

**PRELIMINARY OFFICIAL STATEMENT DATED [JULY \_\_], 2024****NEW ISSUE—FULL BOOK-ENTRY****RATINGS**

(See “RATINGS” herein)

*In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the 2024 Bonds (as defined herein) is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) interest on the 2024 Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code, however, interest on the 2024 Bonds is included in the “adjusted financial statement income” of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code. In addition, in the opinion of Bond Counsel, under existing statutes, interest on the 2024 Bonds is exempt from State of California personal income taxes. See “TAX MATTERS” herein.*

**[\$[PAR AMOUNT]]\***  
**STOCKTON PUBLIC FINANCING AUTHORITY**  
**WASTEWATER REVENUE REFUNDING BONDS, SERIES 2024**  
**(WASTEWATER REFUNDING PROJECT)**

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

The \$[PAR AMOUNT] principal amount of Stockton Public Financing Authority Wastewater Revenue Refunding Bonds, Series 2024 (Wastewater Refunding Project) (the “2024 Bonds”) are being issued by the Stockton Public Financing Authority (the “Authority”) for the purpose of providing funds which, together with certain other available moneys, will be used to: (i) refund all of the outstanding principal amount of the Stockton Public Financing Authority Wastewater Revenue Refunding Bonds, Series 2014 (1998 Wastewater Project and 2003 Wastewater Project) (the “2014 Bonds”); [(ii) pay the premiums of a municipal bond insurance policy and a municipal bond debt service reserve insurance policy for the 2024 Bonds; and] (iii) pay certain costs associated with the issuance of the 2024 Bonds. See “PLAN OF REFUNDING” herein.

The 2024 Bonds are being issued by the Authority pursuant to the 2024 Indenture, dated as of August 1, 2024 (the “2024 Indenture”), by and between the Authority and U.S. Bank Trust Company, National Association, as trustee (the “Trustee”). The 2024 Bonds are limited obligations of the Authority payable solely from installment payments (the “2024 Installment Payments”) to be made by the City under the 2024 Installment Purchase Contract, dated as of August 1, 2024 (the “2024 Contract”), by and between the Authority and the City, and certain amounts held under the 2024 Indenture. As security for the payment of the 2024 Installment Payments, the City has pledged the Net System Revenues (as defined herein) of the Wastewater System as provided in the 2024 Contract. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2024 BONDS” herein. The 2024 Bonds will be issued in denominations of \$5,000 or any integral multiple thereof, in fully registered form. When delivered, the 2024 Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the 2024 Bonds. Individual purchases of the 2024 Bonds will be made in book-entry form only. See APPENDIX E – “DTC AND THE BOOK-ENTRY ONLY SYSTEM” attached hereto.

Interest on the 2024 Bonds is payable on March 1 and September 1 of each year, commencing March 1, 2025. Payments of principal of and interest on the 2024 Bonds are payable directly to DTC by the Trustee. Upon receipt of payments of principal and interest, DTC will in turn remit such principal and interest to DTC Participants for subsequent distribution to the beneficial owners of the 2024 Bonds. So long as the 2024 Bonds are registered in the name of Cede & Co., all payments with respect to the 2024 Bonds will be made to DTC.

The 2024 Bonds are not subject to redemption prior to maturity. See “THE 2024 BONDS – 2024 Bonds Not Subject to Redemption” herein.

The City has outstanding certain obligations, and may issue or incur additional obligations, secured by the pledge of, and payable from, Net System Revenues on a parity basis with the 2024 Installment Payments, as described herein. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2024 BONDS – Outstanding Parity Obligations,” “– Additional Parity Obligations,” and “– Subordinate Obligations” herein.

[The scheduled payment of principal of and interest on the 2024 Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the 2024 Bonds by [INSURANCE PROVIDER]. See APPENDIX G – “SPECIMEN MUNICIPAL BOND INSURANCE POLICY” attached hereto.]

[INSURANCE PROVIDER LOGO]

THE 2024 BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM THE 2024 INSTALLMENT PAYMENTS AND CERTAIN MONEYS HELD UNDER THE 2024 INDENTURE. THE 2024 BONDS ARE NOT A DEBT OF THE CITY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE AUTHORITY), AND SHALL BE PAYABLE SOLELY FROM THE REVENUES PLEDGED THEREFOR PURSUANT TO THE 2024 INDENTURE. THE OBLIGATION OF THE CITY TO MAKE 2024 INSTALLMENT PAYMENTS IS A SPECIAL OBLIGATION PAYABLE SOLELY FROM THE NET SYSTEM REVENUES AS PROVIDED IN THE 2024 CONTRACT. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF (INCLUDING THE AUTHORITY) IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE 2024 BONDS OR THE 2024 INSTALLMENT PAYMENTS. THE AUTHORITY HAS NO TAXING POWER. THE ISSUANCE OF THE 2024 BONDS SHALL NOT DIRECTLY OR INDIRECTLY OBLIGATE THE AUTHORITY, THE CITY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF TO LEVY OR PLEDGE ANY FORM OF TAXATION WHATSOEVER OR TO MAKE ANY APPROPRIATION FOR PAYMENT OF THE 2024 BONDS. THE 2024 BONDS AND THE 2024 INSTALLMENT PAYMENTS ARE NOT PAYABLE FROM THE GENERAL FUND OF THE CITY.

**MATURITY SCHEDULE**  
**(See Inside Cover)**

This cover page contains certain information for general reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The 2024 Bonds are offered when, as and if issued, subject to the approval as to their validity by Hawkins Delafield & Wood LLP, San Francisco, California, Bond Counsel, and certain other conditions. Hawkins Delafield & Wood LLP, San Francisco, California, is serving as Disclosure Counsel to the City. Certain legal matters will be passed on for the Authority and the City by the City Attorney, [for the Insurer by its general counsel,] and for the Underwriters by Kutak Rock LLP, Irvine, California. It is anticipated that the 2024 Bonds will be available for delivery through the facilities of DTC on or about [September \_\_, 2024].

**Hilltop Securities Inc.****Oppenheimer & Co. Inc.**

Dated: [August \_\_], 2024

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\* Preliminary, subject to change.

**MATURITY SCHEDULE**

**[\$[PAR AMOUNT]\*  
STOCKTON PUBLIC FINANCING AUTHORITY  
WASTEWATER REVENUE REFUNDING BONDS, SERIES 2024  
(WASTEWATER REFUNDING PROJECT)**

<u>Maturity</u> <u>(September 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price/Yield<sup>(1)</sup></u>	<u>CUSIP No.<sup>†</sup></u> <u>(Base: _____)</u>
2025				
2026				
2027				
2028				
2029				

\* Preliminary, subject to change.

<sup>(1)</sup> Reoffering prices/yields furnished by the Underwriters. The City and the Authority take no responsibility for the accuracy thereof.

<sup>†</sup> CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Copyright© 2024 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the City, the Authority, the Underwriters, or their agents or counsel assume responsibility for the accuracy of such numbers.

No dealer, broker, salesperson or other person has been authorized by the Authority, the City or the Underwriters (as defined herein) to give any information or to make any representations other than as contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 2024 Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. This Official Statement is not to be construed as a contract with the purchasers of the 2024 Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact.

The information set forth herein has been obtained from sources which are believed to be reliable, but such information is neither guaranteed as to accuracy or completeness, nor shall it be construed as a representation of such by the Authority, the City or the Underwriters. The information and expressions of opinion stated herein are subject to change without notice; and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or in the condition of the Wastewater System, since the date hereof.

The summaries and references to the 2024 Indenture, the 2024 Contract, the Act (as defined herein) and to other statutes and documents referred to herein do not purport to be comprehensive or definitive and are qualified in their entirety by reference to each such statute and document. This Official Statement including any amendment or supplement hereto is intended to be deposited with one or more information repositories.

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

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2024 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY OFFER AND SELL THE 2024 BONDS TO CERTAIN DEALERS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES SET FORTH ON THE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

THE 2024 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS CONTAINED IN SUCH ACT. THE 2024 BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

The City maintains a website and social media accounts. Unless specifically indicated herein, the information presented on such website and social media accounts is not incorporated by reference as part of this Official Statement and should not be relied upon in making investment decisions with respect to the 2024 Bonds.

[[INSURANCE PROVIDER] makes no representation regarding the 2024 Bonds or the advisability of investing in the 2024 Bonds. In addition, [INSURANCE PROVIDER] has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding [INSURANCE PROVIDER], supplied by [INSURANCE PROVIDER] and presented under the heading “BOND INSURANCE” and EXHIBIT G – “SPECIMEN MUNICIPAL BOND INSURANCE POLICY.”]

Any statement involving any forecast or matter of opinion or estimates, whether or not expressly stated, is intended solely as such and not as a representation of fact. Certain statements included or incorporated by reference in this Official Statement constitute “forward looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended (the “Securities Act”). Such forward-looking statements are generally identified by use of the words “plan,” “project,” “expect,” “estimate,” “budget” or other similar words. Such forward looking statements refer to the achievement of certain results or other expectations or performance which involve known and unknown risks, uncertainties and other factors. These risks, uncertainties and other factors may cause actual results, performance or achievements to be materially different from any projected results, performance or achievements described or implied by such forward looking statements. Neither the Authority or the City plans to issue updates or revisions to such forward looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based, occur, or if actual results, performance or achievements are materially different from any results, performance or achievements described or implied by such forward looking statements.

**STOCKTON PUBLIC FINANCING AUTHORITY  
CHAIRMAN AND BOARD OF DIRECTORS  
AND  
CITY COUNCIL  
CITY OF STOCKTON**

**CHAIRMAN AND BOARD OF DIRECTORS  
AND MAYOR AND CITY COUNCIL**

Mayor Kevin J. Lincoln II	<i>Chair and Mayor</i>
Kimberly Warmesley	<i>Vice Chair and Vice Mayor, District 6</i>
Michele Padilla	<i>Member and Councilmember, District 1</i>
Daniel R. Wright	<i>Member and Councilmember, District 2</i>
Michael Blower	<i>Member and Councilmember, District 3</i>
Susan Lenz	<i>Member and Councilmember, District 4</i>
Brando Villapudua	<i>Member and Councilmember, District 5</i>

**CITY STAFF**

Harry Black, *City Manager*  
Lori M. Asuncion, *City Attorney*  
Jay Kapoor, *Interim Chief Financial Officer*  
C. Mel Lytle, Ph.D., *Director of Municipal Utilities*  
Nancy Xiong, *Municipal Utilities Finance Officer*  
Moss Adams LLP, *City Auditor*  
Katherine Roland, *Interim City Clerk*

**SPECIAL SERVICES**

**BOND COUNSEL AND DISCLOSURE COUNSEL**

Hawkins Delafield & Wood LLP  
San Francisco, California

**MUNICIPAL ADVISOR**

Del Rio Advisors, LLC  
Modesto, California

**TRUSTEE**

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

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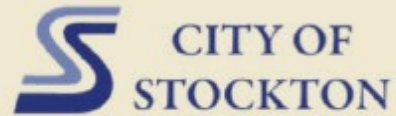
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REGIONAL MAP

*City of Stockton*

*San Joaquin County, California*

**STOCKTON • CALIFORNIA**





**OFFICIAL STATEMENT****[\$[PAR AMOUNT]]\*  
STOCKTON PUBLIC FINANCING AUTHORITY  
WASTEWATER REVENUE REFUNDING BONDS, SERIES 2024  
(WASTEWATER REFUNDING PROJECT)****INTRODUCTION**

*This Introduction is only a brief description of, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page through the appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the 2024 Bonds to potential investors is made only by means of the entire Official Statement. Capitalized terms used herein and not otherwise defined shall have the meanings given to such terms as set forth in the 2024 Indenture or the 2024 Contract (each as defined below). See APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS – DEFINITIONS OF CERTAIN TERMS” attached hereto.*

**General**

The purpose of this Official Statement is to furnish information with respect to the issuance, sale and delivery of \$[PAR AMOUNT]\* principal amount of Stockton Public Financing Authority Wastewater Revenue Refunding Bonds, Series 2024 (Wastewater Refunding Project) (the “2024 Bonds”). The 2024 Bonds are being issued by the Stockton Public Financing Authority (the “Authority”) under and pursuant to Chapter 5 of Division 7 of Title 1 of the California Government Code, as amended (the “Act”), a resolution adopted by the Authority on [July 9, 2024], and in accordance with the provisions of a 2024 Indenture, dated as of August 1, 2024 (the “2024 Indenture”), by and between the Authority and U.S. Bank Trust Company, National Association, as trustee (the “Trustee”).

The 2024 Bonds are being issued by the Authority for the purpose of providing funds which, together with certain other available moneys, will be used to: (i) refund all of the outstanding principal amount of the Stockton Public Financing Authority Wastewater Revenue Refunding Bonds, Series 2014 (1998 Wastewater Project and 2003 Wastewater Project) (the “2014 Bonds”); [(ii) pay the premiums of a municipal bond insurance policy and a municipal bond debt service reserve insurance policy for the 2024 Bonds;] and (iii) pay certain costs for the 2024 Bonds. The 2014 Bonds were executed and delivered in October 2014 to provide funds to the City of Stockton (the “City”) to refund certain costs used to acquire and construct certain improvements to the City’s wastewater system (the “Wastewater System”), pursuant to a certain installment sale agreement that the City entered into with the Authority. See “PLAN OF REFUNDING” and “ESTIMATED SOURCES AND USES OF FUNDS” herein.

**Security for the 2024 Bonds**

The 2024 Bonds are limited obligations of the Authority payable solely from certain installment payments (the “2024 Installment Payments”) to be made by the City under the 2024 Installment Purchase Contract, dated as of August 1, 2024 (the “2024 Contract”), by and between the Authority and the City and certain amounts held under the 2024 Indenture. The City has pledged the Net System Revenues (as defined herein) of the Wastewater System to the payment of the 2024 Installment Payments as provided in the 2024 Contract. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2024 BONDS” herein.

[The scheduled payment of principal of and interest on the 2024 Bonds when due will be guaranteed under a municipal bond insurance policy (the “Policy”) to be issued concurrently with the delivery of the 2024

\* Preliminary, subject to change.

Bonds by [INSURANCE PROVIDER] (the “Insurer”). See “BOND INSURANCE” and APPENDIX G – “SPECIMEN MUNICIPAL BOND INSURANCE POLICY” herein.

THE 2024 BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM THE 2024 INSTALLMENT PAYMENTS AND CERTAIN MONEYS HELD UNDER THE 2024 INDENTURE. THE 2024 BONDS ARE NOT A DEBT OF THE CITY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE AUTHORITY), AND SHALL BE PAYABLE SOLELY FROM THE REVENUES PLEDGED THEREFOR PURSUANT TO THE 2024 INDENTURE. THE OBLIGATION OF THE CITY TO MAKE 2024 INSTALLMENT PAYMENTS IS A SPECIAL OBLIGATION PAYABLE SOLELY FROM THE NET SYSTEM REVENUES AS PROVIDED IN THE 2024 CONTRACT. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF (INCLUDING THE AUTHORITY) IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE 2024 BONDS OR THE 2024 INSTALLMENT PAYMENTS. THE AUTHORITY HAS NO TAXING POWER. THE ISSUANCE OF THE 2024 BONDS SHALL NOT DIRECTLY OR INDIRECTLY OBLIGATE THE AUTHORITY, THE CITY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF TO LEVY OR PLEDGE ANY FORM OF TAXATION WHATSOEVER OR TO MAKE ANY APPROPRIATION FOR PAYMENT OF THE 2024 BONDS. THE 2024 BONDS AND THE 2024 INSTALLMENT PAYMENTS ARE NOT PAYABLE FROM THE GENERAL FUND OF THE CITY.

#### **2024 Reserve Account**

The 2024 Indenture establishes a reserve account for the 2024 Bonds. In connection with the 2024 Bonds, the City is obtaining a municipal bond debt service reserve insurance policy for the benefit of such reserve account. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2024 BONDS – 2024 Reserve Account” herein.

#### **Outstanding and Additional Parity and Subordinate Obligations**

**The City has certain outstanding obligations (described below), and may issue or incur additional obligations, secured by the pledge of, and payable from, Net System Revenues on a parity basis with the 2024 Installment Payments. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2024 BONDS – Additional Parity Obligations” herein.** The City may also issue or incur additional obligations payable from the Net System Revenues on a basis subordinate to the 2024 Installment Payments and other Parity Obligations. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2024 BONDS – Subordinate Obligations” herein.

The pledge of Net System Revenues securing the 2024 Installment Payments is on parity with the pledge of Net System Revenues securing (1) installment payments made by the City to the Authority in connection with a bond issued by the United States Environmental Protection Agency, an agency of the United States of America, acting by and through the Administrator of the Environmental Protection Agency, in the original aggregate principal amount of up to \$108,000,000 (the “2020 WIFIA Loan”), which is current outstanding in the aggregate principal amount of \$[\_\_\_\_], and (2) a November 2021 loan issued by the California State Water Resources Control Board in the original aggregate principal amount of \$46,800,000 (the “2021 SRF Loan”), which is currently outstanding in the aggregate principal amount of \$[\_\_\_\_], and that will remain outstanding following the issuance of the 2024 Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2024 BONDS – General” and “– Outstanding Parity Obligations” herein.

#### **Continuing Disclosure**

The Authority has determined that no financial or operating data concerning the Authority is material to an evaluation of the offering of the 2024 Bonds or to any decision to purchase, hold or sell the 2024 Bonds, and the Authority will not provide any such information.

The City has undertaken all responsibilities for any continuing disclosure to Holders of the 2024 Bonds. The City will covenant for the benefit of Holders of the 2024 Bonds and beneficial owners to provide certain financial information and operating data relating to the City and the Wastewater System by not later than the end of the ninth month following the end of the City's Fiscal Year, commencing with the Report for the Fiscal Year 2023-24 (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events. The Annual Report and notices of events will be filed by means of the Electronic Municipal Market Access ("EMMA") site maintained by the Municipal Securities Rulemaking Board (the "MSRB"). The specific nature of the information to be contained in the Annual Report or the notices of certain enumerated events is set forth in APPENDIX D – "FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the Underwriters in complying with the Securities Exchange Commission Rule 15c2-12, as amended (the "Rule"). See "CONTINUING DISCLOSURE" herein.

### **2024 Bondowners' Risks**

An investment in the 2024 Bonds involves risk. See "2024 BONDOWNERS' RISKS" for a discussion of important investment considerations and other risk factors associated with the purchase of the 2024 Bonds. Any one or more of the risks discussed, and others, could lead to a decrease in the market value of the 2024 Bonds or impact the ability of the City to make 2024 Installment Payments. Potential purchasers of the 2024 Bonds are advised to review the entire Official Statement carefully and to conduct such due diligence and other review as they deem necessary and appropriate under the circumstances.

### **Certain Information Related to This Official Statement**

Brief descriptions of the 2024 Bonds, the security for the 2024 Bonds, the Wastewater System, the Authority and the City are included in this Official Statement together with summaries of certain provisions of the 2024 Bonds, the 2024 Indenture, the 2024 Contract and certain other documents. Such descriptions do not purport to be comprehensive or definitive. Capitalized terms used herein and not otherwise defined shall have the meanings given to such terms as set forth in the 2024 Indenture or the 2024 Contract. See APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS – DEFINITIONS OF CERTAIN TERMS" attached hereto. Certain general demographic and economic information relating to the City is contained in APPENDIX A.

All references herein to the 2024 Indenture, the 2024 Contract and other documents are qualified in their entirety by reference to such documents, and references herein to the 2024 Bonds are qualified in their entirety by reference to the form thereof included in the 2024 Indenture, copies of which are available prior to the issuance of the 2024 Bonds at the office of the Chief Financial Officer, City of Stockton, 425 North El Dorado Street, Stockton, California 95202; and thereafter at the office of the Trustee, U.S. Bank Trust Company, National Association, 633 West Fifth Street, 24th Floor, Los Angeles, California 90071.

## **PLAN OF REFUNDING**

### **General**

The 2024 Bonds are being issued for the purpose of providing funds which[, together with certain other available moneys,] will be used to: (i) refund all of the outstanding principal amount of the 2014 Bonds [(ii) pay the premiums of a municipal bond insurance policy and a municipal bond debt service reserve insurance policy for the 2024 Bonds; and] (iii) pay certain costs associated with the issuance of the 2024 Bonds.

A portion of the proceeds of the 2014 Bonds[, together with other available moneys,] will be deposited into an escrow fund for the 2014 Bonds to be refunded (the "Escrow Fund") established under an escrow agreement between the City and Computershare Trust Company, N.A., as escrow agent (the "Escrow Agent"). The moneys so deposited in the Escrow Fund will be invested in direct obligations of the United States of America (the "Defeasance Securities"), the interest on and principal of which will be sufficient, together with

any money held in the related Escrow Fund uninvested, to prepay the outstanding 2014 Bonds approximately [89] days after the date of delivery of the 2024 Bonds. Upon deposit, all liability of Authority and the City with respect to the 2014 Bonds (except for the obligation to pay the interest and principal evidenced and represented by the 2014 Bonds from moneys on deposit in the Escrow Fund) will cease. The Defeasance Securities nor the interest income thereon, and moneys in the Escrow Fund, will not secure the 2024 Bonds and will not be available to pay the principal of or interest on the 2024 Bonds. See “VERIFICATION OF MATHEMATICAL COMPUTATIONS.”

**ESTIMATED SOURCES AND USES OF FUNDS**

The estimated sources and uses of funds with respect to the 2024 Bonds are set forth below.

**Sources of Funds:**

Principal amount of 2024 Bonds	
Net Original Issue Premium	
[Other available funds]	
Total Estimated Sources of Funds	<hr/> <hr/>

**Uses of Funds:**

Escrow Fund <sup>(1)</sup>	
Costs of Issuance <sup>(2)</sup>	
Total Estimated Uses of Funds	<hr/> <hr/>

<sup>(1)</sup> See “PLAN OF REFUNDING” and “VERIFICATION OF MATHEMATICAL COMPUTATIONS.”  
<sup>(2)</sup> Includes Trustee fees, Escrow Agent fees, Bond Counsel and Disclosure Counsel fees, Municipal Advisor fees, the Underwriters’ discount, premiums for the municipal bond insurance policy and the municipal bond debt service reserve insurance policy, rating agency fees, printing costs and other costs of issuance.

**DEBT SERVICE SCHEDULE**

The Fiscal Year debt service requirements for the 2024 Bonds are set forth below.

<b>Fiscal Year (June 30)</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2025			
2026			
2027			
2028			
2029			
2030			
<b>Total</b>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**THE 2024 BONDS**

**General**

The 2024 Bonds will be issued as fully registered bonds without coupons in denominations of \$5,000, or any integral multiple thereof and shall be dated the date of delivery. The 2024 Bonds will be issued in book-entry only form and The Depository Trust Company, New York, New York (“DTC”) will act as securities depository for the 2024 Bonds. So long as the 2024 Bonds are held in book-entry only form, principal of and

interest on the 2024 Bonds will be paid directly to DTC for distribution to the beneficial owners of the 2024 Bonds in accordance with the procedures adopted by DTC. See APPENDIX E – "DTC AND THE BOOK-ENTRY ONLY SYSTEM" attached hereto.

The 2024 Bonds will mature on September 1 in each of the years and in the respective principal amounts, and will bear interest from their date of delivery at the rates, as shown on the inside cover page of this Official Statement. Interest on the 2024 Bonds will be payable semiannually on March 1 and September 1 of each year, commencing March 1, 2025 (each, an "Interest Payment Date"). Interest on the 2024 Bonds will be calculated on the basis of a 360-day year of twelve, 30-day calendar months. The Record Date for each Interest Payment Date is the 15th day of the month prior to such Interest Payment Date.

### **2024 Bonds Not Subject to Redemption**

*No Optional Redemption.* The 2024 Bonds are not subject to redemption, prior to maturity.

## **SECURITY AND SOURCES OF PAYMENT FOR THE 2024 BONDS**

### **General**

*Pledge of Net System Revenues.* The 2024 Bonds are limited obligations of the Authority issued under and pursuant to the 2024 Indenture, payable solely from the 2024 Installment Payments to be made by the City under the 2024 Contract and certain amounts held under the 2024 Indenture. The obligation of the City to make 2024 Installment Payments constitutes a special obligation of the City payable solely from a pledge of the "Net System Revenues."

"Net System Revenues" is defined in the 2024 Contract as, for any period, the System Revenues during such period less the Operation and Maintenance Costs during such period.

"System Revenues" is defined in the 2024 Contract as all gross income and revenue received or receivable by the City from the ownership or operation of the Wastewater System, determined in accordance with Generally Accepted Accounting Principles, including all fees, rates, charges and amounts paid under any contracts received by or owed to the City in connection with the operation of the Wastewater System and all other proceeds of insurance relating to the Wastewater System and all other income and revenue howsoever derived by the City from the ownership or operation of the Wastewater System.

"Operation and Maintenance Costs" is defined in the 2024 Contract as the reasonable and necessary costs paid or incurred by the City for maintaining and operating the Wastewater System, determined in accordance with Generally Accepted Accounting Principles, including the expenses of maintenance, repair, billing and collection and other expenses incurred to maintain and preserve the Wastewater System in good repair and working order, and including all administrative and management costs of the City that are charged directly or apportioned to the operation of the Wastewater System, such as salaries and wages of employees, payments to employee retirement systems, overhead, taxes (if any) and insurance premiums (including payments required to be paid into any self-insurance funds), and including all other reasonable and necessary costs of the City or charges required to be paid by it to comply with the terms hereof, any Parity Obligations, but excluding in all cases (i) depreciation, replacement and obsolescence charges or reserves therefor, (ii) amortization of intangibles, (iii) costs of capital additions, replacements, betterments, extensions or improvements to the Wastewater System which under Generally Accepted Accounting Principles are chargeable to a capital account, and (iv) charges for the payment of principal and interest on any debt service on account of any Parity Obligation or obligation subordinate to the Parity Obligations.

"Parity Obligations" is defined in the 2024 Contract as the 2024 Installment Payments, the 2020 WIFIA Loan, the 2021 SRF Loan and any other obligation (including, but not limited to, any installment payment obligation) payable on a parity with the 2024 Installment Payments from Net System Revenues, and the regularly

scheduled payments under any Payment Agreement designated as a “Parity Obligation” in the Payment Agreement.

THE 2024 BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM THE 2024 INSTALLMENT PAYMENTS AND CERTAIN MONEYS HELD UNDER THE 2024 INDENTURE. THE 2024 BONDS ARE NOT A DEBT OF THE CITY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE AUTHORITY), AND SHALL BE PAYABLE SOLELY FROM THE REVENUES PLEDGED THEREFOR PURSUANT TO THE 2024 INDENTURE. THE OBLIGATION OF THE CITY TO MAKE 2024 INSTALLMENT PAYMENTS IS A SPECIAL OBLIGATION PAYABLE SOLELY FROM THE NET SYSTEM REVENUES AS PROVIDED IN THE 2024 CONTRACT. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF (INCLUDING THE AUTHORITY) IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE 2024 BONDS OR THE 2024 INSTALLMENT PAYMENTS. THE AUTHORITY HAS NO TAXING POWER. THE ISSUANCE OF THE 2024 BONDS SHALL NOT DIRECTLY OR INDIRECTLY OBLIGATE THE AUTHORITY, THE CITY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF TO LEVY OR PLEDGE ANY FORM OF TAXATION WHATSOEVER OR TO MAKE ANY APPROPRIATION FOR PAYMENT OF THE 2024 BONDS. THE 2024 BONDS AND THE 2024 INSTALLMENT PAYMENTS ARE NOT PAYABLE FROM THE GENERAL FUND OF THE CITY.

### **Rate Covenant**

Under the 2024 Contract, the City has covenanted that it will fix, prescribe and collect rates, fees and charges for the Wastewater Service during each Fiscal Year which are estimated to yield Net System Revenues for such Fiscal Year equal to at least the Coverage Requirement (i.e. generally 115% of Parity Debt Service as defined below) for such Fiscal Year. The City may make adjustments from time to time in such fees and charges and may make such classification thereof as it deems necessary, but may not reduce the rates, fees and charges then in effect unless the Net System Revenues from such reduced rates, fees and charges are estimated to be sufficient to meet the requirements of such covenant.

“Adjusted Net System Revenues” is defined in the 2024 Contract as, for any Fiscal Year, the Net System Revenues for such Fiscal Year less, to the extent included in the calculation of Net System Revenues for such Fiscal Year, all amounts received or expected to be received by the City or fiduciary, on behalf of the City, in such Fiscal Year in respect of any subsidy, reimbursement or other payment from a governmental entity in connection with, or related to, payment of principal and/or interest on Parity Obligations.

“Coverage Requirement” is defined in the 2024 Contract as, for any Fiscal Year or any other period, an amount of Adjusted Net System Revenues equal to at least 115% of Parity Debt Service for such Fiscal Year or such other period, as applicable.

“Parity Debt Service” is defined in the 2024 Contract as, generally, all net debt service on obligations of the City relating to the Wastewater System that are secured by the Net System Revenues on a parity with the 2024 Installment Payments as described in APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS – DEFINITIONS OF CERTAIN TERMS.”

### **Rate Stabilization Fund**

Under the 2024 Contract, the City may establish a fund denominated the Rate Stabilization Fund. From time to time the City may deposit into the Rate Stabilization Fund, from current System Revenues, such amounts as the City shall determine and the amount of available current System Revenues in the Fiscal Year shall be reduced by the amount so transferred. Amounts may be transferred from the Rate Stabilization Fund and deposited in the Revenue Fund, and any amounts so transferred within 270 days after the end of a Fiscal Year shall be deemed System Revenues for such Fiscal Year when so transferred. The City may also apply moneys

on deposit in the Rate Stabilization Fund for any lawful purpose. All interest or other earnings upon amounts in the Rate Stabilization Fund may be withdrawn therefrom and accounted for as System Revenues in accordance with the terms of the 2024 Contract or used for any lawful purpose. [The City currently does not have a Rate Stabilization Fund but may establish one in the future.] [*Confirm*]

## **2024 Reserve Account**

The 2024 Indenture establishes a reserve account for the 2024 Bonds (the “2024 Reserve Account”).

[The 2024 Reserve Requirement as of the date of issuance of the 2024 Bonds is \$\_\_\_\_\_ and will be initially satisfied by a municipal bond debt service reserve insurance policy (the “Reserve Fund Policy”) issued by the Insurer. See “BOND INSURANCE – [INSURANCE PROVIDER]” herein.]

## **Outstanding Parity Obligations**

The pledge of Net System Revenues securing the 2024 Installment Payments is on parity with the pledge of Net System Revenues securing (1) the 2020 WIFIA Loan, and (2) the 2021 SRF Loan. See “PLAN OF REFUNDING,” “DEBT SERVICE SCHEDULE,” and “SECURITY AND SOURCES OF PAYMENT FOR THE 2024 BONDS – Outstanding Parity Obligations” herein.

## **Additional Parity Obligations**

*No Senior Obligations.* The City covenants in the 2024 Contract that it will not incur any obligations payable from Net System Revenues on a basis superior to the payment of the 2024 Installment Payments.

*Issuance of Parity Obligations.* Under the 2024 Contract, the City may at any time and from time to time issue or create any Parity Obligations, *provided*:

(i) There has not occurred and be continuing (A) an Event of Default under the terms of the 2024 Contract, and any installment purchase contract, indenture, trust agreement or other document that provides for the issuance of Parity Obligations (each an “Issuing Document”) or (B) an Event of Default or Termination Event (as defined in any Payment Agreement) under any Payment Agreement; and

(ii) The City obtains or provides a certificate or certificates, prepared by the City or at the City’s option by a Consultant, showing that either:

(A) the Adjusted Net System Revenues for either the most recent Fiscal Year for which audited financial statements are available or any 12 consecutive calendar month period during the 18 consecutive calendar month period ending immediately prior to the incurring of such additional Parity Obligations were at least sufficient to satisfy the Coverage Requirement for each of the next five full Fiscal Years following the incurring of such additional Parity Obligations or each of the next three full Fiscal Years following the incurring of such additional Parity Obligations during which no interest is capitalized, whichever is later, including the Parity Debt Service during such Fiscal Years on such additional Parity Obligations; and for the purpose of providing such certificate or certificates, the City or the City’s Consultant, as applicable, may adjust the Adjusted Net System Revenues for such Fiscal Year or 12 calendar month period, as the case may be, to reflect:

(1) an allowance for Net System Revenues that would have been derived from each new connection to the Wastewater System that was made prior to the incurrence of such additional Parity Obligations but which was not in existence, during all or any part of such Fiscal Year or 12 calendar month period under consideration, in an amount equal to the estimated additional Net System 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 calendar month period, and

(2) an allowance for Net System Revenues that would have been derived from any increase in the rates, fees and charges fixed and prescribed for Wastewater Service which became effective prior to the incurrence of such additional Parity Obligations but which was not in effect, during all or any part of such Fiscal Year or 12 calendar month period, in an amount equal to the estimated additional Net System 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 calendar month period; or

(B) the estimated Adjusted Net System Revenues for each of the five full Fiscal Years next following the earlier of (i) the end of the period during which interest on such additional Parity Obligations is to be capitalized or, if no interest is capitalized, the Fiscal Year in which such additional Parity Obligations are incurred, or (ii) the date on which substantially all Wastewater Projects financed with such additional Parity Obligations plus all Wastewater Projects financed with all existing Parity Obligations are expected to commence operations, will be at least sufficient to satisfy the Coverage Requirement for such period; and for the purpose of providing such certificate or certificates, the City or the City's Consultant, as applicable, may adjust the foregoing estimated Adjusted Net System Revenues to reflect:

(1) an allowance for Net System Revenues that are estimated to be derived from any increase in the rates, fees and charges for Wastewater 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

(2) an allowance for Net System Revenues that are estimated to be derived from new customers of the Wastewater System anticipated to be served by any additions or improvements to or extensions of the Wastewater System reasonably expected to become available during such five year period in an amount equal to the additional Net System Revenues that are estimated to be derived from such customers.

For purposes of clause (B) above, with respect to Operation and Maintenance Costs, the City or the City's Consultant, as applicable, is required to use such assumptions (which are required to be set forth in such certificate or certificates) as such believes to be reasonable, taking into account: (i) historical Operation and Maintenance Costs, (ii) Operation and Maintenance Costs associated with the additions or improvements to or extensions of the Wastewater System to be financed with the proceeds of such additional Parity Obligations and any other new additions or improvements to or extensions of the Wastewater System during such five year period and (iii) such other factors, including inflation and changing operations or policies of the City, as the City or the City's Consultant, as applicable, believes to be appropriate.

The certificate or certificates described above in paragraph (ii) are not required if the Parity Obligations being issued are for the purpose of refunding (x) then outstanding Parity Obligations, if at the time of the issuance of such refunding Parity Obligations a certificate of the City is delivered showing that Parity Debt Service in each Fiscal Year on all Parity Obligations outstanding after the issuance of the refunding Parity Obligations will not exceed one hundred ten per cent (110%) of Parity Debt Service in each corresponding Fiscal Year on all Parity Obligations outstanding prior to the issuance of such refunding Parity Obligations; or (y) then outstanding Balloon Obligations or Variable Interest Rate Obligations, but only to the extent that the principal amount of such Balloon Obligations or Variable Interest Rate Obligations has been put, tendered to or otherwise purchased by a standby purchase or other liquidity facility relating to such Balloon Obligations or Variable Interest Rate Obligations.



## Subordinate Obligations

Under the 2024 Contract, the City may issue or incur obligations secured by Net System Revenues on a priority subordinate to the Parity Obligations and such obligations may be paid only in accordance with the provisions of 2024 Contract as long as (i) no Event of Default has occurred and is continuing (unless such Event of Default will not be continuing after the incurrence of such subordinate obligations) and (ii) no Event of Default or Termination Event (as defined in any Payment Agreement) under any Payment Agreement has occurred and is continuing (unless such Event of Default or Termination Event will not be continuing after the incurrence of such subordinate obligations).

## Certain Rights of the Insurer

[In the event that principal of or interest due on the 2024 Bonds shall be paid by the Insurer pursuant to the Policy or the Reserve Fund Policy, the Insurer will be subrogated to the rights of the registered owners of the 2024 Bonds. Any amendment, supplement, modification to, or waiver of, the 2024 Indenture or the 2024 Contract that requires the consent of holders of the 2024 Bonds will also require the prior written consent of the Insurer. Upon the occurrence and continuance of a default or an event of default under the 2024 Indenture or 2024 Contract, the Insurer will be deemed to be the sole owner of the 2024 Bonds for all purposes under the 2024 Indenture and the 2024 Contract, including, without limitations, for purposes of exercising remedies and approving amendments. In the event of any reorganization or liquidation of the City, the Insurer will have the right to vote on behalf of all holders of the 2024 Bonds on any reorganization or liquidation plan absent a continuing failure by the Insurer to make a payment under the Policy.]

## BOND INSURANCE

*[Section to be updated]*

### Bond Insurance Policy

Concurrently with the issuance of the 2024 Bonds, [INSURANCE PROVIDER] (“[INSURANCE PROVIDER]”) will issue its Municipal Bond Insurance Policy for the 2024 Bonds (the “Policy”). The Policy guarantees the scheduled payment of principal of and interest on the 2024 Bonds when due as set forth in the form of the Policy included as APPENDIX G to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

### [INSURANCE PROVIDER]

[INSURANCE PROVIDER] is a New York domiciled mutual insurance corporation. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of [INSURANCE PROVIDER] is liable for the obligations of [INSURANCE PROVIDER].

The address of the principal executive offices of [INSURANCE PROVIDER] is: [address]

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

[INSURANCE PROVIDER]’s financial strength is rated “AA/Stable” by Standard and Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business (“S&P”). An explanation of the significance of

the rating and current reports may be obtained from S&P at [www.standardandpoors.com](http://www.standardandpoors.com). The rating of [INSURANCE PROVIDER] should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of [INSURANCE PROVIDER] and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the 2024 Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of [INSURANCE PROVIDER] in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the 2024 Bonds. [INSURANCE PROVIDER] only guarantees scheduled principal and scheduled interest payments payable by the issuer of the 2024 Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and [INSURANCE PROVIDER] does not guarantee the market price or liquidity of the 2024 Bonds, nor does it guarantee that the rating on the 2024 Bonds will not be revised or withdrawn.

### ***Capitalization of [INSURANCE PROVIDER]***

[INSURANCE PROVIDER]'s total admitted assets, total liabilities, and total capital and surplus, as of [\_\_\_\_], 2024 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$[\_\_\_\_] million, \$[\_\_\_\_] million and \$[\_\_\_\_] million, respectively.

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

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

[INSURANCE PROVIDER] makes no representation regarding the 2024 Bonds or the advisability of investing in the 2024 Bonds. In addition, [INSURANCE PROVIDER] has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding [INSURANCE PROVIDER], supplied by [INSURANCE PROVIDER] and presented under the heading "BOND INSURANCE."

### ***Additional Information Available from [INSURANCE PROVIDER]***

Credit Insights Videos. For certain [INSURANCE PROVIDER]-insured issues, [INSURANCE PROVIDER] produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors [INSURANCE PROVIDER]'s analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on [INSURANCE PROVIDER]'s website at [website].

Obligor Disclosure Briefs. Subsequent to closing, [INSURANCE PROVIDER] posts an Obligor Disclosure Brief on every issue insured by [INSURANCE PROVIDER], including the 2024 Bonds. [INSURANCE PROVIDER] Obligor Disclosure Briefs provide information about the gross par insured by CUSIP, maturity and coupon; sector designation (e.g. general obligation, sales tax); a summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. The Obligor Disclosure Briefs are also easily accessible on [INSURANCE PROVIDER]'s website at [website].

Disclaimers. The Obligor Disclosure Briefs and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment

decisions. Credit-related and other analyses and statements in the Obligor Disclosure Briefs and the Credit Insights videos are statements of opinion as of the date expressed, and [INSURANCE PROVIDER] assumes no responsibility to update the content of such material. The Obligor Disclosure Briefs and Credit Insight videos are prepared by [INSURANCE PROVIDER]; they have not been reviewed or approved by the Authority, the City or the underwriters for the 2024 Bonds, and the Authority, the City and underwriters assume no responsibility for their content.

[INSURANCE PROVIDER] receives compensation (an insurance premium) for the insurance that it is providing with respect to the 2024 Bonds. Neither [INSURANCE PROVIDER] nor any affiliate of [INSURANCE PROVIDER] has purchased, or committed to purchase, any of the 2024 Bonds, whether at the initial offering or otherwise.

## **THE AUTHORITY**

The Authority was created by a Joint Exercise of Powers Agreement, dated June 18, 1990 (the “JPA Agreement”), between the City and the former Redevelopment Agency of the City of Stockton. The JPA Agreement was entered into pursuant to the Joint Exercise of Powers Act, Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the “State”). The Authority was created for the purpose of facilitating the financing or refinancing public improvement facilities within the City.

## **THE CITY**

The City is a municipal corporation and charter city incorporated in 1850. The City is the county seat of San Joaquin County and is located in California’s San Joaquin Valley, 78 miles east of the San Francisco Bay Area, 345 miles north of Los Angeles and 45 miles south of Sacramento. San Joaquin County is bounded by Sacramento County on the north, Stanislaus County on the south, Contra Costa County and Alameda County on the west and Amador County, Calaveras County and Stanislaus County on the east.

Certain economic and demographic information with respect to the City is contained in APPENDIX A. Such economic and demographic information is presented as general background information only. The 2024 Bonds are secured solely by the 2024 Installment Payments (which are payable from Net System Revenues) and funds and accounts established under the 2024 Indenture, and not by the general fund of the City. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2024 BONDS” herein.

## **THE WASTEWATER SYSTEM**

### **Overview**

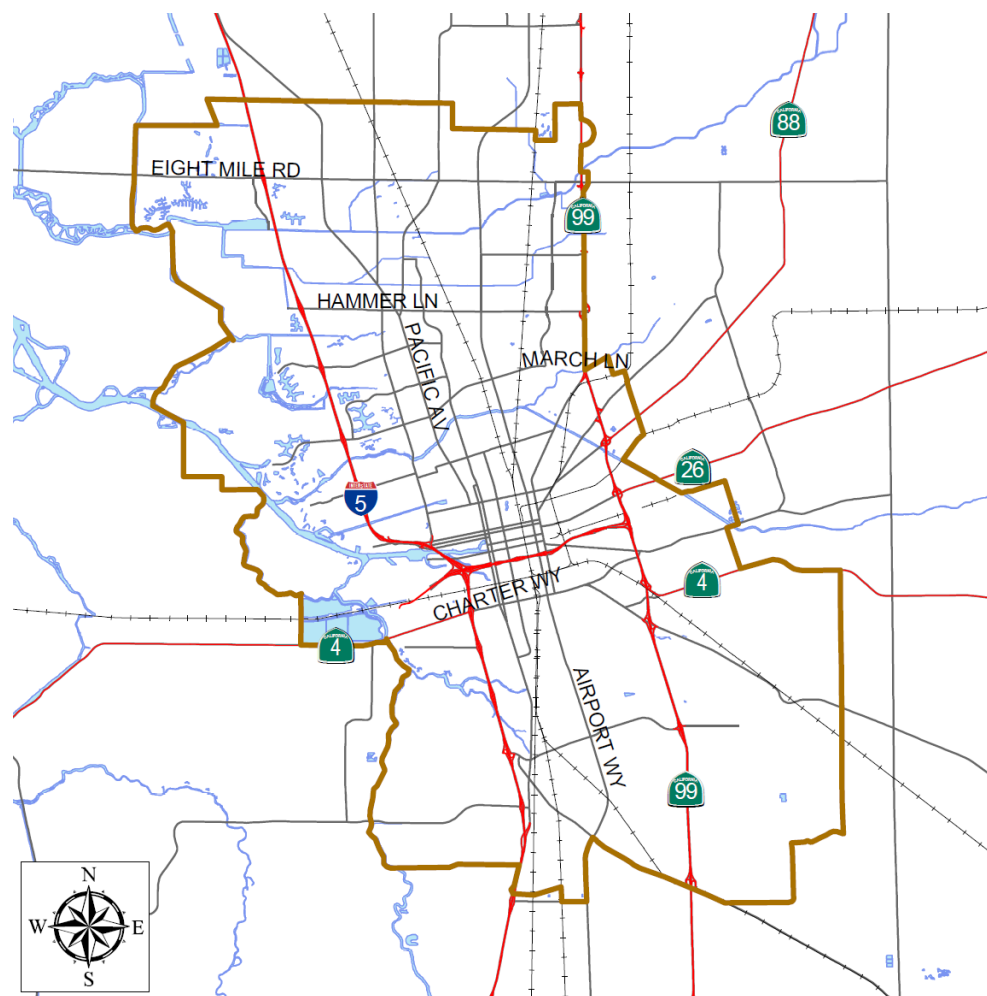
The City of Stockton Wastewater System is one of three utilities managed, operated, and maintained by the City of Stockton Municipal Utilities Department (the “Stockton MUD”). The two other utilities are Water and Stormwater. The Wastewater System is comprised of the regional wastewater collection system (the “Collection System”) and the treatment and disposal facilities located at the Stockton Regional Wastewater Control Facility (the “Stockton RWCF”). See “– Facilities” below.

### **Service Area**

The Wastewater System provides wastewater service within the City limits and certain contiguous portions of unincorporated San Joaquin County (collectively, the “Service Area”). The Service Area covers approximately 100 square miles, of which the City comprises approximately 55.5 square miles. The total population of the City is approximately 317,204 (as of January 1, 2024 as estimated by the State Department of Finance), including eight service districts located outside of City limits (Colonial Heights, Lincoln Village, Taft, Pacific Gardens, Morrison Gardens, Boggs Tract, College Parkview, and Country Club) and an unincorporated

portion of the County. The eight service districts and the unincorporated portion of the County are referred to collectively as “Non-City Customers.”

The following is a map of the Service Area.



## Organization and Management

**Organization.** The Wastewater System is operated under the management and control of the City Council. Day-to-day management is provided by C. Mel Lytle, Ph.D., the Director of Stockton MUD; Deedee Antypas, Deputy MUD Director of Wastewater Operations; Ali Gharegozloo, Deputy MUD Director of Engineering and Department Services; and Jeff Marasovich, Deputy MUD Director of Maintenance and Collections Systems, under the general supervision of the City Manager. The Assistant MUD Director position is currently vacant.

The organization of the Wastewater System is presented in the organizational chart on the following page. The Wastewater System also receives services from other divisions within Stockton MUD, including engineering, administration, laboratory, maintenance, and environmental control.

The Wastewater System operates within the legal requirements of the City Charter, the City Municipal Code, and in accordance with the laws of the State and the nation. The Wastewater System is regulated at the State level by the State Water Resources Control Board (the “SWRCB”), the Central Valley Regional Water

Quality Control Board (the “RWQCB”), and at the Federal level by the Environmental Protection Agency (the “EPA”).

The Wastewater System also receives guidance from the Water Advisory Group (described below) and the City Council Water Committee.

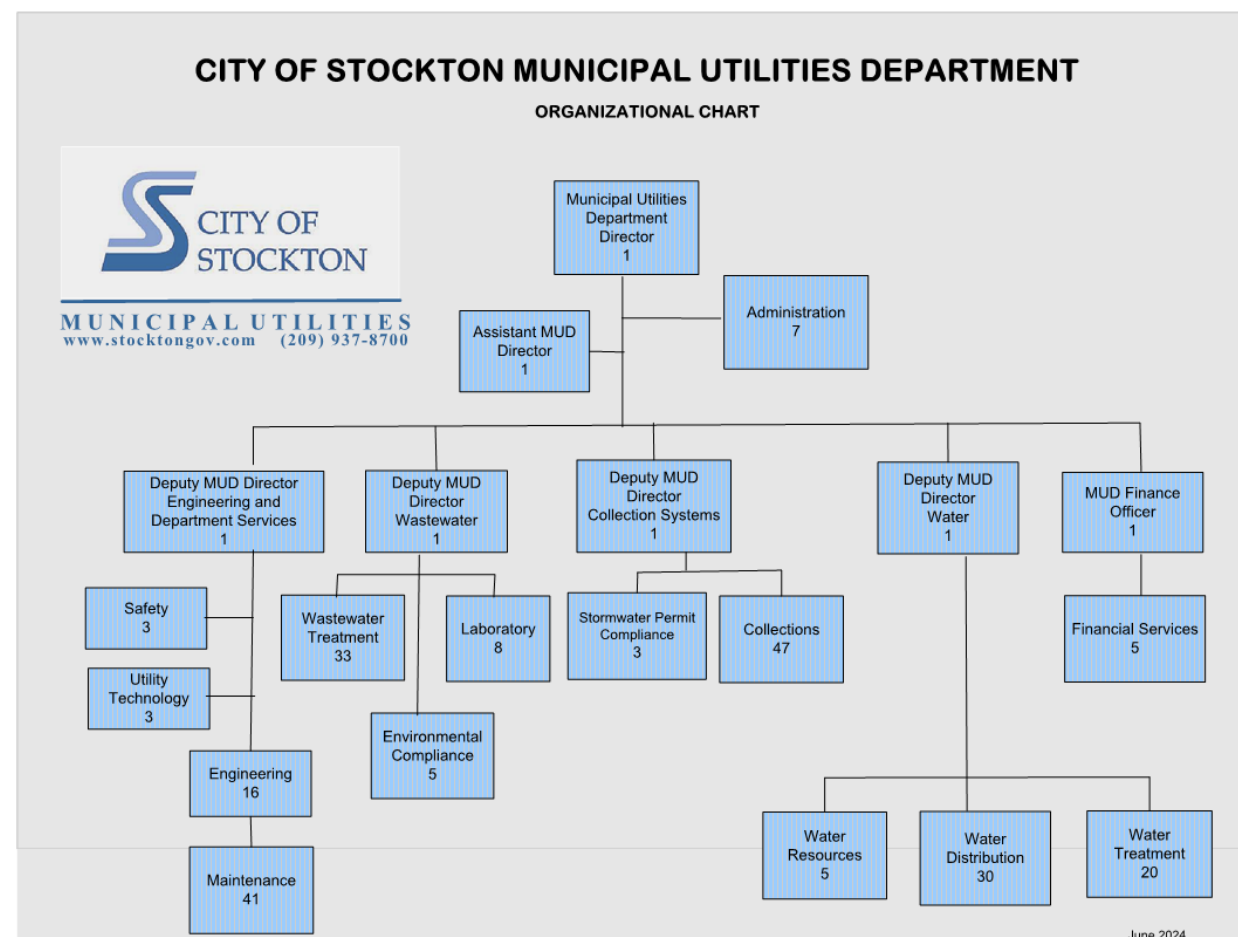
Water Advisory Group. In 2009, the City Council adopted Resolution No. 09-0279 establishing the Water Advisory Group (the “WAG”) to foster citizen input and transparency in the operations of Stockton MUD. The WAG reports directly to the Council Water Committee (described below) on current and future issues impacting the Wastewater, Water, and Stormwater Utilities of the City, including review of Stockton MUD monthly operations and maintenance reports (including those for the Wastewater System). The WAG is comprised of seven members, who must reside within one of the service areas of the City’s three Utilities, and serve four-year terms for a maximum of two terms. The Mayor and each Council member nominate one candidate with all nominees ratified by the full City Council.

The Director of Stockton MUD serves ex-officio as Secretary of the Water Advisory Group.

Council Water Committee. The Council Water Committee is a standing committee of the City Council. This Committee is comprised of three members of the City Council and one alternate appointed by the Mayor and ratified by the full City Council. The Council Water Committee is responsible for advising and making recommendations to the City Council on all issues related to wastewater, including, but not limited to, projects, treatment, regulatory issues, and recommendations made by the WAG.

*[Remainder of Page Intentionally Left Blank]*

### Wastewater System Organizational Chart



**Management.** The Wastewater System operates within the legal requirements of the City Charter, the Municipal Code and in accordance with the laws of the State and the nation. See also “ – Regulatory Compliance.”

The Wastewater System receives administrative and overhead support services from the City and is charged for these services through an interdepartmental cost allocation system.

A Brief resume of the Stockton MUD Director is set forth below:

C. Mel Lytle, Ph.D., Director of Municipal Utilities. Dr. Mel Lytle began work for the City of Stockton in 2012 as Director of the Municipal Utilities Department. Prior to his time with the City, Mel worked for 10 years as the Water Resources Manager for San Joaquin County. Dr. Lytle is a published author, invited lecturer and Postdoctoral Fellow of the University of California Berkeley. His academic training includes bachelor’s & master’s degrees in agricultural business/science and a Ph.D. in botany & range science from Brigham Young University, Utah.

#### Facilities

**General.** The Stockton RWCF is located on an approximately 690-acre site in the southwestern portion of the City adjacent to the San Joaquin River. The Stockton RWCF is comprised of primary, secondary, and

tertiary wastewater treatment and discharge to the San Joaquin River. The current capacity of the Stockton RWCF in million gallons per day (“mgd”) is as follows:

Design Average Dry Weather Flow.....	47 mgd
Maximum Secondary Treatment Capacity.....	79.4 mgd
Maximum Outfall Capacity .....	55 mgd

In Fiscal Year 2022-23, the Stockton RWCF treated and discharged approximately 9.9 billion gallons of wastewater originating from residential, commercial, industrial and institutional customers within the Service Area.

The Stockton RWCF is undergoing a multi-year project to repair, replace and upgrade the treatment process units at the Stockton RWCF in order to meet treated wastewater discharge limits regulated by the Central Valley Regional Water Quality Control Board by June 1, 2024. As of the date hereof, completion of the project has been extended to January 2025.

**Collection System.** The existing sanitary collection system conveys all wastewater for the Service Area to the Stockton RWCF. The collection system is comprised of ten smaller collection systems that function somewhat independently of each other, although some interties and shared facilities do exist. More than 108,000 sanitary sewer connections and more than 1,400 miles of sanitary sewer pipelines, including pressurized force mains, gravitational sewer mains and service laterals, comprise the collection system. The sanitary collection system also includes 27 pump stations. The sanitary collection system and the City’s storm water collection system are separate, unconnected systems.

Wastewater generally flows by gravity from east to west. Wastewater from north Stockton and several east Stockton locations must be pumped to the Stockton RWCF. Capacities of these pump stations range from several hundred to over 30,000 gallons per minute.

**Treatment Process and Disposal System.** Wastewater is treated at the Stockton RWCF and discharged into the San Joaquin River. The Stockton RWCF processes wastewater in three steps: primary, secondary, and tertiary (advanced) which are required to meet environmental standards. A summary of each stage of the treatment process is set forth below.

Primary Treatment. Primary treatment includes screening, grit removal, and sedimentation. Screens remove large objects such as rags, sticks, plastics, small stones, and pieces of wood. The wastewater flows through six primary settling tanks to allow heavy particles to settle to the bottom to be moved to sludge hoppers. Floating materials are removed with water sprays and rotating collectors or skimmers. Floatable substances, such as grease, are skimmed and sent to the bio-oxidation towers.

Secondary Treatment. After passing through primary settling tanks, the effluent is pumped to four secondary clarifiers where further settling of solids occurs. Cleaned effluent from the secondary clarifiers then flows to the aeration basins where aerobic, anaerobic, and swing zones activate the microbes to metabolize the remaining organic matter in the wastewater stream. The microbes are recycled through a return activated sludge system in a continuous loop back into the aeration basins to replenish the microbe stock. The aeration basins, and activated sludge system removes the majority of BOD, TSS, and ammonia from the wastewater stream.

Advanced Tertiary Treatment. The tertiary treatment facilities consist of disk filters and ultraviolet radiation. Effluent from the aeration basins is routed through disk filters to remove any final remaining solids. The filtered water is then pumped through channels containing ultraviolet bulbs for final disinfection before discharge into the San Joaquin River.

A diagram of the treatment process is set forth on the next page.

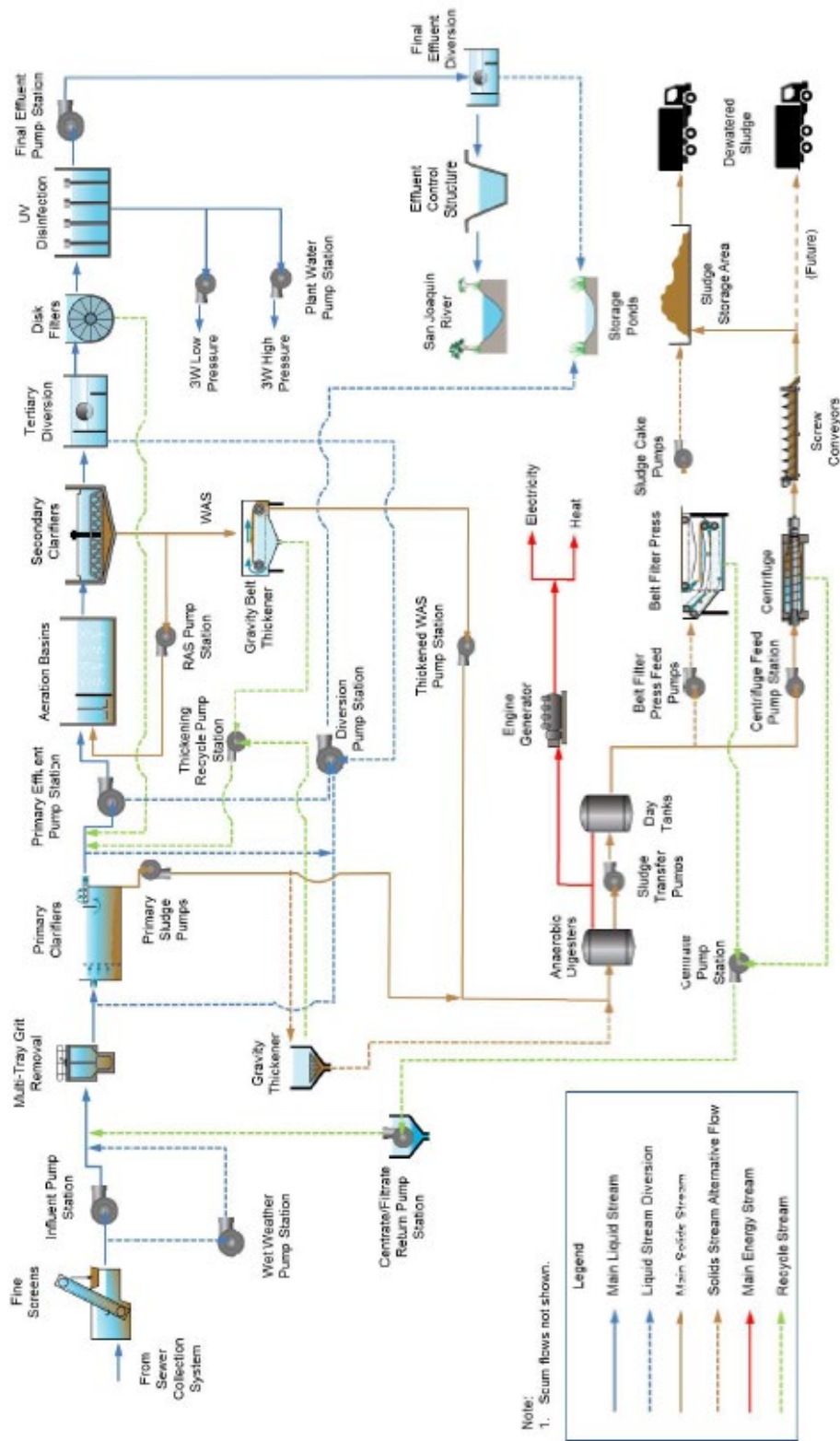


Figure 4-5. Conceptual Process Flow Diagram



***Fat, Oils, and Grease.*** Fats, oils, and grease (“FOG”) in the collection system is also a major concern. Wastewater lines blocked with FOG can cause overflows and result in sanitary sewer overflows (“SSOs”). The City has developed a comprehensive program to address sanitary sewer overflows associated with FOG, consisting of preventative maintenance, inspections, enforcement procedures, and public education and outreach to food service establishments. The City also requires industrial users to install pretreatment equipment, including equipment to reduce FOG and has public educational outreach programs for other users to reduce FOG in the collection system and SSOs.

***Power Source.*** The Stockton RWCF produces approximately 47 million pounds of sludge each month. The decomposition of this sludge produces enough methane to generate 38,000 megawatts (“MW”) per year to supply the majority of the power needs of the Stockton RWCF. The City also purchases electrical power from Pacific Gas & Electric. In order to satisfy State requirements that all wastewater treatment facilities have an alternate source of power, the Stockton RWCF is equipped with a standby 1,750 kilowatt black start diesel generator and a 3MW Kohler generator.

***Disposal System.*** The Stockton RWCF discharges treated effluent to the San Joaquin River through a pipe outfall in compliance with State requirements. Solids removed from the treatment process include grit, screenings and large debris. These solids are collected or removed through various processes and disposed of to a local landfill. Sludge collected from the treatment process is pumped to the anaerobic digesters. Once digested, the solids are dewatered and are sent through the belt filter presses where the remaining water is removed, and a biosolids “cake” is produced. This cake is hauled by a contract hauler off site and is land disposed or land applied (to land located outside of the County). The Stockton RWCF hauls approximately 5,400 dry tons of biosolids off-site each year.

#### **Wastewater System Users**

***Customer Class.*** During Fiscal Year 2022-23, the Wastewater System served 108,807 accounts, of which approximately 96% were residential users. Table 1 summarizes the customer base by the number of connections for the last five Fiscal Years.

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**Table 1**  
**City of Stockton Wastewater System**  
**Customer Class by Type of Account**  
**(Fiscal Years 2018-19 through 2022-23)**

Account Type	Fiscal Years				
	2018-19	2019-20	2020-21	2021-22	2022-23
<b>Residential:</b>					
Single Family and Condo	75,826	76,139	76,350	76,774	77,879
Multi-Family and Apartments	26,624	26,630	26,630	26,626	26,635
<b>Commercial:</b>					
Low Strength	192	196	196	201	205
Medium Strength	3,117	3,121	3,136	3,145	3,176
High Strength	393	394	395	394	404
<b>Industrial:</b>					
Low Strength	35	35	35	36	36
Medium Strength	429	431	432	433	441
High Strength	17	19	19	20	20
<b>Wastewater Haulers</b>	13	11	11	11	11
<b>TOTAL</b>	<u>106,646</u>	<u>106,976</u>	<u>107,204</u>	<u>107,640</u>	<u>108,807</u>

Source: City of Stockton, Utility Billing.

Additionally, the County bills on the tax bill certain property owners in three unincorporated areas where the City takes in the wastewater flows. These accounts are serviced and billed by the County and directly serviced through County Assessment Districts. These areas are Lincoln Village and Colonial Heights, together comprising over 800 acres, and Country Club, which is roughly 1,200 acres, and is comprised of two County districts. Roughly 1,000 homes in the Country Club Sanitary District Area of Country Club entered into an agreement with the City and are directly billed by the City. The remaining roughly 2,460 properties are serviced through the Pacific Gardens Maintenance District. These unincorporated areas are predominately made up of residential development, but do include some small commercial developments. They are fully surrounded by the City limits. Except for the roughly 1,000 properties in the Country Club Sanitary District, parcels in these unincorporated areas previously estimated in the above table have been excluded since the customers are both serviced and billed by the County and the City has no automated way to track ownership or zoning changes.

**Largest Users by Flow.** The table below shows the 10 largest users (unaudited) of the Wastewater System by flow for Fiscal Year 2022-23

**Table 2**  
**City of Stockton Wastewater System**  
**Ten Largest Users by Flow**  
**Fiscal Year 2022-23**

Name	Industry/Type of Business	Fiscal Year 2022-23 Users	
		Peak Monthly Flow (mg)	Total Yearly Flow (mg)
Campbell Soup Supply Co.	Food Processing	47.17	137.68
San Joaquin County French Camp	Correctional Facility	9.76	91.36
Northern California Youth Center	Correctional Facility	7.63	74.54
Niagara 811 Zephyr	Bottle Water Supply	6.95	72.86
Yosemite Foods	Food Processing	7.32	70.12
Niagara <sup>(1)</sup>	Bottle Water Supply	5.51	57.88
Aramark	Commercial/Industrial Laundry	3.91	39.14
DTE Stockton	Electric Generation Facility	4.35	33.65
California Health Care Facility	Health care	3.24	31.05
Unifirst Corp	Commercial/Industrial Laundry	3.25	26.04

<sup>(1)</sup> Niagara includes multiple accounts billed to the same address.

Source: City of Stockton

**Largest Users by Revenue.** The table below shows the 10 largest users (unaudited) of the Wastewater System based on revenue for Fiscal Year 2022-23.

**Table 3**  
**City of Stockton Wastewater System**  
**Ten Largest Users by Revenue**  
**Fiscal Year 2022-23**

Name	Industry/Type of Business	Fiscal Year 2022-23 Revenues	
		Amount	Percent
Niagra <sup>(1)</sup>	Bottled Water Supplier	\$672,377	0.92%
PW FUND B LP	Financial Services	207,778	0.28
Trader Joe's Company	Food Processing	118,570	0.16
Cintas Corp	Commercial/Industrial Laundry	87,975	0.12
Prologis	Real Estate Investment	87,867	0.12
Amazon Distribution Center	Distribution Center	78,230	0.11
KeHE Distributers - NCA	Food Distribution	66,306	0.09
Simpson Manufacturing Co Inc	Building Manufacturer	61,246	0.08
EGMR NORCAL LOGISTICS CTR LLC	Distribution Center	61,169	0.08
ArcBest	Transportation	60,321	0.08
SUBTOTAL		\$1,501,863	2.03%
All Others	Various	\$71,539,004	97.94%
TOTAL		\$73,040,867	100.00%

<sup>(1)</sup> Niagara includes multiple accounts billed to same address.

Source: City of Stockton

## **Rate Setting, Billing, and Collection Procedures**

**Rate Setting.** In accordance with California law, the City Council may, from time to time and at its discretion, fix, alter, change, amend or revise any user fees, connection charges and all other fees related to the Wastewater System. No other governmental authority, board, body or commission has jurisdiction over or is required to approve the Wastewater System rates established by the City Council. However, the ability of the City to increase user fees related to the Wastewater System is subject to the limitations imposed by Proposition 218. See “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS” herein.

**Wastewater Rate Study.** The City has contracted with HDR Engineering, Inc. (“HDR”) to conduct a new 2024 wastewater rate study (the “2024 Wastewater Rate Study”). In accordance with the California state law, requiring that billing for wastewater service be based on water consumption, the Wastewater System will use the results of the 2024 Wastewater Rate Study to establish equitable rate schedules for both consumption-based and flat-rate water usage. The 2024 Wastewater Rate Study included review of a 10-year CIP to ensure adequate future revenue to construct and maintain the Wastewater System infrastructure. The 2024 Wastewater Rate Study is currently underway and the City currently expects it to be completed in the summer of 2024, and be subsequently adopted by City Council in late 2024. Once the 2024 Wastewater Rate Study is approved, it can be viewed online at [www.stocktonca.gov/files/218RateStudyReport.pdf](http://www.stocktonca.gov/files/218RateStudyReport.pdf) or a copy can be obtained by contacting the City Clerk, City of Stockton, 425 North El Dorado Street, Stockton, California 95202.

In 2019, the City contracted with HDR to conduct a wastewater rate cost of service study (the “2019 Wastewater Rate Study”). On May 21, 2019, the City Council approved a resolution (“Resolution No. 2019-05-21-1506”), authorizing annual wastewater rate increases based upon a user classification, that became effective commencing July 1, 2019 and on each July 1 thereafter, commencing July 1, 2020 through July 1, 2023 as recommended in the 2019 Wastewater Rate Study.

**Billing.** Wastewater, water, and stormwater services are considered “ready to use” and are billed monthly as long as the account remains open. Bills for City utility services are issued monthly by the City. Within the Service Area, City customers are billed for all applicable utility services (water, wastewater, storm water, and garbage collection) on a unified bill issued by the City.

**Collection.** Utility bills are due 18 days from the date of billing and become delinquent 25 days thereafter. If such bills remain unpaid on the 26th day after billing a 10% penalty is assessed, and an additional 1% penalty is assessed for each additional month that charges remain unpaid. Postmark dates are not accepted as received by dates. If wastewater service is terminated due to unpaid delinquent charges, wastewater service is not to be restored or provided until all delinquent charges and associated service charges and fees, reconnection charges have been paid in full, or an amortization agreement has been authorized by the City or its authorized agent for billing and collection pursuant to Sections 779 or 10010 of the State Public Utilities Code or other applicable statute or regulation. Delinquent balances may result in the recording of a lien or assessment against the property where service is provided.

Any partial payments of a unified bill received by the City are applied to pay, in full, utility charges in the following priority: storm water, Wastewater System, water, and garbage collection. Any amounts remaining unpaid would be subject to an amortization agreement, which the City would enforce in the event of non-payment of such amortization agreement as described above.

## **Rates, Fees and Charges**

The Wastewater System receives moneys from two primary sources: (i) monthly sewer service charges and connection fees; and (ii) interest income.

**Monthly Wastewater Service Charges.** Customers of the Wastewater System are billed monthly sewer service charges based on a user classification: residential, commercial, institutional, and industrial and whether the customer is located within the City. Below is a summary of the method for calculating the monthly sewer charges and the rates for Fiscal Year 2023-24.

*Residential.* Single family residential users of the Wastewater System are billed a flat monthly charge of \$55.68. Non-City customers received a discount on the flat monthly charge based on prior agreements to credit them for collection system charges for which they receive no benefit. Multifamily and apartment residential users are also billed a slightly lower amount per dwelling unit.

*Commercial.* Commercial users of the Wastewater System are billed the greater of a minimum charge of \$26.83 per month, with a discount for Non-City customers, plus a volume charge based on one-hundred cubic feet of metered sewage effluent measured. Different volume charges are applied depending upon whether the user is classified as a low, medium or high strength discharger into the Wastewater System.

*Institutional.* Institutional users, such as government facilities, hospitals and schools of the Wastewater System are billed based on their type of business activity, with a discount for Non-City customers.

- Low Strength Discharge Fee. Institutional users classified as low strength are charged a minimum charge \$26.83 plus a volume charge based on \$2.22 per 100 cubic feet of metered sewage effluent.
- Medium Strength Discharge Fee. Institutional users classified as medium strength are charged a minimum charge of \$26.83 plus a volume charge based on \$2.70 per 100 cubic feet of metered sewage effluent.
- High Strength Discharge Fee. Institutional users classified as high strength are charged a minimum charge of \$26.83 plus a volume charge based on \$4.54 per 100 cubic feet of metered sewer effluent.

*Schools.* The City bills schools for wastewater service based upon the number of students, based upon average daily attendance (“ADA”), attending the institution at a rate of \$1.30 per student per day.

*Industrial.* Industrial users of the Wastewater System are charged a fixed monthly administrative charge of \$26.83, plus additional charges based upon capacity, in addition to annual operation and maintenance costs, and monitoring charges. Capacity charges are \$864.80 per million gallons per month; plus strength charges of \$140.13 per 1,000 pounds of BOD and \$102.88 per 1,000 pounds of total suspended solids (“TSS”). The annual operation and maintenance charges are \$748.52 per million gallons; plus strength charges of \$52.14 per 1,000 pounds of BOD and \$83.45 per 1,000 pounds of TSS. In addition, industrial users are billed for actual cost of monitoring charges.

**Historical and Current Rates.** Pursuant to Resolution No. 2019-05-21-1506, the first increase in wastewater rates of 6% took effect on July 1, 2019, with subsequent increases of up to 6% in each Fiscal Year thereafter through Fiscal Year 2023-24. The adopted rates are comprised of: (i) fixed monthly charges based upon customer class; (ii) volume costs; and (iii) strength charges. Table 7 sets forth the approved wastewater rates for Fiscal Years 2019-20 through 2023-24. The 2024 Wastewater Rate Study is currently underway and the City currently expects it to be completed in the summer of 2024, and be subsequently adopted by City Council in late 2024. Once the 2024 Wastewater Rate Study is approved, it can be viewed online at [www.stocktonca.gov/files/218RateStudyReport.pdf](http://www.stocktonca.gov/files/218RateStudyReport.pdf) or a copy can be obtained by contacting the City Clerk, City

of Stockton, 425 North El Dorado Street, Stockton, California 95202. See “Rate Setting, Billing, and Collection Procedures – Wastewater Rate Study,” above.

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**Table 4**  
**City of Stockton**  
**Wastewater System**  
**Schedule of Current and Approved Rates, Charges and Effective Dates**

Category	Fiscal Years														
	2019-20			2020-21			2021-22			2022-23			2023-24		
	Fixed	Flow	Other <sup>(2)</sup>	Fixed	Flow	Other <sup>(2)</sup>	Fixed	Flow	Other <sup>(2)</sup>	Fixed	Flow	Other <sup>(2)</sup>	Fixed	Flow	Other <sup>(2)</sup>
<b>Residential Charge (Per Dwelling Unit)</b>															
Single-Family & Condo (City)	\$44.10	–	–	\$46.75	–	–	\$49.56	–	–	\$52.53	–	–	\$55.68	–	–
Single-Family & Condo (Non-City)	40.22	–	–	42.63	–	–	45.19	–	–	47.90	–	–	50.77	–	–
Multi-Family (City)	41.55	–	–	44.04	–	–	46.68	–	–	49.48	–	–	52.45	–	–
Multi-Family (Non-City)	37.27	–	–	39.51	–	–	41.88	–	–	44.39	–	–	47.05	–	–
Apartments (City)	37.68	–	–	39.94	–	–	42.34	–	–	44.88	–	–	47.57	–	–
Apartments (Non-City)	33.08	–	–	35.06	–	–	37.16	–	–	39.39	–	–	41.75	–	–
<b>Commercial/Institutional<sup>(1)</sup></b>															
<u>Fixed Charges</u>															
Fixed Monthly Charge (City)	21.25	–	–	22.53	–	–	23.88	–	–	25.31	–	–	26.83	–	–
Fixed Monthly Charge (Non-City)	18.66	–	–	19.78	–	–	20.97	–	–	22.23	–	–	23.56	–	–
<u>Consumption Charges (\$/CCF)<sup>(3)</sup></u>															
Commercial/Institutional-Low strength	–	1.75	–	–	1.86	–	–	1.97	–	–	2.09	–	–	2.22	–
Commercial/ Institutional -Med strength	–	2.14	–	–	2.27	–	–	2.41	–	–	2.55	–	–	2.70	–
Commercial/ Institutional -High strength	–	3.59	–	–	3.81	–	–	4.04	–	–	4.28	–	–	4.54	–
Schools/Churches (\$/ADA) <sup>(4)</sup>	–	–	1.03	–	–	1.09	–	–	1.16	–	–	1.23	–	–	1.30
<b>Industrial</b>															
Fixed Monthly Charge	21.25	–	–	22.53	–	–	23.88	–	–	25.31	–	–	26.83	–	–
<u>Consumption Charges</u>															
Industrial-Flow (\$/MG) <sup>(5)</sup>	–	592.90	–	–	628.47	–	–	666.18	–	–	706.15	–	–	748.52	–
Industrial-BOD (\$/Klbs) <sup>(6)</sup>	–	41.30	–	–	43.78	–	–	46.41	–	–	49.19	–	–	52.14	–
Industrial-SS (\$/Klbs) <sup>(6)</sup>	–	66.10	–	–	70.07	–	–	74.27	–	–	78.73	–	–	83.45	–
<u>Admin/Standby-by Charge</u>															
Industrial-Flow (\$/MG) <sup>(5)</sup>	–	–	685.00	–	–	726.10	–	–	769.67	–	–	815.85	–	–	864.80
Industrial-BOD (\$/Klbs) <sup>(6)</sup>	–	–	111.00	–	–	117.66	–	–	124.72	–	–	132.20	–	–	140.13
Industrial-SS (\$/Klbs) <sup>(6)</sup>	–	–	81.50	–	–	86.39	–	–	91.57	–	–	97.06	–	–	102.88

(1) Rates are based upon a fixed charge per month plus the flow per one hundred cubic feet (HCF).

(2) Charged on the basis of the average daily attendance (ADA).

(3) CCF = one hundred cubic feet.

(4) ADA = average daily attendance.

(5) MG = million gallons

(6) Klbs = one thousand pounds.

Source: City of Stockton.

**Connection Fees.** One-time charges (“Connection Fees”) are levied by the City to recover costs incurred for providing capacity in the Wastewater System required by new users. The amount of such fees collected is therefore subject to the pace of development in the Service Area.

Connection Fees have been in effect in the City since Fiscal Year 1976-77. On July 6, 1988, the City Council adopted an ordinance creating and establishing the authority for imposing and charging public facilities fees (“Public Facilities Fees”). On September 12, 1988, the City Council adopted a resolution establishing and imposing Public Facilities Fees, including Connection Fees, to be paid at the time of issuance of a building permit for development and are used to finance the acquisition, construction and improvement of public facilities needed as a result of new development.

The historical connection fee revenues received by the City are set forth in the table below.

**Table 5**  
**City of Stockton Wastewater System**  
**Historical Connection Fee Revenues**  
**(Fiscal Year Ended June 30)**  
**(\$ in thousands)**

	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>
Connection Fee Revenues	\$1,452	\$2,123	\$4,521	\$3,943	\$2,455

Source: City of Stockton.

**Interest Income.** The Wastewater System receives additional income from interest income earned on funds available for use in operations and for application to capital facilities projects.

**Delinquencies.** Set forth in the table below is a summary of the amounts billed for charges for services and estimated to be uncollectible for the last five Fiscal Years. The amount estimated as uncollectible is determined at the end of each Fiscal Year and does not take into account any amounts that may be collected after the end of that Fiscal Year.

**Table 6**  
**City of Stockton Wastewater System**  
**Uncollectible Charges for Services**  
**(Fiscal Years)**

	<u>2018-19</u>	<u>2019-20<sup>(1)</sup></u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>
Charges for Services	\$65,976,659	\$69,851,118	\$72,997,043	\$76,884,317	\$82,906,319
Amount Uncollectible <sup>(1)</sup>	3,526,090	6,035,462	4,712,089	8,936,561	5,924,674
Uncollectible %	5.35%	8.64%	6.46%	11.62%	7.15%

<sup>(1)</sup> Represents the Fiscal Year end delinquent amount over four years, plus 3% of the amount delinquent more than 115 days which equals the amount at the end of the Fiscal Year that the City estimates will be uncollectible.

Source: City of Stockton.

### Comparative Rates and Fees

**Comparative Monthly Residential Wastewater Service Charges.** The City’s standard residential charges are set forth in Table 7 below with a comparison to other comparable, neighboring cities.



**Table 7**  
**City of Stockton Wastewater System**  
**Current Monthly User Fee Comparison**  
**Residential Service/Residential Charge**  
*[To be updated]*

<u>City</u>	<u>Monthly User Fees(1)</u>
Tracy	
Pleasanton (PSRD)	
Modesto	
Manteca	
<b>Stockton</b>	<b>55.68</b>
Brentwood	
Lathrop-West	
Lathrop-East	

<sup>(1)</sup> Rates shown for comparable cities are as of Fiscal Year 2023-24.  
Source: City of Stockton, Municipal Utilities Department.

**Comparative Residential Connection Fees.** The current residential Connection Fees and a comparison to those of other Central Valley and Northern California cities are set forth in Table 8. City residential Connection Fees are included as part of the City’s Wastewater System Net System Revenues which are used, in part, to pay the 2024 Installment Payments.

**Table 8**  
**City of Stockton Wastewater System**  
**Current Residential Wastewater Connection Fees Comparison**  
**(As of July 1, 2023)**  
*[To be updated]*

<u>City</u>	<u>Connection Fee(s)</u>
Pleasanton	
Brentwood	
Lathrop	
<b>Stockton</b>	<b>[5,300.00]</b>
Modesto	
Manteca	

Source: City of Stockton, Municipal Utilities Department.

## Financial Policies and Practices

*[City to confirm]*

**Reserve Policy.** In 2006, to ensure sound fiscal management, preserve the discretion of the City Council in its resource allocation decisions, and to minimize the impact to citizens of potentially significant rate increases, the City established a reserve policy for all of its utilities, including the Wastewater System. The target reserve seeks to: (i) build a six-month reserve of the annual operating budget of the Wastewater System using a three-year trend to project the actual amount; (ii) transfer all revenue exceeding expenses, after the payment of debt service and on-going capital project costs of the Wastewater System, into the reserve account until the target is met; and (iii) establish a rate stabilization account and transfer all remaining revenue exceeding expenses on an “as needed” basis; such as when an upcoming project is expected to significantly increase rates. The rate stabilization account will help distribute any rate increase over a period of time in lieu of a one-time increase.

As of June 30, 2024, six-month reserve was calculated to be approximately \$33.6 million. As of June 30, 2024, the balance in the reserve was approximately \$51.48 million, including the balance in the Rate Stabilization Fund in the amount of approximately \$13.6 million. See also “SECURITY AND SOURCES OF PAYMENT FOR THE 2024 BONDS – Rate Stabilization Fund” herein.

**Investment Policy.** Funds held by the Wastewater System are invested pursuant to the City’s Investment Policy. The Investment Policy establishes three objectives in investing moneys under control of the City: safety, liquidity, and return on investment. The City Council is provided with monthly and quarterly investment reports. A copy of the City’s Investment Policy can be viewed on its website.

### Historical Debt Service Coverage

Table 9 sets forth historical revenues, expenses (based upon audited financial information) and debt service coverage for Fiscal Year 2018-19 through Fiscal Year 2022-23. The information set forth below has been excerpted from the financial statements of the City but certain non-cash items have been excluded and certain other adjustments have been made.

**Table 9**  
**City of Stockton Wastewater System**  
**Historical Revenues, Expenses and Debt Service Coverage**  
**(Fiscal Years Ended June 30)**  
**(\$ in thousands)**

	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>
<b>Revenues</b>					
Rate Revenue <sup>(1)</sup>	\$65,977	\$69,851	\$72,997	\$76,884	\$82,906
Other Operating Income	1,456	6,111	888	1,625	1,487
Plus: Connection Fees	1,722	2,464	4,522	3,943	2,455
Plus: Interest Income	2,131	5,969	1,825	1,464	1,669
Deposit to Rate Stabilization Fund	–	–	–	–	–
<b>Total Revenues</b>	<b>\$71,286</b>	<b>\$82,314</b>	<b>\$80,232</b>	<b>\$83,916</b>	<b>\$88,517</b>
<b>Expenditures</b>					
Operation and Maintenance	\$29,967	\$32,362	\$36,382	\$44,388	\$43,786
General and Administrative	12,053	15,593	9,321	8,899	9,343
<b>Total Expenditures</b>	<b>\$42,020</b>	<b>\$47,955</b>	<b>\$45,703</b>	<b>\$53,287</b>	<b>\$53,129</b>
<b>Net Revenues Available for Debt Service</b>	<b>\$29,266</b>	<b>\$34,360</b>	<b>\$34,529</b>	<b>\$30,629</b>	<b>\$35,388</b>
<b>Debt Service</b>					
2014 Bonds	\$6,495	\$6,487	\$6,492	\$6,488	\$6,488
2019 Bond Anticipation Notes	-	1,009	1,659	147	-
2020 WIFIA Loan	-	-	-	378	1,296
<b>Annual Debt Service</b>	<b>\$6,495</b>	<b>\$7,496</b>	<b>\$8,151</b>	<b>\$7,013</b>	<b>7,784</b>
<b>Net Revenue Available for Capital and Other</b>	<b>\$22,771</b>	<b>\$26,863</b>	<b>\$26,378</b>	<b>\$23,616</b>	<b>\$27,604</b>
<b>Debt Service Coverage (Minimum 1.15x)<sup>(2)</sup></b>	<b>4.51x</b>	<b>4.58x</b>	<b>4.24x</b>	<b>4.37x</b>	<b>4.55x</b>

<sup>(1)</sup> Approved annual rate increases of 6.0% per year through fiscal year ending June 30, 2024.

<sup>(2)</sup> Net Revenues divided by Total Debt Service.

Source: City of Stockton for revenues and expenses and Del Rio Advisors, LLC, for debt service coverage information.

The audited financial statements for the Wastewater System for the Fiscal Year ended June 30, 2023 are attached as APPENDIX B–“AUDITED FINANCIAL STATEMENTS OF THE CITY OF STOCKTON FOR THE YEAR ENDED JUNE 30, 2023.” These statements should be read in their entirety.

## Projected Debt Service Coverage

Revenues, expenses and debt service coverage for Fiscal Years 2023-24 (budgeted) and Fiscal Years 2024-25 through 2028-29 (projected) are set forth in Table 10, based on certain assumptions described in the footnotes to Table 10. *The following projections are based on the current circumstances of the City and currently available information and are believed to be reasonable. The projections may be affected by various factors and there can be no assurance that they will be achieved and any variation from projected operating results may be material.*

**Table 10**  
**City of Stockton Wastewater System Fund**  
**Projected Revenues, Expenses and Debt Service Coverage**  
**(\$ in thousands)**

	<u>2023-24</u> <u>(Budgeted)</u>	<u>2024-25</u> <u>(Projected)</u>	<u>2025-26</u> <u>(Projected)</u>	<u>2026-27</u> <u>(Projected)</u>	<u>2027-28</u> <u>(Projected)</u>	<u>2028-29</u> <u>(Projected)</u>
<b>Revenues</b>						
Rate Revenue <sup>(1)</sup>	\$91,602	\$94,350	\$97,181	\$100,096	\$103,099	\$106,192
Other Operating Income <sup>(2)</sup>	1,617	1,650	1,683	1,717	1,751	1,786
Plus: Connection Fees <sup>(3)</sup>	2,835	2,863	2,892	2,921	2,950	2,980
Plus: Interest Income <sup>(4)</sup>	1,611	1,789	1,452	1,462	1,576	1,590
Deposit to Rate Stabilization Fund	-	-	-	-	-	-
<b>Total Revenues</b>	<b>\$97,665</b>	<b>\$100,652</b>	<b>\$103,208</b>	<b>\$106,196</b>	<b>\$109,376</b>	<b>\$112,548</b>
<b>Expenditures</b>						
Operation and Maintenance <sup>(5)</sup>	\$63,875	\$62,791	\$64,675	\$66,615	\$68,613	\$70,671
General and Administrative <sup>(6)</sup>	12,762	13,400	14,070	14,774	15,513	16,289
<b>Total Expenditures</b>	<b>\$76,636</b>	<b>\$76,191</b>	<b>\$78,745</b>	<b>\$81,389</b>	<b>\$84,126</b>	<b>\$86,960</b>
<b>Net Revenues Available for Debt Service</b>	<b>\$21,029</b>	<b>\$24,461</b>	<b>\$24,463</b>	<b>\$24,807</b>	<b>\$25,250</b>	<b>\$25,588</b>
<b>Debt Service</b>						
2014 Bonds <sup>(7)</sup>	\$6,486	\$5,968	-	-	-	-
2020 WIFIA Loan	1,296	1,296	\$1,296	\$1,296	\$1,296	\$1,296
2021 SRF Loan	-	1,603	1,791	1,791	1,791	1,791
2024 Bonds <sup>(8)</sup>	706	6,491	6,491	6,491	6,491	6,492
<b>Annual Debt Service</b>	<b>\$7,782</b>	<b>\$9,563</b>	<b>\$9,578</b>	<b>\$9,577</b>	<b>\$9,578</b>	<b>\$9,579</b>
<b>Net Revenue Available for Capital and Other</b>	<b>\$13,247</b>	<b>\$14,898</b>	<b>\$14,885</b>	<b>\$15,230</b>	<b>\$15,672</b>	<b>\$16,009</b>
<b>Debt Service Coverage (Minimum 1.15x)<sup>(9)</sup></b>	<b>2.70x</b>	<b>2.56x</b>	<b>2.55x</b>	<b>2.59x</b>	<b>2.64x</b>	<b>2.67x</b>

(1) Assumes approved annual rate increases of 6.0% per year through fiscal year ending June 30, 2024, and annual rate increases of 3.0% per year for fiscal year ending June 30, 2025 and thereafter.

(2) For fiscal year ending June 30, 2025 and thereafter, growth in Other Operating Income is assumed at 2.0% per year.

(3) For fiscal year ending June 30, 2025 and thereafter, growth in new connections assumed at 1.0% per year.

(4) For fiscal year ending June 30, 2025 and thereafter, growth in interest earnings assumed at 1.0% per year.

(5) For fiscal year ending June 30, 2025 and thereafter, growth in inflation in O&M assumed at 3.0% per year.

(6) For fiscal year ending June 30, 2025 and thereafter, growth in inflation in General and Administrative Expenses assumed at 5.0% per year.

(7) Assumes that the 2014 Bonds redeemed in full with proceeds from the sale of the 2024 Bonds. Preliminary, subject to change.

(8) Preliminary, subject to change.

(9) Net Revenues divided by Total Debt Service.

Source: City of Stockton for revenues and expenses and Del Rio Advisors, LLC, for debt service coverage information.

## Projected Reserve Balances

The City's Wastewater System reserve balances for Fiscal Years 2023-24 (budgeted) and Fiscal Years 2024-25 through 2028-29 (projected) are set forth in Table 11. *The following projections are based on the current circumstances of the City and currently available information and are believed to be reasonable. The projections may be affected by various factors and there can be no assurance that they will be achieved and any variation from projected operating results may be material.*

**Table 11**  
**City of Stockton**  
**Wastewater System Reserve Balances**  
**(\$ in thousands)**

	<b>2024</b> <b>(Budgeted)</b>	<b>2025</b> <b>(Projected)</b>	<b>2026</b> <b>(Projected)</b>	<b>2027</b> <b>(Projected)</b>	<b>2028</b> <b>(Projected)</b>	<b>2029</b> <b>(Projected)</b>
<b>Beginning Balance</b>	<b>\$89,504</b>	<b>\$101,350</b>	<b>\$77,518</b>	<b>\$67,725</b>	<b>\$78,474</b>	<b>\$79,146</b>
Sewer Fund Operating Cash	32,835	42,924	38,380	49,128	49,801	50,510
Sewer Connection Fee Fund	5,450	5,450	5,450	5,450	5,450	5,450
Sewer Capital Fund	46,500	9,665	3,293	3,293	3,293	3,293
Rate Stabilization Fund	13,196	13,196	13,196	13,196	13,196	13,196
WIFIA Reserve Fund Balance	3,369	4,492	5,615	5,615	5,615	5,615
SRF Reserve Fund Balance	-	1,791	1,791	1,791	1,791	1,791
<b>Ending Balance</b>	<b>\$101,350</b>	<b>\$77,518</b>	<b>\$67,725</b>	<b>\$78,474</b>	<b>\$79,146</b>	<b>\$79,855</b>
Reserves as Percentage of Annual Expenditures (Excludes Sewer Capital Fund, WIFIA and SRF Reserve Funds) (Target 50% or 180 Days of O&M) <sup>(1)</sup>	<b>67.18%</b>	<b>80.81%</b>	<b>72.42%</b>	<b>83.27%</b>	<b>81.36%</b>	<b>79.53%</b>

<sup>(1)</sup> Total Reserve Balance Divided by Total Expenditures  
Source: City of Stockton and Del Rio Advisors, LLC.

## Capital Improvement Program

The City maintains a five-year Capital Improvement Plan (the "CIP") for the budgeting and planning of public projects throughout the City. The adoption of the Citywide CIP is governed by the City Charter. The CIP is updated annually by the City Council based upon available funding sources, anticipated capital needs and project priority.

The City's current 5-year CIP was approved by the City Council on June 18, 2024 and includes approximately \$145 million to fund projects necessary to upgrade the Stockton RWCF, to meet regulatory requirements, replace or rehabilitate aged infrastructure to meet current permitted capacity, including all of the costs of implementing portions of the CIEMP (described below). The City's current CIP [does/doesn't] provide for borrowing [in the amount of \$\_\_\_\_\_].

The City's 2011 Capital Improvement and Energy Management Plan ("CIEMP") was approved and adopted by the City Council on August 9, 2011 to include 46 near-term projects to the Stockton RWCF required to maintain compliance with the prior NPDES permit. The "Stockton RWCF Modifications Project," a major component of the CIEMP, was a multi-year \$248 million project to repair, replace and upgrade the treatment process units at the Stockton RWCF in order to meet treated wastewater discharge limits regulated by the Central Valley Regional Water Quality Control Board by June 1, 2024. As of the date hereof, completion of the RWCF Modifications Project has been extended to January 2025. Approximately [ ] million of the \$248 million Stockton RWCF Modifications Project has been debt financed.

**Funding Sources.** *[Discussion to come, including any planned borrowing]*

### **Expected Future Parity Obligations and/or Subordinate Obligations**

The City does not currently have plans to issue or incur additional Parity Obligations and/or Subordinate Obligations in connection with the Wastewater System.

### **Employees and Employee Benefits**

**Employees.** Stockton MUD personnel oversee the system’s functions and maintain and repair the equipment and facilities, including the collection system and sanitary pump stations. For Fiscal Year 2024-25, the Stockton MUD has 233 budgeted full-time equivalent employees, with 117 full time equivalent employees allocable to the Wastewater System.

Currently, approximately 93% of all the Wastewater System employees are covered by negotiated agreements with four bargaining units. All four bargaining unit contracts are due to expire on June 30, 2026.

**Employee Benefits Generally.** The City contributes to two pension plans on behalf of Wastewater System employees: The Miscellaneous Plan of the City of Stockton (the “Miscellaneous Plan”), an agent multiple–employer defined benefit plan administered by the California Employees’ Retirement System (“CalPERS”) and the City of Stockton Retirement Enhancement Plan (the “REP”) administered by Public Agency Retirement Services (“PARS”), a multiple-employer agency trust that acts as a common investment and administrative agent for participating public entities in the State.

Substantially all full-time City employees, including employees of the Wastewater System, are eligible to participate in retirement benefit plans through a contract with the CalPERS. CalPERS provides retirement, disability, and death benefits to plan members and beneficiaries. CalPERS benefits are payable monthly for life in an amount equal to a certain percent of the employees highest annual salary. Benefit provisions and all other requirements are established by contract with CalPERS, State statute, and City ordinance. CalPERS acts as a common investment and administrative agent for participating public entities within the State. CalPERS is a contributory plan deriving funds from employee contributions as well as from employer contributions and earnings from investments.

The REP is a closed retirement plan that provides retirement benefits for Stockton MUD employees for the period when they worked for OMI-Thames Water Stockton, Inc. to cover retirement benefits between 2003 and 2008. See “ – PARS Retirement Enhancement Plan” below.

**California Public Employees’ Retirement System.** *The following information concerning the California Public Employees’ Retirement System is excerpted from publicly available sources, which the City believes to be accurate. CalPERS is not obligated in any manner for payment of debt service on the 2024 Bonds and the assets of CalPERS are not available for such payment. CalPERS should be contacted directly at California Public Employees’ Retirement System, Lincoln Plaza Complex, 400 Q Street, Sacramento, California 95814, Telephone: 888-225-7377 for other information, including information relating to its financial position and investments.*

**Set forth below is information with respect to the Miscellaneous Plan for the entire City. CalPERS does not prepare nor are separate reports available for the Wastewater System. The City can only allocate costs of the Miscellaneous Plan to the Wastewater System to the extent such costs are allocable to employees of the Wastewater System.**

The Miscellaneous Plan is available to full-time employees not enrolled in the Safety Plan. Part-time employees must meet specific criteria for participation. City employees are eligible for service or normal

retirement at age 55 or older with a minimum of five years CalPERS service. The contribution requirements of the plan members and the City are established by CalPERS and may be amended.

For Fiscal Year 2022-23, there are a total of 967 budgeted full-time equivalent City employees participating in the Miscellaneous Plan of which [ ] (or approximately [ ]%) are budgeted for the Wastewater System.

Benefits Provided. CalPERS provides service retirement and disability benefits, the annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. The provisions and benefits for the Miscellaneous Plan in effect at June 30, 2023, are summarized as follows:

#### Miscellaneous Plan

<u>Hire Date</u>	<u>Prior to January 1, 2014</u>	<u>After January 1, 2014</u>
Benefit Vesting Schedule	5 years service	5 years service
Benefit Formula	Tier I: 2% @ 55 years of age Tier II: 2% @ 60 years of age	2% @ 62 years
Benefit Payments	monthly for life	monthly for life
Required Employee Contribution Rates	7.00%	6.75%
Required Employer Contribution Rates	9.86%	9.86%

Source: Audited Financial Statements of the City of Stockton for the Year Ended June 30, 2023.

Employees Covered. At June 30, 2023 the following Miscellaneous Plan employees were covered under benefit terms:

Inactive employees or beneficiaries currently receiving benefits	1,595
Inactive employees entitled to but not yet receiving benefits	531
Active employees	967
TOTAL	4,093

Contributions. The City establishes rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by the employee 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 rate of employees. For Fiscal Year 2022-23, the total Miscellaneous Plan employer contribution rate was 9.86% of wages. See “ – Discount Rate” below.

Net Pension Liability. The City’s net pension liability was measured as of June 30, 2022, using an annual actuarial valuation as of June 30, 2021, using standard update procedures.

Actuarial Assumptions. The total pension liability on June 30, 2022, the actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

### Miscellaneous Plan

Valuation Date	6/30/2021
Measurement Date	6/30/2022
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Payroll Growth	2.80%
Projected Salary Increase	Varies(1)
Mortality	(2)

(1) Depending on age, service and type of employment based on the 2021 CalPERS Experience Study for the period from 2001 to 2019.

(2) Pre-retirement and post-retirement mortality rates include generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries. For more details, please refer to the CalPERS Experience Study and review of Actuarial Assumptions report from November 2021 that can be found on the CalPERS website.

Source Audited Financial Statements of the City of Stockton for the Year Ended June 30, 2023.

**Discount Rate.** The discount rate used to measure the total pension liability for the June 30, 2022 valuation was 6.90% [*Why CalPERS 6.8% as of June 30, 2022?*]. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rate and that the City contributions will be made at statutorily required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of currently 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.

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 expenses and inflation) are developed for each major asset class. The expected real rates of return by asset class are as follows:

### Miscellaneous Plan

Asset Class	Assumed Asset Allocation	Real Return Years 1-10(a)(b)
Global Equity – cap weighted	30%	4.45%
Global Fixed – non-cap weighted	12	3.84
Private Equity	13	7.28
Treasury	5	0.27
Mortgage Backed Securities	5	0.50
Investment Grade Corporates	10	1.56
High Yield	5	2.27
Emerging Market Debt	5	2.48
Private Debt	5	3.57
Real Assets	15	3.21
Leverage	(5)	(0.59)
<b>TOTAL</b>	<b>100%</b>	

(a) An Expected inflation of 2.3% used for this period.

(b) Figures are based on the 2021-22 Asset Liability Management Study.

Source Audited Financial Statements of the City of Stockton for the Year Ended June 30, 2023.

Changes in the Net Pension Liability.

	<b>Miscellaneous Plan</b>		
	<b>Total Pension Liability</b>	<b>Plan</b>	
		<b>Fiduciary Net Position</b>	<b>Net Pension Liability</b>
	<b>(a)</b>	<b>(b)</b>	<b>(a) – (b)</b>
<b>Balance at 06/30/2021</b>	\$780,242,258	\$722,389,028	\$57,853,230
<b>Changes for the year:</b>			
Service cost	12,191,998	–	12,181,998
Interest	52,840,932	–	52,840,932
Changes of Assumption	8,143,881	–	8,143,881
Differences between expected and actual experience	(6,779,583)	–	(6,779,583)
Plan to plan resource movement	–	–	–
Contributions employer	–	20,485,648	(20,485,648)
Contributions employee	–	4,857,018	(4,857,018)
Net investment income	–	(54,203,709)	54,203,709
Benefit payments, including refunds of employee	(43,773,909)	(43,773,909)	–
Administrative expense	–	(450,005)	450,005
Other Changes	–	–	–
<b>Net Changes</b>	<b>22,613,319</b>	<b>(73,084,957)</b>	<b>95,698,276</b>
<b>Balances at 06/30/2022</b>	<b>\$802,855,577</b>	<b>649,304,071</b>	<b>\$153,551,506</b>

Source Audited Financial Statements of the City of Stockton for the Year Ended June 30, 2023.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following table presents the net pension liability of the City for the Miscellaneous Plan, calculated using the discount rate of 6.90%, as well as what the net pension liability of the City would be if it were calculated using a discount rate that is one-percentage point lower (5.90%) or one-percentage point higher (7.90%) than the current rate.

	<b>Miscellaneous Plan</b>		
	<b>1% Decrease Rate =5.90%</b>	<b>Current Discount Rate =6.90%</b>	<b>1% Increase Rate = 7.90%</b>
Net pension liability	\$255,399,878	\$153,551,506	\$69,160,881

Source Audited Financial Statements of the City of Stockton for the Year Ended June 30, 2023.

Miscellaneous Plan Fiduciary Net Position. Detailed information about the fiduciary net position for the Miscellaneous Plan is available from CalPERS in the separately issued CalPERS financial report.

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. Information on the deferred outflows of resources and deferred inflows of resources related to pensions for the Miscellaneous Plan is presented in Note 12 of the City’s Fiscal Year 2022-23 Annual Comprehensive Financial Report. See APPENDIX B – “AUDITED FINANCIAL STATEMENTS OF THE CITY OF STOCKTON FOR THE YEAR ENDED JUNE 30, 2023” attached hereto.

**PARS Retirement Enhancement Plan.** The PARS Retirement Enhancement Plan, a closed retirement plan, provides retirement benefits for Stockton MUD employees for the period during which they worked for OMI/Thames Water Stockton, Inc. (“OMI-Thames”). The City entered into an agreement with PARS to contribute to a supplemental plan for employees joining or re-joining City service after having been employed between 2003 and 2008 by OMI-Thames. OMI-Thames employees did not earn CalPERS service credit during the period of time OMI-Thames operated the City utilities.



**Benefits Provided.** Upon retirement, the REP benefits will supplement any CalPERS retirement for which those employees are eligible. Eligibility for REP, other than employment with OMI-Thames between 2003 and 2008, is defined as concurrent retirement with CalPERS and the City upon attaining age 55 and a minimum of five years of full-time continuous service with the City, with at least one year of continuous City service after March 1, 2008.

As of June 30, 2023, a total of 82 employees were covered by the REP, consisting of 55 inactive employees or beneficiaries currently receiving benefits and 27 active employees.

**Contributions.** The City establishes rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by the employee 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 rate of employees.

**Net Pension Liability.** The City's net pension liability was measured as of June 30, 2023, using an annual actuarial valuation as of June 30, 2022, using standard update procedures.

**Actuarial Assumptions.** The total pension liability on June 30, 2023, the actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>Enhancement Plan</u>
Valuation Date	6/30/2022
Measurement Date	6/30/2023
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.50%
Inflation	2.30%
Payroll Growth	2.80%
Projected Salary Increase	3.34% - 9.01%(1)
Investment Rate of Return	6.50%
Mortality	(2)

(1) Depending on years of service.

(2) Pre-retirement: Consistent with Non-Industrial rates used to value the CalPERS Miscellaneous Public Agency Pension Plans after June 30, 2021. Post-retirement: Consistent with Non-Industrial rates used to value the CalPERS Miscellaneous Public Agency Pension Plans after June 30, 2021

Source: Audited Financial Statements of the City of Stockton for the Year Ended June 30, 2023.

**Discount Rate.** The discount rate used to measure the total pension liability was 6.50%. 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 the City contributions will be made at rates equal to the difference between actuarially determined contribution 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 currently 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.

Additional information with respect to the REP, including changes in net pension liability, target investment allocation, sensitivity of the net pension liability, changes in the discount rate and deferred outflows of resources and deferred inflows of resources related to pension can be found in Note 12 to the Audited Financial Statements of the City. See APPENDIX B – "AUDITED FINANCIAL STATEMENTS OF THE CITY OF STOCKTON FOR THE FISCAL YEAR ENDED JUNE 30, 2023" attached hereto.

**Changes in the Net Pension Liability.**

	<b>Enhancement Plan</b>		
	<b>Total Pension Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net Pension Liability</b>
	<b>(a)</b>	<b>(b)</b>	<b>(a) – (b)</b>
<b>Balance at 06/30/2022</b>	\$12,935,662	\$9,620,909	\$3,314,753
<b>Changes for the year:</b>			
Service cost	114,224	–	114,224
Interest on total pension liability	826,109	–	826,109
Effect of Economic/demographic gains or losses	300,141	–	300,141
Effect of assumptions changes or inputs	74,188	–	74,188
Benefit payments	(691,937)	(691,937)	–
Employer Contributions	–	854,389	(854,389)
Net Investment Income	–	682,430	(682,430)
Administrative Expense	–	(16,773)	16,773
<b>Net Changes</b>	<b>662,725</b>	<b>828,109</b>	<b>(205,384)</b>
<b>Balances at 06/30/2023</b>	<b>\$13,558,387</b>	<b>\$10,449,018</b>	<b>\$3,109,369</b>

Source Audited Financial Statements of the City of Stockton for the Year Ended June 30, 2023.

**Sensitivity of the Net Pension Liability.** The following presents the net pension liability of the City, calculated using the discount rate of 6.50 percent, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate:

	<b>Enhancement Plan</b>		
	<b>1% Decrease Rate =5.50%</b>	<b>Current Discount Rate =6.50%</b>	<b>1% Increase Rate = 7.50%</b>
Net pension liability	\$4,714,537	\$3,109,369	\$1,755,989

Source Audited Financial Statements of the City of Stockton for the Year Ended June 30, 2023.

**Health Insurance Premiums.** The City also provides health benefits to certain employees and their dependents for medical, dental and vision care. For Fiscal Years 2019-20, 2020-21, 2021-22, and 2022-23, the City paid premiums in the amount of \$1.557 million, \$[ ] million, \$[ ] million, and \$[ ] million, respectively for Wastewater System employees. For Fiscal Year 2023-24, the amount paid for premiums for Wastewater System employees is budgeted to be \$[ ] million. The City pays a portion of the premium for health benefits for a small group of Stockton MUD employees who were reinstated to City employment on March 1, 2008, when Stockton MUD operations were transferred back to the City. See also “ – PARS Retirement Enhancement Plan” above. The remainder is paid for by the employee and varies by the number of dependents covered. Each employee and dependent is covered by a life insurance policy and the employee also is covered by a long-term disability policy.

**Post-Employment Health Care Benefits.** The City does not provide post-employment health care benefits to its retirees and does not have any liability listed in its financials to account for such a benefit.

## Regulatory Compliance

Wastewater treatment plants are required under State and federal law to meet various requirements for the disposal/discharge of wastewater. These standards are set forth in National Pollution Discharge Elimination System (the “NPDES”) permits issued and modified every five years by the California Regional Water Quality Control Board-Central Valley Region (the “RWQCB”). The City operates the Stockton RWCF under NPDES

Permit No. CA0079138 (Order R5-2020-0007-01) issued by the RWQCB. The current NPDES permit (the “Permit”) became effective on July 1, 2023 and expires June 20, 2024. The Permit prescribes wastewater discharge requirements for the Stockton RWCF as set forth in the California Code of Regulations, Title 22, Division 4, Chapter 3 (“Title 22”). Title 22 requires that wastewater be adequately disinfected, oxidized, coagulated, clarified and filtered prior to reuse on food crops, parks, playgrounds, school yards and other areas of similar public access. The City, however, does not have any current plans to reuse treated wastewater for these purposes because the quantity discharged to the San Joaquin River is the basis of the City’s water right for the Delta Water Supply Project, which treats and distributes potable water to the City’s drinking water system.

## **2024 BONDOWNERS’ RISKS**

*This section provides a general overview of certain risk factors which should be considered, in addition to the other matters set forth in this Official Statement, in evaluating an investment in the 2024 Bonds. This section is not meant to be a comprehensive or definitive discussion of the risks associated with an investment in the 2024 Bonds, and the order in which this information is presented does not necessarily reflect the relative importance of various risks. Potential investors in the 2024 Bonds are advised to consider the following factors, among others, and to review this entire Official Statement to obtain information essential to the making of an informed investment decision. Any one or more of the risk factors discussed below, among others, could lead to a decrease in the market value and/or in the marketability of the 2024 Bonds or the ability of the City to make 2024 Installment Payments. There can be no assurance that other risk factors not discussed herein will not become material in the future.*

### **General**

The 2024 Installment Payments supporting the 2024 Bonds are payable solely from Net System Revenues pursuant to the 2024 Contract. If for any of the reasons described below, or for any other reason, the City does not collect sufficient Net System Revenues to pay the 2024 Installment Payments, the City will not be obligated to utilize any other of its funds, other than amounts available in the 2024 Reserve Account and certain other amounts on deposit in the funds and accounts established under the 2024 Indenture to pay debt service on the 2024 Bonds. See also “SECURITY AND SOURCES OF PAYMENT FOR THE 2024 BONDS – 2024 Reserve Account.”

### **Rate Covenant Not a Guarantee of Sufficient Net System Revenues**

The ability of the City to pay the 2024 Installment Payments depends on the ability of the City to generate Net System Revenues in the levels required by the 2024 Contract. Although the City has covenanted in the 2024 Contract to impose rates, fees and charges as more particularly described herein under “SECURITY AND SOURCES OF PAYMENT FOR THE 2024 BONDS – Rate Covenant,” and expects that sufficient System 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 rates, fees and charges or other System Revenues will result in the generation of Net System Revenues in the amounts required by the 2024 Contract. The City’s covenant does not constitute a guarantee that sufficient Net System Revenues will be available to pay the 2024 Installment Payments.

### **System Expenses and Capital Costs**

There can be no assurance that the City’s actual Operation and Maintenance Costs, other expenses or capital costs will be consistent with the projections in this Official Statement. Increases in expenses and/or capital costs including, but not limited to, personnel costs, regulatory compliance costs, changes in technology, and aging facilities could require an increase in rates or charges in order to comply with the rate covenant. Such increases could be material.

The Wastewater System's facilities are aging and in need of repair or replacement. See "THE WASTEWATER SYSTEM – Capital Improvement Plan." Long-lived facilities result in decreased reliability due to unplanned outages and place a greater maintenance burden on Wastewater System's operations.

Private sewer laterals are not owned or operated by the City; however, faulty private sewer laterals can increase inflow and infiltration into the Wastewater System's facilities. Excessive inflow and infiltration into the facilities due to faulty sewer laterals may cause damage to the Wastewater System's facilities.

### **No Acceleration of 2024 Bonds or 2024 Installment Payments**

The 2024 Indenture does not contain a provision allowing for the acceleration of the 2024 Bonds in the event of a payment default or other default under the terms of the 2024 Bonds or the 2024 Indenture. The 2024 Contract does not contain a provision allowing for the acceleration of the 2024 Installment Payments in the event of a payment default or other default under the terms of the 2024 Contract.

### **Initiatives; Changes in Law**

In recent years several initiative measures have been proposed or adopted which affect the ability of local governments to increase taxes and rates. Article XIII A, Article XIII B, Article XIII C, Article XIII D, and Proposition 26, were adopted as measures that qualified for the ballot through California's initiative process. From time to time, other initiative measures could be adopted, which may place further limitations on the ability of the State, the City or local districts to increase revenues or to increase appropriations which may affect the City's revenues or its ability to expend its revenues. There is no assurance that the electorate or the State Legislature will not at some future time approve additional limitations which could affect the ability of the City to implement rate increases which could reduce Net System Revenues and adversely affect the security for the 2024 Bonds. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS" herein.

### **Statutory and Regulatory Impact**

Laws and regulations governing transmission, treatment and delivery of wastewater 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, these costs will likely increase. In addition, claims against the City for violations of regulations with respect to its facilities and services could be significant. Such claims are payable from Revenues or from other legally available sources.

Although the City has covenanted in the 2024 Contract to fix, prescribe and collect rates and charges for the sewer service during each Fiscal Year sufficient to yield the debt service coverage required by the 2024 Contract, no assurance can be given that the cost of compliance with such laws and regulations will not materially adversely affect the ability of the City to generate Net System Revenues in the amounts required by the 2024 Contract and to pay debt service on the 2024 Bonds. Higher regulatory standards could materially increase the cost to the City of providing wastewater services.

### **Climate Change**

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

Following the adoption of its 2035 General Plan, which outlined development goals and stipulations for the reduction of City-wide GHG emissions, the City was sued by the Sierra Club alleging that the City had violated CEQA in approving the 2035 General Plan. In order to avoid further litigation, in October 2008, the City entered into a settlement agreement with the Sierra Club and the Attorney General, who also raised concerns about the adequacy of the EIR under CEQA, including but not limited to the failure of the EIR to incorporate enforceable measures to mitigate GHG emission impacts that would result for the adoption of the 2035 General Plan. The settlement agreement required the City to address GHG reductions in a variety of ways, including through the preparation of a Climate Action Plan (discussed below) and programs to support the development of 18,400 new housing units within the City as it existed in 2008 with at least 4,400 of those units located within the greater downtown area. As a result, the City enacted the *Envision Stockton 2040 General Plan* (the “2040 General Plan”) on December 4, 2018. The 2040 General Plan represents substantial changes in policy framework for future development in the City compared to the 2035 General Plan, with a fundamental shift from emphasizing growth in “outfill” areas on the periphery of the City to focusing new construction and redevelopment in existing “infill” neighborhoods. A copy of the 2040 General Plan is available on the City’s website.

During the development of its Climate Action Plan (a “CAP”), the City evaluated the effect of the State’s reduction measures and evaluated a wide range of potential local GHG reduction measures to examine the feasibility, cost, and benefits of potentially meeting the interim reduction target. Although technically feasible to meet the interim reduction target, it was City’s judgment that meeting the target would require some measures or actions that were infeasible under then-current economic conditions in the City, would result in short- and near-term financial impacts that could affect economic recovery in the City, and would affect the ability of the City to invest in energy efficiency and other GHG reduction strategies in the long run.

The City designed the CAP to rely, for the most part, on voluntary, incentive-based measures for existing development, flexible performance-based measures for new development, and only uses mandatory measures for new development where required by prior State or local mandates (such as for water conservation) or where advantageous to the City. By providing flexibility, the intent is that the City government, residences, and businesses would employ the most cost-effective methods to reduce GHG emissions.

The City approved a CAP on December 2, 2014 that includes an interim GHG emissions reduction goal for the purposes of initial CAP development of 15% below 2005 levels by 2020, and the City certified the Final EIR for the *Envision Stockton 2040 General Plan* on December 4, 2018.

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

### **Risk of Earthquake and Other Natural Disasters**

***Earthquake.*** There are several active geological faults in the State that have potential to cause serious earthquakes that could result in damage within the City to the Wastewater System, buildings, roads, bridges, and other property. The City is located in a zone 3 seismic area. Seismic zones aid in identifying and characterizing certain geological conditions and the risk of seismic damage at a particular location, and are used in establishing building codes to minimize seismic damage. The five seismic zones are: zone 0 (no measurable damage), zone 1 (minor damage), zone 2 (moderate damage), zone 3 (major damage) and zone 4 (major damage and greater proximity than zone 3 to certain major fault systems). While the City is not located in any existing special study zone delineated by the State Division of Mines and Geology as an area of known active faults, it is possible that new geological faults could be discovered in the area and that an earthquake occurring on such faults could result

in damage of varying degrees of seriousness to property and infrastructure in the City, including the Wastewater System.

In the event of a severe seismic event in or around the City, there could be substantial damage to the Wastewater System facilities resulting in a reduction of Net System Revenues. Such reduction of Net System Revenues could have a material adverse effect on the City's ability to make timely payments of 2024 Installment Payments with respect to the 2024 Bonds.

***Flooding.*** *[City to review and provide updates as necessary]* In accordance with the National Flood Insurance Reform Act (the "NFIRA") requiring, among other things, that the Federal Emergency Management Agency ("FEMA") assess its flood hazard map inventory at least once every five years. In 1995, FEMA informed the City that updated flood insurance rate maps would be prepared. In the absence of the construction of flood improvements, FEMA indicated that all of metropolitan Stockton and the surrounding County areas would be located within the boundaries of a 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% (or 1-in-100) probability of occurrence in any year.

In May 1995, the City, the County, and the San Joaquin County Flood Control and Water Conservation District formed the San Joaquin Area Flood Control Agency ("SJAFCA"), a joint powers authority, for the purpose of addressing flood protection for the City and surrounding County areas.

In the aftermath of Hurricane Katrina in August 2005, FEMA implemented a Flood Map Modernization program to update existing flood insurance rate maps ("FIRMs"), policies, regulations and procedures. In particular, FEMA placed a high priority on reviewing, identifying and accrediting levees and levee systems nationwide to verify whether such levees and levee systems provide flood protection. To assure that levees shown on modernized FIRMs still provide that level of protection, FEMA requires that each levee in the country have a maintenance and operation plan.

In October 2007, the Governor signed into law Senate Bill 5 ("SB 5") requiring urban areas in the Central Valley to reach a 200-year level of protection by 2025. SB 5 and a subsequent cleanup bill, Senate Bill 1278, require local city and county planning agencies in the Central Valley including Stockton, to amend their General Plans by July 2, 2015 and to subsequently amend their zoning ordinances by July 2, 2016 to include specific information and requirements for new development, located within a flood hazard zone, to have 200-year flood protection. On June 15, 2015, the City Council adopted a resolution amending the City's General Plan to comply with SB 5. The amendments included, among other things, modifications to existing and adoption of new goals, policies, and measures to strengthen the relationship between land use planning decisions and consideration of potential floodplain hazards, siting of new development, and retrofitting of existing development. The effect of complying with SB 5 on new development within the City has been insignificant. In 2005 voters approved State propositions 1E and 84 making available \$5 billion for flood management. After the passage of propositions 1E and 84 the State Department of Water Resources has spent millions of dollars to evaluate levees and support existing and future projects to reach a 200-year level of flood protection for urban communities in the County including the City.

FEMA completed inspection of the levees in the County and final FIRMs became effective in 2009, placing approximately 5,000 parcels in a 100-year floodplain and decertifying Smith Canal.

Smith Canal, a man-made backwater slough of the San Joaquin River adjacent to the Sacramento-San Joaquin Delta (the "Delta") located in the County, has levees that are heavily encroached upon and are not eligible to be certified as meeting either the current FEMA standards or the State's Levee Design Criteria.

In April 2017, SJAFCA partnered with Reclamation District 1614 and Reclamation District 828 to process a Conditional Letter of Map Revision with FEMA, the purpose of which was to determine an appropriate solution to protect areas affected by Smith Canal levee decertification and FEMA re-mapping. As part of that

effort, SJAFCA developed several conceptual approaches to providing at least a 100- year level of flood protection to those areas. On January 13, 2011, FEMA concluded that a solution proposed by SJAFCA and its partners, a gate structure at the mouth of Smith Canal, if constructed, would provide at least 100-year flood protection and warrant a revision in the FIRM.

On July 18, 2019, the SJAFCA Board of Directors approved the issuance of not to exceed \$25 million to construct and maintain various flood control improvements, including a gate structure at the mouth of Smith Canal to regulate flows from the Delta, that are designed to provide protection to property within an assessment district known generally as the Smith Canal Flood Control Gate. This assessment district encompasses 8,099 parcels, including the approximately 5,000 affected parcels. SJAFCA expects to commence construction of this project during the first quarter of calendar year 2020 and complete construction in summer 2022.

The City makes no representation that the construction of the SJAFCA project will guaranty that FEMA will not issue revised FIRMs in the future that place all or some of the City within the boundaries of a 100-year floodplain.

As required under SB 5, the Cities of Lathrop and Manteca and Reclamation District 17 prepared an Adequate Progress Report for Urban Level of Protection (an “APR”) for the Mossdale Tract area in June 2016. The APR served as a strategic plan describing and outlining the steps to be taken to generate the local funding necessary to advance and ultimately implement 200-year levee improvements in accordance with the requirements of SB 5. The APR described several aspects including: the requirements set forth by SB 5 and the Urban Level of Flood Protection (a “ULOP”); the requirements of the Cities of Lathrop and Manteca and Reclamation District 17 in making findings related to Adequate Progress toward a ULOP, and, more specifically; the approach the Cities of Lathrop and Manteca Reclamation District 17 in the Mossdale Tract Area were taking with respect to compliance with the guidance provided by the California Department of Water Resource in support of their maintenance of findings of Adequate Progress, as defined in the 2007 California Flood Legislation (Government Code sections 65007).

Effective January 1, 2018, members of SJAFCA amended and restated the joint exercise of powers agreement forming SJAFCA to include the Cities of Lathrop and Manteca as members. This was done to achieve an ULOP for portions of the Mossdale Tract area that encompasses areas within the jurisdictions, as amended, of each of the members of SJAFCA. The City, the Cities of Lathrop and Manteca, and the County, acting through SJAFCA, are working to comply with the SB5 requirements to establish 200-year level of flood protection within the urban areas planned for development.

Adequate progress to achieve ULOP was last documented in 2019 with the submittal by SJAFCA of the APR to the Central Valley Flood Control Board. The APR provided further details regarding continued progress toward achieving ULOP by 2025.

SJAFCA’s plan for flood protection through 2025 is an approximately \$210 million project consisting of: (i) the Mossdale Tract Levee Seepage Repair Project, and (ii) SJAFCA Levee Improvements.

In areas of the City that are outside of the Mossdale Tract in which development is planned, developer driven SB 5 levee improvements have been completed or are planned. SJAFCA is also working with the United States Army Corps of Engineers under Congressional authorization on completing approximately \$1.1 billion in levee repairs and seepage improvements (as described in a Lower San Joaquin Feasibility Study). This project will be installed along the western edge and interior areas of the City beginning at French Camp Slough in the south, north to Mosher Slough.

The Stockton RWCF is located in an area of the City that is protected by levees providing

100-year level of flood protection. However, the City makes no representation that such levees will be sufficient to protect the Stockton RWCF from all flood events in the future.

**Other Natural Disasters.** The occurrence of any other natural disaster or changes in natural conditions in or around the service area of the City, including, without limitation, fires (including wildfires), landslides, land subsidence, high winds, drought or other natural disasters could interrupt operation of the Wastewater System, or adversely affect economic activity in the City’s service area.

The State has historically been susceptible to wildfires and hydrologic variability. Portions of the Wastewater System are may be at risk of damage from wildfires. Since 2017, California has experienced numerous major wildfires which caused significant property damage throughout the State.

There can be no assurance that the occurrence of any natural calamity would not cause substantial damage to the Wastewater System facilities, including exacerbated infiltration and/or inflow of ground and other waters into the wastewater system, or that the Wastewater System would have insurance or other resources available to make repairs in order to resume normal operations and generate sufficient Net Revenues to pay debt service on the 2024 Bonds when due. The insurance coverage maintained by the Wastewater System may not cover damages and losses to the Wastewater System’s facilities due to earthquake, fire or flood.

### **Future Parity Obligations**

As described in “SECURITY AND SOURCES OF PAYMENT FOR THE 2024 BONDS – Additional Parity Obligations” above, the City has \$[\_\_\_\_\_] outstanding Parity Obligations, and the 2024 Contract permits the City to issue or create additional Parity Obligations that would be payable on parity with the payment of the 2024 Installment Payments. See also “INTRODUCTION – Outstanding and Additional Parity and Subordinate Obligations” herein.

The coverage tests described in “SECURITY AND SOURCES OF PAYMENT FOR THE 2024 BONDS – Rate Covenant” and “ – Additional Parity Obligations” involve, to some extent, projections of revenues. If Parity Obligations are issued, the debt service coverage for the 2024 Bonds could be diluted below what it otherwise would be. Moreover, there is no assurance that the assumptions that form the basis of such projections, if any, will be actually realized subsequent to the date of such projections. If such assumptions are not realized, the amount of future net revenues may be less than projected, and the actual amount of revenues may be insufficient to provide for the payment of the 2024 Bonds and any future Parity Obligations.

### **Risk Management and Insurance**

The Deputy Director of Human Resources of the City serves as the City’s Risk Manager, who oversees City personnel that handle claims and loss control activities, for the prevention and mitigation of property, liability, and employee claims for injury or damage. The City has maintained a program of self-insurance for many years. The City participates in two public entity insurance risk pools: the California Joint Powers Risk Management Authority (“CJPRMA”) and the California State Association of Counties-Excess Insurance Authority (CSAC-EIA) for various risk pooling and financing. For Fiscal Year 2023-24, excess pooled coverage for the self-insured general liability program is provided through the CJPRMA with an excess policy limit of \$[\_\_\_\_\_] subject to a self-insured retention (SIR) of \$[\_\_\_\_\_] ; auto damage coverage is provided through Alliant Insurance Company and has a policy deductible of \$[\_\_\_\_\_] per claim; and property coverage is provided through an insured program with CJPRMA with a deductible of \$[\_\_\_\_\_] per occurrence (excluding earthquake damage to any of its facilities). For Fiscal Year 2023-24, excess pooled coverage for the self-insured workers’ compensation program is provided through CSAC-EIA with statutory limits subject to a \$[\_\_\_\_\_] SIR.

### **Limitations on Remedies**

The ability of the City to comply with its covenants under the 2024 Contract and to generate Net System Revenues sufficient to pay principal of and interest with respect to the 2024 Bonds may be adversely affected by actions and events outside of the control of the City and may be adversely affected by actions taken (or not



taken) by voters, property owners, taxpayers or persons obligated to pay assessments, fees and charges. See “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAX AND APPROPRIATIONS” herein. Furthermore, the remedies available to the owners of the 2024 Bonds upon the occurrence of an event of default under the 2024 Contract are in many respects dependent upon judicial actions which are often subject to discretion and delay and could prove both expensive and time consuming to obtain. See also “ – No Acceleration of 2024 Bonds or 2024 Installment Payments.”

In addition, equity principles may limit the specific enforcement under state law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Federal constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State of California and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the Owners of the 2024 Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitations, or modification of their rights.

In addition to the limitations on remedies contained in the 2024 Contract, the rights and obligations under the 2024 Contract may be subject to bankruptcy, insolvency, 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 limitations on legal remedies against cities in the State of California. The opinion to be delivered by Bond Counsel, concurrently with the issuance of the 2024 Bonds, will be subject to such limitations and the various other legal opinions to be delivered concurrently with the issuance of the 2024 Bonds will be similarly qualified. See APPENDIX F – “PROPOSED FORM OF BOND COUNSEL OPINION” attached hereto. In the event the City fails to comply with its covenants under the 2024 Contract or the Authority fails to pay principal of and interest on the 2024 Bonds, there can be no assurance of the availability of remedies adequate to protect the interest of the holders of the 2024 Bonds.

### **Investment of Funds**

All moneys in any of the funds or accounts established with the Trustee under the 2024 Indenture will be invested by the Trustee solely in Permitted Investments as provided under the 2024 Indenture. See APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS” attached hereto for a summary of the definition of Permitted Investments. See also APPENDIX B – “AUDITED FINANCIAL STATEMENTS OF THE CITY OF STOCKTON FOR THE FISCAL YEAR ENDED JUNE 30, 2023.” All investments, including the Permitted Investments and those authorized by law from time to time for investments by public agencies contain a certain degree of risk. Such risks include, but are not limited to, a lower rate of return than expected, loss of market value and loss or delayed receipt of principal. The occurrence of these events with respect to amounts held under the 2024 Indenture or by the City could have a material adverse effect on the ability to pay debt service on the 2024 Bonds.

### **Cybersecurity**

The City and the Wastewater System, like many other public and private entities, rely on computer and other digital technology and systems to conduct its operations. The City and its departments, including the Wastewater System, are potentially subject to multiple cyber threats including, but not limited to, hacking, viruses, malware, ransomware, and other attacks on computers and other sensitive digital networks and systems. Entities or individuals may attempt to gain unauthorized access to City systems for the purposes of misappropriating assets or information or causing operational disruption or damage. The City has adopted security awareness training, incident response reporting protocols, and security policies, which are reviewed annually, to identify potential vulnerabilities and proactively mitigate them. The City maintains insurance coverage for cyber threat losses if a successful breach occurs, however, the City makes no representation that such insurance would be sufficient to cover all losses in the event of a material and sustained cyber breach.

There have been, however, only limited cyber-attacks on the computer systems of the City and the Wastewater System

No assurances can be given that the security and operational control measures of the City and the Wastewater System will be successful in guarding against any and each cyber threat and attack. The results of any attack on the computer and information technology systems of the City could have a material adverse impact on the operations and finances of the City and the Wastewater System and damage the digital networks and systems. The resulting impacts on the operations of the City and of the Wastewater System and the costs of remedying any such damage could be material and result in a delay of payments on the 2024 Bonds or the ability of the City to comply with its reporting obligations under the Continuing Disclosure Certificate.

### **Loss of Tax Exemption on the 2024 Bonds**

In order to maintain the exclusion from gross income for federal income tax purposes of the interest on the 2024 Bonds, the City and the Authority have covenanted in the 2024 Contract to comply with the applicable requirements of the Internal Revenue Code of 1986, as amended. The interest on the 2024 Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date of issuance of such 2024 Bonds as a result of acts or omissions of the City or the Authority in violation of this or other covenants in the 2024 Contract applicable to the 2024 Bonds. The 2024 Bonds are not subject to redemption or any increase in interest rates should an event of taxability occur and will remain outstanding until maturity or prior redemption in accordance with the provisions contained in the 2024 Contract. See “TAX MATTERS” herein.

### **Risk of Tax Audit**

The Tax Exempt and Government Entities Division (the “TE/GE Division”) of the Internal Revenue Service (the “IRS”) has a subdivision that is specifically devoted to tax-exempt bond compliance. There is no assurance that if an IRS examination of the 2024 Bonds was undertaken that it would not adversely affect the market value of the 2024 Bonds. See “TAX MATTERS” herein.

### **Secondary Market**

There can be no guarantee that there will be a secondary market for the 2024 Bonds or, if a secondary market exists, that the 2024 Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price.

### **Bankruptcy**

The Wastewater System, being an enterprise department of the City, likely cannot itself file for bankruptcy. While an involuntary bankruptcy petition cannot be filed against the City, the City is authorized to file for bankruptcy under certain circumstances. Should the City file for bankruptcy, there could be adverse effects on the holders of the 2024 Bonds.

To the extent that Revenues are “special revenues” under the United States Bankruptcy Code (the “Bankruptcy Code”), then Revenues collected after the date of the bankruptcy filing should be subject to the lien of the 2024 Indenture. If any or all of the Revenues are determined not to be “special revenues,” then any such amounts collected after the commencement of the bankruptcy case will likely not be subject to the lien of the 2024 Indenture. The holders of the 2024 Bonds may not be able to assert a claim against any property of the City other than the Net System Revenues, and if any or all of the Revenues are no longer subject to the lien of the Indenture, then there may be limited, if any, funds from which the holders of the 2024 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. It is not clear precisely which expenses would constitute necessary operating expenses, and any definition in the transaction documents may not be applicable.

If the City is in bankruptcy, the parties (including the Trustee and the holders of the 2024 Bonds) may be prohibited from taking any action to collect any amount from the City 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 2024 Bonds from funds in the Trustee’s possession. The rate covenants (see “SECURITY AND SOURCES OF PAYMENT FOR THE 2024 BONDS – Rate Covenant” herein) may not be enforceable in bankruptcy by the Trustee or the holders of the 2024 Bonds.

Revenues are deposited with and in the City Treasury and may be commingled with other City funds. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2024 BONDS” herein. If the City goes into bankruptcy, the City may not be required to turn over to the Trustee any Revenues that are in its possession at the time of the bankruptcy filing. In addition, if the City has possession of Revenues (whether collected before or after commencement of the bankruptcy) and if the City does not voluntarily turn over such Revenues to the Trustee, it is not clear what procedures the Trustee and the holders of the 2024 Bonds would have to follow to attempt to obtain possession of such Revenues, how much time it would take for such procedures to be completed, or whether such procedures would ultimately be successful.

The City may be able to borrow additional money that is secured by a lien on any of its property (including the Revenues), which lien could have priority over the lien of the Indenture, or to cause some of the Revenues to be released to it, free and clear of lien of the Indenture, in each case as long as the bankruptcy court determines that the rights of the Trustee and the holders of the 2024 Bonds will be adequately protected.

If the City is in bankruptcy it may be able, without the consent and over the objection of the Trustee and the holders of the 2024 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 2024 Bonds, as long as the bankruptcy court determines that the alterations are fair and equitable.

There may be delays in payments on the 2024 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 2024 Bonds, or result in losses to the holders of the 2024 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 2024 Bonds.

The City declared bankruptcy on July 18, 2012 and emerged from bankruptcy on February 25, 2015 when the City’s plan of adjustment became effective. Throughout its bankruptcy case, the City maintained that revenues of the Wastewater System qualified as “special revenues” under the United States Bankruptcy Code, and no creditor or party in interest argued otherwise. As a result, all revenues attributable to the Wastewater System were available solely for Wastewater System operations. At no point were revenues of the Wastewater System diverted to fund general fund operations; nor did the general fund borrow funds from the Wastewater System.

### **Public Health Emergencies**

The City and the Wastewater System’s finances and operations are exposed to risks from public health events and concerns, including the occurrence of epidemics or pandemics, such as the COVID-19 pandemic. Although the federal COVID-19 public health emergency declaration ended on May 11, 2023, the economy of the City, the State, as well as national and global economies, were profoundly affected by the COVID-19 pandemic. The Wastewater System’s finances have generally not been materially and adversely impacted by the

COVID-19 pandemic; however, because of its evolving nature and the uncertainty of its duration, the cumulative impact of the crisis on the Wastewater System's financial condition and operations cannot be fully determined at this time. Future public health events, alone or in combination with other events or circumstances, could have material adverse impacts on City's economy and the City and Wastewater System's finances and operations.

### **Bond Insurance**

In the event of default of the payment of the scheduled principal or interest with respect to the 2024 Bonds when all or some becomes due, the Trustee on behalf of any owner of the 2024 Bonds shall have a claim under the Policy for such payments. The Policy does not insure redemption premium, if any. The payment of principal and interest in connection with optional prepayment of the 2024 Bonds which is recovered from the bond owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by the Insurer at such time and in such amounts as would have been due absent such prepayment unless the Insurer chooses to pay such amounts at an earlier date.

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of the Insurer without appropriate consent. The Insurer may direct and must consent to any remedies with respect to the 2024 Bonds and the Insurer's consent may be required in connection with amendments to any applicable documents relating to the 2024 Bonds.

In the event the Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the 2024 Bonds are payable solely from the Revenues as provided in the 2024 Indenture. In the event the Insurer becomes obligated to make payments with respect to the 2024 Bonds, no assurance is given that such event will not adversely affect the market price of the 2024 Bonds or the marketability (liquidity) for the 2024 Bonds.

The long-term ratings on the 2024 Bonds are dependent in part on the financial strength of the Insurer and its claims paying ability. The Insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Insurer and of the ratings on the 2024 Bonds will not be subject to downgrade and such event could adversely affect the market price of the 2024 Bonds or the marketability (liquidity) for the 2024 Bonds. See "RATINGS" herein.

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

None of the Authority, the City or the underwriters has made independent investigation into the claims paying ability of the Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the Authority to pay principal and interest on the 2024 Bonds from the Revenues as provided in the 2024 Indenture and the claims paying ability of the Insurer, particularly over the life of the investment. See "BOND INSURANCE" herein for further information regarding the Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Insurer.

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

Described below are certain measures which have impacted or may in the future impact Net System Revenues.

## **Taxing and Spending Limitations**

The taxing powers of public agencies in the State are limited by Article XIII A of the California Constitution, added by an initiative amendment approved by the voters on June 6, 1978, and commonly known as Proposition 13.

Article XIII A limits the maximum ad valorem tax on real property to 1% of “full cash value,” which is defined as “the County Assessor’s valuation of real property as shown on the Fiscal Year 1975-76 tax bill under ‘full cash value’ or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment.” The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or reduction in the consumer price index or comparable local data, or declining property value caused by damage, destruction, or other factors.

The tax rate limitation referred to above does not apply to ad valorem taxes to pay the debt service on any indebtedness approved by the voters before July 1, 1978, or on any bonded indebtedness for the acquisition or improvement of real property approved by two-thirds of the votes cast by the voters voting on the proposition.

Under the terms of Article XIII A and pursuant to an allocation system created by implementing legislation, each county is required to levy the maximum ad valorem tax permitted by Article XIII A and to distribute the proceeds to local agencies.

Assessed valuation growth allowed under Article XIII A (new construction, change of ownership and up to 2% annual value growth) is allocated among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and schools share the growth of base revenues from the tax rate area. Each year’s growth allocation becomes part of each agency’s allocation in the following year. The availability of revenues from tax bases to such entities may be affected by the existence of certain successor agencies to former redevelopment agencies that, under certain circumstances, may be entitled to such revenues resulting from the upgrading of certain property values.

Under State law, any fee that exceeds the reasonable cost of providing the service for which the fee is charged may be considered a “special tax” that must be authorized by a two thirds vote of the electorate. Accordingly, if a portion of the City’s wastewater user rates or capacity charges were determined by a court to exceed the reasonable cost of providing service, the City might not be permitted to continue to collect that portion unless it were authorized to do so by a two-thirds majority of the votes cast in an election to authorize the collection of that portion of the rates or fees. If the City were unable to obtain such a two-thirds majority vote and were unable to reduce costs, such failure could adversely affect the City’s ability to pay the debt service on the 2024 Bonds.

The United States Supreme Court has upheld Article XIII A against a challenge alleging violation of equal protection under the Fourteenth Amendment to the United States Constitution.

## **Proposition 218**

**General.** Proposition 218, a State ballot initiative known as the “Right to Vote on Taxes Act,” was approved by California voters on November 5, 1996. The initiative added Articles XIII C and XIII D to the California Constitution, creating additional requirements for the imposition by most local governments of “general taxes,” “special taxes,” “assessments,” “fees,” and “charges.” Articles XIII C and XIII D became effective, pursuant to their terms, as of November 6, 1996, although compliance with some of the provisions was deferred until July 1, 1997, and certain of the provisions purport to apply to any tax imposed for general governmental purposes (i.e., “general taxes”) imposed, extended or increased on or after January 1, 1995 and prior to November 6, 1996.

Article XIID imposes substantive and procedural requirements on the imposition, extension or increase of any “fee” or “charge” subject to its provisions. A “fee” or “charge” subject to Article XIID includes any levy, other than an ad valorem tax, special tax or assessment, imposed by an agency upon a parcel or upon a person as an incident of property ownership. Article XIID prohibits, among other things, the imposition of any proposed fee or charge, and, possibly, the increase of any existing fee or charge, in the event written protests against the proposed fee or charge are presented at a required public hearing on the fee or charge by a majority of owners of the parcels upon which the fee or charge is to be imposed. Except for fees and charges for water, sewer and refuse collection services, the approval of a majority of the property owners subject to the fee or charge, or at the option of the agency, by a two-thirds vote of the electorate residing in the affected area, is required not less than 45 days following the public hearing on any such proposed new or increased fee or charge.

**Judicial Interpretation.** The California Supreme Court decisions in *Richmond v. Shasta Community Services District*, 32 Cal. 4th 409 (2004) (“Richmond”), and *Bighorn-Desert View Water Agency v. Verjil*, 39 Cal. 4th 206 (2006) (“Bighorn”) have clarified uncertainty surrounding the applicability of Section 6 of Article XIID to service fees and charges. In *Richmond*, the Shasta Community Services District charged a water connection fee, which included a capacity charge for capital improvements to the water system and a fire suppression charge. The Court held that both the capacity charge and the fire suppression charge were not subject to Article XIID because a water connection fee is not a property-related fee or charge because it results from the property owner’s voluntary decision to apply for the connection. In both *Richmond* and *Bighorn*, however, the Court stated that a fee for ongoing water service through an existing connection is imposed “as an incident of property ownership” within the meaning of Article XIID, rejecting, in *Bighorn*, the water agency’s argument that consumption-based water charges are not imposed “as an incident of property ownership” but as a result of the voluntary decisions of customers as to how much water to use.

Article XIIC extends the people’s initiative power to reduce or repeal previously authorized local taxes, assessments, fees and charges. This extension of the initiative power is not limited by the terms of Article XIIC to fees, taxes, assessment fees and charges imposed after November 6, 1996 and absent other authority could result in retroactive reduction in any existing taxes, assessments, fees or charges. In *Bighorn*, the Court concluded that under Article XIIC local voters by initiative may reduce a public agency’s water rates and delivery charges. The Court noted, however, that it was not holding that the authorized initiative power is free of all limitations, stating that it was not determining whether the electorate’s initiative power is subject to the public agency’s statutory obligation to set water service charges at a level that will “pay the operating expenses of the agency, ... provide for repairs and depreciation of works, provide a reasonable surplus for improvements, extensions, and enlargements, pay the interest on any bonded debt, and provide a sinking or other fund for the payment of the principal of such debt as it may become due.”

Article XIID imposes the substantive requirement that any wastewater charges may not exceed the proportional cost of providing service to customers. The Fourth District of the California Court of Appeal decision in *Capistrano Taxpayers Association, Inc. v. City of San Juan Capistrano*, 235 Cal.App.4th 1493 (2015), clarified that tiered rate structures are compatible with the cost of service limitations of Article XIID when each tier structure is supported by cost of service calculations. The court held that San Juan Capistrano’s water rates violated Article XIID because no evidence in the record adequately showed that each tier corresponded to the cost of providing service at a given level of usage.

**City’s Wastewater Rates and Charges.** The City’s current sewer rates were adopted by resolution of the City Council on May 21, 2019, following notice to property owners and a public hearing held at least 45 days after the notice had been mailed, in compliance with Articles XIII C and XIII D.

Further, the City believes the Wastewater System rates and charges, respectively, do not constitute “taxes” under Article XIII C as revised by Proposition 26 because, as described in subsection 1(e)(7) of Article XIII C, they are “property-related fees imposed in accordance with the provisions of Article XIII D” (and are also charges for a “property-related service” as defined in subsection 2(g) of Article XIII D) and because, as

described in subsection 1(e)(2) of Article XIII C, they are charged for sewer service, “a specific government service or product provided directly to the payor that is not provided to those not charged.”

The City believes that it has complied with the required procedures in connection with its approved rate increases.

**Conclusion.** It is not possible to predict how courts will further interpret Proposition 218 in future judicial decisions, and what, if any, further implementing legislation will be enacted. Under the Bighorn case, local voters could adopt an initiative measure that reduces or repeals the rates and charges of the City, though it is not clear whether (and California courts have not decided whether) any such reduction or repeal by initiative would be enforceable in a situation in which such rates and charges are pledged to the repayment of bonds or other indebtedness, as is the case with respect to the 2024 Bonds. There can be no assurance that the courts will not further interpret, or the voters will not amend, Article XIII C and Article XIII D to limit the ability of local agencies to impose, levy, charge and collect increased fees and charges for wastewater services, or to call into question previously adopted wastewater services rate increases.

### **Proposition 26**

Proposition 26, which amended Article XIII A and XIII C of the California Constitution, was approved by the electorate at the November 2, 2010 election. Proposition 26 imposes a two thirds voter approval requirement for the imposition of fees and charges by the State. It also imposes a majority voter approval requirement on local governments with respect to fees and charges for general purposes, and a two thirds voter approval requirement with respect to fees and charges for special purposes. According to its supporters, Proposition 26 was designed to prevent the circumvention of tax limitations imposed by the voters pursuant to Proposition 13, approved in 1978, Proposition 218, and other measures through the use of non tax fees and charges.

Proposition 26 expressly excludes from its scope “a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable cost to the governmental entity of providing the service or product to the payor” and “assessments and property related fees imposed in accordance with the provisions of Article XIII D.” The California Supreme Court has held that a fee for ongoing water service through an existing connection is imposed “as an incident of property ownership” within the meaning of Article XIII D. See “– Proposition 218” above.

The City can give no assurance that the courts will not further interpret, or the voters will not amend, the California Constitution to limit the ability of local agencies to impose, levy, charge, and collect increased fees and charges for wastewater service.

## **TAX MATTERS**

### **Opinion of Bond Counsel**

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the 2024 Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”) and (ii) interest on the 2024 Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code, however, interest on the 2024 Bonds is included in the “adjusted financial statement income” of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Authority and the City in connection with the 2024 Bonds, and Bond Counsel has assumed compliance by the Authority and the City with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the 2024 Bonds from gross income under Section 103 of the Code.

In addition, in the opinion of Bond Counsel, under existing statutes, interest on the 2024 Bonds is exempt from State of California personal income taxes.

Bond Counsel expresses no opinion as to any other federal, state or local tax consequences arising with respect to the 2024 Bonds, or the ownership or disposition thereof, except as stated above. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion to reflect any action thereafter taken or not taken, any fact or circumstance that may thereafter come to its attention, any change in law or interpretation thereof that may thereafter occur, or for any other reason. Bond Counsel expresses no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, Bond Counsel expresses no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the 2024 Bonds.

### **Certain Ongoing Federal Tax Requirements and Covenants**

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the 2024 Bonds in order that interest on the 2024 Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the 2024 Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the federal government. Noncompliance with such requirements may cause interest on the 2024 Bonds to become included in gross income for federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The Authority and the City have covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the 2024 Bonds from gross income under Section 103 of the Code.

### **Certain Collateral Federal Tax Consequences**

The following is a brief discussion of certain collateral federal income tax matters with respect to the 2024 Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of a 2024 Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the 2024 Bonds.

Prospective owners of the 2024 Bonds should be aware that the ownership of such obligations may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for federal income tax purposes. Interest on the 2024 Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

### **Original Issue Discount**

“Original issue discount” (“OID”) is the excess of the sum of all amounts payable at the stated maturity of a 2024 Bond (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the “issue price” of a maturity (a bond with the same maturity date, interest rate, and credit terms) means the first price at which at least 10 percent of such maturity was sold to the public, i.e., a purchaser who is not, directly or indirectly, a signatory to a written contract to participate in the initial sale of the 2024 Bonds. In general, the issue price for each maturity of 2024 Bonds is expected to be the initial public offering price set forth on the cover page of the Official Statement. Bond



Counsel further is of the opinion that, for any 2024 Bonds having OID (a “Discount Bond”), OID that has accrued and is properly allocable to the owners of the Discount Bonds under Section 1288 of the Code is excludable from gross income for federal income tax purposes to the same extent as other interest on the 2024 Bonds.

In general, under Section 1288 of the Code, OID on a Discount Bond accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Bond. An owner’s adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such 2024 Bond. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Bond even though there will not be a corresponding cash payment.

Owners of Discount Bonds should consult their own tax advisors with respect to the treatment of original issue discount for federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Discount Bonds.

### **Bond Premium**

In general, if an owner acquires a bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the bond after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates), that premium constitutes “bond premium” on that bond (a “Premium Bond”). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner’s yield over the remaining term of the Premium Bond determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner’s regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner’s original acquisition cost. Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

### **Information Reporting and Backup Withholding**

Information reporting requirements apply to interest paid on tax-exempt obligations, including the 2024 Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, “Request for Taxpayer Identification Number and Certification,” or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to “backup withholding,” which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a “payor” generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a 2024 Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the 2024 Bonds from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be

allowed as a refund or a credit against the owner's federal income tax once the required information is furnished to the Internal Revenue Service.

### **Miscellaneous**

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the 2024 Bonds under federal or state law or otherwise prevent beneficial owners of the 2024 Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the 2024 Bonds.

Prospective purchasers of the 2024 Bonds should consult their own tax advisors regarding the foregoing matters.

## **LEGAL MATTERS**

The validity of the 2024 Bonds and certain other legal matters are subject to the approving opinion of Hawkins Delafield & Wood LLP, Bond Counsel. A complete copy of the proposed form of Bond Counsel opinion is contained in APPENDIX F to this Official Statement. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Hawkins Delafield & Wood LLP is serving as Disclosure Counsel to the City. Certain legal matters will be passed upon for the Authority and the City by the City Attorney. Certain legal matters will be passed upon for the Underwriters by their counsel, Kutak Rock LLP, [and for the Insurer by its general counsel].

## **ABSENCE OF MATERIAL LITIGATION**

### **The Authority**

No litigation is pending with service of process having been accomplished or, to the knowledge of the Authority, threatened, concerning the validity of 2024 Indenture or 2024 Contract.

### **The City**

There is no litigation pending with service of process having been accomplished or, to the knowledge of the City, threatened, questioning the existence of the City, or the title of the offices of the City to their respective offices. Except as otherwise described in this Official Statement, there is no litigation pending or, to the knowledge of the City, threatened, questioning or affecting in any material respect the financial condition of the City's Wastewater System or the validity of the 2024 Bonds, the 2024 Contract, or the 2024 Indenture.

## **RATINGS**

[S&P Global Ratings ("S&P")] and [Fitch Ratings ("Fitch")], has assigned the 2024 Bonds the municipal bond ratings of "[ ]" and "[ ]," respectively, with the understanding that upon delivery of the 2024 Bonds, the Policy will be issued by [INSURANCE PROVIDER]. See "BOND INSURANCE" herein and APPENDIX G – "SPECIMEN MUNICIPAL BOND INSURANCE POLICY" attached hereto. [S&P] and [Fitch] have assigned the 2024 Bonds the underlying municipal bond ratings of "[ ]" and "[ ]" respectively. A rating reflects only the view of the agency giving such rating and is not a recommendation to buy, sell or hold the 2024 Bonds. An explanation of the significance of each rating may be obtained from the rating agencies. There is no assurance that the ratings will be retained for any given period of time or that the same will not be revised downward or withdrawn entirely by either rating agency if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or either of them, may have an adverse effect on the market price of the 2024 Bonds.

## MUNICIPAL ADVISOR

The Authority has retained Del Rio Advisors, LLC of Modesto, California, as municipal advisor (the “Municipal Advisor”) in connection with the offering of the 2024 Bonds and the preparation of this Official Statement. The Municipal Advisor assisted in the preparation and review of this Official Statement. All financial and other information presented in this Official Statement has been provided by the Authority and the City from their records, except for information expressly attributed to other sources. The Municipal Advisor takes no responsibility for the accuracy or completeness of the data provided by the Authority, the City or others and has not undertaken to make an independent verification or does not assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. The fee of the Municipal Advisor is contingent upon the successful closing of the 2024 Bonds.

## UNDERWRITING

The Underwriters, as identified on the cover of this Official Statement, have agreed to purchase the 2024 Bonds at a purchase price equal to \$ \_\_\_\_\_, which represents the principal amount of the 2024 Bonds plus a net original issue premium in the amount of \$ \_\_\_\_\_ and less an underwriters’ discount in the amount of \$ \_\_\_\_\_. The bond purchase agreement relating to the 2024 Bonds provides that the Underwriters will purchase all of the 2024 Notes if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in said bond purchase agreement, the approval of certain legal matters by counsel and certain other conditions. The Underwriters may offer and sell the 2024 Bonds to certain dealers and others at prices lower than (or yields higher than) the public offering prices (or yields) set forth on the cover page hereof.

## VERIFICATION OF MATHEMATICAL COMPUTATIONS

The accuracy of the mathematical computations of the adequacy of the maturing principal of and interest earned on the escrow securities to provide for the payment, when due, of all principal and interest and redemption price with respect to the 2014 Bonds to their redemption date will be verified by [VERIFICATION AGENT] (the “Verification Agent”). The Verification Agent will express no opinion on the assumptions provided to them, nor as to the exemption from taxation of the interest on the Bonds. See “PLAN OF REFUNDING” above.

## CONTINUING DISCLOSURE

The Authority has determined that no financial or operating data concerning the Authority is material to an evaluation of the offering of the 2024 Bonds or to any decision to purchase, hold or sell the 2024 Bonds and the Authority will not provide any such information. The City has undertaken all responsibilities for any continuing disclosure to Holders of the 2024 Bonds as described below, and the Authority shall have no liability to the Holders of the 2024 Bonds or any other person with respect to the Rule.

The City has covenanted for the benefit of the Holders of the 2024 Bonds to provide the Annual Report not later than the end of the ninth month following the end of the City’s Fiscal Year (which currently is June 30) commencing with the Annual Report for the 2023-24 Fiscal Year, and to provide notices of the occurrence of certain enumerated events. The Annual Report and notices of events will be filed by means of EMMA maintained by the MSRB. The specific nature of the information to be contained in the Annual Report or the notices of certain enumerated events is set forth in APPENDIX D – “FORM OF CONTINUING DISCLOSURE CERTIFICATE.” These covenants have been made in order to assist the Underwriters in complying with the Rule. The City has an ongoing contract with Willdan Financial Services as Dissemination Agent.

[In the past five years, the City has not failed to comply in all material respects with its outstanding continuing disclosure undertakings] *[To be confirmed]*

## FINANCIAL STATEMENTS

Audited financial statements of the City (including the Wastewater System Fund) for the Fiscal Year ended June 30, 2023, are attached hereto as APPENDIX B. The City's financial statements were audited by The Pun Group, LLP (the "Independent Auditor"), as stated in its report dated March 13, 2024 appearing in APPENDIX B hereto. The Independent Auditor has not reviewed, audited or examined the finances of the City subsequent to March 13, 2024 and has not undertaken any review of any of the information contained in this Official Statement.

## MISCELLANEOUS

This Official Statement is not to be construed as a contract or agreement among the Authority, the City and the Underwriters of the 2024 Bonds. Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. The information and expressions of opinion herein are subject to change without notice and neither the delivery of the Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority or the City since the date hereof.

References are made herein to certain documents and reports which are brief summaries thereof which 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. Copies of such documents and reports are available for inspection at the office of the Chief Financial Officer, City of Stockton, 425 North El Dorado Street, Stockton California 95202.

The execution and delivery of the Official Statement by the Authority and the City have been duly authorized by the Board of Directors of the Authority and the City Council of the City, respectively.

STOCKTON PUBLIC FINANCING AUTHORITY

By: \_\_\_\_\_  
[Name, Title]

CITY OF STOCKTON

By: \_\_\_\_\_  
[Name, Title]

## APPENDIX A

### GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE CITY OF STOCKTON

The following information concerning the City and surrounding areas is included only for the purpose of supplying general information regarding the community. The 2024 Bonds are not a debt of the City, the State or any of its political subdivisions and neither the City, the State, nor any of its political subdivisions is liable therefor. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2024 BONDS” herein.

#### **Overview**

The City is a charter city incorporated in 1850. The City is the county seat of San Joaquin County and is located in California’s San Joaquin Valley, 78 miles east of the San Francisco Bay Area, 345 miles north of Los Angeles and 45 miles south of Sacramento. The County of San Joaquin covers approximately 1,400 square miles. The County is bounded by Sacramento County on the north, Stanislaus County on the south, Contra Costa County and Alameda County on the west and Amador County, Calaveras County and Stanislaus County on the east. The City is a municipal corporation and a chartered city, duly organized and existing under the constitution and laws of the State.

#### **Governing Body**

The City operates under a Council/Manager form of government, with a seven-member City Council (current members were elected by district voting) for staggered four-year terms. Under this form of government, policy making and legislative authority is entrusted to the City Council. The Mayor and representatives from six districts are elected by City-wide election for staggered four-year terms, with a two-term limit. Newly elected representatives are sworn in on the first Tuesday of January of each odd-numbered year. The City Council is also the governing board of the Redevelopment Agency.

The City Manager is responsible for carrying out policies and ordinances of the City Council for appointing heads of departments and overseeing the operation of the City. The City Manager, the City Attorney, the City Auditor and the City Clerk are appointed by the City Council.

*[Remainder of Page Intentionally Left Blank]*

The Mayor, current members of the City Council and key administrative personnel of the City are listed in Table A-1 and Table A-2, respectively.

**TABLE A-1**  
**CITY OF STOCKTON**  
**Mayor and City Councilmembers**

Name	Office	Term Expires	Occupation
Kevin J. Lincoln II	Mayor	12/31/2024	Mayor
Kimberly Warmesley	Vice Mayor, District 6	12/31/2024	Social worker
Michele Padilla	Councilmember, District 1	12/31/2026	Educator
Daniel R. Wright	Councilmember, District 2	12/31/2024	Educator
Michael Blower	Councilmember, District 3	12/31/2026	Realtor
Susan Lenz	Councilmember, District 4	12/31/2024	Certified Public Accountant and Business Owner
Brando Villapudua	Councilmember, District 5	12/31/2026	Sales Manager

**TABLE A-2**  
**CITY OF STOCKTON**  
**Key Administrative Personnel**

Name	Position
Harry Black	City Manager
Lori M. Asuncion	City Attorney
Jay Kapoor	Interim Chief Financial Officer
Moss Adams LLP	City Auditor
Katherine Roland	Interim City Clerk

The City provides a full range of municipal services. As provided in the City Charter, these services include public safety (police, fire, paramedics, water rescue and building inspection), sanitation (solid waste disposal, wastewater and stormwater utilities), water utility, community development, library, parks and recreation and general administrative services.

**Population**

Population information is set forth in Table A-3.

**TABLE A-3**  
**CITY OF STOCKTON, COUNTY OF SAN JOAQUIN**  
**AND STATE OF CALIFORNIA**  
**Population**  
**(As of January 1)**

Year	City of Stockton	County of San Joaquin	State of California
2020 <sup>(1)</sup>	320,290	779,233	39,538,223
2021	319,882	780,320	39,327,868
2022	318,477	782,163	39,114,785
2023	315,685	783,903	39,061,058
2024	317,204	791,408	32,128,162

<sup>(1)</sup> As of April 1 of that year.

Source: California State Department of Finance, E-4 Population Estimates for Cities, Counties and the State, 2020-2024, with 2024 Benchmark.

*[Remainder of Page Intentionally Left Blank]*

## Labor Force and Employment

Table A-4 table represents the labor patterns in the City, the County, the State, and the United States from 2020 through 2023.

**Table A-4**  
**CITY OF STOCKTON, SAN JOAQUIN COUNTY,**  
**STATE OF CALIFORNIA AND UNITED STATES**  
**Civilian Labor Force, Employment, and Unemployment**  
**2020 through 2023**

Year and Area	Labor Force	Employment	Unemployment	Unemployment Rate
<b>2023</b>				
City	135,100	126,600	9,500	7.0%
County	346,800	325,100	21,600	6.2
State	19,308,300	18,388,300	920,000	4.8
United States	167,116,000	161,037,000	6,080,000	3.6
<b>2022</b>				
City	134,300	126,100	8,200	6.1
County	342,200	323,900	18,300	5.3
State	19,169,300	18,348,900	820,400	4.3
United States	164,287,000	158,291,000	5,996,000	3.6
<b>2021</b>				
City	132,800	119,700	13,200	9.9
County	336,100	307,300	28,900	8.6
State	18,956,600	17,568,700	1,387,800	7.3
United States	161,204,000	152,581,000	8,623,000	5.3
<b>2020</b>				
City	132,800	115,400	17,400	13.1
County	334,800	296,300	38,400	11.5
State	18,958,600	17,037,000	1,921,600	10.1
United States	160,742,000	147,795,000	12,947,000	8.1

Sources: California State Employment Development Department and U.S. Department of Labor, Bureau of Labor Statistics.



## Employment and Industry

Approximately 3,000 acres in the City are zoned for light and heavy industry. Included in this acreage are 15 industrial parks with all on/site improvements. Six industrial parks are rail served.

The largest employers in the City as of Fiscal Year 2022-23 are set forth in Table A-5.

**Table A-5**  
**CITY OF STOCKTON**  
**Largest Employers Fiscal Year 2022-23**  
**(As of July 2023)**

Company	Product/Service	Employees	Percent of Total City Employment
Stockton Unified School District	Public Education	5,341	3.96%
Amazon	Technology	4,650	3.45
St. Joseph's Medical Center	Health Care	3,200	2.37
San Joaquin County Office of Education	Public Education	2,436	1.81
City of Stockton	City Government	2,138	1.59
University of the Pacific	Private College	1,816	1.35
Pacific Gas and Electric	Utilities	1,550	1.15
Lincoln Unified School District	Public Education	1,125	0.83
Kaiser Permanente	Health Care	1,065	0.79
San Joaquin Delta College	Public College	813	0.60

*Sources: City of Stockton Fiscal Year 2022-23 Annual Comprehensive Financial Report.*

*[Remainder of Page Intentionally Left Blank]*

The Industry Employment and Labor Force for the Stockton Metropolitan Statistical Area (MSA) are set forth in Table A-6. The central city of the Stockton MSA is the City.

**Table A-6**  
**STOCKTON MSA**  
**Industry Employment<sup>(1)</sup> and Labor Force**  
**By Annual Average**  
**March 2023 Benchmark**

	2019	2020	2021	2022	2023
Total All Industries	262,400	257,700	269,800	286,300	288,900
Agriculture	15,400	14,600	14,200	13,800	14,100
Nonagriculture	247,000	243,100	255,600	272,500	274,900
Goods Producing	33,700	33,200	35,300	37,800	37,400
Manufacturing	20,500	20,100	21,300	23,000	23,500
Wholesale Trade	11,700	10,600	10,800	11,600	12,300
Retails Trade	26,200	24,600	26,200	27,000	27,200
Transportation, Warehousing, Utilities	31,300	38,800	43,000	48,100	46,800
Information	1,600	1,200	1,200	1,200	1,100
Financial Activities	7,900	7,800	8,000	8200	8000
Professional and Business Services	20,200	21,300	22,500	24,100	23,700
Education and Health Services	39,100	37,300	38,000	39,800	42,200
Leisure and Hospitality	22,600	18,500	21,300	24,300	24,600
Other Services	7,800	6,800	7,300	7,900	8,200
Government	44,900	43,000	42,000	42,600	43,400

<sup>(1)</sup> Industry employment is by place of work; excludes business owners, self-employed people, unpaid volunteers or family workers and private household workers.

Source: State of California Employment Development Department, Labor Market Information Division.

## Personal Income

Total personal income is defined by the Bureau of Economic Analysis, an agency of the U.S. Department of Commerce, as income received from all sources, including income received from participation in production as well as from government and business transfer payments. It represents the sum of compensation received by employees, supplements to wages and salaries, proprietors' income with inventory valuation adjustment and capital consumption adjustment (the "CCAdj"), rental income of persons with the CCAdj, personal income receipts on assets, and personal current transfer receipts, less contributions for government social insurance. Per capita income is calculated as the personal income divided by the resident population based upon the Census Bureau's annual midyear population estimates.

Table A-7 summarizes the total personal income and per capita income for the Stockton Metropolitan Statistical Area (an "MSA"), the State and the United States for the calendar years 2019 through 2023. The principal city for the Stockton MSA is the City.

**Table A-7**  
**STOCKTON METROPOLITAN AREA,**  
**STATE OF CALIFORNIA AND UNITED STATES**  
**Personal Income**

Year and Area	Personal Income (millions of dollars)	Per Capita Personal Income (dollars)
2023		
Stockton MSA	-	-
State	\$3,133,678	\$80,423
United States	22,952,028	68,531
2022		
Stockton MSA	\$ 42,979	\$54,183
State	3,006,647	77,013
United States	21,820,248	65,473
2021		
Stockton MSA	\$ 43,999	\$55,827
State	3,013,676	76,987
United States	21,392,812	64,427
2020		
Stockton MSA	\$ 40,056	\$51,317
State	2,767,521	70,058
United States	19,609,985	59,151
2019		
Stockton MSA	\$ 34,952	\$45,239
State	2,537,950	64,174
United States	18,343,601	55,547

*Source: U.S. Department of Commerce, Bureau of Economic Analysis.*

## Construction Activity

Building activity for the past five calendar years for which data is available in the City is shown in Table A-8.

**Table A-8**  
**CITY OF STOCKTON**  
**Total Building Permit Valuations†**  
**(\$ in thousands)**

Permit Valuation	2019	2020	2021	2022	2023
New Single Family	\$99,207	\$129,515	\$137,024	\$156,148	\$177,814
New Multiple Family	32,174	12,061	20,336	0	52,646
Residential Alterations/Additions	66,557	17,943	94,667	141,666	26,680
<b>TOTAL RESIDENTIAL</b>	<b>\$197,939</b>	<b>\$159,520</b>	<b>\$252,028</b>	<b>\$297,815</b>	<b>\$257,142</b>
<b>TOTAL NONRESIDENTIAL</b>	<b>305,600</b>	<b>85,696</b>	<b>241,848</b>	<b>718,175</b>	<b>174,249</b>
<b>TOTAL</b>	<b>\$503,540</b>	<b>\$245,216</b>	<b>\$503,876</b>	<b>\$1,015,991</b>	<b>\$434,578</b>
Net Dwelling Units	2019	2020	2021	2022	2023
Single Family	302	481	465	497	544
Multiple Family	262	93	18	0	456
<b>TOTAL</b>	<b>564</b>	<b>574</b>	<b>483</b>	<b>497</b>	<b>1000</b>

† Certain columns may not total due to rounding.

Source: Construction Industry Research Board.

## Transportation

*[City to confirm]*

The City is located on Interstate 5, the West Coast's major route from Canada to Mexico. The City's cross-town freeway connects Interstate 5 with State Route 99, the State's other principal north-south freeway. The City also benefits from direct highway connections to the San Francisco Bay Area via Interstate 580, and to the Reno-Lake Tahoe area via Interstate 80. Thirty-five major transcontinental truck lines and nearly 200 contract carriers serve the City and provide overnight delivery to Los Angeles, San Francisco and Reno. The City is also served by Greyhound and the San Joaquin Regional Transit District.

The City is served by the rail services of Santa Fe, Southern Pacific, and Union Pacific systems in addition to three short line railroads: Central California Traction Company, Tidewater Southern, and Stockton Terminal and Eastern Railroad. Passenger service is provided by Amtrak.

The Stockton Metropolitan Airport, located on 1,449 acres on the southern boundary of the City, is a general aviation facility offering both passenger and freight transport services. It has six air carrier gates adjoining a 44,355 square foot terminal building.

The Port of Stockton is the largest inland deep water port in the State. It is located on the Stockton deepwater ship channel and encompasses a 2,000 acre operating area. The Port has berthing space for 17 vessels, 1.1 million square feet of dockside transit sheds and shipside rail trackage, and 7.7 million square feet of warehousing, and is 75 nautical miles east of the Golden Gate Bridge.

Railroad service is provided to the City by Burlington Northern, Santa Fe and the Union Pacific railroads. Daily passenger service by Amtrak is available to San Francisco, Los Angeles and Sacramento.

## Education and Recreation

*[City to confirm]*

**Education.** Within the City, there are five post-secondary institutions: San Joaquin Delta Community College, California State University Stanislaus-Stockton (extension), University of the Pacific, Humphrey's College and School of Law and National University (private).

The majority of students living within City limits attend schools operated by one of four unified school districts providing kindergarten through grade 12 education: the Stockton Unified School District, the Lodi Unified School District, the Lincoln Unified School District and the Manteca Unified School District.

The Escalon Unified School District, the Holt Union Elementary School District, the Linden Unified School District, the Tracy Unified School District and the County Office of Education also operate schools located within the City.

There are also more than 20 private schools located within the City offering elementary and secondary education.

There is also one central, five branch City libraries and two mobile library units holding more than one million books in the collection.

**Recreation.** The City is situated along the San Joaquin Delta waterway which connects to the San Francisco Bay and the Sacramento and San Joaquin Rivers and is also located in close proximity to Lake Tahoe and Yosemite National Park. There are approximately 619 acres of parkland located within the City.

The Stockton Children's Museum is located in downtown Stockton and offers educational experiences based upon hands-on, play-based exhibits that enhance a child's understanding of how the world works. The Museum features more than a dozen different child-sized environments that recreate the ambience of a small city where merchants, bankers and doctors might mingle among the grocery shoppers, fast food customers and canning crew.

The 5,000 seat Stockton Ballpark that opened in April 2005 is the home of the Stockton Ports single A minor league team for the Oakland Athletics features four luxury suites, lawn seating, a family recreation area and a barbeque area with umbrella seating behind the outfield.

The City Centre Cinema Complex in downtown Stockton offers a 16-screen movie theater, restaurants and retail shopping.

The 220,000 square foot, 10,000 seat Stockton Arena is home of the Stockton Thunder Minor League Hockey Team.

The 2,042-seat Bob Hope Theater is located in the historic former Fox Theater that was constructed in 1930. This performing arts center hosts national and local theatrical, musical, comedy and dance productions.

The Gary & Janice Podesto IMPACT Teen Center, located in downtown Stockton, features four bowling lanes, a half-court basketball area, stage, meeting rooms, game rooms, classrooms, a computer lab, snack bar, and a climbing wall.

The City also operates a Skate Park and Ice Arena and offers various other sports and recreational opportunities through the City Park and Recreation Department.

**APPENDIX B**

**AUDITED FINANCIAL STATEMENTS OF THE CITY OF STOCKTON FOR THE FISCAL YEAR  
ENDED JUNE 30, 2023**

**APPENDIX C**

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

## APPENDIX D

## FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the City of Stockton (the “City”) in connection with the issuance of \$\_\_\_\_\_ aggregate principal amount of Stockton Public Financing Authority Wastewater Revenue Refunding Bonds, Series 2024 (Wastewater Refunding Project) (the “2024 Bonds”). The 2024 Bonds were issued pursuant to a 2024 Indenture, dated as of August 1, 2024 (the “Indenture”), between the Stockton Public Financing Authority and U.S. Bank Trust Company, National Association, as Trustee (the “Trustee”). The City covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the Holders and Beneficial Owners of the 2024 Bonds and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the 2024 Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“*Annual Report*” means any Annual Report provided by the City pursuant to, and as described in, Section 3 and Section 4 of this Disclosure Certificate.

“*Beneficial Owner*” means any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any 2024 Bonds (including persons holding 2024 Bonds through nominees, depositories or other intermediaries).

“*Disclosure Representative*” means the Chief Financial Officer of the City or a designee, or such other officer or employee as the City shall designate in writing to the Dissemination Agent from time to time.

“*Dissemination Agent*” means initially Willdan Financial Services, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the City and which has filed with the City written evidence of such designation.

“*EMMA*” means the Electronic Municipal Marketplace Access site maintained by the MSRB, currently located at <http://emma.msrb.org>.

“*Filing Date*” means March 31 following the end of each Fiscal Year of the City (or the next succeeding business day if such day is not a business day), commencing with the filing for Fiscal Year 2023-24 due March 31, 2025.

“*Financial Obligation*” means a debt obligation; derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or a guarantee of a debt obligation or derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation. The term financial obligation excludes municipal securities for which a final official statement has been provided to the MSRB consistent with the Rule.

“*Fiscal Year*” means with respect to the City, the period beginning on July 1 of each year and ending on the next succeeding June 30, or any 12-month or 52-week period thereafter selected by the City with notice of such selection of change in fiscal year to be provided as set forth in Section 3(a).

“*Holdings*” means either the registered owners of the 2024 Bonds, or, if the 2024 Bonds are registered in the name of The Depository Trust Company or another recognized depository, any applicable participant in its depository.



“MSRB” means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

“Official Statement” means the Official Statement dated August \_\_, 2024 relating to the 2024 Bonds.

“Participating Underwriters” means the original underwriter of the 2024 Bonds required to comply with the Rule in connection with offering of the 2024 Bonds.

“Rule” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“Specified Event” means any of the events listed in Section 5(a) or Section 5(b) of this Disclosure Certificate and any other event legally required to be reported pursuant to the Rule.

### SECTION 3. Provision of Annual Reports.

(a) The City shall provide, or shall cause the Dissemination Agent to provide to the MSRB, not later than the Filing Date, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report shall be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the Fiscal Year of the City changes, it shall give notice of such change in the same manner as for a Specified Event under this Disclosure Certificate. The City shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the City hereunder.

(b) Not later than 15 Business Days prior to the Filing Date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). The City shall provide, or cause the preparer of the Annual Report to provide, a written certificate with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished to it hereunder. The Dissemination Agent may conclusively rely upon such certification and shall have no duty or obligation to review such Annual Report.

(c) If the City is unable to provide to the Annual Report to the MSRB by the date required in Section 3(a), the City shall send a notice in a timely manner to the MSRB in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall:

(i) Provided it has received the Annual Report from the City pursuant to Section 3(a), file the Annual Report the MSRB by the Filing Date, and file any notice of a Specified Event, if requested by the City, as soon as practicable following receipt from the City of such notice; and

(ii) Provided it has received the Annual Report from the City pursuant to Section 3(a), file a report with the City certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

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

(a) The Statement of Net Assets, the Statement of Revenues, Expenditures and Changes in Fund Net Assets and the Statement of Cash Flows for the Wastewater System 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 such financial reports are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements similar to the audited financial statements contained in the Official Statement, and shall be filed in the same manner as the Annual Report when they become available.

(b) To the extent not presented in the audited financial statements:

(i) Information for the Wastewater System for the prior Fiscal Year substantially similar to that provided in the following tables of the Official Statement;

*[To be Confirmed]*

(A) Table 1 – “Customer Class by Type of Account and Number of Connections;”

(B) Table 2 – “Ten Largest Users by Flow;”

(C) Table 3 – “Ten Largest Users by Revenue;”

(D) Table 4 – “Schedule of Rates and Charges and Effective Dates;”

(E) Table 5 – “Connection Fee Revenues;”

(F) Table 6 – “Uncollectible Charges for Services;”

[(G) Table 9 – “Historical Revenues Expenses and Debt Service Coverage”]; and

(ii) Debt service schedules for the 2024 Bonds and any Parity Obligations.

#### SECTION 5. Reporting of Specified Events.

(a) Pursuant to the provisions of this Section 5, the City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the 2024 Bonds:

(i) Principal and interest payment delinquencies on the 2024 Bonds;

(ii) Non-payment related defaults, if material;

(iii) Unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) Unscheduled draws on credit enhancements reflecting financial difficulties;

(v) Substitution of credit or liquidity providers, or their failure to perform;

(vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed (Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the 2024 Bonds, or other material events affecting the tax status of the 2024 Bonds;

(vii) Modifications to rights of the 2024 Bond Holders, if material;

- (viii) Note calls, if material, and tender offers;
- (ix) Defeasances;
- (x) Release, substitution, or sale of property, if any, securing repayment of the 2024 Bonds, if material;
- (xi) Rating changes;
- (xii) Bankruptcy, insolvency, receivership or similar event of the City or other obligated person;
- (xiii) The consummation of a merger, consolidation, or acquisition involving the City or an obligated person, or the sale of all or substantially all of the assets of the City or an obligated person (other than in the ordinary course of business), the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (xv) Incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders, if material; and
- (xvi) 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 Trustee shall, promptly upon obtaining actual knowledge at its principal corporate trust office as specified in Section 12 hereof of the occurrence of any of the Specified Events and notify the City of such Specified Events; *provided*, that failure by the Trustee to so notify the City shall not relieve the City of its duty to report Specified Events as required in this Section 5. For the purpose of this Disclosure Agreement “actual knowledge” means actual knowledge at the corporate trust office of the Trustee by an officer of the Trustee with responsibility for matters related to the administration of the Indenture.

(c) Wherever the City obtains knowledge of the occurrence of Specified Event, the City shall, or shall cause the Dissemination Agent (if not the City) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Specified Event.

(d) The City acknowledges that the events described in subparagraphs (a)(ii), (a)(vii), (a)(x), (a)(xiii), (a)(xiv), (a)(xiv), and (a)(xv) of this Section 5 contain the qualifier “if material”. The City shall cause a notice to be filed as set forth in this Section 5 with respect to any such event only to the extent that it determines the event’s occurrence is material for purposes of U.S. federal securities law. Whenever the City obtains knowledge of the occurrence of any of these Specified Events, the City will as soon as possible determine if such event would be material under applicable federal securities law. If such event is determined to be material, the City will cause a notice to be filed as set forth in Section 5(c).

(e) If in response to a request under Section 5(b), the City determines that the Specified Event would not be material under applicable federal securities laws, the City shall so notify the Trustee in writing and instruct the Dissemination Agent not to report the occurrence.

(f) If the Dissemination Agent has been instructed by the City to report the occurrence of a Specified Event, the Dissemination Agent shall file a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of Specified Events described in Section 5(a)(viii) and (ix) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected 2024 Bonds pursuant to the Indenture.

(g) For purposes of this Disclosure Agreement, any event described in Section 5(a)(xii) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under State or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

(h) The Dissemination Agent may conclusively rely on an opinion of counsel that the City's instructions to the Dissemination Agent under this Section 5 comply with the requirements of the Rule.

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

SECTION 7. Termination of Reporting Obligation. The obligations of the City under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the 2024 Bonds. If such termination occurs prior to the final maturity of the 2024 Bonds, the City shall give notice of such termination in the same manner as for a Specified Event under Section 5(c).

SECTION 8. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign at any time upon delivery of written notice thereof to the City at least 30 days prior to the effective date of such resignation. If at any time there is not any other designated Dissemination Agent, the City shall be the Dissemination Agent. The Dissemination Agent, if other than the City, shall not be responsible in any manner for the content of any notice or report prepared by the City pursuant to this Disclosure Certificate.

The initial Dissemination Agent shall be Willdan Financial Services.

SECTION 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied with respect to such amendment or waiver:

(a) If the amendment or waiver relates to the provisions of Section 3(a), Section 4, or Section 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 a change in the nature, identity or status of an obligated person with respect to the 2024 Bonds or the type of business conducted by such person;

(b) The undertaking in this Disclosure Certificate, as amended or taking into account such waiver, would, in the opinion of nationally recognized 2024 Bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the 2024 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either: (i) is approved by the Holders of the 2024 Bonds in the same manner as provided in the 2019 Indenture for amendments to such Indenture with the consent of Holders, or (ii)

does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the 2024 Bonds.

(d) Any amendment that modifies or increases the duties or obligations of the Dissemination Agent shall be agreed to in writing by the Dissemination Agent.

(e) In the event of any amendment or waiver of a provision of this Disclosure Certificate, the City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Specified Event, and (ii) the Annual Report for the year in which the change is made shall 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.

(f) Notice of any amendment made pursuant to this Section 9 shall be filed in the same manner as for the occurrence of a Specified Event under Section 5(c).

SECTION 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Specified Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Specified Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Specified Event.

SECTION 11. Default. This Disclosure Certificate shall be solely for the benefit of the holders and beneficial owners from time to time of the 2024 Bonds. In the event of a failure of the City to comply with any provision of this Disclosure Certificate, the Trustee may (and, at the request of the Participating Underwriter or the Holders of at least 25% aggregate principal amount of Outstanding 2024 Bonds and upon receipt of indemnity satisfactory to the Trustee, shall), or any Holder or Beneficial Owner of the 2024 Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by order of a court of competent jurisdiction in the County of San Joaquin, California, to cause the City to comply with its obligations under this Disclosure Certificate, *provided* that any holder or beneficial owner seeking to require the City to comply with this Disclosure Certificate shall first provide at least thirty (30) days prior written notice to the City of the failure of the City, giving reasonable detail of such failure. Failure by the City to comply with any provision of this Disclosure Certificate shall not be deemed an Event of Default under the 2019 Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with the terms of this Disclosure Certificate shall be an action to compel performance. No person or entity shall be entitled to recover monetary damages under this Disclosure Certificate.

SECTION 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the negligence or willful misconduct of the Dissemination Agent. The Dissemination Agent shall be paid compensation by the City for its services provided hereunder in accordance with its schedule of fees as amended from time to time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The obligations of the City under this Section 12 shall survive resignation or removal of the Dissemination Agent and payment of the 2024 Bonds.

SECTION 13. Notices. Any notice or other communication to be given by the City or the Dissemination Agent under this Disclosure Certificate may be given by delivering the same by first class mail, postage prepaid, messenger, or overnight delivery to the addresses set forth below (until another address is filed by the City or the Dissemination Agent with the Trustee):

To the City:	City of Stockton 425 North El Dorado Street Stockton, California 95202 Attention: Chief Financial Officer
If to the Trustee:	U.S. Bank Trust Company, National Association [Address]
If to the Dissemination Agent:	Willdan Financial Services 27368 Via Industria, Suite 200 Temecula, California 92590

SECTION 14. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the 2024 Bonds, and shall create no rights in any other person or entity.

SECTION 15. Record Keeping. The City shall maintain records of Annual Reports and notices of Specified Events, including the content of such disclosure, the name of the entities with which such disclosure was filed and the date of filing of such disclosure.

SECTION 16. Governing Law. The laws of the State of California shall govern this Disclosure Certificate, the interpretation thereof and any right or liability arising hereunder. Any action or proceeding to enforce or interpret any provision of this Disclosure Certificate shall be brought, commenced or prosecuted in any courts of the State located in the County of San Joaquin, California.

SECTION 17. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Dated: August \_\_, 2024

CITY OF STOCKTON

By: \_\_\_\_\_  
Chief Financial Officer

The undersigned hereby agrees to act as  
Dissemination Agent pursuant to the terms  
and conditions of this Continuing Disclosure Certificate

WILLDAN FINANCIAL SERVICES

By: \_\_\_\_\_  
Authorized Officer

**EXHIBIT A**

**NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT**

Name of Obligated Person: City of Stockton  
Name of Issue: Stockton Public Financing Authority Wastewater Refunding Revenue Bonds, Series 2024 (Wastewater Refunding Project)  
Date of Issuance: August \_\_, 2024

NOTICE IS HEREBY GIVEN that the City of Stockton has not provided an Annual Report with respect to the above-named 2024 Bonds as required by the Continuing Disclosure Certificate, dated August \_\_, 2024 relating to the 2024 Bonds. [The City anticipates that the Annual Report will be filed by \_\_\_\_\_.]

Dated: \_\_\_\_\_

CITY OF STOCKTON

By \_\_\_\_\_

Title \_\_\_\_\_

cc: Willdan Financial Services  
27368 Via Industria, Suite 200  
Temecula, California 92590

## APPENDIX E

### DTC AND THE BOOK-ENTRY ONLY SYSTEM

*The following description of the procedures and record keeping with respect to beneficial ownership interests in the 2024 Bonds, payment of principal, redemption premium, if any, and interest with respect to the 2024 Bonds to DTC, its Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the 2024 Bonds and other related transactions by and between DTC, its Participants and the Beneficial Owners is based solely on the understanding of the Authority of such procedures and record keeping from information provided by DTC. Accordingly, no representations can be made concerning these matters and neither DTC, its Participants nor the Beneficial Owners, should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or its Participants, as the case may be. The Authority, the Trustee and the Underwriters understand that the current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and that the current “Procedures” of DTC to be followed in dealing with Participants are on file with DTC.*

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the 2024 Bonds. The 2024 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 2024 Bond certificate will be issued for each maturity of each Series of the 2024 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of the 2024 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2024 Bonds on DTC’s records. The ownership interest of each actual purchaser of each 2024 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 2024 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 2024 Bonds, except in the event that use of the book-entry system for the 2024 Bonds is discontinued.



To facilitate subsequent transfers, all 2024 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the 2024 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2024 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2024 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the 2024 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2024 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the 2014 Indenture. For example, Beneficial Owners of the 2024 Bonds may wish to ascertain that the nominee holding the 2024 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC, if less than all of the 2024 Bonds within a maturity are being redeemed. DTC's practice is to determine by lot the amount of the interest of each Direct Participant in each issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2024 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 issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2024 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of, premium, if any, and interest on the 2024 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, its nominee, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of, premium, if any, and interest on the 2024 Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee. Disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2024 Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, 2024 Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, 2024 Bond certificates will be printed and delivered.

The foregoing information concerning DTC concerning and DTC's book-entry system has been provided by DTC, and neither the Authority nor the Trustee take any responsibility for the accuracy thereof.

NEITHER THE AUTHORITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS WITH RESPECT TO THE PAYMENTS OR THE PROVIDING OF NOTICE TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS OR THE SELECTION OF 2024 BONDS FOR REDEMPTION.

In the event that the book-entry system is discontinued as described above, the requirements of the 2014 Indenture will apply.

The Authority and the Trustee cannot and do not give any assurances that DTC, the Participants or others will distribute payments of principal, interest or premium, if any, evidenced by the 2024 Bonds paid to DTC or its nominee as the registered owner, or will distribute any redemption notices or other notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. Neither the Authority nor the Trustee are responsible or liable for the failure of DTC or any Participant to make any payment or give any notice to a Beneficial Owner with respect to the 2024 Bonds or an error or delay relating thereto.

## APPENDIX F

## PROPOSED FORM OF OPINION OF BOND COUNSEL

*Upon the issuance of the 2024 Bonds, Hawkins Delafield & Wood LLP, Bond Counsel, proposes to render their final approving opinion in substantially the following form:*

[Closing Date]

Stockton Public Financing Authority  
Stockton, California

City of Stockton  
Stockton, California

**Re:     \$ \_\_\_\_\_ *Stockton Public Financing Authority Wastewater Revenue Refunding Bonds, Series 2024 (Wastewater Refunding Project)***

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance by the Stockton Public Financing Authority (the “Authority”) of \$ \_\_\_\_\_ in aggregate principal amount of the Stockton Public Financing Authority Wastewater Revenue Refunding Bonds, Series 2024 (Wastewater Refunding Project) (the “Bonds”). The Bonds are being issued pursuant to the laws of the State of California (the “State”), including Chapter 5 of Division 7 of Title 1 of the Government Code of the State, as amended (the “Act”), a resolution adopted by the Authority on \_\_\_\_\_, 2024 (“Resolution”), the 2024 Installment Purchase Contract, dated as of August 1, 2024 (the “Installment Purchase Contract”), between the Authority and the City of Stockton (the “City”), and the 2024 Indenture, dated as of August 1, 2024 (the “Indenture”), between the Authority and U.S. Bank Trust Company, National Association, as trustee (the “Trustee”).

In our capacity as Bond Counsel we have reviewed the Act, the Resolution, the Installment Purchase Contract, the Indenture, certificates of the Authority, the City, the Trustee and others, an opinion of the City Attorney, and such other documents, opinions and instruments as we deemed necessary to render the opinions set forth herein. Capitalized terms not otherwise defined herein shall have the meanings assigned thereto in the Indenture.

We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Authority and 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.

We call attention to the fact that the rights and obligations under the Indenture and their enforceability may be subject to bankruptcy, insolvency, 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 public entities in the State. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum or waiver provisions contained in the foregoing documents.

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 valid and binding limited obligations of the Authority and are payable solely from Revenues and certain other amounts held under the Indenture.

2. The Indenture has been duly authorized, executed and delivered by, and constitutes a valid and binding obligation of, the Authority. The Indenture creates a valid lien on the Revenues and certain other amounts held by the Trustee under the Indenture, as and to the extent set forth in the Indenture and subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein.

3. The Installment Purchase Contract has been duly authorized, executed and delivered by, and constitutes a valid and binding obligation of, the Authority and the City. The Installment Purchase Contract creates a valid lien on the Net System Revenues and certain other amounts pledged by the Installment Purchase Contract for the security of the 2024 Installment Payments.

4. Under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described below, (i) interest on the Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code; however, interest on the Bonds is included in the "adjusted financial statement income" of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code.

The Code establishes certain requirements that must be met subsequent to the issuance and delivery of the Bonds in order that, for federal income tax purposes, interest on the Bonds be not included in gross income pursuant to Section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use and expenditure of proceeds of the Bonds, restrictions on the investment of proceeds of the Bonds prior to expenditure and the requirement that certain earnings be rebated to the federal government. Noncompliance with such requirements may cause interest on the Bonds to become subject to federal income taxation retroactive to their date of issue, irrespective of the date on which such noncompliance occurs or is ascertained.

On the date of delivery of the Bonds, the Authority and the City will execute a Tax Certificate relating to the Bonds containing provisions and procedures pursuant to which such requirements can be satisfied. In executing the Tax Certificate, the Authority and the City covenant that they will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things necessary or desirable to assure that the interest paid on the Bonds will, for federal income tax purposes, be excluded from gross income.

In rendering the opinion in this paragraph 4, we have relied upon and assumed (i) the material accuracy of the Authority's and the City's representations, statements of intention and reasonable expectations, and certifications of fact contained in the Tax Certificate with respect to matters affecting the status of interest paid on the Bonds, and (ii) compliance by the Authority and the City with the procedures and covenants set forth in the Tax Certificate as to such tax matters.

5. Under existing statutes, interest on the Bonds is exempt from State personal income taxes.

We express no opinion as to any other federal, state or local tax consequences arising with respect to the Bonds, or the ownership or disposition thereof, except as stated in paragraphs 4 and 5 above. We render our opinion under existing statutes and court decisions as of the date hereof, and assume no obligation to update, revise or supplement our opinion to reflect any action hereafter taken or not taken, any fact or circumstance that may hereafter come to our attention, any change in law or interpretation thereof that may hereafter occur, or for any other reason. We express no opinion as to the consequence of any of the events described in the preceding

sentence or the likelihood of their occurrence. In addition, we express no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the Bonds.

Respectfully submitted,

**APPENDIX G**

**SPECIMEN MUNICIPAL BOND INSURANCE POLICY**