

City of Stockton

Stockton, California

Independent Accountants' Report on Applying Agreed-Upon Procedures on Core Revenues

For the Year Ended June 30, 2023





200 E. Sandpointe Avenue, Suite 600
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**INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING
AGREED-UPON PROCEDURES ON CORE REVENUES**

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

We have performed the procedures enumerated below on the Core Revenues Schedule (the "Schedule") of the City of Stockton, California (the "City") for the year ended June 30, 2023. The City's management is responsible for the Schedule.

The City has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of meeting the requirements of Article IV Covenants, Section 4.02(b) - *Not later than 210 days after and as of the end of each fiscal year, audited financial statements of the City, which financial statements shall include a statement of net position, statement of activities and changes in net position. The audited financial statements shall be audited by independent certified public accountants from a firm experienced in the field of municipal audits and licensed in the State of California, and prepared in accordance with GAAP, and shall be delivered together with an agreed-upon procedures letter from such accountants addressed to Assured Guaranty providing a report showing that such accountants have recomputed the calculations of the Actual Core Revenues and the Contingent General Fund Payment made by the City with respect to such Fiscal Year and have compared the data used in such calculations and found it to be consistent with the audited financial statements or other internal accounts and records of the City for such Fiscal Year.* The report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures are appropriate for their purposes.

The procedures and associated findings are as follows:

1. Obtained and reviewed Reimbursement Agreement between Assured Guaranty Municipal Corp. and the City of Stockton dated February 25, 2015 and obtained understanding of the Contingent General Fund Payments, Actual Core Revenues, and Baseline Core Revenues.

Findings: No exceptions were noted.

2. Obtained the Contingent General Fund Payment detail and recalculated the Contingent General Fund Payment in accordance to Article II, Settlement Terms and Payments Section 2.03 Contingent General Fund Payments of the Reimbursement Agreement.

Under the Reimbursement Agreement between Assured Guaranty Municipal Corp. and City of Stockton dated as of February 25, 2015, Article II Settlement Terms and Payments, Section 2.03(a), for each Fiscal Year, commencing with the Fiscal Year ending June 30, 2018 and ending in the Fiscal Year ending June 30, 2052 (subject to extension pursuant to the provisions of subsection (d) below), in which the Actual Core Revenues exceed the Baseline Core Revenues, the City shall pay to the Payees, in the manner described in Section 2.05, a payment equal to the Allocable Share of the average Incremental Revenue Ratio for such Fiscal Year and each of the previous two Fiscal Years multiplied by the Shortfall Amount (each such payment, a "Contingent General Fund Payment"). The Payment Date for the estimated Contingent General Fund Payments with respect to any Fiscal Year shall be June 1 of such Fiscal Year, commencing June 1, 2018 to and including June 1, 2052, subject to the provisions of subsections (c) and (d) of this Section 2.03.

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We obtained and recalculated the Contingent General Fund Payment. In addition, we verified the payment was remitted by the City before the due date of June 1, 2023.

Findings: No exceptions were noted.

3. Obtained and reviewed calculations of the actual core revenues as stated in the Reimbursement Agreement. Core Revenues is defined as follows:

According to the Reimbursement Agreement between Assured Guaranty Municipal Corp. and City of Stockton dated as of February 25, 2015, Article I Definitions, Core Revenues means, for each Fiscal Year, the City's Unrestricted General Fund receipts, net of any required refunds, rebates or legally required adjustments from the following sources: a) ad valorem property tax (excluding any special overrides for voter-approved general obligation bonds); (b) sales and transaction and use taxes; (c) utility taxes; (d) transient occupancy taxes; (e) franchise taxes; (f) business license taxes; (g) document transfer taxes; (h) motor vehicle license fees; (i) other Unrestricted taxes approved by the voters after Fiscal Year 2013-14; and (j) net revenues generated from the sale of Surplus Property; provided, that Core Revenues does not include any Annexed Area Revenues or Realignment Revenues. For purposes of clarification, Core Revenues include any such receipts, whether paid directly to the City, or to the City by another public agency, including the State of California, as a result of structural changes in tax distributions imposed by the State of California (except to the extent such amounts constitute Realignment Revenues) or otherwise.

<u>General Fund Core Revenues</u>	<u>Fiscal Year 2022-23</u>
Property Taxes	
Property Taxes	\$ 42,567,420
In Lieu of Motor Vehicles License Fees	29,343,468
Motor Vehicles License Fees	<u>331,550</u>
Total Property Tax	<u>72,242,438</u>
Sales and Transaction Tax	
1.00% Local Sales and Use Tax	73,526,747
Proposition 172	3,427,403
Measure A	<u>49,703,488</u>
Total Sales and Transaction Tax	<u>126,657,638</u>
Other Taxes	
Utility Users Tax	42,445,100
Franchise Tax	18,937,580
Business License Tax	21,992,189
Hotel/Motel Tax	3,443,439
Document Transfer Tax	1,028,481
Revenue Generated by Sale of Surplus Property	<u>44,165</u>
Total Other Taxes	<u>87,890,954</u>
Total Core Revenues	<u>\$ 286,791,030</u>

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Performed procedures on the following core revenues:

Property taxes:

For property taxes, the firm obtained the total property tax revenue population amounted to \$42,567,420. We performed analytical procedures on the total population by comparing prior year amounts to current year and budgeted amounts. The firm also sent confirmation to the County for total property taxes allocated to the City during the period July 1, 2022 to June 30, 2023. We received the confirmation in the email and agreed amounts with no variance noted.

For in lieu of motor vehicle license fees, the firm obtained the total in lieu of motor vehicle license fee population amounted to \$29,343,468. The firm sent confirmation to the County for motor vehicle license fees allocated to the City during the period July 1, 2022 to June 30, 2023. We received the confirmation in the email and agreed amounts with no variance noted.

For motor vehicles license fees, the firm obtained the total motor vehicle license fee population amounted to \$331,550. The firm reviewed the cash receipts from the County during the period July 1, 2022 to June 30, 2023 and performed analytical procedures on the total population by comparing prior year amounts to current year and budgeted amounts.

Findings: No exceptions were noted.

Sales and Transaction and Use Tax:

For sales and transaction and use taxes, the firm obtained the total sales and transaction and use tax revenue population amounted to \$126,657,638. We performed analytical procedures on the total population by comparing prior year amounts to current year and budgeted amounts. Measure A was approved by voters on November 5, 2013 as a three-quarter (0.75%) transaction and use tax (sales tax) effective April 1, 2014. The firm obtained the confirmation online from the California Department of Tax and Fee Administration for the 1.00% local sales and use tax and Measure A transaction and use tax revenues distributed to the City during the period July 1, 2022 through June 30, 2023 in the amount of \$73,526,747 and \$49,703,488, respectively. In addition, the firm sent confirmation to the County of San Joaquin for the Proposition 172 revenue distributed to the City during the period July 1, 2022 through June 30, 2023 in the amount of \$3,427,403. We received the confirmation in the mail and agreed amounts with no material variance noted.

Findings: No exceptions were noted.

Utility Users Tax:

For utility users taxes, the firm obtained the total utility users tax revenue population amounted to \$42,445,100. We performed analytical procedures on the total population by comparing prior year amounts to current year and budgeted amounts.

Findings: No exceptions were noted.

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Franchise Tax:

For franchise taxes, the firm obtained the total franchise tax revenue population amounted to \$18,937,580. We performed analytical procedures on the total population by comparing prior year amounts to current year and budgeted amounts. The firm also sent out confirmation to Pacific Gas and Electric for the residential and commercial franchise tax payments paid to the City during the period July 1, 2022 through June 30, 2023 in the amount of \$2,980,414. We received the confirmations in the mail and agreed amounts with no material variances noted.

Findings: No exceptions were noted.

Business License Tax:

For the business license taxes, the firm obtained the total business license tax revenue population amounted to \$21,992,189. We performed analytical procedures on the total population by comparing prior year amounts to current year and budgeted amounts.

Findings: No exceptions were noted.

Transient Occupancy (Hotel/Motel) Tax:

For the transient occupancy (hotel/motel) taxes, the firm obtained the total transient occupancy tax revenue population amounted to \$3,443,439 performed analytical procedures on the total population by comparing prior year amounts to current year and budgeted amounts.

Findings: No exceptions were noted.

Document Transfer Tax:

For the document transfer taxes, the firm obtained the total document transfer tax revenue population amounted to \$1,028,481. We performed analytical procedures on the total population by comparing prior year amounts to current year and budgeted amounts.

Findings: No exceptions were noted.

Revenues Generated from the Sale of Surplus Property:

For the net revenues generated from the sale of surplus property, the firm obtained the net revenue population amounting to \$44,165. We performed analytical procedures on the total population by comparing prior year amounts to current year.

Findings: No exceptions were noted.

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We were engaged by the City to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the accompanying Core Revenues Schedule. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the City and to meet our ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures agreement.

This report is intended solely for the information and use of the City Council, City management and Assured Guaranty Municipal Corp. and is not intended to be and should not be used by anyone other than these specified parties.

The Pev Group, LLP

Santa Ana, California
March 13, 2024