183,889	0.00%
2021	58,370,363	8,755,554	-	-	-	8,755,554	0.00%
2022	61,560,495	9,234,074	-	-	-	9,234,074	0.00%

Sources: (A) City of Sacramento Annual Comprehensive Financial Reports.  
 (B) County of Sacramento, Office of Auditor/Controller.

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**City of Sacramento**  
**Pledged-Revenue Coverage**  
**Last Ten Fiscal Years**  
(in thousands)

Fiscal Year	Water Revenue						
	Gross Revenue	Less: Operating Expenses <sup>(1)</sup>	Net Revenue	Debt Service Requirements <sup>(2)</sup>		Coverage	
				Principal	Interest		
2013	\$ 88,754	\$ 43,128	\$ 45,626	\$ 194	\$ 243	104.41	
2014	94,382	43,215	51,167	396	9,974	4.93	
2015	100,523	45,292	55,231	3,946	10,704	3.77	
2016	98,533	47,728	50,805	4,061	10,594	3.47	
2017	108,867	56,223	52,644	4,206	10,448	3.59	
2018	119,379	50,565	68,814	4,397	12,111	4.17	
2019	127,868	61,359	66,509	5,383	12,809	3.66	
2020	142,041	67,841	74,200	5,644	12,835	4.02	
2021	144,070	66,021	78,049	8,811	9,254	4.32	
2022	136,613	60,017	76,596	11,161	10,667	3.51	

Fiscal Year	Wastewater Revenue						
	Gross Revenue	Less: Operating Expenses <sup>(1)</sup>	Net Revenue	Debt Service Requirements <sup>(3)</sup>		Coverage	
				Principal	Interest		
2013	\$ 25,134	\$ 18,005	\$ 7,129	\$ 703	\$ 156	8.30	
2014	28,493	21,322	7,171	720	1,091	3.96	
2015	32,223	21,091	11,132	736	1,527	4.92	
2016	31,532	21,149	10,383	1,313	1,501	3.69	
2017	34,311	24,987	9,324	1,351	1,464	3.31	
2018	37,596	23,010	14,586	1,394	1,422	5.18	
2019	42,275	27,371	14,904	1,396	1,379	5.37	
2020	44,562	25,988	18,574	1,443	2,490	4.72	
2021	43,829	26,341	17,488	1,936	1,841	4.63	
2022	44,327	24,234	20,093	1,900 <sup>(4)</sup>	1,965	5.20	

Notes: (1) Total operating expenses is exclusive of depreciation and amortization expense.

(2) Debt service requirements include California Department of Public Health Notes Payable, Drinking Water State Revolving Fund Notes Payable, Water Revenue Bonds, Series 2013 and 2017, and Water Revenue Refunding Bonds, Series 2020.

(3) Debt service requirements include Wastewater Revenue Bonds, Series 2013 and 2019, and Wastewater Revenue Refunding Bonds, Series 2020.

(4) Wastewater portion of State Water Resources Control Board Notes Payable was paid off in FY21.

Source: City of Sacramento's internal financial documents.

**City of Sacramento**  
**Pledged-Revenue Coverage**  
**Last Ten Fiscal Years**  
(in thousands)

Fiscal Year	Storm Drainage Revenue			Debt Service Requirements <sup>(2)</sup>		Coverage
	Gross Revenue	Less: Operating Expenses <sup>(1)</sup>	Net Revenue	Principal	Interest	
2013	\$ 35,682	\$ 24,703	\$ 10,979	\$ 2,179	\$ 562	4.01
2014	38,049	24,479	13,570	2,230	511	4.95
2015	37,646	29,581	8,065	2,283	458	2.94
2016	40,166	28,897	11,269	2,336	404	4.11
2017	40,124	29,207	10,917	2,391	349	3.98
2018	39,512	30,483	9,029	2,448	292	3.30
2019	39,969	29,021	10,948	2,381	234	4.19
2020	40,871	31,521	9,350	2,437	178	3.58
2021	40,848	29,732	11,116	2,237	119	4.72
2022	41,901	29,955	11,946	92 <sup>(6)</sup>	69	74.20

Fiscal Year	Transient Occupancy Tax (TOT) Revenue			Debt Service Requirements <sup>(3)</sup>		Coverage
	Gross Revenue	Less: Operating Expenses <sup>(5)</sup>	Net Revenue	Principal	Interest	
2019	\$ 29,477	\$ -	\$ 29,477	\$ -	\$ 8,103	3.64
2020	21,504	-	21,504	-	13,891	1.55
2021	15,545	-	15,545	5,080	13,891	0.82
2022	26,843	-	26,843	5,270	13,698	1.42

Fiscal Year	Sacramento Tourism Infrastructure District (STID) Assessment Revenue			Debt Service Requirements <sup>(4)</sup>		Coverage
	Gross Revenue	Less: Operating Expenses <sup>(5)</sup>	Net Revenue	Principal	Interest	
2020	\$ 1,883	\$ -	\$ 1,883	\$ -	\$ 1,469	1.28
2021	1,899	-	1,899	845	1,895	0.69
2022	3,292	-	3,292	880	1,861	1.20

- Notes:
- (1) Total operating expenses is exclusive of depreciation and amortization expense.
  - (2) Debt service requirements include California Infrastructure and Economic Development Bank Notes Payable.
  - (3) Debt service requirements include 2018 TOT Revenue Bonds, Series A, B, and C. Therefore, only four years are shown.
  - (4) Debt service requirements include 2019 STID Assessment Revenue Bonds. Therefore, only three years are shown.
  - (5) Due to the classification of TOT and STID revenues as nonoperating revenues, no operating expenses reported above.
  - (6) Storm Drainage portion of State Water Resources Control Board Notes Payable was paid off in FY21.

Source: City of Sacramento's internal financial documents.

**City of Sacramento**  
**Demographic and Economic Statistics for Sacramento County**  
**Last Ten Years**

<b>Year</b>	<b>Population (A)</b>	<b>Personal Income (in millions of dollars) (B)</b>	<b>Per Capita Personal Income</b>	<b>Median Age</b>	<b>Education Level in Years of Schooling</b>	<b>School Enrollment (C)</b>	<b>Unemployment Rate (D)</b>
2013	1,445,806	N/A	N/A	N/A	N/A	238,290	8.7 %
2014	1,454,406	N/A	N/A	N/A	N/A	240,216	7.1
2015	1,470,912	\$ 64,638	\$ 43,944	34	N/A	241,022	5.8
2016	1,495,297	69,590	46,539	33	N/A	242,725	5.8
2017	1,514,770	72,894	48,122	34	N/A	244,394	5.4
2018	1,529,501	76,776	50,197	34	N/A	245,906	4.2
2019	1,546,174	81,242	52,544	34	N/A	246,663	3.9
2020	1,555,365	85,959	55,266	34	N/A	249,540	12.5
2021	1,561,014	91,018	58,307	35	N/A	246,069	7.3
2022	1,576,618	97,481	61,829	35	N/A	243,002	3.6

Sources: (A) California Department of Finance - Population estimates as of January 1st of each year:

<http://www.dof.ca.gov/Forecasting/Demographics/Estimates/e-1/>

(B) US Bureau of Economic Analysis, report on Local Area Personal Income as of March 31 each year: <https://www.bea.gov/>

(C) California Department of Education, report on Sacramento County as of June 30 each year: <http://dq.cde.ca.gov/dataquest/>

(D) California Employment Development Department, Report 400 C - Monthly Labor Force Data for California Counties:

<http://www.labormarketinfo.edd.ca.gov/> (as of June each year)

**City of Sacramento  
Principal Employers  
Current Fiscal Year and Nine Years Ago**

Employer (A)	2022			2013		
	Employees (A) <sup>(1)</sup>	Rank	Percentage of Total Employment (B) <sup>(2)</sup>	Employees (A) <sup>(1)</sup>	Rank	Percentage of Total Employment (B)
State of California	82,894	1	11.86%	69,469	1	11.13%
UC Davis Health System	16,075	2	2.30%	9,985	3	1.60%
Kaiser Permanente	12,301	3	1.76%	5,696	8	0.91%
U.S. Government	10,698	4	1.53%	5,750	7	0.92%
Sutter Health	9,595	5	1.37%	6,507	4	1.04%
Dignity Health	7,488	6	1.07%	5,756	6	0.92%
Intel Corporation	6,013	7	0.86%	6,000	5	0.96%
San Juan Unified School District	5,126	8	0.73%	4,700	10	0.75%
Los Rios Community College District	2,833	9	0.41%	-	-	-
California State University Sacramento	2,535	10	0.36%	-	-	-
Sacramento County	-	-	-	10,634	2	1.70%
Elk Grove Unified School District	-	-	-	5,535	9	0.89%

Notes: (1) Ranked by number of employees in full-time equivalents.

(2) Percentage of total employment is calculated based on Sacramento County's total employment force of 699,000 per Employment Development Department website) in July 2022.

Sources: (A) Sacramento Business Journal, June 3, 2022. List of largest employers in Sacramento County.  
(B) Employment Development Department, State of California.

**City of Sacramento**  
**Successor Agency Trust Fund**  
**Assessed Value of Taxable Property**<sup>(1) (2)</sup>  
**Last Ten Fiscal Years**  
(in thousands)

PROJECT AREA	Fiscal Year				
	2013	2014	2015	2016	2017
Merged Downtown					
Secured	\$ 2,366,130	\$ 2,300,993	\$ 2,344,213	\$ 2,461,341	\$ 2,682,975
Unsecured	137,567	132,581	138,662	124,172	110,587
Utility	770	770	770	748	748
Total	<u>\$ 2,504,467</u>	<u>\$ 2,434,344</u>	<u>\$ 2,483,645</u>	<u>\$ 2,586,261</u>	<u>\$ 2,794,310</u>
Del Paso Heights					
Secured	\$ 276,998	\$ 289,856	\$ 311,285	\$ 317,886	\$ 338,354
Unsecured	9,550	12,659	14,464	13,621	15,440
Utility	1	1	1	1	1
Total	<u>\$ 286,549</u>	<u>\$ 302,516</u>	<u>\$ 325,750</u>	<u>\$ 331,508</u>	<u>\$ 353,795</u>
Alkali Flat					
Secured	\$ 119,184	\$ 112,883	\$ 120,103	\$ 123,251	\$ 136,555
Unsecured	4,982	3,224	3,504	2,963	2,996
Utility	-	-	-	-	-
Total	<u>\$ 124,166</u>	<u>\$ 116,107</u>	<u>\$ 123,607</u>	<u>\$ 126,214</u>	<u>\$ 139,551</u>
Oak Park					
Secured	\$ 427,642	\$ 466,006	\$ 476,624	\$ 501,132	\$ 567,966
Unsecured	9,898	9,763	9,483	24,938	27,750
Utility	-	-	-	-	-
Total	<u>\$ 437,540</u>	<u>\$ 475,769</u>	<u>\$ 486,107</u>	<u>\$ 526,070</u>	<u>\$ 595,716</u>
River District (formerly Richards Blvd)					
Secured	\$ 396,061	\$ 375,825	\$ 403,452	\$ 393,540	\$ 404,183
Unsecured	33,655	29,486	35,352	37,314	34,732
Utility	4,779	4,779	4,779	2,591	2,591
Total	<u>\$ 434,495</u>	<u>\$ 410,090</u>	<u>\$ 443,583</u>	<u>\$ 433,445</u>	<u>\$ 441,506</u>
North Sacramento					
Secured	\$ 506,029	\$ 498,272	\$ 509,637	\$ 523,526	\$ 555,437
Unsecured	39,802	36,413	40,115	36,778	36,563
Utility	-	-	-	-	-
Total	<u>\$ 545,831</u>	<u>\$ 534,685</u>	<u>\$ 549,752</u>	<u>\$ 560,304</u>	<u>\$ 592,000</u>

Notes: (1) Property is assessed at full cash value upon transfer of title and the assessed value is increased annually by the lesser of the rate of inflation or 2%.

(2) One percent is the maximum tax rate by state law.

**City of Sacramento**  
**Successor Agency Trust Fund**  
**Assessed Value of Taxable Property**<sup>(1) (2)</sup>  
**Last Ten Fiscal Years**  
(in thousands)

PROJECT AREA	Fiscal Year				
	2018	2019	2020	2021	2022
Merged Downtown					
Secured	\$ 3,294,112	\$ 3,572,623	\$ 3,854,509	\$ 3,927,521	\$ 3,928,629
Unsecured	131,439	147,725	169,620	169,037	170,979
Utility	748	696	7	7	7
Total	<u>\$ 3,426,299</u>	<u>\$ 3,721,044</u>	<u>\$ 4,024,136</u>	<u>\$ 4,096,565</u>	<u>\$ 4,099,615</u>
Del Paso Heights					
Secured	\$ 380,389	\$ 414,850	\$ 469,286	\$ 510,477	\$ 547,780
Unsecured	14,149	21,771	23,390	28,109	28,417
Utility	1	1	-	-	-
Total	<u>\$ 394,539</u>	<u>\$ 436,622</u>	<u>\$ 492,676</u>	<u>\$ 538,586</u>	<u>\$ 576,197</u>
Alkali Flat					
Secured	\$ 158,376	\$ 198,843	\$ 228,034	\$ 250,906	\$ 256,211
Unsecured	2,920	3,485	3,582	3,794	2,387
Utility	-	-	-	-	-
Total	<u>\$ 161,296</u>	<u>\$ 202,328</u>	<u>\$ 231,616</u>	<u>\$ 254,700</u>	<u>\$ 258,598</u>
Oak Park					
Secured	\$ 610,203	\$ 686,458	\$ 787,243	\$ 831,901	\$ 892,936
Unsecured	28,003	31,947	23,271	25,615	30,460
Utility	-	-	-	-	-
Total	<u>\$ 638,206</u>	<u>\$ 718,405</u>	<u>\$ 810,514</u>	<u>\$ 857,516</u>	<u>\$ 923,396</u>
River District (formerly Richards Blvd)					
Secured	\$ 413,627	\$ 444,699	\$ 474,858	\$ 535,733	\$ 570,395
Unsecured	36,120	37,676	35,370	35,657	38,301
Utility	2,591	2,464	2,752	2,705	2,705
Total	<u>\$ 452,338</u>	<u>\$ 484,839</u>	<u>\$ 512,980</u>	<u>\$ 574,095</u>	<u>\$ 611,401</u>
North Sacramento					
Secured	\$ 556,306	\$ 605,147	\$ 681,316	\$ 743,818	\$ 824,135
Unsecured	36,555	43,011	50,625	57,168	57,816
Utility	-	-	719	719	719
Total	<u>\$ 592,861</u>	<u>\$ 648,158</u>	<u>\$ 732,660</u>	<u>\$ 801,705</u>	<u>\$ 882,670</u>

Notes: (1) Property is assessed at full cash value upon transfer of title and the assessed value is increased annually by the lesser of the rate of inflation or 2%.

(2) One percent is the maximum tax rate by state law.



**City of Sacramento**  
**Successor Agency Trust Fund**  
**Assessed Value of Taxable Property<sup>(1) (2)</sup>**  
**Last Ten Fiscal Years**  
(in thousands)

PROJECT AREA	Fiscal Year				
	2013	2014	2015	2016	2017
Franklin Boulevard					
Secured	\$ 553,114	\$ 556,190	\$ 482,823	\$ 474,370	\$ 497,711
Unsecured	39,862	37,903	32,000	31,565	35,431
Utility	-	-	-	-	-
Total	<u>\$ 592,976</u>	<u>\$ 594,093</u>	<u>\$ 514,823</u>	<u>\$ 505,935</u>	<u>\$ 533,142</u>
Stockton Boulevard					
Secured	\$ 334,059	\$ 345,330	\$ 364,463	\$ 384,262	\$ 403,482
Unsecured	17,101	17,293	17,731	16,742	15,941
Utility	-	-	-	-	-
Total	<u>\$ 351,160</u>	<u>\$ 362,623</u>	<u>\$ 382,194</u>	<u>\$ 401,004</u>	<u>\$ 419,423</u>
Army Depot					
Secured	\$ 790,956	\$ 826,125	\$ 864,133	\$ 928,249	\$ 979,664
Unsecured	116,489	149,382	139,964	110,209	106,652
Utility	943	943	943	1,072	1,072
Total	<u>\$ 908,388</u>	<u>\$ 976,450</u>	<u>\$ 1,005,040</u>	<u>\$ 1,039,530</u>	<u>\$ 1,087,388</u>
65th Street					
Secured	\$ 229,458	\$ 228,785	\$ 231,632	\$ 243,684	\$ 276,299
Unsecured	17,346	14,536	17,543	14,033	15,339
Utility	-	-	-	-	-
Total	<u>\$ 246,804</u>	<u>\$ 243,321</u>	<u>\$ 249,175</u>	<u>\$ 257,717</u>	<u>\$ 291,638</u>
Railyards					
Secured	\$ 84,191	\$ 80,200	\$ 75,245	\$ 68,288	\$ 62,600
Unsecured	4,548	4,454	5,973	10,940	7,310
Utility	771	-	-	-	-
Total	<u>\$ 89,510</u>	<u>\$ 84,654</u>	<u>\$ 81,218</u>	<u>\$ 79,228</u>	<u>\$ 69,910</u>

Notes: (1) Property is assessed at full cash value upon transfer of title and the assessed value is increased annually by the lesser of the rate of inflation or 2%.

(2) One percent is the maximum tax rate by state law.

**City of Sacramento**  
**Successor Agency Trust Fund**  
**Assessed Value of Taxable Property**<sup>(1) (2)</sup>  
**Last Ten Fiscal Years**  
(in thousands)

PROJECT AREA	Fiscal Year				
	2018	2019	2020	2021	2022
Franklin Boulevard					
Secured	\$ 544,375	\$ 578,295	\$ 608,313	\$ 643,432	\$ 672,091
Unsecured	34,068	33,800	36,098	38,111	40,569
Utility	-	-	-	-	-
Total	<u>\$ 578,443</u>	<u>\$ 612,095</u>	<u>\$ 644,411</u>	<u>\$ 681,543</u>	<u>\$ 712,660</u>
Stockton Boulevard					
Secured	\$ 442,555	\$ 471,634	\$ 510,666	\$ 556,549	\$ 592,937
Unsecured	15,798	18,937	19,758	23,067	23,646
Utility	-	-	-	-	-
Total	<u>\$ 458,353</u>	<u>\$ 490,571</u>	<u>\$ 530,424</u>	<u>\$ 579,616</u>	<u>\$ 616,583</u>
Army Depot					
Secured	\$ 1,052,144	\$ 1,130,114	\$ 1,302,802	\$ 1,391,639	\$ 1,475,193
Unsecured	111,552	115,208	132,775	138,567	150,127
Utility	1,072	1,072	1,037	1,037	1,037
Total	<u>\$ 1,164,768</u>	<u>\$ 1,246,394</u>	<u>\$ 1,436,614</u>	<u>\$ 1,531,243</u>	<u>\$ 1,626,357</u>
65th Street					
Secured	\$ 350,567	\$ 425,730	\$ 532,239	\$ 553,158	\$ 598,845
Unsecured	17,768	22,692	22,321	25,276	37,486
Utility	-	-	94	94	94
Total	<u>\$ 368,335</u>	<u>\$ 448,422</u>	<u>\$ 554,654</u>	<u>\$ 578,528</u>	<u>\$ 636,425</u>
Railyards					
Secured	\$ 66,406	\$ 67,471	\$ 71,495	\$ 104,469	\$ 109,005
Unsecured	7,151	11,438	13,940	15,667	12,508
Utility	-	-	-	-	-
Total	<u>\$ 73,557</u>	<u>\$ 78,909</u>	<u>\$ 85,435</u>	<u>\$ 120,136</u>	<u>\$ 121,513</u>

Notes: (1) Property is assessed at full cash value upon transfer of title and the assessed value is increased annually by the lesser of the rate of inflation or 2%.

(2) One percent is the maximum tax rate by state law.

**City of Sacramento**  
**Successor Agency Trust Fund**  
**Top 10 Parcels Appealing Assessed Valuation - At Risk of Reduction** <sup>(1) (2)</sup>  
**Merged Downtown**  
**As of June 30, 2022**  
(in thousands)

<b>Assessee</b>	<b>Taxable Value</b> <sup>(3)</sup>	<b>Assessee's Value</b> <sup>(3)</sup>	<b>Value Difference</b>	<b>Percentage of Total Taxable Value</b>
CIM-J STREET SACRAMENTO	\$ 156,641	\$ 76,938	\$ (79,703)	9.43%
GPT PROPERTIES	87,492	43,746	(43,746)	5.17%
CIM-J STREET HOTEL SACTO LP	77,895	146	(77,749)	9.19%
CIM-J STREET HOTEL SACTO LP	76,719	46	(76,673)	9.07%
KAISER FOUNDATION HEALTH PLAN INCORPORATED	76,349	38,175	(38,174)	4.51%
CIM-J STREET HOTEL SACTO	74,603	203	(74,400)	8.80%
CIM-J STREET HOTEL SACTO LP	73,507	304	(73,203)	8.66%
MNCVAD II OFC 770 L STATE CA LLC	46,777	23,389	(23,388)	2.77%
MNCVAD II OFC 63 K STREET CA LLC	28,381	14,191	(14,190)	1.68%
MNCVAD II 630 K STREET CA LLC	28,090	14,045	(14,045)	1.66%
Subtotal	726,454	211,183	(515,271)	60.94%
All Other Taxpayers	119,148	44,150	(74,998)	8.87%
Total	<u>\$ 845,602</u>	<u>\$ 255,333</u>	<u>\$ (590,269)</u>	<u>69.80%</u>

Notes: (1) These are outstanding appeals; there is no estimate of outcome.

(2) Information for prior years is not readily available and is not statistically significant.

(3) Based on Assessor's report "At-Risk Assessed Valuation Through Appeals Process" as of July 1, 2022.

Source: Sacramento County Assessor

**City of Sacramento**  
**Successor Agency Trust Fund**  
**Top 10 Parcels Appealing Assessed Valuation - At Risk of Reduction** <sup>(1) (2)</sup>  
**Del Paso Heights**  
**As of June 30, 2022**  
 (in thousands)

<b>Assessee</b>	<b>Taxable Value <sup>(3)</sup></b>	<b>Assessee's Value <sup>(3)</sup></b>	<b>Value Difference</b>	<b>Percentage of Total Taxable Value</b>
4555 CARMICHAEL LLC	\$ 2,633	\$ 1,711	\$ (922)	34.01%
ADT LLC	78	47	(31)	1%
Subtotal	2,711	1,758	(953)	35.15%
All Other Taxpayers	-	-	-	-
<b>Total</b>	<b>\$ 2,711</b>	<b>\$ 1,758</b>	<b>\$ (953)</b>	<b>35.15%</b>

Notes: (1) These are outstanding appeals; there is no estimate of outcome.

(2) Information for prior years is not readily available and is not statistically significant.

(3) Based on Assessor's report "At-Risk Assessed Valuation Through Appeals Process" as of July 1, 2022.

**City of Sacramento**  
**Successor Agency Trust Fund**  
**Top 10 Parcels Appealing Assessed Valuation - At Risk of Reduction<sup>(1) (2)</sup>**  
**Alkali Flat**  
**As of June 30, 2022**  
 (in thousands)

<b>Assessee</b>	<b>Taxable Value<sup>(3)</sup></b>	<b>Assessee's Value<sup>(3)</sup></b>	<b>Value Difference</b>	<b>Percentage of Total Taxable Value</b>
JOHN B ADAMO	\$ 2,166	\$ 1,300	\$ (866)	39.98%
Subtotal	2,166	1,300	(866)	39.98%
All Other Taxpayers	-	-	-	-
<b>Total</b>	<b>\$ 2,166</b>	<b>\$ 1,300</b>	<b>\$ (866)</b>	<b>39.98%</b>

Notes: (1) These are outstanding appeals; there is no estimate of outcome.  
 (2) Information for prior years is not readily available and is not statistically significant.  
 (3) Based on Assessor's report "At-Risk Assessed Valuation Through Appeals Process" as of July 1, 2022.

**City of Sacramento**  
**Successor Agency Trust Fund**  
**Top 10 Parcels Appealing Assessed Valuation - At Risk of Reduction** <sup>(1) (2)</sup>  
**Oak Park**  
**As of June 30, 2022**  
(in thousands)

<b>Assessee</b>	<b>Taxable Value <sup>(3)</sup></b>	<b>Assessee's Value <sup>(3)</sup></b>	<b>Value Difference</b>	<b>Percentage of Total Taxable Value</b>
GREG BLUNDEN	\$ 262	\$ 157	\$ (105)	21.08%
WALGREEN CO	123	84	(39)	7.83%
WALGREENS	113	87	(26)	5.22%
Subtotal	498	328	(170)	34.14%
All Other Taxpayers	-	-	-	-
Total	<u>\$ 498</u>	<u>\$ 328</u>	<u>\$ (170)</u>	<u>34.14%</u>

Notes: (1) These are outstanding appeals; there is no estimate of outcome.

(2) Information for prior years is not readily available and is not statistically significant.

(3) Based on Assessor's report "At-Risk Assessed Valuation Through Appeals Process" as of July 1, 2022.

---

Source: Sacramento County Assessor

**City of Sacramento**  
**Successor Agency Trust Fund**  
**Top 10 Parcels Appealing Assessed Valuation - At Risk of Reduction <sup>(1) (2)</sup>**  
**River District**  
**As of June 30, 2022**  
 (in thousands)

<b>Assessee</b>	<b>Taxable Value <sup>(3)</sup></b>	<b>Assessee's Value <sup>(3)</sup></b>	<b>Value Difference</b>	<b>Percentage of Total Taxable Value</b>
VITARAG HOSPITALITY INC	\$ 4,203	\$ 2,000	\$ (2,203)	35.98%
RITZ/SCHOEFFLER INTERESTS	1,895	1,232	(663)	10.82%
BARGOTH A MOHAMED	24	-	(24)	0.39%
Subtotal	6,122	3,232	(2,890)	47.21%
All Other Taxpayers	-	-	-	-
Total	<u>\$ 6,122</u>	<u>\$ 3,232</u>	<u>\$ (2,890)</u>	<u>47.21%</u>

Notes: (1) These are outstanding appeals; there is no estimate of outcome.

(2) Information for prior years is not readily available and is not statistically significant.

(3) Based on Assessor's report "At-Risk Assessed Valuation Through Appeals Process" as of July 1, 2022.

Source: Sacramento County Assessor

**City of Sacramento**  
**Successor Agency Trust Fund**  
**Top 10 Parcels Appealing Assessed Valuation - At Risk of Reduction** <sup>(1) (2)</sup>  
**North Sacramento**  
**As of June 30, 2022**  
(in thousands)

<b>Assessee</b>	<b>Taxable Value <sup>(3)</sup></b>	<b>Assessee's Value <sup>(3)</sup></b>	<b>Value Difference</b>	<b>Percentage of Total Taxable Value</b>
SEVEN UP BOTTLING OF SAN FRANCISCO	\$ 40,286	\$ 20,301	\$ (19,985)	13.16%
SEVEN UP BOTTLING COMPANY OF SAN FRANCISCO	31,316	14,831	(16,485)	10.85%
WOODLAKE CARE GROUP	28,556	17,130	(11,426)	7.52%
WOODLAKE CARE GROUP LLC	28,263	17,130	(11,133)	7.33%
RECREATIONAL EQUIPMENT INC	7,590	3,795	(3,795)	2.50%
SENT EXPO POINTE LLC	7,200	4,680	(2,520)	1.66%
GROCERY OUTLET AS LESSEE	4,660	2,330	(2,330)	1.53%
SAM ALKAKOS	3,720	2,418	(1,302)	0.86%
WALGREENS	141	78	(63)	0.04%
WALGREENS CO	136	81	(55)	0.04%
Subtotal	151,868	82,774	(69,094)	45.50%
All Other Taxpayers	-	-	-	-
<b>Total</b>	<b>\$ 151,868</b>	<b>\$ 82,774</b>	<b>\$ (69,094)</b>	<b>45.50%</b>

Notes: (1) These are outstanding appeals; there is no estimate of outcome.

(2) Information for prior years is not readily available and is not statistically significant.

(3) Based on Assessor's report "At-Risk Assessed Valuation Through Appeals Process" as of July 1, 2022.



**City of Sacramento**  
**Successor Agency Trust Fund**  
**Top 10 Parcels Appealing Assessed Valuation - At Risk of Reduction** <sup>(1) (2)</sup>  
**Franklin Boulevard**  
**As of June 30, 2022**  
(in thousands)

<b>Assessee</b>	<b>Taxable Value</b> <sup>(3)</sup>	<b>Assessee's Value</b> <sup>(3)</sup>	<b>Value Difference</b>	<b>Percentage of Total Taxable Value</b>
SACRAMENTO CHILDRENS HOME	\$ 8,075	\$ 4,037	\$ (4,038)	16.28%
MACY'S WEST STORES	5,748	1,947	(3,801)	15.32%
MACY'S INC	3,544	2,199	(1,345)	5.42%
OREILLY AUTO PARTS	2,541	1,270	(1,271)	5.12%
OREILLY AUTO PARTS	2,515	1,257	(1,258)	5.07%
CROWN ENTERPRISES INC	2,387	1,195	(1,192)	4.80%
Subtotal	24,810	11,905	(12,905)	52%
All Other Taxpayers	-	-	-	-
Total	<u>\$ 24,810</u>	<u>\$ 11,905</u>	<u>\$ (12,905)</u>	<u>52.02%</u>

Notes: (1) These are outstanding appeals; there is no estimate of outcome.  
(2) Information for prior years is not readily available and is not statistically significant.  
(3) Based on Assessor's report "At-Risk Assessed Valuation Through Appeals Process" as of July 1, 2022.

Source: Sacramento County Assessor

**City of Sacramento**  
**Successor Agency Trust Fund**  
**Top 10 Parcels Appealing Assessed Valuation - At Risk of Reduction** <sup>(1) (2)</sup>  
**Stockton Boulevard**  
**As of June 30, 2022**  
(in thousands)

<b>Assessee</b>	<b>Taxable Value <sup>(3)</sup></b>	<b>Assessee's Value <sup>(3)</sup></b>	<b>Value Difference</b>	<b>Percentage of Total Taxable Value</b>
DPI RETAIL LLC	\$ 16,124	\$ 15,404	\$ (720)	0.81%
STOCKTON PLAZA PARTNERS	16,124	1,612	(14,512)	16.28%
DPI RETAIL LLC	15,404	14,014	(1,390)	1.56%
DPI RETAIL LLC	15,404	14,013	(1,391)	1.56%
EKG INVESTORS LLC	4,160	3,000	(1,160)	1.30%
EKG INVS LLC	3,713	2,900	(813)	0.91%
EKG INVESTORS LLC	3,370	2,700	(670)	0.75%
EKG INVESTORS LLC	2,930	2,000	(930)	1.04%
EKG INVESTORS LLC	2,230	1,600	(630)	0.71%
O'REILLY	1,829	915	(914)	1.03%
Subtotal	63,056	45,043	(18,013)	20%
All Other Taxpayers	26,065	16,090	(9,975)	11.19%
Total	<u>\$ 89,121</u>	<u>\$ 61,133</u>	<u>\$ (27,988)</u>	<u>31.40%</u>

Notes: (1) These are outstanding appeals; there is no estimate of outcome.

(2) Information for prior years is not readily available and is not statistically significant.

(3) Based on Assessor's report "At-Risk Assessed Valuation Through Appeals Process" as of July 1, 2022.

Source: Sacramento County Assessor

**City of Sacramento**  
**Successor Agency Trust Fund**  
**Top 10 Parcels Appealing Assessed Valuation - At Risk of Reduction <sup>(1) (2)</sup>**  
**Army Depot**  
**As of June 30, 2022**  
 (in thousands)

<b>Assessee</b>	<b>Taxable Value <sup>(3)</sup></b>	<b>Assessee's Value <sup>(3)</sup></b>	<b>Value Difference</b>	<b>Percentage of Total Taxable Value</b>
RICHARD N REESE FAMILY LLC	\$ 1,200	\$ 696	\$ (504)	33.31%
CATCH SOME AIR	313	1	(312)	20.62%
Subtotal	1,513	697	(816)	53.93%
All Other Taxpayers	-	-	-	-
<b>Total</b>	<b>\$ 1,513</b>	<b>\$ 697</b>	<b>\$ (816)</b>	<b>53.93%</b>

Notes: (1) These are outstanding appeals; there is no estimate of outcome.  
 (2) Information for prior years is not readily available and is not statistically significant.  
 (3) Based on Assessor's report "At-Risk Assessed Valuation Through Appeals Process" as of July 1, 2022.

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Source: Sacramento County Assessor

**City of Sacramento**  
**Successor Agency Trust Fund**  
**Top 10 Parcels Appealing Assessed Valuation - At Risk of Reduction** <sup>(1) (2)</sup>  
**65th Street**  
**As of June 30, 2022**  
(in thousands)

<b>Assessee</b>	<b>Taxable Value</b> <sup>(3)</sup>	<b>Assessee's Value</b> <sup>(3)</sup>	<b>Value Difference</b>	<b>Percentage of Total Taxable Value</b>
GEM CROSSINGS LLC	\$ 94,216	\$ 47,108	\$ (47,108)	6.77%
GEM CROSSINGS LLC	93,250	78,108	(15,142)	2.18%
GEM CROSSINGS LLC	93,250	78,108	(15,142)	2.18%
SSC SACRAMENTO APARTMENTS LLC	76,126	38,063	(38,063)	5.47%
SSC SACRAMENTO APARTMENTS LLC	75,346	37,493	(37,853)	5.44%
ELEMENT DST NB	49,810	24,904	(24,906)	3.58%
ELEMENT DST NB	49,299	24,649	(24,650)	3.54%
ACADEMY ON 65TH STATE OWNER LLC	34,594	17,297	(17,297)	2.49%
TARGET	28,859	948	(27,911)	4.01%
TARGET	28,381	27,354	(1,027)	0.15%
Subtotal	623,131	374,032	(249,099)	35.81%
All Other Taxpayers	72,473	36,310	(36,163)	5.20%
Total	<u>\$ 695,604</u>	<u>\$ 410,342</u>	<u>\$ (285,262)</u>	<u>41.01%</u>

Notes: (1) These are outstanding appeals; there is no estimate of outcome.

(2) Information for prior years is not readily available and is not statistically significant.

(3) Based on Assessor's report "At-Risk Assessed Valuation Through Appeals Process" as of July 1, 2022.

**City of Sacramento**  
**Successor Agency Trust Fund**  
**Top 10 Parcels Appealing Assessed Valuation - At Risk of Reduction** <sup>(1) (2)</sup>  
**Railyards**  
**As of June 30, 2022**  
(in thousands)

<b>Assessee</b>	<b>Taxable Value <sup>(3)</sup></b>	<b>Assessee's Value <sup>(3)</sup></b>	<b>Value Difference</b>	<b>Percentage of Total Taxable Value</b>
SIMS METAL MANAGEMENT	\$ 4,518	\$ 2,259	\$ (2,259)	18.03%
SIMS METAL	3,455	1,727	(1,728)	13.79%
MARQUEE MEDIA SOLUTIONS LLC	1,785	1,173	(612)	4.89%
MARQUEE SACRAMENTO DIGITAL BILLBOARDS LLC	972	585	(387)	3.09%
MARQUEE SACRAMENTO DIGITAL BILLBOARDS	930	585	(345)	2.75%
MARQUEE SACRAMENTO DIGITAL BILLBOARDS LLC	868	586	(282)	2.25%
Subtotal	12,528	6,915	(5,613)	44.80%
All Other Taxpayers	-	-	-	-
<b>Total</b>	<b>\$ 12,528</b>	<b>\$ 6,915</b>	<b>\$ (5,613)</b>	<b>44.80%</b>

Notes: (1) These are outstanding appeals; there is no estimate of outcome.

(2) Information for prior years is not readily available and is not statistically significant.

(3) Based on Assessor's report "At-Risk Assessed Valuation Through Appeals Process" as of July 1, 2022.

Source: Sacramento County Assessor

**City of Sacramento**  
**Successor Agency Trust Fund**  
**Principal Property Taxpayers - Merged Downtown**  
**Current Fiscal Year and Nine Years Ago**  
(in thousands)

Assessee	2022			2013		
	Taxable Value <sup>(1)</sup>	Rank	Percentage of Total Taxable Value <sup>(2)</sup>	Taxable Value	Rank	Percentage of Total Taxable Value
City of Sacramento (Sacramento Downtown Arena LLC)	\$ 326,921	1	7.97%	\$ -	-	-
Hancock SREIT Sacramento LLC	204,825	2	5.00%	-	-	-
SRI Eleven 621 Capitol Mall LLC	172,625	3	4.21%	-	-	-
Prime US-Park Tower LLC	170,596	4	4.16%	-	-	-
500 Capitol Mall LLC	151,953	5	3.71%	79,119	5	3.16%
CA Sacramento Commons LLC	145,037	6	3.54%	-	-	-
300 Capitol Mall Investors LP	133,500	7	3.26%	-	-	-
GSA Sacramento Newco LLC	115,974	8	2.83%	-	-	-
PAC West Office Equities LP	114,311	9	2.79%	-	-	-
Sacramento CA I FGF LLC	108,840	10	2.65%	-	-	-
Hines Sacramento Wells Fargo Center	-	-	-	206,543	1	8.25%
621 Capitol Mall LLC	-	-	-	124,810	2	4.98%
300 Capitol Associates NF LP	-	-	-	109,000	3	4.35%
CIM/980 9th St Sacramento LP	-	-	-	98,534	4	3.93%
Capitol Regency LLC	-	-	-	73,992	6	2.95%
CIM/J Street Hotel Sacramento LP	-	-	-	73,882	7	2.95%
1325 J Street LLC	-	-	-	67,974	8	2.71%
1415 Meridian Plaza LLC/Valley View Investors	-	-	-	65,040	9	2.60%
Sacramento Equities REIT	-	-	-	61,000	10	2.44%
Subtotal	1,644,582		40.12%	959,894		38.33%
All Other Taxpayers	2,455,033		59.88%	1,544,573		61.67%
Total	\$ 4,099,615		100.00%	\$ 2,504,467		100.00%

Notes: (1) Based on ownership of locally-assessed secured and unsecured real property net of exemptions.  
(2) Based on total adjusted 2021-22 Project Area total taxable value.

**City of Sacramento**  
**Successor Agency Trust Fund**  
**Principal Property Taxpayers - Del Paso Heights**  
**Current Fiscal Year and Nine Years Ago**  
(in thousands)

Assessee	2022			2013		
	Taxable Value <sup>(1)</sup>	Rank	Percentage of Total Taxable Value <sup>(2)</sup>	Taxable Value	Rank	Percentage of Total Taxable Value
Research Properties	\$ 6,090	1	1.06%	\$ 5,249	2	1.83%
BM Ventures LLC	6,017	2	1.04%	5,186	3	1.81%
565 Display Way LLC	3,338	3	0.58%	-	-	-
John A/Leta K Nichols 1994 Rev Trust	3,207	4	0.56%	2,764	5	0.96%
US Rentals Inc.	2,860	5	0.50%	2,465	6	0.86%
BM Ventures II LLC	2,692	6	0.47%	-	-	-
4555 Carmichael LLC	2,686	7	0.47%	-	-	-
Proffutt Limited Partnership	2,535	8	0.44%	2,141	8	0.75%
Lenore Limited Partnership/Amy Unger/Lenore Wyatt	2,531	9	0.44%	-	-	-
Reg Real Estate/Investments CA LLC	2,526	10	0.44%	-	-	-
Greater Sacramento Urban League	-	-	-	6,084	1	2.12%
Woodhaven Senior Residences	-	-	-	4,428	4	1.55%
MD Partners Incorporated	-	-	-	2,447	7	0.85%
23002 Moulton Parkway LLC	-	-	-	1,770	9	0.62%
Lundbom Family Trust	-	-	-	1,540	10	0.54%
Subtotal	34,482		5.98%	34,074		11.89%
All Other Taxpayers	541,715		94.02%	252,475		88.11%
Total	<u>\$ 576,197</u>		<u>100.00%</u>	<u>\$ 286,549</u>		<u>100.00%</u>

Notes: (1) Based on ownership of locally-assessed secured and unsecured real property net of exemptions.  
(2) Based on total adjusted 2021-22 Project Area total taxable value.

**City of Sacramento**  
**Successor Agency Trust Fund**  
**Principal Property Taxpayers - Alkali Flat**  
**Current Fiscal Year and Nine Years Ago**  
(in thousands)

Assessee	2022			2013		
	Taxable Value <sup>(1)</sup>	Rank	Percentage of Total Taxable Value <sup>(2)</sup>	Taxable Value	Rank	Percentage of Total Taxable Value
Efren R Cota LTD	\$ 23,732	1	9.18%	\$ -	-	-
Hearst-Argyle Stations Inc.	19,237	2	7.44%	19,158	1	15.43%
Robert Efren Cota Living Trust/Etal	13,950	3	5.39%	-	-	-
1000 G Street LLC	12,324	4	4.77%	-	-	-
1001 G State Rehabilitation Limited Partnership	3,123	5	1.21%	-	-	-
1220 E State LLC	3,123	6	1.21%	-	-	-
Tristar Stockton Properties LLC	2,680	7	1.04%	-	-	-
520-530 9th Street LLC	2,503	8	0.97%	-	-	-
Ng-Yu Trust	2,359	9	0.91%	-	-	-
Adamo John B/Diane G	2,209	10	0.85%	-	-	-
Crystal Cream/Butter Holdings, Inc.	-	-	-	5,814	2	4.68%
Realty Advisors Inc	-	-	-	5,490	3	4.42%
City Park Apartment Homes	-	-	-	4,116	4	3.31%
John Dailey Trust/Charles D Deloney	-	-	-	1,950	5	1.57%
GMA Investors LP	-	-	-	1,768	6	1.42%
700 E Street Building Partner	-	-	-	1,650	7	1.33%
Janet Fortino Loehr Separate Prop Trust/Etal	-	-	-	1,470	8	1.18%
Tarpin Samuel D	-	-	-	1,462	9	1.18%
520 Ninth Street	-	-	-	1,450	10	1.17%
Subtotal	85,240		32.96%	44,328		35.70%
All Other Taxpayers	173,358		67.04%	79,838		64.30%
Total	\$ 258,598		100.00%	\$ 124,166		100.00%

Notes: (1) Based on ownership of locally-assessed secured and unsecured real property net of exemptions.  
(2) Based on total adjusted 2021-22 Project Area total taxable value.



**City of Sacramento**  
**Successor Agency Trust Fund**  
**Principal Property Taxpayers - Oak Park**  
**Current Fiscal Year and Nine Years Ago**  
(in thousands)

Assessee	2022			2013		
	Taxable Value <sup>(1)</sup>	Rank	Percentage of Total Taxable Value <sup>(2)</sup>	Taxable Value	Rank	Percentage of Total Taxable Value
Regents University CA (CY 4422Y LLC)	\$ 24,060	1	2.61%	\$ -	-	-
Rainbow Baking Co of Sac Valley (BBU INC)	13,612	2	1.47%	26,490	1	6.05%
Christian Brothers High School of Sacramento Inc.	9,625	3	1.04%	-	-	-
Great Chi Investment LLC	6,453	4	0.70%	-	-	-
Broadway/Stockton Food Source Inv LLC	5,957	5	0.65%	-	-	-
Crestwood-Medical Center Hospital	4,999	6	0.54%	4,319	5	0.99%
Security Public Storage - Sacramento	4,357	7	0.47%	3,700	6	0.85%
JJAJ Ventures LP/Ventures JJAJ	3,899	8	0.42%	-	-	-
Edmar Invs LLC (Walgreens)	3,692	9	0.40%	3,182	8	0.73%
Broadway Triangle LLC	3,582	10	0.39%	-	-	-
Shriners Hospitals for Crippled Children	-	-	-	14,767	2	3.38%
Regents of UC (Camellia Inn)	-	-	-	11,978	3	2.74%
US Bank National Association	-	-	-	5,162	4	1.18%
Donald/Virginia Compton Family Trust	-	-	-	3,270	7	0.75%
John C Skinner 2001 Living Trust	-	-	-	1,811	9	0.41%
CK Burke LLC	-	-	-	1,392	10	0.32%
Subtotal	80,236		8.69%	76,071		17.39%
All Other Taxpayers	843,160		91.31%	361,469		82.61%
Total	\$ 923,396		100.00%	\$ 437,540		100.00%

Notes: (1) Based on ownership of locally-assessed secured and unsecured real property net of exemptions.  
(2) Based on total adjusted 2021-22 Project Area total taxable value.

**City of Sacramento**  
**Successor Agency Trust Fund**  
**Principal Property Taxpayers - River District**  
**Current Fiscal Year and Nine Years Ago**  
(in thousands)

Assessee	2022			2013		
	Taxable Value <sup>(1)</sup>	Rank	Percentage of Total Taxable Value <sup>(2)</sup>	Taxable Value	Rank	Percentage of Total Taxable Value
California Almond Growers Exchange	\$ 108,738	1	17.79%	\$ 67,643	1	15.57%
29SC T9 Phase A Property Owner LLC	44,472	2	7.27%	-	-	-
Grove River District LLC	39,481	3	6.46%	34,024	2	7.83%
Nome OES LLC	28,500	4	4.66%	-	-	-
AK Industrial II LLC	17,500	5	2.86%	-	-	-
Bercut-Railyard LLC	16,074	6	2.63%	-	-	-
29SC BC Holding Company LLC	10,608	7	1.74%	-	-	-
444 N3	9,109	8	1.49%	-	-	-
BRE/LQ Props LLC	9,039	9	1.48%	5,561	6	1.28%
1100 Richards LP/DMM Holdings LLC/ETAL	9,000	10	1.47%	-	-	-
Mendell Allan/ETAL	-	-	-	13,054	3	3.00%
Capitol Station 665 LLC	-	-	-	9,414	4	2.17%
Dos Rios Venture	-	-	-	6,284	5	1.45%
BA Hotel LLC	-	-	-	5,517	7	1.27%
Vida N Anello Revocable Living Trust	-	-	-	5,244	8	1.21%
Henderson Enterprise LP	-	-	-	5,203	9	1.20%
Detmer Family Limited Partnership	-	-	-	5,019	10	1.16%
Subtotal	292,521		47.84%	156,963		36.13%
All Other Taxpayers	318,880		52.16%	277,532		63.87%
Total	\$ 611,401		100.00%	\$ 434,495		100.00%

Notes: (1) Based on ownership of locally-assessed secured and unsecured real property net of exemptions.  
(2) Based on total adjusted 2021-22 Project Area total taxable value.

**City of Sacramento**  
**Successor Agency Trust Fund**  
**Principal Property Taxpayers - North Sacramento**  
**Current Fiscal Year and Nine Years Ago**  
(in thousands)

Assessee	2022			2013		
	Taxable Value <sup>(1)</sup>	Rank	Percentage of Total Taxable Value <sup>(2)</sup>	Taxable Value	Rank	Percentage of Total Taxable Value
Roseville Life Properties	\$ 39,983	1	4.53%	\$ -	-	-
Woodlake Care Group LLC	29,127	2	3.30%	-	-	-
Price Company	25,035	3	2.84%	21,675	3	3.97%
Omninet Sacramento Jardinette LLC/ETAL	17,773	4	2.01%	-	-	-
Sacramento CA I MG LLC	17,400	5	1.97%	-	-	-
Sacramento Healthcare Investors LP	16,754	6	1.90%	-	-	-
Veyron/KDP US Leasing LLC	15,764	7	1.79%	-	-	-
CA Sacramento Self Storage LLC	15,336	8	1.74%	-	-	-
SSCA 1300 El Camino Ave LLC	9,569	8	1.08%	-	-	-
Recreational Equipment Inc.	7,741	10	0.88%	7,612	8	1.39%
Seven Up Bottling Company of San Francisco				31,962	1	5.86%
Westcore Delta LLC	-	-	-	24,758	2	4.54%
McCuen Acoma Street Investors				11,808	4	2.16%
North Sacramento Land Company	-	-	-	11,063	5	2.03%
Meriliz Incorporated	-	-	-	10,291	6	1.89%
Radiological Assoc of Sacto Medical Group	-	-	-	7,747	7	1.42%
Sent Expo Pointe LLC	-	-	-	7,485	9	1.37%
2006 Tcherkoyan Family Trust	-	-	-	7,351	10	1.35%
Subtotal	194,482		22.03%	141,752		25.97%
All Other Taxpayers	688,188		77.97%	404,079		74.03%
Total	\$ 882,670		100.00%	\$ 545,831		100.00%

Notes: (1) Based on ownership of locally-assessed secured and unsecured real property net of exemptions.  
(2) Based on total adjusted 2021-22 Project Area total taxable value.

**City of Sacramento**  
**Successor Agency Trust Fund**  
**Principal Property Taxpayers - Franklin Boulevard**  
**Current Fiscal Year and Nine Years Ago**  
(in thousands)

Assessee	2022			2013		
	Taxable Value <sup>(1)</sup>	Rank	Percentage of Total Taxable Value <sup>(2)</sup>	Taxable Value	Rank	Percentage of Total Taxable Value
6200 Franklin LLC	\$ 21,601	1	3.03%	\$ -	-	-
3100 52nd Avenue LLC	17,860	2	2.51%	-	-	-
ESS CA-TIVS JV CA Reit Sub Limited Partnership	12,586	3	1.77%	-	-	-
Hillside Apartments LLC	8,425	4	1.18%	-	-	-
Sacramento Children's Home (Garfield Beach CVS LLC)	8,236	5	1.16%	-	-	-
Greystone Place Invs LLC	7,641	6	1.07%	-	-	-
ARB Invs	7,530	7	1.06%	-	-	-
Rosedown Associates LLC	6,878	8	0.97%	7,405	4	1.25%
ABF Freight System Inc.	5,851	9	0.82%	5,171	5	0.87%
Campus Plaza Associates	5,264	10	0.74%	-	-	-
Campbell Soup Supply Co LLC	-	-	-	130,895	1	22.07%
Western Village LP	-	-	-	9,555	2	1.61%
United States Cold Storage	-	-	-	9,377	3	1.58%
Extra Space Franklin Blvd. LLC	-	-	-	4,280	6	0.72%
Sei/PSP Vi Joint Ventures	-	-	-	4,216	7	0.71%
Bowling Green Associates	-	-	-	4,056	8	0.68%
Con-Way Western Express Inc.	-	-	-	3,731	9	0.63%
47th Street Associates LLC	-	-	-	3,643	10	0.61%
Subtotal	101,872		14.29%	182,329		30.75%
All Other Taxpayers	610,788		85.71%	410,647		69.25%
Total	\$ 712,660		100.00%	\$ 592,976		100.00%

Notes: (1) Based on ownership of locally-assessed secured and unsecured real property net of exemptions.  
(2) Based on total adjusted 2021-22 Project Area total taxable value.

**City of Sacramento**  
**Successor Agency Trust Fund**  
**Principal Property Taxpayers - Stockton Boulevard**  
**Current Fiscal Year and Nine Years Ago**  
(in thousands)

Assessee	2022			2013		
	Taxable Value <sup>(1)</sup>	Rank	Percentage of Total Taxable Value <sup>(2)</sup>	Taxable Value	Rank	Percentage of Total Taxable Value
Stockton Plaza Partners LLC	\$ 19,469	1	3.16%	\$ 11,658	1	3.32%
Karma Apartments LLC	16,283	2	2.64%	-	-	-
EKG Investors LLC/SCT Investors LLC/ETAL	14,260	3	2.31%	10,205	2	2.91%
Sustained Invs LLC	11,850	4	1.92%	-	-	-
ESS Ca-Tivs Jv Ca Reit Sub LP	10,710	5	1.74%	-	-	-
John M/Nancy Kehriotis Living Trust	8,753	6	1.42%	7,543	3	2.15%
Monument Properties Sacramento LLC	8,268	7	1.34%	-	-	-
NT Stockton Investors LLC	7,940	8	1.29%	6,093	5	1.74%
Long Sight Properties LLC	6,983	9	1.13%	-	-	-
Brittany Arms	6,699	10	1.09%	4,290	9	1.22%
BE Saigon Plaza LLC	-	-	-	7,382	4	2.10%
Mulleian Investment LLC	-	-	-	4,765	6	1.36%
Ralphs Grocery	-	-	-	4,666	7	1.33%
ESS Prisa II LLC	-	-	-	4,430	8	1.26%
LSREF2 Clipper II LLC	-	-	-	4,182	10	1.19%
Subtotal	111,215		18.04%	65,214		18.57%
All Other Taxpayers	505,368		81.96%	285,946		81.43%
Total	<u>\$ 616,583</u>		<u>100.00%</u>	<u>\$ 351,160</u>		<u>100.00%</u>

Notes: (1) Based on ownership of locally-assessed secured and unsecured real property net of exemptions.  
(2) Based on total adjusted 2021-22 Project Area total taxable value.

**City of Sacramento**  
**Successor Agency Trust Fund**  
**Principal Property Taxpayers - Army Depot**  
**Current Fiscal Year and Nine Years Ago**  
(in thousands)

Assessee	2022			2013		
	Taxable Value <sup>(1)</sup>	Rank	Percentage of Total Taxable Value <sup>(2)</sup>	Taxable Value	Rank	Percentage of Total Taxable Value
SBM Realty LLC	\$ 43,044	1	2.65%	\$ -	-	-
Elder Crk Transf/Recov Inc (Allied Waste Indus Inc)	15,734	2	0.97%	8,932	4	0.98%
Watt Elder Creek Holdings LLC	13,245	3	0.81%	-	-	-
Pitalo John E	5,212	4	0.32%	-	-	-
Power Inn Business Park LLC	4,891	5	0.30%	4,905	9	0.54%
Fedex Ground Package System Inc	4,252	6	0.26%	-	-	-
PW Fund B LP	3,479	7	0.21%	-	-	-
AVJOG Sacramento LLC	2,922	8	0.18%	-	-	-
RRRSZP Partners LLC	2,912	9	0.18%	-	-	-
Preet LLC	2,810	10	0.17%	-	-	-
R/G Hayward LLC	-	-	-	15,550	1	1.71%
Engineered Polymer Solutions Inc.	-	-	-	15,048	2	1.66%
Central Valley Industrial Core Holdings	-	-	-	9,121	3	1.00%
Air Products Manufacturing Corporation	-	-	-	7,630	5	0.84%
C/S Logistics Sacramento/Tracy LLC	-	-	-	7,274	6	0.80%
Ballantyne Diana S/Mark C/Jan W Leo	-	-	-	6,100	7	0.67%
Teichert Land Co	-	-	-	5,835	8	0.64%
Inland Empire Investments	-	-	-	4,417	10	0.49%
Subtotal	98,501		6.06%	84,812		9.34%
All Other Taxpayers	1,527,856		93.94%	823,576		90.66%
Total	\$ 1,626,357		100.00%	\$ 908,388		100.00%

Notes: (1) Based on ownership of locally-assessed secured and unsecured real property net of exemptions.  
(2) Based on total adjusted 2021-22 Project Area total taxable value.

**City of Sacramento**  
**Successor Agency Trust Fund**  
**Principal Property Taxpayers - 65th Street**  
**Current Fiscal Year and Nine Years Ago**  
(in thousands)

Assessee	2022			2013		
	Taxable Value <sup>(1)</sup>	Rank	Percentage of Total Taxable Value <sup>(2)</sup>	Taxable Value	Rank	Percentage of Total Taxable Value
Gem Crossings LLC	\$ 96,100	1	15.10%	\$ -	-	-
NB Element DST	87,797	2	13.80%	-	-	-
SSC Sacramento Apartments LLC	77,649	3	12.20%	-	-	-
ACEF-Martin Folsom LLC	35,729	4	5.61%	-	-	-
Target Corporation	28,836	5	4.53%	26,656	2	10.80%
Jackson IV LLC	17,954	6	2.82%	-	-	-
CPCA 7716 Folsom Blvd LLC	11,615	7	1.83%	7,560	4	3.06%
2750 Redding Avenue CB LLC	8,531	8	1.34%	-	-	-
A&A 6700 LLC/Candace Schurkamp	5,977	9	0.94%	-	-	-
Dimension Properties LLC	5,768	10	0.91%	5,784	6	2.34%
HRA Element LLC	-	-	-	34,530	1	13.99%
65th St Village LLC	-	-	-	8,700	3	3.53%
Atlas Disposal Industries LLC	-	-	-	7,078	5	2.87%
Kenneth/Susan Catchot Family 2005 Revocable Trust	-	-	-	5,020	7	2.03%
American River Self Storage LP	-	-	-	4,927	8	2.00%
2800 Pico Associates LLC	-	-	-	4,225	9	1.71%
KCMC Properties, LP/Paul E Fong/MAE Etal	-	-	-	3,409	10	1.38%
Subtotal	375,956		59.07%	107,889		43.71%
All Other Taxpayers	260,469		40.93%	138,915		56.29%
Total	\$ 636,425		100.00%	\$ 246,804		100.00%

Notes: (1) Based on ownership of locally-assessed secured and unsecured real property net of exemptions.  
(2) Based on total adjusted 2021-22 Project Area total taxable value.

**City of Sacramento**  
**Successor Agency Trust Fund**  
**Principal Property Taxpayers - Railyards**  
**Current Fiscal Year and Nine Years Ago**  
(in thousands)

Assessee	2022			2013		
	Taxable Value <sup>(1)</sup>	Rank	Percentage of Total Taxable Value <sup>(2)</sup>	Taxable Value	Rank	Percentage of Total Taxable Value
Kaiser Foundation Hosps	\$ 35,082	1	28.87%	\$ -	-	-
Downtown Railyard Venture LLC	23,342	2	19.21%	-	-	-
Sacramento 695 LP	15,856	3	13.05%	-	-	-
CFT NV Developments LLC	13,889	4	11.43%	-	-	-
1238 Sutter Street LLC	8,093	5	6.66%	-	-	-
Sutter HOJ LP	5,304	6	4.36%	-	-	-
Sacramento Co Emp Credit Union	4,876	7	4.01%	4,197	4	4.69%
PDRA/Company LLC	4,293	8	3.53%	3,699	6	4.13%
PLF BLDG LLC	4,043	9	3.33%	-	-	-
Strumwasser Michael J/Silvia M	3,600	10	2.96%	3,058	7	3.42%
IA Sacramento Development LLC	-	-	-	33,085	1	36.96%
CCAA Partners LLC/Bruce W. Bell/Etal	-	-	-	12,000	2	13.41%
JPM 2003 CIBC6 813 6th Street LLC	-	-	-	8,772	3	9.80%
REA Limited Partnership	-	-	-	4,058	5	4.53%
Bowman/Bay Building Joint Venture	-	-	-	2,212	8	2.47%
CNPA Services Inc.	-	-	-	1,662	9	1.86%
Legacy Ventures LLC	-	-	-	1,302	10	1.45%
Subtotal	118,378		97.42%	74,045		82.72%
All Other Taxpayers	3,135		2.58%	15,465		17.28%
Total	\$ 121,513		100.00%	\$ 89,510		100.00%

Notes: (1) Based on ownership of locally-assessed secured and unsecured real property net of exemptions.  
(2) Based on total adjusted 2021-22 Project Area total taxable value.



**City of Sacramento  
 Successor Agency Trust Fund  
 Debt Coverage Analysis  
 Last Ten Fiscal Years  
 (in thousands)**

**RDA - All Project Areas**

Fiscal Year	Total Tax Increment	Property Tax Collection Fee	AB 1290 Pass thru	Net Tax Revenues	Senior Debt Service	Senior Debt Service Coverage	Subordinate Debt Service	Total Debt Service	Total Debt Service Coverage
2013	\$ 41,304	\$ 745	\$ 2,556	\$ 38,003	\$ 22,087	1.72	\$ 6,619	\$ 28,706	1.32
2014	42,684	687	3,037	38,960	24,896	1.56	5,123	30,019	1.30
2015	43,657	649	3,911	39,097	21,937	1.78	9,158	31,095	1.26
2016	49,142	690	5,766	42,686	11,794	3.62	15,610	27,404	1.56
2017	53,765	709	1,201	51,855	11,793	4.40	14,059	25,852	2.01
2018	67,464	823	11,550	55,091	398	138.42	24,270	24,668	2.23
2019	73,805	867	13,766	59,172	10,423	5.68	15,194	25,617	2.31
2020	84,030	955	16,751	66,324	683	97.11	15,173	15,856	4.18
2021	87,253	991	17,657	68,605	18,133	3.78	29,731	47,864	1.43
2022	92,562	1,023	19,122	72,417	18,133	3.99	6,172	24,305	2.98

**Merged Downtown**

Fiscal Year	Total Tax Increment	Property Tax Collection Fee	AB 1290 Pass thru	Net Tax Revenues	Senior Debt Service	Senior Debt Service Coverage	Subordinate Debt Service	Total Debt Service	Total Debt Service Coverage
2013	\$ 23,260	\$ 419	\$ 652	\$ 22,189	\$ 16,298	1.36	\$ 2,655	\$ 18,953	1.17
2014	23,042	372	580	22,090	16,245	1.36	4,188	20,433	1.08
2015	23,121	350	1,071	21,700	16,242	1.34	4,980	21,222	1.02
2016	27,081	372	2,415	24,294	11,395	2.13	146	11,541	2.11
2017	27,978	376	485	27,117	11,395	2.38	146	11,541	2.35
2018	37,146	451	5,665	31,030	-	-	146	146	212.53
2019	38,341	459	6,191	31,691	10,025	3.16	43	10,068	3.15
2020	41,309	481	6,997	33,831	-	-	43	43	786.77
2021	41,241	478	6,975	33,788	16,965	1.99	43	17,008	1.99
2022	41,212	468	6,965	33,779	16,965	1.99	-	16,965	1.99

**Del Paso Heights**

Fiscal Year	Total Tax Increment	Property Tax Collection Fee	AB 1290 Pass thru	Net Tax Revenues	Senior Debt Service	Senior Debt Service Coverage	Subordinate Debt Service	Total Debt Service	Total Debt Service Coverage
2013	\$ 2,549	\$ 46	\$ 194	\$ 2,309	\$ 1,644	1.40	\$ 240	\$ 1,884	1.23
2014	2,853	44	245	2,564	1,618	1.58	230	1,848	1.39
2015	3,149	44	337	2,768	1,618	1.71	231	1,849	1.50
2016	3,190	45	384	2,761	-	-	14	14	197.21
2017	3,524	45	100	3,379	-	-	14	14	241.36
2018	3,978	50	638	3,290	-	-	14	14	235.00
2019	4,406	52	785	3,569	-	-	14	14	254.93
2020	5,032	57	977	3,998	285	14.03	14	299	13.37
2021	5,491	61	1,125	4,305	770	5.59	14	784	5.49
2022	5,831	64	1,235	4,532	770	5.89	-	770	5.89

Notes:

- NA Subordinate debt was not presented in prior years. Prior years information not available for River District, Franklin Boulevard, Army Depot and 65th Street.
- (1) Revised to correct 2005 Merged Downtown ML Refunding from senior to subordinate debt.
- (2) Revised to correct total tax increment received.
- (3) Various subordinate debts and a majority of the senior debts were refunded in 2015.
- (4) 1993 Merged Downtown TABS were paid off in 2018.
- (5) Total Debt Service includes \$13,166 related to the 2015 Tax Allocation Refunding Bonds, Series A and B not allocated between project areas.
- (6) Total Debt Service includes \$21,839 related to the 2015 Tax Allocation Refunding Bonds, Series A and B not allocated between project areas.
- (7) Total Debt Service includes \$4,221 related to the 2015 Tax Allocation Refunding Bonds, Series A and B not allocated between project areas. 2015 Tax Allocation Refunding Bonds, Series B were paid off in 2021.
- (8) Total Debt Service includes \$4,022 related to the 2015 Tax Allocation Refunding Bond, Series A not allocated between project areas. Beginning in FY22, total debt service also includes \$235 related to 2008 Bank of America Public Capital Corporation Loan which was refinanced, and is not allocated between project areas.

Source: County of Sacramento, Office of Auditor/Controller

**City of Sacramento**  
**Successor Agency Trust Fund**  
**Debt Coverage Analysis**  
**Last Ten Fiscal Years**  
(in thousands)

**Alkali Flat**

Fiscal Year	Total Tax Increment	Property Tax Collection Fee	AB 1290 Pass thru	Net Tax Revenues	Senior Debt Service	Senior Debt Service Coverage	Subordinate Debt Service	Total Debt Service	Total Debt Service Coverage
2013	\$ 1,049	\$ 19	\$ 10	\$ 1,020	\$ 623	1.64	\$ 467	\$ 1,090	0.94
2014	1,028	16	9	1,003	612	1.64	461	1,073	0.93
2015	1,148	16	64	1,068	613	1.74	464	1,077	0.99
2016	1,111	17	67	1,027	-	-	466	466	2.20 <sup>(3)</sup>
2017	1,347	17	26	1,304	-	-	469	469	2.78
2018	1,791	29	317	1,445	-	-	471	471	3.07
2019	2,075	24	424	1,627	-	-	472	472	3.45
2020	2,278	27	496	1,755	-	-	474	474	3.70
2021	2,568	29	603	1,936	-	-	476	476	4.07
2022	2,595	28	614	1,953	-	-	468	468	4.17

**Oak Park**

Fiscal Year	Total Tax Increment	Property Tax Collection Fee	AB 1290 Pass thru	Net Tax Revenues	Senior Debt Service	Senior Debt Service Coverage	Subordinate Debt Service	Total Debt Service	Total Debt Service Coverage
2013	\$ 3,841	\$ 67	\$ 151	\$ 3,623	\$ 2,794	1.30	\$ 183	\$ 2,977	1.22
2014	4,364	67	244	4,053	2,752	1.47	173	2,925	1.39 <sup>(1)</sup>
2015	4,522	63	385	4,074	2,755	1.48	178	2,933	1.39
2016	4,915	70	613	4,232	-	-	34	34	124.47 <sup>(3)</sup>
2017	5,843	75	176	5,592	-	-	34	34	164.47
2018	6,213	79	1,091	5,043	-	-	34	34	148.32
2019	7,160	84	1,465	5,611	-	-	34	34	165.03
2020	8,079	92	1,777	6,210	-	-	34	34	182.65
2021	8,578	95	1,961	6,522	-	-	34	34	191.82
2022	9,314	101	2,232	6,981	-	-	-	-	0.00

**River District**

Fiscal Year	Total Tax Increment	Property Tax Collection Fee	AB 1290 Pass thru	Net Tax Revenues	Senior Debt Service	Senior Debt Service Coverage	Subordinate Debt Service	Total Debt Service	Total Debt Service Coverage
2013	\$ 1,294	\$ 26	\$ 227	\$ 1,041	\$ -	-	\$ 654	\$ 654	1.59
2014	1,025	20	259	746	-	-	646	646	1.15 <sup>(2)</sup>
2015	1,542	23	280	1,239	-	-	642	642	1.93
2016	1,544	22	288	1,234	-	-	229	229	5.39 <sup>(3)</sup>
2017	1,633	22	29	1,582	-	-	229	229	6.91
2018	1,793	23	338	1,432	-	-	230	230	6.23
2019	2,203	25	428	1,750	-	-	228	228	7.68
2020	2,897	28	614	2,255	-	-	228	228	9.89
2021	3,176	34	704	2,438	-	-	228	228	10.69
2022	3,543	38	810	2,695	-	-	227	227	11.87

## Notes:

NA Subordinate debt was not presented in prior years. Prior years information not available for River District, Franklin Boulevard, Army Depot and 65th Street.

<sup>(1)</sup> Revised to correct 2005 Merged Downtown ML Refunding from senior to subordinate debt.

<sup>(2)</sup> Revised to correct total tax increment received.

<sup>(3)</sup> Various subordinate debts and a majority of the senior debts were refunded in 2015.

**City of Sacramento**  
**Successor Agency Trust Fund**  
**Debt Coverage Analysis**  
**Last Ten Fiscal Years**  
(in thousands)

**North Sacramento**

Fiscal Year	Total Tax Increment	Property Tax Collection Fee	AB 1290 Pass thru	Net Tax Revenues	Senior Debt Service	Senior Debt Service Coverage	Subordinate Debt Service	Total Debt Service	Total Debt Service Coverage
2013	\$ 2,323	\$ 44	\$ 165	\$ 2,114	\$ 537	3.94	\$ 779	\$ 1,316	1.61
2014	2,303	38	247	2,018	524	3.85	778	1,302	1.55
2015	2,689	37	262	2,390	530	4.51	772	1,302	1.84
2016	2,819	40	282	2,497	218	11.45	375	593	4.21
2017	2,951	41	-	2,910	218	13.35	374	592	4.92
2018	3,229	40	323	2,866	218	13.15	377	595	4.82
2019	3,824	45	388	3,391	218	15.56	375	593	5.72
2020	4,754	53	475	4,226	218	19.39	372	590	7.16
2021	5,325	60	532	4,733	218	21.71	374	592	7.99
2022	6,528	68	652	5,808	218	26.64	352	570	10.19

**Franklin Boulevard**

Fiscal Year	Total Tax Increment	Property Tax Collection Fee	AB 1290 Pass thru	Net Tax Revenues	Senior Debt Service	Senior Debt Service Coverage	Subordinate Debt Service	Total Debt Service	Total Debt Service Coverage
2013	\$ 2,354	\$ 41	\$ 195	\$ 2,118	\$ -	-	\$ 109	\$ 109	19.43
2014	2,414	38	189	2,187	-	-	99	99	22.09
2015	952	24	117	811	-	-	99	99	8.19
2016	1,640	23	116	1,501	-	-	41	41	36.61
2017	2,050	25	-	2,025	-	-	41	41	49.39
2018	2,511	30	217	2,264	-	-	41	41	55.22
2019	2,826	33	256	2,537	-	-	41	41	61.88
2020	3,101	36	285	2,780	-	-	41	41	67.80
2021	3,493	39	331	3,123	-	-	41	41	76.17
2022	3,980	42	387	3,551	-	-	-	-	0.00

**Stockton Boulevard**

Fiscal Year	Total Tax Increment	Property Tax Collection Fee	AB 1290 Pass thru	Net Tax Revenues	Senior Debt Service	Senior Debt Service Coverage	Subordinate Debt Service	Total Debt Service	Total Debt Service Coverage
2013	\$ 1,369	\$ 24	\$ 329	\$ 1,016	\$ 191	5.32	\$ 261	\$ 452	2.25
2014	1,420	24	377	1,019	180	5.66	245	425	2.40
2015	1,755	24	446	1,285	180	7.14	246	426	3.02
2016	1,933	28	526	1,379	180	7.66	149	329	4.19
2017	2,238	28	65	2,145	180	11.92	149	329	6.52
2018	2,598	33	770	1,795	180	9.97	167	347	5.17
2019	2,966	35	911	2,020	180	11.22	169	349	5.79
2020	3,418	38	1,072	2,308	180	12.82	146	326	7.08
2021	3,892	43	1,247	2,602	180	14.46	148	328	7.93
2022	4,372	47	1,423	2,902	180	16.12	251	431	6.73

## Notes:

NA Subordinate debt was not presented in prior years. Prior years information not available for River District, Franklin Boulevard, Army Depot and 65th Street.

(1) Revised to correct 2005 Merged Downtown ML Refunding from senior to subordinate debt.

(2) Revised to correct total tax increment received.

(3) Various subordinate debts and a majority of the senior debts were refunded in 2015.

**City of Sacramento**  
**Successor Agency Trust Fund**  
**Debt Coverage Analysis**  
**Last Ten Fiscal Years**  
(in thousands)

**Army Depot**

Fiscal Year	Total Tax Increment	Property Tax Collection Fee	AB 1290 Pass thru	Net Tax Revenues	Senior Debt Service	Senior Debt Service Coverage	Subordinate Debt Service	Total Debt Service	Total Debt Service Coverage
2013	\$ 2,342	\$ 43	\$ 452	\$ 1,847	\$ -	-	\$ 748	\$ 748	2.47
2014	3,200	50	643	2,507	-	-	735	735	3.41
2015	3,556	50	699	2,807	-	-	739	739	3.80
2016	3,944	56	847	3,041	-	-	267	267	11.39 (1)
2017	4,579	58	236	4,285	-	-	267	267	16.05
2018	5,428	67	1,376	3,985	-	-	268	268	14.87
2019	6,755	73	1,882	4,800	-	-	266	266	18.05
2020	8,590	94	2,540	5,956	-	-	266	266	22.39
2021	9,002	102	2,692	6,208	-	-	265	265	23.43
2022	10,119	111	3,103	6,905	-	-	242	242	28.53

**65th Street**

Fiscal Year	Total Tax Increment	Property Tax Collection Fee	AB 1290 Pass thru	Net Tax Revenues	Senior Debt Service	Senior Debt Service Coverage	Subordinate Debt Service	Total Debt Service	Total Debt Service Coverage
2013	\$ 923	\$ 16	\$ 181	\$ 726	\$ -	-	\$ 523	\$ 523	1.39
2014	834	14	185	635	-	-	506	506	1.25
2015	1,030	14	197	819	-	-	500	500	1.64
2016	1,067	16	228	823	-	-	388	388	2.12 (1)
2017	1,540	19	79	1,442	-	-	388	388	3.72
2018	2,578	29	784	1,765	-	-	387	387	4.56
2019	3,249	37	1,036	2,176	-	-	386	386	5.64
2020	4,572	49	1,518	3,005	-	-	389	389	7.72
2021	4,487	50	1,487	2,950	-	-	387	387	7.62
2022	5,068	56	1,701	3,311	-	-	375	375	8.83

## Notes:

NA Subordinate debt was not presented in prior years. Prior years information not available for River District, Franklin Boulevard, Army Depot and 65th Street.

(1) Revised to correct 2005 Merged Downtown ML Refunding from senior to subordinate debt.

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**City of Sacramento**  
**Full-time Equivalent Employees by Function/Program**  
**Last Ten Fiscal Years**

Function/Program	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Citywide and community support	23	23	21	5	5	5	5	5	7	7
Community development	159	163	166	219	227	250	273	288	290	288
Community response	-	-	-	-	-	-	-	-	-	23 <sup>(3)</sup>
Convention and cultural services	133	138	126	120	116	115	115	115	117	124
Economic development	11	11	11	11	12	- <sup>(2)</sup>	-	-	-	-
Fire	527	642	657	674	678	672	681	712	713	718
General government	305	320	325	370	431	512	531	571	576	583
General services	368	367	372	- <sup>(1)</sup>	-	-	-	-	-	-
Youth, parks, and community enrichment	553	577	568	599	683	616	619	702	705	724
Police	847	940	973	1,033	1,052	1,030	1,034	1,070	1,098	1,103
Public works	395	406	415	732	725	723	735	736	744	749
Utilities	505	510	522	538	528	546	562	575	570	572
<b>Total</b>	<b>3,826</b>	<b>4,097</b>	<b>4,156</b>	<b>4,301</b>	<b>4,457</b>	<b>4,469</b>	<b>4,555</b>	<b>4,774</b>	<b>4,820</b>	<b>4,891</b>

Notes: (1) The Department of General Services has been reallocated to the Departments of Community Development, General Government, and Public Works.  
(2) The Economic Development function was reallocated to the General Government function in FY18.  
(3) The Department of Community Response was created in FY22.

**City of Sacramento  
Operating Indicators by Function/Program  
Last Ten Fiscal Years**

Function/program	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Police</b>										
Adult arrests	18,650	19,570	18,113	16,778	14,476	13,350	13,975	12,981	12,070	12,842
Citizen initiated calls for service with officer responses	154,233	118,975	141,181	149,275	148,663	152,597	161,914	163,985	153,740	155,159
<b>Fire <sup>(1)</sup></b>										
Number of incidents	74,427	75,000	80,596	85,742	90,018	92,026	93,836	94,282	99,201	108,924
Number of structure fires	680	586	784	756	735	767	998	1,077	1,522	1,199
Number of construction inspection/reviews	4,568 <sup>(2)</sup>	4,761	3,234	4,181	8,268 <sup>(7)</sup>	10,102	9,830	9,967	8,256	9,517
<b>General services</b>										
Number of animal licenses issued	15,810	15,057	8,995	12,016 <sup>(5)</sup>	14,428	23,799	31,507	26,670 <sup>(20)</sup>	17,155 <sup>(21)</sup>	15,976
Number of animal outplacements	5,521 <sup>(3)</sup>	6,167	7,447	8,789	9,248	9,589	8,529	7,488 <sup>(20)</sup>	4,448 <sup>(21)</sup>	6,256
<b>Public works</b>										
Number of traffic investigations completed	821	936	678	896	1,001	1,041	613	611	997 <sup>(27)</sup>	1,075
Number of parking citations issued	165,700	171,066	196,586	192,708	183,326	197,170	200,338	156,387 <sup>(17)</sup>	100,244 <sup>(22)</sup>	113,214
<b>Convention and cultural services</b>										
Number of Community Convention Center events	378	378	358	408	430	372	229	38 <sup>(16)</sup>	- <sup>(28)</sup>	174 <sup>(30)</sup>
Community Convention Center event attendance	645,000	881,253	775,253	744,145	905,733 <sup>(8)</sup>	1,034,980	902,110	155,633 <sup>(16)</sup>	- <sup>(28)</sup>	446,168 <sup>(30)</sup>
Number of Zoo attendance	508,061	512,758	549,407	533,368	500,573	500,535	472,440	357,754 <sup>(18)</sup>	486,707 <sup>(25)</sup>	568,311
<b>Youth, parks, and community enrichment</b>										
Number of students enrolled in START	5,330	5,603	6,897	4,534 <sup>(6)</sup>	2,785 <sup>(9)</sup>	711 <sup>(11)</sup>	477	473	648 <sup>(26)</sup>	1,770 <sup>(29)</sup>
Number of students enrolled in 4th R	1,949	1,955	2,007	1,863	1,180	2,419 <sup>(12)</sup>	2,250	1,778 <sup>(15)</sup>	160 <sup>(23)</sup>	1,484 <sup>(28)</sup>
<b>Community development</b>										
Number of building permits issued	12,146	13,950	14,002	17,041	18,701	20,582	19,365	18,513	18,556	19,512
Building permit valuation (in million of dollars)	391	362	544	778	1,267	1,243	1,809	1,463	1,451	1,351
Vehicles abated by City	282	343	356	772	1,644	2,306	2,880	5,325 <sup>(13)</sup>	3,026	3,163
Notice and orders issued on housing and dangerous buildings	253	154	279	239	206	382	369	243 <sup>(14)</sup>	177 <sup>(24)</sup>	209
<b>Water</b>										
Number of accounts	135,353	135,590	134,971	136,130	139,238	140,735	142,831	144,669	145,769	147,150
Amount distributed/pumped (million of gallons) <sup>(19)</sup>	40,034	34,896	29,557	27,324	28,511	30,800	28,478	33,845	30,380	30,130
<b>Wastewater</b>										
Number of accounts	76,484	76,657	76,471	76,849	77,137	77,521	78,125	78,583	78,932	79,114
Amount distributed/pumped (million of gallons)	6,805	10,603	10,605	10,605	10,605	9,025	6,356	6,619	5,754	6,042
<b>Storm drainage</b>										
Number of accounts	134,651	135,834	136,850	137,754	139,198	140,934	142,858	144,168	145,179	146,385
Amount distributed/pumped (million of gallons) <sup>(10)</sup>	17,602	14,585	24,179	20,225	46,964	18,321	33,624	11,247	7,858	18,921
<b>Solid waste</b>										
Residential garbage disposed (in tons)	109,141	109,060	111,140	112,497	118,355	118,437	136,049	129,359	141,185	136,904
Commercial garbage collected (in tons)	1,222	- <sup>(4)</sup>	-	-	-	-	-	-	-	-

- Notes: (1) The threshold for investigation of a fire is \$30,000.  
(2) Fire Prevention has been working diligently to improve the way they track inspection data. Therefore, current year data is more accurate than prior years data.  
(3) Partnership with outside agencies in California and other states resulted in an increase in the number of animal outplacements in FY13. approximately four months, no sold-out and extended-run performances.  
(4) Solid Waste commercial garbage collection was discontinued.  
(5) In FY16, the number of animal licenses issued increased due to the implementation of web licensing.  
(6) In FY16 attendance for the START program decreased due to Elk Grove School District not participating in the program.  
(7) In FY17, the number of construction inspections doubled.  
(8) In FY17, the number of attendance increased due to increase in events held at the center .  
(9) In FY17, the number of students enrolled in START decreased due to the closure of 18 sites (10 Sacramento City Unified School District and 8 Twin Rivers Unified School District sites)  
(10) Amount of storm drainage distributed/pumped is dependent on rainfall.  
(11) In FY18, the number of students enrolled in START decreased due to reduced funding and non renewal of 21st century federal grant.  
(12) In FY18, the number of students enrolled in 4th R Program increased due to the addition of new site, i.e. Paso Verde. An average of 100 participants enrolled monthly at this site.  
(13) In FY 20, the number of vehicles abated by City increased significantly due to several reasons: Increase in complaints of abandoned vehicles, staffing of five ACEO's solely dedicated to the removal of abandoned vehicles from street, and the use of dashboards to decrease response time which led to increased productivity.  
(14) In FY20, the number of complaints for housing and dangerous buildings declined largely due to COVID-19. Housing and Dangerous building staff were told to be lenient toward property owners, therefore Notice and Orders issued on Housing and Dangerous buildings decreased compared to prior year.  
(15) In FY20, the number of students enrolled in 4th R decreased due to sites closing on March 16, 2020 related to COVID-19.  
(16) In FY20, the number of events and attendance at the Convention Center declined due to two reasons. First, the Convention Center is closed for renovation from July 2019-December 2020. Secondly, due to the COVID-19 outbreak in March 2020, no events are being hosted for the foreseeable future. This resulted in a significant impact on the occupancy rate and operating net results.  
(17) In FY20, the decrease in the number of parking citations issued was due to business closures during COVID-19.  
(18) In FY20, the decrease in the number of zoo attendance was due to COVID-19. The zoo was completely closed from March 14, 2020 to June 12, 2020, and re-opened with capacity constraints that remain in place and have impacted total zoo attendance.  
(19) The amount of water pumped, treated and delivered to the water distribution system is a function of customer demand for water. There are many factors that cause fluctuation from year to year such as growth in customer base, requests for wholesale delivery of water rather than other neighboring utilities utilizing their own supply, changes in retail demand for water to support commercial activity or indoor retail use, and changes in irrigation practices.  
(20) In FY20, there was a decrease in the number of animal licenses issued and the number of animal outplacements due to decreased intake of animals as a result of the COVID-19 pandemic.  
(21) In FY21, similar to FY20, there was a decrease in the number of animal licenses issued and the number of animal outplacements due to decreased intake of animals as a result of the COVID-19 pandemic.  
(22) In FY21, similar to FY20, the decrease in the number of parking citations issued was due to business closures during COVID-19.  
(23) In FY21, similar to FY20, the number of students enrolled in 4th R decreased due to sites closing related to COVID-19. During FY21, out of the 19 sites, 6 were open and were only allowed up to 30 children per site due to social distancing.  
(24) In FY21, similar to FY20, the number of complaints for housing and dangerous buildings declined largely due to COVID-19. Housing and Dangerous building staff were told to be lenient toward property owners, therefore Notice and Orders issued on Housing and Dangerous buildings decreased.  
(25) The zoo re-opened in June 2020 with capacity constraints and, in FY21, as COVID-19 restrictions started to ease, there was an increase in total zoo attendance.  
(26) In FY21, the number of students enrolled in START increased due to the change in programming related to COVID-19. Staff was able to support more students as they went into their schools. Additionally, a change in the grant due to COVID, every time staff worked with a child they were able to "count" that child as a participant in the program so the pool of participants was a lot larger (entire student body) rather than the normal MOU of 83 students per site.  
(27) In FY21, the number of traffic investigations completed increased due to several factors: (1) Unlike prior years, all investigative calls were documented in one place. (2) Increased traffic concerns. (3) The increase in bike rack requests/installs are all investigated and work orders are written. (4) Collision reports have more than doubled, and have needed extra help to document.  
(28) In FY21, the Convention Center was closed for renovation, thus there was no activity.  
(29) In FY22, the increase in the number of students enrolled in START and 4th R was due to students fully returning to in person learning.  
(30) In FY22, after renovation, the Convention Center reopened, thus, there was activity.

Source: Various City of Sacramento Departments

**City of Sacramento  
Capital Asset Statistics by Function/Program  
Last Ten Fiscal Years**

Function/program	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Police</b>										
Number of stations <sup>(1)</sup>	4	4	4	4	4	4	4	4	4	4
<b>Police</b>										
Number of patrol units <sup>(2)</sup>	263	243	226	231	234	229	190	195	224	236
Number of aircraft	4	4	4	4	4	5	5	5	5	4
Number of watercraft	3	3	2 <sup>(10)</sup>	2	5	4	4	4	4	4
<b>Fire</b>										
Number of stations	24	24	24	24	24	24	24	24	24	24
Number of fire suppression, support or prevention vehicles	159	159	159	162	162	162	162	162	166	153
Number of watercraft	NA	NA	1 <sup>(10)</sup>	1	1	6	6	6	6	6
<b>Public works</b>										
Miles of streets	3,065	3,077	3,059	3,059	3,075	3,062	3,118	3,118	3,118	3,118
Number of street lights	41,788	42,048	42,225	42,627	42,914	43,223	43,438	38,985 <sup>(15)</sup>	39,372	39,604
Number of City public parking spaces <sup>(3)</sup>	8,484	8,484	4,775 <sup>(11)</sup>	4,775	4,775	4,775	4,775	5,489 <sup>(3)</sup>	5,620	5,283
Number of City leased parking spaces <sup>(12)</sup>	110	110	519	2,298	2,298	2,298	2,298	2,349	2,298	2,298
Miles of off-street bikeways	83	84	57	57	57	88	88	88	78	78
<b>Youth, parks, and community enrichment</b>										
Number of parks	222	222	222	225	227	227	213	220	230	230
Park acreage <sup>(5)</sup>	3,161 <sup>(9)</sup>	3,161	3,161	3,183	3,177	3,177	3,340	4,265 <sup>(14)</sup>	4,829	4,829
Number of community centers <sup>(6)</sup>	13	13	13	13	13	14	14	14	13	13
Number of swimming pools (including wading pools)	26	26	26	27	27	27	27	27	28	28
<b>Water</b>										
Miles of water mains and distribution lines <sup>(7)(8)</sup>	1,599	1,597	1,727	1,599	1,604	1,607	1,603	1,607	1,616	1,635
<b>Sewers and storm drainage</b>										
Miles of sanitary sewers and storm drainage	1,951	1,951	1,873	1,869	1,876	1,960	1,961	1,967	1,968	1,967
<b>Off-street parking</b>										
Number of City public garages and open parking lots <sup>(4)</sup>	10	10	7 <sup>(11)</sup>	7	7	7	7	10	13	12
Number of City leased garages and open parking lots <sup>(13)</sup>	1	1	3	7	7	7	7	8	7	7
<b>Golf</b>										
Number of golf courses	6	6	6	6	6	6	6	6	6	6
<b>Marina</b>										
Number of boat harbor slips	475	475	475	475	475	475	475	475	475	475

- Notes: (1) Police stations refer to stations plus police headquarters.  
(2) Patrol units include cars and motorcycles.  
(3) City public parking spaces is defined as only those which are City-owned. From FY2020 onwards, spaces reported includes City-owned lots managed by the Parking division.  
(4) From FY2020 onwards, City public garages and open parking lots includes City-owned lots managed by the Parking division.  
(5) Golf course acreage is not included.  
(6) Neighborhood centers are not included.  
(7) Water mains are pipes over 12" in size. Pipes 12" or less are considered Distribution Lines. Service Mains and Hydrant Mains are excluded.  
(8) Does not include miles for private mains and mains owned by other agencies.  
(9) In FY2013, the City added 10.78 acres in 6 parks (all in the River District in the Central City). Bercut Richards Plaza (0.12 ac.); Cannery Plaza parksite (0.19 ac.); Persimmon Paseo (0.21 ac.); Victory Promenade (0.49 ac.); 7th Street Promenade (1.0 ac.); and Township 9 Park (8.77 ac.).  
(10) In FY2015, Police Department transfer one of their watercraft to Fire Department.  
(11) The three Plaza garages - Downtown Plaza West, Central, and East were leased to the Kings effective August 2014.  
(12) City leased parking spaces is defined as owned by other organizations leased by the City.  
(13) City leased parking garages, lots and spaces are defined as owned by other organizations leased by the City.  
(14) In FY2020, the increase in park acreage is due to several factors. (1) Refined the park acreages via GIS and now using APN lot sizes. (2) Included golf courses, camp Sacramento, and parkway's acreage. (3) Added a few new parks.  
(15) The decrease in the number of street lights is due a change in the calculation method. In the prior years, engineers counted SMUD/Park lights, which did not match with OneMap. Beginning in FY20 the figure does not include SMUD/Park lights and is consistent with OneMap.



# City of Sacramento

## Miscellaneous Statistics

### Current Fiscal Year and Nine Years Ago

Date of incorporation		1849
Date of charter		1921
Date City became State Capitol		1854
Form of government		Council/Manager
	<b>2022</b>	<b>2013</b>
Number of budgeted positions	4,891	3,826
Area in square miles	100	99
Altitude in feet	30	20
City of Sacramento facilities and services:		
<b>Police</b>		
Number of stations	4	4
Number of police personnel sworn / civilian (actual)	697/297	641/236
Number of patrol units	236	263
<b>Fire</b>		
Number of stations	24	24
Number of fire personnel sworn / unsworn	643/74.50	571/42
Number of fire protection, support and prevention vehicles	153	159
<b>Utilities</b>		
Miles of water mains and distribution lines <sup>(1)</sup>	1,635	1,599
Annual water production in gallons	30 billion	40 billion
Miles of sanitary sewers and storm drainage	1,967	1,951
<b>Public works</b>		
Miles of streets	3,118	3,065
Number of street lights	39,604	41,788
Number of City managed parking lots / spaces	21/4,079	21/10,468
Miles of off-street bikeways	78	83
Boat harbor slips	475	475
<b>Convention and cultural services</b>		
Golf courses	6	6
Zoo animals <sup>(2)</sup>	436	567
Fairytale town attendance for year	202,568	227,286
Crocker Art Museum attendance for year	147,256	286,573
Community Convention Center attendance for year	446,168	645,000
<b>Youth, parks, and community enrichment</b>		
Parks	230	222
Park acreage <sup>(3)</sup>	4,829	3,161
Camp Sacramento attendance for year	976	2,637
Community centers	13	13
Neighborhood centers	4	5
Swimming pools	28	26
Baseball fields <sup>(4)</sup>	96	98
Soccer fields	127	130
Ball courts	232	180
<b>Library</b>		
Library branches <sup>(5)</sup>	28	12
Library books and audiovisual recordings in circulation	1,805,755	2,192,151

Notes: (1) Water mains are pipes over 12" in size. Pipes 12" or less are considered Distribution Lines. Service Mains and Hydrant Mains are excluded.

(2) Zoo animals number is comprised of animals on-site (either owned by zoo or owned by other entity).

(3) Golf course acreage is not included in this figure.

(4) This includes softball, little league and adult baseball fields.

(5) FY2022 figures include all city and county branches operated by the Sacramento Public Library System. FY2013 figures include only city branches operated by the Sacramento Public Library system.

Source: Various City of Sacramento departments and publications

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**APPENDIX B  
GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING  
THE CITY OF SACRAMENTO**

This Appendix B provides general information of the City of Sacramento (the “City”).

**Introduction**

The City of Sacramento (the “**City**”) is located at the confluence of the Sacramento and American Rivers in the northern part of California’s Central Valley. The City is approximately 75 air miles northeast of San Francisco and benefits from a mild climate, with many days of sunshine each year and daily average high temperatures ranging from 54° F in January to 92° F in July. The average elevation of the City is 25 feet above sea level.

The City was settled in the late 1830s and incorporated in 1849. In 1854, the City became the capital of the State of California (the “**State**”), a position made permanent by the State’s Constitutional Convention in 1879. Today, State government employees and government-related activities contribute substantially to the City’s economy.

**Government**

The City operates under a City Charter that currently provides for an elected nine-member City Council (the “**Council**”) including an elected Mayor. There are no other elected City officials. The Council appoints the City Manager, the City Attorney, the City Treasurer, and the City Clerk to carry out its adopted policies. The Council also appoints the City Auditor and the Independent Budget Analyst. The Mayor is chairperson of the Council, serves a four-year term, and is elected in at-large City elections. The other members of the Council also serve four-year terms but are elected from one of eight districts.

The City provides a number of municipal services, including administration, police, fire, library, recreation, parking, public works, and utilities services such as water production and distribution, refuse collection, storm drainage, and maintenance.

## Population

A comparison of the City's population growth to that of the County of Sacramento (the "County") and the State is provided in the table below. Population estimates are as of January 1 for each year.

**POPULATION ESTIMATES<sup>(1)</sup>  
CITY OF SACRAMENTO, COUNTY OF SACRAMENTO  
AND THE STATE OF CALIFORNIA  
FOR SELECTED CALENDAR YEARS 2010 THROUGH 2020**

<b>Year<sup>(2)</sup></b>	<b>City of Sacramento</b>	<b>Average Annual % Change</b>	<b>County of Sacramento</b>	<b>Average Annual % Change</b>	<b>State of California</b>	<b>Average Annual % Change</b>
2010	466,488	-	1,420,434	-	37,309,382	-
2020	520,264	11.5	1,585,055	11.5	39,538,223	5.9
2021	517,824	-0.4	1,579,186	-0.3	39,286,510	-0.6
2022	516,958	-0.1	1,573,366	-0.3	39,078,674	-0.5
2023	518,161	0.2	1,572,453	-0.5	38,940,231	-0.3

<sup>(1)</sup> Totals are estimates and may not add due to rounding.

<sup>(2)</sup> The population estimates incorporate the 2010 Census Population Benchmark.

Source: State of California, Department of Finance.

## Industry and Employment

As the seat of State government, the City has traditionally had a large public-sector workforce. In recent years, the employment base in Sacramento and the surrounding area has diversified as the relatively low cost of living and the supply of skilled labor have drawn a number of technology, financial services, and healthcare employers.

Set forth below are data reflecting the civilian labor force, employment, and unemployment for the Sacramento Metropolitan Statistical Area, which includes El Dorado, Placer, Sacramento, and Yolo Counties. These figures might not accurately reflect employment trends in the City.

**SACRAMENTO METROPOLITAN STATISTICAL AREA  
CIVILIAN LABOR FORCE, EMPLOYMENT, AND  
THE ANNUAL AVERAGE EMPLOYMENT BY INDUSTRY**

<b>LABOR FORCE:</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Labor force <sup>(1)</sup>	1,089,600	1,101,000	1,095,600	1,107,800	1,124,500
Employment	1,048,200	1,061,400	998,400	1,036,700	1,082,500
Unemployment	41,400	39,600	97,200	71,100	42,000
Unemployment Rate	3.8%	3.6%	8.9%	6.4%	3.7%
<b>EMPLOYMENT INDUSTRY:</b>					
Total All Industries <sup>(2)</sup>	1,007,400	1,027,300	980,700	1,025,400	1,072,300
Total Farm	9,100	8,800	8,300	9,000	8,600
Total Non-farm	998,300	1,018,500	972,300	1,016,400	1,063,700
Mining & Logging	500	500	500	500	500
Construction	64,500	68,400	70,200	75,400	76,800
Manufacturing	36,000	36,500	36,100	37,700	40,300
Trade, Transportation & Utilities	159,900	161,700	155,900	165,000	169,600
Information	12,400	11,900	10,200	10,100	10,500
Financial Activities	53,400	52,500	51,700	51,800	52,300
Professional & Business Services	133,500	134,900	133,500	140,600	147,500
Education & Health Services	159,800	166,400	164,000	168,800	175,400
Leisure & Hospitality	106,200	109,200	83,900	93,600	108,700
Other Services	34,200	35,100	31,000	33,300	36,100
Total Government	238,000	241,400	235,300	240,200	246,000
Federal Government	14,100	14,200	14,800	14,500	14,300
State and Local Government	223,800	227,200	220,500	225,700	231,600

<sup>(1)</sup> Labor-force data are by place of residence and include self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

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

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

The table below identifies the major private-sector employers and the major public-sector employers for the greater Sacramento area (Sacramento, El Dorado, Placer, Sutter, Yolo, and Yuba Counties). Major private employers in the Sacramento area include those in health care, electronics, telecommunications, retail, and financial services. Major public-sector employers include the State and the County. The data provided are through December 2019 and may not reflect subsequent changes in work force.

**SACRAMENTO COUNTY  
MAJOR PRIVATE AND PUBLIC SECTOR EMPLOYERS IN 2022**

<b>Company</b>	<b>Type of Business</b>	<b>No. of Full-Time Employees<sup>(1)</sup></b>
State of California	Government	107,876
UC Davis Health System	Health Care	16,075
Sacramento County	County Government	13,252
Kaiser Permanente	Healthcare	10,934
U.S. Government	Government	10,507
Sutter Health	Healthcare	9,350
Dignity Health	Healthcare	7,353
Intel Corp.	Semiconductor Manufacturer	5,000
San Juan Unified School District	Public School District	4,801
Los Rios Community College District	Two-year Community College	3,049
California State University Sacramento	University	2,800
Raley's	Grocery Store Chain	2,756
Siemens Mobility Inc.	Rolling Stock Manufacturer	2,500
Folsom Cordova Unified School District	Public School District	2,400
Safeway	Grocery Store Chain	1,874
Golden 1 Credit Union	Credit Union	1,776
Pacific Gas and Electric Co.	Utility Company	1,370
WellSpace Health	Community Health System	1,143
Eskaton	In-home Healthcare	829
Pride Industries	Manufacturing and Logistics Services	512

<sup>(1)</sup> As of September 2022.  
Source: Sacramento Business Journal

The following tables contain certain data related to income and unemployment.

**UNEMPLOYMENT STATISTICS  
Calendar Year**

	2018	2019	2020	2021	2022
Sacramento	3.9%	3.7%	9.5%	6.9%	3.9%
California	4.2	4.0	10.1	7.3	4.2
National	3.9	3.7	8.1	5.3	3.5

Source: U.S. Department of Labor, Bureau of Labor Statistics

**MEDIAN HOUSEHOLD INCOME  
Calendar Year**

	<u>City of Sacramento</u>	<u>State of California</u>	<u>United States</u>
2017	\$54,615	\$67,169	\$57,652
2018	58,456	71,228	60,293
2019	71,891	80,423	65,712
2020	72,953	83,001	67,340
2021	79,611	84,831	69,717

Source: United States Census Bureau

**SACRAMENTO METROPOLITAN STATISTICAL AREA  
PER CAPITA INCOME  
Calendar Year**

<u>Year</u>	<u>Per Capita Income</u>
2017	\$52,481
2018	54,407
2019	57,151
2020	62,166
2021	65,972

Source: Bureau of Economic Analysis

**TOP TEN PROPERTY TAXPAYERS**  
**Fiscal Year 2023**  
**(\$ in thousand)**

Taxpayer	Assessed Valuation	Percent of Total Assessed Valuation
Sacramento Kings	\$326,921	0.49%
SRI Eleven 621 Capitol Mall LLC	257,026	0.39
Oakmont Properties LLC	213,975	0.32
Hancock SREIT Sacramento LLC	204,825	0.31
M/H Realty Partners VI LP	199,168	0.30
Natomas Development Partners LLC	176,526	0.27
Kaiser Foundation Health Plan INC.	170,787	0.26
Prime US-Park Tower LLC	170,596	0.26
HP Hood LLC	167,643	0.25
BRE Depot Park LLC	163,880	0.25
Total Top Ten	<u>\$2,051,347</u>	<u>3.10%</u>
All Other Taxpayers	<u>64,331,653</u>	<u>96.90%</u>
Total	\$66,383,000	100.00%

Source: City of Sacramento



## APPENDIX C

### SUMMARY OF THE INDENTURE

The following is a summary of certain provisions of the Indenture, dated as of March 1, 2013 (the “Original Indenture”), between the City of Sacramento (the “City”) and U.S. Bank Trust Company, National Association (successor to U.S. Bank National Association), as trustee (the “Trustee”), as supplemented by the First Supplemental Indenture, dated as of March 1, 2013 (the “First Supplemental Indenture”), the Second Supplemental Indenture, dated as of June 1, 2017 (the “Second Supplemental Indenture”), the Third Supplemental Indenture, dated as of May 1, 2020 (the “Third Supplemental Indenture”) and as further supplemented by the Fourth Supplemental Indenture, dated as of December 1, 2023 (the “Fourth Supplemental Indenture” and, together with the Original Indenture, as supplemented, the First Supplemental Indenture, the Second Supplemental Indenture, and the Third Supplemental Indenture, the “Indenture”), each between the City and the Trustee. Such summary is not intended to be complete or definitive, is supplemental to the summary of other provisions of the Indenture contained elsewhere in this Official Statement, and is qualified in its entirety by reference to the full terms of the Indenture. All capitalized terms used and not otherwise defined in this Official Statement shall have the meanings assigned to such terms in the Indenture.

#### Definitions

“Accreted Value” means, with respect to any Capital Appreciation Bond, the principal amount thereof plus the interest accrued thereon, compounded at the approximate interest rate thereon on each date specified therein. The Accreted Value at any date shall be the amounts set forth in the Accreted Value Table as of such date, if such date is a compounding date, and if not, as of the immediately preceding compounding date. For purposes of the Indenture, the term “principal of” shall also include Accreted Value, if appropriate.

“Accreted Value Table” means the table denominated as such which appears as an exhibit to, and to which reference is made in, a Supplemental Indenture providing for a Series of Capital Appreciation Bonds issued pursuant to such Supplemental Indenture.

“Alternate Credit Enhancement” means, with respect to a Series of Bonds, any Insurance, letter of credit, line of credit, surety bond, or other instrument, which secures, enhances, or guarantees the payment of principal of and interest on a Series of Bonds, issued by an insurance company, commercial bank, pension fund, or other institution, and delivered or made available to the Trustee, as a replacement or substitution for any Credit Enhancement then in effect.

“Alternate Liquidity Facility” means, with respect to a Series of Bonds, a line of credit, letter of credit, standby purchase agreement, or similar liquidity facility, which secures, enhances, or guarantees the payment of purchase price of such Series of Bonds under certain conditions specified therein, issued by a commercial bank, insurance company, pension fund, or other institution, and delivered or made available to the Trustee, as a replacement or substitute for any Liquidity Facility then in effect.

“Annual Debt Service” means, with respect to any Obligations and for any Fiscal Year, the aggregate amount of Debt Service on such Obligations becoming due and payable during such Fiscal Year.

“ARRA Loan” means the loan disbursed under Funding Agreement Number AR09FP22, dated September 8, 2009, and designated as City Agreement No. 2009-0850, between the City and the State of California Department of Public Health.

“Authorized Representative” means the City Manager of the City, the City Treasurer of the City, or such other person as may be designated to act on behalf of the City by resolution of the City Council of the City or by a written certificate delivered to the Trustee signed on behalf of the City by an Authorized Representative.

“Average Annual Debt Service” means with respect to any Obligations and as of any date of calculation, the quotient obtained by dividing (1) the sum of the Annual Debt Service on such Obligations for all Fiscal Years during the period commencing with the Fiscal Year in which such calculation is made (or, if appropriate, the first full Fiscal Year following the issuance or incurrence of such Obligations) and terminating in the last Fiscal Year in which any Debt Service on such Obligations is due by (2) the number of such Fiscal Years.

“Balloon Indebtedness” means, with respect to any Obligation, 25% or more of the principal or other face amount of which matures or becomes due on the same date or within a 12-month period (with Mandatory Sinking Account Payments deemed to be payments of matured principal), that portion of such Obligation which matures or becomes due on such date or within such 12-month period.

“Beneficial Owner” means any Person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of any Bond, including any Person holding Bonds through nominees or depositories, including the Securities Depository.

“Bond Obligation” means, as of any given date of calculation, (1) with respect to any Outstanding Current Interest Bond, the principal amount of such Bond, and (2) with respect to any Outstanding Capital Appreciation Bond, the Accreted Value thereof.

“Bond Reserve Fund” means the fund by that name established pursuant to the Indenture.

“Bond Reserve Requirement” means (1) with respect to the Bond Reserve Fund, as of any date of calculation, an amount equal to 50% of the Maximum Annual Debt Service for the Participating Bonds, as computed and determined by the City and specified in writing to the Trustee; provided, that with respect to the issuance of additional Participating Bonds if the Bond Reserve Fund would have to be increased by an amount greater than 10% of the stated principal amount of such additional Participating Bonds (or, if the issue has more than a de minimis amount of original issue discount or premium, of the issue price of such Bonds) then the Bond Reserve Requirement shall be such lesser amount as is determined by a deposit of such 10%; and (2) with respect to any Bond Series Reserve Fund, the amount specified as such in the Supplemental Indenture establishing such Bond Series Reserve Fund.

“Bond Series Reserve Fund” means any fund by that name established with respect to one or more Series of Bonds other than Participating Bonds pursuant to the Supplemental Indenture establishing the terms and provisions of such Series of Bonds.

“Bondholder” or “Holder” or “owner,” whenever used with respect to a Bond, means the person in whose name such Bond is registered.

“Bond” or “Bonds” means one or more of the City of Sacramento Water Revenue Bonds or Notes authorized by, and at any time Outstanding pursuant to, the Indenture.

“Business Day” means, except as is otherwise provided in the Supplemental Indenture pursuant to which a Series of Bonds is issued, any day other than (1) a Saturday, Sunday, or a day on which banking institutions in the State or the State of New York or the jurisdiction in which the Corporate Trust Office of the Trustee is located are authorized or obligated by law or executive order to be closed; (2) for purposes of payments and other actions relating to Bonds secured or enhanced by a Credit Enhancement or supported by a Liquidity Facility, a day upon which commercial banks in the city in which is located

the office of the issuing institution at which demands for payment under the Credit Enhancement or Liquidity Facility, as applicable, are to be presented are authorized or obligated by law or executive order to be closed; (3) a day on which the New York Stock Exchange is closed; or (4) a day on which the payment system of the Federal Reserve System is not operational.

“Capital Appreciation Bonds” means the Bonds of any Series designated as Capital Appreciation Bonds in the Supplemental Indenture providing for the issuance of such Series of Bonds and on which interest is compounded and paid at maturity or on prior redemption.

“Certificate,” “Statement,” “Request,” “Requisition” and “Order” of the City mean, respectively, a written certificate, statement, request, requisition or order signed in the name of the City by an Authorized Representative. Any such instrument and supporting opinions, or representations, may but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument. If and to the extent required by the Indenture, each such instrument shall include the statements provided for in the Indenture.

“City” means the City of Sacramento, a municipal corporation and chartered city, duly organized and existing under and by virtue of the Constitution and laws of the State of California, and any successor thereto.

“Code” means the Internal Revenue Code of 1986, and the regulations applicable thereto or issued thereunder, or any successor to the Internal Revenue Code of 1986. Reference to any particular Code section shall, in the event of such a successor Code, be deemed to be reference to the successor to such Code section.

“Continuing Disclosure Certificate” means, with respect to each Series of Bonds requiring an undertaking regarding disclosure under Rule 15c2-12, the continuing disclosure certificate or continuing disclosure agreement delivered by the City at the time of issuance and delivery of such Series of Bonds, as the same may be supplemented, modified, or amended in accordance with its terms.

“Corporate Trust Office” or “corporate trust office” means the corporate trust office of the Trustee at U.S. Bank Trust Company, National Association, One California Street, Suite 1000, San Francisco, California 94111, Attention: Global Corporate Trust Services, or such other or additional offices as may be designated by the Trustee from time to time; provided, that for registration, transfer, exchange, surrender, and payment of the Bonds, Corporate Trust Office shall initially mean the corporate trust operations office of the Trustee in Saint Paul, Minnesota.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the City and related to the authorization, issuance, sale and delivery of a Series of Bonds, including advertising and printing costs; costs of preparation and reproduction of documents; filing and recording fees; travel expenses and costs relating to rating agency meetings and other meetings concerning such Series of Bonds; initial fees, expenses, and charges of the Trustee; legal fees and charges; fees and disbursements of consultants and professionals; financial advisor fees and expenses; rating agency fees; fees and charges for preparation, execution, transportation, and safekeeping of Bonds; surety, insurance, credit enhancement, and liquidity costs; fees payable in connection with the execution or termination of an Interest Rate Swap Agreement in connection with the issuance of a Series of Bonds; and any other cost, charge, or fee incurred in connection with the issuance of a Series of Bonds or any Parity Obligations delivered in connection with a Series of Bonds.

“Costs of Issuance Fund” means a fund by that name established pursuant to the provisions of a Supplemental Indenture to pay Costs of Issuance with respect to a Series of Bonds being issued pursuant to such Supplemental Indenture.

“Counterparty” means an entity which has entered into an Interest Rate Swap Agreement with the City.

“Coverage Requirement” means, for any Fiscal Year, an amount of System Net Revenues equal, in each case, to at least (1) 120% of the Debt Service on all Outstanding Bonds and Parity Obligations for such Fiscal Year, (2) 110% of the Debt Service on all Outstanding Bonds, Parity Obligations, and Subordinate Obligations for such Fiscal Year, and (3) 100% of all obligations of the City payable from System Net Revenues in such Fiscal Year.

“Credit Enhancement” means, with respect to a Series of Bonds, any Insurance, letter of credit, line of credit, surety bond, or other instrument, which secures, enhances, or guarantees the payment of principal of and interest on a Series of Bonds, issued by an insurance company, commercial bank, pension fund, or other institution, and delivered or made available to the Trustee, as from time to time supplemented or amended pursuant to its terms. In the event of the delivery or availability of an Alternate Credit Enhancement, “Credit Enhancement” means such Alternate Credit Enhancement.

“Credit Enhancement Provider” means, with respect to a Series of Bonds, the Insurer, commercial bank, pension fund, or other institution issuing (or having primary obligation, or acting as agent for the institutions obligated, under) a Credit Enhancement then in effect with respect to such Series of Bonds.

“Current Interest Bonds” means the Bonds of any Series that are designated as Current Interest Bonds in the Supplemental Indenture providing for the issuance of such Series of Bonds and pay interest to the Holders thereof on a periodic basis prior to maturity.

“Debt Service,” when used with respect to any Obligations, means, as of any date of calculation and with respect to any Fiscal Year, the sum of (1) the interest falling due on such Obligations during such Fiscal Year, (2) the principal or Mandatory Sinking Account Payments required to be paid with respect to such Obligations during such Fiscal Year, and (3) any other regularly scheduled payments on such Obligations during such Fiscal Year to the extent not included in clauses (1) and (2) of this definition, all of which are to be computed on the assumption that no portion of such Obligations shall cease to be outstanding during such Fiscal Year except by reason of the application of such scheduled payments; provided, however, that for purposes of such computation:

(A) Balloon Indebtedness may, at the option of the City, be treated as if it were to be amortized in substantially equal annual installments over a term of up to 30 years (which period shall be designated by the City), commencing in the year of incurrence by the City of such Balloon Indebtedness, and the interest rate used for such computation shall be assumed by the City to be equal to either (1) a fixed rate equal to the average Revenue Bond Index during the calendar quarter preceding the calendar quarter in which the calculation is made, or, if that index is no longer published, an interest rate equal to 80% of the yield (as of the close on the Business Day immediately preceding the date of calculation) for outstanding United States Treasury bonds having a maturity of ten years or (2) such interest rate as shall be specified in a written statement from an investment banking or financial advisory firm selected by the City;

(B) unless a different subsection of this definition applies for purposes of determining maturities or amortization, in determining the amount due in each Fiscal Year, payment shall be assumed to be made in accordance with any amortization schedule established for such Obligations, including any

Mandatory Sinking Account Payments or any scheduled redemption or payment of Obligations on the basis of Accreted Value, and for such purpose, the redemption payment or payment of Accreted Value shall be deemed a principal payment and interest that is compounded and paid as Accreted Value shall be deemed due on the scheduled redemption or payment date of such Capital Appreciation Bond and any contingencies that may result in a request for earlier payment shall be disregarded;

(C) if any Obligations bear, or if any Obligations proposed to be issued will bear, interest at a variable interest rate for which an Interest Rate Swap Agreement is not in place and the interest on which is excluded or expected to be excluded from gross income for federal income tax purposes, the interest rate on such Obligations for periods when the actual interest rate cannot yet be determined shall be assumed to be equal to the average of the SIFMA Swap Index for the five years preceding such date of calculation (provided, however, that if such index is no longer published, the interest rate on such Obligations shall be calculated based upon such similar index as the City shall designate in writing to the Trustee);

(D) if any Obligations bear, or if any Obligations proposed to be issued will bear, interest at a variable interest rate for which an Interest Rate Swap Agreement is not in place and the interest on which is included or expected to be included in gross income for federal income tax purposes, the interest rate on such Obligations shall be calculated at an interest rate equal to 100% of the average One Month USD LIBOR Rate during the five years preceding such date of calculation or such higher rate as shall be specified in a Certificate of the City delivered to the Trustee (provided, however, that if such index is no longer published, the interest rate on such Obligations shall be calculated based upon such similar index as the City shall designate in writing to the Trustee);

(E) with respect to any Obligations bearing interest, or expected to bear interest, at a variable interest rate for which an Interest Rate Swap Agreement is in place providing for a synthetic fixed interest rate to maturity or for a specific term with respect to such Obligations, the interest rate on such Obligations shall be assumed to be the synthetic fixed interest rate specified in such Interest Rate Swap Agreement for such term;

(F) with respect to any Obligations bearing interest, or expected to bear interest, at a fixed interest rate for which an Interest Rate Swap Agreement is in place providing for a net variable interest rate with respect to such Obligations for a specific term, the interest rate on such Obligations shall be assumed to be equal for such term to the sum of (1) the fixed interest rate or rates to be paid on the Obligations, minus (2) the fixed interest rate receivable by the City under such Interest Rate Swap Agreement, plus (3) the average interest rate of the index on which the Interest Rate Swap Agreement is based, as identified in a Certificate of the City delivered to the Trustee, or, if not based on an identifiable index, then the average of the SIFMA Swap Index, in each case, over the five years preceding the date of calculation or such higher rate as shall be specified in a Certificate of the City delivered to the Trustee;

(G) if any Obligations feature an option, on the part of the owners or a requirement under the terms of such Obligations, to tender all or a portion of such Obligations to the City, the Trustee, or other fiduciary or agent, and to purchase such Obligations or portion thereof if properly presented, then for purposes of determining the amounts due in any Fiscal Year on such Obligations, the options or obligations of the owners of such Obligations to tender the same for purchase or payment shall be ignored;

(H) payments on Obligations shall be excluded to the extent such payments are to be paid from amounts on deposit with the Trustee or other fiduciary in escrow specifically therefor, and interest payments shall be excluded to the extent that such interest payments are (1) to be paid from the proceeds of Obligations, including any investment earnings thereon, held by the Trustee or other fiduciary as

capitalized interest specifically to pay such interest or (2) paid or expected to be paid from Subsidy Payments;

(I) with respect to Obligations for which a reserve fund (including a Reserve Fund) is in place, the calculation of Debt Service for such Obligations for any Fiscal Year shall be reduced by the amount of investment earnings on amounts on deposit in such reserve fund used or expected to be used to pay Debt Service on such Obligations during such Fiscal Year;

(J) with respect to Obligations for which a reserve fund (including a Reserve Fund) is in place, the amount on deposit in such reserve fund on any date of calculation of Debt Service shall be deducted from the amount due on the final maturity or due date of such Obligations if such amount on deposit in such reserve fund would be released at such maturity or due date and, to the extent the amount on deposit in such reserve fund is in excess of the amount due on the final maturity or due date of such Obligations, such excess shall be applied to the full amount due in each preceding Fiscal Year, in inverse order, until such amount on deposit in such reserve fund is exhausted;

(K) Reimbursement Obligations or potential Reimbursement Obligations shall be ignored; and

(L) net payments payable by the City on any Interest Rate Swap Agreement shall be ignored to the extent such Interest Rate Swap Agreement is used or expected to be used to determine the interest on Obligations under clauses (E) or (F) of this definition.

“Event of Default” means any of the events specified in the Indenture and described under the caption “Events of Default and Remedies – Events of Default” below.

“Fee and Expense Obligations” means any obligations of the City that constitute fees, expenses, and similar charges in connection with any Bonds, Parity Obligations, or Subordinate Obligations (including fees and expenses and termination payments on Interest Rate Swap Agreements) issued or incurred in accordance with the Indenture, which obligations are secured under the Indenture by the pledge made pursuant to the Indenture and payable from the Revenue Fund with the priority set forth in the Indenture.

“Fees and Expenses Fund” means the fund by that name established pursuant to the Indenture.

“Fiscal Year” means the period beginning on July 1 of each year and ending on the next succeeding June 30, or any other 12-month period hereafter selected and designated as the official fiscal year period of the City, which designation shall be provided to the Trustee in a Certificate delivered by the City.

“Fitch” means Fitch Inc., and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then “Fitch” shall be deemed to refer to any other nationally recognized securities rating agency selected by the City.

“Include” and its variants are terms of enlargement rather than of limitation. For example, “includes” means “includes but not limited to,” and “including” means “including but not limited to.”

“Indenture” means the Indenture, dated as of March 1, 2013, between the Trustee and the City, as originally executed or as it may from time to time be supplemented or amended by any Supplemental Indenture delivered pursuant to the provisions thereof.

“Insurance” means any financial guaranty insurance policy or municipal bond insurance policy issued by an Insurer insuring the payment when due of principal of and interest on a Series of Bonds as provided in such financial guaranty insurance policy or municipal bond insurance policy.

“Insurer” means any provider of Insurance with respect to a Series of Bonds.

“Interest Fund” means the fund by that name established pursuant to the Indenture.

“Interest Payment Date,” with respect to each Series of Bonds, shall have the meaning specified in the Supplemental Indenture establishing the terms and provisions of such Series of Bonds.

“Interest Rate Swap Agreement” or “Swap” means an interest rate swap, cap, collar, option, floor, forward, derivative, or other hedging agreement, arrangement, or security, however denominated, entered into between the City and a Counterparty, in connection with or incidental to the issuance, incurrence, or carrying of Obligations, including an interest rate swap, cap, collar, option, floor, forward, derivative, or other hedging agreement, arrangement, or security entered into in advance of the issuance or incurrence of Obligations.

“Interest Subsidy Bonds” means Bonds for which the City is entitled to receive Subsidy Payments.

“Investment Securities” means any of the following:

(A) The following obligations may be used as Investment Securities for all purposes, including defeasance investments in refunding escrow accounts:

- (1) Cash;
- (2) Direct obligations of the Department of the Treasury of the United States of America;
- (3) Obligations of any of the following federal agencies, which obligations represent the full faith and credit of the United States of America:
  - Export-Import Bank
  - Farm Credit System Financial Assistance Corporation
  - Rural Economic Community Development Administration (formerly the Farmers Home Administration)
  - General Services Administration
  - U.S. Maritime Administration
  - Small Business Administration
  - Government National Mortgage Association (GNMA)
  - U.S. Department of Housing & Urban Development (PHA’s)
  - Federal Housing Administration
  - Federal Financing Bank; and
- (4) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America:
  - Senior debt obligations issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC)

- Obligations of the Resolution Funding Corporation (REFCORP)
- Senior debt obligations of the Federal Home Loan Bank System
- Senior debt obligations of other government sponsored agencies approved by each Credit Enhancement Provider then providing Credit Enhancement for a Series of Bonds.

(B) The following obligations may be used as Investment Securities for all purposes other than defeasance investments in refunding escrow accounts:

(1) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks (including the Trustee and its affiliates) that have a rating (ratings on holding companies are not considered as the rating of the banks) on their short-term certificates of deposit on the date of purchase of "A-1" or "A-1+" by Standard & Poor's and "P-1" by Moody's and mature no more than 365 days after the date of purchase;

(2) Commercial paper that is rated at the time of purchase in the single highest classification, "A-1" by Standard & Poor's or "P-1" by Moody's, and matures not more than 270 days after the date of purchase;

(3) Investments in a money market fund rated at the time of investment "AAAm" or "AAAm-G" or better by Standard & Poor's, including funds for which the Trustee or an affiliate provides investment advice or other services;

(4) Pre-refunded Municipal Obligations defined as follows: Any bonds or other obligations of any state of the United States of America or of any agency, instrumentality, or local governmental unit of any such state, which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

(A) which are rated at the time of purchase, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of Standard & Poor's and Moody's or any successors thereto; or

(B) (i) which are fully secured as to principal and interest and prepayment premium, if any, by an escrow consisting only of cash or obligations described in paragraph A(2) above, which escrow may be applied only to the payment of such principal of and interest and prepayment premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified prepayment date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and prepayment premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate;

(5) General obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state with a rating, at the time of purchase, of "Baa1/BBB+" or higher by both Moody's and Standard & Poor's;

(6) Any investment agreement with a financial institution or insurance company which has at the date of execution thereof an outstanding issue of unsecured, uninsured, and unguaranteed debt obligations or a claims paying ability rated (or the parent company or



guarantor of which is rated) in either of the two highest long-term Rating Categories by Moody's and Standard & Poor's;

(7) The Local Agency Investment Fund managed by the Treasurer of the State of California, as referred to in Section 16429.1 of the Government Code of the State, but only to the extent such investment is registered in the name of the Trustee;

(8) Shares in a common law trust established pursuant to Title 1, Division 7, Chapter 5 of the Government Code of the State which invests exclusively in investments permitted by Section 53601 of Title 5 Division 2, Chapter 4 of the Government Code of the State, as it may be amended;

(9) Investments in the City of Sacramento Investment Pool A; and

(10) Any other forms of investments, that relate solely to a Series of Bonds, as specified in a Supplemental Indenture providing for the issuance of such Series of Bonds.

"Letter of Credit Fund" means a fund by that name established to hold funds that are drawn on Credit Enhancement provided in the form of a letter of credit and that are to be applied to pay the principal of or interest on a Series of Bonds, which fund shall be established pursuant to the Supplemental Indenture establishing the terms and provisions of such Series of Bonds.

"Liquidity Facility" means, with respect to a Series of Bonds, a line of credit, letter of credit, standby purchase agreement, or similar liquidity facility that secures, enhances, or guarantees the payment of purchase price of such Series of Bonds under certain conditions specified therein, issued by a commercial bank, insurance company, pension fund, or other institution, and delivered or made available to the Trustee, as from time to time supplemented or amended pursuant to its terms. In the event of the delivery or availability of an Alternate Liquidity Facility, "Liquidity Facility" means such Alternate Liquidity Facility.

"Liquidity Facility Bonds" means any Bonds purchased with moneys drawn under (or otherwise obtained pursuant to the terms of) a Liquidity Facility, but excluding any Bonds no longer considered to be Liquidity Facility Bonds in accordance with the terms of the applicable Liquidity Facility. If designated as such in a Supplemental Indenture, Bonds purchased with moneys drawn under Credit Enhancement in the form of a letter of credit or other similar instrument shall be treated as Liquidity Facility Bonds.

"Liquidity Facility Provider" means, with respect to a Series of Bonds, the commercial bank, insurance company, pension fund, or other institution issuing (or having primary obligation, or acting as agent for the institutions obligated, under) a Liquidity Facility then in effect with respect to such Series of Bonds.

"Liquidity Facility Rate" means, with respect to a Series of Bonds, the interest rate per annum, if any, specified in the Liquidity Facility delivered in connection with such Series of Bonds as applicable to Liquidity Facility Bonds.

"Maintenance and Operation Costs" means costs spent or incurred by the City for maintaining and operating the Water System, calculated in accordance with generally accepted accounting principles used by the City consistently applied, including the expenses of maintenance, repair, billing and collection, and other expenses incurred to maintain and preserve the Water System in good repair and working order, and including administrative costs of the City, salaries and wages of employees, payments

to employees retirement systems, overhead, taxes (if any), fees of auditors, accountants, attorneys, engineers, or other consultants, and insurance premiums, in each case as attributable to the Water System, and including all other reasonable and necessary costs of the City or charges required to be paid by it to comply with the terms of the Bonds, Parity Obligations, Subordinate Obligations, and Fee and Expense Obligations but excluding in all cases (1) depreciation, replacement and obsolescence charges or reserves therefor, (2) amortization of intangibles or other bookkeeping entries of a similar nature, (3) costs of capital additions, replacements, betterments, extensions or improvements to the Water System that under generally accepted accounting principles are chargeable to a capital account or to a reserve for depreciation, and (4) charges for the payment of Bonds, Parity Obligations, Subordinate Obligations, and Fee and Expense Obligations.

“Mandatory Sinking Account Payment” means, with respect to Bonds of any Series and maturity, the amount required by the Supplemental Indenture establishing the terms and provisions of such Series of Bonds to be deposited by the City in a Sinking Account for the payment of Term Bonds of such Series and maturity.

“Maturity Date” means, with respect to a Series of Bonds, the date of maturity or maturities specified in the Supplemental Indenture establishing the terms and provisions of such Series of Bonds.

“Maximum Annual Debt Service” means, with respect to any Obligations and as of any date of calculation, the maximum amount of Annual Debt Service becoming due and payable on such Obligations in any Fiscal Year during the period commencing with the Fiscal Year in which such calculation is made and terminating with the last Fiscal Year in which any Debt Service for such Obligations is due.

“Maximum Rate” means, with respect to any Bonds, the lesser of (1) the rate designated as the Maximum Rate for such Bonds in the Supplemental Indenture with respect to such Bonds and (2) the maximum rate of interest that may legally be paid on the Bonds from time to time.

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

“Notice Parties” means, as and to the extent applicable, the City, the Trustee, any Credit Enhancement Provider for the Series of Bonds to which the notice being given relates, any Liquidity Provider for the Series of Bonds to which the notice being given relates, and any other party designated as a “Notice Party” for a Series of Bonds in the Supplemental Indenture providing for the issuance of such Series of Bonds.

“Obligations” means any Bonds, any Parity Obligations, or any Subordinate Obligations, as applicable.

“One Month USD LIBOR Rate” means the rate for deposits in U.S. dollars for a one-month maturity that appears on Reuters Screen LIBOR01 Page (or such other page as may replace that page on that service, or such other service as may be nominated by the British Bankers Association, for the purpose of displaying London interbank offered rates for U.S. dollar deposits) as of 11:00 a.m., London time on the date of determination of such rate, except that, if such rate does not appear on such page on such date, then One Month USD LIBOR Rate means a rate determined on the basis of the rates at which deposits in U.S. dollars for a one-month maturity and in a principal amount of at least U.S. \$1,000,000 are

offered at approximately 11:00 a.m., London time on such date to prime banks in the London interbank market by three major banks in the London interbank market (herein referred to as the “Reference Banks”) selected by the City (provided, however, that the City may appoint an agent to identify such Reference Banks). The City or its agent is to request the principal London office of each of such Reference Banks to provide a quotation of its rate. If at least two such quotations are provided, the One Month USD LIBOR Rate will be the arithmetic mean of such quotations. If fewer than two quotations are provided, the One Month LIBOR Rate will be the arithmetic mean of the rates quoted by three (if three quotations are not provided, two or one, as applicable) major banks in New York City, selected by the City or its agent, at approximately 11:00 a.m., New York City time on such date for loans in U.S. dollars to leading European banks in a principal amount of at least U.S. \$1,000,000 having a one-month maturity. If none of the banks in New York City selected by the City or its agent is then quoting rates for such loans, then the One Month USD LIBOR Rate for the ensuing interest period will mean the One Month USD LIBOR Rate most recently in effect.

“Opinion of Bond Counsel” means a written opinion of a law firm of national standing in the field of public finance selected by the City.

“Outstanding,” when used as of any particular time with reference to Bonds, means (subject to the provisions of the Indenture described below under the caption “Disqualified Bonds”) theretofore, or thereupon being, authenticated and delivered by the Trustee under the Indenture except (1) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (2) Bonds with respect to which all liability of the City shall have been discharged in accordance with the provisions of the Indenture described below under the caption “Defeasance – Discharge of Liability on Bonds,” including Bonds (or portions of Bonds) referred to the Indenture described below under the caption “Money Held for Particular Bonds;” and (3) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to the Indenture; provided, however, that in the event the principal of or interest due on any Bonds shall be paid by the Credit Enhancement Provider pursuant to the Credit Enhancement issued in connection with such Bonds, such Bonds shall, to the extent of such payment, remain Outstanding for all purposes and shall not be considered defeased or otherwise satisfied or paid by the City, and the pledge of the Trust Estate and all covenants, agreements, and other obligations of the City to the Holders shall continue to exist and shall run to the benefit of such Credit Enhancement Provider, and such Credit Enhancement Provider shall, to the extent of such payment, be subrogated to the rights of such Holders.

“Parity Obligations” means (1) the City’s obligations with respect to the ARRA Loan, (2) any obligation of the City (excluding fees and expenses and termination payments on Interest Rate Swap Agreements, which fees and expenses and termination payments shall be secured as Fee and Expense Obligations) incurred in accordance with the Indenture, and (3) any obligation of the City to pay the Rebate Requirement, all of which obligations are secured under the Indenture and payable from the Revenue Fund with the priority set forth in the Indenture.

“Participating Bonds” means the Bonds of each Series which, pursuant to the terms of the Supplemental Indenture relating to such Series, are secured by amounts in the Bond Reserve Fund.

“Participating Underwriter” means any of the original underwriters of a Series of Bonds required to comply with Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission, under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“Person” means an association, corporation, firm, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof, or any other entity, whether or not a legal entity.

“Principal Fund” means the fund by that name established pursuant to the Indenture.

“Principal Payment Date” means any date any amount of Bond Obligation becomes due and payable or any Mandatory Sinking Account Payments are required to be paid.

“Project Fund” means, with respect to any Series of Bonds, a fund by that name established pursuant to the provisions of a Supplemental Indenture to hold the proceeds of a Series of Bonds or a portion thereof prior to expenditure on the particular projects being financed with the proceeds of such Series of Bonds.

“Proportionate Basis,” when used with respect to the redemption of Bonds, means that the amount of Bonds of each maturity to be redeemed shall be determined as nearly as practicable by multiplying the total amount of funds available for redemption by the ratio which the amount of Bond Obligation of Bonds of such maturity bears to the amount of all Bond Obligation of Bonds to be redeemed, provided, however that, any Bond may only be redeemed in an authorized denomination. For purposes of the foregoing, Term Bonds shall be deemed to mature in the years and in the amounts of the Mandatory Sinking Account Payments, and Capital Appreciation Bonds and Current Interest Bonds maturing or subject to Mandatory Sinking Account Payments in the same year shall be treated as separate maturities. When used with respect to the payment or purchase of a portion of Bonds, “Proportionate Basis” shall have the same meaning set forth above except that “pay” or purchase” shall be substituted for “redeem” or “redemption” and “paid” or “purchased” shall be substituted for “redeemed.”

“Purchase Fund” means a fund by that name established to hold funds to be applied to pay the purchase price of a Series of Bonds, which fund shall be established pursuant to the Supplemental Indenture establishing the terms and provisions of such Series of Bonds.

“Rate Stabilization Fund” means the fund referred to by that name in the Indenture.

“Rating Agency” means, as and to the extent applicable to a Series of Bonds, each of Fitch, Moody’s, and Standard & Poor’s, but in each instance only so long as each such Rating Agency maintains a rating on such Series of Bonds at the Request of the City.

“Rating Category” means (1) with respect to any long-term rating category, all ratings designated by a particular letter or combination of letters, without regard to any numerical modifier, plus or minus sign, or other modifier; and (2) with respect to any short-term or commercial paper rating category, all ratings designated by a particular letter or combination of letters and taking into account any numerical modifier, but not any plus or minus sign or other modifier.

“Rebate Fund” means the fund by that name established pursuant to the Indenture.

“Rebate Requirement” means, with respect to any Series of Bonds, the Rebate Requirement determined in accordance with the Tax Certificate delivered in connection with such Series of Bonds.

“Redemption Fund” means the fund by that name established pursuant to the Indenture.

“Redemption Price” means, with respect to any Bond (or portion thereof), the Bond Obligation of such Bond (or portion thereof) plus the applicable premium, if any, payable upon redemption thereof pursuant to the provisions of such Bond and the Indenture.

“Refunding Bonds” means a Series of Bonds or a portion of a Series of Bonds issued pursuant to the provisions of the Indenture described below under the caption “Issuance of Additional Bonds and Other Obligations – Issuance of Refunding Bonds.”

“Reimbursement Obligations” means any obligation of the City to repay, from System Net Revenues, amounts provided by a Credit Enhancement Provider under a Credit Enhancement or by Liquidity Facility Provider under a Liquidity Facility as credit or liquidity support for a Series of Bonds or by any similar credit provider or liquidity provider as credit or liquidity support for Parity Obligations or Subordinate Obligations.

“Repository” means the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission or any successor agency thereto to receive reports and notices pursuant to Rule 15c2-12.

“Reserve Facility” means any insurance policy, letter of credit, or surety bond issued by a Reserve Facility Provider, meeting the requirements of the Indenture described below under the caption “Establishment and Application of Funds and Accounts – Reserve Funds,” and delivered to the Trustee in satisfaction of all or a portion of the Bond Reserve Requirement applicable to one or more Series of Bonds.

“Reserve Facility Provider” means any issuer of a Reserve Facility.

“Reserve Fund” means the Bond Reserve Fund or a Bond Series Reserve Fund, as the context requires.

“Revenue Bond Index” means the Revenue Bond Index published from time to time in *The Bond Buyer*.

“Revenue Fund” means the fund by that name established pursuant to the Indenture.

“Rule 15c2-12” means Securities and Exchange Commission Rule 15c2-12, as supplemented and amended from time to time.

“Securities Depository” means The Depository Trust Company, or, in accordance with then-current guidelines of the Securities and Exchange Commission, such other securities depository, or no such depositories, as the City may designate in a Request of the City delivered to the Trustee.

“Serial Bonds” means Bonds, maturing in specified years, for which no Mandatory Sinking Account Payments are provided.

“Series,” whenever used herein with respect to Bonds, means all of the Bonds designated as being of the same series, authenticated and delivered in a simultaneous transaction regardless of variations in maturity, interest rate, redemption, and other provisions, and any Bonds thereafter authenticated and delivered upon transfer or exchange or in lieu of or in substitution for (but not to refund) such Bonds as herein provided.

“Series 2013 Bonds” means the City of Sacramento Water Revenue Bonds, Series 2013 authorized by, and at any time Outstanding pursuant to, the Indenture.

“Series 2023 Bonds” means the City of Sacramento Water Revenue Refunding Bonds, Series 2023 authorized by, and at any time Outstanding pursuant to, the Indenture.

“SIFMA Swap Index” means, on any date, a rate determined on the basis of the seven-day high grade market index of tax-exempt variable rate demand obligations, as produced by Municipal Market Data and published or made available by the Securities Industry & Financial Markets Association (formerly the Bond Market Association) (“SIFMA”) or by any Person acting in cooperation with or under the sponsorship of SIFMA and effective from such date.

“Sinking Account” means an account by that name established in the Principal Fund pursuant to the Indenture for the payment of Term Bonds.

“Standard & Poor’s” or “S&P” means Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business, which is a subsidiary of The McGraw-Hill Companies, Inc., a corporation duly organized and existing under and by virtue of the laws of the State of New York, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term “Standard & Poor’s” or “S&P” shall be deemed to refer to any other nationally recognized securities rating agency selected by the City.

“State” means the State of California.

“Subordinate Obligations” means any obligations (excluding fees and expenses and termination payments on Interest Rate Swap Agreements, which fees and expenses and termination payments shall be secured as Fee and Expense Obligations) of the City issued or incurred in accordance with the Indenture, which obligations are secured under the Indenture and payable from the Revenue Fund with the priority set forth in the Indenture.

“Subordinate Obligations Fund” means the fund by that name established pursuant to the Indenture.

“Subsidy Payments” means payments with respect to the interest due on a Series of Bonds made by the United States Treasury to the Trustee pursuant to Section 54AA of the Code, Section 6431 of the Code, or Section 1400U-2 of the Code or any successor to or extension or replacement of any of such provisions of the Code, or any provisions of the Code that create substantially similar direct-pay subsidy programs to such programs created pursuant to Section 54AA, Section 6431, or Section 1400U-2 of the Code.

“Supplemental Indenture” means any indenture hereafter duly executed and delivered, supplementing, modifying, or amending the Indenture, but only if and to the extent that such supplemental indenture is authorized under the Indenture.

“Swap Revenues” means all amounts, including termination payments, owed or paid to the City by any Counterparty under any Interest Rate Swap Agreement after offset for amounts owed or paid by the City to such Counterparty under such Interest Rate Swap Agreement.

“System Net Revenues” means System Revenues remaining after payment of Maintenance and Operation Costs then due and payable.

“System Revenues” means all income, rents, rates, fees, charges, and other moneys derived from the ownership or operation of the Water System determined in accordance with generally accepted accounting principles, consistently applied, including (1) all income, rents, rates, fees, connection fees, water system development fees, charges, standby charges, capacity charges, or other moneys derived by the City from the water services or facilities, and commodities or byproducts, sold, furnished, or supplied through the facilities of or in the conduct or operation of the business of the Water System, and including

investment earnings on the operating reserves to the extent that the use of such earnings is limited to the Water System by or pursuant to law; (2) any amount received from the levy or collection of taxes that are solely available and are earmarked for the support of the operation of the Water System; (3) allocations from the Rate Stabilization Fund to the Water Fund; and (4) grants for maintenance and operations to the extent that the restrictions for the use thereof do not preclude them from being applied to the payment of Maintenance and Operation Costs or the Obligations; provided, however, that System Revenues shall exclude in all cases (a) customers' deposits or any other deposits or advances subject to refund until such deposits or advances have become the property of the City and (b) any proceeds of the voter-approved general tax imposed on the gross revenues of the Water System from user fees and charges, which proceeds are paid into the City's General Fund pursuant to Section 3.20.010 of the Sacramento City Code. As provided in the Indenture, the amount of available System Revenues shall be reduced by the amount of System Revenues allocated to the Rate Stabilization Fund.

"Tax Certificate" means each Tax Certificate delivered by the City at the time of issuance and delivery of a Series of Bonds, as the same may be amended or supplemented in accordance with its terms.

"Term Bonds" means Bonds payable at or before their specified maturity date or dates from Mandatory Sinking Account Payments established for that purpose and calculated to retire such Bonds on or before their specified maturity date or dates.

"Trust Estate" shall have the meaning given to such term in the provisions of the Indenture described below under Water Fund; Revenue Fund; Pledge of Trust Estate.

"Trustee" means U.S. Bank Trust Company, National Association, a national banking association duly organized and existing under and by virtue of the laws of the United States of America, or its successor, as Trustee as provided in the Indenture.

"Variable Rate Indebtedness" means any indebtedness the interest rate on which is not fixed at the time of incurrence of such indebtedness, and has not at some subsequent date been fixed, at a numerical rate or rates for the entire term of such indebtedness.

"Water Fund" means the existing fund by that name established and maintained by the City on its books.

"Water Service" means the water services made available or provided by the Water System.

"Water System" means the whole and each and every part of the properties, works, and facilities of the water system of the City including the portion thereof existing on the date hereof and including all additions, betterments, extensions, replacements, and improvements to such system or any part thereof and hereafter acquired or constructed.

### **Water Fund; Revenue Fund; Pledge of Trust Estate**

So long as any Bonds are Outstanding or Parity Obligations, Subordinate Obligations, Fee and Expense Obligations or any other amounts payable hereunder remain unpaid, the City covenants and agrees that all System Revenues received by it shall be accounted for when and as received in the Water Fund which fund the City covenants and agrees to maintain on the City's books so long as any Bonds are Outstanding or Parity Obligations, Subordinate Obligations, Fee and Expense Obligations, or any other amounts payable hereunder remain unpaid, and all money accounted for within the Water Fund shall be applied and used only as provided herein and the Water Fund shall be accounted for separate and apart from all other moneys, funds, or other resources of the City. The City may, to the extent provided in the

Indenture, allocate amounts accounted for in the Water Fund to the Rate Stabilization Fund or allocate amounts accounted for in the Rate Stabilization Fund to the Water Fund. From amounts accounted for within the Water Fund, the City shall pay, in the following order of priority: first, to the applicable payee or as otherwise required, all Maintenance and Operation Costs (including amounts reasonably required by the City to be set aside in contingency reserves for Maintenance and Operation Costs, the payment of which is not immediately required) as they become due and payable; and second, to the Trustee on or before each date the Trustee is required to make any transfer or deposit pursuant to the Indenture, such amount as is required for the Trustee to make the transfers and deposits required to be made by the Trustee on such date by the Indenture, including all amounts of principal, purchase price, interest, and Redemption Price then due and payable with respect to the Bonds. If (a) no Event of Default has occurred and is continuing, (b) all Maintenance and Operation Costs are being and have been paid and are then current, and (c) all payments then due and payable with respect to the Outstanding Bonds and outstanding Parity Obligations, Subordinate Obligations and Fee and Expense Obligations have been paid, then all money accounted for in the Water Fund, and the proceeds thereof, will be available for any lawful purpose of the City.

As security for the payment of all amounts owing on the Bonds, the Parity Obligations, the Subordinate Obligations and the Fee and Expense Obligations, in the amounts and with the priorities set forth in the Indenture and in the Bonds, the City irrevocably pledges to the Trustee: (a) all System Net Revenues collected after the date of issuance of the Series 2013 Bonds; (b) all funds and accounts held by the Trustee under the Indenture or any Supplemental Indenture (other than the Rebate Fund, all Letter of Credit Funds, and all Purchase Funds) and all investments, money, instruments, and other property credited thereto or on deposit therein; (c) all investment earnings on amounts held by the Trustee in the funds and accounts under the Indenture, excluding amounts deposited in the Rebate Fund, any Letter of Credit Fund, and any Purchase Fund; (d) all Swap Revenues; (e) all Subsidy Payments; and (f) all proceeds of the foregoing whether now existing or hereafter arising (clauses (a) through (f) above collectively, the "Trust Estate"), subject to the provision of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture. This collateral shall immediately be subject to this pledge, and this pledge shall constitute a lien and security interest which shall immediately attach to the collateral and be effective, binding, and enforceable against the City and all others asserting the rights therein, to the extent set forth, and in accordance with, the Indenture irrespective of whether those parties have notice of this pledge and without the need for any physical delivery, recordation, filing or further act. All System Net Revenues spent by the City for a lawful purpose as described in the last sentence of the immediately preceding paragraph shall no longer be subject to the lien of the Indenture.

All Bonds and Parity Obligations shall be of equal rank with each other without preference, priority, or distinction of any Bonds and Parity Obligations over any other Bonds and Parity Obligations. All Subordinate Obligations shall be of equal rank with each other without preference, priority, or distinction of any Subordinate Obligations over any other Subordinate Obligations. All Fee and Expense Obligations shall be of equal rank with each other without preference, priority, or distinction of any Fee and Expense Obligations over any other Fee and Expense Obligations.

The Trustee shall deposit in a trust fund, designated as the "Revenue Fund," which fund the Trustee shall establish and maintain, all amounts received by it from the City pursuant to the Indenture, when and as received by the Trustee. Subject to the Indenture, all Swap Revenues and Subsidy Payments received by the Trustee shall also be deposited in the Revenue Fund.

The Trustee shall hold all funds and accounts established under the Indenture and required to be held by the Trustee (other than the Rebate Fund, all Letter of Credit Funds, and all Purchase Funds), and all investments, money, instruments, and other property credited thereto or on deposit therein, in trust for



the benefit of the holders of the Bonds, the Parity Obligations, the Subordinate Obligations, and the Fee and Expense Obligations as their interests may appear under the Indenture. Such property shall be applied solely as provided in the Indenture.

The Bonds are limited obligations of the City and are payable as to both principal or purchase price and interest, and any premium upon redemption thereof, exclusively from the Trust Estate pledged under the Indenture and as provided in the Indenture.

### **Allocation of Moneys in the Revenue Fund**

So long as any Bonds are Outstanding or Parity Obligations, Subordinate Obligations, Fee and Expense Obligations or any other amounts payable under the Indenture remain unpaid, the Trustee shall set aside on each date set forth in the Indenture and described below, the moneys in the Revenue Fund in the following funds (each of which the Trustee shall establish, maintain, and hold in trust for the benefit of the Holders of the Bonds and, as and to the extent applicable, the holders of Parity Obligations, Subordinate Obligations, and Fee and Expense Obligations) in the following amounts and in the following order of priority, the requirements of each such fund (including the making up of any deficiencies in any such fund resulting from lack of moneys in the Revenue Fund sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any deposit is made to any fund subsequent in priority; provided that (i) the Trustee may set aside or transfer, on a parity with such deposits, amounts with respect to any outstanding Parity Obligations as provided in the proceedings for such Parity Obligations delivered to the Trustee pursuant to the Indenture (which shall be proportionate in the event such amounts are insufficient to provide for all deposits required as of any date to be made with respect to the Bonds and such Parity Obligations); (ii) payments on Interest Rate Swap Agreements that constitute Parity Obligations shall be payable from the Interest Fund and the required deposits below shall be adjusted to include payments on such Interest Rate Swap Agreements in accordance with the Indenture (which shall be proportionate in the event such amounts are insufficient to provide for all deposits required as of any date to be made with respect to the Bonds and such Parity Obligations); and (iii) in the event any of the deposits or transfers requires more than one such deposit or payment and there is not then on deposit in the Revenue Fund sufficient moneys to make all such deposits and payments, then such deposits and payments shall be made pro rata (based on the total amount of such deposits and payments then due) to the extent of available moneys:

First Priority – Interest Fund. No later than the Business Day prior to each Interest Payment Date, the Trustee shall set aside in the Interest Fund as soon as practicable in such month an amount equal to the aggregate amount of interest becoming due and payable on the Outstanding Bonds on such Interest Payment Date (excluding any interest for which there are moneys deposited in the Interest Fund from the proceeds of any Series of Bonds or other source and reserved as capitalized interest to pay such interest on the Interest Payment Date). No deposit need be made into the Interest Fund with respect to any Bonds if the amount contained therein is at least equal to the interest to become due and payable on the Interest Payment Date, and on each Interest Payment Date any excess amounts in the Interest Fund not needed to pay interest on such Interest Payment Date shall be transferred to the Revenue Fund (excepting any moneys deposited in the Interest Fund from the proceeds of any Series of Bonds or other source and reserved as capitalized interest to pay interest on any future Interest Payment Dates following such Interest Payment Date).

If Liquidity Facility Bonds are outstanding at the time of any required deposits to the Interest Fund, such deposits shall take into account and include the Liquidity Facility Rate on Liquidity Facility Bonds required by the Liquidity Facility then in effect with respect to such Bonds.

Second Priority – Principal Fund; Sinking Accounts. No later than the Business Day prior to each Principal Payment Date, the Trustee shall set aside in the Principal Fund an amount equal to (a) the aggregate amount of Bond Obligation becoming due and payable on such Principal Payment Date on the Outstanding Serial Bonds of all Series plus (b) the aggregate of the Mandatory Sinking Account Payments to be paid on such Principal Payment Date into the Sinking Accounts for the Term Bonds of all Series. If, however, the City certifies to the Trustee that any principal payments are expected to be paid from amounts on deposit in a Reserve Fund that would be in excess of the Bond Reserve Requirement applicable to such Reserve Fund upon such payment, no amounts need be set aside towards such principal to be so refunded or paid. All of the aforesaid deposits made in connection with Mandatory Sinking Account Payments shall be made without priority of any payment over any other such payment.

In the event that the moneys in the Revenue Fund shall not be sufficient to make the required deposits so that moneys in the Principal Fund on any Principal Payment Date are equal to the amount of Bond Obligation to become due and payable on the Outstanding Serial Bonds of all Series on such Principal Payment Date plus the Bond Obligation amount of and redemption premium on the Outstanding Term Bonds required to be redeemed or paid at maturity on such date, then such moneys shall be applied on a Proportionate Basis and in such proportion as the amount of Bond Obligation on such Serial Bonds and the Bond Obligation of and redemption premium on such Term Bonds shall bear to each other. In the event that the moneys in the Revenue Fund shall not be sufficient to pay in full all Mandatory Sinking Account Payments required to be paid at any one time into all such Sinking Accounts, then payments into all such Sinking Accounts shall be made on a Proportionate Basis, in proportion that the respective Mandatory Sinking Account Payments required to be made into each Sinking Account on such date bear to the aggregate of all of the Mandatory Sinking Account Payments required to be made into all such Sinking Accounts on such date.

No deposit need be made into the Principal Fund on any date so long as there shall be in such fund (a) moneys sufficient to pay the Bond Obligations of all Serial Bonds issued under the Indenture and then Outstanding and maturing by their terms on the immediately succeeding Principal Payment Date plus (b) the aggregate of all Mandatory Sinking Account Payments required to be made on such Principal Payment Date. On each Principal Payment Date or as soon as practicable thereafter, any excess amounts in the Principal Fund not needed to pay Bond Obligation or Mandatory Sinking Account Payments on such Principal Payment Date shall be transferred to the Revenue Fund.

If any Liquidity Facility Bonds are outstanding at the time of any required deposits to the Principal Fund, such deposits shall take into account and include any amortizations or redemptions of any Liquidity Facility Bonds required by the Liquidity Facility then in effect with respect to such Bonds. For purposes of the provisions above relating to the Principal Fund, Liquidity Facility Bonds shall be treated as Serial Bonds with maturity dates on the payment dates of any amortization or redemptions.

Third Priority – Reserve Funds. Upon the occurrence of any deficiency in any Reserve Fund, the Trustee shall make such deposit to such Reserve Fund, as is required pursuant to the provisions of the Indenture described below under the caption “Establishment and Application of Funds and Accounts – Reserve Funds,” with each such deposit to be made as soon as possible in each month, until the balance therein is at least equal to the applicable Bond Reserve Requirement.

Fourth Priority – Subordinate Obligations Fund. The Trustee shall establish, maintain and hold in trust a separate fund designated as the “Subordinate Obligations Fund.” After the transfers to the Interest Fund, the Principal Fund, and the Reserve Funds described above that are required to be made on a given date have been made, the Trustee shall deposit in the Subordinate Obligations Fund such amount as the City shall specify in writing is necessary to make payments due and payable on such date with respect to Subordinate Obligations then outstanding.

Fifth Priority – Fees and Expenses Fund. The Trustee shall establish, maintain and hold in trust a separate fund designated as the “Fees and Expenses Fund.” After the transfers to the Interest Fund, the Principal Fund, the Reserve Funds, and the Subordinate Obligations Fund described above that are required to be made on a given date have been made, the Trustee shall deposit in the Fees and Expenses Fund the amounts necessary for payment of Fee and Expense Obligations owing on such date.

If no Event of Default has occurred and is continuing and all payments then due and payable by the City pursuant to the Indenture have been paid, then, except as the City shall otherwise direct in writing or as is otherwise provided in a Supplemental Indenture, amounts remaining in the Revenue Fund after all transfers to the Interest Fund, the Principal Fund, the Reserve Funds, the Subordinate Obligations Fund, and the Fees and Expenses Fund currently required to be made and the proceeds thereof, shall be transferred to the City on the same Business Day or as soon as practicable thereafter. The City may use and apply such amounts when received by it for any lawful purpose of the City, including the redemption of Bonds upon the terms and conditions set forth in the Supplemental Indenture relating to such Bonds and the purchase of Bonds as and when and at such prices as it may determine.

### **Establishment and Application of Funds and Accounts**

Each of the funds and accounts described below is established by the Indenture.

Interest Fund. All amounts in the Interest Fund shall be used and withdrawn by the Trustee solely for the purposes of (A) paying interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity pursuant to the Indenture) or reimbursing the Credit Enhancement Provider for a drawing for such purposes made on a Credit Enhancement that is an irrevocable, direct-pay letter of credit; and (B) making periodic payments on Interest Rate Swap Agreements, as provided in the Indenture. If amounts on deposit in the Interest Fund shall not be sufficient to pay in full all amounts payable from the Interest Fund, such amounts shall be applied pro rata (based on the total amount on deposit in the Interest Fund and payments then due).

Principal Fund. All amounts in the Principal Fund shall be used and withdrawn by the Trustee solely for the purposes of paying the Bond Obligation of the Bonds when due and payable, except that all amounts in the Sinking Accounts shall be used and withdrawn by the Trustee solely to purchase or redeem or pay at maturity Term Bonds, as provided herein, or for reimbursing the Credit Provider for a drawing for such purposes made on a Credit Enhancement that is an irrevocable, direct-pay letter of credit. If amounts on deposit in the Principal Fund shall not be sufficient to pay in full all amounts payable from the Principal Fund, such amounts shall be applied pro rata (based on the total amount on deposit in the Principal Fund and payments then due).

The Trustee shall establish and maintain within the Principal Fund a separate account for the Term Bonds of each Series and maturity, designated as the “\_\_\_\_\_ Sinking Account,” inserting therein the Series and maturity designation of such Bonds. Not later than the Business Day prior to any date upon which a Mandatory Sinking Account Payment is due, the Trustee shall transfer the amount of such Mandatory Sinking Account Payment (being the principal thereof, in the case of Current Interest Bonds, and the Accreted Value, in the case of Capital Appreciation Bonds) from the Principal Fund to the applicable Sinking Account. With respect to each Sinking Account, on each Mandatory Sinking Account Payment date established for such Sinking Account, the Trustee shall apply the Mandatory Sinking Account Payment required on that date to the redemption (or payment at maturity, as the case may be) of Term Bonds of such Series and maturity for which such Sinking Account was established, in the manner provided in the Indenture or the Supplemental Indenture pursuant to which such Series of Bonds was created; provided that, at any time prior to giving such notice of such redemption, the Trustee shall, upon receipt of a Request of the City, apply moneys in such Sinking Account to the purchase of Term Bonds of

such Series and maturity at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Fund) as is directed by the City, except that the purchase price (excluding accrued interest, in the case of Current Interest Bonds) shall not exceed the principal amount or Accreted Value thereof. If, during the 12-month period (or six-month period with respect to Bonds having semi-annual Mandatory Sinking Account Payments) immediately preceding the Mandatory Sinking Account Payment date, the Trustee has purchased Term Bonds of such Series and maturity with moneys in such Sinking Account, or, during that period and prior to giving notice of redemption, the City has deposited Term Bonds of such Series and maturity with the Trustee, or Term Bonds of such Series and maturity were at any time purchased or redeemed by the Trustee from the Redemption Fund and allocable to the Mandatory Sinking Account Payment, such Term Bonds so purchased or deposited or redeemed shall be applied, to the extent of the full principal amount thereof, to reduce the Mandatory Sinking Account Payment. All Term Bonds purchased or deposited pursuant to this subsection shall be cancelled by the Trustee and destroyed by the Trustee and a certificate of destruction shall be delivered to the City by the Trustee. Any amounts remaining in a Sinking Account on September 1 of each year following the redemption as of such date of the Term Bonds for which such account was established shall be withdrawn by the Trustee and transferred as soon as practicable to the Revenue Fund. All Term Bonds purchased from a Sinking Account or deposited by the City with the Trustee in a 12-month period ending September 1 (or in a six-month period ending March 1 or September 1 with respect to Bonds having semi-annual Mandatory Sinking Account Payments) and prior to the giving of notice by the Trustee for redemption from Mandatory Sinking Account Payments for such period shall be allocated first to the next succeeding Mandatory Sinking Account Payment for such Series and maturity of Term Bonds, if any, occurring on the next March 1 or September 1, then as a credit against such future Mandatory Sinking Account Payments for such Series and maturity of Term Bonds as may be specified in a Request of the City. All Term Bonds redeemed by the Trustee from the Redemption Fund shall be credited to such future Mandatory Sinking Account Payments for such Series and maturity of Term Bonds as may be specified in a Request of the City.

Reserve Funds. The Bond Reserve Fund shall secure all Participating Bonds and the City shall specify in the Supplemental Indenture relating to such Series of Bonds whether the Bonds of such Series constitute Participating Bonds. The City may at its sole discretion at the time of issuance of any Series of Bonds or at any time thereafter by Supplemental Indenture provide for the establishment of a Bond Series Reserve Fund as security for a Series of Bonds. Any Bond Series Reserve Fund so established by the City shall secure one or more Series of Bonds as the City shall determine and shall specify in the Supplemental Indenture establishing such Bond Series Reserve Fund. The Bond Reserve Fund and any Bond Series Reserve Fund established by the City shall be held by the Trustee and shall comply with the requirements of the Indenture described below.

The Series 2023 Bonds are not Participating Bonds under the Indenture.

In lieu of making the Bond Reserve Requirement deposit applicable to one or more Series of Bonds in cash or in replacement of moneys then on deposit in a Reserve Fund (which, subject to the other provisions of the Indenture, shall be transferred by the Trustee to the City), or in substitution of any Reserve Facility that is part of the Bond Reserve Requirement relating to one or more Series of Bonds, the City may, at any time and from time to time, deliver to the Trustee an irrevocable, direct-pay letter of credit issued by a financial institution having unsecured debt obligations rated at the time of delivery of such letter of credit in one of the two highest Rating Categories of Moody's and Standard & Poor's, in an amount, that, together with cash, Investment Securities, or other Reserve Facilities (as described in the next paragraph), then on deposit in a Reserve Fund, will equal the applicable Bond Reserve Requirement. Such letter of credit shall have a term no less than three years or, if less, the final maturity of the Bonds in connection with which such letter of credit was obtained and shall provide by its terms that it may be drawn upon as provided in the Indenture as described in this paragraph. At least one year prior to the

stated expiration of such letter of credit, the City shall deliver one of the following to the Trustee; (1) a replacement letter of credit, (2) an extension of the letter of credit for at least one additional year or, if less, the final maturity of the Bonds in connection with which such letter of credit was obtained; or (3) a Reserve Facility satisfying the requirements of the Indenture as described in the next paragraph. Upon delivery of such replacement letter of credit, extension or replacement Reserve Facility, 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, extension or replacement Reserve Facility with the Trustee, the City shall immediately commence to make monthly deposits with the Trustee so that an amount equal to the applicable Bond Reserve Requirement will be on deposit in the related Reserve Fund no later than the stated expiration date of the letter of credit. If an amount equal to the applicable Bond Reserve Requirement as of the date following the expiration of the letter of credit is not on deposit in a Reserve Fund one week prior to the expiration date of the letter of credit (excluding from such determination the letter of credit), the Trustee shall draw on the letter of credit to fund the deficiency resulting therefrom in such Reserve Fund.

In lieu of making a Bond Reserve Requirement deposit in cash or in replacement of moneys then on deposit in a Reserve Fund (which shall be transferred by the Trustee to the City) or in substitution of any Reserve Facility that is part of a Bond Reserve Requirement for any Bonds, the City may, at any time and from time to time, deliver to the Trustee a surety bond or an insurance policy in an amount that, together with moneys, Investment Securities, or other Reserve Facilities then on deposit in a Reserve Fund, is no less than the applicable Bond Reserve Requirement. Such surety bond or insurance policy shall be issued by an insurance company whose unsecured debt obligations are rated at the time of delivery in one of the two highest Rating Categories of Moody's and Standard & Poor's. Such surety bond or insurance policy shall have a term of no less than the final maturity of the Bonds in connection with which such surety bond or insurance policy is obtained and shall be non-cancellable. In the event that such surety bond or insurance policy for any reason lapses or expires, the City shall immediately implement (1) or (3) of the preceding paragraph or make the 12 equal monthly deposits to the related Reserve Fund so that such Reserve Fund is replenished to the required level after a year.

Subject to the Indenture, all amounts in the Reserve Fund (including all amounts that may be obtained from a Reserve Facility on deposit in the Reserve Fund) shall be used and withdrawn by the Trustee, as follows: (i) for the purpose of making up any deficiency in the Interest Fund or the Principal Fund relating to the Bonds of the Series to which the Reserve Fund relates; or (ii) together with any other moneys available therefor, (a) for the payment or redemption of all Bonds then Outstanding of the Series to which the Reserve Fund relates, or (b) for the defeasance or redemption of all or a portion of the Bonds then Outstanding of the Series to which the Reserve Fund relates, provided, however, that if funds on deposit in the Reserve Fund are applied to the defeasance or redemption of a portion of the Series of Bonds to which the Reserve Fund relates, the amount on deposit in the Reserve Fund immediately subsequent to such partial defeasance or redemption shall equal the Bond Reserve Requirement applicable to all Bonds of such Series Outstanding immediately subsequent to such partial defeasance or redemption, or (c) for the payment of the final principal and interest payment of the Bonds of such Series.

Unless otherwise directed in a Supplemental Indenture establishing the terms and provisions of a Series of Bonds, the Trustee shall apply amounts held in cash or Investment Securities in the Reserve Fund prior to applying amounts held in the form of Reserve Facilities in the Reserve Fund. If the Trustee has applied all cash and Investment Securities and more than one Reserve Facility is being held on deposit in the Reserve Fund, then the Trustee shall, on a pro rata basis with respect to the portion of such Reserve Fund held in the form of Reserve Facilities (calculated by reference to the maximum amount of each such Reserve Facility), draw under each Reserve Facility issued with respect to such Reserve Fund, in a timely manner, and pursuant to the terms of such Reserve Facility, to the extent necessary in order to obtain sufficient funds on or prior to the date such funds are needed to pay the Bond Obligation of,

Mandatory Sinking Account Payments with respect to, and interest on the Bonds of the Series to which such Reserve Fund relates when due. In the event that the Trustee has notice that any payment of principal of or interest on a Bond has been recovered from a Holder pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Trustee, pursuant to the terms of, and if so provided by, the terms of the Reserve Facility, if any, enhancing the Bonds of such Series, shall so notify the City thereof and draw on such Reserve Facility to the lesser of the extent required or the maximum amount of such Reserve Facility in order to pay to such Holders the principal and interest so recovered.

The Trustee shall notify the City of any deficiency in the Reserve Fund (1) due to a withdrawal from the Reserve Fund for purposes of making up any deficiency in the Interest Fund or the Principal Fund relating to the Bonds of the Series to which the Reserve Fund relates or (2) resulting from a valuation of Investment Securities held on deposit in the Reserve Fund pursuant to the Indenture and shall request that the City replenish such deficiency or repay any and all obligations due and payable under the terms of any Reserve Facility that is part of any Bond Reserve Requirement. Upon receipt of such notification from the Trustee, the City shall transfer to the Trustee, for deposit in the applicable Reserve Fund, System Net Revenues in an amount equal to one-twelfth of the aggregate amount of each unreplenished prior withdrawal from the Reserve Fund or decrease resulting from a valuation pursuant to the Indenture and shall further transfer to the Trustee, for transfer by the Trustee to each Reserve Facility Provider providing a Reserve Facility satisfying a portion of the Bond Reserve Requirement relating to the Bonds of the Series to which the Reserve Fund relates, System Net Revenues in an amount equal to one-twelfth of the aggregate amount of any unreplenished prior withdrawal on such Reserve Facility, such amount to be transferred by the Trustee as promptly as possible after receipt of the System Net Revenues from the City each month, commencing with the month following the City's receipt of notification from the Trustee of withdrawal or decrease resulting from a valuation, as applicable, until the balance on deposit in the Reserve Fund is at least equal to the applicable Bond Reserve Requirement.

Unless the City shall otherwise direct in writing, any amounts in the Reserve Fund in excess of the applicable Bond Reserve Requirement shall be transferred by the Trustee to the Revenue Fund on the Business Day following September 1 of each year; provided that such amounts shall be transferred only from available sources held in the Reserve Fund other than any Reserve Facility. In addition, amounts on deposit in the Reserve Fund shall be transferred by the Trustee to the City (1) upon the defeasance, retirement or refunding of Bonds of the Series to which such Reserve Fund relates provided that such transfer shall not be made unless (a) immediately thereafter all of the Bonds to which the Reserve Fund relates shall be deemed to have been paid pursuant to the defeasance provisions of the Indenture or (b) the amount remaining in the Reserve Fund after such transfer shall not be less than the applicable Bond Reserve Requirement; or (2) upon the replacement of cash on deposit in the Reserve Fund with one or more Reserve Facilities in accordance with the Indenture as described in the second and third paragraphs of this section, subject in the case of both clauses (1) and (2) to the requirements of the applicable Tax Certificate.

Subordinate Obligations Fund. All moneys in the Subordinate Obligations Fund shall be used and withdrawn by the Trustee to pay Subordinate Obligations as such amounts become due and payable.

Fees and Expenses Fund. All amounts in the Fees and Expenses Fund shall be used and withdrawn by the Trustee solely for the purpose of paying fees, expenses, and similar charges owed by the City in connection with the Bonds or any Parity Obligations or Subordinate Obligations (including termination payments on any Interest Rate Swap Agreement) as such amounts shall become due and payable.

Redemption Fund. All moneys deposited by the City with the Trustee for the purpose of optionally redeeming Bonds of any Series shall, unless otherwise directed by the City, be deposited in the Redemption Fund. All amounts deposited in the Redemption Fund shall be used and withdrawn by the Trustee solely for the purpose of redeeming Bonds of such Series and maturity as shall be specified by the City in a Request to the Trustee, in the manner, at the times, and upon the terms and conditions specified in the Supplemental Indenture pursuant to which the Series of Bonds was created; provided that, at any time prior to giving such notice of redemption, the Trustee shall, upon receipt of a Request of the City, apply such amounts to the purchase of Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding, in the case of Current Interest Bonds, accrued interest, which is payable from the Interest Fund) as is directed by the City, except that the purchase price (exclusive of any accrued interest) may not exceed the Redemption Price or Accreted Value then applicable to such Bonds. All Term Bonds purchased or redeemed from the Redemption Fund shall be allocated to Mandatory Sinking Account Payments applicable to such Series and maturity of Term Bonds as may be specified in a Request of the City.

Rebate Fund. Within the Rebate Fund, the Trustee shall maintain such accounts as shall be necessary in order to comply with the terms and requirements of each Tax Certificate as directed in writing by the City. All money at any time deposited in the Rebate Fund shall be held by the Trustee in trust, to the extent required to satisfy the Rebate Requirement, for payment to the United States of America, and neither the Trustee nor any Holder nor any other Person shall have any rights in or claim to such money. All amounts deposited into or on deposit in the Rebate Fund shall be governed by the Indenture and by the applicable Tax Certificate.

### **Payment Provisions Applicable to Interest Rate Swap Agreements**

Each Interest Rate Swap Agreement shall require that all payments by the Counterparty thereunder be paid directly to the Trustee. All such payments shall be deposited by the Trustee in the Revenue Fund.

Payments on Interest Rate Swap Agreements that are payable as Parity Obligations shall be payable by the Trustee to the Counterparty from the Interest Fund.

Payments on Interest Rate Swap Agreements that are payable as Subordinate Obligations shall be payable by the Trustee to the Counterparty from the Subordinate Obligations Fund.

Payments on Interest Rate Swap Agreements that are payable as Fee and Expense Obligations shall be payable by the Trustee to the Counterparty from the Fees and Expenses Fund.

The City may apply termination payments received from any Counterparty to the defeasance or redemption of all or a portion of the Obligations then outstanding.

### **Investment in Funds and Accounts**

All moneys in any of the funds and accounts held by the Trustee or established pursuant to the Indenture (including any Project Fund held by the Trustee) shall be invested, as directed by the City, solely in Investment Securities. Moneys in any Reserve Fund shall be invested in Investment Securities maturing in not more than five years or having a put option or demand option providing funds upon request for the purpose of payment of the Bonds to which such Reserve Fund relates as provided herein. Moneys in the remaining funds and accounts shall be invested in Investment Securities maturing or available on demand not later than the date on which it is estimated that such moneys will be required by the Trustee.

Unless otherwise provided in a Supplemental Indenture establishing the terms and provisions of a Series of Bonds or a Request of the City delivered to the Trustee, all interest, profits, and other income received from the investment of moneys in (1) the Interest Fund representing accrued interest or capitalized interest shall be retained in the Interest Fund; (2) the Reserve Fund shall be retained in such Reserve Fund to the extent of any deficiency therein, and otherwise shall , at the direction of the City, be transferred to the Project Fund or Project Funds established in connection with the Series of Bonds to which the Reserve Fund relates, if any, or to the Revenue Fund; (3) a Costs of Issuance Fund shall be retained in such Costs of Issuance Fund until such time as such Costs of Issuance Fund is closed, and any earnings received on a Costs of Issuance Fund subsequent to the closure of such Costs of Issuance Fund shall be transferred to the Revenue Fund; (4) a Project Fund shall be retained in such Project Fund, unless the City shall direct that such earnings be transferred to the Rebate Fund or such other fund as may be specified by the City; (5) the Rebate Fund shall be retained in the Rebate Fund, except as otherwise provided in the Indenture; (6) any Letter of Credit Fund or Purchase Fund shall be retained in such Letter of Credit Fund or Purchase Fund, as applicable; and (7) any other fund or account shall be transferred to the Revenue Fund. Notwithstanding anything to the contrary contained in this paragraph, an amount of interest received with respect to any Investment Security equal to the amount of accrued interest, if any, paid as part of the purchase price of such Investment Security shall be credited to the fund or account from which such accrued interest was paid.

### **Issuance of Additional Bonds and Other Obligations**

Issuance of Additional Bonds. The City may by Supplemental Indenture establish one or more additional Series of Bonds that, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture, are payable from the Trust Estate and secured by the pledge made under the Indenture equally and ratably with all other Bonds issued under the Indenture, and the City may issue, and the Trustee may authenticate and deliver to the purchasers thereof, Bonds of any Series so established, in such principal amount as shall be determined by the City, but only upon compliance by the City with the provisions of the Indenture and subject to the specific conditions set forth below, each of which is made a condition precedent to the issuance of any such additional Series of Bonds.

(A) No Event of Default shall have occurred and then be continuing (or the issuance of such additional Series of Bonds will cure any such Event of Default).

(B) The Supplemental Indenture providing for the issuance of such Series shall state whether the Bonds of such Series are Participating Bonds. If the Bonds of such Series are Participating Bonds, the Supplemental Indenture shall require a deposit of the amount, if any, necessary to increase the amount on deposit in the Bond Reserve Fund to an amount at least equal to the Bond Reserve Requirement with respect to such Series of Bonds and all other Participating Bonds secured by such Bond Reserve Fund to be considered Outstanding upon the issuance of such additional Series of Bonds. Subject to the provisions of the Indenture described above under the caption “Establishment and Application of Funds and Accounts – Reserve Funds,” if a Supplemental Indenture providing for the issuance of such Series shall require either (1) the establishment of a Bond Series Reserve Fund to provide additional security for such Series of Bonds, or (2) that the balance on deposit in an existing Bond Series Reserve Fund be increased, forthwith upon the receipt of the proceeds of the sale of such Series, to an amount at least equal to the Bond Reserve Requirement with respect to such Series of Bonds and all other Bonds secured by such Bond Series Reserve Fund to be considered Outstanding upon the issuance of such additional Series of Bonds, then the Supplemental Indenture providing for the issuance of such additional Series of Bonds shall require deposit of the amount necessary. The deposit shall be made as provided in the Supplemental Indenture providing for the issuance of such additional Series of Bonds and may be made from the



proceeds of the sale of such Series of Bonds or from other funds of the City or from both such sources or may be made in the form of a Reserve Facility.

(C) The aggregate principal amount of Bonds issued under the Indenture shall not exceed any limitation imposed by law or by any Supplemental Indenture.

(D) The City shall deliver to the Trustee a Certificate of the City certifying either of the following:

(1) the System Net Revenues for either the most recent Fiscal Year for which audited financial statements are available or for any other period of 12 consecutive months (selected by the City) during the 18 months immediately preceding the date on which such additional Series of Bonds will become Outstanding shall have been at least equal to the Coverage Requirement for the most recently completed Fiscal Year, including in the calculation of the Coverage Requirement for this purpose the Average Annual Debt Service for the additional Series of Bonds to be issued. For the purpose of providing such Certificate, the City may adjust the System Net Revenues for such Fiscal Year or 12-month period, as the case may be, to reflect—

(a) an allowance for System Net Revenues that would have been derived from each new connection to the Water System made prior to the issuance of such additional Series of Bonds but which was not in existence, during all or any part of such Fiscal Year or 12-month period under consideration, in an amount equal to 90% of the estimated additional System Net Revenues that would have been derived from each such connection if it had been made prior to the beginning of such Fiscal Year or 12-month period, and

(b) an allowance for System Net Revenues that would have been derived from any increase in the rates, fees, and charges fixed and prescribed for Water Service which became effective prior to the issuance of such additional Series of Bonds but which was not in effect, during all or any part of such Fiscal Year or 12-month period, in an amount equal to the estimated additional System Net Revenues that would have been derived from such increase in rates, fees, and charges if it had been in effect prior to the beginning of such Fiscal Year or 12-month period; or

(2) the estimated System Net Revenues for each of the five Fiscal Years next following the earlier of (i) the end of the period during which interest on the additional Series of Bonds is to be capitalized or, if no interest is capitalized, the Fiscal Year in which the additional Series of Bonds is to be issued, or (ii) the date on which substantially all projects financed with the proceeds of any Bonds, including the additional Series of Bonds to be issued, are expected to commence operations will be at least equal to the Coverage Requirement for each such Fiscal Year. For the purpose of providing such Certificate, the City may adjust the System Net Revenues to reflect—

(a) an allowance for System Net Revenues that are estimated to be derived from any increase in the rates, fees, and charges for Water Service which have been adopted by the City and which will be in effect during all or any portion of the period for which such estimates are provided; and

(b) an allowance for System Net Revenues that are estimated to be derived from new customers of the Water System anticipated to be served by any additions or improvements to or replacements or extensions of the Water System reasonably expected

to become available during all or any portion of the period for which such estimates are provided in an amount equal to 90% of the additional System Net Revenues that are estimated to be derived from such customers.

For purposes of any computation pursuant to the paragraph above, with respect to Maintenance and Operation Costs, the City shall use such assumptions (which shall be set forth in the Certificate) as the City believes to be reasonable, taking into account (i) historical Maintenance and Operation Costs; (ii) Maintenance and Operation Costs associated with the additions or improvements to or replacements or extensions of the Water System to be financed with the proceeds of such additional Series of Bonds and any other new additions or improvements to or extensions of the Water System during any period for which estimates are provided; and (iii) such other factors, including inflation and changing operations or policies of the City, as the City believes to be appropriate.

Nothing in the Indenture contained shall prevent or be construed to prevent the Supplemental Indenture providing for the issuance of an additional Series of Bonds from pledging or otherwise providing, in addition to the security given or intended to be given by the Indenture, additional security for the benefit of such additional Series of Bonds or any portion thereof.

Issuance of Refunding Bonds. Refunding Bonds may be authorized and issued by the City without compliance with the provisions of the Indenture described in paragraph (D) of the previous section; provided that the Trustee shall have been provided with a Certificate of the City to the effect that the City has determined that Maximum Annual Debt Service on all Bonds Outstanding and all Parity Obligations outstanding following the issuance of such Refunding Bonds is less than or equal to Maximum Annual Debt Service on all Bonds Outstanding and all Parity Obligations outstanding prior to the issuance of such Refunding Bonds. Such Refunding Bonds may be issued in an aggregate principal amount sufficient (together with any additional funds available or to become available) to provide funds for the payment of all or a portion of the following:

- (1) the principal or Redemption Price of the Outstanding Bonds or outstanding Parity Obligations to be refunded;
- (2) all expenses incident to the calling, retiring or paying of such Outstanding Bonds or outstanding Parity Obligations and the Costs of Issuance of such Refunding Bonds;
- (3) any termination payment owed by the City to a Counterparty after offset for any payments made to the City from such Counterparty under any Interest Rate Swap Agreement that was entered into in connection with the Bonds or Parity Obligations to be refunded;
- (4) interest on all Outstanding Bonds or outstanding Parity Obligations to be refunded to the date such Bonds or Parity Obligations will be called for redemption or paid at maturity;
- (5) interest on the Refunding Bonds from the date thereof to the date of payment or redemption of the Bonds or Parity Obligations to be refunded; and
- (6) funding the Reserve Fund for the Refunding Bonds, if required.

Before such Series of Refunding Bonds shall be issued and delivered pursuant to the Indenture, the City shall deliver each of the documents identified below to the Trustee (upon which documents the Trustee may conclusively rely in determining whether the conditions precedent to the issuance of such Series of Refunding Bonds have been satisfied).

(1) A Supplemental Indenture authorizing such Series of Refunding Bonds executed by the City.

(2) A Certificate of the City certifying: (i) that the Maximum Annual Debt Service on all Bonds and Parity Obligations which will be outstanding following the issuance of such Series of Refunding Bonds is less than or equal to Maximum Annual Debt Service on all Bonds Outstanding and Parity Obligations outstanding prior to the issuance of such Refunding Bonds; and (ii) that the requirements of the Indenture described in paragraphs (A), (B), and (C) under the caption "Issuance of Additional Bonds" are satisfied.

(3) If any of the Bonds to be refunded are to be redeemed prior to their stated maturity dates, irrevocable instructions to the Trustee to give the applicable notice of redemption or a waiver of the notice of redemption signed by the Holders of all or the portion of the Bonds or Parity Obligations to be redeemed, or proof that such notice has been given by the City; provided, however, that in lieu of such instructions or waiver or proof of notice of redemption, the City may cause to be deposited with the Trustee all of the Bonds and Parity Obligations proposed to be redeemed (whether canceled or uncanceled) with irrevocable instructions to the Trustee to cancel the Bonds or Parity Obligations so to be redeemed upon the exchange and delivery of the Refunding Bonds; and provided further that no provision of the Indenture shall be construed to require the redemption of Bonds prior to their respective maturity dates in connection with the refunding thereof.

(4) An Opinion of Bond Counsel to the effect that the Supplemental Indenture is being entered into in accordance with the Indenture and that such Series of Refunding Bonds, will be valid and binding obligations of the City when duly executed by the City and authenticated and delivered by the Trustee.

Limitations on the Issuance of Obligations Payable from the Trust Estate; Parity Obligations; Subordinate Obligations; Fee and Expense Obligations. So long as any of the Bonds are Outstanding, the City shall not issue or incur any obligations or securities payable in whole or in part from the Trust Estate, howsoever denominated, except as follows:

(A) Bonds authorized pursuant to the Indenture, as described above under the caption "Issuance of Additional Bonds."

(B) Refunding Bonds authorized pursuant to the Indenture, as described above under the caption "Issuance of Refunding Bonds."

(C) Parity Obligations, provided that all of the following conditions to the issuance or incurrence of such Parity Obligations are satisfied on or as of the date on which the City issues or incurs such Parity Obligations:

(1) No Event of Default shall have occurred and then be continuing (or the issuance of such Parity Obligations will cure any such Event of Default), as evidenced by the delivery to the Trustee of a Certificate of the City to that effect;

(2) The City shall deliver to the Trustee a Certificate of the City, which shall also set forth the computations upon which such Certificate is based, certifying one of the following:

(a) Such Parity Obligations are being issued or incurred for purposes of refunding as described in the Indenture, and the City has determined that the Maximum Annual Debt Service on all Bonds Outstanding and all Parity Obligations outstanding following the

issuance or incurrence of such Parity Obligations is less than or equal to Maximum Annual Debt Service on all Bonds Outstanding and all Parity Obligations outstanding prior to the issuance or incurrence of such Parity Obligations.

(b) The requirements listed under paragraph (D) of “Issuance of Additional Bonds” have been satisfied with respect to such Parity Obligations; provided, however that if the Parity Obligation being issued or incurred consists of an Interest Rate Swap Agreement that relates to a Series of Bonds or Parity Obligations (excluding fees and expenses and termination payments on such Interest Rate Swap Agreement), the City shall be deemed to have complied with the requirements of the Indenture as described in this section, with respect to such Interest Rate Swap Agreement to the extent that the Series of Bonds or Parity Obligations to which the Interest Rate Swap Agreement relates (i) satisfies the requirements of the Indenture after taking into account the adjustment of Debt Service on such Series of Bonds or Parity Obligations to reflect the impact of the Interest Rate Swap Agreement (in the case of Interest Rate Swap Agreements entered into concurrently with, or subsequent to, the issuance of such Bonds or Parity Obligations); or (ii) is expected to satisfy the requirements of the Indenture after taking into account the adjustment of Debt Service on such Series of Bonds or Parity Obligations to reflect the impact of the Interest Rate Swap Agreement (in the case of Interest Rate Swap Agreements entered into in advance of the issuance of such Bonds or Parity Obligations).

(c) Such Parity Obligations consist of Reimbursement Obligations relating to Bonds or Parity Obligations.

(3) As and to the extent applicable, the Trustee shall be designated as paying agent or trustee for such Parity Obligations.

(D) Subordinate Obligations, provided that both of the following conditions to issuance or incurrence of such Subordinate Obligations are satisfied on or as of the date on which the City issues or incurs such Subordinate Obligations:

(1) No Event of Default shall have occurred and then be continuing (or the issuance of such Subordinate Obligations will cure any such Event of Default), as evidenced by the delivery to the Trustee of a Certificate of the City to that effect,

(2) As and to the extent applicable, the Trustee shall be designated as paying agent or trustee for such Subordinate Obligations.

(E) Fee and Expense Obligations.

Nothing in the Indenture limits the ability of the City to issue or incur obligations payable from the Trust Estate or any portion thereof on a basis that is subordinate in both payment and lien priority to the Bonds, Parity Obligations, Subordinate Obligations, and Fee and Expense Obligations.

Calculation of Maximum Annual Debt Service with Respect to Bonds and Parity Obligations.  
The Maximum Annual Debt Service with respect to Bonds shall be determined no later than the date of delivery of such Bonds, and no earlier than the date of pricing or sale of such Bonds, utilizing the assumptions set forth in the definition of Debt Service. The Maximum Annual Debt Service with respect to Parity Obligations shall be determined no later than the date of incurrence of such Parity Obligations utilizing the assumptions set forth in the definition of Debt Service.

## **Designation of Parity Obligations, Subordinate Obligations and Fee and Expense Obligations**

The City shall designate additional Parity Obligations, Subordinate Obligations, or Fee and Expense Obligations in a Supplemental Indenture, a Certificate of the City delivered to the Trustee, or in the instrument providing for the issuance or incurrence of such Parity Obligations, Subordinate Obligations, or Fee and Expense Obligations, in each case concurrently with the issuance or incurrence of such Parity Obligations, Subordinate Obligations, or Fee and Expense Obligations.

### **Certain Covenants of the City**

Punctual Payments. The City will punctually pay or cause to be paid the principal, purchase price, or Redemption Price of and interest on all the Bonds, in strict conformity with the terms of the Bonds and of the Indenture, according to the true intent and meaning thereof, and shall punctually pay or cause to be paid all Mandatory Sinking Account Payments, but in each case only out of the Trust Estate as provided in the Indenture. The City will punctually pay or cause to be paid all Parity Obligations, Subordinate Obligations and Fee and Expense Obligations.

Extension of Payment of Bonds. The City will not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any Bonds or claims for interest by the purchase or funding of such Bonds or claims for interest or by any other arrangement, and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default under the Indenture, to the benefits of the Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest thereon which shall not have been so extended. Nothing described in this paragraph shall be deemed to limit the right of the City to issue bonds for the purpose of refunding any Outstanding Bonds, and such issuance shall not be deemed to constitute an extension of maturity of Bonds.

Against Encumbrances. The City will not create any pledge, lien, or charge upon the Trust Estate or any portion thereof (including the System Net Revenues) having priority over or having parity with the lien the Indenture.

### Amount of Rates, Fees and Charges; Rate Stabilization Fund.

The City will at all times during each Fiscal Year fix, prescribe and collect rates, fees, and charges for the Water Service that are reasonably estimated to yield System Net Revenues for such Fiscal Year equal to at least the Coverage Requirement for such Fiscal Year. In fixing and prescribing such rates, fees, and charges, the City may make reasonable assumptions concerning contingencies that may affect System Revenues and the timing and amount of payments on Bonds, Parity Obligations, Subordinate Obligations, and any other obligations of the City that may become due and payable from System Revenues in such Fiscal Year. The City may make adjustments from time to time in such rates, fees, and charges and may make such classification thereof as it deems necessary, but shall not reduce the rates, fees and charges then in effect unless the System Net Revenues from such reduced rates, fees, and charges will at all times be sufficient to meet the requirements of the Indenture described in this paragraph.

The City may establish and maintain on the City's books a fund to be known as the "Rate Stabilization Fund." As long as no Event of Default has occurred and is continuing and the City is in compliance with the provisions of the Indenture described in the immediately preceding paragraph, from time to time thereafter, the City may allocate to the Rate Stabilization Fund from current System Revenues such amounts as the City shall reasonably determine, and the amount of available current

System Revenues shall be reduced by the amount so allocated. The City may only allocate amounts accounted for in the Rate Stabilization Fund to the Water Fund for inclusion in System Revenues for any Fiscal Year. Allocations to or from the Rate Stabilization Fund for each Fiscal Year shall be made before the end of the ninth month after the close of each Fiscal Year. All interest or other earnings upon amounts allocated to the Rate Stabilization Fund may be allocated to the Water Fund and accounted for as System Revenues.

Continuing Disclosure. Upon the issuance of any Series of Bonds requiring an undertaking regarding continuing disclosure under Rule 15c2-12, the City covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate executed and delivered in connection with such Series of Bonds. Notwithstanding any other provision of the Indenture, failure of the City to comply with the provisions of any Continuing Disclosure Certificate shall not be considered an Event of Default; however, the Trustee shall, at the written request of any Participating Underwriter or of the Holders of at least 25% aggregate principal amount of the applicable Series of Bonds then Outstanding (but only to the extent funds in an amount satisfactory to the Trustee have been provided to it or it has been otherwise indemnified to its satisfaction from any cost, liability, expense or additional charges and fees of the Trustee whatsoever, including reasonable fees and expenses of its attorneys), or any Holder or beneficial owner 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 the Indenture.

Maintenance and Operation of the Water System. The City will cause the Water System to be maintained in good repair, working order, and condition at all times and will continuously operate the Water System in an efficient and economical manner so that all lawful orders of any governmental agency or authority having jurisdiction in the premises shall be complied with, but the City shall not be required to comply with any such orders so long as the validity or application thereof shall be contested in good faith or the failure to comply will not have a material adverse effect on the operation or financial condition of the Water System. The City further covenants and agrees that it will at all times maintain and comply with all necessary permits and licenses issued by governmental authorities having jurisdiction unless the lawful requirement thereof is being contested in good faith or the failure to comply will not have a material adverse effect on the operation or financial condition of the Water System.

Payment of Taxes and Charges. The City will, from time to time, duly pay and discharge, or cause to be paid and discharged, any taxes, assessments, or other governmental charges lawfully imposed upon the Water System or upon any part of its operations, or upon the System Revenues, when the same shall become due, as well as any lawful claim for labor, materials, or supplies which, if unpaid, might by law become a lien or charge upon the Water System or the System Revenues, or which might impair the security of the Bonds or any Parity Obligations, Subordinate Obligations, or Fee and Expense Obligations. Notwithstanding the foregoing, the City need not pay or discharge any tax, assessment, or other governmental charge, or any claim for labor, material, or supplies, if and so long as the City shall contest the validity or application thereof in good faith.

Insurance. The City shall procure or provide and maintain, at all times while any of the Bonds remain Outstanding or any Parity Obligations, Subordinate Obligations or Fee and Expense Obligations remain unpaid, insurance or self-insurance against such risks as are usually insured against by other providers of water services similar to those provided by the City through the Water System. Such insurance or self-insurance shall be in an adequate amount as to the risk insured against as determined by the City.

Any self-insurance shall be established in accordance with applicable law and shall include reserves or reinsurance in amounts the City determines to be adequate to protect against risks assumed

under such self-insurance including any potential retained liability in the event of the termination of such self-insurance.

Sale of Water System. The Water System shall not be sold or otherwise disposed of as a whole or substantially as a whole.

Eminent Domain and Insurance Proceeds. If all or any part of the Water System shall be taken by eminent domain proceedings, or if the City receives any insurance proceeds (excluding any rental interruption insurance) resulting from a casualty loss to the Water System, the net proceeds of any eminent domain award or insurance proceeds (excluding any rental interruption insurance) after paying all expenses (including attorney's fees) incurred in the collection of such award or proceeds shall, at the option of the City, be applied either to (A) in the following order of priority, the prepayment of (1) Outstanding Bonds and outstanding Parity Obligations in accordance with their respective terms (2) outstanding Subordinate Obligations, and (3) outstanding Fee and Expense Obligations or (B) to acquire and construct additions, betterments or improvements to the Water System.

Separate Utility Systems. The City may create, acquire, construct, finance, own, and operate one or more additional systems not constituting any part of the then-existing Water System for water service or other commodity or service, and the revenues of that separate utility system shall not be included in the System Revenues and may be pledged to the payment of revenue obligations issued to purchase, construct, condemn, or otherwise acquire or expand such separate utility system. The System Net Revenues shall not be pledged by the City to the payment of any obligations of a separate utility system except in accordance with the other provisions of the Indenture.

Interest Rate Swap Agreements. Except for the obligation of the City to make regularly scheduled net swap payments under any Interest Rate Swap Agreement relating to Bonds or Parity Obligations, the City shall not secure any obligations of the City under any Interest Rate Swap Agreement as Parity Obligations, including any obligations of the City to make termination payments or to post collateral under any Interest Rate Swap Agreement.

Use of System Net Revenues for General Fund Lease Obligations. For so long as any Bonds remain Outstanding or any Parity Obligations, Subordinate Obligations, or Fee and Expense Obligations remain outstanding, the City shall not use System Net Revenues to pay, or reimburse the City's General Fund for the payment of, any existing or future General Fund lease obligation of the City unless (1) (a) no Event of Default has occurred and is continuing, (b) all Maintenance and Operation Costs are being and have been paid and are then current, and (c) all payments then due and payable with respect to the Outstanding Bonds and outstanding Parity Obligations, Subordinate Obligations and Fee and Expense Obligations have been paid; or (2) such payment or reimbursement has been secured as a Parity Obligation, Subordinate Obligation or Fee and Expense Obligation after compliance with the conditions of the Indenture.

Encumbrance of Water System Components By General Fund Lease Obligations. The City shall not encumber any components of the Water System under a City General Fund lease except for the components of the Water System that are, as of the date of issuance of the Series 2013 Bonds, encumbered by a City General Fund lease; provided, that nothing contained in this paragraph prohibits the City from (1) improving, making additions to, rehabilitating or replacing components of the Water System that are, as of the date of issuance of the Series 2013 Bonds, encumbered by a City General Fund lease; or (2) incurring additional obligations under any City General Fund lease that, as of the date of issuance of the Series 2013 Bonds, encumbers components of the Water System.

## Events of Default and Remedies

Events of Default. The following events shall be Events of Default:

(A) default in the due and punctual payment of the principal or Redemption Price of any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by declaration, or otherwise, or default in the redemption from any Sinking Account of any Bonds in the amounts and at the times provided therefor;

(B) default in the due and punctual payment of any installment of interest on any Bond when and as such interest installment shall become due and payable;

(C) if the City shall fail to observe or perform any covenant, condition, agreement, or provision in the Indenture on its part to be observed or performed, other than as referred to in subsection (A) or (B) of this section, for a period of 60 days after written notice, specifying such failure and requesting that it be remedied, has been given to the City by the Trustee or by any Credit Enhancement Provider; except that, if such failure can be remedied but not within such 60-day period and if the City has taken all action reasonably possible to remedy such failure within such 60-day period, such failure shall not become an Event of Default for so long as the City shall diligently proceed to remedy the same in accordance with and subject to any directions or limitations of time established by the Trustee;

(D) if any payment default shall exist under any agreement governing any Parity Obligations, and such default shall continue beyond the grace period, if any, provided for with respect to such default;

(E) if the City files a voluntary bankruptcy or commences any similar proceeding under any state or federal bankruptcy or insolvency law, or makes an assignment for the benefit of creditors, or admits in writing to its insolvency or inability to pay debts as they mature, or consents in writing to the appointment of a trustee or receiver for itself;

(F) if a court of competent jurisdiction shall enter an order, judgment, or decree declaring the City insolvent, or adjudging it bankrupt, or ordering relief under any applicable bankruptcy or insolvency law, or appointing a trustee or receiver of the City, or approving a bankruptcy petition filed against the City under any applicable law or statute of the United States of America or any state thereof, and such order, judgment or decree shall not be vacated or set aside or stayed within 60 days from the date of the entry thereof;

(G) if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the City or of the System Revenues, and such custody or control shall not be terminated within 60 days from the date of assumption of such custody or control; or

(H) any Event of Default designated as such in a Supplemental Indenture.

Application of the System Net Revenues and Other Funds After Default; No Acceleration. If an Event of Default shall occur and be continuing, the City shall immediately transfer to the Trustee all System Net Revenues, Swap Revenues, and Subsidy Payments held by it, and the Trustee shall apply all System Net Revenues, Swap Revenues, Subsidy Payments, and any other funds then held or thereafter received by the Trustee under any of the provisions of the Indenture (excluding the Rebate Fund, any Letter of Credit Fund, and any Purchase Fund, and except as otherwise provided in the Indenture) as follows and in the following order:



(1) first, to the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Holders of the Bonds and Parity Obligations, including the costs and expenses of the Trustee and the Bondholders in declaring such Event of Default, and payment of reasonable fees and expenses of the Trustee (including reasonable fees and disbursements of its counsel and other agents) incurred in and about the performance of its powers and duties under the Indenture;

(2) second, to the payment of the whole amount of Bond Obligation then due on the Bonds and amounts then due on Parity Obligations (upon presentation of the Bonds and Parity Obligations to be paid, and stamping thereon of the payment if only partially paid, or surrender thereof if fully paid) subject to the provisions of the Indenture, with interest on such Bond Obligation, at the rate or rates of interest borne by the respective Bonds and on Parity Obligations, to the persons entitled thereto of all installments of interest then due and the unpaid principal or Redemption Price of any Bonds and all amounts then due on Parity Obligations which shall have become due, whether at maturity, by call for redemption or otherwise, in the order of their due dates, with interest on the overdue Bond Obligation and amounts then due on Parity Obligations at the rate borne by the respective Bonds and Parity Obligations, and, if the amount available shall not be sufficient to pay in full all the Bonds and Parity Obligations due on any date, together with such interest, then to the payment thereof ratably, according to the amounts of principal or Accreted Value (plus accrued interest) or other amounts due on such date to the persons entitled thereto, without any discrimination or preference;

(3) third, to the payment of Subordinate Obligations, provided that if the amount available shall not be sufficient to pay in full all Subordinate Obligations due on any date, then to the payment thereof ratably, according to the amounts due on such date to the persons entitled thereto, without any discrimination or preference;

(4) fourth, to the payment of Fee and Expense Obligations, provided that, if the amount available shall not be sufficient to pay in full all Fee and Expense Obligations due on any date, then to the payment thereof ratably, according to the amounts due on such date to the persons entitled thereto, without any discrimination or preference; and

(5) fifth, to the payment of all other obligations payable under the Indenture.

Notwithstanding anything to the contrary in the Indenture, in no event are the Bonds subject to acceleration if an Event of Default occurs and is continuing except that Liquidity Facility Bonds are subject to acceleration as set forth in the Liquidity Facility.

Trustee to Represent Bondholders. The Trustee is irrevocably appointed (and the successive respective Holders of the Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Holders of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Holders under the provisions of the Bonds, the Indenture, and applicable provisions of law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the Bondholders, the Trustee in its discretion may proceed, and upon the written request of the Holders of not less than a majority in aggregate amount of Bond Obligation of the Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, shall proceed to protect or enforce its rights or the rights of such Holders by such appropriate action, suit, mandamus, or other proceedings as it shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained herein, or in aid of the execution of any power herein granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee or in such Holders under the Indenture or by law; and upon instituting such proceeding, the Trustee shall be entitled, as a matter of right, to the appointment of a

receiver of the Trust Estate, pending such proceedings; provided, however, that, with respect to any Series of Bonds for which a Credit Enhancement has been provided, and unless otherwise provided in the applicable Supplemental Indenture, the Trustee may only act with the consent of the Credit Enhancement Provider providing such Credit Enhancement. All rights of action under the Indenture or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action, or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of all the Holders of such Bonds, subject to the provisions of the Indenture.

Bondholders' Direction of Proceedings. Notwithstanding anything in the Indenture to the contrary (except provisions relating to the rights of a Credit Enhancement Provider to direct proceedings as set forth in the Indenture as described below), the Holders of a majority in aggregate amount of Bond Obligation of the Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee and upon furnishing the Trustee with indemnification satisfactory to it, to direct the method of conducting all remedial proceedings taken by the Trustee under the Indenture, provided (A) that such direction shall not be otherwise than in accordance with law and the provisions of the Indenture, (B) that the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction, and (C) that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bondholders or holders of Parity Obligations not parties to such direction.

Limitation on Bondholders' Right to Sue. No Holder of any Bond shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Indenture and any applicable law with respect to such Bond, unless (1) such Holder shall have given to the Trustee written notice of the occurrence of an Event of Default; (2) the Holders of not less than a majority in aggregate amount of Bond Obligation of the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers granted by the Indenture or to institute such suit, action or proceeding in its own name; (3) such Holder or said Holders shall have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (4) the Trustee shall have refused or omitted to comply with such request for a period of 60 days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee; provided, however, that, to the extent provided in the applicable Supplemental Indenture, the written consent of a Credit Enhancement Provider providing a Credit Enhancement with respect to a Series of Bonds shall be required if the Credit Enhancement with respect to such Series of Bonds is in full force and effect and if the Credit Enhancement Provider providing such Credit Enhancement is not then failing to make a payment as required in connection therewith.

Such notification, request, tender of indemnity and refusal or omission are declared, in every case, to be conditions precedent to the exercise by any Holder of Bonds of any remedy under the Indenture or under law; it being understood and intended that no one or more Holders of Bonds shall have any right in any manner whatever by his or their action to affect, disturb, or prejudice the security of the Indenture or the rights of any other Holders of Bonds or to enforce any right under the Indenture and any applicable law with respect to the Bonds, except in the manner herein provided, and that all proceedings at law or in equity to enforce any such right shall be instituted, had, and maintained in the manner herein provided and for the benefit and protection of all Holders of the Outstanding Bonds, subject to the provisions of the Indenture.

Credit Enhancement Provider Directs Remedies Upon Event of Default. To the extent provided in the applicable Supplemental Indenture, upon the occurrence and continuance of an Event of Default as defined in the Indenture, the Credit Enhancement Provider then providing Credit Enhancement for any Series of Bonds shall be entitled to control and direct the enforcement of all rights and remedies granted

to the Holders of the Bonds enhanced by such Credit Enhancement, provided that the Credit Enhancement Provider's consent shall not be required as otherwise provided herein if such Credit Enhancement Provider is in default of any of its payment obligations as set forth in the Credit Enhancement provided by such Credit Enhancement Provider.

### **Modification or Amendment to the Indenture**

Amendments Permitted With Consent of Holders. The Indenture and the rights and obligations of the City, the Holders of the Bonds, and the Trustee may be amended from time to time and at any time by a Supplemental Indenture, which the City and the Trustee may enter into when the written consent of the Holders of a majority in aggregate amount of Bond Obligation of the Bonds (or, if such Supplemental Indenture is only applicable to a Series of Bonds, such Series of Bonds) then Outstanding shall have been filed with the Trustee; provided that if such amendment will, by its terms, not take effect so long as any Bonds of any particular maturity remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Bonds Outstanding. To the extent provided in the applicable Supplemental Indenture, the Credit Enhancement Provider for a Series of Bonds shall be deemed to be the Holder of such Series for all purposes of the Indenture except the payment of principal of and interest on such Series of the Bonds. The written consent of the Holders of a Series of Bonds may be effected (a) through a consent by the underwriter of such Series of Bonds at the time of the issuance of such Series of Bonds and (b) through a provision of a Supplemental Indenture that deems any Holders purchasing such Series of Bonds to consent for purposes of the provisions described in this subsection by virtue of its purchase of such Series of Bonds.

No such amendment shall (a) extend the maturity of any Bond, or reduce the amount of principal thereof, or extend the time of payment or reduce the amount of any Mandatory Sinking Account Payment provided for the payment of any Bond, or reduce the rate of interest thereon, or extend the time of payment of interest thereon, or reduce any premium payable upon the redemption thereof, without the consent of the Holder of each Bond so affected; or (b) reduce the aforesaid percentage of Bond Obligation the consent of the Holders of which is required to effect any such amendment, or permit the creation of any lien on the Trust Estate prior to or on a parity with the lien created by the Indenture, or deprive the Holders of the Bonds of the lien created by the Indenture on the Trust Estate (except as expressly provided in the Indenture), without the consent of the Holders of all of the Bonds then Outstanding. It shall not be necessary for the consent of the Bondholders to approve the particular form of any Supplemental Indenture, but it shall be sufficient if such consent shall approve the substance thereof. Promptly after the execution and delivery by the City and the Trustee of any Supplemental Indenture, the Trustee shall mail a notice, setting forth in general terms the substance of such Supplemental Indenture to the Holders of the Bonds at the addresses shown on the registration books of the Trustee. Any failure to give such notice, or any defect therein, shall not in any way impair or affect the validity of any such Supplemental Indenture.

The Indenture and the rights and obligations of the City, of the Trustee, and of the Holders of the Bonds may also be amended from time to time and at any time by a Supplemental Indenture, which the City and the Trustee may enter without the consent of any Bondholders, but only to the extent permitted by law and only for any one or more of the following purposes:

(1) to add to the covenants and agreements of the City in the Indenture contained other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power herein reserved to or conferred upon the City;

(2) to make such provisions for the purpose of curing any ambiguity, inconsistency, or omission, or of curing or correcting any defective provision, contained in the Indenture, or in regard to matters or questions arising under the Indenture, as the City may deem necessary or desirable, and which shall not materially and adversely affect the interests of the Holders of the Bonds;

(3) to permit the qualification of the Indenture under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by that act or similar federal statute, and which shall not materially and adversely affect the interests of the Holders of the Bonds;

(4) to provide for the issuance of an additional Series of Bonds pursuant to the provisions of the Indenture;

(5) to provide for the issuance or incurrence, as applicable, of Interest Subsidy Bonds, Capital Appreciation Bonds, Parity Obligations, Subordinate Obligations, Fee and Expense Obligations, or Variable Rate Indebtedness with such interest rate, payment, maturity and other terms as the City may deem desirable, subject to the provisions of the Indenture relating to the Issuance of Additional Bonds or Issuance of Refunding Bonds, but only if doing so does not materially and adversely affect the interests of the Holders of the Bonds;

(6) to provide for change from one interest rate mode to another in connection with any Series of Bonds;

(7) to accommodate Credit Enhancements, Liquidity Facilities, and Reserve Facilities, which shall not materially and adversely affect the interests of the Holders of the Bonds;

(8) to provide for the appointment of a remarketing agent, a tender agent, or a paying agent in connection with any Series of Bonds;

(9) to provide for any additional covenants or agreements necessary to maintain the tax-exempt status of interest on any Series of Bonds;

(10) to provide for the issuance of Bonds in book-entry form or bearer form or to modify or eliminate the book-entry registration system for any Series of Bonds;

(11) to amend the Indenture in any other respect, including amendments that would otherwise be described above under the caption "Amendments Permitted With Consent of Holders," if the effective date of such amendments is a date on which all Bonds affected thereby are subject to mandatory tender for purchase pursuant to the provisions of the Indenture or if notice of the proposed amendments is given to Holders of the affected Bonds at least 30 days before the proposed effective date of such amendments and, on or before such effective date, such Holders have the right to demand purchase of their Bonds pursuant to the provisions of the Indenture; and

(12) for any other purpose that does not materially and adversely affect the interests of the Holders of the Bonds.

Any Supplemental Indenture entered into pursuant to the Indenture as described in this section shall be deemed not to materially adversely affect the interest of the Holders, to the extent provided in the Supplemental Indenture providing for the issuance of such Bonds, so long as (1) all affected Bonds are secured by a Credit Enhancement and (2) each Credit Enhancement Provider for such Bonds shall have given its written consent to such Supplemental Indenture.

## **Defeasance**

Discharge of Indenture. Bonds of any Series or a portion thereof may be paid by the City in any of the following ways:

(A) by paying or causing to be paid the Bond Obligations of and interest on such Outstanding Bonds, as and when they become due and payable;

(B) by depositing with the Trustee, an escrow agent or other fiduciary, in trust, at or before maturity, money or securities in the necessary amount (as provided in the Indenture as described below under the caption “Deposit of Money or Securities”) to pay or redeem such Outstanding Bonds; or

(C) by delivering to the Trustee, for cancellation by it, such Outstanding Bonds.

If the City shall pay all Series for which any Bonds are Outstanding and also pay or cause to be paid all other sums payable and to be payable under the Indenture and under any Parity Obligations, Subordinate Obligations, and Fee and Expense Obligations by the City, then and in that case, at the election of the City (evidenced by a Request of the City, filed with the Trustee, signifying the intention of the City to discharge all such indebtedness and other obligations and the Indenture), and notwithstanding that any Bonds shall not have been surrendered for payment, the Indenture and the pledge of the Trust Estate made under the Indenture and all covenants, agreements, and other obligations of the City under the Indenture shall cease, terminate, become void, and be completely discharged and satisfied. In such event, upon Request of the City, the Trustee shall cause an accounting for such period or periods as may be requested by the City to be prepared and filed with the City and shall execute and deliver to the City all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over, transfer, assign, or deliver to the City all moneys or securities or other property held by it pursuant to the Indenture that are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption, as evidenced by a verification report, upon which the Trustee may conclusively rely, from an independent certified public accountant, a firm of independent certified public accountants, or other independent consulting firm.

Discharge of Liability on Bonds. Upon the deposit with the Trustee, escrow agent or other fiduciary, in trust, at or before maturity, of money or securities in the necessary amount (as provided in the Indenture as described in the next section) to pay or redeem any Outstanding Bond (whether upon or prior to its maturity or the redemption date of such Bond), all liability of the City in respect of such Bond shall cease, terminate, and be completely discharged, provided (1) that if such Bond is to be redeemed prior to maturity, notice of such redemption shall have been given as provided in the Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice, and (2) that the Holder thereof shall thereafter be entitled to the payment of the principal of and premium, if any, and interest on the Bonds, and the City shall remain liable for such payment, but only out of such money or securities deposited with the Trustee as aforesaid for their payment, and such money and securities shall be pledged to such payment.

The City may at any time surrender to the Trustee for cancellation by it any Bonds previously issued and delivered, which the City may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

Notwithstanding anything to the contrary, if the principal of or interest on a Series of Bonds shall be paid by a Credit Enhancement Provider pursuant to the Credit Enhancement issued in connection with such Series of Bonds, the obligations of the City shall not be deemed to be satisfied or considered paid by the City by virtue of such payments, and the right, title, and interest of the City in the Indenture and the

obligations of the City under the Indenture shall not be discharged and shall continue to exist and to run to the benefit of such Credit Enhancement Provider, and, to the extent of such payment, such Credit Enhancement Provider shall be subrogated to the rights of the Holders of the Bonds of such Series.

Deposit of Money or Securities. Whenever in the Indenture it is provided or permitted that there be deposited with or held in trust money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may include money or securities held by the Trustee in the funds and accounts established pursuant to the Indenture and shall be either or both of the following, provided, in each case, that the Trustee shall have been irrevocably instructed (by the terms of the Indenture or by Request of the City) to apply such money to the payment of such principal or Redemption Price and interest with respect to such Bonds:

(A) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity (based on an assumed interest rate equal to the maximum rate payable thereon for periods for which the actual interest rate on such Bonds cannot be determined), except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given as provided in the Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice, the amount to be deposited or held shall be the principal amount or Redemption Price of such Bonds and all unpaid interest thereon to the redemption date (based on an assumed interest rate equal to the maximum rate payable thereon for periods for which the actual interest rate on such Bonds cannot be determined); or

(B) Investment Securities described in clause (A) of the definition thereof the principal of and interest on which when due will, in the opinion of an independent certified public accountant, a firm of independent certified public accountants, or independent consulting firm delivered to the Trustee (as confirmed by a verification report upon which verification report the Trustee may conclusively rely), provide money sufficient to pay the principal or Redemption Price of and all unpaid interest to maturity or to the redemption date, as the case may be, on the Bonds to be paid or redeemed (based on an assumed interest rate equal to the maximum rate payable thereon for periods for which the actual interest rate on such Bonds cannot be determined), as such principal or Redemption Price and interest become due, provided that, in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in the Indenture (or provision satisfactory to the Trustee shall have been made for the giving of such notice).

Payment of Bonds After Discharge of Indenture. Any moneys held by the Trustee in trust for the payment of the principal, Redemption Price, or interest on any Bond and remaining unclaimed for one year after such principal, Redemption Price, or interest has become due and payable (whether at maturity or upon call for redemption as provided in the Indenture), if such moneys were so held at such date, or one year after the date of deposit of such principal, Redemption Price or interest on any Bond if such moneys were deposited after the date when such Bond became due and payable, shall, subject to any law regarding unclaimed moneys, be repaid to the City free from the trusts created by the Indenture, and all liability of the Trustee with respect to such moneys shall thereupon cease; provided, however, that before the repayment of such moneys to the City as aforesaid, the Trustee may (at the cost of the City) first mail to the Holders of any Bonds remaining unpaid at the addresses shown on the registration books maintained by the Trustee a notice, in such form as may be deemed appropriate by the Trustee, with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the City of the moneys held for the payment thereof. All moneys held by or on behalf of the Trustee for the payment of principal or Accreted Value of or interest or premium on Bonds, whether at redemption or maturity, shall be held in trust for the account of the Holders thereof, and the Trustee shall not be required to pay Holders any interest on, or be liable to the Holders or any other person (other than

the City) for interest earned on, moneys so held. Any interest earned thereon shall belong to the City and shall be deposited upon receipt by the Trustee into the Revenue Fund.

### **Disqualified Bonds**

In determining whether the Holders of the requisite aggregate Bond Obligation of Bonds have concurred in any demand, request, direction, consent, or waiver under the Indenture, Bonds that are owned or held by or for the account of the City, or by any other obligor on the Bonds, or by any person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the City or any other obligor on the Bonds, shall be disregarded and deemed not to be Outstanding for the purpose of any such determination. Bonds so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee shall establish to the satisfaction of the Trustee that the pledgee has the right to vote such Bonds and that the pledgee is not a person directly or indirectly controlled by, or under direct or indirect common control with, the City. In case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel shall be full protection to the Trustee. Upon request of the Trustee, the City shall specify in a Certificate to the Trustee those Bonds disqualified pursuant to the Indenture and the Trustee may conclusively rely on such certificate.

### **Money Held for Particular Bonds.**

The money held by the Trustee for the payment of the interest, principal, Redemption Price, or purchase price due on any date with respect to particular Bonds (or portions of Bonds in the case of registered Bonds redeemed in part only) shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Holders of the Bonds entitled thereto, subject, however, to the provisions of the Indenture.

### **Waiver of Personal Liability**

No member of the City Council of the City or officer, agent, or employee of the City or the Trustee shall be individually or personally liable for the payment of the principal or Redemption Price of or interest on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof; but nothing contained in the Indenture shall relieve any such member of the City Council of the City or officer, agent, or employee of the City or the Trustee from the performance of any official duty provided by law or by the Indenture.

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**APPENDIX D**

**FORM OF CONTINUING DISCLOSURE CERTIFICATE**

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## CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this “**Certificate**”) is executed and delivered by the CITY OF SACRAMENTO (the “**City**”) in connection with the issuance of its Water Revenue Bonds, Series 2023 (the “**Series 2023 Bonds**”). The Series 2023 Bonds are being issued under an Indenture, dated as of March 1, 2013, as supplemented by the Fourth Supplemental Indenture dated as of \_\_\_\_\_ 1, 2023, between the City and U.S. Bank Trust Company, National Association, as trustee (as supplemented, the “**Indenture**”). In connection with the Series 2023 Bonds the City as follows:

1. **Purpose of this Certificate.** The City is executing and delivering this Certificate for the benefit of the Holders and Beneficial Owners of the Series 2023 Bonds and to assist the Underwriters in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission (the “**SEC**”).
2. **Definitions.** In addition to the definitions set forth above or in the Indenture, which apply to any capitalized term used in this 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 as required by, and as described in, sections 3 and 4 of this Certificate.
  - “Beneficial Owner” means any person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2023 Bonds (including persons holding Series 2023 Bonds through nominees, depositories, or other intermediaries).
  - “EMMA System” means the MSRB’s Electronic Municipal Market Access system or any other electronic system the MSRB designates to perform the function of the EMMA System.
  - “Financial Obligation” means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of (a) or (b). “Financial Obligation” does not include municipal securities (defined in the Rule) as to which final official statements (defined in the Rule) have been provided to the MSRB consistent with the Rule.
  - “Listed Event” means any of the events listed in section 5(a) of this Certificate.
  - “MSRB” means the Municipal Securities Rulemaking Board.
  - “Official Statement” means the Official Statement relating to the Series 2023 Bonds, dated \_\_\_\_\_, 2023.
  - “Rule” means Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as amended from time to time.

- “State” means the State of California.
- “Underwriter” means the underwriter listed on the cover page of the Official Statement.

**3. Provision of Annual Reports.**

- (a) The City shall provide to the MSRB through the EMMA System (in an electronic format and accompanied by identifying information all as prescribed by the MSRB) an Annual Report that is consistent with the requirements of section 4 of this Certificate. The City shall do this not later than the end of the ninth month after the end of the City’s Fiscal Year (currently June 30), commencing with the report for the 2022-23 Fiscal Year, The Annual Report may be submitted as a single document or as separate documents composing a package and may cross-reference other information as provided in section 4 of this Certificate, except that the audited financial statements of the City may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the City’s Fiscal Year changes, then the City shall give notice of the change in the same manner as for notice a Listed Event under section 5(c).
- (b) If the City is unable to provide to the MSRB an Annual Report by the date required in section 3(a), the City shall send to the MSRB a notice in substantially the form attached hereto as Exhibit A.

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

- (a) The audited financial statements of the City for the prior Fiscal Year, 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, however, the City’s audited financial statements are not available by the time the Annual Report is required by section 3(a) to be filed, then the Annual Report must contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements must be filed in the same manner as the Annual Report when they become available.
- (b) Numerical or tabular data of the type contained in the following tables in the Official Statement, to reflect actual results of the most recently completed fiscal year (projections need not be updated):
  - (1) Table 2 – Water Production by Source
  - (2) Table 5 – Number of Connections by User Type

- (3) Table 6 – Largest Customers by Service Charge Revenue
- (4) Table 8 – Selected Monthly Rates
- (5) Table 9 – Uncollected Water System Charges
- (6) Table 11 – Summary of Historical Operating Results

Any or all of the items listed above may be included by specific reference to other documents, including the audited financial statements or the official statements of debt issues of the City, that have been submitted to the MSRB or the SEC, subject to the following: if a document included by reference is a final official statement, then it must be available from the MSRB, and the City shall clearly identify the document by reference.

## 5. Reporting of Significant Events.

- (a) The City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2023 Bonds in a timely manner, but not more than 10 business days after the event:
  - (1) Principal and interest payment delinquencies.
  - (2) Unscheduled draws on debt-service reserves reflecting financial difficulties.
  - (3) Unscheduled draws on credit enhancements reflecting financial difficulties.
  - (4) Substitution of credit or liquidity providers, or their failure to perform.
  - (5) Issuance by the Internal Revenue Service of a proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB).
  - (6) Tender offers.
  - (7) Defeasances.
  - (8) Rating changes.
  - (9) Bankruptcy, insolvency, receivership, or similar event of the City.

Note: For the purposes of the event identified in section 5(a)(9), the event is considered to occur when any of the following occur: if a receiver, fiscal agent, or similar officer is appointed for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or 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

governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority; or if an order confirming a plan of reorganization, arrangement, or liquidation is entered by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

- (10) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.
- (b) The City shall give, or cause to be given, in accordance with section 5(c), notice of the occurrence of any of the following events with respect to the Series 2023 Bonds, if material:
- (1) Unless described in Section 5(a)(5), adverse tax opinions or other material notices or determinations by the IRS with respect to the tax status of the Series 2023 Bonds or other material events affecting the tax status of the Series 2023 Bonds;
  - (2) Modifications to rights of holders of the Series 2023 Bonds.
  - (3) Optional, unscheduled, or contingent bond calls.
  - (4) Release, substitution, or sale of property securing repayment of the Series 2023 Bonds.
  - (5) Non-payment related defaults.
  - (6) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business; the entry into a definitive agreement to undertake such an action; or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms.
  - (7) Appointment of a successor or additional trustee or the change of name of a trustee.
  - (8) Incurrence of a Financial Obligation of the obligated person, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect holders of the Series 2023 Bonds.
- (c) If the City obtains knowledge of the occurrence of a Listed Event described in section 5(b), the City shall determine, as soon as possible, if the Listed Event would be material under applicable federal securities laws. If the City determines that the Listed Event would be

material, then the City shall file a notice of the occurrence with the EMMA System in a timely manner, but not more than 10 business days after the occurrence.

6. **Termination of Reporting Obligation.** The City's obligations under this Certificate will terminate (a) upon the legal defeasance, prior redemption, or payment in full of all of the Series 2023 Bonds; (b) if, in the opinion of nationally recognized bond counsel, the City ceases to be an "obligated person" (within the meaning of the Rule) with respect to the Series 2023 Bonds; or (c) if the Series 2023 Bonds otherwise cease to be subject to the requirements of the Rule. If termination occurs before the final maturity of the Series 2023 Bonds, the City shall give notice of the termination in the same manner as for notice of a Listed Event under section 5(c).
7. **Amendment and Waiver.** Notwithstanding any other provision of this Certificate, the City may amend this Certificate, and any provision of this Certificate may be waived, if all of the following conditions are satisfied:
  - (a) If the amendment or waiver relates to sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Series 2023 Bonds, or the type of business conducted.
  - (b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Series 2023 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances.
  - (c) The amendment or waiver either (1) is approved by the Holders of the Series 2023 Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Holders or (2) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Series 2023 Bonds.
  - (d) The City shall describe the amendment or waiver in the next Annual Report and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its effect on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment or waiver relates to the accounting principles to be followed in preparing financial statements, then the City shall give notice of the change in the same manner as for notice of a Listed Event under section 5(c), and the Annual Report for the year in which the change is made must present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

8. **Additional Information.** This Certificate does not prevent the City (a) from disseminating any other information, using the means of dissemination set forth in this Certificate or any other means of communication; or (b) from including any other information in any Annual Report or notice of occurrence of a Listed Event in addition to that required by this Certificate. If the City includes any information in an Annual Report or a notice of occurrence of a Listed Event in addition to that specifically required by this Certificate, the City will not be obligated to update that information or include it in any future Annual Report or notice of occurrence of a Listed Event.
9. **Default.** If the City fails to comply with any provision of this Certificate, then the Underwriters or any Holder or Beneficial Owner of the Series 2023 Bonds may take any 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 Certificate. A default under this Certificate is not an Event of Default under the Indenture, and the sole remedy if the City fails to comply with this Certificate is an action to compel compliance.
10. **Beneficiaries.** This Certificate inures solely to the benefit of the City, the Underwriters, and the Holders and Beneficial Owners from time to time of the Series 2023 Bonds, and it creates no rights in any other person or entity.
11. **Electronic Signatures.** Each of the parties hereto agrees that the transaction consisting of this agreement may be conducted by electronic means. Each party agrees, and acknowledges that it is such party's intent, that if such party signs this agreement using an electronic signature, it is signing, adopting, and accepting this agreement and that signing this agreement using an electronic signature is the legal equivalent of having placed its handwritten signature on this agreement on paper. Each party acknowledges that it is being provided with an electronic or paper copy of this agreement in a usable format.

(Signature Page Follows)



Dated: \_\_\_\_\_, 2023

CITY OF SACRAMENTO, CALIFORNIA

By: \_\_\_\_\_  
John P. Colville Jr., City Treasurer

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Sacramento, California

Name of Issue: \$\_\_\_\_\_ Water Revenue Bonds, Series 2023

Date of Issuance: \_\_\_\_\_, 2023

NOTICE IS HEREBY GIVEN that the City has not provided an Annual Report with respect to the above-named Bonds as required by the Indenture, dated as of March 1, 2013, as supplemented by the Fourth Supplemental Indenture dated as of \_\_\_\_\_ 1, 2023, between the City and U.S. Bank Trust Company, National Association, as trustee. The City anticipates that the Annual Report will be filed by \_\_\_\_\_

Dated: \_\_\_\_\_, \_\_\_\_\_

CITY OF SACRAMENTO, CALIFORNIA

By: \_\_\_\_\_  
City Treasurer

**APPENDIX E**

**PROPOSED FORM OF BOND COUNSEL OPINION**

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[Closing Date]

City of Sacramento  
Sacramento, California

City of Sacramento  
Water Revenue Refunding Bonds, Series 2023  
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the City of Sacramento (the “City”) in connection with the issuance of \$[ ] aggregate principal amount of City of Sacramento Water Revenue Refunding Bonds, Series 2023 (the “Bonds”), issued pursuant to an Indenture, dated as of March 1, 2013 (the “Original Indenture”), as supplemented to the date hereof, including as supplemented by a Fourth Supplemental Indenture, dated as of December 1, 2023, each between the City and U.S. Bank Trust Company, National Association, as trustee (the “Trustee”). The Original Indenture, as so supplemented, is referred to herein as the “Indenture.” Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed the Indenture; the Tax Certificate, dated the date hereof (the “Tax Certificate”), executed by the City; opinions of counsel to the City and the Trustee; certificates of the City, the Trustee and others; and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

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

for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Indenture and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against governmental entities such as the City in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute or to have the effect of a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the assets described in or as subject to the lien of the Indenture or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement dated December [ ], 2023 or other offering material relating to the Bonds and express no opinion or view with respect thereto.

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

1. The Bonds constitute the valid and binding limited obligations of the City.
2. The Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the City. The Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Trust Estate and the other assets pledged therefor under the Indenture, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.
3. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. Interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. We observe that, for tax years beginning after December 31, 2022, interest on the Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

## APPENDIX F

### BOOK-ENTRY ONLY SYSTEM

The information in this section regarding DTC and its book-entry system has been obtained from DTC's website, for use in securities offering documents, and the City and the Underwriter take no responsibility for the accuracy or completeness thereof or for the absence of material changes in such information after the date hereof.

The Depository Trust Company ("**DTC**"), New York, New York, will act as securities depository for the Series 2023 Bonds. The Series 2023 Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered bond certificate will be issued for each maturity of the Series 2023 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest 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, as amended. 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 Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of the Series 2023 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2023 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2023 Bond ("**Beneficial Owner**") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2023 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2023 Bonds, except in the event that use of the book-entry system for the Series 2023 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2023 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2023 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2023 Bonds; DTC's records reflect only the

identity of the Direct Participants to whose accounts such Series 2023 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2023 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2023 Bonds, such as redemptions, tenders, defaults and proposed amendments to the Series 2023 Bonds documents. For example, Beneficial Owners of Series 2023 Bonds may wish to ascertain that the nominee holding the Series 2023 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

While the Series 2023 Bonds are in the book-entry-only system, redemption notices will be sent to DTC. If less than all of the Series 2023 Bonds of a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2023 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2023 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2023 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2023 Bonds at any time by giving reasonable notice to the City or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, certificates representing the Series 2023 Bonds are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates representing the Series 2023 Bonds will be printed and delivered to DTC.

The information in this Appendix F concerning DTC and DTC's book-entry system has been obtained from sources that the City and the Underwriter believe to be reliable, but the City and the Underwriter do not take any responsibility for the accuracy thereof.







**APPENDIX B**  
**PRICING NOTICE**

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**PRICING NOTICE**  
Dated November \_\_, 2023

by the

**CITY OF SACRAMENTO**

*to the Beneficial Owners of all or any portion of the maturities  
listed on page (3) herein of the*

**City of Sacramento Water Revenue Refunding Bonds, Series 2020 (Federally Taxable)**  
**(the “Series 2020 Bonds”)**

*The purpose of this Pricing Notice, dated November \_\_, 2023 (the “Pricing Notice”) is to set forth the Fixed Spreads for the Target Bonds subject to the Invitation. All other terms relating to the Invitation (hereinafter defined) remain unchanged.*

Pursuant to the Invitation to Tender for Purchase, dated November 15, 2023 (as amended or supplemented, the “**Invitation**”), the City of Sacramento (the “**City**”), invited Bondowners to offer to tender their Target Bonds for purchase (for payment in cash) at the applicable purchase prices for each CUSIP of the Target Bonds based on a fixed spread set forth in this Pricing Notice to be added to the yields on certain benchmark United States Treasury Securities (“**Benchmark Treasury Securities**”), plus accrued interest, all on the terms and conditions set forth in the Invitation. All capitalized terms used herein and not otherwise defined are used as defined in the Invitation.

As set forth in Section 14 of the Invitation, if the City amends the terms of the Invitation, in any material respect, including any increases in the Fixed Spreads for any of the Target Bonds after the publication of this Pricing Notice, notice of such amendment or waiver will be provided in accordance with Section 2 of the Invitation no later than five (5) Business Days prior to the Expiration Date. In addition, as set forth in Section 4 of the Invitation, if the City amends the terms of the Invitation to decrease (but not increase) any of the Fixed Spreads for any of the Target Bonds after the publication of this Pricing Notice, it may do so by providing notice of any such decrease(s) in Fixed Spreads in accordance with Section 2 of the Invitation no later than 5:00 p.m., New York City time, on the Business Day prior to the Expiration Date. **In either such event, as set forth in Section 4 of the Invitation, any tenders submitted with respect to the affected Target Bonds prior to such amendment, will remain in full force and effect, and any Bondowner of such affected Target Bonds wishing to revoke its tender of such Target Bonds for purchase must affirmatively withdraw such tender prior to the Expiration Date as described in Section 8 of the Invitation.**

As set forth in Section 8 of the Invitation, a Bondowner may withdraw the Target Bonds tendered for purchase pursuant to this Invitation by causing a withdrawal notice to be transmitted via DTC’s ATOP system to, and received by, the Information Agent and Tender Agent at or before 5:00 p.m., New York City time, on the Expiration Date.

As set forth in Section 14 of the Invitation, the City has the right to extend the Invitation by notice given in accordance with Section 2 of the Invitation on or about 11:00 a.m., New York City time, on the first Business Day prior to the then current Expiration Date.

The Invitation, including the Preliminary Official Statement dated November 15, 2023, relating to the 2023 Refunding Bonds (the “Series 2023 Bonds POS”) is available: (i) at the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access website, currently located at <http://emma.msrb.org>, using the CUSIP numbers for the Target Bonds, and (ii) on the website of the Information Agent and Tender Agent at <https://www.globic.com/sacramento>.

The ability of Bondowners to accept the Invitation of the City expires at 5:00 p.m., New York City time, on December 1, 2023 (unless extended as described herein). Any questions are to be directed to the Dealer Manager or Information Agent and Tender Agent.

Any questions can be directed to the:

***Information Agent and Tender Agent***  
**GLOBIC ADVISORS**

Attention: Robert Stevens  
(212) 227-9622, rstevens@globic.com

***Dealer Manager***

**Goldman Sachs & Co. LLC**

Ken Ukaigwe at (212) 357-3189 or ken.ukaigwe@gs.com

## INVITATION TO TENDER FOR PURCHASE – FIXED SPREADS

Pursuant to the Invitation, the Fixed Spreads for the Target Bonds are listed below. The Purchase Price to be paid on the Settlement Date excludes Accrued Interest on the Target Bonds tendered for purchase, which interest will be paid to but not including the Settlement Date in addition to the Purchase Price.

### City of Sacramento Water Revenue Refunding Bonds, Series 2020 (Federally Taxable) (the “Series 2020 Bonds” or the “Target Bonds”)

CUSIP No. <sup>†</sup>	Maturity Date (September 1)	Interest Rate	Par Amount Outstanding	Benchmark Treasury Security <sup>(*)</sup>	Fixed Spread (Basis Points)
786089JD5	2024	1.714%	\$2,115,000	2-year	
786089JE3	2025	1.814	7,925,000	2-year	
786089JF0	2026	1.953	8,075,000	3-year	
786089JG8	2027	2.103	8,240,000	5-year	
786089JH6	2028	2.147	8,420,000	5-year	
786089JJ2	2029	2.197	8,600,000	7-year	
786089JK9	2030	2.297	8,800,000	7-year	
786089JL7	2031	2.447	9,010,000	10-year	
786089JM5	2032	2.547	9,235,000	10-year	
786089JN3	2033	2.647	9,480,000	10-year	
786089JP8	2034	2.747	9,740,000	10-year	
786089JQ6	2035	2.897	10,020,000	10-year	
786089JR4	2042 <sup>(T)</sup>	3.180	79,695,000	20-year	

(T) Term Bond

(\*) The Benchmark Treasury Securities will be the most recently auctioned “on-the-run” United States Treasury Security for the maturity indicated as of date and time that the Purchase Price for the Target Bonds is set, currently expected to be December 5, 2023. The yield on the Benchmark Treasury Securities to be used in establishing the Purchase Price for the Target Bonds will equal the bid-side yield of the applicable Benchmark Treasury Security as quoted on the Bloomberg Bond Trader FIT1 series of pages at approximately 10:00 a.m., New York City time, on December 5, 2023.

The yields on the Benchmark Treasury Securities will be determined at approximately 10:00 a.m. New York City time on December 5, 2023, and the Notice of Target Bonds Purchase Price will be made available on that date in accordance with the Invitation.

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<sup>†</sup> CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein are provided by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association. CUSIP numbers have been assigned by an independent company and are included solely for the convenience of the holders of the Series 2023 Bonds. None of the City, the Underwriter or their agents or counsel assume responsibility for the accuracy of such numbers. The CUSIP number for a specific maturity is subject to being changed after the execution and delivery of the Target Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of the Target Bonds.

Example based on the following closing yields for the Benchmark Treasury Securities as of November \_\_, 2023, and the Fixed Spreads:

The tables below provide an example of the Purchase Prices realized by a Bondholder that submits an offer based on the following indicative yield for the Benchmark Treasury Securities as of November \_\_, 2023, and the Fixed Spreads. This example is being provided for convenience only and is not to be relied upon by a Bondholder as an indication of the Purchase Yield or Purchase Price that may be paid by the City. The City will publish a Notice of Target Bonds Purchase Prices at or around 5:00 p.m. on December 5, 2023. See Section 4 of the Invitation for a description of the determination of the Purchase Prices.

#### INDICATIVE PURCHASE PRICES FOR THE TARGET BONDS

CUSIP No.†	Maturity Date (September 1)	Benchmark Treasury Security	Treasury Security Yield	Fixed Spread (Basis Points)	Indicative Purchase Yield	Indicative Purchase Price (% of principal amount)
786089JD5	2024		2-year			
786089JE3	2025		2-year			
786089JF0	2026		3-year			
786089JG8	2027		5-year			
786089JH6	2028		5-year			
786089JJ2	2029		7-year			
786089JK9	2030		7-year			
786089JL7	2031		10-year			
786089JM5	2032		10-year			
786089JN3	2033		10-year			
786089JP8	2034		10-year			
786089JQ6	2035		10-year			
786089JR4	2042 <sup>(T)</sup>		20-year			

(T) Term Bond

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