
File ID: 2023-01402

11/14/2023

Discussion Item 6.

Waiver of City Code Section 4.04.020.C for the Agreements Pertaining to City of Sacramento Water Revenue Refunding Bonds, Series 2023 (Two-Thirds Vote Required) and Authorize the Issuance and Sale of City of Sacramento Water Revenue Refunding Bonds, Series 2023

File ID: 2023-01402

Location: Citywide

Recommendation: 1) Pass a **Motion** by two-thirds vote waiving the 10-day posting requirement of City Code section 4.04.020.C for the agreements pertaining to the City of Sacramento Water Revenue Refunding Bonds, Series 2023; and 2) Adopt a **Resolution** authorizing a) the issuance of City of Sacramento Water Revenue Refunding Bonds, Series 2023 to refund (through a tender offer and/or defeasance) all or any portion of the City of Sacramento Water Revenue Refunding Bonds, Series 2020; and b) the execution and delivery on the City's behalf of an Official Statement, a Fourth Supplemental Indenture, a Bond Purchase Agreement, a Continuing Disclosure Certificate, an Invitation to Tender for Purchase, a Dealer Manager Agreement, and related financing documents.

Contact: Brian Wong, Debt Manager, (916) 808-5811, bwong@cityofsacramento.org; Ellen Hunt, Senior Debt Analyst, (916) 808-5517, ehunt@cityofsacramento.org, Office of the City Treasurer

Presenter: Brian Wong, Debt Manager, (916) 808-5811, bwong@cityofsacramento.org, Office of the City Treasurer

Attachments:

- 1-Description/Analysis
- 2-Resolution
- 3-Preliminary Official Statement
- 4-Fourth Supplemental Indenture
- 5-Bond Purchase Agreement
- 6-Continuing Disclosure Certificate
- 7-Invitation to Tender for Purchase
- 8-Dealer Manager Agreement

Description/Analysis

Issue Detail: Passing a Motion will waive the 10-day posting requirements of City Code section

4.04.020.C for the agreements pertaining to the City of Sacramento Water Revenue Refunding Bonds, Series 2023 (the “Series 2023 Bonds”). Staff are seeking this waiver of the posting requirement concerning the contracts being approved today, because certain terms in the contracts will be subject to negotiation up until the day of the pricing of the Series 2023 Bonds.

In March 2013, the City issued \$215.195 million in Water Revenue Bonds, Series 2013 (the “Series 2013 Bonds”) to finance various capital improvements of the Water System.

Subsequently, in May 2020, the City issued \$188.39 million in Water Revenue Refunding Bonds, Series 2020 (Federally Taxable) (the “Series 2020 Bonds”) to defease and refund a portion of the then outstanding Series 2013 Bonds.

Consistent with section 4.1(D) of the City’s Debt Management Policy most recently adopted by the City Council on May 2, 2023, the City Treasurer’s Office (the “CTO”) reviews and evaluates the City’s existing debt obligations on an ongoing basis to determine if there are potential cash-flow savings that can be realized with the full or partial refunding of existing debt.

The Series 2020 Bonds have been identified as a suitable candidate to refund through a tender offer in which bondholders are invited to sell their Series 2020 Bonds to the City for payment in cash. In 2017, Federal tax law was amended to prohibit tax-exempt advance refundings unless the bonds to be refunded are redeemed within 90 days after the new tax-exempt bonds are issued. With the elimination of advance refundings in 2017, there has been an increase in tender offer transactions in recent years that serve as a work-around to advance refundings. In a tender offer, the issuer makes a tender offer to existing holders of target bonds that would otherwise have advance refunded. Since the target bonds that are tendered by the holders and accepted by the issuer for purchase are being cancelled when they are sold for cash to the issuer, the proposed transaction does not violate the prohibition on advance refundings.

In June 2023, the CTO, began working collaboratively with other City departments (Utilities, City Attorney’s Office, and Finance) and external members of the financing team-the sole underwriter, Goldman Sachs & Co. LLC (the “Underwriter”); the law firm acting as bond counsel, Orrick, Herrington & Sutcliffe LLP; the law firm acting as disclosure counsel, Stradling Yocca Carlson & Rauth, PC; and the firm serving as municipal advisor, Fieldman Rolapp & Associates; toward the goal of issuing the Series 2023 Bonds to partially refund the Series 2020 Bonds through use of a tender offer.

Adoption of the recommended resolution will authorize the issuance of the Series 2023 Bonds, the execution and delivery of related documents, and other related actions. The Series 2023 Bonds will be issued in a principal amount not to exceed \$85 million and used to refund a portion of the Series 2020 Bonds through the purchase and cancellation of such Series 2020 Bonds through a tender offer and/or the defeasance and payment at maturity or redemption of such Series 2020 Bonds.

Policy Considerations: City Code section 4.04.020.C requires all agreements greater than \$1 million be posted on the City's website and made available to the public at least 10 days prior to the City Council acting on agreements meeting this criterion. The City Council may waive this requirement if two-thirds of its members vote to do so.

The Series 2023 Bonds will be issued under the Fourth Supplemental Indenture of the Master Indenture. The issuance of the Series 2023 Bonds is consistent with the City's Debt Management Policy.

The Series 2023 Bonds will (a) be secured by a pledge of the Water System's Net Revenues on parity basis with existing series of Water Revenue Bonds and State loans, and (b) require the City to comply with specified debt-service-coverage requirements contained in the Master Indenture.

Economic Impacts: Not applicable.

Environmental Considerations: None.

Sustainability: Not applicable.

Commission/Committee Action: Not applicable.

Rationale for Recommendation: Approval for the issuance of the Series 2023 Bonds to refund a portion the Series 2020 Bonds will benefit the City's Water Fund to realize cashflow savings. Those savings may be applied towards additional capital improvements to be funded and completed without the need for near-term increases to water utility rates.

Financial Considerations: Beginning in June 2023, the CTO began working with the Underwriter on preliminary savings sensitivity analysis to assess the viability of refunding a portion of the Series 2020 Bonds through a tender offer. Preliminary analyses reflected potential net-present-value savings above the minimum 5% guideline specified in section 4.1(D)(2) of the City's Debt Management Policy.

Currently, the Series 2020 Bonds are outstanding in the principal amount of \$179.355 million. The Underwriter's analysis based on interest rates as of October 30, 2023, reflects estimated net-present-value savings of approximately \$3 million or about net-present-value savings of 8%, based on a reasonable assumption that 20% of the Series 2020 bondholders may participate in the tender offer. This is above the minimum savings threshold outlined in the City's Debt Management Policy. Under the Resolution, net-present-value-debt-service savings of at least 4% (as determined by the City Treasurer or the City's financial advisor) are required as a condition to the issuance of the Series 2023 Bonds. The difference between the minimum threshold net-present value savings threshold of

4% in the resolution as compared to the suggested net-present-value savings of 5% provided in the City's Debt Management Policy can be explained because the City would like to issue the Series 2023 Bonds even if the savings are slightly less than what is suggested by the guidelines.

Interest on the Series 2023 Bonds will be exempt from taxation as described in the draft Preliminary Official Statement.

Issuer contribution refers to the estimated amount expected to be paid by the City's Water Fund for costs of issuance, underwriter's fee, and the dealer manager fee - all associated with the issuance of the Series 2023 Bonds. Customarily, any issuance-related costs would be paid for by bond proceeds, but paying the issuance costs of the Series 2023 Water Bonds from the City's Water Fund results in saving on interest costs related to a slightly decreased amount of the bond issuance.

Set forth below are the estimated sources and uses of funds related to the issuance of the Series 2023 Bonds.

Estimated Sources and Uses⁽¹⁾	
Sources:	
Bond Par Amount	26,500,000
Premium	1,925,138
Issuer Contribution	750,491
Set Asides	292,564
Total Sources	29,468,192
Uses:	
Refunding Escrow Deposits	28,364,410
SLGS Purchases	351,390
Cost of Issuance	550,000
Underwriter's Discount	110,978
Dealer Manager Fee	89,513
Contingency	1,901
Total Uses	29,468,192

(1) Information provided are estimates provided by Goldman Sachs & Co. LLC based on market conditions and assumes a 20% tender participation as of October 30, 2023.

Estimated Bond Statistics⁽¹⁾

Principal (Par Amount)	26,500,000
True Interest Cost	4.2153%
All-In True Interest Cost	4.1696%
Total Interest Payments to Final Maturity	15,274,250
Total Debt Service to Final Maturity	41,774,250

(1) Information provided are estimates provided by Goldman Sachs & Co. LLC based on market conditions and assumes a 20% tender participation as of October 30, 2023.

Summary of Refunding Results

Par Amount of Refunded Bonds	35,805,000
Cashflow Savings	5,463,463
Average Annual Cashflow Savings	287,551
Net Present Value Savings	2,997,401
Percentage Savings of refunded bonds (Series 2020 Bonds)	8.3715%
Percentage Savings of refunding bonds (Series 2023 Bonds)	11.3109%

(1) Information provided are estimates provided by Goldman Sachs & Co. LLC based on market conditions and assumes a 20% tender participation as of October 30, 2023.

The Series 2023 Bonds will be issued in a principal amount not to exceed \$85 million. The true interest cost for the Series 2023 Bonds will not exceed 4.75% and is estimated to be around 4.2% (based on market rates as of October 30, 2023) and the underwriter's compensation will not exceed 0.75% of the principal amount of the Series 2023 Bonds.

Due to the ongoing financial-market volatility, as we near the targeted pricing date in early-December 2023, the potential net-present-value savings from the refunding might fall below the minimum 5% guideline specified by the City's Debt Management Policy. The City's reasonable expectation is that 20% of the outstanding principal amount of the Series 2020 Bonds are or will be tendered for purchase, which would result in total cashflow savings for the City of approximately \$5 million. With that stated, the City reserves the right to potentially move forward with the issuance even if its reasonable expectation is not met.

Local Business Enterprise (LBE): Not applicable.

RESOLUTION NO. 2023-XXXX

Adopted by the Sacramento City Council

[____], 2023

AUTHORIZING THE ISSUANCE AND SALE OF CITY OF SACRAMENTO WATER REVENUE REFUNDING BONDS, SERIES 2023, TO REFUND ALL OR A PORTION OF CERTAIN BONDS THROUGH (A) THE PURCHASE AND CANCELLATION OF CERTAIN BONDS THROUGH A TENDER OFFER AND/OR (B) THE DEFEASANCE AND PAYMENT AT MATURITY OR REDEMPTION OF CERTAIN BONDS, WHICH BONDS WERE PREVIOUSLY ISSUED TO FINANCE AND REFINANCE THE COSTS OF CERTAIN IMPROVEMENTS TO THE CITY'S WATER SYSTEM; APPROVING THE OFFICIAL STATEMENT RELATED TO THE BONDS; APPROVING THE FORMS OF RELATED FINANCING DOCUMENTS AND DOCUMENTS RELATED TO THE TENDER OFFER AND DEFEASANCE; AUTHORIZING THE CITY TREASURER OR HIS DESIGNEE TO APPROVE, EXECUTE, AND DELIVER THE RELATED FINANCING DOCUMENTS AND DOCUMENTS RELATED TO THE TENDER OFFER AND DEFEASANCE; AND AUTHORIZING CERTAIN OTHER ACTIONS IN CONNECTION WITH THE BONDS AND THE TENDER OFFER AND THE DEFEASANCE

BACKGROUND:

- A.** The City of Sacramento (the "City") is a municipal corporation duly organized and existing under the Sacramento City Charter (the "**Charter**") and the California Constitution.
- B.** Under sections 3, 5, and 7 of article XI of the California Constitution and section 10 of the Charter, the City is authorized to make and enforce all laws and regulations concerning municipal affairs and certain other matters.
- C.** Under section 119 of the Charter, the City is specifically authorized to issue revenue bonds for any lawful purpose and to adopt a procedural ordinance prescribing the terms and conditions of issuance of revenue bonds.
- D.** Acting in accordance with its authority, the City Council has enacted the Enterprise Revenue Bond Law, codified as chapter 3.152 of the Sacramento City Code (the "**Law**"), to authorize and establish the procedures for the City's issuance of revenue bonds for the purpose of financing and refinancing the City's enterprises.
- E.** The City now owns and operates facilities for the provision of water service, all of which are included in and compose the City's water-enterprise system (the "**Water System**").

- F.** The City is empowered by the Law to issue its bonds for the purpose of financing certain improvements to the Water System and to refund outstanding bonds issued for that purpose.
- G.** In connection with the issuance of bonds for the purpose of financing and refinancing certain improvements to the Water System, the City and U.S. Bank National Association (now succeeded by U.S. Bank Trust Company, National Association), as trustee, entered into an Indenture, dated as of March 1, 2013, as supplemented by a First Supplemental Indenture, dated as of March 1, 2013, as further supplemented by a Second Supplemental Indenture, dated as of June 1, 2017, and as further supplemented by a Third Supplemental Indenture, dated as of May 1, 2020 (collectively, the “**Indenture**”).
- H.** In accordance with the Law, the City has determined to issue the City of Sacramento Water Revenue Refunding Bonds, Series 2023 (the “**Series 2023 Bonds**”), in the aggregate principal amount not to exceed \$85,000,000, in order to (a) refund all or a portion of the City of Sacramento Water Revenue Refunding Bonds, Series 2020 (Federally Taxable) (the “**Series 2020 Bonds**”), (i) by purchasing and cancelling certain Series 2020 Bonds purchased through a tender offer (the “**Tender Offer**”) and/or (ii) by defeasing and paying at maturity or redemption certain Series 2020 Bonds (such Series 2020 Bonds so purchased and cancelled and/or defeased, are referred to herein as the “**Refunded Bonds**”); (b) fund a debt-service-reserve fund, if so determined by the Authorized Representative (defined in section 3(a) below); and (c) fund the costs of issuance of the Series 2023 Bonds.
- I.** In furtherance of the City’s issuance of the Series 2023 Bonds and the Tender Offer, forms of the following documents have been filed with the City Clerk for consideration and approval by the City Council:
- A *Fourth Supplemental Indenture* (the “**Fourth Supplemental Indenture**”) providing for the issuance of the Series 2023 Bonds under the Indenture and specifying certain terms of the Series 2023 Bonds.
 - A *Bond Purchase Agreement* (the “**Bond Purchase Agreement**”) under which, among other things, the City agrees to sell, and the underwriter or underwriters of the Series 2023 Bonds named in the Bond Purchase Agreement (the “**Underwriters**”) agree to purchase, the Series 2023 Bonds.
 - A preliminary form of an *Official Statement* (the “**Official Statement**”) describing the Series 2023 Bonds and other matters relating to them.
 - A *Continuing Disclosure Certificate* (the “**Continuing Disclosure Certificate**”) under which the City agrees to provide certain ongoing disclosure with respect to the Series 2023 Bonds.

- *An Invitation to Offer Bonds for Purchase* (including all exhibits and/or appendices thereto, the “**Invitation**”) with respect to the Series 2020 Bonds.
 - *A Dealer Manager Agreement* (the “**Dealer Manager Agreement**”), between the City and the dealer manager named in the Dealer Manager Agreement.
- J.** The Series 2023 Bonds will be limited obligations of the City secured by a pledge of, and payable solely from, the net revenues of the Water System and the other collateral pledged under the Indenture, subject to the application of the net revenues of the Water System and the other collateral for the purposes set forth in the Indenture and on the terms and conditions set forth in the Indenture. The City’s General Fund is not liable for, and neither the City’s credit nor its taxing power is pledged for, the payment of the Series 2023 Bonds.
- K.** All acts, conditions, and things required by the Law and the Constitution and laws of the State of California to exist, to have happened, and to have been performed before and in connection with the issuance of the Series 2023 Bonds and consummation of the financing hereby authorized do exist, have happened, and have been performed in regular and due time, form, and manner, and the City is now duly authorized and empowered to authorize the issuance of the Series 2023 Bonds and to authorize the execution and delivery of the Fourth Supplemental Indenture, the Bond Purchase Agreement, the Official Statement, the Continuing Disclosure Certificate and the Dealer Manager Agreement for the purposes, in the manner, and upon the terms provided.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

- Section 1.** The City Council finds that the statements in paragraphs A through K of the Background are true.
- Section 2.** The City’s issuance of the Series 2023 Bonds, in an aggregate principal amount not to exceed \$85,000,000 and in accordance with the Indenture and the Fourth Supplemental Indenture, as finally executed and delivered, is hereby authorized and approved; provided however that the refunding of the Refunded Bonds shall produce net-present-value-debt-service savings of at least 4% (as determined by the City Treasurer or the City’s financial advisor).
- Section 3.** The proposed form of the Fourth Supplemental Indenture on file with the City Clerk, and its terms and conditions, are hereby approved. The structure, date, maturity date or dates (the final maturity to be not later than September 1, 2042), fixed interest rates, interest-payment dates, forms, registration privileges, place or places of payment, terms of redemption, number, and other terms of the Series 2023 Bonds will be as

provided in the Indenture and the Fourth Supplemental Indenture as finally executed and delivered.

- (a) As used in this resolution, “City Treasurer” includes any Interim City Treasurer or Acting City Treasurer. The City Treasurer or his designee (the “**Authorized Representative**”) is hereby authorized and directed to execute and deliver the Fourth Supplemental Indenture on the City’s behalf, in substantially the form on file with the City Clerk and with such changes as the Authorized Representative approves with the concurrence of the City Attorney or her designee (the “**City Attorney**”), with approval to be conclusively evidenced by the execution and delivery thereof.
- (b) The Series 2023 Bonds are to be executed by the manual or facsimile signature of the Authorized Representative and must be in the form set forth in, and must otherwise be in accordance with, the Fourth Supplemental Indenture. When the Series 2023 Bonds are so executed, the Authorized Representative shall deliver them to the trustee under the Indenture (the “Trustee”). The Trustee shall then authenticate the Series 2023 Bonds and deliver them to the Underwriters in accordance with written instructions the Authorized Representative signs on the City’s behalf, which instructions the Authorized Representative is hereby authorized and directed to sign and deliver to the Trustee. The instructions are to provide for the delivery of the Series 2023 Bonds to the Underwriters in accordance with the Bond Purchase Agreement upon payment by the Underwriters of the purchase price for the Series 2023 Bonds.

Section 4. The proposed form of the Bond Purchase Agreement on file with the City Clerk is hereby approved. The Authorized Representative is hereby authorized and directed to do the following on the City’s behalf:

- (a) to sell the Series 2023 Bonds to the Underwriters as required by the Bond Purchase Agreement, with a true interest cost not to exceed 4.75% and with the Underwriters’ compensation not to exceed 0.75% of the principal amount of the Series 2023 Bonds; and
- (b) to execute and deliver the Bond Purchase Agreement, in substantially the form on file with the City Clerk, with such changes as the Authorized Representative approves with the City Attorney’s concurrence, with approval to be conclusively evidenced by the execution and delivery thereof.

Section 5. The proposed form of Official Statement on file with the City Clerk is hereby approved. The Authorized Representative is hereby authorized and directed to execute and deliver to the Underwriters, on the City’s

behalf, a certificate deeming the preliminary Official Statement, in substantially the form on file with the City Clerk and with such changes as the Authorized Representative approves in the interest of the City with the City Attorney's concurrence, to be final within the meaning of Securities Exchange Commission Rule 15c2-12. The Underwriters are hereby authorized to distribute the Official Statement in preliminary and final forms. The Authorized Representative is hereby authorized and directed to execute and deliver the final form of the Official Statement on the City's behalf, in substantially the form on file with the City Clerk and with such changes as the Authorized Representative approves with the City Attorney's concurrence, with approval to be conclusively evidenced by the execution and delivery thereof.

Section 6. The proposed form of the Continuing Disclosure Certificate on file with the City Clerk is hereby approved. The Authorized Representative is hereby authorized and directed to execute and deliver the Continuing Disclosure Certificate on the City's behalf, in substantially the form on file with the City Clerk and with such changes as the Authorized Representative approves with the City Attorney's concurrence, with approval to be conclusively evidenced by the execution and delivery thereof.

Section 7. The City is hereby authorized to apply proceeds of the Series 2023 Bonds to (a) the purchase and cancellation of all or a portion of the Series 2020 Bonds, through payment of the purchase price and cancellation thereof through the Tender Offer, and/or (b) the defeasance and payment at maturity or redemption of all or a portion of the Series 2020 Bonds. The proposed form of the Invitation on file with the City Clerk is hereby approved for purposes of the Tender Offer described therein with such changes as the Authorized Representative approves with the City Attorney's concurrence, with approval to be conclusively evidenced by the delivery thereof. The Authorized Representative is hereby authorized to certify as to the completeness and accuracy of the Invitation on the City's behalf. The proposed form of the Dealer Manager Agreement on file with the City Clerk is hereby approved. The Authorized Representative is hereby authorized and directed to execute and deliver the Dealer Manager Agreement on the City's behalf, in substantially the form on file with the City Clerk and with such changes as the Authorized Representative approves with the City Attorney's concurrence, with approval to be conclusively evidenced by the execution and delivery thereof.

Section 8. All approvals, consents, directions, notices, orders, requests, and other similar actions permitted or required by any of the documents authorized by this resolution, whether given or taken before or after the issuance of the Series 2023 Bonds (including, without limitation, any amendment of any of the documents authorized by this resolution or any other agreement related to the Series 2023 Bonds; any investment of proceeds of the Series 2023 Bonds; the addition, substitution, or replacement of

underwriters or dealer managers; any agreements with paying agents or information agents or tender agents; and the removal or replacement of the Trustee) may be given or taken by the Authorized Representative, without further authorization or direction by the City Council. The Authorized Representative is hereby authorized and directed to give any such approval, consent, direction, notice, order, or request and to take such other actions and execute such documents that the Authorized Representative deems necessary or desirable, in his or her discretion, to further the purposes of this resolution.

Section 9. The Authorized Representative and each other appropriate officer of the City, each acting alone, are authorized and directed (a) to execute and deliver on the City's behalf any and all agreements, certificates, documents, and instruments, including, without limitation, signature certificates, no-litigation certificates, disclosure certificates, tax certificates, letters of representation relating to book-entry registration, certificates concerning the representations in the Bond Purchase Agreement, the Dealer Manager Agreement, certificates concerning the contents of the Official Statement, the Invitation, any escrow agreement, and certificates and contracts for rebate-compliance services; and (b) to do any and all things and take any and all actions that may be necessary or advisable, in their discretion, to effectuate the actions the City Council has approved in this resolution, including the Tender Offer and/or the defeasance and the refunding of the Refunded Bonds. The Authorized Representative may appoint in writing a designee to perform any of the actions that the Authorized Representative may take under this resolution.

Section 10. The Authorized Representative is hereby authorized to do any or all of the following if he or she determines that it will be advantageous to the City:

- (a) to determine whether the Series 2023 Bonds will be secured by any reserve fund and whether the Series 2023 Bonds will be Participating Bonds (as defined in the Indenture);
- (b) to purchase municipal-bond insurance or other credit enhancement for some or all of the Series 2023 Bonds;
- (c) to purchase one or more reserve-fund surety policies or other credit instruments for the benefit of any reserve fund established for the Series 2023 Bonds;
- (d) to obtain a particular rating or ratings on all or a portion of the Series 2023 Bonds and take such other actions as may be necessary to obtain the rating or ratings;

- (e) to negotiate the terms of a commitment for the municipal-bond insurance policy or other credit enhancement and for the reserve-fund surety policies or other credit instruments; and
- (f) to negotiate and approve, with the concurrence of the City Attorney, any covenants of the City or changes to the proposed forms of the Fourth Supplemental Indenture, Bond Purchase Agreement, Official Statement, the Continuing Disclosure Certificate, the Invitation, and the Dealer Manager Agreement, that may be necessary or appropriate to purchase a municipal-bond insurance policy or other credit enhancement, to purchase reserve-fund surety policies or other credit instruments, or to obtain a particular rating or ratings on all or a portion of the Series 2023 Bonds.

Section 11. All actions previously taken by the City Council, the Authorized Representative, or any other officers, agents, or employees of the City with respect to the issuance of the Series 2023 Bonds, the Tender Offer and the other transactions contemplated by this resolution, by the Official Statement and by the Invitation are hereby ratified, confirmed, and approved.

Section 12. The City Council hereby approves the execution and delivery of all agreements, documents, certificates, and instruments referred to herein with electronic signatures as may be permitted under the California Uniform Electronic Transactions Act and digital signatures as may be permitted under Section 16.5 of the California Government Code using DocuSign.

Section 13. This resolution takes effect when adopted.

PRELIMINARY OFFICIAL STATEMENT DATED _____, 2023

NEW ISSUE-BOOK-ENTRY ONLY

RATINGS: S&P: "AA"

Fitch: "AA-"

See "Ratings" Herein

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

§ _____ *

CITY OF SACRAMENTO

WATER REVENUE REFUNDING BONDS, SERIES 2023

Dated: Date of Delivery

Due: September 1, as shown on inside cover

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

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

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

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

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

* Preliminary; subject to change.

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

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

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

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

Goldman Sachs & Co. LLC

Dated: _____, 2023

\$ _____^{*}
CITY OF SACRAMENTO
WATER REVENUE REFUNDING BONDS, SERIES 2023

MATURITY SCHEDULE

BASE CUSIP NO. †: 786089

<u>Maturity</u> <u>(September 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price</u>	<u>CUSIP†</u>
---	--------------------------------	-----------------------------	---------------------	----------------------

\$ _____ % Term Bonds due September 1, 20__; Price: _____; CUSIP† 786089

** Preliminary; subject to change.*

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

CITY OF SACRAMENTO, CALIFORNIA

Darrel Steinberg
Mayor

CITY COUNCIL MEMBERS

Lisa Kaplan
District 1

Caity Maple
District 5

Sean Loloee¹
District 2

Eric Guerra
District 6

Karina Talamantes
District 3

Rick Jennings, II
District 7

Katie Valenzuela
District 4

Mai Vang
District 8

CHIEF CITY ADMINISTRATIVE PERSONNEL

Howard Chan
City Manager

John P. Colville Jr.
City Treasurer

Susana Alcala Wood
City Attorney

Pete Coletto
Finance Director

Mindy Cuppy
City Clerk

Brian Wong
Debt Manager

Pravani Vandeyar
Director of Utilities

Sherill Huun
Engineering Services Division Manager

David Herrmann
Water Division Manager

Chuong (Ryan) Pham
Business Services Division Manager

Special Services

Bond Counsel

Orrick, Herrington & Sutcliffe LLP

Disclosure Counsel

Stradling Yocca Carlson & Rauth,
A Professional Corporation

Trustee

U.S. Bank Trust Company, National Association

Municipal Advisor

Fieldman, Rolapp & Associates, Inc.

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

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

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

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

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

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

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

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

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

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OFFICIAL STATEMENT

\$ _____ *

CITY OF SACRAMENTO WATER REVENUE REFUNDING BONDS, SERIES 2023

INTRODUCTION

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

Authority for Issuance and Purpose

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

The City of Sacramento

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

The Water System

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

* Preliminary; subject to change.

Security and Sources of Payment for the Bonds

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

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

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

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

Rate Covenant

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

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

Outstanding Obligations

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

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

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

No Bond Reserve Fund With Respect to the Series 2023 Bonds

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

Rate Stabilization Fund

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

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

Continuing Disclosure

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

Certain Risk Factors

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

Other Matters

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

ESTIMATED SOURCES AND USES OF FUNDS

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

Sources:

Principal Amount

City Contribution⁽¹⁾

[[Available Amounts from accounts related to
Refunded Bonds]]

Total Sources

Uses:

Purchase Price for Refunded Bonds⁽²⁾

Deposit to Escrow Fund

Costs of issuance⁽³⁾

Total Use

⁽¹⁾ Used to pay costs of issuance, dealer manager fee, underwriter's discount, and accrued interest.

⁽²⁾ Includes accrued interest.

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

PLAN OF REFUNDING

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

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

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

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

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

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

(T) Term Bond.

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

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

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

THE SERIES 2023 BONDS

General

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

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

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

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

Redemption Provisions

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

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

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

Mandatory Sinking Account Payment Date (September 1)	Mandatory Sinking Account Payment
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* Final Maturity

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

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

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

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

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

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

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

General; Pledge of the Trust Estate

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

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

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

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

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

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

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

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

Water Fund; Application of System Revenues

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

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

Allocation of Revenues

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Rate Covenant

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

No Bond Reserve Fund With Respect to Series 2023 Bonds

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

Outstanding Parity Obligations

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

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

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

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

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

Other Outstanding Obligations

In addition to the State Funding Agreement and the SRF Loan, the City has previously funded certain improvements to the Water System by the issuance of bonds by the SCFA through the City’s Master Lease Program. Approximately \$86 million principal amount of Master Lease Bonds relating to Water System improvements are currently outstanding. In connection with the Master Lease Program, the City has leased certain components of the Water System to the SCFA and the SCFA has subleased those components of the Water System back to the City. Pursuant to the Indenture, the City has covenanted that it will not use System Net Revenues to pay, or reimburse the City’s General Fund for the payment of, any existing or future General Fund lease obligation of the City unless no Event of Default has occurred and is continuing under the Indenture, all Maintenance and Operation Costs are being and have been paid and are then current, and all payments then due and payable with respect to the Outstanding Bonds and outstanding Parity Obligations, Subordinate Obligations and Fee and Expense Obligations have been paid or unless such payment or reimbursement has been secured as a Parity Obligation, Subordinate Obligation or Fee and Expense Obligation after compliance with the conditions of the Indenture.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Rate Stabilization Fund

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

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

Separate Utility Systems

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

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

DEBT SERVICE SCHEDULE

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

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

Source: The City

THE WATER SYSTEM

General

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

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

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

Service Area

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

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

Management

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

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

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

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

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

Employees

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

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

Water System Facilities

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

⁽¹⁾ It is expected that, annually, May 15th to September 30th will continue to be the permitted period for peak treatment capacity of 160 MGD. Outside of that window, the peak capacity is 120 MGD.

⁽²⁾ While the permitted capacity is 160 MGD for FWTP, the City’s Water Forum diversion restrictions limit FWTP diversions to 100 MGD during the peak demand period of June through August, if lower American River flows fall below the Hodge Flow Criteria. Current facility conditions now limit sustainable capacity to 80 MGD. The principle limiting factor is filter capacity. Future FWTP rehabilitation will provide 100-MGD firm and 120-MGD hydraulic capacity.

⁽³⁾ The City has just completed the public review period of a programmatic CEQA document to support a long-term well replacement program. The Well Replacement Program involves the long-term (up to 15 years or potentially longer) replacement and addition of wells bringing the total up to 38 municipal groundwater wells that are at or near the end of their useful life. The long-term yield of the proposed project is 38,700 acre-feet of water. That is the equivalent of 35 MGD.

⁽⁴⁾ The City is under preliminary planning for creation of a regional water treatment plant facility (branded as “River Arc”). See “Additional Sources of Water” below.

Source: The City

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

Future Source of Surface Water: “RiverArc”: The RiverArc project is a multi-agency project currently in the early planning stages that is expected to enhance water supply diversity and reliability on a regional scale. The approved 2023-2028 CIP includes costs for preliminary planning costs for RiverArc (see the Projected Operating Results in Table 12). RiverArc will divert water through existing modern, fish-friendly intakes from the Sacramento River, convey it to a new regional water treatment plant, and distribute potable water through a combination of new and existing pipelines to local water agencies. The current partners are the Placer County Water Agency, the Sacramento County Water Agency, and the City. The City has expressed interest in securing between 20-40 MGD of supply in the first phase. In early 2023, the project partners applied for a planning grant from the Wildlife Conservation Board (“WCB”) to support CEQA efforts and water rights application needs to the State Water Resources Control Board. On August 24, 2023 the WCB awarded a \$5.1 million grant. The Planning phase is on track to conclude in 2026, with the first phase of construction forecasted to conclude near 2030. The City has included preliminary costs for RiverArc in the CIP cost estimates. On a preliminary basis, the Department estimates the cost of RiverArc to be \$220 million.

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

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

**Table 2
Water Production by Source**

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

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

Source: The City

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

**Table 3
Average Water Production⁽¹⁾**

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

⁽¹⁾ For the period Fiscal Year 2018-19 through Fiscal Year 2022-23.

Source: The City

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

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

Water Rights and Resources

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

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

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

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

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

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

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

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

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

* CFS = Cubic feet per second.

Source: The City

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

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

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

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

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

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

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

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

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

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

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

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

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

Environmental Compliance

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Customers

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

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

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

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

Source: The City

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

Table 6
City of Sacramento
Water System
Largest Customers by Service Charge Revenue⁽¹⁾
Fiscal Year 2023

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

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

⁽²⁾ Includes SHRA and City Housing Authority Entities.

Source: The City

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

Rates and Charges

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

**Table 7
City of Sacramento
Water System
Adopted Increases⁽¹⁾**

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

⁽¹⁾ Rate increases through Fiscal Year 2019-20 have been approved by the City Council and the requirements of Proposition 218 have been met. At this time, the City does not anticipate a rate adjustment for the Water System through the end of the projection period in Fiscal Year 2027-28.
Source: The City

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

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

Table 8
City of Sacramento
Water System
Selected Monthly Rates⁽¹⁾

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

CCF = One hundred cubic feet

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

Source: The City

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

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

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

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

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

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

Collection Procedures

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

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

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

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

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

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

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

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

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

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

Source: The City

General Fund Tax on Water System Revenues

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

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

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

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

Budgetary and Financial Procedures

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Investment of Funds

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

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

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

Capital Improvement Program

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

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

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

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

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

Source: The City

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

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

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

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

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

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

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

Retirement Programs

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

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

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

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

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

Insurance

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

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

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

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

Leasing of Certain Components of the Water System

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

Approximately \$86 million in principal of the Master Lease Bonds issued for Water System improvements remains outstanding. In order to effectuate the issuance of these Master Lease Bonds for Water System purposes, the City added portions of the SRWTP (including a settlement basin and other facilities) and the Florin Reservoir as part of the Leased Property. The final maturity of the Master Lease Bonds is December 1, 2036. However, the components of the Water System that constitute Leased Property will not be released from the Master Lease until (i) the City either adds additional property satisfying the requirements of the Master Lease, or determines that the Leased Property that remains after the release meets the requirements of the Master Lease and (ii) the City elects to effectuate the release. There can be no assurances that the Water System components that constitute Leased Property will be released from the Master Lease prior to the maturity of the Series 2023 Bonds.

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

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

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

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

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

Floods

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

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

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

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

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

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

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

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

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

Historical Operating Results

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

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

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

(Notes on following page)

- (1) User fees and charges have decreased since Fiscal Year 2020-21 due to the city-wide implementation of water meters in compliance with State law, the implementation of ongoing water conservation measures, and the suspension of late fees due to COVID. The suspension of late fees will be lifted in October 2023. The impacts of COVID on Water System revenues were limited to late fees due to funding received from the California Water and Wastewater Arrearage Payment Program and the Federal Low Income Household Water Assistance Program administered by the U.S. Department of Health and Human Services. The Water Fund received \$2.65 million as well as \$91,000 in administrative cost reimbursement from the two programs to cover delinquent accounts.
- (2) The Water Fund receives Water Impact Fees that are deposited into a separate account; however, the Water Impact Fees are restricted and can only be used to cover eligible costs specified in the Sacramento City Code.
- (3) Includes interest earnings/revenue associated with the Water Use Fee Fund. Also includes, the allocated portion of the unrealized loss in the City's Pool A portfolio. In prior years, the Water Fund reported the allocable portion of unrealized gains. Recent market interest rate increases have led to the reduced market valuation of fixed-income securities in the City's Pool A portfolio in Fiscal Year 2021-22.
- (4) The voter approved general fund tax is equal to 11% of the collected utility rate revenue. See "General Fund Tax on Water System Revenues." These figures are net of uncollected Water System charges or bad debt.
- (5) The large variance in operating costs from Fiscal Year 2021-22 to Fiscal Year 2022-23 is primarily due to the backlog of vehicle purchases caused by supply chain issues during the COVID pandemic. Other increases included: overtime, chemicals, legal services, insurance premiums, and miscellaneous supply accounts due to the heavy storms in Fiscal Year 2022-2023 and inflation.
- (6) Fiscal Years 2018-19 through 2021-22 include deposits to the Rate Stabilization Fund that reflect funding in an amount equal to 25% of the maximum annual debt service for Parity Obligations and Unsecured Obligations payable from Net Revenues of the Water System. In addition, in Fiscal Year 2020-21, a deposit was made to the Rate Stabilization Fund to meet the \$10.25 million SRF Loan reserve requirement (which was equal to the maximum annual debt service with respect to the SRF Loan, assuming the entire \$173 million maximum amount of the SRF Loan was drawn down). See "Budgetary and Financial Procedures." In Fiscal Year 2022-23, the City determined it was necessary to maintain the SRF Loan Reserve separate from the Rate Stabilization Fund and thus created a new account for the SRF Loan Reserve. The SRF Loan Reserve was reduced to \$8.2 million, which reflects the current amortization schedule of a final loan amount of about \$139 million. Annual accounting adjustments to the Rate Stabilization Fund reflects withdrawals from the Rate Stabilization Fund (based on the current debt service obligations in that year) to the unrestricted fund balance of the Water Fund. Since both reserves are restricted, the SRF Loan Reserve is reported in the Annual Comprehensive Financial Report combined with the Rate Stabilization Fund.
- (7) Pursuant to the terms of the Funding Agreement between the California Department of Public Health and the City (currently administered by the State Water Resources Control Board), a deposit to the reserve fund is required during the first ten years of the loan repayment term. The reserve became fully funded in August 2022.
- (8) Existing payments by the Water Fund to the City's General Fund to cover existing General Fund debt for water-related facilities associated with the City's Master Lease Revenue Bond Program. The Water Fund revenue is utilized, but not directly pledged, to make debt service payments.
- (9) Fiscal Year 2022-23 include unaudited estimated year-end adjustments and financial results.

Source: The City

Projected Operating Results

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

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

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

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

NOTES

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

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

Source: The City.

CERTAIN RISK FACTORS

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

Rate Covenant Not a Guarantee

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

Increased Costs

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

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

Reliance on Projections

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

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

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

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

Statutory and Regulatory Impact

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

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

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

Availability of Water Supply; Drought

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

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

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

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

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

Aging Components of Water System

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

Earthquake, Flood, Wildfire or Other Natural Disasters

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

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

Climate Change

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

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

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

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

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

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

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

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

Cybersecurity

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

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

Commingling of System Revenues

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

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

Effect of City Bankruptcy

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

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

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

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

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

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

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

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

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

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

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

Effect of Losses in City Investment Pool

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

Limitation on Remedies

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

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

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

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

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

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

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

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

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

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

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

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIIIC of the State Constitution by expanding the definition of "tax" to include "any levy, charge, or exaction of any kind imposed by a local government" except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, for performing investigations, inspections, and audits, for enforcing agricultural marketing orders, and for the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIIID. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bears a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity. As of the date of this Official Statement, the City is unaware of any fees relating to the Water System that would have to be reduced or eliminated because of Proposition 26.

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

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

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

Initiative Measure Relating to Water Revenues

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

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

Among other things:

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

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

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

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

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

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

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

ABSENCE OF LITIGATION

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

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

CONTINUING DISCLOSURE

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

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

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

TAX MATTERS

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

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

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

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

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

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

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

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

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

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

VERIFICATION OF MATHEMATICAL COMPUTATIONS

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

APPROVAL OF LEGALITY

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

RATINGS

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

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

UNDERWRITING

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

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

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

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

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

In the ordinary course of its various business activities, the Underwriter and its respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the City (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the City. The Underwriter and its respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

MUNICIPAL ADVISOR

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

INDEPENDENT AUDITOR

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

MISCELLANEOUS

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

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

CITY OF SACRAMENTO

By: _____
John P. Colville Jr., City Treasurer

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

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

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

**APPENDIX B
GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING
THE CITY OF SACRAMENTO**

This Appendix B provides general information of the City of Sacramento (the “City”).

Introduction

The City of Sacramento (the “**City**”) is located at the confluence of the Sacramento and American Rivers in the northern part of California’s Central Valley. The City is approximately 75 air miles northeast of San Francisco and benefits from a mild climate, with many days of sunshine each year and daily average high temperatures ranging from 54° F in January to 92° F in July. The average elevation of the City is 25 feet above sea level.

The City was settled in the late 1830s and incorporated in 1849. In 1854, the City became the capital of the State of California (the “**State**”), a position made permanent by the State’s Constitutional Convention in 1879. Today, State government employees and government-related activities contribute substantially to the City’s economy.

Government

The City operates under a City Charter that currently provides for an elected nine-member City Council (the “**Council**”) including an elected Mayor. There are no other elected City officials. The Council appoints the City Manager, the City Attorney, the City Treasurer, and the City Clerk to carry out its adopted policies. The Council also appoints the City Auditor and the Independent Budget Analyst. The Mayor is chairperson of the Council, serves a four-year term, and is elected in at-large City elections. The other members of the Council also serve four-year terms but are elected from one of eight districts.

The City provides a number of municipal services, including administration, police, fire, library, recreation, parking, public works, and utilities services such as water production and distribution, refuse collection, storm drainage, and maintenance.

Population

A comparison of the City's population growth to that of the County of Sacramento (the "County") and the State is provided in the table below. Population estimates are as of January 1 for each year.

**POPULATION ESTIMATES⁽¹⁾
CITY OF SACRAMENTO, COUNTY OF SACRAMENTO
AND THE STATE OF CALIFORNIA
FOR SELECTED CALENDAR YEARS 2010 THROUGH 2020**

Year⁽²⁾	City of Sacramento	Average Annual % Change	County of Sacramento	Average Annual % Change	State of California	Average Annual % Change
2010	466,488	-	1,420,434	-	37,309,382	-
2020	520,264	11.5	1,585,055	11.5	39,538,223	5.9
2021	517,824	-0.4	1,579,186	-0.3	39,286,510	-0.6
2022	516,958	-0.1	1,573,366	-0.3	39,078,674	-0.5
2023	518,161	0.2	1,572,453	-0.5	38,940,231	-0.3

⁽¹⁾ Totals are estimates and may not add due to rounding.

⁽²⁾ The population estimates incorporate the 2010 Census Population Benchmark.

Source: State of California, Department of Finance.

Industry and Employment

As the seat of State government, the City has traditionally had a large public-sector workforce. In recent years, the employment base in Sacramento and the surrounding area has diversified as the relatively low cost of living and the supply of skilled labor have drawn a number of technology, financial services, and healthcare employers.

Set forth below are data reflecting the civilian labor force, employment, and unemployment for the Sacramento Metropolitan Statistical Area, which includes El Dorado, Placer, Sacramento, and Yolo Counties. These figures might not accurately reflect employment trends in the City.

**SACRAMENTO METROPOLITAN STATISTICAL AREA
CIVILIAN LABOR FORCE, EMPLOYMENT, AND
THE ANNUAL AVERAGE EMPLOYMENT BY INDUSTRY**

LABOR FORCE:	2018	2019	2020	2021	2022
Labor force ⁽¹⁾	1,089,600	1,101,000	1,095,600	1,107,800	1,124,500
Employment	1,048,200	1,061,400	998,400	1,036,700	1,082,500
Unemployment	41,400	39,600	97,200	71,100	42,000
Unemployment Rate	3.8%	3.6%	8.9%	6.4%	3.7%
EMPLOYMENT INDUSTRY:					
Total All Industries ⁽²⁾	1,007,400	1,027,300	980,700	1,025,400	1,072,300
Total Farm	9,100	8,800	8,300	9,000	8,600
Total Non-farm	998,300	1,018,500	972,300	1,016,400	1,063,700
Mining & Logging	500	500	500	500	500
Construction	64,500	68,400	70,200	75,400	76,800
Manufacturing	36,000	36,500	36,100	37,700	40,300
Trade, Transportation & Utilities	159,900	161,700	155,900	165,000	169,600
Information	12,400	11,900	10,200	10,100	10,500
Financial Activities	53,400	52,500	51,700	51,800	52,300
Professional & Business Services	133,500	134,900	133,500	140,600	147,500
Education & Health Services	159,800	166,400	164,000	168,800	175,400
Leisure & Hospitality	106,200	109,200	83,900	93,600	108,700
Other Services	34,200	35,100	31,000	33,300	36,100
Total Government	238,000	241,400	235,300	240,200	246,000
Federal Government	14,100	14,200	14,800	14,500	14,300
State and Local Government	223,800	227,200	220,500	225,700	231,600

⁽¹⁾ Labor-force data are by place of residence and include self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

⁽²⁾ Industry employment is by place of work and excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

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

The table below identifies the major private-sector employers and the major public-sector employers for the greater Sacramento area (Sacramento, El Dorado, Placer, Sutter, Yolo, and Yuba Counties). Major private employers in the Sacramento area include those in health care, electronics, telecommunications, retail, and financial services. Major public-sector employers include the State and the County. The data provided are through December 2019 and may not reflect subsequent changes in work force.

**SACRAMENTO COUNTY
MAJOR PRIVATE AND PUBLIC SECTOR EMPLOYERS IN 2022**

Company	Type of Business	No. of Full-Time Employees⁽¹⁾
State of California	Government	107,876
UC Davis Health System	Health Care	16,075
Sacramento County	County Government	13,252
Kaiser Permanente	Healthcare	10,934
U.S. Government	Government	10,507
Sutter Health	Healthcare	9,350
Dignity Health	Healthcare	7,353
Intel Corp.	Semiconductor Manufacturer	5,000
San Juan Unified School District	Public School District	4,801
Los Rios Community College District	Two-year Community College	3,049
California State University Sacramento	University	2,800
Raley's	Grocery Store Chain	2,756
Siemens Mobility Inc.	Rolling Stock Manufacturer	2,500
Folsom Cordova Unified School District	Public School District	2,400
Safeway	Grocery Store Chain	1,874
Golden 1 Credit Union	Credit Union	1,776
Pacific Gas and Electric Co.	Utility Company	1,370
WellSpace Health	Community Health System	1,143
Eskaton	In-home Healthcare	829
Pride Industries	Manufacturing and Logistics Services	512

⁽¹⁾ As of September 2022.
Source: Sacramento Business Journal

The following tables contain certain data related to income and unemployment.

**UNEMPLOYMENT STATISTICS
Calendar Year**

	2018	2019	2020	2021	2022
Sacramento	3.9%	3.7%	9.5%	6.9%	3.9%
California	4.2	4.0	10.1	7.3	4.2
National	3.9	3.7	8.1	5.3	3.5

Source: U.S. Department of Labor, Bureau of Labor Statistics

**MEDIAN HOUSEHOLD INCOME
Calendar Year**

	<u>City of Sacramento</u>	<u>State of California</u>	<u>United States</u>
2017	\$54,615	\$67,169	\$57,652
2018	58,456	71,228	60,293
2019	71,891	80,423	65,712
2020	72,953	83,001	67,340
2021	79,611	84,831	69,717

Source: United States Census Bureau

**SACRAMENTO METROPOLITAN STATISTICAL AREA
PER CAPITA INCOME
Calendar Year**

<u>Year</u>	<u>Per Capita Income</u>
2017	\$52,481
2018	54,407
2019	57,151
2020	62,166
2021	65,972

Source: Bureau of Economic Analysis

APPENDIX C
SUMMARY OF THE INDENTURE

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

APPENDIX E
PROPOSED FORM OF BOND COUNSEL OPINION

APPENDIX F

BOOK-ENTRY ONLY SYSTEM

The information in this section regarding DTC and its book-entry system has been obtained from DTC's website, for use in securities offering documents, and the City and the Underwriter take no responsibility for the accuracy or completeness thereof or for the absence of material changes in such information after the date hereof.

The Depository Trust Company ("**DTC**"), New York, New York, will act as securities depository for the Series 2023 Bonds. The Series 2023 Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered bond certificate will be issued for each maturity of the Series 2023 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

Purchases of the Series 2023 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2023 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2023 Bond ("**Beneficial Owner**") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2023 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2023 Bonds, except in the event that use of the book-entry system for the Series 2023 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2023 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2023 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2023 Bonds; DTC's records reflect only the

identity of the Direct Participants to whose accounts such Series 2023 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2023 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2023 Bonds, such as redemptions, tenders, defaults and proposed amendments to the Series 2023 Bonds documents. For example, Beneficial Owners of Series 2023 Bonds may wish to ascertain that the nominee holding the Series 2023 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

While the Series 2023 Bonds are in the book-entry-only system, redemption notices will be sent to DTC. If less than all of the Series 2023 Bonds of a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2023 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2023 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2023 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2023 Bonds at any time by giving reasonable notice to the City or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, certificates representing the Series 2023 Bonds are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates representing the Series 2023 Bonds will be printed and delivered to DTC.

The information in this Appendix F concerning DTC and DTC's book-entry system has been obtained from sources that the City and the Underwriter believe to be reliable, but the City and the Underwriter do not take any responsibility for the accuracy thereof.

FOURTH SUPPLEMENTAL INDENTURE

between

CITY OF SACRAMENTO

and

U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION,
as successor Trustee

Dated as of December 1, 2023

Relating To

 \$[PAR]
 CITY OF SACRAMENTO
WATER REVENUE REFUNDING BONDS, SERIES 2023

(Supplementing the Indenture
Dated as of March 1, 2013)

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FOURTH SUPPLEMENTAL INDENTURE

This FOURTH SUPPLEMENTAL INDENTURE, dated as of December 1, 2023 (this “Fourth Supplemental Indenture”), between the CITY OF SACRAMENTO, a municipal corporation and chartered city duly organized and existing under and by virtue of the Constitution and laws of the State of California (the “City”), and U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION (successor to U.S. Bank National Association), a national banking association duly organized and existing under and by virtue of the laws of the United States of America, as trustee (the “Trustee”);

WITNESSETH:

WHEREAS, this Fourth Supplemental Indenture is supplemental to the Indenture, dated as of March 1, 2013 (as supplemented and amended from time to time pursuant to its terms, the “Indenture”), between the City and the Trustee;

WHEREAS, the Indenture provides that the City may issue Bonds (as defined in the Indenture) from time to time as authorized by a Supplemental Indenture (as defined in the Indenture);

WHEREAS, in accordance with Section 3.01 of the Indenture, the City has determined to issue the City of Sacramento Water Revenue Refunding Bonds, Series 2023 (the “Series 2023 Bonds”), in the aggregate principal amount of \$[PAR], in order to refund a portion of the City of Sacramento Water Revenue Refunding Bonds, Series 2020 (Federally Taxable) (the “Series 2020 Bonds”), (a) by purchasing and cancelling [*describe Series 2020 Bonds so purchased*] purchased through a tender offer (such Series 2020 Bonds so purchased and cancelled are referred to herein as the “Purchased Bonds”) and (b) by defeasing and paying at maturity or redemption [*describe certain Series 2020 Bonds so defeased*] (such Series 2020 Bonds so defeased are referred to herein as the “Defeased Bonds” and the “Purchased Bonds” and the “Defeased Bonds” are referred to herein as the “Refunded Bonds”);

WHEREAS, the Series 2023 Bonds will constitute Refunding Bonds (as defined in the Indenture);

WHEREAS, the execution and delivery of this Fourth Supplemental Indenture has in all respects been duly and validly authorized by a resolution duly passed and approved by the City Council of the City; and

WHEREAS, all acts, conditions, and things required by law to exist, to have happened and to have been performed necessary to make the Series 2023 Bonds, when duly executed by the City and authenticated and delivered by the Trustee, valid and binding limited obligations of the City payable in accordance with their terms, and to constitute this Fourth Supplemental Indenture a valid and binding agreement of the parties hereto for the uses and purposes herein set forth in accordance with its conditions and terms, do exist, have happened, and have been performed in the time, form and manner required by law, and the execution and entering into of this Fourth Supplemental Indenture and the execution and delivery of the Series 2023 Bonds, subject to the terms hereof, have been in all respects duly authorized;

NOW, THEREFORE, THIS FOURTH SUPPLEMENTAL INDENTURE WITNESSETH, that in order to secure the payment of the interest on and principal of and redemption premiums, if any, on the Series 2023 Bonds executed, authenticated, and delivered hereunder according to their tenor, and to secure the performance and observance of all the agreements, conditions, covenants, and terms set forth therein and herein, and to declare the conditions and terms upon and subject to which the Series 2023 Bonds will be executed, authenticated, and delivered, and in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the Series 2023 Bonds by the Holders (as defined in the Indenture) thereof from time to time, and for other valuable considerations, the receipt whereof is hereby acknowledged, the City does hereby agree and covenant with the Trustee, for the benefit of the Holders from time to time of the Series 2023 Bonds, as follows:

ARTICLE XXIV

DEFINITIONS

SECTION 24.01. Definitions. All terms which are defined in Section 1.02 of the Indenture shall (except as otherwise provided herein) have the same definitions in this Fourth Supplemental Indenture that are given to such terms in Section 1.02 of the Indenture.

ARTICLE XXV

FINDINGS AND DETERMINATIONS

SECTION 25.01. Findings and Determinations. The City hereby finds and determines that the Series 2023 Bonds shall be issued pursuant to Section 3.01 of the Indenture and that, upon the issuance of the Series 2023 Bonds, any and all acts, conditions, and things required to exist, to happen and to be performed, precedent to and in the issuance thereof, will exist, will have happened, and will have been performed, in due time, form, and manner, as required by the Constitution and statutes of the State.

SECTION 25.02. Recital in Bonds. There shall be included in each of the definitive Series 2023 Bonds, and also in each of the temporary Series 2023 Bonds, if any are issued, a certification and recital that any and all acts, conditions, and things required to exist, to happen and to be performed, precedent to and in the incurring of the indebtedness evidenced by that Series 2023 Bond, and in the issuing of that Series 2023 Bond, exist, have happened, and have been performed in due time, form, and manner, as required by the Constitution and statutes of the State, and that the Series 2023 Bond, together with all other indebtedness of the City payable out of the Trust Estate, is within every debt and other limit prescribed by the Constitution and statutes of the State, and that such certification and recital shall be in such form as is set forth in the form of the Series 2023 Bond attached hereto as Exhibit A.

SECTION 25.03. Effect of Findings and Recital. From and after the issuance of the Series 2023 Bonds, the findings and determinations herein shall be conclusive evidence of the existence of the facts so found and determined in any action or proceeding in any court in which the validity of the Series 2023 Bonds is at issue.

SECTION 25.04. Series 2023 Bonds Not Participating Bonds. The Series 2023 Bonds are not Participating Bonds under the Indenture.

ARTICLE XXVI

AUTHORIZATION OF SERIES 2023 BONDS

SECTION 26.01. Authorization and Terms of Series 2023 Bonds.

(A) The Series 2023 Bonds in the aggregate principal amount of \$[PAR] are hereby authorized to be issued pursuant to the Indenture for the purpose of refunding the Refunded Bonds through the purchase and cancellation of the Purchased Bonds and the defeasance of the Defeased Bonds.

(B) A fourth Series of Bonds to be issued under the Indenture is hereby created. That Series of Bonds shall be known as the “City of Sacramento Water Revenue Refunding Bonds, Series 2023”. The Series 2023 Bonds shall be Current Interest Bonds in the aggregate principal amount of \$[PAR].

(C) The Series 2023 Bonds shall be issued as fully registered bonds in the denominations of \$5,000 or integral multiples thereof. The Series 2023 Bonds shall be initially registered in the name of “Cede & Co.,” as nominee of The Depository Trust Company, and shall be evidenced by one Series 2023 Bond for each maturity of the Series 2023 Bonds bearing interest at a particular interest rate as set forth below in this Section 26.01 in a denomination corresponding to the total principal amount of the Series 2023 Bonds maturing on such date and bearing interest at such interest rate. Each Series 2023 Bond shall be assigned a distinctive number or letter or letter and number, and a record of the same shall be maintained by the Trustee. Registered ownership of the Series 2023 Bonds, or any portion thereof, may thereafter be transferred as set forth in Section 2.10 of the Indenture.

(D) Interest on the Series 2023 Bonds shall be computed on the basis of a 360-day year composed of twelve 30-day months.

(E) The principal of and premium, if any, on the Series 2023 Bonds shall be payable when due upon presentation and surrender thereof at the Corporate Trust Office of the Trustee in lawful money of the United States of America.

(F) The Series 2023 Bonds shall be dated as of their date of issuance, shall bear interest from that date at the following rates per annum, and shall mature on September 1 in the following years in the following amounts:

Maturity Date (September 1)	Principal Amount	Interest Rate
	\$	%

(G) Interest on the Series 2023 Bonds shall be payable on March 1, 2024, and semiannually thereafter on March 1 and September 1 of each year (each such date, an “Interest Payment Date”) by check mailed by first-class mail on each Interest Payment Date to the Holder thereof as of the close of business on the 15th day of the calendar month immediately preceding such Interest Payment Date (whether or not such day is a business day) (the “Record Date”); provided, however, that Holders of at least \$1,000,000 in aggregate principal amount of Series 2023 Bonds may, at any time prior to a Record Date, give the Trustee written instructions for payment of such interest on each succeeding Interest Payment Date by wire transfer.

SECTION 26.02. Redemption of the Series 2023 Bonds.

(A) Optional Redemption. The Series 2023 Bonds maturing on and after September 1, 20[___], are subject to redemption before their stated maturities, at the City’s option, from any source of available funds, on any date on or after September 1, 20[___], as a whole or in part by such maturity or maturities as may be specified by the City (and by lot within a maturity), at a Redemption Price equal to 100% of the principal amount to be redeemed, plus accrued interest to the date fixed for redemption, without premium.

(B) Mandatory Sinking Fund Redemption. The Series 2023 Bonds maturing on September 1, 20[___], are also subject to mandatory redemption from Mandatory Sinking Account Payments for those Series 2023 Bonds on each September 1 on and after September 1, 20[___], at a redemption price equal to the principal amount of the Series 2023 Bonds to be redeemed plus accrued interest, if any, to the redemption date, without premium. Such Mandatory Sinking Account Payments will be sufficient to redeem (or pay at maturity) the following principal amounts of such Series 2023 Bonds on the dates set forth below (except that if any such Series 2023 Bonds are optionally redeemed pursuant to Section 26.02(A), the amounts of the remaining Mandatory Sinking Fund Account Payments for those Series 2023 Bonds will be revised as directed in writing by the City):

Mandatory Sinking Account Payment Date (September 1)	Mandatory Sinking Account Payment
	\$

*

* Final Maturity

The Series 2023 Bonds maturing on September 1, 20[___], are also subject to mandatory redemption from Mandatory Sinking Account Payments for those Series 2023 Bonds on each September 1 on and after September 1, 20[___], at a redemption price equal to the principal amount of the Series 2023 Bonds to be redeemed plus accrued interest, if any, to the redemption date, without premium. The Mandatory Sinking Account Payments will be sufficient to redeem (or pay at maturity) the following principal amounts of those Series 2023 Bonds on the dates set forth below (except that if any such Series 2023 Bonds are optionally redeemed pursuant to Section 26.02(A), the amounts of the remaining Mandatory Sinking Fund Account Payments for the Series 2023 Bonds will be revised as directed in writing by the City):

Mandatory Sinking Account Payment Date (September 1)	Mandatory Sinking Account Payment
	\$

*

* Final Maturity

(C) Selection of Bonds for Redemption. The City shall designate which maturities of any Series 2023 Bonds are to be called for optional redemption pursuant to Section 26.02(A). If less than all Series 2023 Bonds maturing by their terms on any one date are to be redeemed at any one time, the Trustee shall select the Series 2023 Bonds of such maturity date to be redeemed by lot and shall promptly notify the City in writing of the numbers of the Series 2023 Bonds so selected for redemption. For purposes of such selection, Series 2023 Bonds shall be deemed to be composed of multiples of minimum authorized denominations and any such multiple may be separately redeemed.

(D) Notice of Redemption. Notice of redemption of the Series 2023 Bonds shall be provided in accordance with, and subject to, the provisions of Section 4.02 of the Indenture.

SECTION 26.03. Form of Series 2023 Bonds. The Series 2023 Bonds and the certificate of authentication to be executed thereon shall be in substantially the form set forth as Exhibit A to this Fourth Supplemental Indenture.

SECTION 26.04. Issuance of Series 2023 Bonds. At any time after the execution and delivery of this Fourth Supplemental Indenture, the City may execute and the Trustee shall authenticate and deliver the Series 2023 Bonds upon the Order of the City.

SECTION 26.05. Application of Proceeds of Series 2023 Bonds and Other Funds. The net proceeds of the sale of the Series 2023 Bonds of \$[] (composed of \$[PAR].00 aggregate principal amount, plus original issue premium of \$[], less an underwriters' discount of \$[]¹) plus additional funds from the City in the amount of \$[] shall be deposited with the Trustee and shall be held in trust and set aside or transferred by the Trustee as follows:

(A) The Trustee shall transfer the sum of \$[] (consisting of \$[] from proceeds of the Series 2023 Bonds and \$[] from cash) to the Trustee to pay the purchase price of the Purchased Bonds.

(B) The Trustee shall transfer the sum of \$[] (consisting of \$[] from proceeds of the Series 2023 Bonds and \$[] from cash) to the Trustee for deposit in the escrow fund established to defease the Defeased Bonds.

(C) The Trustee shall deposit the remainder of said proceeds, \$[], in the Series 2023 Costs of Issuance Fund, a segregated fund established pursuant to Section 26.06.

The Trustee may establish a temporary fund or account in its records to facilitate and record such deposits and transfer.

SECTION 26.06. Establishment and Application of Series 2023 Costs of Issuance Fund.

(A) The Trustee shall establish, maintain, and hold in trust a separate fund designated as the "Series 2023 Costs of Issuance Fund." The moneys deposited in the Series 2023 Costs of Issuance Fund from the proceeds of the Series 2023 Bonds shall be used and withdrawn as directed by the City to pay the Costs of Issuance of the Series 2023 Bonds. All interest, profits, and other income received from the investment of moneys held in the Series 2023 Costs of Issuance Fund shall be deposited in the Series 2023 Costs of Issuance Fund unless the City instructs the Trustee to transfer to the City for deposit or to deposit such investment earnings or a portion thereof in the Revenue Fund, or the Rebate Fund, as applicable.

(B) Before any payment from the Series 2023 Costs of Issuance Fund shall be made by the Trustee, the City shall file or cause to be filed with the Trustee a Requisition of the City, such Requisition of the City to be in substantially such form as is set forth in Exhibit B hereto. Upon issuance of each such Requisition, the Trustee shall pay the amount set forth in such Requisition as directed by the terms thereof out of the Series 2023 Costs of Issuance Fund. The Trustee and the City shall retain a record of the Requisitions from the Series 2023 Costs of Issuance Fund.

¹ Discuss how to pay underwriter's discount from cash.

(C) Any amounts remaining in the Series 2023 Costs of Issuance Fund 180 days after the date of issuance of the Series 2023 Bonds shall be transferred as directed by the City for deposit in the Revenue Fund, and the Series 2023 Costs of Issuance Fund shall be closed.

SECTION 26.07. Continuing Disclosure. The City covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate executed by the City and dated the date of issuance of the Series 2023 Bonds (the “Continuing Disclosure Certificate”). Notwithstanding any other provision of the Indenture, failure of the City to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default; however, the Trustee shall, at the written request of any Participating Underwriter or of the Holders of at least 25% aggregate principal amount of the Series 2023 Bonds then Outstanding (but only to the extent funds in an amount satisfactory to the Trustee have been provided to it or it has been otherwise indemnified to its satisfaction from any cost, liability, expense or additional charges and fees of the Trustee whatsoever, including reasonable fees and expenses of its attorneys), or any Holder or Beneficial Owner may, take such actions as may be necessary and appropriate to cause the City to comply with its obligations under this Section 26.07, including seeking mandate or specific performance by court order.

ARTICLE XXVII

MISCELLANEOUS PROVISIONS

SECTION 27.01. Terms of Series 2023 Bonds Subject to the Indenture. Except as in this Fourth Supplemental Indenture expressly provided, every term and condition contained in the Indenture shall apply to this Fourth Supplemental Indenture and to the Series 2023 Bonds with the same force and effect as if the same were herein set forth at length, with such omissions, variations, and modifications thereof as may be appropriate to make the same conform to this Fourth Supplemental Indenture.

This Fourth Supplemental Indenture and all the terms and provisions herein contained shall form part of the Indenture as fully and with the same effect as if all such terms and provisions had been set forth in the Indenture. The Indenture is hereby ratified and confirmed and shall continue in full force and effect in accordance with the terms and provisions thereof, as supplemented and amended hereby.

SECTION 27.02. Effective Date of Fourth Supplemental Indenture. This Fourth Supplemental Indenture shall take effect upon its execution and delivery.

SECTION 27.03. Execution in Counterparts; Electronic Signatures. This Fourth Supplemental Indenture may be executed in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument. Each of the parties hereto agrees that the transaction consisting of this Fourth Supplemental Indenture may be conducted by electronic means. Each party agrees, and acknowledges that it is such party’s intent, that if such party signs this Fourth Supplemental Indenture using an electronic signature, it is signing, adopting, and accepting this Fourth Supplemental Indenture and that signing this agreement using an electronic signature is the legal equivalent of having placed its handwritten signature on this Fourth Supplemental Indenture on paper. Each party acknowledges that it is

being provided with an electronic or paper copy of this Fourth Supplemental Indenture in a usable format.

IN WITNESS WHEREOF, the parties hereto have executed this Fourth Supplemental Indenture by their officers thereunto duly authorized as of the day and year first written above.

CITY OF SACRAMENTO

By: _____
John P. Colville, Jr.
City Treasurer

U.S. BANK TRUST COMPANY, NATIONAL
ASSOCIATION,
as successor Trustee

By: _____
Authorized Officer

EXHIBIT A

[FORM OF SERIES 2023 BOND]

No. R-__ \$ _____

CITY OF SACRAMENTO
WATER REVENUE REFUNDING BOND,
SERIES 2023

Maturity Date	Interest Rate Per Annum	Dated Date	CUSIP
September 1, 20__	_____%	[____], 2023	

REGISTERED OWNER: Cede & Co.

PRINCIPAL AMOUNT:

CITY OF SACRAMENTO, a municipal corporation and chartered city duly organized and existing under and by virtue of the Constitution and laws of the State of California (the “City”), for value received, hereby promises to pay to the Registered Owner named above or registered assigns, on the Maturity Date specified above, the Principal Amount specified above, together with interest thereon from the Dated Date specified above until the principal hereof shall have been paid, at the Interest Rate Per Annum specified above, payable on March 1, 2024, and semiannually thereafter on March 1 and September 1 in each year (each such date, an “Interest Payment Date”). Interest hereon is payable in lawful money of the United States of America by check mailed by first-class mail on each Interest Payment Date to the registered owner as of the close of business on the 15th day of the calendar month immediately preceding such Interest Payment Date (whether or not such day is a business day) (the “Record Date”); provided, however, that owners of at least \$1,000,000 aggregate principal amount of the Series 2023 Bonds (as defined herein) may, at any time prior to a Record Date, give the Trustee (as defined herein) written instructions for payment of such interest on each succeeding Interest Payment Date by wire transfer. The principal hereof is payable when due upon presentation hereof at the Corporate Trust Office (as such term is defined in the Indenture, dated as of March 1, 2013 (as supplemented and amended from time to time pursuant to its terms, the “Indenture”), between the City and the Trustee) of U.S. Bank Trust Company, National Association, as successor trustee (together with any successor as trustee under the Indenture, the “Trustee”), in lawful money of the United States of America. All capitalized terms used and not otherwise defined herein shall have the meanings assigned to such terms in the Indenture.

This Bond is one of a duly authorized issue of City of Sacramento Water Revenue Refunding Bonds (the “Bonds”) of the series and designation indicated above and is a Current Interest Bond. That authorized issue of Bonds is not limited in aggregate principal amount, except as otherwise provided in the Indenture, and consists or may consist of one or more Series of varying denominations, dates, maturities, interest rates, and other provisions, as in the

Indenture provided, all issued or to be issued pursuant to the provisions of Chapter 3.152 of the Sacramento City Code and the Indenture. This Bond is issued pursuant to the Indenture, as supplemented by a Fourth Supplemental Indenture thereto, dated as of December 1, 2023, between the City and the Trustee, authorizing the issuance of the City of Sacramento Water Revenue Refunding Bonds, Series 2023 (the “Series 2023 Bonds”). Certain additional Bonds may be issued and other obligations may be secured by the Trust Estate (as defined in the Indenture) on a parity basis with this Bond, subject to the provision of the Indenture permitting the application of the Trust Estate for the purposes and on the terms and conditions set forth in the Indenture.

Reference is hereby made to the Indenture for a description of the terms on which the Bonds (including the Series 2023 Bonds) are issued and to be issued, the provisions with regard to the nature and extent of the security for the Bonds (including the Series 2023 Bonds), the rights of the registered owners of the Bonds (including the Series 2023 Bonds) and the rights and obligations of the City thereunder; and all the terms of the Indenture are hereby incorporated herein and constitute a contract between the City and the registered owners from time to time of this Bond, and to all the provisions thereof the registered owner of this Bond, by such owners’ acceptance hereof, consents and agrees.

The Bonds (including the Series 2023 Bonds) and the interest thereon are payable from, and are secured by a charge and lien on the Trust Estate, subject to the provision of the Indenture permitting the application of the Trust Estate for the purposes and on the terms and conditions set forth in the Indenture.

The Bonds (including the Series 2023 Bonds) are limited obligations of the City and are secured by a pledge of and payable solely, both as to principal and interest and as to any premiums upon the redemption thereof, from the Trust Estate, and the City is not obligated to pay the Bonds (including the Series 2023 Bonds) except from the Trust Estate. The general fund of the City is not liable, and the credit or taxing power of the City is not pledged, for the payment of the Bonds (including the Series 2023 Bonds) or their interest. The Bonds (including the Series 2023 Bonds) are not secured by a legal or equitable pledge of, or charge, lien, or encumbrance upon, any of the property of the City or any of its income or receipts, except the Trust Estate as provided in the Indenture.

The Series 2023 Bonds are subject to optional and mandatory sinking fund redemption at the times and in the manner provided in the Indenture.

This Bond is transferable or exchangeable for other authorized denominations by the registered owner hereof, in person or by its attorney duly authorized in writing, at the Corporate Trust Office of the Trustee, but only (1) in the manner provided in the Indenture, (2) subject to the limitations and upon payment of the charges provided in the Indenture, and (3) upon surrender and cancellation of this Bond. Upon such transfer a new fully registered Bond or Bonds without coupons, of authorized denomination or denominations, of the same Series, tenor, maturity, and interest rate for the same aggregate principal amount will be issued to the transferee in exchange herefor.

The City, the Trustee and any paying agent may deem and treat the registered owner hereof as the absolute owner hereof for all purposes, and the City, the Trustee, and any paying agent shall not be affected by any notice to the contrary.

The rights and obligations of the City and of the holders and registered owners of the Bonds (including the Series 2023 Bonds) may be modified or amended at any time in the manner, to the extent, and upon the terms provided in the Indenture, which provide, in certain circumstances, for modifications and amendments without the consent of or notice to the registered owners of Bonds (including the Series 2023 Bonds).

It is hereby certified and recited that any and all acts, conditions and things required to exist, to happen, and to be performed, precedent to and in the incurring of the indebtedness evidenced by this Bond, and in the issuing of this Bond, do exist, have happened, and have been performed in due time, form and manner, as required by the Constitution and statutes of the State of California, and that this Bond, together with all other indebtedness of the City payable out of the Trust Estate, is within every debt and other limit prescribed by the Constitution and the statutes of the State of California and is not in excess of the amount of Bonds permitted to be issued under the Indenture.

This Bond shall not be entitled to any benefit under the Indenture, or become valid or obligatory for any purpose until the certificate of authentication hereon endorsed shall have been manually signed by the Trustee.

IN WITNESS WHEREOF, CITY OF SACRAMENTO has caused this Bond to be executed in its name and on its behalf by the facsimile signature of an Authorized Representative and caused this Bond to be dated as of the Dated Date set forth above.

CITY OF SACRAMENTO

By: _____
John P. Colville, Jr.
City Treasurer

[FORM OF CERTIFICATE OF AUTHENTICATION]

This is one of the Bonds described in the within-mentioned Indenture and authenticated on the date set forth below.

Dated: _____.

U.S. BANK TRUST COMPANY, NATIONAL
ASSOCIATION,
as successor Trustee

By: _____
Authorized Officer

[FORM OF ASSIGNMENT]

For value received, _____ hereby sell, assign, and transfer unto _____ the within Bond and hereby irrevocably constitute and appoint _____ attorney, to transfer the same on the books of the City at the office of the Trustee, with full power of substitution in the premises.

NOTE: The signature to this Assignment must correspond with the name on the face of the within Bond in every particular, without alteration or enlargement or any change whatsoever.

Dated: _____

Signature Guaranteed by:

NOTE: Signature must be guaranteed by an eligible guarantor institution.

[DTC LEGEND]

Unless this Bond is presented by an authorized representative of The Depository Trust Company to the City or its agent for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede & Co. or such other name as requested by an authorized representative of The Depository Trust Company and any payment is made to Cede & Co., ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the registered owner hereof, Cede & Co., has an interest herein.

EXHIBIT B

FORM OF SERIES 2023 COSTS OF ISSUANCE FUND REQUISITION

Requisition No. _____

Series 2023 Costs of Issuance Fund

The undersigned, hereby certifies as follows:

1. I am [Name], [Title], an Authorized Representative of the CITY OF SACRAMENTO, a municipal corporation and chartered city duly organized and existing under and by virtue of the Constitution and laws of the State of California (the “City”).

2. Pursuant to the provisions of the Indenture, dated as of March 1, 2013 (as supplemented and amended from time to time pursuant to its terms, the “Indenture”), between the City and U.S. Bank Trust Company, National Association, as successor trustee (the “Trustee”), I am delivering this Requisition on behalf of the City. All capitalized terms used and not otherwise defined herein shall have the meanings assigned to such terms in the Indenture.

3. The undersigned hereby requests that the Trustee pay from the Series 2023 Costs of Issuance Fund created pursuant to Section 26.06 of the Indenture the amounts specified in Schedule I hereto to the persons identified in Schedule I.

4. The undersigned, acting on behalf of the City, hereby certifies that (a) obligations in the amounts set forth in Schedule I attached hereto have been incurred by the City and are now due and payable; (b) each item is a proper charge against the Series 2023 Costs of Issuance Fund; and (c) each item has not been previously paid from the Series 2023 Costs of Issuance Fund.

Dated: _____.

CITY OF SACRAMENTO

By: _____
Authorized Representative

SCHEDULE I TO REQUISITION NO. _____

<u>Name and Address of Party to be Paid</u>	<u>Payment Amount</u>	<u>Nature of Expenditure</u>	<u>Payment Instructions</u>
---	---------------------------	----------------------------------	---------------------------------

\$[_____]]
CITY OF SACRAMENTO
WATER REVENUE REFUNDING BONDS, SERIES 2023

BOND PURCHASE AGREEMENT

[_____] , 2023

Mayor and City Council
City of Sacramento
915 I Street, Fifth Floor
Sacramento, California 95814

Ladies and Gentlemen:

The undersigned, GOLDMAN SACHS & CO. LLC (the “**Underwriter**”), hereby offers to enter into this bond purchase agreement with the CITY OF SACRAMENTO, a California municipal corporation (the “**City**”). Upon acceptance of this offer by the City, this bond purchase agreement (the “**Bond Purchase Agreement**”) will be binding upon the City and the Underwriter. This offer is made subject to acceptance by the City of this Bond Purchase Agreement, by the execution and delivery of this Bond Purchase Agreement to the Underwriter at or before 11:59 p.m. California time on the date hereof, and, if not so accepted, will be subject to withdrawal by the Underwriter upon notice to the City at any time before acceptance hereof by the City. Capitalized terms used but not defined herein have the meanings ascribed to them in the Official Statement (defined in section 1(d) below).

[The City of Sacramento Water Revenue Refunding Bonds, Series 2023 (the “**Series 2023 Bonds**”) are being issued in order to refund a portion of the City of Sacramento Water Revenue Refunding Bonds, Series 2020 (Federally Taxable) (the “**Series 2020 Bonds**”), by (i) purchasing and cancelling certain Series 2020 Bonds purchased through a tender offer (the “**Purchased Bonds**”) and (ii) by defeasing and paying at maturity or redemption certain Series 2020 Bonds (the “**Defeased Bonds**”). The Purchased Bonds and the Defeased Bonds are herein referred to as the “**Refunded Bonds**”.] In connection with the purchase of the Refunded Bonds, the City and Goldman Sachs & Co. LLC, as dealer manager (in such capacity, the “**Dealer Manager**”), are entering into a Dealer Manager Agreement, dated [November __, 2023] (the “**Dealer Manager Agreement**”), pursuant to which the Dealer Manager will solicit tenders of certain Series 2020 Bonds for purchase, as more particularly set forth in the Dealer Manager Agreement.

The Underwriter represents to the City that it has been duly authorized to execute this Bond Purchase Agreement.

1. Purchase, Sale, and Delivery of the Series 2023 Bonds.

- (a) Subject to the terms and conditions hereinafter set forth, the Underwriter hereby agrees to purchase from the City, and the City hereby agrees to sell to the Underwriter, all (but not less than all) of the City’s \$[_____] aggregate principal amount of the Series 2023 Bonds at the aggregate purchase price of

\$[] (consisting of the principal amount of the Series 2023 Bonds). The City shall transfer \$[] to the Trustee (as defined below) for deposit into the Series 2023 Costs of Issuance Fund under the hereinafter defined Fourth Supplemental Indenture for payment of an underwriting fee (in the amount of \$[]) in connection with the sale of the Series 2023 Bonds. In addition, the City will also transfer \$[] to the Trustee for deposit into the Series 2023 Costs of Issuance Fund for payment of costs of issuance.

- (b) The Series 2023 Bonds will be dated their date of issuance and will bear interest at the rates, and mature at the times and in the amounts, all as set forth in Schedule I hereto. The Series 2023 Bonds are being issued under an Indenture, dated as of March 1, 2013 (the “**Master Indenture**”), as supplemented by the First Supplemental Indenture dated as of March 1, 2013 (the “**First Supplemental Indenture**”), the Second Supplemental Indenture dated as of June 1, 2017 (the “**Second Supplemental Indenture**”), the Third Supplemental Indenture dated as of May 1, 2020 (the “**Third Supplemental Indenture**”), and the Fourth Supplemental Indenture dated as of [] 1, 2023 (the “**Fourth Supplemental Indenture**”) between the City and U.S. Bank Trust Company, National Association, as successor trustee to U.S. Bank National Association (the “**Trustee**”). The Master Indenture, as supplemented from time to time, including as supplemented by the First Supplemental Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture, and the Fourth Supplemental Indenture, is the “**Indenture.**” The Series 2023 Bonds are limited obligations of the City, secured by a pledge of, and payable solely from, the Trust Estate, which primarily consists of (1) all System Net Revenues and (2) all funds and accounts held by the Trustee under the Indenture (other than the Rebate Fund and certain other funds specified in the Indenture) and all investments, money, instruments, and other property credited thereto or on deposit therein, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.
- (c) The Underwriter shall make a public offering of the Series 2023 Bonds at the initial offering price or prices established by the Underwriter and set forth in Schedule I hereto. Subsequent to the initial public offering, the Underwriter reserves the right to change the initial offering price or prices as the Underwriter deems necessary in connection with the marketing of the Series 2023 Bonds and to offer and sell the Series 2023 Bonds to certain dealers, unit investment trusts, and money-market funds, certain of which may be sponsored or managed by the Underwriter, at prices lower than the public offering prices or yields greater than the yields set forth herein. The Underwriter also reserves the right (1) to over-allot or effect transactions that stabilize or maintain the market price of the Series 2023 Bonds at a level above the price that might otherwise prevail in the open market and (2) to discontinue such stabilizing, if commenced at any time.
- (d) In accordance with Resolution No. 2023-[], adopted on [], 2023 (the “**Resolution**”), the Sacramento City Council has approved the form and distribution of the Preliminary Official Statement dated November __, 2023 (the

“**Preliminary Official Statement**”) relating to the Series 2023 Bonds and the distribution of an Official Statement, dated November __, 2023 (together with any amendment or supplement thereto, the “**Official Statement**”). The Official Statement must be in the form of the Preliminary Official Statement with such changes as are necessary to reflect the principal amount, maturity date or dates, interest rates, redemption provisions, and other information relating to the sale of the Series 2023 Bonds, and with such other changes as the Underwriter may approve. By signing this Bond Purchase Agreement, the City confirms that the City has deemed the Preliminary Official Statement to be final as of its date for purposes of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 (the “**Rule**”), except for the omission of certain information permitted to be omitted therefrom in accordance with the Rule. It is a condition of the offer of the Underwriter made hereby that the City deliver, within seven business days after the date hereof, and in any event not later than two business days before the Closing Date (defined in section 2 below), copies of the final Official Statement in such amount as the Underwriter may reasonably request, and to deliver an electronic copy of the Official Statement in word-searchable portable document format, in order for the Underwriter to comply with the rules of the Municipal Securities Rulemaking Board (the “**MSRB**”) and subsection (b)(4) of the Rule. At the time of or prior to the Closing Date, the Underwriter shall file a copy of the Official Statement with the MSRB.

- (e) The City hereby ratifies the Underwriter’s prior use and distribution of the Preliminary Official Statement and the Official Statement (and all information contained therein) in connection with the offering and sale of the Series 2023 Bonds, and the City hereby authorizes the Underwriter’s future use of the Preliminary Official Statement and the Official Statement (and all information contained therein) for that purpose.
- (f) To assist the Underwriter in complying with the Rule, the City will undertake, in accordance with a Continuing Disclosure Certificate, dated the Closing Date (the “**Continuing Disclosure Certificate**”), to provide annual financial information and notices of the occurrence of specified events. A description of the Continuing Disclosure Certificate is set forth in, and a form of such certificate is attached as an appendix to, the Preliminary Official Statement and the Official Statement.
- (g) The proceeds of the Series 2023 Bonds will be for the purpose of purchasing and cancelling the Purchased Bonds and defeasing the Defeased Bonds.

1. **Establishment of Issue Price.**

- (a) The Underwriter shall assist the City in establishing the issue price of the Series 2023 Bonds and shall execute and deliver to the City at Closing an “issue price” or similar certificate, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit C, with such

modifications as may be appropriate or necessary, in the reasonable judgment of the Underwriter, the City, and Bond Counsel (defined herein), to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the Series 2023 Bonds.

- (b) Except as otherwise set forth in Schedule I attached hereto, the City shall treat the first price at which 10% of each maturity of the Series 2023 Bonds (the “**10% test**”) is sold to the public as the issue price of that maturity. At or promptly after the execution of this Bond Purchase Agreement, the Underwriter shall report to the City the price or prices at which it has sold to the public each maturity of the Series 2023 Bonds.
- (c) The Underwriter confirms that it has offered the Series 2023 Bonds to the public on or before the date of this Bond Purchase Agreement at the offering price or prices (the “**initial offering price**”), or at the corresponding yield or yields, set forth in Schedule I attached hereto, except as otherwise set forth therein. Schedule I also sets forth, as of the date of this Bond Purchase Agreement, the maturities, if any, of the Series 2023 Bonds for which the 10% test has not been satisfied and for which the City and the Underwriter agree that the restrictions set forth in the next sentence will apply, which will allow the City to treat the initial offering price to the public of each such maturity as of the sale date as the issue price of that maturity (the “**hold-the-offering-price rule**”). So long as the hold-the-offering-price rule remains applicable to any maturity of the Series 2023 Bonds, the Underwriter shall not offer or sell unsold Series 2023 Bonds of that maturity to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:
 - (1) the close of the fifth business day after the sale date; or
 - (2) the date on which the Underwriter has sold at least 10% of that maturity of the Series 2023 Bonds to the public at a price that is no higher than the initial offering price to the public.

The Underwriter shall advise the City promptly after the close of the fifth business day after the sale date whether it has sold 10% of that maturity of the Series 2023 Bonds to the public at a price that is no higher than the initial offering price to the public.

- (d) The Underwriter confirms the following:
 - (1) Any selling-group agreement and any third-party distribution agreement relating to the initial sale of the Series 2023 Bonds to the public, together with the related pricing wires, contains or will contain language obligating each dealer who is a member of the selling group and each broker-dealer that is a party to the third-party distribution agreement, as applicable, to-

- (A) report the prices at which it sells to the public the unsold Series 2023 Bonds of each maturity allocated to it, whether or not the Closing Date has occurred, until either all Series 2023 Bonds of that maturity allocated to it have been sold or it is notified by the Underwriter that the 10% test has been satisfied as to the Series 2023 Bonds of that maturity, provided that the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Underwriter; and
 - (B) comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Underwriter;
 - (C) promptly notify the Underwriter of any sales of Series 2023 Bonds that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Series 2023 Bonds to the public (each such term being used as defined below); and
 - (D) acknowledge that, unless otherwise advised by the dealer or broker-dealer, the Underwriter will assume that each order submitted by the dealer or broker-dealer is a sale to the public.
- (2) Any selling-group agreement relating to the initial sale of the Series 2023 Bonds to the public, together with the related pricing wires, contains or will contain language obligating each dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Series 2023 Bonds to the public to require each broker-dealer that is a party to the third-party distribution agreement to-
- (A) report the prices at which it sells to the public the unsold Series 2023 Bonds of each maturity allocated to it, whether or not the Closing Date has occurred, until either all Series 2023 Bonds of that maturity allocated to it have been sold or it is notified by the Underwriter or the dealer that the 10% test has been satisfied as to the Series 2023 Bonds of that maturity, provided that the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Underwriter or the dealer; and
 - (B) comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Underwriter or the dealer and as set forth in the related pricing wires.
- (e) The City acknowledges that-
- (1) if a selling group has been created in connection with the initial sale of the Series 2023 Bonds to the public, then the Underwriter may rely on the agreement of each dealer who is a member of the selling group to comply

with the requirements for establishing issue price of the Series 2023 Bonds, including its agreement to comply with the hold-the-offering-price rule, if applicable to the Series 2023 Bonds, as set forth in a selling group agreement and the related pricing wires;

- (2) if a third-party distribution agreement was employed in connection with the initial sale of the Series 2023 Bonds to the public, then the Underwriter may rely on the agreement of each broker-dealer that is a party to such agreement to comply with the requirements for establishing issue price of the Series 2023 Bonds, including its agreement to comply with the hold-the-offering-price rule, if applicable to the Series 2023 Bonds, as set forth in the third-party distribution agreement and the related pricing wires; and
 - (3) the Underwriter will not be liable for the failure of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement, to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Series 2023 Bonds, including its agreement to comply with the hold-the-offering-price rule, if applicable to the Series 2023 Bonds.
- (f) The Underwriter acknowledges that sales of any Series 2023 Bonds to any person that is a related party to an underwriter participating in the initial sale of the Series 2023 Bonds to the public (each such term being used as defined below) will not constitute sales to the public for purposes of this section 2. For purposes of this section 2-
- (1) “**public**” means any person other than an underwriter or a related party;
 - (2) “**underwriter**” means (A) any person that agrees in a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Series 2023 Bonds to the public and (B) any person that agrees in a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Series 2023 Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Series 2023 Bonds to the public;
 - (3) a purchaser of any of the Series 2023 Bonds is a “**related party**” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another); (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another); or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and

the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other); and

(4) “**sale date**” means the date of execution of this Bond Purchase Agreement by all parties.

2. **Closing.** At 8:00 a.m., California time, on [____], 2023, or at such other time or on such earlier or later date as the City and the Underwriter agree upon, the City shall deliver or cause to be delivered to the Underwriter the Series 2023 Bonds, together with the other documents hereinbefore or hereinafter mentioned; and the Underwriter shall accept such delivery and pay the purchase price of such Series 2023 Bonds as set forth in section 1 by wire transfer to the City in federal or other immediately available funds to the order of the City. Delivery and payment as aforesaid must be made at the offices of Orrick, Herrington & Sutcliffe LLP, Sacramento, California (“**Bond Counsel**”), or at such other place as the City and the Underwriter agree upon, except that delivery of the Series 2023 Bonds must be through the facilities of The Depository Trust Company, New York, New York (the “**DTC**”) or its Fast Automated Securities Transfer agent. The time of payment and delivery is the “**Closing Date**.”
3. **The City’s Representations, Warranties, Covenants, and Agreements.** The City, by its acceptance hereof, represents, warrants, covenants, and agrees with the Underwriter as follows. The phrase “actual knowledge of the City” and its variants mean the actual knowledge of the City Manager, the Assistant City Manager for Municipal Services, the City Attorney, the City Treasurer, the City Clerk, the City’s Director of Utilities, or the City’s Debt Manager.
- (a) The City is a municipal corporation duly organized and existing under its charter (the “**City Charter**”) and the Constitution and laws of the State of California (the “**State**”). The City is empowered to issue the Series 2023 Bonds and has full power and authority to take all actions required or permitted to be taken by the City by or under, and to perform and observe the covenants and agreements on its part contained in, this Bond Purchase Agreement, the Series 2023 Bonds, the Indenture, [the Escrow Agreement (the “**Escrow Agreement**”), dated as of December 1, 2023 between the City and U.S. Bank Trust Company, National Association, as escrow agent for the Defeased Bonds (the “**Escrow Agent**”), the Continuing Disclosure Certificate (these documents are collectively the “**City Documents**”).
- (b) On or before the date hereof, the City has duly taken all action necessary to be taken by it before that date for (1) the execution, delivery, and performance of the City Documents; (2) the distribution of the Preliminary Official Statement and the Official Statement; and (3) the carrying out, giving effect to, consummation, and performance of the transactions and obligations contemplated hereby and by the Official Statement— except that no representation is made with respect to compliance with the securities or “Blue Sky” laws of the various states of the United States.

- (c) The Resolution has been duly adopted by the Sacramento City Council at a meeting called and held according to law and with all public notice required by law and at which a quorum was present and acting throughout. The Resolution is in full force and effect and has not been modified or supplemented. This Bond Purchase Agreement has been duly executed and delivered by the City and, assuming the due execution and delivery by the Underwriter, is the legal, valid, and binding obligation of the City, enforceable against the City in accordance with its terms, except that the binding effect and enforceability thereof may be limited (1) by bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting creditors' rights generally (including fraudulent-conveyance law); or (2) by general principles of equity including concepts of materiality, reasonableness, and good faith and fair dealing; or (3) by the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law; or (4) by the exercise of judicial discretion in appropriate cases; or (5) by the limitations on legal remedies against public entities in the State.
- (d) When executed and delivered by the City, [the Escrow Agreement], the Continuing Disclosure Certificate, and the Indenture will have been duly executed and delivered by the City and will be the legal, valid, and binding obligations of the City, enforceable against the City in accordance with their terms, except that the binding effect and enforceability thereof may be limited (1) by bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting creditors' rights generally (including fraudulent-conveyance law); or (2) by general principles of equity including concepts of materiality, reasonableness, and good faith and fair dealing; or (3) by the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law; or (4) by the exercise of judicial discretion in appropriate cases; or (5) by limitations on legal remedies against public entities in the State.
- (e) To the actual knowledge of the City as of the date hereof, and except as otherwise disclosed in the Official Statement, the adoption of the Resolution, the execution and delivery of the City Documents, the compliance with the terms, conditions, or provisions hereof and thereof, and the consummation of the transactions herein and therein contemplated do not and will not in any material way (1) conflict with, or constitute a violation of, the City Charter or any constitutional provision or any law (or any regulations, order, writ, injunction, or decree of any court or governmental instrumentality applicable to the City); or (2) result in a breach of, or default on, any resolution, agreement, or instrument to which the City is a party; or (3) result in the creation or imposition of any lien, charge, or encumbrance of any nature whatsoever upon any of the properties or assets of the City under any resolution, agreement, or instrument to which the City is a party or by which it or any of its properties is bound other than the lien created by the Indenture.
- (f) To the actual knowledge of the City as of the date hereof, and except as described in the Official Statement, all authorizations, consents, and approvals of, notices to,

registrations or filings with, or actions in respect of, any governmental body, agency, or other instrumentality or court required in connection with the execution, delivery, and performance by the City of the City Documents and the Resolution have or will have been obtained, given, or taken and will be in full force and effect as of the Closing Date, except that no representation is made with respect to compliance with the securities or “Blue Sky” laws of the various states of the United States.

- (g) To the actual knowledge of the City as of the date hereof, and except as described in the Official Statement, the City has not been served with process in, and has not been overtly threatened with, any action, suit, proceeding, inquiry, or investigation before or by any court, public board, or public body (1) seeking to restrain or enjoin the execution, sale, or delivery of the Series 2023 Bonds; or (2) contesting or affecting in any way the validity of enforceability of the City Documents; or (3) contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any amendment or supplement thereto; or (4) contesting the powers or authority of the City with respect to the City Documents; or (5) affecting the City wherein an unfavorable decision, ruling, or finding is likely to have a material adverse effect on the financial condition or solvency of the City or affect the validity or enforceability of, or the authority or ability of the City to perform its obligations under, the City Documents. Until the end of the underwriting period (as determined in accordance with section 3(j)), the City shall advise the Underwriter promptly of the institution of any proceedings actually known to it by any governmental agency prohibiting or otherwise affecting the use of the Preliminary Official Statement or the Official Statement in connection with the offering, sale, or distribution of the Series 2023 Bonds.
- (h) The City shall cooperate with the Underwriter in the qualification of the Series 2023 Bonds for offering and sale and the determination of the eligibility of the Series 2023 Bonds for investment under the laws of such jurisdictions as the Underwriter designates and shall continue any such qualification in effect so long as required for the distribution of the Series 2023 Bonds by the Underwriter, except that the City is not required to consent to service of process in any jurisdiction or to expend any funds in connection with such qualification. The City is not responsible for compliance with or the consequences of failure to comply with applicable “Blue Sky” laws.
- (i) As of its date and up until the City’s acceptance hereof, the Preliminary Official Statement and, as of the date hereof, the Official Statement (excluding the statements and information relating to the DTC and the book-entry system, as to which no opinion need be expressed) did not and do not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

- (j) If between the date of this Bond Purchase Agreement and the date that is 25 days after the end of the underwriting period (as determined in accordance with this section 3(j)) the City has actual knowledge of any event that would cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, then the City shall notify the Underwriter of the event. If, in the Underwriter's reasonable opinion, the event requires the preparation and publication of a supplement or amendment to the Official Statement, then the City, at its own expense, shall prepare and furnish the following to the Underwriter: a reasonable number of copies of a supplement or amendment to the Official Statement in form and substance reasonably acceptable to the Underwriter; and, if the event notice is after the Closing Date, such legal opinions, certificates, instruments, and other documents as the Underwriter may reasonably deem necessary to evidence the truth and accuracy of the supplement or amendment to the Official Statement. The term "**end of the underwriting period**" means the later of the following: when the City delivers the Series 2023 Bonds to the Underwriter or when the Underwriter does not retain an unsold balance of the Series 2023 Bonds for sale to the public. Unless the Underwriter gives notice to the contrary, the end of the underwriting period will be the Closing Date. The City shall provide the Underwriter with such information regarding the City, its current financial condition, and its ongoing operations as the Underwriter reasonably requests. Any notice delivered under this section 3(j) must be delivered in writing to the City at or before the Closing Date and must specify a date, other than the Closing Date, to be the end of the underwriting period. In no event will the end of the underwriting period extend beyond the date that is 60 days after the Closing Date.
- (k) If the Official Statement is amended or supplemented in accordance with section 3(j), then at the time of each supplement or amendment and at all times afterward up to and including the date that is 25 days after the Closing Date, the portions of the Official Statement so supplemented or amended (including any financial and statistical data contained herein) will be true and correct in all material respects and will not contain any untrue or misleading statement of a material fact or omit to state any material fact necessary to make the statements in the Official Statement, in light of the circumstances under which they were made, not misleading.
- (l) When the Series 2023 Bonds are issued, authenticated, and delivered in accordance with the Indenture and paid for by the Underwriter as provided for herein, the Series 2023 Bonds will be legally valid and binding obligations of the City, enforceable in accordance with their terms, except as such enforceability may be limited (1) by bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting creditors' rights generally (including, fraudulent-conveyance law); or (2) by general principles of equity including concepts of materiality, reasonableness, and good faith and fair dealing; or (3) by the possible unavailability of specific performance or injunctive relief, regardless

of whether considered in a proceeding in equity or at law; or (4) by the exercise of judicial discretion in appropriate cases; or (5) by the limitations on legal remedies against public entities in the State. The Series 2023 Bonds will be entitled to the benefits of, and secured by, the Indenture.

- (m) Any certificate signed by an authorized representative of the City and delivered in connection with the transactions contemplated by the Official Statement and this Bond Purchase Agreement will be a representation and warranty by the City to the Underwriter as to the statements made therein.
- (n) Between the date hereof and the Closing Date, without the prior written consent of the Underwriter, the City will not have issued any bonds, notes, or other obligations for borrowed money, in each case payable from System Net Revenues, except for such borrowing as may be described in or contemplated by the Official Statement.
- (o) The Audited Financial Statements of the City for the Fiscal Year ended June 30, 2022, as contained in Appendix A to the Official Statement, fairly and accurately present the financial condition of the Water System as of that date, and, except as referred to in or contemplated by the Official Statement, there has not been, nor does the City anticipate that there will be, any adverse change of a material nature in the financial position, assets, properties, results of operations, or condition (financial or otherwise) of the Water System.
- (p) Since June 30, 2022, except as referred to in or as contemplated by the Official Statement—
 - (1) the City has not, with respect to the Water System, incurred any direct or contingent financial liabilities or entered into any transactions; and
 - (2) there has not been any adverse change in the financial or physical condition of the Water System,

that would materially and adversely affect the ability of the City to meet its obligations under the Indenture.
- (q) Except as disclosed in the Preliminary Official Statement and the Official Statement, the City has not failed to comply in the last five years in any material respects with any previous undertakings with regard to the Rule to provide annual reports or notices of events as required by the Rule.

4. Conditions to the Underwriter's Obligations. The Underwriter's obligations under this Bond Purchase Agreement have been undertaken in reliance on, and are subject to, the City's due performance of the City's obligations and agreements to be performed hereunder and to the accuracy of and compliance with the representations, warranties, covenants, and agreements of the City contained herein, in each case on and as of the date of delivery of this Bond Purchase Agreement and on and as of the Closing Date. The

Underwriter's obligations hereunder are also subject, in the Underwriter's discretion, to the following further conditions:

- (a) On the Closing Date—
 - (1) the City Documents must be in full force and effect and must not have been rescinded, amended, modified, or supplemented, except as may have been agreed to in writing by the Underwriter, and the City must have adopted, and there must be in full force and effect, such additional resolutions, agreements, opinions, and certificates (including such certificates as may be required by Bond Counsel to establish the tax-exempt character of interest on the Series 2023 Bonds), which resolutions, agreements, opinions, and certificates must be satisfactory in form and substance to Bond Counsel and the Underwriter and its counsel, and there must have been taken in connection therewith and in connection with the issuance of the Series 2023 Bonds all such actions as are, in the opinion of each, necessary in connection with the transactions contemplated hereby;
 - (2) the Series 2023 Bonds must have been duly authorized, executed, authenticated and delivered;
 - (3) the City must perform or have performed all of its obligations under, or specified in, each City Document that are to be performed at or before the Closing Date;
 - (4) there shall be no event present that prevents the consummation of the Tender Program (as defined in the Dealer Manager Agreement);
 - (5) the representations of the City contained herein must be true and complete in all material respects on the date of acceptance hereof and on and as of the Closing Date; and
 - (6) the City must have delivered to the Underwriter copies of the Official Statements by the time, and in the numbers, required by section 1(d) above.
- (b) On or before the Closing Date, the Underwriter must have received the following documents, in each case satisfactory to the Underwriter:
 - (1) This Bond Purchase Agreement duly executed and delivered by the City and the Underwriter; the Continuing Disclosure Certificate duly executed and delivered by the City; certified copies of the Master Indenture, the First Supplemental Indenture, the Second Supplemental Indenture and the Third Supplemental Indenture; the Fourth Supplemental Indenture duly executed and delivered by the City and the Trustee; [the Escrow Agreement duly executed and delivered by the City and the Escrow Agent]; and a certified copy of the Resolution, each only with such

amendments, modifications, or supplements as may have been agreed to by the Underwriter.

- (2) The Official Statement, executed on behalf of the City by an authorized representative of the City.
- (3) A copy of the Resolution (which authorizes the execution and delivery of the City Documents), together with a certificate of the City Clerk, dated as of the Closing Date, to the effect that the copy is a true and complete copy of the Resolution.
- (4) An opinion of Bond Counsel, dated the Closing Date and addressed to the City, in substantially the form attached as Appendix E to the Official Statement, together with a letter to the Underwriter to the effect that the Underwriter may rely on the opinion as if it was addressed to the Underwriter.
- (5) A supplemental opinion of Bond Counsel, dated the Closing Date and addressed to the Underwriter and the Dealer Manager, substantially in the form attached hereto as Exhibit A.
- (6) The opinion of the City Attorney or her designee, dated the Closing Date and addressed to the Underwriter and the Dealer Manager, to the following effect:
 - (A) The City is a municipal corporation duly organized and validly existing under the City Charter and the Constitution and the laws of the State.
 - (B) The City has duly approved the Official Statement relating to the Series 2023 Bonds.
 - (C) The Sacramento City Council duly enacted the City's Enterprise Revenue Bond Law, which is codified as chapter 3.152 of the Sacramento City Code (the "**Ordinance**"), at meetings called and held according to law with all public notice required by law and at which a quorum was present and acting throughout, and the Ordinance is no longer subject to referendum, is in full force and effect, and has not been amended or rescinded.
 - (D) The Sacramento City Council duly adopted the Resolution at a meeting called and held according to law with all public notice required by law and at which a quorum was present and acting throughout, and the Resolution is in full force and effect and has not been amended or rescinded.

- (E) The City has full right and lawful authority to execute and deliver the City Documents, and the City has duly authorized, executed, and delivered the Official Statement and the City Documents.
- (F) The City Documents are legally valid and binding obligations of the City enforceable against the City in accordance with their terms, except as enforcement may be limited by (i) bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting creditors' rights generally (including fraudulent-conveyance laws); or (ii) by general principles of equity including concepts of materiality, reasonableness, and good faith and fair dealing; or (iii) by the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law; or (iv) by the exercise of judicial discretion in appropriate cases or; (v) by the limitations on legal remedies against public entities in the State, and provided that no opinion need be expressed with respect to any indemnification or contribution provision contained in the City Documents or with respect to the state or federal laws that pertain to the tax-exempt status of the Series 2023 Bonds.
- (G) To the actual knowledge of the City Attorney or her designee as of the date of the opinion, the enactment of the Ordinance, the adoption of the Resolution, and the execution and delivery of the City Documents, and compliance with the provisions hereof and thereof, under the circumstances contemplated thereby and hereby, do not and will not in any material way (i) conflict with or constitute on the part of the City a breach of, or default on, any agreement or other instrument applicable to, or binding upon, the City or any of its properties; or (ii) violate the City Charter; or (iii) violate any existing law, regulation, court order, or consent decree to which the City or any of its properties are subject.
- (H) Except as described in the Official Statement, to the actual knowledge of the City Attorney or her designee as of the date of the opinion, the City has not been served with process in, and has not been overtly threatened with, any action, suit, proceeding, inquiry, or investigation before or by any court, public board, or public body (i) that contests in any way the completeness or accuracy of the Official Statement; or (ii) in which an unfavorable decision, ruling, or finding is likely to have a material adverse effect on the financial condition of the Water System or on the transactions contemplated by the Bond Purchase Agreement or the Official Statement; or (iii) that is likely to adversely affect the validity or enforceability of, or the authority or ability of the City to perform its obligations under, the Resolution or the City Documents— in each case subject to the standard exceptions and

limitations specified in the opinion of the City Attorney or her designee.

- (7) [A defeasance opinion of Bond Counsel, addressed to the City, the Underwriter and the Escrow Agent, dated the Closing Date, as to the effective defeasance of the Defeased Bonds in accordance with their terms.]
- (8) The opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, as disclosure counsel to the City (“**Disclosure Counsel**”), dated the Closing Date and addressed to the Underwriter, in substantially the form attached hereto as Exhibit B.
- (9) The opinion of counsel to the Trustee, dated the Closing Date and addressed to the City and the Underwriter, to the effect that (A) the Trustee has been duly organized and is validly existing in good standing as a national banking association duly organized under the laws of the United States of America with full corporate power to undertake the trust of the Indenture; (B) the Trustee has duly authorized, executed, and delivered the Indenture; (C) the Indenture constitutes a legally valid and binding obligation of the Trustee, enforceable against the Trustee in accordance with its terms, except that the enforceability thereof may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, and other laws in effect from time to time affecting the rights of creditors generally and except to the extent that the enforceability thereof may be limited by the application of general principles of equity; (D) exclusive of federal or state securities laws and regulations, other than routine filings required to be made with governmental agencies to preserve the Trustee’s authority to perform a trust business (all of which routine filings Trustee’s counsel believes, after reasonable inquiry and investigation, to have been made), no consent, approval, authorization, or other action by any governmental or regulatory authority having jurisdiction over the Trustee is or will be required for the execution and delivery by the Trustee of the Indenture or the issuance of the Series 2023 Bonds; and (E) there is no litigation pending or threatened against or affecting the Trustee to restrain or enjoin the Trustee’s participation in, or in any way contesting the powers of the Trustee with respect to the transactions contemplated by, the Series 2023 Bonds and the Indenture.
- (10) [The opinion of counsel to the Escrow Agent, dated the Closing Date and addressed to the City and the Underwriter, to the effect that (A) the Escrow Agent has been duly organized and is validly existing in good standing as a national banking association duly organized under the laws of the United States of America with full corporate power to undertake the Escrow Agreement; (B) the Escrow Agent has duly authorized, executed, and delivered the Escrow Agreement; (C) the Escrow Agreement constitutes a legally valid and binding obligation of the Escrow Agent,

enforceable against the Escrow Agent in accordance with its terms, except that the enforceability thereof may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, and other laws in effect from time to time affecting the rights of creditors generally and except to the extent that the enforceability thereof may be limited by the application of general principles of equity; (D) exclusive of federal or state securities laws and regulations, other than routine filings required to be made with governmental agencies to preserve the Escrow Agent's authority to perform a trust business (all of which routine filings Escrow Agent's counsel believes, after reasonable inquiry and investigation, to have been made), no consent, approval, authorization, or other action by any governmental or regulatory authority having jurisdiction over the Escrow Agent is or will be required for the execution and delivery by the Escrow Agent of the Escrow Agreement; and (E) there is no litigation pending or threatened against or affecting the Escrow Agent to restrain or enjoin the Escrow Agent's participation in, or in any way contesting the powers of the Escrow Agent with respect to the transactions contemplated by the Escrow Agreement.]

- (11) A certificate, dated the Closing Date, signed by the appropriate City representative and in form and substance satisfactory to the Underwriter, to the effect that, to the actual knowledge of such representative as of the Closing Date—
- (A) the representations and warranties of the City in this Bond Purchase Agreement are accurate on and as of the Closing Date as if made on that date;
 - (B) the City Documents have been executed and are in full force and effect;
 - (C) the City has complied or is then in compliance with all agreements and has satisfied all conditions on its part to be observed or satisfied under each City Document on or before the Closing Date;
 - (D) between the date of the Official Statement and the date of the certificate, there has been no material adverse change in the condition (financial or otherwise) of the Water System, whether or not arising from transactions in the ordinary course of business, as described in the Official Statement; and
 - (E) the representative has examined the Official Statement, and in his or her opinion the Official Statement as of its date and as of the Closing Date did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

- (12) A certificate, dated the Closing Date, signed by a duly authorized officer of the Trustee, satisfactory in form and substance to the Underwriter, to the effect that—
- (A) the Trustee is a national banking association organized and existing under and by virtue of the laws of the United States of America; having the full power and being qualified to enter into and perform its duties under the Indenture;
 - (B) the Trustee is duly authorized to enter into the Indenture, and the Indenture has been duly executed and delivered by the Trustee;
 - (C) the execution and delivery of the Indenture and compliance with the provisions on the Trustee's part contained therein will not conflict with or constitute a breach of, or default under, any law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement, or other instrument to which the Trustee is a party or is otherwise subject (except that no representation, warranty, or agreement is made with respect to any federal or state securities or Blue Sky laws or regulations), nor will any such execution, delivery, or compliance result in the creation or imposition, under the terms of any such law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement, or other instrument, of any lien, charge, or other security interest or encumbrance of any nature whatsoever upon any of the properties or assets held by the Trustee under the lien created by the Indenture, except as provided by the Indenture;
 - (D) it has not been served with any action, suit, proceeding, inquiry, or investigation, at law or in equity, before or by any court, governmental agency, or public board or body, nor is any such action, to the best of the officer's knowledge after reasonable investigation, threatened against the Trustee, as such but not in its individual capacity, affecting the existence of the Trustee, or the titles of its officers to their offices, or seeking to prohibit, restrain, or enjoin the collection of the funds to be applied to pay the principal, premium, if any, and interest with respect to the Series 2023 Bonds, or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the Indenture, or contesting the powers of the Trustee or its authority to enter into, adopt, or perform its obligations under any of the foregoing, wherein an unfavorable decision, ruling, or finding would materially adversely affect the validity or enforceability of the Indenture;

- (E) no consent, approval, authorization, or other action by any governmental or regulatory authority having jurisdiction over the Trustee that has not been obtained is or will be required for the authentication of the Series 2023 Bonds or the consummation by the Trustee of the other transactions contemplated to be performed by the Trustee in connection with the authentication of the Series 2023 Bonds and the acceptance and performance of the obligations created by the Indenture; and
 - (F) subject to the provisions of the Indenture and applicable law, the Trustee will apply the proceeds from the 2023 Bonds to the purposes specified in the Indenture.
- (13) [A certificate, dated the Closing Date, signed by a duly authorized officer of the Escrow Agent, satisfactory in form and substance to the Representative, to the following effect:
- (A) The Escrow Agent is a national banking association organized and existing under and by virtue of the laws of the United States of America; having the full power and being qualified to enter into and perform its duties under the Escrow Agreement.
 - (B) The Escrow Agent is duly authorized to enter into the Escrow Agreement, and the Escrow Agreement has been duly executed and delivered by the Escrow Agent.
 - (C) The execution and delivery of the Escrow Agreement and compliance with the provisions on the Escrow Agent's part contained therein will not conflict with or constitute a breach of, or default under, any law, administrative regulation, judgment, decree, loan agreement, Escrow Agreement, bond, note, resolution, agreement, or other instrument to which the Escrow Agent is a party or is otherwise subject (except that no representation, warranty, or agreement is made with respect to any federal or state securities or Blue Sky laws or regulations), nor will any such execution, delivery, or compliance result in the creation or imposition, under the terms of any such law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement, or other instrument, of any lien, charge, or other security interest or encumbrance of any nature whatsoever upon any of the properties or assets held by the Escrow Agent under the lien created by the Escrow Agreement, except as provided by the Escrow Agreement.
 - (D) It has not been served with any action, suit, proceeding, inquiry, or investigation, at law or in equity, before or by any court, governmental agency, or public board or body, nor is any such

action, to the best of the officer's knowledge after reasonable investigation, threatened against the Escrow Agent, as such but not in its individual capacity, affecting the existence of the Escrow Agent, or the titles of its officers to their offices, or seeking to prohibit, restrain, or enjoin the collection of the funds to be applied to pay the principal, premium, if any, and interest with respect to the Series 2023 Bonds, or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the Escrow Agreement, or contesting the powers of the Escrow Agent or its authority to enter into, adopt, or perform its obligations under any of the foregoing, wherein an unfavorable decision, ruling, or finding would materially adversely affect the validity or enforceability of the Escrow Agreement.

(E) No consent, approval, authorization, or other action by any governmental or regulatory authority having jurisdiction over the Escrow Agent that has not been obtained is or will be required for the consummation by the Escrow Agent of the other transactions contemplated to be performed by the Escrow Agent in connection with the acceptance and performance of the obligations created by the Escrow Agreement.

(F) The Escrow Agent will apply the amount deposited in the Escrow Fund in accordance with the Escrow Agreement.]

- (14) A verification report issued by _____ regarding the sufficiency of the securities and cash on deposit in the Escrow Fund (as described in the Escrow Agreement) to pay the redemption prices of and the debt service due on the Defeased Bonds.
- (15) A certified copy of the general resolution of the Trustee authorizing the execution and delivery of the Indenture.
- (16) A tax certificate for the Series 2023 Bonds in a form satisfactory to Bond Counsel and the Underwriter.
- (17) Evidence that the ratings on the Series 2023 Bonds as set forth in the Official Statement are in full force and effect as of the Closing Date.
- (18) An opinion of Nixon Peabody LLP, as counsel to the Underwriter and the Dealer Manager, dated the Closing Date and addressed to the Underwriter and the Dealer Manager, in form and substance acceptable to the Underwriter.
- (19) Such additional legal opinions, certificates, proceedings, instruments, insurance policies or evidences thereof, and other documents as the Underwriter, Disclosure Counsel, or Bond Counsel may reasonably request to evidence the truth and accuracy, as of the date hereof and as of

the Closing Date, of the City's representations and of the statements and information contained in the Official Statement, and the City's due performance or satisfaction at or before the Closing Date of all agreements then to be performed and all conditions then to be satisfied by the City in connection with the transactions contemplated hereby and by the Indenture.

5. Termination of Agreement.

- (a) If the City cannot satisfy the conditions to the Underwriter's obligations to be satisfied by the City under this Bond Purchase Agreement, then this Bond Purchase Agreement will terminate with the effect stated in section 5(c) below.
- (b) The Underwriter may terminate this Bond Purchase Agreement, with the effect stated in section 5(c) below, at any time after the date of this Bond Purchase Agreement and on or before the Closing Date by notifying the City in writing of its election so to do if, in the Underwriter's reasonable judgment, between the date hereof and the Closing Date the marketability of the Series 2023 Bonds at the initial offering prices set forth in the Official Statement has been materially adversely affected by reason of any of the following:
 - (1) An amendment to the Constitution of the State is passed; or legislation is introduced in or enacted by the legislature of the State, or legislation pending in the legislature of the State is amended; or legislation is recommended to the legislature of the State or otherwise endorsed for passage by the Governor of the State, the Treasurer's Office of the State or the Department of Finance of the State or by the chair of a relevant committee in either house of the legislature of the State (by press release, other form of notice, or otherwise); or legislation is proposed for consideration by a relevant committee by a member thereof or presented as an option for consideration by any such committee or the staff thereof; or legislation is favorably reported for passage to either house of the State legislature by a committee of the house to which such legislation has been referred for consideration; or a decision is rendered by a court of the United States or of the State or the Tax Court of the United States; or a ruling is made or a regulation or temporary regulation is proposed or made or any other release or announcement is made by a State authority which, in the reasonable judgment of the Underwriter, may have the purpose or effect, directly or indirectly, of affecting the tax status of the Series 2023 Bonds or the interest thereon under, or any tax exemption granted or authorized with respect to the Series 2023 Bonds by, State legislation.
 - (2) Legislation is enacted, introduced in the Congress, or recommended for passage by the President of the United States; or a decision is rendered by a court established under Article III of the Constitution of the United States or by the Tax Court of the United States; or an order, ruling, regulation (final, temporary, or proposed), or official statement is issued or

made by or on behalf of the Securities and Exchange Commission or any other governmental agency having jurisdiction of the subject matter, to the effect that obligations of the general character of the Series 2023 Bonds, or the Series 2023 Bonds themselves, including any or all underlying arrangements, are not exempt from registration under the Securities Act of 1933, as amended, or that the Indenture is not exempt from qualification under the Trust Indenture Act of 1939, as amended.

- (3) The declaration of war or engagement or significant escalation in major military hostilities by the United States or the occurrence or the significant escalation of any other national emergency or calamity relating to the effective operation of the federal or state governments of, or the financial community in, the United States.
- (4) The declaration of a general banking moratorium by federal, New York, or California authorities, or the general suspension of trading on any national securities exchange.
- (5) The occurrence of a major financial crisis, a material disruption in commercial banking or securities settlement or clearance services, or a material disruption or deterioration in the fixed income or municipal securities market.
- (6) The imposition by the New York Stock Exchange or other national securities exchange, or by any governmental authority, of any material restrictions not now in force with respect to the Series 2023 Bonds or obligations of the general character of the Series 2023 Bonds or securities generally, or the material increase of any such restrictions now in force, including those relating to the extension of credit by, or the charge to the net capital requirements of, the Underwriter.
- (7) An order, decree, or injunction of any court having jurisdiction, or an order, ruling, regulation, or official statement by the Securities and Exchange Commission or by any other governmental agency having jurisdiction of the subject matter is issued or made to the effect that the issuance, offering, or sale of obligations of the general character of the Series 2023 Bonds, or the issuance, offering, or sale of the Series 2023 Bonds themselves, including any or all underlying obligations, as contemplated hereby or by the Official Statement, is or would be in violation of the federal securities laws as amended and then in effect.
- (8) Any rating agency rating the Series 2023 Bonds downgrades, suspends, or withdraws (or announces its intent to downgrade, suspend, or withdraw) any rating of the Series 2023 Bonds, or issues any negative qualification with respect to the Series 2023 Bonds (such as being placed on “credit watch” with negative implications or “negative outlook” or any similar qualification).

- (9) Any event occurs or information becomes known that, in the reasonable judgment of the Underwriter, makes untrue in any material respect any statement or information contained in the Official Statement, or has the effect that the Official Statement contains any untrue statement of material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.
- (c) If this Bond Purchase Agreement is terminated as herein provided, then the parties hereto will have no obligations to each other except as provided in section 6.

6. Expenses.

- (a) The Underwriter shall pay all expenses incurred by it in connection with the offering of the Series 2023 Bonds, including (1) the fees and disbursements of its counsel and (2) the cost of qualifying the Series 2023 Bonds for sale in various states chosen by the Underwriter and the cost of preparing or printing any “Blue Sky” or legal investment memoranda to be used in connection with such sale. If the Underwriter purchases the Series 2023 Bonds, then the Underwriter shall pay costs and disbursements it incurs in connection with the transactions contemplated herein and hereby, including the costs of travel by the Underwriter’s personnel, and out-of-pocket expenses; these expenses of the Underwriter may be included in the expense component of the Underwriter’s discount. The City is solely responsible for, and shall pay, any expenses incidental to implementing this Bond Purchase Agreement that the Underwriter incurs on behalf of the City’s employees and representatives, including meals, transportation, and lodging of those employees and representatives; these expenses of the Underwriter may also be included in the expense component of the Underwriter’s discount.
- (b) Whether or not the Underwriter purchases the Series 2023 Bonds, the Underwriter will not be obligated to pay, and the City shall pay, all expenses incident to the City’s performance of the City’s obligations hereunder (other than as set forth in section 6(a)), including (1) the fees and expenses of Bond Counsel and Disclosure Counsel; (2) charges made by rating agencies for the rating of the Series 2023 Bonds; (3) the fees and expenses of the personnel and staff of the City designated to work on the issuance and sale of the Series 2023 Bonds; (4) printing and distribution of the Preliminary Official Statement and the Official Statement; and (5) the fees and expenses of the Trustee and the fees and expenses of counsel to the Trustee.

7. Miscellaneous.

- (a) Except as otherwise specifically provided in this Bond Purchase Agreement, all notices, demands, and formal actions under this Bond Purchase Agreement must be in writing and given by first-class mail (postage prepaid) or by personal delivery to the City and the Underwriter at the following addresses:

City of Sacramento
Office of the City Treasurer
915 "I" Street
Historic City Hall, Third Floor
Sacramento, California 95814
Attn: Debt Manager

Goldman Sachs & Co. LLC
2121 Avenue of the Stars, Suite 2600
Los Angeles, California 90067
Attn: Ruth Pan

- (b) This Bond Purchase Agreement inures to the benefit of, and is binding upon, the City and the Underwriter and their successors and assigns.
- (c) All of the representations, warranties, and covenants of the City and the Underwriter in this Bond Purchase Agreement will remain operative and in full force and effect regardless of (1) any investigation made by or on behalf of the Underwriter or the City or (2) delivery of any payment for the Series 2023 Bonds hereunder.
- (d) Section headings have been inserted in this Bond Purchase Agreement as a matter of convenience of reference only. They are not a part of this Bond Purchase Agreement and are not to be used when interpreting it.
- (e) If any non-material provision of this Bond Purchase Agreement is held or deemed to be or is invalid, inoperative, or unenforceable as applied in any particular case in any jurisdiction or jurisdictions, or in all jurisdictions, because it conflicts with any provisions of any constitution, statute, or rule of public policy, or for any other reason, then those circumstances will not render any other provision or provisions of this Bond Purchase Agreement invalid, inoperative, or unenforceable to any extent whatsoever.
- (f) This Bond Purchase Agreement may be executed in several counterparts, each of which will be regarded as an original and all of which will constitute one and the same document.
- (g) Each of the parties hereto agrees that the transaction consisting of this Bond Purchase Agreement may be conducted by electronic means. Each party agrees, and acknowledges that it is such party's intent, that if such party signs this Bond Purchase Agreement using an electronic signature, it is signing, adopting, and accepting this agreement and that signing this Bond Purchase Agreement using an electronic signature is the legal equivalent of having placed its handwritten signature on this agreement on paper. Each party acknowledges that it is being provided with an electronic or paper copy of this Bond Purchase Agreement in a usable format.
- (h) This Bond Purchase Agreement is governed by, and is to be construed in accordance with, the law of the State.

- (i) **“Include”** and its variants are terms of enlargement rather than of limitation. For example, “includes” means “includes but not limited to,” and “including” means “including but not limited to.”

- 8. **Relationship of the Parties.** The City and the Underwriter acknowledge and agree (a) that the primary role of the Underwriter, as underwriters, is to purchase securities from the City, in an arm’s-length commercial transaction between the City and the Underwriter, and then to resell the securities to investors; (b) that the Underwriter has financial and other interests that differ from those of the City; (c) that the Underwriter is not acting as a municipal advisor, financial advisor, or fiduciary to the City and has not assumed any advisory or fiduciary responsibility to the City with respect to the transaction contemplated hereby and the discussions, undertakings, and procedures leading thereto (irrespective of whether the Underwriter has provided other services or are currently providing other services to the City on other matters); (d) that the only contractual obligations the Underwriter has to the City with respect to the transaction contemplated hereby are expressly set forth in this Bond Purchase Agreement; and (e) that the City and the Underwriter have consulted their own financial and municipal, legal, accounting, and other advisors, as applicable, to the extent they have deemed appropriate. Nothing in this section 8 limits the Underwriter’s obligation of fair dealing under MSRB Rule G-17.
- 9. **Entire Agreement.** This Bond Purchase Agreement constitutes the entire agreement between the parties with respect to the matters covered and is intended to be their final, complete, and exclusive expression of those matters. It supersedes all prior agreements and understandings between the parties. This Bond Purchase Agreement may be amended only by a writing signed by the City and the Underwriter.

(Signature Page Follows)

Very truly yours,

GOLDMAN SACHS & CO. LLC

By GOLDMAN SACHS & CO. LLC, as
Underwriter

By: _____

Name: Ruth Pan

Title: Vice President

Dated: [____], 2023

Accepted By:

CITY OF SACRAMENTO, CALIFORNIA

By: _____

John P. Colville Jr., City Treasurer

Dated: [____], 2023

SCHEDULE I

\$[_____]

**CITY OF SACRAMENTO
WATER REVENUE REFUNDING BONDS, SERIES 2023**

MATURITY SCHEDULE

<u>Maturity (September 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price</u>
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* Term Bond.

REDEMPTION PROVISIONS

Optional Redemption. The Series 2023 Bonds maturing on and after September 1, 20__ are subject to redemption prior to their respective stated maturities, at the option of the City, from any source of available funds, on any date on or after September 1, 20__, as a whole or in part by such maturity or maturities as may be specified by the City (and by lot within a maturity), at a Redemption Price equal to 100% of the principal amount thereof to be redeemed, plus accrued interest to the date fixed for redemption, without premium.

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

Mandatory Sinking Account Payment Date (September 1)	Mandatory Sinking Account Payment
---	--

* Final Maturity

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

**Mandatory Sinking
Account
Payment Date
(September 1)**

**Mandatory Sinking
Account
Payment**

* Final Maturity

SCHEDULE II

\$[_____]
CITY OF SACRAMENTO
WATER REVENUE REFUNDING BONDS, SERIES 2023
FORM OF ISSUE PRICE CERTIFICATE

The undersigned, on behalf of GOLDMAN SACHS & CO. LLC (the “Underwriter”), hereby certifies as set forth below with respect to the sale and issuance of the \$[_____] City of Sacramento Water Revenue Refunding Bonds, Series 2023 (the “Bonds”). Capitalized terms used but not otherwise defined herein shall have the meanings ascribed thereto in the Tax Certificate relating to the Bonds, to which this certificate is attached.

1. ***Sale of the General Rule Maturities.*** As of the date of this certificate, for each Maturity of the [Bonds][General Rule Maturities], the first price at which at least 10% of such Maturity was sold to the Public is the respective price listed in Attachment A.

2. ***[Initial Offering Price of the Hold-the-Offering-Price Maturities.***

(a) The Underwriter offered the Hold-the-Offering Price Maturities to the Public for purchase at the respective initial offering prices listed in Attachment A (the “Initial Offering Prices”) on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Hold-the-Offering Price Maturities is attached to this certificate as Attachment B.

(b) As set forth in the Bond Purchase Agreement dated [_____,] 2023, between the Underwriter and the Issuer, the Underwriter has agreed in writing that, (i) for each Maturity of the Hold-the-Offering-Price Maturities, it would neither offer nor sell any of the unsold Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “hold-the-offering-price rule”), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any third-party distribution agreement shall contain the agreement of each broker-dealer who is a party to the third-party distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter has offered or sold any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.]

3. ***Defined Terms.***

(a) *General Rule Maturities* means those Maturities of the Bonds listed in Attachment A hereto as the “General Rule Maturities.”

(b) *Hold-the-Offering-Price Maturities* means those Maturities of the Bonds listed in Attachment A hereto as the “Hold-the-Offering-Price Maturities.”

(c) *Holding Period* means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date, or (ii) the date on which the Underwriter has sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold the Offering Price Maturity.

(d) *Issuer* means the City of Sacramento.

(e) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(f) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(g) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is _____, 2023.

(h) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Underwriter’s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Orrick Herrington & Sutcliffe LLP in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

GOLDMAN SACHS & CO. LLC.

By: _____
Authorized Representative

EXHIBIT A

FORM OF SUPPLEMENTAL OPINION OF BOND COUNSEL

[Date of Delivery]

Goldman Sachs & Co. LLC
[as the Underwriter]
Los Angeles, California

City of Sacramento
Water Revenue Refunding Bonds, Series 2023
(Supplemental Opinion)

Ladies and Gentlemen:

This letter is addressed to you, as Underwriter, pursuant to Section 4(b)(5) of the Bond Purchase Agreement, dated [____], 2023 (the “Purchase Agreement”), between you and the City of Sacramento (the “City”), providing for the purchase of \$[_____] principal amount of City of Sacramento Water Revenue Refunding Bonds, Series 2023 (the “Bonds”). The Bonds are being issued pursuant to an Indenture, dated as of March 1, 2013 (the “Original Indenture”), as supplemented to the date hereof, including as supplemented by a Fourth Supplemental Indenture, dated as of [_____] 1, 2023, each between the City and U.S. Bank Trust Company, National Association, as successor trustee (the “Trustee”). The Original Indenture, as so supplemented, is referred to herein as the “Indenture.” Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture or, if not defined in the Indenture, in the Purchase Agreement.

In connection with our role as bond counsel to the City, we have reviewed the Purchase Agreement; the Indenture; the Tax Certificate; certain portions of the [posted] official statement of the City with respect to the Bonds (the “Official Statement”); opinions of counsel to the City and the Trustee; certificates of the City, the Trustee and others; and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the original delivery of the Bonds on the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the original delivery of the Bonds on the date hereof. We have assumed the genuineness of all documents and signatures provided to us and the due and legal execution and delivery thereof by, and validity against, any parties other than the City. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. We have further assumed compliance with all covenants and agreements contained in such documents. In addition, we call attention to the fact that the rights and obligations under the Bonds, the Indenture, the Tax Certificate and the Purchase Agreement and their enforceability may be subject to bankruptcy, insolvency, reorganization, receivership, 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 cities in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute or to have the effect of a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents, nor do we express any opinions with respect to the state or quality of title to or interest in any assets described in or as subject to the lien of the Indenture or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets. Finally, we undertake no responsibility for the accuracy, except as expressly set forth in numbered paragraph 3 below, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion or view with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Indenture is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended.
2. The Purchase Agreement has been duly executed and delivered by, and constitutes a valid and binding obligation of, the City.
3. The statements contained in the Official Statement under the captions "THE SERIES 2023 BONDS," "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" and "TAX MATTERS" and contained in APPENDIX C – "SUMMARY OF THE INDENTURE," excluding any material that may be treated as included under such captions by cross reference or reference to other documents or sources, insofar as such statements expressly summarize certain provisions of the Indenture or set out the content of our final legal opinion as bond counsel to the City concerning the validity of the Bonds and certain other matters, dated the date hereof and addressed to the City, are accurate in all material respects.

This letter is furnished by us as bond counsel to the City. No attorney-client relationship has existed or exists between our firm and you in connection with the Bonds or by virtue of this letter. We disclaim any obligation to update this letter. This letter is delivered to you as Underwriter of the Bonds, is solely for your benefit as such Underwriter in connection with the original delivery of the Bonds on the date hereof, and is not to be used, circulated, quoted or otherwise referred to or relied upon for any other purpose or by any other person. This letter is not intended to, and may not, be relied upon by owners of the Bonds or by any other party to whom it is not specifically addressed.

Very truly yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

EXHIBIT B

FORM OF OPINION OF DISCLOSURE COUNSEL

[Closing Date]

City of Sacramento
Sacramento, California

Goldman Sachs & Co. LLC,
as the Underwriter and Dealer Manager
Los Angeles, California

Ladies and Gentlemen:

We have acted as Disclosure Counsel to the City of Sacramento (the “City”) in connection with the issuance of \$[_____] aggregate principal amount of City of Sacramento Water Revenue Refunding Bonds, Series 2023 (the “Bonds”), issued pursuant to an Indenture, dated as of March 1, 2013, as supplemented, including as supplemented by the Fourth Supplemental Indenture, dated as of [_____] 1, 2023 (as supplemented, the “Indenture”), each between the City and U.S. Bank Trust Company, National Association, as successor trustee (the “Trustee”). The Bonds are being delivered to Goldman Sachs & Co. LLC (the “Underwriter”) pursuant to the Bond Purchase Agreement, dated [_____] 1, 2023 (the “Purchase Agreement”), between the City and the Underwriter. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

During the course of our engagement, we have examined and relied upon the following:

- (a) a resolution of the City adopted [_____] 1, 2023, approving the issuance of the Bonds and related matters;
- (b) the Preliminary Official Statement related to the Bonds, dated [_____] 1, 2023, and an executed copy of the Official Statement related to the Bonds, dated [_____] 1, 2023 (the “Official Statement”);
- (c) an executed copy of the Indenture; and
- (d) an executed copy of the Purchase Agreement and the certificates and opinions of counsel delivered pursuant thereto.

In addition, we have examined and relied on originals or copies, certified or otherwise identified to our satisfaction, of such other documents, instruments or corporate records, and have made such investigation of law, as we have considered necessary or appropriate for the purpose of this opinion. We have assumed, but not independently verified, that the signatures on all documents, letters, opinions and certificates which we have examined are genuine, that all documents submitted to us are authentic and were duly and properly executed by the parties thereto and that all opinions

and representations made in the documents that we have reviewed are true and correct. Also, we have relied upon a report prepared by a third party provider regarding the City's compliance with its previous continuing disclosure undertakings. Unless otherwise indicated, capitalized terms used herein have the respective meanings given to such terms in the Official Statement.

We are not passing upon and do not assume any responsibility for the accuracy, completeness or fairness of any of the statements contained in the Preliminary Official Statement or the Official Statement and make no representation that we have independently verified the accuracy, completeness or fairness of any such statements. During the course of serving as Disclosure Counsel, we participated in conferences with representatives of the City, Bond Counsel, the Underwriter, counsel to the Underwriter, the Municipal Advisor to the City and others, during which the contents of the Preliminary Official Statement and the Official Statement and related matters were discussed. The statements made and the information contained in the Preliminary Official Statement and the Official Statement were either provided by or reviewed on numerous occasions for their accuracy and completeness by the aforementioned representatives of the City. Our services did not include financial or other non-legal advice.

Based upon our participation in the above-mentioned conferences, and in reliance thereon, on oral and written statements and representations of the City and others, and on other records and documents, letters, certificates and opinions described above which we have examined and our understanding of applicable law, we advise you as a matter of fact, but not opinion, that no information has come to the attention of the attorneys in the firm representing the City which caused us to believe that (i) the Preliminary Official Statement (excluding therefrom any financial, statistical or economic data or forecasts, numbers, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion, the information in Appendices A, B, C, E and F to the Preliminary Official Statement, or any information about book-entry or DTC, included therein, and information permitted to be omitted therefrom by Securities and Exchange Commission Rule 15c2-12, as to all of which no opinion is expressed) as of its date contained, or as of the date of the Purchase Contract contained, any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading or (ii) the Official Statement (excluding therefrom any financial, statistical or economic data or forecasts, numbers, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion, the information in Appendices A, B, C, E and F to the Official Statement, or any information about book-entry or DTC, included therein, as to all of which no opinion is expressed) as of its date contained, or as of the date hereto contains, any untrue statement of a material fact or omitted or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

By acceptance of this letter you acknowledge that the preceding paragraph is neither a legal opinion nor a guarantee regarding the Preliminary Official Statement or the Official Statement; rather it is a statement of negative assurance regarding factual information that did not come to the attention of attorneys in our firm working on this matter during the limited activities we performed as Disclosure Counsel. Further, in accepting this letter the City recognizes and acknowledges that (i) the scope of those activities performed by us were inherently limited and do not encompass all activities that the issuer may be responsible to undertake in preparing the Preliminary Official Statement and the Official Statement, (ii) those activities performed by us relied substantially on representations, warranties, certifications and opinions made by representatives of the City and others, and are otherwise subject to the matters set forth in this letter, and (iii) while such statements of negative assurance are customarily given to underwriters of municipal bonds to assist them in discharging

their responsibilities under federal securities laws, the responsibilities of the City under those laws may differ from those of underwriters in material respects, and the preceding paragraph may not serve the same purpose or provide the same utility to the City as it would to underwriters.

We advise you that, other than reviewing the various certificates and opinions regarding the Preliminary Official Statement and the Official Statement delivered in connection with the issuance of the Bonds, we have not taken any steps since the date of the Official Statement to verify the accuracy of the statements contained in the Preliminary Official Statement as of its date and as of the date of the Purchase Contract and the Official Statement as of the date hereof.

We call attention to the fact that the foregoing conclusions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether such actions or events are taken (or not taken) or occur (or do not occur), and we expressly disclaim any responsibility to advise you as to events occurring after the date hereof with respect to the Bonds or other matters discussed in the Preliminary Official Statement or the Official Statement.

This letter is furnished by us as Disclosure Counsel to the City. No attorney-client relationship has existed or exists between our firm and the Underwriter in connection with the Bonds or by virtue of this letter. This letter is delivered to you as the Underwriter and Dealer Manager, is solely for the benefit of the Underwriter as the underwriters of the Bonds and Dealer Manager for the Bonds and is not to be used, circulated, quoted or otherwise referred to or relied upon for any other purpose or by any other person. We express no opinion herein with respect to the validity of the Bonds or the tax treatment of the interest with respect thereto or the compliance with, or applicability of, any “blue sky” laws of any state as they relate to the offer or sale of the Bonds. This letter is not intended to be relied upon by holders of the Bonds. Our engagement with respect to the Bonds terminates as of the date hereof.

Respectfully submitted,

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this “**Certificate**”) is executed and delivered by the CITY OF SACRAMENTO (the “**City**”) in connection with the issuance of its Water Revenue Bonds, Series 2023 (the “**Series 2023 Bonds**”). The Series 2023 Bonds are being issued under an Indenture, dated as of March 1, 2013, as supplemented by the Fourth Supplemental Indenture dated as of _____ 1, 2023, between the City and U.S. Bank Trust Company, National Association, as trustee (as supplemented, the “**Indenture**”). In connection with the Series 2023 Bonds the City as follows:

1. **Purpose of this Certificate.** The City is executing and delivering this Certificate for the benefit of the Holders and Beneficial Owners of the Series 2023 Bonds and to assist the Underwriters in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission (the “**SEC**”).
2. **Definitions.** In addition to the definitions set forth above or in the Indenture, which apply to any capitalized term used in this Certificate unless otherwise defined in this section, the following capitalized terms have the following meanings:
 - “Annual Report” means any Annual Report provided by the City as required by, and as described in, sections 3 and 4 of this Certificate.
 - “Beneficial Owner” means any person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2023 Bonds (including persons holding Series 2023 Bonds through nominees, depositories, or other intermediaries).
 - “EMMA System” means the MSRB’s Electronic Municipal Market Access system or any other electronic system the MSRB designates to perform the function of the EMMA System.
 - “Financial Obligation” means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of (a) or (b). “Financial Obligation” does not include municipal securities (defined in the Rule) as to which final official statements (defined in the Rule) have been provided to the MSRB consistent with the Rule.
 - “Listed Event” means any of the events listed in section 5(a) of this Certificate.
 - “MSRB” means the Municipal Securities Rulemaking Board.
 - “Official Statement” means the Official Statement relating to the Series 2023 Bonds, dated _____, 2023.
 - “Rule” means Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as amended from time to time.

- “State” means the State of California.
- “Underwriter” means the underwriter listed on the cover page of the Official Statement.

3. Provision of Annual Reports.

- (a) The City shall provide to the MSRB through the EMMA System (in an electronic format and accompanied by identifying information all as prescribed by the MSRB) an Annual Report that is consistent with the requirements of section 4 of this Certificate. The City shall do this not later than the end of the ninth month after the end of the City’s Fiscal Year (currently June 30), commencing with the report for the 2022-23 Fiscal Year, The Annual Report may be submitted as a single document or as separate documents composing a package and may cross-reference other information as provided in section 4 of this Certificate, except that the audited financial statements of the City may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the City’s Fiscal Year changes, then the City shall give notice of the change in the same manner as for notice a Listed Event under section 5(c).
- (b) If the City is unable to provide to the MSRB an Annual Report by the date required in section 3(a), the City shall send to the MSRB a notice in substantially the form attached hereto as Exhibit A.

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

- (a) The audited financial statements of the City for the prior Fiscal Year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If, however, the City’s audited financial statements are not available by the time the Annual Report is required by section 3(a) to be filed, then the Annual Report must contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements must be filed in the same manner as the Annual Report when they become available.
- (b) Numerical or tabular data of the type contained in the following tables in the Official Statement, to reflect actual results of the most recently completed fiscal year (projections need not be updated):
 - (1) Table 2 – Water Production by Source
 - (2) Table 5 – Number of Connections by User Type

- (3) Table 6 – Largest Customers by Service Charge Revenue
- (4) Table 8 – Selected Monthly Rates
- (5) Table 9 – Uncollected Water System Charges
- (6) Table 11 – Summary of Historical Operating Results

Any or all of the items listed above may be included by specific reference to other documents, including the audited financial statements or the official statements of debt issues of the City, that have been submitted to the MSRB or the SEC, subject to the following: if a document included by reference is a final official statement, then it must be available from the MSRB, and the City shall clearly identify the document by reference.

5. Reporting of Significant Events.

- (a) The City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2023 Bonds in a timely manner, but not more than 10 business days after the event:
 - (1) Principal and interest payment delinquencies.
 - (2) Unscheduled draws on debt-service reserves reflecting financial difficulties.
 - (3) Unscheduled draws on credit enhancements reflecting financial difficulties.
 - (4) Substitution of credit or liquidity providers, or their failure to perform.
 - (5) Issuance by the Internal Revenue Service of a proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB).
 - (6) Tender offers.
 - (7) Defeasances.
 - (8) Rating changes.
 - (9) Bankruptcy, insolvency, receivership, or similar event of the City.

Note: For the purposes of the event identified in section 5(a)(9), the event is considered to occur when any of the following occur: if a receiver, fiscal agent, or similar officer is appointed for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City; or if such jurisdiction has been assumed by leaving the existing

governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority; or if an order confirming a plan of reorganization, arrangement, or liquidation is entered by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

- (10) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.
- (b) The City shall give, or cause to be given, in accordance with section 5(c), notice of the occurrence of any of the following events with respect to the Series 2023 Bonds, if material:
- (1) Unless described in Section 5(a)(5), adverse tax opinions or other material notices or determinations by the IRS with respect to the tax status of the Series 2023 Bonds or other material events affecting the tax status of the Series 2023 Bonds;
 - (2) Modifications to rights of holders of the Series 2023 Bonds.
 - (3) Optional, unscheduled, or contingent bond calls.
 - (4) Release, substitution, or sale of property securing repayment of the Series 2023 Bonds.
 - (5) Non-payment related defaults.
 - (6) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business; the entry into a definitive agreement to undertake such an action; or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms.
 - (7) Appointment of a successor or additional trustee or the change of name of a trustee.
 - (8) Incurrence of a Financial Obligation of the obligated person, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect holders of the Series 2023 Bonds.
- (c) If the City obtains knowledge of the occurrence of a Listed Event described in section 5(b), the City shall determine, as soon as possible, if the Listed Event would be material under applicable federal securities laws. If the City determines that the Listed Event would be

material, then the City shall file a notice of the occurrence with the EMMA System in a timely manner, but not more than 10 business days after the occurrence.

6. **Termination of Reporting Obligation.** The City's obligations under this Certificate will terminate (a) upon the legal defeasance, prior redemption, or payment in full of all of the Series 2023 Bonds; (b) if, in the opinion of nationally recognized bond counsel, the City ceases to be an "obligated person" (within the meaning of the Rule) with respect to the Series 2023 Bonds; or (c) if the Series 2023 Bonds otherwise cease to be subject to the requirements of the Rule. If termination occurs before the final maturity of the Series 2023 Bonds, the City shall give notice of the termination in the same manner as for notice of a Listed Event under section 5(c).
7. **Amendment and Waiver.** Notwithstanding any other provision of this Certificate, the City may amend this Certificate, and any provision of this Certificate may be waived, if all of the following conditions are satisfied:
 - (a) If the amendment or waiver relates to sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Series 2023 Bonds, or the type of business conducted.
 - (b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Series 2023 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances.
 - (c) The amendment or waiver either (1) is approved by the Holders of the Series 2023 Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Holders or (2) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Series 2023 Bonds.
 - (d) The City shall describe the amendment or waiver in the next Annual Report and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its effect on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment or waiver relates to the accounting principles to be followed in preparing financial statements, then the City shall give notice of the change in the same manner as for notice of a Listed Event under section 5(c), and the Annual Report for the year in which the change is made must present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

8. **Additional Information.** This Certificate does not prevent the City (a) from disseminating any other information, using the means of dissemination set forth in this Certificate or any other means of communication; or (b) from including any other information in any Annual Report or notice of occurrence of a Listed Event in addition to that required by this Certificate. If the City includes any information in an Annual Report or a notice of occurrence of a Listed Event in addition to that specifically required by this Certificate, the City will not be obligated to update that information or include it in any future Annual Report or notice of occurrence of a Listed Event.
9. **Default.** If the City fails to comply with any provision of this Certificate, then the Underwriters or any Holder or Beneficial Owner of the Series 2023 Bonds may take any actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Certificate. A default under this Certificate is not an Event of Default under the Indenture, and the sole remedy if the City fails to comply with this Certificate is an action to compel compliance.
10. **Beneficiaries.** This Certificate inures solely to the benefit of the City, the Underwriters, and the Holders and Beneficial Owners from time to time of the Series 2023 Bonds, and it creates no rights in any other person or entity.
11. **Electronic Signatures.** Each of the parties hereto agrees that the transaction consisting of this agreement may be conducted by electronic means. Each party agrees, and acknowledges that it is such party's intent, that if such party signs this agreement using an electronic signature, it is signing, adopting, and accepting this agreement and that signing this agreement using an electronic signature is the legal equivalent of having placed its handwritten signature on this agreement on paper. Each party acknowledges that it is being provided with an electronic or paper copy of this agreement in a usable format.

(Signature Page Follows)

Dated: _____, 2023

CITY OF SACRAMENTO, CALIFORNIA

By: _____
John P. Colville Jr., City Treasurer

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Sacramento, California

Name of Issue: \$_____ Water Revenue Bonds, Series 2023

Date of Issuance: _____, 2023

NOTICE IS HEREBY GIVEN that the City has not provided an Annual Report with respect to the above-named Bonds as required by the Indenture, dated as of March 1, 2013, as supplemented by the Fourth Supplemental Indenture dated as of _____ 1, 2023, between the City and U.S. Bank Trust Company, National Association, as trustee. The City anticipates that the Annual Report will be filed by _____

Dated: _____, _____

CITY OF SACRAMENTO, CALIFORNIA

By: _____
City Treasurer

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

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

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

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

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

The purchase prices for each CUSIP of the Target Bonds will be based on fixed spreads added to the yields on certain benchmark United States Treasury Securities (each, a “Fixed Spread”), which are as set forth in Section 4 of this Invitation.

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

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

To make an informed decision as to whether, and how, to tender the Target Bonds for purchase pursuant to the Invitation, Bondowners must read this Invitation carefully, including the Series 2023 Bonds POS, and consult their broker, account executive, financial advisor, attorney or other professionals. **This Invitation and the Series 2023 Bonds POS, collectively, shall constitute an invitation to Bondowners to tender their Target Bonds for purchase.**

Key Dates and Times

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

Launch Date and Series 2023 Bonds POS Posting	November 15, 2023
[Pricing Notice]	_____, 2023 at 5:00 p.m.
Expiration Date (unless extended as provided herein).....	December 1, 2023 at 5:00 p.m.
Preliminary Notice of Results.....	_____, 2023 by 5:00 p.m.
Determination of Target Bonds Purchase Prices	_____, 2023 at 10:00 a.m.
Notice of Target Bonds Purchase Price	_____, 2023 by 5:00 p.m.
Notice of Acceptance; Acceptance Date	December __, 2023 by 5:00 p.m.
Settlement Date (unless extended as provided herein)	December 19, 2023

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

Attention: Robert Stevens
1-212-227-9622, rstevens@globic.com
Document Website: www.globic.com/sacramento

The Dealer Manager for this Invitation is

Goldman Sachs & Co. LLC
Contact your Goldman Sachs & Co. LLC representative or
Ruth Pan at (310) 407-5848 or ruth.pan@gs.com

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

The date of this Invitation is _____, 2023.

INVITATION

TARGET BONDS

SUBJECT TO INVITATION TO TENDER FOR PURCHASE

**City of Sacramento Water Revenue Refunding Bonds, Series 2020 (Federally Taxable)
(the “Series 2020 Bonds” or the “Target Bonds”)⁽¹⁾**

<u>CUSIP</u> <u>No.</u>⁽²⁾	<u>Maturity Date</u> <u>(September 1)</u>	<u>Interest</u> <u>Rate</u>	<u>Par Amount</u> <u>Outstanding</u>	<u>Par Call Date</u> <u>(September 1)</u>⁽³⁾
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⁽¹⁾ See Section 4 herein for the calculation of the purchase price.

⁽²⁾ CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein are provided by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association. CUSIP numbers have been assigned by an independent company and are included solely for the convenience of the holders of the Target Bonds. None of the City, the Dealer Manager, the Information Agent and Tender Agent or their agents or counsel assume responsibility for the accuracy of such numbers.

⁽³⁾ Table reflects first optional redemption date at par, which is September 1, 2030 for Series 2020 Bonds maturing on and after September 1, 2031. However, the Series 2020 Bonds are also subject to optional redemption prior to maturity, on any date prior to September 1, 2030, at the option of the City, at the Make-Whole Redemption Price (as set forth in documents pursuant to which the Series 2020 Bonds were issued), plus accrued but unpaid interest to the date fixed for redemption.

^(*) Term Bond.

IMPORTANT INFORMATION

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

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

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

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

The City is not recommending to any Bondowner whether to tender its Target Bonds for purchase in connection with the Invitation. Each Bondowner must make these decisions and should read this Invitation and the Series 2023 Bonds POS in their entirety and consult with its broker-dealer, financial, legal, accounting, tax and other advisors in making these decisions.

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

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

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

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INVITATION
made by the
THE CITY OF SACRAMENTO

1. Introduction

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

The purchase prices for each CUSIP of the Target Bonds will be based on fixed spreads added to the yields on certain benchmark United States Treasury Securities (each, a “**Fixed Spread**”), which are as set forth in Section 4 of the Invitation.

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

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

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

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

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

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

Subject to the terms of this Invitation, and provided that the Target Bonds tendered by a Bondholder for purchase (i) have been validly tendered by 5:00 p.m., New York City time, on December 1, 2023 (as extended from time to time in accordance with this Invitation, the “**Expiration Date**”), and (ii) accepted by the City on or before 5:00 p.m., New York City time, on December __, 2023 (as extended from time to time in accordance with this Invitation, the “**Acceptance Date**”), the City will purchase such

Target Bonds at the applicable Purchase Prices on December 19, 2023 or such later date as the City shall determine; provided however, that the Settlement Date may not be extended more than 30 calendar days (such date, the “**Settlement Date**”). Accrued Interest on the Target Bonds purchased will also be paid on the Settlement Date.

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

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

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

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

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

[[With respect to Target Bonds that are subject to mandatory redemption from sinking fund installments, pursuant to the Indenture, the Trustee shall, as directed by the City, select by lot the sinking fund installments that are to be reduced as allocated to such cancellation or redemption.]]

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

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

None of the City, the Dealer Manager (as defined below) or the Information Agent and Tender Agent (as defined below) make any recommendation that any Bondowner tender or refrain from tendering all or any portion of such Bondowner’s Target Bonds for purchase. Bondowners

must make these decisions and should consult with their broker, account executive, financial advisor, attorney and/or other appropriate professionals.

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

2. Information to Bondowners

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

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

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

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

instructions in order to tender the Bondowner's Target Bonds through the ATOP system by 5:00 p.m., New York City time, on the Expiration Date. See also Section 6, "Transmission of Offers by Financial Institutions; DTC ATOP Procedures," below.

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

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

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

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

Tender Consideration.

The Target Bonds may only be tendered by a Bondowner for purchase by the City pursuant to this Invitation at the Fixed Spread for each CUSIP (set forth on page (i) of this Invitation).

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

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

The yields on the Benchmark Treasury Securities (the "**Treasury Security Yields**") will be based on the bid-side price of the Benchmark Treasury Security as quoted on the Bloomberg Bond Trader FIT1 series of pages determined at 10:00 a.m. on _____, 2023 and calculated in accordance with standard market practice. The Fixed Spread will be added to the Treasury Security Yield to arrive at a yield (the "**Purchase Yield**").

The Purchase Yield will be used to calculate the Purchase Prices for the Target Bonds. The Purchase Prices for the Target Bonds will be the sum of the present value of all remaining scheduled principal and interest on the applicable Target Bonds on the Settlement Date, as determined on _____, 2023, as such date may be extended (the "**Determination of Target Bonds Purchase Prices Date**") discounted at the Purchase Yield on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) minus accrued interest up to but not including the Settlement Date, in accordance with

standard market practice. For the Target Bond maturing September 1, 2042 only (CUSIP 786089JR4), the Purchase Price will be calculated using the above bond pricing formula assuming an average life date of October 17, 2039 as the maturity date. The City will publish a Notice of Target Bonds Purchase Prices at or around 5:00 p.m. on _____, 2023.

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

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

Indicative Purchase Prices for the Target Bonds*

CUSIP No.:	Maturity (September 1)	Benchmark U.S. Treasury Security	Treasury Security Yield	Fixed Spread (Basis Points)	Indicative Purchase Yield (%)	Purchase Price (% of Principal Amount)
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(**) Term Bond.

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

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

Changes to Terms of the Invitation. As described in Section 14, “Extension, Termination and Amendment of Invitation,” hereof, the City may revise the terms of this Invitation prior to the Acceptance

Date. If the City determines to revise the terms of the Invitation, it shall provide notice thereof in the manner described in Section 2, "Information to Bondowners," of this Invitation no later than 11:00 a.m., New York City time, on the Business Day prior to the Acceptance Date. If the City changes the Purchase Price for any of the Target Bonds pursuant to the Invitation, or makes any other material change to the terms of the Series 2023 Bonds (as reasonably determined by the City) pursuant to the Invitation, the City shall provide notice thereof (as described in Section 2, "Information to Bondowners") no less than five (5) business days prior to the Expiration Date, as extended. **[[In such event, any tenders submitted with respect to the affected Target Bonds prior to such change in the Purchase Price for such Target Bonds pursuant to the Invitation, or any other material change to the terms of the Series 2023 Bonds (as reasonably determined by the City) pursuant to the Invitation, will remain in full force and effect and any Bondowner of such affected Target Bonds wishing to revoke their tender of such Target Bonds must affirmatively withdraw such tender for purchase prior to the Expiration Date as described in Section 8, "Withdrawals of Offers Prior to Expiration Date; Irrevocability of Offers on Expiration Date," hereof.]]**

5. Provisions Applicable to all Offers

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

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

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

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

(a) the Bondowner has received, and has had the opportunity to review, this Invitation (including the Series 2023 Bonds POS) prior to making the decision as to whether or not it should tender its Target Bonds for purchase;

(b) the Bondowner has full authority to tender, sell, assign and transfer such Target Bonds, and that, on the Settlement Date, the City, as transferee, will acquire good title, free and clear of all liens, charges, encumbrances, conditional sales agreements or other obligations and not subject to any adverse claims, subject to payment to the Bondowner of the applicable Purchase Price, plus payment of the Accrued Interest;

(c) the Bondowner has made its own independent decision to tender the Target Bonds, the appropriateness of the terms thereof, and whether it is appropriate for the Bondowner;

(d) such decisions are based upon the Bondowner's own judgment and upon advice from such advisors as the Bondowner has consulted;

(e) the Bondowner is not relying on any communication from the City or the Dealer Manager as investment advice or as a recommendation to tender bonds, it being understood that

the information from the City or the Dealer Manager related to the terms and conditions of this Invitation shall not be considered investment advice or a recommendation to tender bonds; and

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

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

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

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

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

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

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

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

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

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

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

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

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

9. Acceptance of Target Bonds for Purchase

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

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

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

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

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

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

of the terms of or conditions to this Invitation, in whole or in part, at any time prior to the Acceptance Date.

10. Acceptance of Offers Constitutes Irrevocable Agreement

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

The acceptance of the Target Bonds tendered for purchase is expected to be made by notification to the Information Services no later than 5:00 p.m., New York City time, on the Acceptance Date. The Notice of Acceptance will state: (i) the principal amount of the Target Bonds of each CUSIP number that the City has accepted for purchase in accordance with the Invitation, which may be zero for a particular CUSIP number, or (ii) that the City has decided not to purchase any Target Bonds of such CUSIP number.

11. Settlement Date; Purchase of Target Bonds

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

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

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

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

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

13. Conditions to Purchase

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

(i) the City cannot effectuate the issuance of the Series 2023 Bonds on terms and conditions reasonably satisfactory to the City;

(ii) litigation or another proceeding is pending or threatened which the City reasonably believes may, directly or indirectly, have an adverse impact on this Invitation or the expected benefits of this Invitation to the City or its Water System or the Bondowners;

(iii) war, public health or other national emergency, banking moratorium, suspension of payments by banks, a general suspension of trading by the New York Stock Exchange or a limitation of prices on the New York Stock Exchange exists;

(iv) a material change in the business or affairs of the City or its Water System has occurred which has or could have a material adverse effect on the City or its Water System or that could materially adversely affect the benefits of the purchase of the tendered Target Bonds to the City;

(v) the City reasonably determines that the projected financial benefits of the transaction contemplated by this Invitation and the Series 2023 Bonds POS, as a result of market conditions, expected or actual level of participation in the Tender Offer by Holders of the Target Bonds, or any other factors, does not meet the City's reasonable expectation regarding cash flow savings; or

(vi) a material disruption in securities settlement, payment or clearance services shall have occurred.

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

14. Extension, Termination and Amendment of Invitation

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

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

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

If the City amends the terms of this Invitation in any material respect, notice of such amendment will be given no later than five (5) Business Days prior to the Expiration Date, as extended to provide reasonable time for dissemination of such amendment or waiver to Bondowners and for Bondowners to respond. **If the City changes the Purchase Price for any of the Target Bonds pursuant to the Invitation, or makes any other material change to the terms of the Series 2023 Bonds (as reasonably determined by the City) pursuant to the Invitation, any tenders submitted with respect to the affected Target Bonds prior to such change in the Purchase Price for such Target Bonds pursuant to the Invitation will remain in full force and effect, [[and any Bondowner of such affected Target Bonds wishing to revoke its tender for such Target Bonds for purchase must affirmatively withdraw such tender prior to the Expiration Date as described in Section 8 hereof.]]**

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

15. Certain Federal Income Tax Consequences

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

As used herein, “U.S. Holder” means a beneficial owner of a Target Bond that for U.S. federal income tax purposes is an individual citizen or resident of the United States, a corporation or other entity taxable as a corporation created or organized in or under the laws of the United States or any state thereof (including the District of Columbia), an estate the income of which is subject to U.S. federal income taxation regardless of its source or a trust where a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons (as defined in the Code) have the authority to control all substantial decisions of the trust (or a trust that has made a valid election under U.S. Treasury Regulations to be treated as a domestic trust). If a partnership holds the Target Bonds, the tax treatment of such partnership or a partner in such partnership generally will depend upon the status of the partner and upon the activities of the partnership. Partnerships holding the Target Bonds, and partners in such partnerships, should consult their own tax advisors regarding the tax consequences of a tender of Target Bonds (including their status as U.S. Holders).

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

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

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

16. Additional Considerations

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

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

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

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

[[With respect to Target Bonds that are subject to mandatory redemption from sinking fund installments, and pursuant to the Indenture, the Trustee shall, as directed by the City, select by lot the sinking fund installments that are to be reduced as allocated to such cancellation or redemption.]]

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

17. The Dealer Manager

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

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

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

The Dealer Manager and its affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. The Dealer Manager and its affiliates have, from time to time, performed, and may in the future perform, a variety of these services for the City, for which they received and or will receive customary fees and expenses. In the ordinary course of their various business activities, the Dealer Manager and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities, which may include credit default swaps) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities of the Dealer Manager and/or its affiliates may involve securities and instruments of the City, including but not limited to the Target Bonds which may be tendered for purchase pursuant to the Invitation.

In addition to its role as Dealer Manager in connection with this Invitation, the Dealer Manager is currently expected to act as an underwriter of the Series 2023 Bonds anticipated to be issued by the City as will be described in the Series 2023 Bonds POS and, as such, it will receive compensation in connection with that transaction as well as for acting as Dealer Manager in connection with this Invitation.

18. Information Agent and Tender Agent

The City has retained Globic Advisors to serve as Information Agent and Tender Agent in connection with this Invitation. The City has agreed to pay the Information Agent and Tender Agent customary fees for its services and to reimburse the Information Agent and Tender Agent for its reasonable out-of-pocket costs and expenses relating to this Invitation.

19. Miscellaneous

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

No one has been authorized by the City, the Dealer Manager or the Information Agent and Tender Agent to recommend to any Bondowners whether to tender the Target Bonds for purchase pursuant to this Invitation. No one has been authorized to give any information or to make any representation in connection with this Invitation other than those contained in this Invitation. Any recommendation, information and representations given or made cannot be relied upon as having been authorized by the City, the Dealer Manager or the Information Agent and Tender Agent.

None of the City, the Dealer Manager or the Information Agent and Tender Agent makes any recommendation that any Bondowner tender or refrain from tendering all or any portion of such Bondowner's Target Bonds for purchase. Bondowners must make these decisions and should consult with their broker, account executive, financial advisor, attorney and/or other appropriate professionals.

THE CITY OF SACRAMENTO

By: _____
Treasurer

APPENDIX A
PRELIMINARY OFFICIAL
STATEMENT

APPENDIX B
PRICING NOTICE

DEALER MANAGER AGREEMENT

November ___, 2023

Goldman Sachs & Co. LLC, as Dealer Manager
New York, New York

Ladies and Gentlemen:

This Dealer Manager Agreement (the “**Agreement**”) is entered into by and between the City of Sacramento (the “**City**”), and Goldman Sachs & Co. LLC, as Dealer Manager (the “**Dealer Manager**”). The City plans to invite offers to tender for purchase a portion of the City’s Water Revenue Refunding Bonds, Series 2020 (Federally Taxable) listed below (collectively, the “**Target Bonds**”).

TARGET BONDS

CUSIP (786089) [†]	Maturity Date (September 1)	Interest Rate	Outstanding Principal Amount
JD5	2024	1.714%	\$2,115,000
JE3	2025	1.814	7,925,000
JF0	2026	1.953	8,075,000
JG8	2027	2.103	8,240,000
JH6	2028	2.147	8,420,000
JJ2	2029	2.197	8,600,000
JK9	2030	2.297	8,800,000
JL7	2031	2.447	9,010,000
JM5	2032	2.547	9,235,000
JN3	2033	2.647	9,480,000
JP8	2034	2.747	9,740,000
JQ6	2035	2.897	10,020,000
JR4	2042 ^(T)	3.180	79,695,000

The Invitation will be on the terms and subject to the conditions set forth in the following documents:

- (a) The Invitation To Tender For Purchase dated November [15], 2023, with respect to the Target Bonds (the “**Invitation**”);
- (b) The Preliminary Official Statement relating to the City’s Water Revenue Refunding Bonds, Series 2023 expected to be dated and distributed on or about November [15], 2023 (the “Preliminary Official Statement”); and
- (c) The Notice of Target Bonds Purchase Prices expected to be dated and distributed on or about [December __], 2023, providing the terms and conditions for the Tender Program (as defined below).

When available, the Notice of Target Bonds Purchase Prices and the Preliminary Official Statement will be distributed by the Information and Tender Agent (as defined herein), as more particularly described herein. The Invitation, the Preliminary Official Statement and the Notice of Target Bonds Purchase Prices, as such documents may be amended or supplemented, are collectively referred to herein as the “**Tender Materials.**”

The process of inviting offers to tender the Target Bonds for purchase pursuant to the Invitation, the process for holders of the Target Bonds to tender such Target Bonds for purchase, the process for the City determining which tendered Target Bonds will be purchased, and the process of consummating the purchasing of such tendered Target Bonds, all as described in the Tender Materials, is referred to herein as the “**Tender Program.**”

[†] CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein are provided by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association. CUSIP numbers have been assigned by an independent company and are included solely for the convenience of the holders of the Target Bonds. None of the City, the Dealer Manager, the Information Agent and Tender Agent or their agents or counsel assume responsibility for the accuracy of such numbers.

^T Term Bonds.

1. Appointment of Dealer Manager

The City hereby appoints Goldman Sachs & Co. LLC as Dealer Manager for the Tender Program and authorizes the Dealer Manager to act on the City's behalf in accordance with the terms of the Tender Materials.

The City has approved and prepared the Invitation and will approve and prepare the Notice of Target Bonds Purchase Prices and the Preliminary Official Statement and is solely responsible for the Tender Materials (subject to the rights of the Dealer Manager to consent to any amendment, supplement or additional materials pursuant to Section 3(c) hereof), and authorizes the Dealer Manager to use the Tender Materials in connection with the solicitation of tenders as described in the Tender Materials. The City has retained Stradling Yocca Carlson & Rauth, Professional Corporation, to provide legal advice to the City in connection with the preparation of the Invitation. The Dealer Manager acknowledges that it has had the opportunity to review and comment on the Invitation and the other Tender Materials. The City shall have sole authority for acceptance or rejection of any and all tenders of Target Bonds. The Dealer Manager agrees to furnish no written material to holders of the Target Bonds in connection with the Tender Program other than the Tender Materials.

The City acknowledges and agrees that (i) the Dealer Manager is not acting as a municipal advisor within the meaning of Section 15B of Securities Exchange Act, as amended, (ii) the primary role of the Dealer Manager, as Dealer Manager, is to solicit offers for tender pursuant to the Tender Materials, in an arm's-length commercial transaction among the City and the Dealer Manager, and the Dealer Manager has financial and other interests that differ from those of the City; (iii) the Dealer Manager is and has been acting solely as a principal and is not acting as a municipal advisor, financial advisor, agent or fiduciary of the City and the Dealer Manager has not assumed an advisory or fiduciary responsibility in favor of the City with respect to the Tender Program or the discussions, undertakings and procedures leading thereto (irrespective of whether the Dealer Manager has provided other services or is currently providing other services to the City on other matters), (iv) the Dealer Manager has no obligation to the City with respect to the Tender Program except the obligations expressly set forth in this Dealer Manager Agreement or as otherwise imposed by law, and (v) the City has consulted its own legal, municipal, financial and other advisors to the extent it has deemed appropriate.

The City authorizes the Dealer Manager to communicate regarding the Tender Program with Globic Advisors as information and tender agent (the "**Information and Tender Agent**").

2. Delivery of Tender Materials

The City shall direct the Information and Tender Agent to deliver to each registered holder of any Target Bonds and to each participant in DTC appearing in the most recently available securities position listing as a holder of the Target Bonds and to each Non-Objecting Beneficial Owner ("**NOBO**") appearing in the most recent available NOBO list as an owner of the Target Bonds (each such registered holder, participant or owner, a "Registered or Beneficial Owner"), as soon as practicable, by electronic delivery, by overnight courier or by another means of expedited delivery, the Tender Materials. Thereafter, to the extent practicable until the expiration of the Tender Program, the City shall direct the Information and Tender Agent to deliver the Tender

Materials to each person who becomes a Registered or Beneficial Owner of the Target Bonds as soon as practicable, by electronic delivery, by overnight courier or by another means of expedited delivery.

3. Solicitation of Tenders

- (a) The Dealer Manager agrees to use its reasonable efforts to solicit tenders of the Target Bonds pursuant to the Tender Materials in accordance with its customary practice, and to perform those services in connection with the Tender Program as are customarily performed by investment banks in connection with tender offers of like nature including communicating generally in the United States regarding the Tender Program with Institutional Bondowners (as defined in the Invitation) of the Target Bonds.
- (b) Neither the Dealer Manager nor any of its affiliates, nor any partners, directors, officers, agents, employees or controlling persons (if any) of the Dealer Manager or any of its affiliates (the Dealer Manager and any of its affiliates, and any partners, directors, officers, agents, employees or controlling persons (if any) of the Dealer Manager or any of the Dealer Manager's affiliates being collectively hereinafter referred to as the "**Dealer Manager Parties**"), shall have any liability to the City or any other person for any act or omission on the part of any securities broker or dealer (other than any such Dealer Manager Party), commercial bank or trust company that solicits tenders, and no Dealer Manager Party shall have any liability to the City or any person asserting claims on behalf of or in right of the City in connection with or as a result of either its engagement or any matter referred to in this Agreement except to the extent that such liability results from such Dealer Manager Party's own gross negligence, willful misconduct or bad faith in performing the services that are the subject of this Agreement. In soliciting tenders, no securities broker or dealer (other than the Dealer Manager Parties), commercial bank or trust company shall be deemed to act as the agent of the City or the Dealer Manager. The Dealer Manager shall not be deemed the agent of any other securities broker or dealer or of any commercial bank or trust company.
- (c) The City agrees to furnish the Tender Materials to the Dealer Manager in electronic form for use by the Dealer Manager in connection with the Tender Program. The City shall not amend or supplement the Tender Materials, or prepare or approve any additional material for use in connection with the Tender Program, without the Dealer Manager's consent, which consent shall not be unreasonably withheld.
- (d) The City will advise the Dealer Manager promptly, after it receives notice, or otherwise becomes aware, of (i) the occurrence of any event that could reasonably be expected to cause the City to withdraw, rescind or terminate the Tender Program or would permit the City to exercise any right not to purchase Target Bonds tendered pursuant to the Tender Program, (ii) the occurrence of any event, or the discovery of any fact, the occurrence or existence of which would require the making of any change in any of the Tender Materials then being used or would cause any representation or warranty contained in this Agreement to be untrue or

inaccurate in any material respect, (iii) any proposal by the City or requirement to make, amend or supplement any Tender Materials, (iv) any material developments in connection with the Tender Program, including, without limitation, the commencement of any lawsuit concerning or related to the Tender Program, (v) the issuance by a federal or state agency of competent jurisdiction and authority of any comment or order or the taking of any other action concerning the Tender Program (and, if in writing, the City will furnish you with a copy thereof), and (vi) any other information relating to the Tender Program, the Tender Materials or this Agreement that the Dealer Manager may from time to time reasonably request.

- (e) Except for the Tender Materials, the City will not use or publish any material in connection with the Tender Program, or refer to the Dealer Manager in any such material, without the Dealer Manager's consent, which consent shall not be unreasonably withheld. The City will promptly inform the Dealer Manager of any litigation or administrative action or claim with respect to the Tender Program. The Dealer Manager acknowledges and agrees that they consent to the references to the Tender Program and the Dealer Manager in the Preliminary Official Statement, final Official Statement relating to the Series 2023 Bonds (or any amendment or supplement thereto) and the resolution of the City adopted [____], 2023 approving the issuance of the Series 2023 Bonds and the related staff report.
- (f) The City agrees to furnish or cause to be furnished to the Dealer Manager, to the extent the same is available to the City, lists showing the names and addresses of, and principal amount of the Target Bonds held by, the Registered or Beneficial Owners of the Target Bonds as of a recent date, and shall use its best efforts, to the extent the same is available to the City, to advise the Dealer Manager from day to day during the period of the Tender Program as to any changes in identity of the Registered or Beneficial Owners of the Target Bonds. The Dealer Manager agrees to use such information only in connection with the Tender Program and not to furnish such information to any other person except in connection with the Tender Program.
- (g) The City shall request and direct the Information and Tender Agent (via an email to Ruth Pan at Ruth.Pan@gs.com) to send an email informing the Dealer Manager during each business day during the Tender Program as to the principal amount of the Target Bonds which have been tendered pursuant to the Tender Program during the time period since its previous daily report to the Dealer Manager under this provision.

4. Compensation and Expenses

- (a) The City shall pay to the Dealer Manager, as compensation for their services as Dealer Manager, a fee of \$2.50 for each \$1,000 principal amount of the Target Bonds tendered pursuant to the Tender Program. Such fees shall be payable concurrently with the purchase of the Target Bonds for the Series 2023 Bonds under the Tender Program.

- (b) Whether or not any Target Bonds are tendered for purchase pursuant to the Tender Program, the City shall pay all reasonable expenses of the preparation, printing, mailing and publishing of the Tender Materials, all reasonable fees payable to securities dealers (including the Dealer Manager), commercial banks, trust companies and nominees as reimbursement of their customary mailing and handling expenses incurred in forwarding the Tender Materials to their customers, all fees and expenses of DTC, all fees and expenses of the Information and Tender Agent, all advertising charges, any applicable transfer taxes payable in connection with the Tender Program and all other reasonable expenses in connection with the Tender Program. In addition, the City shall reimburse the Dealer Manager for all reasonable expenses incurred by the Dealer Manager in connection with the Dealer Manager's services under this Agreement, including, without limitation, the reasonable fees and the disbursements of the Dealer Manager's counsel; provided, however, that the City's obligation to reimburse the Dealer Manager set forth in this sentence shall be payable solely from the proceeds of the Series 2023 Bonds.

5. Representations and Warranties by the City

The City represents and warrants to, and agrees with, the Dealer Manager that:

- (a) The City is a municipal corporation duly organized and existing under its charter (the "**City Charter**") and the constitution and laws of the State of California (the "**State**").
- (b) The City has the requisite power and authority and has duly taken all necessary action to authorize the making and consummation of the Tender Program (including any related borrowings or other provisions for the purchase of the Target Bonds for the Series 2023 Bonds), and this Agreement has been duly executed and delivered by the City and, assuming the due execution and delivery by the Dealer Manager, is the legal, valid, and binding obligation of the City, enforceable against the City in accordance with its terms, except that the binding effect and enforceability thereof may be limited (1) by bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting creditors' rights generally (including fraudulent-conveyance law); or (2) by general principles of equity including concepts of materiality, reasonableness, and good faith and fair dealing; or (3) by the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law; or (4) by the exercise of judicial discretion in appropriate cases; or (5) by the limitations on legal remedies against public entities in the State.
- (c) The Tender Materials comply and (as amended or supplemented, if amended or supplemented) will comply in all material respects with all applicable requirements of the federal securities laws; and the Tender Materials do not and (as amended or supplemented, if amended or supplemented) will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

- (d) To the actual knowledge of the City as of the date hereof, and except as otherwise disclosed in the Tender Materials, the making and consummation of the Tender Program (including any related borrowings or other provisions for the tender of the Target Bonds for the Series 2023 Bonds), the execution, delivery and performance by the City of this Agreement and the consummation of the transactions contemplated hereby do not and will not (i) conflict with, or constitute a violation of, the City Charter or any constitutional provision or any law (or any regulations, order, writ, injunction, or decree of any court or governmental instrumentality applicable to the City); or (ii) result in the acceleration of any obligation under, or a breach of or default on, any resolution, agreement, or instrument to which the City is a party or by which it is bound or to which any of its property or assets is subject.
- (e) The City has taken all necessary action to authorize the execution, delivery, and performance by the City of the Tender Materials, and the execution, delivery, and performance by the City of the Tender Program has been duly authorized. No additional consent, approval, authorization or order of, or registration, qualification or filing with, any court or regulatory agency or other governmental agency or instrumentality is required in connection with the making and consummation of the Tender Program (including any related borrowings or other provisions for the tender of the Target Bonds).
- (f) To the actual knowledge of the City as of the date hereof, and except as described in the Tender Materials, the City has not been served with process in, and has not been overtly threatened with, any action, suit, proceeding, inquiry, or investigation before or by any court, public board, or public body seeking to restrain or enjoin, the making and consummation of the Tender Program or (A) contesting or affecting in any way (i) the proceedings under which the Tender Program is to be made and consummated, (ii) the validity or enforceability of any provision of the Tender Materials, (iii) the accuracy, completeness or fairness of the Tender Materials, (iv) contesting the powers or authority of the City with respect to the Tender Materials;, or (v) the title of its members or officers to their respective offices in such manner as to adversely affect the ability of the City to authorize the making and consummation of the Tender Program or to consummate any of the transactions to which it is or is to be a party as contemplated by the Tender Materials, or (B) affecting the City wherein an unfavorable decision, ruling, or finding is likely to have a material adverse effect on the financial condition or solvency of the City or affect the validity or enforceability of, or the authority or ability of the City to perform its obligations under, the Tender Materials
- (h) The City intends to issue the Series 2023 Bonds. The delivery of the Series 2023 Bonds, in an amount sufficient to pay the full purchase price of the Target Bonds that the City may elect to purchase pursuant to the Tender Program subject to the terms and conditions of this Agreement and the Invitation, is a condition of the City's purchase of the Target Bonds pursuant to the Tender Program. The City intends to pay costs and expenses related to the Tender Program from available funds in the City's Water Fund.

- (i) The City agrees to purchase, in accordance with the terms and subject to the conditions of the Tender Materials, the Target Bonds with the proceeds of the Series 2023 Bonds. The City also will pay, from available funds of the City's Water Fund, all related fees and expenses as agreed to by the parties. The City shall cancel or cause to be cancelled the Target Bonds it purchases pursuant to the Tender Program.
- (j) The City has engaged the Information and Tender Agent to make appropriate arrangements with DTC to allow for the book-entry movement of tendered Target Bonds as described in the Tender Materials.
- (k) In connection with the Tender Program, the City has complied, and will continue to comply, in all material respects with the applicable requirements of the federal securities laws.

6. Representations and Warranties of the Dealer Manager. The Dealer Manager hereby represents and warrants to, and agrees with, the City that:

- (a) This Agreement has been duly authorized, executed and delivered by the Dealer Manager and constitutes its legal, valid and binding obligation, enforceable in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization and similar laws affecting creditors' rights and by general principles of equity.
- (b) The execution, delivery and performance of this Agreement by the Dealer Manager does not and will not violate, in any material respect, any law, regulation or rule customarily applicable to the Dealer Manager when acting in such capacity for transactions of this type.
- (c) The Dealer Manager shall assist the City in disseminating the Tender Materials but will not have any obligation to cause copies of the Tender Materials to be transmitted generally to the Registered or Beneficial Owners of the Target Bonds.
- (d) The Dealer Manager warrants and confirms to the City that: (i) it is duly registered under the 1934 Act, as a broker/dealer or municipal Target securities dealer and has duly paid the fee prescribed by MSRB Rule A-12 or is exempt from such requirements, and (ii) it has complied with the dealer registration requirements, if any, of the various jurisdictions in which it acts as Dealer Manager for the Target Bonds.
- (e) The Dealer Manager shall comply with applicable federal securities laws, including MSRB Rule G-17, in connection with its provision of services hereunder.

7. Conditions of Obligation

The Dealer Manager's obligation to act as a dealer manager hereunder shall at all times be subject, in the Dealer Manager's discretion, to the conditions that:

- (a) All representations, warranties and other statements of the City contained herein are now, and at all times during the Tender Program, will be, true and correct in all material respects.
- (b) The City at all times during the Tender Program shall have performed all of their respective obligations hereunder required to have been performed.
- (c) Orrick, Herrington & Sutcliffe LLP, Stradling Yocca Carlson & Rauth, a Professional Corporation, and Nixon Peabody LLP shall have furnished to the Dealer Manager, concurrently with the execution of this Agreement, their opinions, dated the date of the Invitation, that will be substantially to the effect set forth in Exhibit A-1, A-2 and A-3 hereto.

The City's obligations hereunder shall at all times be subject, in their respective discretion, to the conditions that:

- (a) All representations, warranties and other statements of the Dealer Manager contained herein are now, and at all times during the Tender Program, will be, true and correct.
- (b) The Dealer Manager at all times during the Tender Program shall have performed its obligations hereunder required to have been performed.

8. Survival of Certain Provisions

The agreements contained in Section 3(b) and Section 4(b) hereof, the representations and warranties of the City set forth in Section 5 hereof and of the Dealer Manager set forth in Section 6 hereof shall survive any termination or cancellation of this Agreement, any completion of the Tender Program, any investigation made by or on behalf of the City, the Dealer Manager, any of such Dealer Manager's respective officers or partners or any person controlling the Dealer Manager, any termination or expiration of the Tender Program and any acquisition of Target Bonds pursuant to the Tender Program.

9. Miscellaneous

- (a) This Agreement is made solely for the benefit of the City and the Dealer Manager and any director, officer, agent, employee, controlling person or affiliate thereof, and their respective successors, assigns, and legal representatives, and no other person shall acquire or have any right under or by virtue of this Agreement.
- (b) If any term, provision, covenant or restriction contained in this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable or against public policy, the remainder of the terms, provisions, covenants, and restrictions contained herein shall remain in full force and effect and shall in no way be affected, impaired or invalidated. The City and the Dealer Manager shall endeavor in good faith negotiations to replace the invalid, void or unenforceable provisions with valid provisions, the economic effect of which comes as close as possible to that of the invalid, void or unenforceable provisions.

- (c) Except as otherwise expressly provided in this Agreement, any notice or other communication to be given under this Dealer Manager Agreement may be given by delivering the same in writing (including through electronic means):

To the City:

City of Sacramento
Office of the City Treasurer
915 "I" Street
Historic City Hall, Third Floor
Sacramento, California 95814
Attn: Brian Wong
Email: bwong@cityofsacramento.org

To the Deal Manager:

Goldman Sachs & Co. LLC
10100 Santa Monica Boulevard.
Suite 2600
Los Angeles, California 90067
Attn: Ruth Pan
Email: Ruth.Pan@gs.com

- (d) This Agreement contains the entire understanding of the parties with respect to the matters hereof, and supersedes any prior agreements with respect hereto, and may not be modified or amended except in writing executed by the parties hereto. This Agreement may be executed in any number of separate counterparts, each of which shall be an original, but all such counterparts shall together constitute one and the same agreement.
- (e) The validity and interpretation of this Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State applicable to agreements made and to be fully performed therein. This Agreement may not be modified or amended except in writing executed by the parties hereto. This Agreement may be signed in counterparts, each of which shall be deemed an original and all of which shall constitute one and the same instrument. The parties further agree that facsimile signatures or signatures scanned into PDF format (or signatures in another electronic format designated by the City) and sent by e-mail shall be deemed original signatures.
- (f) Each of the parties hereto agrees that the transaction consisting of this Agreement may be conducted by electronic means. Each party agrees, and acknowledges that it is such party's intent, that if such party signs this agreement using an electronic signature, it is signing, adopting, and accepting this Agreement and that signing this agreement using an electronic signature is the legal equivalent of having placed its handwritten signature on this agreement on paper. Each party acknowledges that it is being provided with an electronic or paper copy of this Agreement in a usable format.
- (g) This Agreement shall terminate upon the earlier of (i) the tenth day following the settlement, withdrawal or termination of the Tender Program, (ii) notice by either the City or the Dealer Manager at any time, with or without cause, effective upon receipt by the other party of written notice to that effect, or (iii) 90 days from the date first written above, it being understood that as set forth in Section 8, certain provisions of this Agreement shall survive the termination or cancellation of this Agreement.

Please sign and return to us a duplicate of this letter, whereupon it will become a binding agreement.

Sincerely,

CITY OF SACRAMENTO

By _____
City Treasurer

Dated: November __, 2023

Acknowledged and Agreed to:

DEALER MANAGER: GOLDMAN SACHS & CO. LLC

By _____
Ruth Pan, Vice President

EXHIBIT A-1

FORM OF OPINION OF BOND COUNSEL

[Launch Date]

Goldman Sachs & Co. LLC,
as Dealer Manager
New York, New York

City of Sacramento
Water Revenue Refunding Bonds, Series 2023
(Supplemental Opinion)

Ladies and Gentlemen:

This letter is addressed to you, as Dealer Manager, pursuant to Section ____ of the Dealer Manager Agreement, dated November [], 2023 (the “Dealer Manager Agreement”), between you and the City of Sacramento (the “City”), relating to the Invitation to Tender for Purchase made by the City, dated November [], 2023 (the “Invitation”). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Invitation or, if not defined in the Invitation, in the Dealer Manager Agreement.

In connection with our role as bond counsel to the City, we have reviewed the Dealer Manager Agreement, the Invitation, the resolution adopted by the City on [], 2023 (the “Resolution”); and such other documents, opinions and matters to the extent we deemed necessary to render the opinions and conclusions set forth herein.

The opinions and conclusions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions or conclusions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. We have assumed the genuineness of all documents and signatures provided to us and the due and legal execution and delivery thereof by, and validity against, any parties other than the City. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. We have further assumed compliance with all covenants and agreements contained in such documents. We have also assumed the due adoption of the Resolution and that the Resolution is in full force and effect and has not been amended, modified or superseded as of the date hereof. In addition, we call attention to the fact that the rights and obligations under the Dealer Manager Agreement and its enforceability may be subject to bankruptcy, insolvency, reorganization, receivership, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors’ rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate

cases and to the limitations on legal remedies against governmental entities such as the City in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute or to have the effect of a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents. Finally, we undertake no responsibility for the accuracy, except as expressly set forth in numbered paragraph 2 below, completeness or fairness of the Invitation or other offering material relating thereto and express no opinion or view with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions and conclusions:

1. The Dealer Manager Agreement has been duly executed and delivered by, and constitutes a valid and binding obligation of, the Issuer.

2. The statements contained in the Invitation under the caption "Certain Federal Income Tax Consequences," excluding any material that may be treated as included under such captions by cross reference or reference to other documents or sources, insofar as such statements expressly summarize certain provisions of the U.S. federal income tax law and regulations, are accurate in all material respects.

This letter is furnished by us as bond counsel to the City. No attorney-client relationship has existed or exists between our firm and you in connection with the Invitation or by virtue of this letter. We disclaim any obligation to update this letter. This letter is delivered to you as the Dealer Manager, is solely for your benefit as such Dealer Manager in connection with the launch of the Invitation on the date hereof, and is not to be used, circulated, quoted or otherwise referred to or relied upon for any other purpose or by any other person. This letter is not intended to, and may not, be relied upon by any party to whom it is not specifically addressed.

Very truly yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

EXHIBIT A-2

FORM OF OPINION OF DISCLOSURE COUNSEL

[Launch Date]

City of Sacramento
Sacramento, California

Goldman Sachs & Co. LLC, as Dealer Manager
New York, New York

We have acted as Disclosure Counsel to the City of Sacramento (the “City”) in connection with the City’s Invitation to Tender for Purchase, dated _____, 2023 (the “Invitation”), relating to the City’s Water Revenue Refunding Bonds, Series 2020 (Federally Taxable) (the “Target Bonds”). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Invitation. The Invitation includes the Preliminary Official Statement of the City, dated _____, 2023 (the “Preliminary Official Statement”) relating to the City’s Water Revenue Refunding Bonds, Series 2023 (the “Series 2023 Bonds”), which is attached to the Invitation as Appendix A. Goldman Sachs & Co. LLC (the “Dealer Manager”) is serving as dealer manager in connection with the Invitation pursuant to a Dealer Manager Agreement, dated _____, 2023 (the “Dealer Manager Agreement”).

We have assumed, but not independently verified, that the signatures on the Dealer Manager Agreement are genuine, and that the Dealer Manager Agreement was duly and properly executed by the parties thereto. We have also assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the Dealer Manager Agreement and the Invitation, and of the legal conclusions contained in the opinions delivered in connection with the Invitation. Our services did not include financial or other non-legal advice.

The opinion expressed and statements made herein are based on an analysis of existing statutes, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. This opinion is limited to matters governed by the federal securities law of the United States, and we assume no responsibility with respect to the applicability or effect of the laws of any other jurisdiction.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the opinion that the Invitation, and the actions of the City in connection with the Invitation (as specifically set forth in the Invitation), are exempt from the provisions of Section 14(d) of the Securities Exchange Act of 1934, as amended, Regulation 14D and 14E of the Securities and Exchange Commission and the related rules promulgated thereunder.

In our capacity as Disclosure Counsel to the City, we have rendered certain legal advice and assistance in connection with the preparation of the Invitation (including the Preliminary Official Statement). Rendering such assistance involved, among other things, discussions and

inquiries concerning various legal matters, review of certain records, documents and proceedings, and participation in meetings and telephone conferences with, among others, representatives of the City, Fieldman, Rolapp & Associates, Inc., the City's municipal advisor, Orrick, Herrington & Sutcliffe LLP, Bond Counsel, the Dealer Manager, and counsel to the Dealer Manager, at which meetings and conferences the contents of the Invitation (including the Preliminary Official Statement) and related matters were discussed. On the basis of the information made available to us in the course of the foregoing (but without having undertaken to determine or verify independently, or assuming any responsibility for, the accuracy, completeness or fairness of any of the statements contained in the Invitation, including the Preliminary Official Statement), no facts have come to the attention of the personnel directly involved in rendering legal advice and assistance in connection with the preparation of the Invitation (including the Preliminary Official Statement) that causes them to believe that, as of the date hereof, the Invitation (excluding therefrom (i) with respect to the body of the Invitation, information under the captions "Transmission of Offers by Financial Institutions; DTC ATOP Procedures," "Certain Federal Income Tax Consequences," "The Dealer Manager," "Information Agent and Tender Agent," information concerning the Dealer Manager, the Information Agent and Tender Agent, DTC, the ATOP system, custodial intermediaries, commissions, fees, CUSIPS, and any numerical information or computations regarding the consideration to be paid for Target Bonds tendered, and (ii) with respect to the Preliminary Official Statement, any financial, statistical or demographic data or forecasts, numbers, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion, information concerning the City's compliance with its previous continuing disclosure undertakings pursuant to Securities and Exchange City Rule 15c2-12, statements relating to DTC, Cede & Co., and the book-entry system, the information contained in the Appendices to the Preliminary Official Statement, and information permitted to be omitted from the Preliminary Official Statement under said Rule 15c2-12, as to all of which no view is expressed) contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

By acceptance of this letter you acknowledge that the preceding paragraph is neither a legal opinion nor a guarantee regarding the Invitation (including the Preliminary Official Statement); rather it is a statement of negative assurance regarding factual information that did not come to the attention of attorneys in our firm working on this matter during the limited activities we performed as Disclosure Counsel. Further, in accepting this letter the City recognizes and acknowledges that (i) the scope of those activities performed by us were inherently limited and do not encompass all activities that the issuer may be responsible to undertake in preparing the Invitation (including the Preliminary Official Statement), (ii) those activities performed by us relied substantially on representations, warranties certifications and opinions made by representatives of the City and others, and are otherwise subject to the matters set forth in this letter, and (iii) while such statements of negative assurance are customarily given to dealer managers and underwriters to assist them in discharging their responsibilities under federal securities laws, the responsibilities of the City under those laws may differ from those of dealer managers and underwriters in material respects, and the preceding paragraph may not serve the same purpose or provide the same utility to the City as it would to dealer managers and underwriters.

We call attention to the fact that the foregoing conclusions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken

to determine, or to inform any person, whether such actions or events are taken (or not taken) or occur (or do not occur), and we expressly disclaim any responsibility to advise you as to events occurring after the date hereof with respect to the Invitation (including the Preliminary Official Statement) or other matters discussed in the Invitation (including the Preliminary Official Statement).

This letter is furnished by us as Disclosure Counsel to the City. No attorney-client relationship has existed or exists between our firm and the Dealer Manager in connection with the Invitation or by virtue of this letter. This letter is delivered to you as Dealer Manager, is solely for the benefit of the Dealer Manager as dealer manager pursuant to the Dealer Manager Agreement and is not to be used, circulated, quoted or otherwise referred to or relied upon for any other purpose or by any other person. We express no opinion herein with respect to the validity of the Series 2023 Bonds or the tax treatment of the interest with respect thereto or the compliance with, or applicability of, any “blue sky” laws of any state as they relate to the Invitation or the offer or sale of the Series 2023 Bonds. This letter is not intended to be relied upon by holders of the Target Bonds or the Series 2023 Bonds.

Respectfully submitted,

EXHIBIT A-3

FORM OF OPINION OF DEAL MANAGER COUNSEL

[Launch Date]

Goldman Sachs & Co. LLC
Los Angeles, California

We have acted as counsel for you (the “Dealer Manager”), as dealer manager in connection with the Dealer Manager Agreement, dated _____, 2023 (the “Dealer Manager Agreement”), between you and the City of Sacramento (the “City”) relating to the Invitation to Tender made by the City to the holders of certain maturities of its Water Revenue Refunding Bonds, Series 2020 (Federally Taxable) (the “Target Bonds”). The Invitation includes the Preliminary Official Statement of the City, dated _____, 2023 (the “Preliminary Official Statement”) relating to the City’s Water Revenue Refunding Bonds, Series 2023 (the “Series 2023 Bonds”), which is attached to the Invitation as Appendix A. The Invitation to Tender including the Preliminary Official Statement are hereinafter referred to as the “Invitation.”

In connection with such representation, we have reviewed such records, opinions, certificates and documents, including the Preliminary Official Statement and the Dealer Manager Agreement and we have made such investigations of law as we have deemed appropriate for the conclusions hereinafter expressed.

On the basis of the foregoing and in reliance thereon, we are of the opinion that:

(1) the Invitation, and the actions of the City in connection with the Invitation (as specifically set forth in the Invitation), are exempt from the provisions of Section 14(d) of the Securities Exchange Act of 1934, as amended, Regulation 14D and 14E of the Securities and Exchange Commission and the related rules promulgated thereunder; and

(2) assuming the 2023 Bonds are issued pursuant to an the Indenture, dated as of March 1, 2013, as supplemented, including as supplemented by the Fourth Supplemental Indenture, dated as of [_____, 2023], between the City and U.S. Bank Trust Company, National Association, as successor trustee (the “Indenture”), the 2023 Bonds will not be subject to the registration requirements of the Securities Act of 1933, as amended, and the Indenture will be exempt from qualification under the Trust Indenture Act of 1939, as amended.

We are not passing on and have not undertaken to determine independently or assume any responsibility for the accuracy, completeness or fairness of the statements contained in the Invitation, and we make no representation to you concerning the accuracy, completeness or fairness of such statements. However, on the basis of our conferences and discussions with City, Fieldman, Rolapp & Associates, Inc., the City’s municipal advisor, Orrick, Herrington & Sutcliffe LLP, Bond Counsel, Stradling Yocca Carlson & Rauth, Disclosure Counsel, the City Attorney, and other representatives of the City, yourselves and others, during which the contents of the

Invitation and related matters were discussed, and on the basis of our examination of the documents and matters referred to above, nothing has come to the attention of the attorneys in our firm rendering legal services in connection with the Invitation that caused us to believe that the Invitation (excluding therefrom (i) with respect to the body of the Invitation to Tender, information under the captions “Transmission of Offers by Financial Institutions; DTC ATOP Procedures,” “Certain Federal Income Tax Consequences,” “The Dealer Manager,” “Information Agent and Tender Agent,” Appendix B, information concerning the Dealer Manager, the Information Agent and Tender Agent, DTC, the ATOP system, custodial intermediaries, commissions, fees, CUSIPS, and any numerical information or computations regarding the consideration to be paid for Target Bonds tendered, and (ii) with respect to the Preliminary Official Statement, any permitted omissions allowed pursuant to Rule 15c2-12 of the Securities and Exchange Commission, the financial, statistical or economic and demographic information, forecasts, numbers, charts, estimates, projections, assumptions or expressions of opinion, CUSIP numbers, information concerning The Depository Trust Company, the book-entry system, the statements in the Preliminary Official Statement under the caption “TAX MATTERS” and the Appendices to the Preliminary Official Statement as to which, with your permission, we express no view), contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.

This opinion letter is rendered pursuant to the Dealer Manager Agreement solely to and for the benefit of the persons to whom it is addressed in connection with the matter described above; accordingly, it may not be quoted or otherwise delivered to or relied upon by any other person (including, without limitation, any person who acquires the Bonds from the persons to whom this letter is addressed) or used for any other purpose without our prior written consent. Our engagement with respect to this matter does not extend beyond the date hereof, and we disclaim any obligation to update this letter.

Very truly yours,