

**NEW ISSUE BOOK-ENTRY-ONLY**

**RATING:  
S&P "AA"  
(See "RATING" herein.)**

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

**\$22,320,000\***  
**PETALUMA PUBLIC FINANCING AUTHORITY**  
**2026 LEASE REVENUE BONDS**  
**(PUBLIC SAFETY FACILITY)**

**Dated: Date of Delivery**

**Due: May 1, as shown on the inside cover**

The Petaluma Public Financing Authority (the "Authority") is issuing the above-captioned bonds (the "Bonds" or the "2026 Bonds") to provide funds to (i) pay a portion of the costs of constructing and equipping a new public safety facility, and (ii) pay the costs of issuing the Bonds. See "PLAN OF FINANCE."

Interest on the Bonds is payable on May 1 and November 1 of each year (each an "Interest Payment Date"), commencing November 1, 2026. The Bonds are being issued as fully registered bonds, registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). The Bonds will be issued in denominations of \$5,000 or any integral multiple thereof. DTC will act as securities depository of the Bonds. Purchasers will not receive physical delivery of the Bonds. Purchases of Bonds will be made in book-entry form only. Payments of principal and interest on the Bonds will be made to purchasers by DTC through DTC Participants. See APPENDIX F – "BOOK-ENTRY SYSTEM."

The Bonds are subject to optional, mandatory sinking-fund and extraordinary redemption prior to their stated maturities, as described herein. See "DESCRIPTION OF THE BONDS – Redemption."

The Bonds are special limited obligations of the Authority secured by and payable from Revenues pledged to the Bonds under the Indenture, as hereinafter described. Revenues primarily consist of Lease Payments to be made by the City of Petaluma (the "City") to the Authority under the Lease, as hereinafter described. Pursuant to the Lease, the City will lease certain property described herein (the "Leased Property") from the Authority. The City is required under the Lease to make Lease Payments each year in consideration for the use of the Leased Property, as described herein, from any source of legally available funds, in an amount sufficient to pay annual debt service on the Bonds. During any period when there is substantial interference with the use and occupancy by the City of all or a portion of the Leased Property by reason of eminent domain, damage or destruction, the Lease Payments may be abated in whole or in part, as described herein. See "RISK FACTORS – Abatement" herein. The City has covenanted in the Lease to include all Lease Payments in its adopted annual budget and to make the necessary annual appropriations therefor, subject to such abatement. The Authority is not funding a reserve fund for the Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."

**The full faith and credit of the Authority is not pledged for the payment of the principal, interest or premium (if any) on the Bonds. The obligation of the City to make Lease Payments or Additional Rental Payments does not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. Neither the Bonds nor the obligation of the City to make Lease Payments or Additional Rental Payments constitutes an indebtedness of the City, the State of California or any of its political subdivisions (other than the Authority) within the meaning of any constitutional or statutory debt limitation or restriction.**

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

**BIDS FOR THE PURCHASE OF THE BONDS WILL BE RECEIVED BY THE AUTHORITY  
UNTIL 8:30 A.M. CALIFORNIA TIME ON JULY 22, 2026 UNLESS POSTPONED OR CANCELLED  
AS SET FORTH IN THE OFFICIAL NOTICE OF SALE**

*The Bonds are offered when, as and if issued and accepted by the Underwriter, subject to the approving opinion of Jones Hall LLP, as Bond Counsel. Certain legal matters will also be passed on by Jones Hall LLP, as Disclosure Counsel, and by the City Attorney for the Authority and the City. It is anticipated that the Bonds will be available for delivery through the facilities of DTC on or about August 5, 2026\*.*

Dated: \_\_\_\_\_, 2026  
\_\_\_\_\_

\* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities, in any jurisdiction in which such offer, solicitation, or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

**MATURITY SCHEDULE**

**\$22,320,000\***  
**PETALUMA PUBLIC FINANCING AUTHORITY**  
**2026 LEASE REVENUE BONDS**  
**(PUBLIC SAFETY FACILITY)**

(Base CUSIP No.† \_\_\_\_\_)

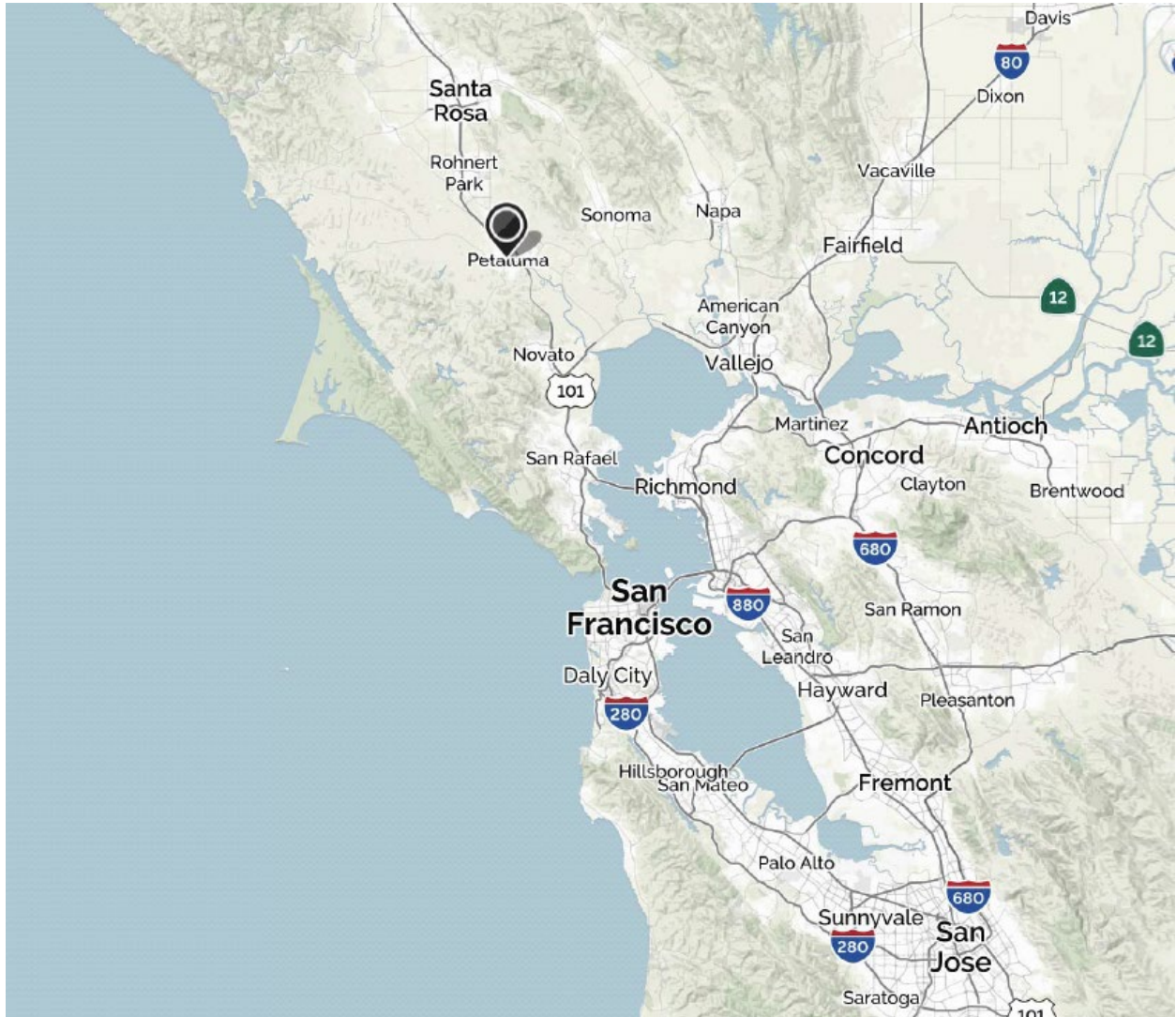
<b>Maturity Date</b> <b>(May 1)</b>	<b>Principal</b> <b>Amount</b>	<b>Interest</b> <b>Rate</b>	<b>Yield</b>	<b>Price</b>	<b>CUSIP†</b>
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\$ \_\_\_\_\_ % Term Bonds due May 1, 20 \_\_, Yield: \_\_\_\_\_ %; Price: \_\_\_\_\_ %  
CUSIP†: \_\_\_\_\_

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## City of Petaluma and the San Francisco Bay Area



**CITY OF PETALUMA  
PETALUMA PUBLIC FINANCING AUTHORITY  
(SONOMA COUNTY, CALIFORNIA)**

**CITY COUNCIL/BOARD OF DIRECTORS**

Kevin McDonnell, *Mayor/Chairperson*  
Alex Decarli, *Councilmember (District 5) and Vice Mayor/Authority Member*  
Janice Cader Thompson, *Councilmember (District 1)/Authority Member*  
John Shribbs, PhD, *Councilmember (District 2)/Authority Member*  
Karen Nau, *Councilmember (District 3) and Authority Member*  
Frank Quint, *Councilmember (District 4)/Authority Member*  
Brian Barnacle, *Councilmember (District 6)/Authority Member*

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**CITY OFFICIALS**

Peggy Flynn, *City Manager/Authority Executive Director*  
Brian Cochran, *Assistant City Manager*  
Corey Garberolio, *Assistant Finance Director/Authority Treasurer*  
Caitlin Corley, CMC, *City Clerk/Authority Secretary*  
Eric Danly, *City Attorney/Authority General Counsel*

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**SPECIAL SERVICES**

**Bond and Disclosure Counsel**

Jones Hall LLP  
San Mateo, California

**Municipal Advisor**

Steven Gortler  
San Francisco, California

**Trustee**

The Bank of New York Mellon Trust Company, N.A.  
Los Angeles, California

**Dissemination Agent**

Willdan Financial Services  
Temecula, California

No dealer, broker, salesperson or other person has been authorized by the Petaluma Public Financing Authority (the "Authority"), the City of Petaluma, California (the "City") or the Underwriter to give any information or to make any representations, other than as contained in this Official Statement, and if given or made, such information or representations must not be relied upon as having been authorized by the Authority, the City or the Underwriter. 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 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

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

The information set forth herein has been furnished by the Authority and the City and includes information from sources that are believed to be reliable. The information and expressions of opinion contained herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority, the City, or other matters described herein 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 Marketplace Access ("EMMA") website. Unless otherwise expressly stated, references to Internet websites in this Official Statement are shown for reference and convenience only, and none of their content (including any content on the City's website) is incorporated in this Official Statement by reference. The City and the Authority make no representation regarding the accuracy or completeness of the information presented on such websites.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVER ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT LEVELS ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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.

The City maintains a website with information pertaining to the City. The information presented therein is not incorporated into this Official Statement and should not be relied upon in making investment decisions with respect to the Bonds.

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**CAUTIONARY STATEMENTS REGARDING  
FORWARD-LOOKING STATEMENTS IN  
THIS OFFICIAL STATEMENT**

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements.” Such statements are generally identifiable by the terminology used such as “plan,” “project,” “expect,” “anticipate,” “intend,” “believe,” “estimate,” “budget” or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors 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. Except as otherwise noted, neither the Authority nor the City plans 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.

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# OFFICIAL STATEMENT

**\$22,320,000\***  
**PETALUMA PUBLIC FINANCING AUTHORITY**  
**2026 LEASE REVENUE BONDS**  
**(PUBLIC SAFETY FACILITY)**

## INTRODUCTION

*This Official Statement, which includes the cover page, the inside cover page and attached appendices, provides certain information in connection with the sale and delivery of the above-captioned bonds (the “Bonds”). Capitalized terms used and not otherwise defined herein shall have the meanings given in the Indenture or the Lease (each as hereinafter defined) or in APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS.”*

### **Purpose of the Bonds**

The Bonds are being issued under the provisions of the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 of Chapter 5 of Division 7 of Title 1 (commencing with Section 6584) of the California Government Code (the “Bond Law”). The Bonds are being issued and secured pursuant to an Indenture of Trust, dated as of August 1, 2026 (the “Indenture”), between the Petaluma Public Financing Authority (the “Authority”) and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”).

The Authority is issuing the Bonds to provide funds to (i) pay a portion of the costs of constructing and equipping a new public safety facility in the City of Petaluma (the “City”), as described herein and (ii) pay the costs of issuing the Bonds. See “PLAN OF FINANCE.”

### **Security for the Bonds**

Subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein, all of the Revenues (defined herein) and all amounts held in any fund or account established under the Indenture (excluding amounts in the Cost of Issuance Fund or the Project Fund) are pledged to secure the payment of the principal and interest on the Bonds in accordance with their terms and the provisions of the Indenture. Such pledge constitutes a first lien on and security interest in the Revenues and such amounts and shall attach, be perfected and be valid and binding from and after the date of issuance and delivery of the Bonds, without the need for any physical delivery thereof or further act. “Revenues” generally consist of all Lease Payments made pursuant to the Lease Agreement, dated as of September 1, 2021, as amended by the First Amendment to Lease Agreement, dated as of August 1, 2026 (together, the “Lease”), by and between the Authority and the City. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS.”

Pursuant to the Site Lease, dated as of September 1, 2021, as amended by the First Amendment to Site Lease, dated as of August 1, 2026 (together, the “Site Lease”), by and between the City and the Authority, the Authority will lease from the City certain real property and

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\* Preliminary, subject to change.

improvements, described under the caption “LEASED PROPERTY” (the “Leased Property”). Pursuant to the Lease, the Authority will sublease the Leased Property to the City.

Pursuant to the Assignment Agreement, dated as of September 1, 2021, as amended by the First Amendment to Assignment Agreement, dated as of August 1, 2026, between the Authority and the Trustee (together, the “Assignment Agreement”), the City will pay to the Trustee, as assignee of the Authority, the Lease Payments due the Authority under the Lease in amounts equal to scheduled debt service on the 2026 Bonds and the 2021 Bonds (defined herein), as set forth in the rental payment schedule in the Lease.

The City’s obligation to make Lease Payments or Additional Rental Payments does not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. Neither the Bonds nor the City’s obligation to make Lease Payments or Additional Rental Payments constitutes an indebtedness of the City, the State or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction. Pursuant to the Lease, the City has covenanted to take such action as may be necessary to include all Lease Payments and Additional Rental Payments due under the Lease in its adopted annual budget and to make the necessary annual appropriations for all such Lease Payments and Additional Rental Payments required to be made under the Lease, subject only to abatement as provided therein.

**In 2021, the Authority issued its 2021 Lease Revenue Bonds (the “2021 Bonds”). Pursuant to the Lease and to the First Amendment thereto, the City is required to make annual Lease Payments in an amount equal to the combined annual debt service on both the 2021 Bonds and the 2026 Bonds. The City may not pay only the Lease Payments that secure the 2021 Bonds or only the Lease Payments that secure the 2026 Bonds. Payment of any less than the full amount due would constitute a default under the Lease including the First Amendment thereto.**

### **No Reserve Fund**

The Authority is not funding a reserve fund for the Bonds.

### **General Bond Terms**

Interest on the Bonds is payable on May 1 and November 1 of each year (each an “Interest Payment Date”), commencing November 1, 2026. The Bonds are being issued as fully registered bonds, registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”). The Bonds will be issued in denominations of \$5,000 or any integral multiple thereof. DTC will act as securities depository of the Bonds. Purchasers will not receive physical delivery of the Bonds purchased. Purchases of Bonds will be made in book-entry form only. Payments of principal and interest on the Bonds will be made to purchasers by DTC through DTC Participants. See APPENDIX F – “BOOK-ENTRY SYSTEM.”

The Bonds are subject to optional, mandatory sinking fund and extraordinary redemption prior to their stated maturities, as described herein. See “DESCRIPTION OF THE BONDS – Redemption.”

### **The Authority and the City**

The Authority is a joint exercise of powers authority duly organized and existing under and pursuant to the Joint Exercise of Powers Act (being Sections 6500 et seq. of the Government Code of the State of California) (the “Act”) and a Joint Exercise of Powers Agreement, dated as

of May 20, 1996 (the “Joint Powers Agreement”), by and between the City and the Petaluma Community Development Commission (now succeeded by the Petaluma Community Development Successor Agency). The Authority is authorized under the Act to borrow money to provide financing or refinancing for public capital improvements of local agencies within the State.

The City is located in southern Sonoma County (the “County”) along Highway 101, approximately 40 miles north of the City of San Francisco and 15 miles south of the City of Santa Rosa. The City encompasses approximately 14.50 square miles and, as of January 1, 2026, had an estimated population of 59,160 residents. Incorporated in 1958, the City’s first charter was granted by the State of California (the “State”) in 1947, and the City continues to operate as a charter city. For additional information regarding the City and the County, see APPENDIX A – “SUPPLEMENTAL INFORMATION – THE CITY OF PETALUMA AND SONOMA COUNTY.”

### **Continuing Disclosure**

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

The City has covenanted to provide, with respect to the Bonds, or cause to be provided, to the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access system (the “EMMA System”), certain annual financial information and operating data relating to the City and, in a timely manner, notice of certain events. These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12, as amended (the “Rule 15c2-12”) adopted by the U.S. Securities and Exchange Commission (the “SEC”) under the Securities Exchange Act of 1934, as amended. See “CONTINUING DISCLOSURE” and APPENDIX D – “FORM OF CONTINUING DISCLOSURE AGREEMENT” for a description of the annual reports and notices of enumerated events to be provided by the City.

### **Summaries of Documents; Defined Terms**

The summaries of documents, statutes, reports and other instruments referred to in this Official Statement do not purport to be complete, comprehensive or definitive, and each such summary and reference is qualified in its entirety by reference to each document, statute, report or instrument. The capitalization of any word not conventionally capitalized or otherwise defined in this Official Statement indicates that such word is defined in a particular agreement or other document and, as used in this Official Statement, has the meaning given it in such agreement or document. See “APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS” for summaries of certain of such definitions.

## PLAN OF FINANCE

The Authority is issuing the Bonds to provide funds to (i) pay a portion of the costs of constructing and equipping a new public safety facility and (ii) pay the costs of issuing the Bonds.

### The Public Safety Facility Project

Located in the heart of Petaluma at the intersection of Kenilworth Drive and Johnson Street, the new Petaluma Public Safety Facility (the "Project") will consist of an approximately 43,585 square foot, two-story main building and approximately 3,800 square foot support building on a 3.73-acre undeveloped, City-owned site. The facility will consolidate and streamline the City's public safety services by bringing together under one roof the City's Police Department, Fire Department, and Emergency Operations Center.

Total Project construction costs are estimated at \$55,000,000, including an allowance for contingencies and other project-related expenditures. The Bonds are anticipated to fund approximately 44% or \$24,200,000 of total construction costs, with the remaining costs funded from the proceeds of the City of Petaluma 2026 Sales Tax Bonds that are being issued contemporaneous with the Bonds.

Following a competitive bidding process, the City Council adopted a resolution on July 6, 2026 awarding a design-build contract in the amount of \$51,573,911 to Alten Construction for the Petaluma Public Safety Facility, and authorizing the City Manager to execute all necessary contract documents. Project construction is anticipated to begin in the Fall of 2026 and be completed by the Spring of 2028.

### Sources and Uses of Funds

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

<b>Sources:</b>	
Par amount of the Bonds	\$
[Net] Original Issue Premium (Discount)	
<b>Total Sources</b>	<u>\$</u>
<b>Uses:</b>	
Deposit to Project Fund	\$
Costs of Issuance <sup>(1)</sup>	
<b>Total Uses</b>	<u>\$</u>

- (1) Costs of issuance include fees and expenses for Bond Counsel, Disclosure Counsel, Municipal Advisor, Trustee, printing expenses, rating fee, underwriter's discount and other miscellaneous costs.

## DEBT SERVICE REQUIREMENTS

The following table sets forth the debt service requirements for the Bonds.

<u>Bond Year</u> <u>Ending May 1,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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**Total**

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## LEASED PROPERTY

**General.** The Bonds are secured by and payable from a first lien and pledge of Revenues that consist primarily of Lease Payments as provided in the Lease. Lease Payments will be paid by the City to the Authority in an amount sufficient to pay annual debt service on the 2021 Bonds and on the 2026 Bonds, as and when due.

**Leased Property.** The Leased Property for both the 2021 Bonds and the 2026 Bonds will consist of the following six City-owned properties:

**(1) Public Works and Utilities Department Building** is a 14,000 square foot, two-story, steel building located at 202 North McDowell Boulevard. The building was constructed in 2010 and houses departmental employees including field staff, who are responsible for public works, environmental services, engineering, capital projects, transit, parks and recreation, facilities maintenance, and various other essential City services.

**(2) City Hall Building** is a 17,000 square foot, one-story reinforced concrete building located at 11 English Street. The building was originally constructed in 1954 and houses departmental employees including the City Manager, City Clerk, Mayor's Office, City Council Chambers, Finance Department, and Human Resources, among others.

**(3) Petaluma Community Center** is a 29,000 square foot, one-story building located at 202 North McDowell Boulevard adjoining Luchessi Park. The Center was originally constructed in 1988 and is a versatile, multipurpose facility that hosts meetings, receptions and conferences, and includes a full-production theater with stage lighting and sound system, and a 5,000 square foot audience chamber/multi-purpose room, dressing rooms, pre-school classrooms, crafts rooms, commercial kitchen, main lobby and reception area.

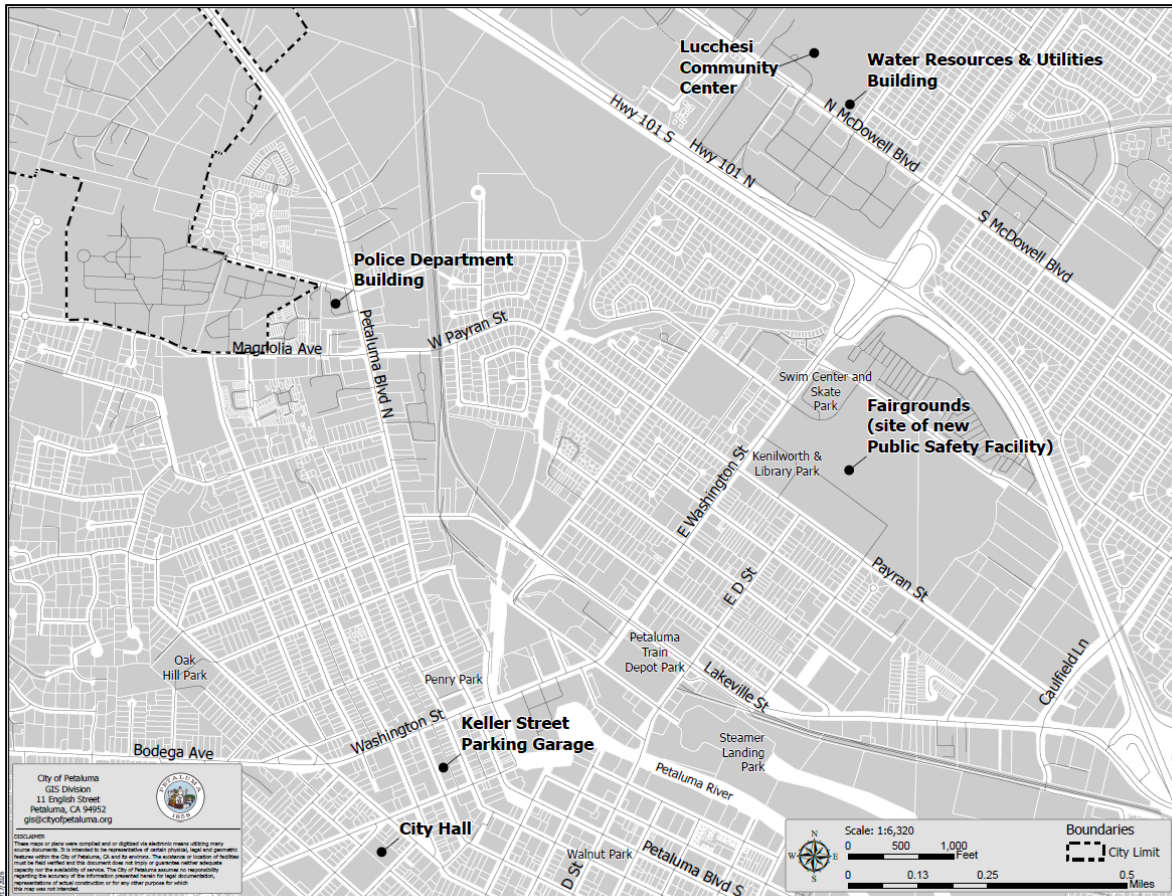
**(4) Petaluma Police Department Building** is a 10,000 square foot, one-story reinforced masonry building located at 969 Petaluma Blvd. North, near the geographic center of the City. The building was originally acquired and remodeled in 1985 and serves as the headquarters for the Police Department from which the Department provides Administrative Services, Patrol Services, Special Services and Support Services. The Fiscal 2026 Budget provides funding for 102.6 full-time equivalent positions in the Police Department. Upon completion and occupancy of the new Public Safety Facility, the Police Department Building will be re-purposed.

**(5) Keller Street Parking Garage** is a 112,000 square foot, three-story, reinforced concrete parking structure located at 114 Keller Street in downtown Petaluma. The facility was constructed in 1985 and has 310 parking stalls that are available for public use free of charge from 5:00 am until 11:00 pm (until 1:00 am on Friday, Saturday and Sunday).

**(6) The site of the new Public Safety Facility** is a 3.73-acre, undeveloped City-owned site at 866 E. Washington Street, strategically located in the heart of Petaluma at the intersection of Kenilworth Drive and Johnson Street. This is the site upon which the

new Public Safety Facility will be constructed. For additional details on the Public Safety Facility, see “THE PLAN OF FINANCE – The Project.”

### Location of Leased Property



**Release of Certain Leased Property.** Upon completion of the new Public Safety Facility and the issuance of a Certificate of Occupancy therefor, the City will release all of the Leased Property from the Lease, other than the Public Safety Facility including the land thereunder, whereupon the Public Safety Facility shall serve as the sole Leased Property under the Lease for both the 2021 Bonds and the 2026 Bonds. Said release shall be evidenced by the recordation of an executed release by the Sonoma County Clerk-Recorder. See “PLAN OF FINANCE – The Project,” above, for additional details.

**Substitution and Release of Property.** The City may substitute other real property for any portion of the Leased Property described above, or release any identifiable real property and/or improvements currently constituting the Leased Property, provided the City satisfies the provisions of the Lease. See “SECURITY AND SOURCES OF PAYMENT OF THE BONDS – Substitution and Release of Property.”

**No Remedy of Foreclosure.** The City has not granted any security interest in the Leased Property for the benefit of Bond Owners, and there is no deed of trust or mortgage or remedy of foreclosure on the Leased Property upon the occurrence of an Event of Default under the Indenture or the Lease.

## DESCRIPTION OF THE BONDS

### General

The Bonds will be dated their date of delivery and issued in the aggregate principal amount and bear interest at the rates and mature on the dates set forth on the inside cover page of this Official Statement. The Bonds shall be issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof, so long as no Bond has more than one maturity date. The Bonds shall mature on May 1 in each of the years and in the amounts, and bear interest (calculated on the basis of a 360-day year of twelve 30-day months).

Interest on the Bonds will be payable semiannually on May 1 and November 1 in each year, commencing November 1, 2026 (each an “Interest Payment Date”). Interest on the Bonds is payable from the Interest Payment Date next preceding the date of authentication thereof unless: (a) a Bond is authenticated on or before an Interest Payment Date and after the close of business on the preceding Record Date, in which event it will bear interest from such Interest Payment Date, (b) a Bond is authenticated on or before the first Record Date, in which event interest thereon will be payable from the Closing Date, or (c) interest on any Bond is in default as of the date of authentication thereof, in which event interest thereon will be payable from the date to which interest has been paid in full, payable on each Interest Payment Date. “Record Date” means, with respect to any Interest Payment Date, the 15th calendar day of the month preceding such Interest Payment Date, whether or not such day is a Business Day. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS.”

The Bonds are being issued as fully registered bonds, registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”). Individual purchases of Bonds will be made in book-entry form only. Payments of principal and interest on the Bonds will be made to purchasers by DTC through DTC Participants. Purchasers will not receive physical delivery of the Bonds purchased by them. See APPENDIX F – “BOOK –ENTRY SYSTEM.”

### Redemption\*

**Optional Redemption.** Bonds maturing on or after May 1, 2037, are subject to redemption in whole or in part at the option of the Authority on any date on or after May 1, 2036, from any available source of funds, at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium.

**Extraordinary Redemption from Net Casualty or Condemnation Proceeds.** The Bonds are subject to mandatory redemption in whole or in part at the option of the Authority on any date at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest thereon to the redemption date, without premium, from amounts derived from any policy of casualty insurance or title insurance with respect to the Leased Property, or the proceeds of any taking of the Leased Property or any portion thereof in eminent domain proceedings, to the extent remaining after payment therefrom of all expenses incurred in the collection and administration thereof, and other funds, if any, available for such purpose under the Indenture.

**Mandatory Sinking Fund Redemption.** The Bonds maturing on May 1, 20\_\_ and May 1, 20\_\_ (the “Term Bonds”) are subject to mandatory redemption in part, at a redemption price equal to the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts and on May 1 in the respective years as set forth in the following

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\* Preliminary, subject to change.

table; provided, however, that if some but not all of the Term Bonds have been redeemed pursuant to an optional redemption or special mandatory redemption from insurance or condemnation proceeds, the total amount of all future sinking fund payments shall be reduced by the aggregate principal amount of the Term Bonds so redeemed, to be allocated among such sinking fund payments on a pro rata basis in integral multiples of \$5,000 (as set forth in a schedule provided by the Authority to the Trustee).

**Sinking Fund  
Redemption Date  
(May 1)**

**Principal Amount  
To be Redeemed**

---

\* Maturity.

**Sinking Fund  
Redemption Date  
(May 1)**

**Principal Amount  
To be Redeemed**

---

\* Maturity.

### **Selection of Bonds for Redemption**

Whenever provision is made in the Indenture for the redemption of less than all of the Bonds, the Bonds to be redeemed shall be selected by the Authority on a pro-rata basis among selected maturities. For purposes of such selection, the Trustee shall treat each Bond as consisting of separate \$5,000 portions and each such portion shall be subject to redemption as if such portion were a separate Bond.

### **Notice of Redemption**

The Trustee shall mail notice of redemption of the Bonds by first class mail, postage prepaid, not less than 20 nor more than 60 days before any redemption date, to the respective Owners of any Bonds designated for redemption at their addresses appearing on the Registration Books and to one or more Securities Depositories and to the Information Services. Each notice of redemption shall state the date of the notice, the redemption date, the place or places of redemption, whether less than all of the Bonds (or all Bonds of a single maturity) are to be redeemed, the CUSIP numbers and (in the event that not all Bonds within a maturity are called for redemption) Bond numbers of the Bonds to be redeemed and the maturity or maturities of the Bonds to be redeemed, and in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on the redemption date there will become due and payable on each of said Bonds the redemption price thereof, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Bonds be then surrendered. Neither the failure to receive any notice nor any defect therein shall affect the sufficiency of the proceedings for such redemption or the cessation of accrual of interest from and after the redemption date. Notice of redemption of Bonds shall be given by the Trustee, at the expense of the Authority, for and on behalf of the Authority.

The Authority has the right to rescind any notice of the redemption of Bonds under the Indenture by written notice to the Trustee on or prior to the dated fixed for redemption. Any notice of optional redemption shall be cancelled and annulled if for any reason funds will not be or are

not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation shall not constitute an Event of Default. The Authority and the Trustee have no liability to the Bond Owners or any other party related to or arising from such rescission of redemption. The Trustee shall mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent under the Indenture.

### **Partial Redemption**

Upon surrender of any Bonds redeemed in part only, the Authority shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Authority, a new Bond or Bonds of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Bonds surrendered.

### **Effect of Redemption**

Notice of redemption having been duly given as aforesaid, and moneys for payment of the redemption price of, together with interest accrued to the date fixed for redemption on, including any applicable premium, the Bonds (or portions thereof) so called for redemption being held by the Trustee, on the redemption date designated in such notice, the Bonds (or portions thereof) so called for redemption shall become due and payable, interest on the Bonds so called for redemption shall cease to accrue, such Bonds (or portions thereof) shall cease to be entitled to any benefit or security under the Indenture, and the Owners of said Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof. All Bonds redeemed under the provisions of the Indenture shall be canceled by the Trustee upon surrender thereof and destroyed in accordance with the retention policy of the Trustee then in effect.

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

### **General**

Pursuant to the Indenture, all of the Revenues and all amounts held in any fund or account established under the Indenture (excluding amounts in the Cost of Issuance Fund and Project Fund) are hereby pledged to secure the payment of principal and interest on the Bonds in accordance with their terms and the provisions of the Indenture. Such pledge constitutes a first lien on and security interest in the Revenues and such amounts and shall attach, be perfected and be valid and binding, without the need for any physical delivery thereof or further act. "Revenues" means: (a) all amounts received by the Authority or the Trustee under or with respect to the Lease, including the portion of the Lease Payments needed to pay the Bonds (including both timely and delinquent payments, any late charges, and whether paid from any source), but excluding (i) any amounts described in any future amendment to the Lease obligating the City to pay additional amounts of rental for the use and occupancy of the Leased Property which amounts are pledged to bonds, notes or obligations other than the Bonds and (ii) any Additional Rental Payments; plus (b) all interest, profits or other income derived from the investment of amounts in any fund or account established under the Indenture.

Pursuant to an Assignment Agreement entered into in connection with the 2021 Bonds and amended in connection with the issuance of the 2026 Bonds, the Authority has assigned to the Trustee for the benefit of the Bond Owners, as further security for its obligation to make timely payment of principal and interest on the 2021 Bonds and the 2026 Bonds, certain of the Authority's rights under the Lease and Site Lease, including the right to receive Lease Payments from the City.

On or before the fifth (5) Business Day immediately preceding each Interest Payment Date, the City shall remit Lease Payments to the Trustee from any legally available funds, in an amount sufficient to pay the principal and interest due on the 2021 Bonds and 2026 Bonds on each such Interest Payment Date.

### **Limited Obligation**

The full faith and credit of the Authority is not pledged for the payment of the principal, interest or premium (if any) on the Bonds. The Bonds are not secured by a legal or equitable pledge of, or charge, lien or encumbrance upon, any of the property of the Authority or any of its income or receipts, except the Revenues and such other moneys and securities as provided in the Indenture. The City's obligation to make Lease Payments or Additional Rental Payments does not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. Neither the Bonds nor the City's obligation to make Lease Payments or Additional Rental Payments constitutes an indebtedness of the City, the State of California or any of its political subdivisions (other than the Authority) within the meaning of any constitutional or statutory debt limitation or restriction.

### **No Reserve Fund**

The Authority is not funding a reserve fund for the Bonds.

## **Additional Rental Payments**

In addition to Lease Payments, the City will pay Additional Rental Payments if and as due, in the following amounts: (a) all fees and expenses incurred by the Authority in connection with or by reason of its leasehold estate in the Leased Property, when due; (b) all reasonable compensation to the Trustee for all services rendered under the Indenture and for all reasonable expenses, charges, costs, liabilities, legal fees and other disbursements incurred in and about the performance of its powers and duties under the Indenture; (c) the reasonable fees and expenses of such accountants, consultants, attorneys and other experts as may be engaged by the Authority or the Trustee to prepare audits, financial statements, reports, opinions or provide such other services required under the Lease or the Indenture; (d) amounts coming due and payable as Excess Investment Earnings in accordance with the Lease; and (e) the reasonable out-of-pocket expenses of the Authority in connection with the execution and delivery of the Lease or the Indenture, or in connection with the issuance of the Bonds, including but not limited to any and all expenses incurred in connection with the authorization, sale and delivery of the Bonds, or incurred by the Authority in connection with any litigation which may at any time be instituted involving the Lease, the Bonds, the Indenture or any of the other documents contemplated hereby or thereby, or otherwise incurred in connection with the administration of the Lease.

## **Covenant to Budget and Appropriate**

Lease Payments are payable from any legally available funds of the City, subject to the provisions of the Lease. The City covenants to take all actions required to include annual Lease Payments in each adopted annual budget during the term of the Lease and to make the necessary annual appropriations for all such Lease Payments (and Additional Rental Payments). The foregoing covenant of the City constitutes a duty imposed by law and each and every public official of the City is required to take all actions required by law in the performance of the official duty of such officials to enable the City to carry out and perform the covenants and agreements in the Lease.

## **Abatement of Lease Payments**

During any period in which by reason of eminent domain, damage or destruction there is substantial interference with the use and occupancy by the City of all or a portion of the Leased Property, the Lease Payments are subject to abatement in whole or in part in an amount determined by the City, such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining usable portions of the Leased Property not damaged or destroyed. Such abatement will continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction. In the event of any such damage or destruction, the Lease continues in full force and effect and the City waives any right to terminate the Lease by virtue of any such damage and destruction. For additional details, see APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS.”

***Rental Interruption Insurance.*** Pursuant to the Lease, the City is required to maintain rental interruption insurance to cover the abatement of Lease Payments due to the total or partial loss of the use of any portion of the Leased Property constituting buildings or other improvements. Said insurance covers the abatement of Lease Payments resulting from any of the hazards covered by the insurance policies required by the Lease. See “Insurance Coverages Required Under Lease – Rental Interruption Insurance” below.

## **Maintenance, Utilities, Taxes and Assessments**

Pursuant to the Lease, the City is responsible for all improvements, repairs and maintenance of the Leased Property, and for the payment of all utility services supplied to the Leased Property, and for all repair and replacement costs resulting from ordinary wear and tear or want of care on the part of the City or any assignee or sublessee thereof. In consideration for Lease Payments, the Authority agrees only to provide the Leased Property. The City waives the benefits of subsections 1 and 2 of Section 1932, Section 1933(4) and Sections 1941 and 1942 of the California Civil Code, but such waiver does not limit any of the rights of the City under the terms of the Lease.

The City shall also pay or cause to be paid all taxes and assessments of any type or nature, if any, charged to the Authority or the City affecting the Leased Property or the respective interests or estates therein; provided that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the City shall pay only such installments as are required to be paid during the term of the Lease as and when the same become due.

The City may, at its expense and in its name, in good faith contest any such taxes, assessments, utility and other charges. In the event of any such contest the City may permit the taxes, assessments or other charges so contested to during the period of such contest and any appeal therefrom unless the Authority notifies the City that, in its reasonable opinion, the interest of the Authority in the Leased Property will be materially endangered or the Leased Property or any part thereof will be subject to loss or forfeiture in the event such payments remain unpaid. In that event, the City shall promptly pay such taxes, assessments or charges or provide the Authority with full security against any loss which may result from nonpayment, in form satisfactory to the Authority and the Trustee.

## **Insurance Coverages Required Under Lease**

***Liability and Property Damage Insurance.*** The City will maintain or cause to be maintained throughout the Term of the Lease, a standard commercial general liability insurance policy or policies in protection of the Authority, the City, and their respective members, officers, agents, employees and assigns. Said policy or policies shall provide for indemnification of said parties against direct or contingent loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the operation of the Leased Property. Such policy or policies shall provide coverage in such liability limits and be subject to such deductibles as the City deems adequate and prudent. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the City, and may be maintained in whole or in part in the form of self-insurance by the City, subject to the provisions of the Lease, or in the form of the participation by the City in a joint powers agency or other program providing pooled insurance. The proceeds of such liability insurance must be applied toward extinguishment or satisfaction of the liability with respect to which paid.

***Casualty Insurance.*** The City will procure and maintain, or cause to be procured and maintained, throughout the Term of the Lease, casualty insurance against loss or damage to all buildings situated on the Leased Property, in an amount at least equal to the lesser of (a) 100% of the replacement value of the insured buildings, or (b) 100% of the aggregate principal amount of the then-outstanding Lease Payments. Such insurance must, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance, and must include earthquake insurance if available at reasonable cost from reputable insurers in the judgment of the City. Such insurance may be subject to such deductibles as the City deems adequate and prudent. Such insurance

may be maintained as part of or in conjunction with any other insurance coverage carried by the City, and may be maintained in whole or in part in the form of the participation by the City in a joint powers agency or other program providing pooled insurance; provided that such insurance may not be maintained by the City in the form of self-insurance. The Net Proceeds of such insurance must be applied as provided in in the Lease.

***Rental Interruption Insurance.*** Under the Lease, the City is required to maintain rental interruption insurance to cover the abatement of Lease Payments due to the total or partial loss of the use of any portion of the Leased Property constituting buildings or other improvements, in an amount at least equal to the maximum of such Lease Payments due and payable during any two consecutive Fiscal Years. This insurance would apply to losses resulting from any of the hazards covered in the insurance required by the Lease. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the City, and may be maintained in whole or in part in the form of the participation by the City in a joint powers agency or other program providing pooled insurance; provided that such insurance may not be maintained by the City in the form of self-insurance. The Net Proceeds of such insurance, if any, must be remitted to the Trustee for deposit into the Bond Fund, to be applied as a credit towards the payment of the Lease Payments allocable to the insured improvements as the same become due and payable. See “– Abatement of Lease Payments” above.

### **Substitution and Release of Property**

***Substitution of Leased Property.*** At any time, the City may substitute real property (the “Substitute Property”) for Leased Property, or any portion thereof, to be released from the Lease (upon release, the “Former Property”), upon the satisfaction of the following requirements pursuant to the Lease:

- (a) No Event of Default has occurred and is continuing.
- (b) The City has filed with the Authority and the Trustee, and caused to be recorded by the Sonoma County Clerk-Recorder, an amendment to the Lease, the Site Lease and the Assignment Agreement, which adds a legal description of the Substitute Property to Appendix A and deletes therefrom the legal description of the Former Property.
- (c) The City has obtained one or more CLTA policies of title insurance insuring the City’s leasehold estate under the Lease in the Substitute Property, subject only to Permitted Encumbrances, in an amount at least equal to the then-aggregate principal amount of Lease Payments then due under the Lease.
- (d) The City has certified in writing to the Authority and the Trustee that the Substitute Property serves the municipal purposes of the City, constitutes property which the City is permitted to lease under the laws of the State of California, and has been determined to be important to the proper, efficient and economic operation of the City.
- (e) The Substitute Property does not cause the City to violate any of its covenants, representations or warranties made in the Lease.
- (f) The City has filed with the Authority and the Trustee a written certificate of the City or other such evidence stating that (i) the estimated value of the Leased Property following such substitution is at least equal to the remaining aggregate principal amount of the Lease Payments then due under the Lease, (ii) the estimated fair rental value of the Leased Property for the remaining lease term following such substitution is at least equal to the remaining Lease

Payments due under the Lease, and (iii) the useful life of the Substitute Property at least extends to the stated termination date of the Lease.

Upon the satisfaction of all such conditions precedent, the Term of the Lease will thereupon end as to the Former Property and commence as to the Substitute Property, and all references to the Former Property will apply with full force and effect to the Substitute Property. The City is not entitled to any reduction, diminution, extension or other modification of the Lease Payments whatsoever as a result of any substitution of property under this Section. The Authority and the City will execute, deliver and cause to be recorded all documents required to discharge the Site Lease, the Lease and the Assignment Agreement of record against the Former Property and to cause the Substitute Property to become subject to all of the terms and conditions of the Site Lease, the Lease and the Assignment Agreement.

**Release of Leased Property.** The City may at any time and from time to time release any portion of the Leased Property from the Lease (the "Released Property") provided that the City has satisfied all of the following requirements pursuant to the Lease:

- (a) No Event of Default has occurred and is continuing.
- (b) The City has filed with the Authority and the Trustee, and caused to be recorded by the Sonoma County Clerk-Recorder, an amendment of the Lease, the Site Lease and the Assignment Agreement, which removes the Released Property therefrom.
- (c) The City has filed with the Authority and the Trustee a written certificate of the City or other such evidence stating that (i) the estimated value of the Leased Property following such release is at least equal to the remaining aggregate principal amount of the Lease Payments then due under the Lease, and (ii) the estimated fair rental value of the Leased Property for the remaining Lease term following such release is at least equal to the remaining Lease Payments due under the Lease.

Upon the satisfaction of all such conditions precedent, the Term of the Lease will thereupon end as to the Released Property. The City is not entitled to any reduction, diminution, extension or other modification of the Lease Payments whatsoever as a result of such release. The Authority and the City shall execute, deliver and cause to be recorded all documents required to discharge the Site Lease, the Lease and the Assignment Agreement of record against the Released Property.

## **THE AUTHORITY**

The Authority is a joint exercise of powers authority duly organized and existing under and pursuant to the Joint Exercise of Powers Act (being Sections 6500 et seq. of the Government Code of the State of California) (the "Act") and a Joint Exercise of Powers Agreement, dated as of May 20, 1996 (the "Joint Powers Agreement"), by and between the City and the Petaluma Community Development Commission (now succeeded by the Petaluma Community Development Successor Agency). The Authority is authorized under the Act to borrow money to provide financing or refinancing for public capital improvements of local agencies within the State. The Authority is governed by a seven-member Board of Directors that is comprised of the members of the City Council. The Authority has no separate staff, but operates using City staff. The Authority covenants in the Indenture that in the event the existence of the Authority is impaired by any termination of the existence of the Petaluma Community Development Successor Agency, the Authority shall take or cause to be taken all actions as may be necessary to substitute

another public agency as a member of the Authority for the purpose of maintaining the Authority's legal existence.

## **THE CITY**

### **General**

The City is located in southern Sonoma County (the "County") along Highway 101, approximately 40 miles north of the City of San Francisco and 15 miles south of the City of Santa Rosa. The City encompasses approximately 14.50 square miles and, as of January 1, 2026, had an estimated population of 59,160 residents. Incorporated in 1959, its first charter was granted by the State of California (the "State") in 1947, and it continues to operate as a charter city.

The City operates under the Council-Manager form of government. Policy-making and legislative authority are vested in a seven-member City Council, which consists of six Councilmembers and the Mayor. The City Manager is responsible for implementing the policies, ordinances and directives of the City Council, overseeing the day-to-day operations of the City, and appointing the directors of City departments.

The City provides the following services as authorized by its charter: police and fire protection, transit service, parks and recreation, public works, community development, and general administrative services. In addition, the City owns and operates a water system and wastewater system, municipal airport, and marina.

For additional statistical and demographic information on the City and the County, see APPENDIX A – "SUPPLEMENTAL INFORMATION – THE CITY OF PETALUMA AND SONOMA COUNTY."

### **Audited Financial Statements**

Table 1 below sets forth the City's General Fund assets, liabilities and fund balances as reported in the City's audited financial statements for Fiscal Years ended June 30, 2021 through June 30, 2025. The City of Petaluma Management's Discussion and Analysis (MD&A) for the fiscal year ended June 30, 2025 is presented in the City's audited financial statements for the fiscal year ended June 30, 2025 attached hereto as APPENDIX B.

**TABLE 1**  
**CITY OF PETALUMA**  
**GENERAL FUND ASSETS, LIABILITIES AND FUND BALANCES**  
**FOR FISCAL YEARS ENDED JUNE 30, 2021 THROUGH JUNE 30, 2025**

<i>Fiscal Year Ending June 30</i>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
<b>Assets</b>					
Cash and investments	\$7,478,309	\$6,357,092	\$7,635,319	\$573,785	\$5,472,087
Receivables:					
Accounts, net	1,751,521	1,387,010	1,915,375	1,893,807	1,534,364
Interest	128,120	176,833	890,543	1,616,713	1,392,945
Intergovernmental	6,006,110	9,158,063	7,582,885	7,487,670	8,228,062
Due from custodial funds	--	1,351	--	--	
Due from other funds	2,331,456	6,186,678	3,577,680	3,152,295	4,317,961
Inventories	19,531	17,562	15,670	7,644	6,950
Deposits and prepaid items	117,458	92,137	68,883	61,392	180,972
Loans receivable	77,743	77,743	77,743	77,743	77,743
Interest receivable (from loans)	1,878	3,422	4,988	6,585	8,212
Advances to other funds	--	--	--	1,525,441	1,868,061
<b>Total Assets</b>	<b>\$17,912,126</b>	<b>\$23,457,891</b>	<b>\$21,769,086</b>	<b>\$16,403,075</b>	<b>\$23,087,357</b>
<b>Liabilities and Fund Balances</b>					
Accounts payable / accrued liabilities	\$2,803,068	\$3,605,839	\$1,794,233	\$3,555,621	\$2,716,326
Wages payable	1,133,435	1,354,497	421,128	693,629	847,495
Unearned Revenue	94,779	19,135	38,148	57,507	76,880
Refundable deposits	226,039	241,228	256,427	266,678	262,770
<b>Total Liabilities</b>	<b>\$4,257,321</b>	<b>\$5,220,699</b>	<b>\$2,509,936</b>	<b>\$4,573,435</b>	<b>\$3,903,471</b>
<b>Deferred Inflow of Resources</b>					
Unavailable revenues	\$694,859	\$574,749	\$589,415	\$304,956	\$348,995
<b>Fund Balances</b>					
Non-spendable	\$216,611	\$178,964	\$151,050	\$1,672,220	\$2,133,726
Committed	1,484,700	1,297,291	1,447,559	345,271	--
Assigned	9,641,704	11,887,062	12,509,446	9,507,193	16,701,165
Unassigned	1,616,931	4,299,126	4,561,680	--	--
<b>Total Fund Balances</b>	<b>\$12,959,946</b>	<b>\$17,662,443</b>	<b>\$18,669,735</b>	<b>\$11,524,684</b>	<b>\$18,834,891</b>
<b>Total Liabilities, deferred inflows of resources and fund balances</b>	<b>\$17,912,126</b>	<b>\$23,457,891</b>	<b>\$21,769,086</b>	<b>\$16,403,075</b>	<b>\$23,087,357</b>

Source: City of Petaluma Audited Financial Statements.

Table 2 below summarizes the City's General Fund revenues, expenditures, and changes in fund balance for the Fiscal Years ended June 30, 2021 through June 30, 2025, as reported in the City's audited financial statements. This information should be read in conjunction with APPENDIX B – "AUDITED FINANCIAL STATEMENTS OF THE CITY OF PETALUMA FOR FISCAL YEAR ENDED JUNE 30, 2025."

**TABLE 2  
CITY OF PETALUMA  
GENERAL FUND REVENUES, EXPENDITURES AND FUND BALANCE  
FOR FISCAL YEARS ENDED JUNE 30, 2021 THROUGH JUNE 30, 2025**

<i>Fiscal Year Ending June 30</i>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
<b>Revenues</b>					
Taxes	\$34,967,051	\$51,973,700	\$50,964,732	\$51,042,412	\$53,159,656
Licenses, permits and fees	1,671,811	1,338,217	1,392,042	1,487,665	1,167,584
Fines, forfeitures and penalties	161,926	332,852	365,758	416,934	339,683
Use of money and property	129,921	197,659	911,684	1,543,097	1,982,093
Intergovernmental	7,926,108	7,264,794	8,715,827	8,754,343	9,769,960
Charges for current services	6,606,621	6,522,386	7,618,711	8,891,897	10,454,354
Other	245,075	85,068	290,909	388,652	485,162
<b>Total revenues</b>	<b>\$51,708,513</b>	<b>\$67,714,676</b>	<b>\$70,259,663</b>	<b>\$72,525,000</b>	<b>\$77,358,492</b>
<b>Expenditures</b>					
Current:					
General government	\$3,946,161	\$4,963,997	\$5,193,373	\$5,702,746	\$5,395,705
Community development	1,225,638	1,310,229	1,568,081	1,810,737	1,656,397
Police	19,450,083	24,382,782	26,218,266	29,027,338	30,206,068
Fire	16,934,046	21,091,253	21,849,553	24,203,999	26,921,147
Parks and recreation	1,464,323	1,856,252	2,431,889	2,755,003	3,255,970
Public works	4,326,561	5,051,488	5,895,110	7,118,471	7,568,650
Capital Outlay	217,608	(36,280)	53,766	299,789	390,421
<b>Total expenditures</b>	<b>\$47,564,420</b>	<b>\$58,619,721</b>	<b>\$63,210,038</b>	<b>\$70,918,083</b>	<b>\$75,394,358</b>
<b>Revenues over Expenditures</b>	<b>\$4,144,093</b>	<b>\$9,094,955</b>	<b>\$7,049,625</b>	<b>\$1,606,917</b>	<b>\$1,964,134</b>
<b>Other Sources (Uses)</b>					
Proceeds from asset sales	49,633	--	--	\$9,984	\$19,495
Transfers in	2,523,500	2,678,300	2,197,500	2,435,520	9,768,302
Transfers out	(7,844,404)	(7,070,758)	(8,239,833)	(11,197,472)	(4,441,724)
<b>Total Other Sources (Uses)</b>	<b>\$(5,271,271)</b>	<b>\$(4,392,458)</b>	<b>\$(6,042,333)</b>	<b>\$(8,751,968)</b>	<b>\$5,346,073</b>
<b>Beginning Fund Balance</b>	<b>\$14,087,124</b>	<b>\$12,959,946</b>	<b>\$17,662,443</b>	<b>\$18,669,735</b>	<b>\$11,524,684</b>
<b>Net Change in Fund Balance</b>	<b>\$(1,127,178)</b>	<b>\$4,702,497</b>	<b>\$1,007,292</b>	<b>\$(7,145,051)</b>	<b>\$7,310,207</b>
<b>Ending Fund Balance</b>	<b>\$12,959,946</b>	<b>\$17,662,443</b>	<b>\$18,669,735</b>	<b>\$11,524,684</b>	<b>\$18,834,891</b>

Source: City of Petaluma Audited Financial Statements.

## General Fund Revenue Sources

Table 3 below shows tax revenues by source for all Governmental Funds, which includes, but is not limited to the General Fund.

**TABLE 3  
CITY OF PETALUMA  
TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS  
FOR FISCAL YEARS ENDED JUNE 30, 2021 THROUGH JUNE 30, 2025**

<i>Fiscal Year Ending June 30</i>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
Sales and Use Taxes	\$18,231,308	\$33,626,463	\$32,329,679	\$32,159,751	\$35,638,877
Property Taxes	11,297,979	12,363,399	13,126,936	13,832,715	15,337,208
Franchise Taxes	4,734,361	4,564,755	4,898,510	5,122,498	5,392,273
Transient Occupancy Taxes	2,131,357	3,440,339	3,385,313	3,668,066	3,587,191
Real Property Transfer Taxes	1,800,542	2,348,922	1,659,787	1,103,375	1,463,902
Other Taxes	1,287,093	1,425,371	1,400,908	1,382,894	1,377,249
<b>Total</b>	<b>\$39,482,640</b>	<b>\$57,769,249</b>	<b>\$56,801,133</b>	<b>\$57,269,299</b>	<b>\$62,796,700</b>

Source: City of Petaluma.

**Sales and Use Taxes.** The General Fund receives 1% of the California statewide 7.25% sales and use tax that is levied and collected within the City, net of administrative costs. Additionally, on November 3, 2020 the voters of the City of Petaluma approved Measure U, a new, one percent (\$0.01 per \$1.00) retail transactions (sales) and use tax to be levied and collected within the City beginning on April 1, 2021. Measure U has no expiration date.

Measure 'U' is a 'general' sales tax under State law, the proceeds of which are deposited into the City's General Fund and used for general governmental purposes including the making of annual Lease Payments. Measure 'U' revenues, however, are not security for, or specifically pledged to such Lease Payments or to the Bonds.

In the aggregate, the two above-mentioned sales taxes comprise the City's largest Governmental Fund revenue source, accounting for \$35,638,877 in fiscal year 2024-25, or 57% of Governmental Fund revenues.

**Property Taxes.** Property taxes represent the second-largest Governmental Fund revenue source, comprising approximately 24% of fiscal year 2024-25 Governmental Fund revenues.

**Franchise Taxes.** Franchise taxes represent the third-largest Governmental Fund revenue source, comprising approximately 9% of fiscal year 2024-25 Governmental Fund revenues.

## Economic Development

The following are examples of current and recent economic development activities in the City. The City can make no assurance whether or when any of the below-listed economic development projects will be completed.

**5002 Petaluma Blvd North Retail Campus.** Located at 5002 Petaluma Blvd. North, this \$4.15 million project is the redevelopment of an existing 3.09-acre commercial site including the construction of two new commercial buildings, the renovation of two existing structures, and extensive site improvements including landscaping, pedestrian pathways, bicycle parking, EV spaces, and parking lot upgrades. The project is under construction and due to be completed in 2026.

**Adobe Road Winery.** Located at 1 'C' Street, this \$7.45 million project is a newly constructed three-story, 13,718-square-foot building for Adobe Road Winery, featuring a winery, tasting room, private event space, and motorsports gallery, along with improvements to the public frontages on 'C' Street and First Street. The project is under construction and due to be completed in 2026.

**Scott Ranch.** Located at Windsor Drive and D Street, this \$15.48 million project consists of the development of 28 single-family homes on approximately 11 acres, together with the permanent preservation of approximately 47 acres of open space as an extension of Helen Putnam Regional Park. The project has received its major land use and environmental approvals and is advancing through final mapping, permitting, and phased construction. Completion is tentatively anticipated between late 2027 and mid-2028.

**EKN Hotel Project.** Located at 2 Petaluma Boulevard South, this project is the redevelopment of a prominent downtown gateway site with a new four-story, 56-room boutique hotel featuring restaurants, bar/lounge space, and public frontage improvements. The project has received Historic & Cultural Preservation Committee approval following a redesign from the originally approved six-story, 93-room proposal and is proceeding under a CEQA Addendum. The project is advancing toward final approvals, permitting, financing, and construction, with completion tentatively anticipated around 2029.

**Meridian at Petaluma North Station.** This is a \$44 million new construction project located at 890 North McDowell Blvd., consisting of 131 affordable rental housing units including 33 supportive housing units, in multiple three-story and four-story buildings on a 6.5-acre parcel. The project is currently under construction and is expected to be completed in 2026.

**Rovina Lane Apartments.** This \$7 million project is a 32-unit residential development located at 2 Rovina Lane, consisting of two three-story buildings on a 1-acre site, with 51 parking spaces, landscaped open space, outdoor amenities, and access from Rovina Lane. The project is currently under construction and due to be completed in 2027.

## Certain City Policies and Practices

**Debt Management Policy.** The City's Debt Management Policy establishes guidelines and parameters for the effective governance, issuance and administration of the City's debt and other financing obligations, in compliance with Section 8855(i) of the California Government Code. The Policy is designed to (i) maintain the City's sound financial position, (ii) ensure the City has the flexibility to respond to changes in service priorities, revenue levels and operating expenses, (iii) protect the City's creditworthiness, (iv) ensure City debt is structured to protect current and future taxpayers, ratepayers and constituents, and (v) ensure the City's debt is consistent with its planning goals and objectives, and capital improvement priorities.

**Investment Policy.** The City's Investment Policy is designed to achieve the following objectives: (i) compliance with all State laws governing the investment of public funds, (ii) safeguard the principal of all invested funds, (iii) maintain sufficient liquidity to meet the City's anticipated daily cash flow requirements, and (iv) achieve a fair market rate of return throughout economic and budgetary cycles, consistent with objectives (i), (ii) and (iii) above.

The guiding principle of the Policy is the "Prudent Investor Rule" which requires that investments be made with the care, skill, prudence, and diligence that a prudent person acting in a like capacity under similar circumstances, would use to invest funds of a like character and with like aims.

**Reserve Policy.** The City's Reserve Policy provides that a reserve for contingencies equal to 15% of General Fund expenditures be maintained in the event of an economic downturn or volatility in revenues or expenditures, as well as for natural disasters, catastrophic events, and emergency capital outlays. As of June 30, 2025, the City held approximately \$16,701,165 in reserve for contingencies, equal to approximately 22% of Fiscal Year 2025 General Fund expenditures.

**Cybersecurity Policies and Procedures.** The City, like other public and private entities, relies on computer and other digital networks and systems to conduct its operations and finances. As a recipient and provider of personal, private or other sensitive electronic information, the City is potentially subject to cyber threats including, but not limited to, hacking, viruses, malware, ransomware and other attacks on computer and other sensitive digital networks and systems. Entities or individuals, both foreign and domestic, may attempt to gain unauthorized access to the City's systems for the purposes of misappropriating assets or information or causing operational disruption or damage.

The City has implemented a broad range of cybersecurity improvements including firewall policy review and cleanup to limit potential access; frequent, immutable backups for on-prem servers and data; cloud backup and restorability; enforcement of secure password requirements; firewall and network redundancy; enforced MFA for all sensitive systems; logging for all access including file server and Office 365 environment; least-privilege policy for access to all systems; physical and programmatic security for network devices; staff training; end-to-end encryption for credit card processing systems; IT review of contracts to approve data handling practices; mobile device management with ability to lock or wipe devices; and, IT Managed updates for servers and workstations.

The City continually evaluates potential cybersecurity risks and the policies and practices it employs to mitigate those risks. However, no assurances can be provided that the City's cybersecurity measures will be successful in guarding against any and all potential cybersecurity threats.

**Blueprint for Climate Action.** The City Council adopted a 'Blueprint for Climate Action' in November 2024. The Blueprint is an effort by the City to achieve carbon neutrality by 2030, and "to make Petaluma a leader in climate mitigation and sequestration." The Blueprint identifies 33 "cornerstone actions" to reduce greenhouse gas emissions across various sectors including buildings, energy, transportation, resource consumption, and ecosystems. The entire Blueprint for Climate Action is available online for public viewing at the following URL:

[https://static1.squarespace.com/static/5ea880f6d9a2075c7b7f54af/t/67f6c97098ad0d34998361f2/1744226678729/Petaluma-Blueprint-for-Climate-Action\\_Final-Approved.pdf](https://static1.squarespace.com/static/5ea880f6d9a2075c7b7f54af/t/67f6c97098ad0d34998361f2/1744226678729/Petaluma-Blueprint-for-Climate-Action_Final-Approved.pdf)

***This URL is not incorporated by reference into this Official Statement.***

## **City Budget**

**Budget Process.** Prior to the beginning of each fiscal year, the City Manager proposes and the City Council adopts an annual budget. Public hearings are conducted prior to budget adoption, to allow for public comment on the proposed budget. The City Council may amend the budget at any time during the fiscal year, which often occurs as new information about revenues and expenditures becomes available. The City Manager is authorized to adjust the operating budget within funds and among departments. However, City Council approval is required to transfer reserves to operating budgets, use unappropriated fund balances, cancel appropriations, or revise capital improvement project budgets. All appropriations which are not obligated, encumbered, or expended at the end of each fiscal year lapse and become part of the unreserved fund balance which may be appropriated for the next fiscal year.

The City maintains budgetary controls to ensure compliance with legal provisions embodied in the approved budget. The level of budgetary control (e.g., the level at which expenditures cannot legally exceed the appropriated amounts) for the operating budget is within each department. The City's Budget has received the Government Finance Officers Association Distinguished Budget Presentation Award annually for the past ten years.

**Recent Budgets.** Table 4 below, sets forth General Fund revenues and expenditures in the Fiscal Year 2026/27 Adopted Budget. Throughout the year, budget adjustments may be authorized by the City Council which increase or decrease expenditures. Such budget revisions are not uncommon.

**TABLE 4  
CITY OF PETALUMA  
ADOPTED GENERAL FUND BUDGET FOR  
FISCAL YEAR ENDING JUNE 30, 2027**

	<b>Fiscal 2027 Budget</b>
<b><u>Revenues</u></b>	
Taxes	\$37,900,300
Permits and Fees	1,548,200
Fines and Penalties	435,800
Investment Earnings and Rent	1,533,500
Intergovernmental	9,768,100
Charges for Services	14,370,700
Other Revenue	264,400
Transfers In	4,105,000
Transfers In from Measure U Sales Tax	14,604,281
	<b>\$84,530,281</b>
<b>Funds from Designated Reserves/Savings</b>	<b>550,000</b>
<b>Total Sources</b>	<b>\$85,080,281</b>
 <b>Expenditures/Appropriations</b>	
Salaries	38,873,692
Benefits	27,590,450
Services and Supplies	10,424,756
Utilities	1,582,808
Capital	60,000
Transfers Out	2,527,414
Intragovernmental	4,292,259
	<b>\$85,351,379</b>
<b>Difference</b>	<b>(271,098)</b>
<b>Beginning Working Capital Balance</b>	<b>308,276</b>
<b>Ending Working Capital Balance</b>	<b>37,178</b>

*Source: City of Petaluma.*

**Appropriations Limit**

Section 7910 of the Government Code of the State requires the City to establish an appropriations limit for each fiscal year. The appropriations limit for Fiscal Year 2026-27 is \$223,009,618. The appropriations limit is not expected to impact the City's ability to budget and appropriate Lease Payments and Additional Rental Payments as required by the Lease.

## Assessed Valuation

The City's second largest General Fund revenue source is property taxes, which are imposed on real property (land and permanently attached improvements, such as buildings) and tangible personal property (moveable property) located within the City. The assessed valuation of property in the City is established by the County Assessor, except for public utility property which is assessed by the California Department of Tax and Fee Administration.

As provided by Article XIII A of the California Constitution, county assessors' assessed values are to reflect market value as of the date the property was last assessed (or 1975, whichever is more recent), increased by a maximum of 2% per year. Properties may be reassessed by the County only upon a change of at least 51% ownership of existing property or upon new construction. The assessed values of parcels in the City thus reflect, for undeveloped parcels, the estimate of the County Assessor of market value when acquired (or 1975, whichever is later), possibly increased by up to 2% per year, and for parcels on which construction has occurred since their date of acquisition, the Assessor's estimate of market value as of the time of construction, possibly increased by up to 2% per year.

For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State assessed public utilities property and real property having a tax lien which is sufficient, in the opinion of the County Assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll." Unsecured property comprises all property not attached to land, such as personal property or business property. Boats and airplanes are examples of unsecured property. Certain classes of property such as churches, colleges, not-for-profit hospitals and charitable institutions are exempt from property taxation and do not appear on the tax rolls. See "LIMITATIONS ON REVENUES AND APPROPRIATIONS – Property Tax Limitations – Article XIII A, XIII B, XIII C (Proposition 218)" and "– Article XIII A Implementing Legislation."

Property tax revenue is recognized in the fiscal year for which the taxes have been levied providing they become available. Available means then due or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter (not to exceed 60 days) to be used to pay liabilities of the current period. The County collects property taxes for the City. Tax liens attach annually as of 12:01 A.M. on the first day in January proceeding the fiscal year for which the taxes are levied. Taxes are levied on both real and personal property as it exists on that date. The tax levy covers the fiscal period July 1 to June 30. All secured personal property taxes and one-half of the taxes on real property are due November 1; the second installment is due February 1. All taxes are delinquent, if unpaid, on December 10 and April 10, respectively. Unsecured personal property taxes become due on the first of March each year and are delinquent, if unpaid, on August 31.

Economic and/or other factors beyond the City's control such as economic recession, decline in land values, or the partial/complete destruction of taxable property caused by, among other things, earthquake, flood or other natural disasters could reduce the assessed value of taxable property in the City. See "RISK FACTORS."

Table 5 sets forth the assessed valuation of taxable property within the City for the years shown.

**TABLE 5  
CITY OF PETALUMA  
ASSESSED VALUATION OF TAXABLE PROPERTY  
FISCAL YEARS ENDED JUNE 30, 2016 to 2026**

<b>Fiscal Year Ending June 30</b>	<b>Secured Property</b>	<b>Unsecured Property</b>	<b>Total</b>
2016	\$8,305,159,090	\$393,411,657	\$8,698,570,747
2017	8,830,762,080	409,167,233	9,239,929,313
2018	9,376,435,252	392,215,823	9,768,651,075
2019	9,918,133,226	419,182,388	10,337,315,614
2020	10,377,864,299	430,088,763	10,807,953,062
2021	10,758,598,273	466,845,187	11,225,443,460
2022	11,216,857,842	436,509,079	11,653,366,921
2023	11,842,325,315	468,775,648	12,311,100,963
2024	12,424,566,199	511,958,530	12,936,524,729
2025	13,229,983,942	518,268,914	13,748,252,856
2026	13,911,178,062	532,053,317	14,443,231,379

*Source: County of Sonoma*

## Largest Property Taxpayers

Table 6 sets forth the twenty largest property taxpayers in the City by secured taxable assessed value.

**TABLE 6  
CITY OF PETALUMA  
TOP TWENTY SECURED PROPERTY TAXPAYERS, 2025-26**

<b>Property Owner</b>	<b>Primary Land Use</b>	<b>2025-26 Secured Assessed Valuation</b>	<b>% of Total<sup>(1)</sup></b>
Enclave Apartments Property Owner LLC	Apartments	\$167,028,902	1.20%
La Via Apartments LP	Apartments	110,069,573	0.79%
CREFMA1 Deer Creek Village Owner LLC	Shopping Center	79,251,754	0.57%
SSCOP DE LLC	Office Building	72,085,792	0.52%
Sequoia Equities Park Central	Apartments	68,008,693	0.49%
Sequoia Equities - Azure LP	Residential	64,609,317	0.46%
Addison Ranch Apartments LLC	Apartments	61,805,885	0.44%
Vestar Petaluma EWP LLC	Shopping Center	61,264,244	0.44%
WS Owner LLC	Shopping Center	59,600,860	0.43%
CAP VIII-Altura LLC	Apartments	51,894,730	0.37%
Labcon North America	Office Building	50,676,557	0.36%
Sonoma Hotel Partners LP	Hotel	44,176,613	0.32%
TSA SKH Investors LLC	Commercial	39,841,458	0.29%
CHELSEA GCA REALTY PTP	Shopping Center	38,960,081	0.28%
G & I IX Lagunitas 1 LP	Industrial	36,910,549	0.27%
Target Corporation	Shopping Center	36,306,122	0.26%
Pacific Castle Redwood LLC	Shopping Center	35,762,700	0.26%
Redwood Tech DE SPE LLC	Office Building	35,696,725	0.26%
TSW Investors LLC	Apartments	35,363,360	0.25%
Novak Property LLC	Shopping Center	34,522,789	0.25%
TOTAL, Top 20 Taxpayers		<b>\$1,183,836,704</b>	<b>8.51%</b>
TOTAL, All Taxpayers		<b>\$13,911,178,062</b>	

Source: California Municipal Statistics, Inc.

## Direct and Overlapping Debt

Table 7 is a statement of direct and overlapping debt for the City as of June 1, 2026. The debt statement is included for general information purposes only. The City has not reviewed the debt statement for completeness or accuracy and makes no representations in connection therewith. The debt statement generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the City in whole or in part. Such long-term obligations generally are not payable from revenues of the City (except as indicated) nor are they necessarily obligations secured by land within the City. In many cases long-term obligations issued by a public agency are payable from the general fund or other revenues of such public agency.

**TABLE 7  
CITY OF PETALUMA  
STATEMENT OF DIRECT AND OVERLAPPING DEBT  
June 1, 2026**

2025-26 Assessed Valuation: \$14,494,948,174 (includes aircraft valuations)

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 6/1/26</u>
Sonoma County Joint Community College District	11.289%	\$ 34,565,789
Petaluma Joint Union High School District	76.908	78,080,847
Cinnabar School District	42.145	910,332
Old Adobe Union School District	90.195	47,198,142
Petaluma City School District	84.073	33,002,856
Wilmar Union School District	10.881	452,588
Wagh School District School Facilities Improvement District No. 1	69.379	2,705,682
California Statewide Community Development Authority 1915 Act Bonds	100.	<u>8,646,595</u>
<b>TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT</b>		<b>\$205,562,831</b>
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
Sonoma County General Fund Obligations	11.367%	\$ 3,021,917
Sonoma County Pension Obligation Bonds	11.367	15,106,743
Sonoma County Office of Education Certificates of Participation	11.367	229,750
Cinnabar School District Certificates of Participation	42.145	150,036
<b>City of Petaluma General Fund Obligations</b>	<b>100.</b>	<b><u>16,990,000</u></b> <sup>(1)</sup>
<b>TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>		<b>\$35,498,446</b>
<u>OVERLAPPING TAX INCREMENT DEBT (Successor Agency):</u>	96.248%	\$42,329,870
<b>COMBINED TOTAL DEBT</b>		<b>\$283,391,147</b> <sup>(2)</sup>

Ratios to 2025-26 Assessed Valuation:

Total Overlapping Tax and Assessment Debt.....	1.42%
<b>Total Direct Debt (\$16,990,000) .....</b>	<b>0.12%</b>
Combined Total Debt .....	1.96%

Ratios to Redevelopment Successor Agency Incremental Valuation (\$3,086,714,241):

Total Overlapping Tax Increment Debt .....	1.37%
--	-------

- (1) Excludes issue to be sold.  
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

**Long-Term General Fund Obligations**

On September 1, 2021, the Authority issued the 2021 Bonds in the principal amount of \$19,125,000, the proceeds from which were used to finance the repair and rehabilitation of City roads and streets. The outstanding principal balance on the 2021 Bonds was \$16,990,000 as of May 1, 2026.

## Labor Contracts

The following table sets forth the current status of employment contracts for the City's represented employees. All of the City's bargaining units other than Units #7 and #8 have entered into two-year agreements with the City that include 2% annual increases in base wages during fiscal years 2026/27 and 2027/28. The City anticipates entering into similar agreements with bargaining units #7 and #8. The City has not experienced any labor stoppages during the past ten years and has generally experienced good relations with each employee group.

	<b>Bargaining Unit</b>	<b>Covered Employees</b>	<b>Contract Expiration</b>
1	AFSCME - Confidential	9.0	June 30, 2028
2	AFSCME - Maintenance	81.0	June 30, 2028
3	AFSCME - Clerical and Technical	57.0	June 30, 2028
4	Petaluma Prof'l. and Mid-Managers Assoc. - Professional	41.0	June 30, 2028
6	Peace Officers' Association of Petaluma	85.6	June 30, 2028
7	International Association of Fire Fighters Local 1415	60.0	June 30, 2026
8	Department Directors	16.0	June 30, 2026
9	Petaluma Prof'l. and Mid-Managers Assoc.- Mid-Managers	49.0	June 30, 2028
10	Petaluma Public Safety Mid-Management Association	12.0	June 30, 2028
11	Petaluma Prof'l. and Mid-Managers Assoc. - Confidential	12.8	June 30, 2028
	<b>Total</b>	<b>423.4</b>	

Source: City of Petaluma.

## Pension Plans

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

At June 30, 2024, the following employees were covered by the benefit terms for each Plan:

	<b>Miscellaneous</b>	<b>Safety</b>
Inactive employees or beneficiaries currently receiving benefits	361	255
Inactive employees entitled to but not yet receiving benefits	311	113
Active employees	<u>240</u>	<u>131</u>
<b>Total</b>	<b>912</b>	<b>499</b>

**Benefits Provided.** CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the California Public Employees’ Retirement Law (the “Retirement Law”). The Plans’ specific provisions and benefits in effect at June 30, 2025, are summarized in APPENDIX B – “AUDITED FINANCIAL STATEMENTS OF THE CITY OF PETALUMA FOR FISCAL YEAR ENDED JUNE 30, 2025” at Note 9.

Below is a summary of the deferred outflows of resources, net pension liabilities, and deferred inflows of resources by Plan for the year ended June 30, 2025:

	<b>Deferred Outflows of Resources</b>	<b>Net Pension Liability</b>	<b>Deferred Inflows of Resources</b>	<b>Pension Expense</b>
Miscellaneous	\$8,088,871	\$37,940,677	\$--	\$6,575,939
Safety	19,919,190	93,253,477	--	15,074,754
<b>Total</b>	<b>\$28,008,061</b>	<b>\$131,194,154</b>	<b>\$--</b>	<b>\$21,650,693</b>

**Net Pension Liability.** The City’s net pension liability for each Plan is measured as the total pension liability, less the Plan’s fiduciary net position. The net pension liability of each of the Plans are measured in Appendix B as of June 30, 2024, using an annual actuarial valuation as of June 30, 2023 rolled forward to June 30, 2024 using standard update procedures. The total pension liabilities in the June 30, 2023 actuarial valuations were determined using the following actuarial assumptions:

	<u>All Plans</u>
Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
Actuarial Cost Method	Entry-Age Actuarial Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Payroll Growth	2.80%
Projected Salary Increase	Varies by Entry Age and Service
Investment Rate of Return	6.80% <sup>(1)</sup>
Retirement Age	The probabilities of retirement are based on the 2021 CalPERS Experience Study and Review of Actuarial Assumptions.
Mortality	The probabilities of mortality are based on the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. Mortality rates incorporate full generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries.

<sup>(1)</sup> Net of pension plan investment and administrative expenses, including inflation.

Details of the Experience Study can be found on the CalPERS website under Forms and Publications. See APPENDIX B – “AUDITED FINANCIAL STATEMENTS OF THE CITY OF PETALUMA FOR FISCAL YEAR ENDED JUNE 30, 2025” at Note 9 for a more detailed description of net pension liability.

**Contributions.** Section 20814(c) of the Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the fiscal year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

**Discount Rate.** The discount rate used to measure the total pension liability was 6.9% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 6.9% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 6.9% will be applied to all plans in the Public Employees Retirement Fund (“PERF”). The stress test results are presented in a detailed report that can be obtained from the CalPERS website. See APPENDIX B – “AUDITED FINANCIAL STATEMENTS OF THE CITY OF PETALUMA FOR FISCAL YEAR ENDED JUNE 30, 2025” at Note 9 for asset allocation and return information.

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate.** The following table presents the net pension liability of the Local Government for each Plan, calculated using the discount rate for each Plan, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>Miscellaneous</u>	<u>Safety</u>
1% Decrease	5.90%	5.90%
Net Pension Liability	\$57,593,270	\$130,357,727
Current Discount Rate	6.90%	6.90%
Net Pension Liability	\$37,940,677	\$93,253,477
1% Increase	7.90%	7.90%
Net Pension Liability	\$21,629,298	\$62,920,272

**Public Employees’ Pension Reform Act (“PEPRA”).** On September 12, 2012, Governor Brown signed Assembly Bill 340, creating PEPRA. Among other things, PEPRA creates a new benefit tier for new employees/members entering public agency employment and public retirement system membership for the first time on or after January 1, 2013. The new tier has a single general member benefit formula and three safety member benefit formulas that must be implemented by all public agency employers unless the formula in existence on December 31,

2012 has both a lower normal cost and a lower benefit factor at normal retirement age. PEPRA requires that all new employees/members, hired on or after January 1, 2013, pay at least 50% of the normal cost contribution. The normal cost contribution is the contribution set by the retirement system's actuary to cover the cost of a current year of service.

**Public Agency Retirement Services Retirement Enhancement Plan.** The City of Petaluma contributes to a Public Agency Retirement System/Alternative Retirement System ("PARS"), a public agency multiple-employer defined contribution pension trust. CalPERS provides benefits at the time of retirement, total disability or death. PARS acts as a common investment and administrative agent for participating public agencies. Benefit provisions and all other requirements are established by federal statute and city resolutions. Copies of PARS' annual financial report may be obtained from their office at 3961 MacArthur Blvd., Suite 200, Newport Beach, CA 92660.

Participants are required to contribute 7% of their annual salary. The City is required to contribute 0.5% of the annual salary of covered participants. The contribution requirements were established on the Adoption Agreement. For fiscal year ended June 30, 2025, the City contributed \$3,496 and the covered employees contributed \$48,940 the total of which met the requirements of the plan.

In the year 2022, the City has evaluated the requirements of GASB Statement No. 84, Fiduciary Activities and GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans and determined that plan did not meet the criteria to be reported as a fiduciary activity, as required by the above two statements.

### **Other Post-Employment Benefits**

The City's Other Post Employment Benefit ("OPEB") plan is a single-employer defined benefit plan. The plan provides healthcare benefits to eligible retirees and their dependents. Benefit provisions are established and may be amended through agreements and memorandums of understanding between the City, its management employees, and the union representing City employees.

The City provides eligible employees who retire with a monthly retiree allowance, currently provided through the CalPERS Health Benefits Program under the Public Employees' Medical and Hospital Care Act ("PEMHCA"). The monthly benefit allowance varies by bargaining unit labor contract. The benefit allowances have been long-standing and previously ratified by labor and the City Council through the negotiation process. The dollar amount varies by bargaining units and by years of service. The range of the benefit is \$100 to \$156.83 per month for retirees who satisfy the plan's service requirements for a City cash subsidy. The City's employer contribution for each employee shall be at least the minimum amount required by PEMHCA based on unequal method for retirees participating in PEMHCA healthcare plans. The City pays this contribution directly to CalPERS and any remaining cash subsidy directly to retirees. No dental or vision benefits are provided, except for some retired Council Members. Employees are eligible for retiree health benefits if they retire from the City on or after age 50 and 5 years of CalPERS service or disability. The benefits are available only to employees who retire from the City. For the year ended June 30, 2024, the City's contributions to the Plan were \$574,182.

Membership in the plan consisted of the following at the measurement date of June 30, 2024.

	<u>Number of Employees</u>
Active employees	357
Inactive currently receiving benefits	206
Inactive entitled to but not yet receiving benefits payments	120
<b>Total</b>	<u><b>683</b></u>

The changes in the total OPEB liability follows:

	<u>Total OPEB Liability</u>
<b>Balance at June 30, 2023 (Measurement Date)</b>	\$14,621,186
Changes in the year:	
Service cost	768,269
Interest on the total OPEB liability	551,308
Actual vs. expected experience	(552,796)
Benefit payments	(570,239)
Net changes	<u>196,542</u>
<b>Balance at June 30, 2024 (Measurement Date)</b>	<u><b>14,817,728</b></u>

For additional information regarding the OPEB plan and its funding status, see APPENDIX B – “AUDITED FINANCIAL STATEMENTS OF THE CITY OF PETALUMA FOR FISCAL YEAR ENDED JUNE 30, 2025” at Note 10.

## **RISK FACTORS**

*Purchase of the Bonds will constitute an investment subject to certain risks, including the risk of nonpayment of principal and interest. Before purchasing any of the Bonds, prospective investors should carefully consider, among other things, the risk factors described below. However, the following is not an exhaustive listing of all the risks associated with the purchase of the Bonds. Moreover, the order of presentation of the risk factors does not necessarily reflect the order of their importance.*

### **Lease Payments Are Not Debt; Bonds are Limited Obligations**

The City's obligation to make Lease Payments does not oblige the City to levy any form of taxation. Neither the Bonds nor the City's obligation to make Lease Payments constitute a debt of the City, the State or any political subdivision thereof (other than the Authority) within the meaning of any constitutional or statutory debt limitation or restriction.

The Bonds are not general obligations of the Authority, but are special limited obligations payable solely from and secured by a pledge of Revenues and amounts held in the funds and accounts created under the Indenture, consisting primarily of Lease Payments.

The Bonds are being issued by the Authority pursuant to the Bond Law. The State Supreme Court in its 1998 decision of *Rider v. City of San Diego*, 18 Cal. 4th 1035, upheld the validity of a joint powers agency financing and found that bonds issued pursuant to the Bond Law and payable from lease payments made pursuant to a lease with the City of San Diego were not subject to the State constitutional provisions that require two-thirds voter approval of indebtedness incurred by a city, county or school district. No voter approval of the Bonds or the Lease has been sought.

Although the Lease does not create a pledge, lien or encumbrance upon the funds of the City, the City is obligated under the Lease to make Lease Payments from any source of legally available funds and the City has covenanted in the Lease that, as long as the City has beneficial use of the Leased Property, the City will annually budget and appropriate Lease Payments. The City is currently liable and may become liable for other obligations payable from general revenues, some of which may have a priority over the Lease Payments, or which the City, in its discretion, may determine to pay prior to the Lease Payments.

The City has the authority to enter into other obligations payable from the City's General Fund, without the consent of or prior notice to the Owners of the Bonds. To the extent that additional obligations are incurred by the City, the funds available to make Lease Payments may be decreased. If the City's revenue sources are less than its total obligations, the City could choose to fund other activities before making Lease Payments and other payments due under the Lease. The same result could occur if state constitutional expenditure limitations were to prohibit the City from appropriating and spending all of its otherwise available revenues.

### **Abatement**

During any period in which by reason of eminent domain, damage or destruction there is substantial interference with the use and occupancy by the City of all or a portion of the Leased Property, the Lease Payments are subject to abatement in whole or in part in an amount determined by the City, such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining usable portions of the Leased Property not damaged or

destroyed. Such abatement will continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction. In the event of any such damage or destruction, the Lease continues in full force and effect and the City waives any right to terminate the Lease by virtue of any such damage and destruction.

### **Risk of Uninsured Loss**

The City covenants in the Lease to maintain certain insurance policies on the Leased Property. These insurance policies do not cover all types of risk. The Leased Property could be damaged or destroyed due to earthquake or other casualty for which the Leased Property is uninsured. The Lease does not require earthquake insurance. Additionally, the Leased Property could be the subject of an eminent domain proceeding. Under these circumstances an abatement of Lease Payments could occur and could continue indefinitely. There can be no assurance that the providers of the City's insurance policies will in all events be able or willing to make payments under the respective policies for such loss should a claim be made under such policies. Further, there can be no assurances that amounts received as proceeds from insurance or from condemnation of the Leased Property will be sufficient to repair the Leased Property or to redeem the Bonds secured by Lease Payments.

To mitigate such risks, the Lease requires the City to maintain various types of insurance, including rental interruption insurance with respect to the Leased Assets. See SECURITY FOR THE BONDS – Coverages Required Under Lease – Rental Interruption Insurance.”

### **City General Fund**

***In General.*** Lease Payments and other payments due under the Lease are payable from all lawfully available funds of the City. If the amount which the City is obligated to pay in a fiscal year exceeds the funds available therefor, the City may choose to make some payments and not make other payments, including Lease Payments. The same could occur if, due to California Constitutional limits on expenditures, the City is not permitted to appropriate and spend all of its available revenues or is required to expend available revenues to preserve the public health, safety and welfare. For more information regarding California Constitutional limits on expenditures see “LIMITATIONS ON REVENUES AND APPROPRIATIONS – Property Tax Limitations – Article XIII A, XIII B, XIII C (Proposition 218).”

***Risk of Increased Expenditures.*** Pursuant to the Lease and provided the City is not currently in default thereunder, the City is permitted to expend for any municipal purpose or otherwise incur other evidences of indebtedness or other obligations payable from the City's General Fund without the consent of Owners of the Bonds. To the extent additional obligations are incurred by the City, the funds available to pay Lease Payments could decrease.

***Risk of Decreased Revenues.*** Various national, state or regional factors which are beyond the City's control, as well as the City's fiscal policies, could reduce the City's General Fund revenues. To the extent City revenues decrease, the funds available to pay Lease Payments could decrease. See “THE CITY.”

### **Public Health Emergencies**

Pandemics, outbreaks of disease, and other public health emergencies could have significant adverse impacts throughout the world, leading to economic and financial hardship, and/or actions by governmental authorities to contain or mitigate the effects of such emergencies.

For example, during the COVID-19 pandemic, the State of California deferred the payment due dates of certain taxes.

No assurance can be given that the City's General Fund finances will not be adversely impacted by future public health emergencies, or by actions taken by governmental authorities to mitigate the impact thereof.

## **Bankruptcy**

The City could potentially file a bankruptcy petition under Chapter 9 ("Chapter 9") of Title 11 of the United States Code (the "Bankruptcy Code"), provided the City complies with the requirements of Section 53760 *et seq.* of the Government Code of the State. Under the Government Code, a local public entity, including the City, is prohibited from filing under the Bankruptcy Code unless it has participated in a specified neutral evaluation process with interested parties, as defined, or it has declared a fiscal emergency and has adopted a resolution by a majority vote of the governing board at a noticed public hearing that includes findings that the financial state of the local public entity jeopardizes the health, safety, or well-being of the residents of the local public entity's jurisdiction or service area absent bankruptcy protections.

If the City were to become a debtor under the Bankruptcy Code, the City would be entitled to all of the protective provisions of the Bankruptcy Code as applicable in a Chapter 9 proceeding. Among the adverse effects of such a bankruptcy might be: (i) the application of the automatic stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the City or the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the City; (ii) the avoidance of preferential transfers occurring during the relevant period prior to the filing of a bankruptcy petition; (iii) the existence of unsecured or court-approved secured debt which may have a priority of payment superior to that of the Lease Payments under the Lease, which are pledged to the repayment of the Bonds; and (iv) the possibility of the adoption of a plan for the adjustment of the City's debt (a "Plan") without the consent of the Trustee or all of the Owners of Bonds, which Plan may restructure, delay, compromise or reduce the amount of any claim of the Owners if the Bankruptcy Court finds that the Plan is fair and equitable.

In addition, the City could either reject the Lease or assume the Lease despite any provision of the Lease which makes the bankruptcy or insolvency of the City an event of default thereunder. If the City rejects the Lease, the Trustee, on behalf of the Owners of the Bonds, would have a pre-petition claim that may be limited under the Bankruptcy Code and treated in a manner under a Plan over the objections of the Trustee or Owners of the Bonds. Moreover, such rejection would terminate the Lease and the City's obligations to make payments thereunder.

Further, the Authority is a public agency and, like the City, is not subject to the involuntary procedures of the Bankruptcy Code. The Authority may also seek voluntary protection under Chapter 9 of the Bankruptcy Code. In the event the Authority were to become a debtor under the Bankruptcy Code, the Authority would be entitled to all of the protective provisions of the Bankruptcy Code as applicable in a Chapter 9 proceeding. Such a bankruptcy could adversely affect the payments under the Indenture. Among the adverse effects might be: (i) the application of the automatic stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the Authority or the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the Authority; (ii) the avoidance of preferential transfers occurring during the relevant period prior to the filing of a bankruptcy petition; (iii) the existence of unsecured or court-approved secured debt which may have priority

of payment superior to that of the Owners of the Bonds; and (iv) the possibility of the adoption of a plan for the adjustment of the Authority's debt without the consent of the Trustee or all of the Owners of the Bonds, which plan may restructure, delay, compromise or reduce the amount of any claim of the Owners if the Bankruptcy Court finds that the Plan is fair and equitable. However, the bankruptcy of the Authority, and not the City, should not affect the Trustee's rights under the Lease. The Authority could still challenge the assignment, and the Trustee and/or the Owners of the Bonds could be required to litigate these issues in order to protect their interests.

The adjustment plans approved by the Bankruptcy Courts in connection with the bankruptcies of the cities of Vallejo, San Bernardino and Stockton resulted in significant reductions in the amounts payable by the cities under lease revenue obligations substantially identical or similar to the Bonds. The City can provide no assurances about the outcome of the bankruptcy cases of other California municipalities or the nature of any adjustment plan if it were to file for bankruptcy.

The various legal opinions to be delivered concurrently with the Bonds (including Bond Counsel's approving opinion) will be qualified as to the enforceability of the various agreements relating to the Bonds by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by general principles of equity applied in the exercise of judicial discretion.

## **State Finances**

The California State Constitution requires the Governor to submit a proposed budget to the State Legislature no later than January 10 of each year, and that the Legislature adopt a final budget no later than June 15, although this deadline has been breached in the past. The State budget becomes law upon the signature of the Governor, who may veto specific items of expenditure.

State budgets are affected by a multitude of factors, and State budget policies can have a profound effect on communities and local public agencies throughout California. The City cannot predict what measures the State may adopt in response to any future financial difficulties, or the impact such measures may have on the City's finances and operations. In the past, some of the State's budget policies have caused financial stress for cities, counties and other local governments by: (i) decreasing local revenues (for example, the property tax, road improvement funding, public safety or other categorical funded initiatives), or (ii) increasing directly or indirectly demand for local programs (such as public safety or indigent health programs).

Information about the State budget and State spending is available at various State-maintained websites. Text of proposed and adopted budgets may be found at the website of the State Department of Finance, [www.dof.ca.gov](http://www.dof.ca.gov). An analysis of the budget is posted by the Office of the Legislative Analyst at [www.lao.ca.gov](http://www.lao.ca.gov). In addition, various official statements for State-issued bonds, many of which contain a summary of the current and past State budgets may be found at the website of the State Treasurer, [www.treasurer.ca.gov](http://www.treasurer.ca.gov). None of the websites referenced above are incorporated into this Official Statement – they are cited for informational purposes only. The City makes no representation concerning, and does not take any responsibility for, the accuracy or timeliness of information posted on such websites or the continued maintenance of such websites by the respective entities.

## **No Liability of Authority to the Owners**

Except as expressly provided in the Indenture, the Authority has no obligation or liability to Bond Owners with respect to the payment of Lease Payments by the City, or with respect to the performance by the City of other obligations pursuant to the Lease or the Indenture, or with respect to the performance by the Trustee of any right or obligation pursuant to the Indenture.

## **No Limitation on Incurring Additional Obligations**

Neither the Lease nor the Indenture contains any limitations on the ability of the City to enter into other obligations that may constitute additional claims against its General Fund. To the extent that the City incurs additional obligations, the funds available to make Lease Payments may be decreased. The City is currently liable on other obligations payable from General Fund revenues and may enter into other such obligations in the future. Such obligations may impose significant additional burdens on the City's General Fund.

The Lease may be amended without the consent of the Bond Owners to obligate the City to pay additional rental payments for the use and occupancy of the Leased Property so long as (A) such additional rental payments are pledged or assigned for the payment of bonds, notes or other obligations the proceeds of which are applied to finance or refinance the acquisition or construction of real or personal property for which the City is authorized to expend funds subject to its control, and (B) the City has filed with the Trustee a written certificate stating that the estimated value of the Leased Property is, or following the completion of the acquisition and construction of any improvements to be financed from the proceeds of such bonds, notes or other obligations will be, at least equal to the aggregate then-outstanding principal amount of the Bonds and all such other bonds, notes or other obligations.

## **Natural Hazards**

**General.** From time to time, the City is subject to natural calamities which could interfere with the use and occupancy of the Leased Property, and which could result in Lease Payments being subject to abatement or an adverse impact on the City's General Fund. Under such circumstances, no assurance can be given that the City will have insurance or other resources available to make repairs to the Leased Property or to make Lease Payments.

**Geological and Seismic.** Two active earthquake faults run through, or nearby the City of Petaluma – the Rodgers Creek Fault and the San Andreas Fault. Scientific studies indicate a significant probability of a large earthquake on the Rodgers Creek Fault in the coming decades, making it a high-priority hazard for Petaluma. Potential hazards related to major earthquakes include ground shaking, surface rupture along the fault zone, and related secondary ground failures. Typical seismically-induced ground failures include liquefaction, lateral spreading, ground lurching, landslides, inundation, and settlement.

**Flood.** Due to its location along the Petaluma River, flooding has occurred in low-lying areas of the City, including the downtown, on average once per year over the past 20 or so years. Significant flooding occurred in 1982, 1983, 1986, 1995, 1996, 1998, and 2005. Based on the historical record, it is clear that flooding is a potentially significant problem in the City of Petaluma.

**Wildfires.** Wildfires are a common occurrence in California, annually burning thousands of acres and destroying many homes and structures, even in areas not previously thought to be prone to wildfires. Areas affected by wildfires are also more prone to dangerous flooding and

mudslides. See “– Wildfire Risks and Mitigation Measures,” below, for additional information on wildfire risks and mitigation efforts within the City and the County.

The occurrence of earthquakes, floods and/or wildfires could have a material adverse impact upon the amount of General Fund revenues available to the City to make Lease Payments securing the Bonds and/or cause an abatement of Lease Payments. To mitigate such risks, the Lease requires the City to maintain various types of insurance, including rental interruption insurance with respect to the Leased Assets. See SECURITY FOR THE BONDS – Coverages Required Under Lease – Rental Interruption Insurance.”

## **Wildfire Risks and Mitigation Measures**

Wildfires have caused extensive damage throughout California in recent years, burning thousands of acres and destroying hundreds and in some cases, thousands of homes. In some instances, entire communities have been destroyed including in areas that were not previously considered to be at high-risk from such events.

Due to a combination of risk factors, wildfire is a particular concern in Sonoma County, with potential implications for its economy, tax base, infrastructure, and the health and safety of its residents. Such risk factors include overstocked forests, winds, high temperatures, humidity levels, the moisture content of vegetation, utility and other infrastructure challenges, and topography. In some communities, wildfire risk is further heightened due to the combustibility of building materials, the inadequacy of access roads, limitations on water supply, overgrown vegetation, and a lack of defensible space around structures.

In recent years, Sonoma County has experienced the 2017 Tubbs Fire, the 2019 Kincadee Fire, and the 2020 Glass and LNU Complex fires. The Tubbs Fire destroyed more than 5,600 structures, half of which were in the County’s largest city, Santa Rosa, resulting in the evacuation of more than 100,000 people and an economic loss in excess of \$1 billion.

In response to the threat posed by wildfires, Sonoma County has developed, funded and implemented a variety of wildfire prevention, preparedness, and response programs.

In March 2024, Sonoma County voters approved Measure H, a half-cent (five cents per \$10) countywide retail transactions (sales) and use tax, specifically to fund countywide wildfire preparedness and resiliency measures. Measure H provides more than \$60 million annually to fund fire protection and related services throughout the County, with no expiration date.

The County’s wildfire risk-reduction and preparedness strategy has three main components:

*Vegetation Management.* Vegetation management can significantly reduce the destructive intensity of a wildfire before it reaches a developed area, by lowering its fuel load, reducing its intensity, and slowing the rate of spread. In Sonoma County, dedicated vegetation management crews utilize hand tools, chainsaws, and chippers to reduce and remove vegetation in high-risk areas. Common treatments include (1) roadside vegetation management, which improves evacuation routes, enhances firefighter access, and reduces the likelihood that roadside ignitions spread into developed areas, and (2) ridgetop shaded fuel breaks, where vegetation is selectively thinned to reduce fire intensity. Together, these measures reduce the likelihood that wildfires reach developed areas with destructive intensity.

*Home Hardening and Fire-Resistant Construction Standards.* Wind-driven burning embers are the primary cause of structural loss during major wildfire events, responsible for up to 90% of home ignitions. Most homes do not ignite due to direct contact with flames; but rather, from ember showers which can travel up to ten miles, land, and then smolder for hours before igniting. Common entry points for embers include roof valleys, gutters, vents, and under-deck areas, where they accumulate and ignite surrounding debris.

To reduce structural vulnerability to wildfires, Sonoma County mandates strict home hardening and fire-resistant construction standards for all new residential buildings and major renovations in Wildland-Urban Interface (WUI) areas. WUI areas in Sonoma County where residential development abuts fire-prone vegetation include significant portions of the County, particularly around Santa Rosa, Windsor, Healdsburg, Sebastopol, Cloverdale, and Petaluma. These areas are subject to strict building codes (Chapter 7A) which mitigate wildfire risks. Key requirements include:

- Class A fire-rated, non-combustible roofing materials with sealed flashing and air gaps;
- Ember-resistant vents with 1/8-inch non-combustible mesh;
- Non-combustible or ignition-resistant siding materials (e.g., stucco or fiber-cement);
- Dual-pane, tempered glass windows;
- Fully enclosed and non-combustible eaves and soffits;
- Ignition-resistant decking and exterior door materials; and
- Maintenance of up to 100 feet defensive space surrounding structures.

These requirements substantially reduce the likelihood that structures will ignite during a wildfire, lowering potential losses even when fires reach community boundaries.

*Expanded Firefighting Capacity and Staffing.* Measure H provides permanent, dedicated funding to local fire departments and local fire agencies throughout Sonoma County to increase daily staffing levels and to implement targeted up-staffing during high-risk weather conditions, such as Red Flag Warning days.

Sonoma County's two largest cities – Santa Rosa and Petaluma – are expanding wildland firefighting capacity through the addition of specialized engines, equipment, and trained personnel. For example, the Santa Rosa Fire Department has added its first new fire engine in nearly 20 years, directly supported by Measure H revenues; and, Petaluma will add an additional fire engine in 2028, further improving response capability and service coverage.

Rural fire agencies across the County have collectively hired more than 100 additional firefighters, thereby transitioning to full-time staffing rather than relying solely on volunteers. Fully-staffed rural fire stations on the periphery of incorporated cities improve early response in the wildland-urban interface, reducing the risk that small fires escalate into large incidents threatening population centers and critical infrastructure.

Increased staffing and equipment availability reduce response times and improve initial-attack success, which help prevent small vegetation fires from becoming large, destructive wildfires. Additionally, CAL FIRE has adopted a more aggressive initial-attack posture, dispatching multiple firefighting aircraft – including helicopters and air tankers – on reports of vegetation fires, rather than waiting for on-scene confirmation. Rapid aerial response significantly increases the likelihood of early containment.

*Summary.* Through sustained funding for fuel reduction, fire-resistant construction, increased staffing, modern equipment, and enhanced regional response, Measure H will materially reduce wildfire severity, improve containment capability, and strengthen overall community resilience. These investments lower the probability of catastrophic wildfire impacts that could disrupt economic activity, infrastructure, and municipal operations within Sonoma County and the City of Petaluma.

## **Hazardous Substances**

The City's public works activities may, from time to time, include the use of hazardous substances at facilities owned and operated by the City, including but not limited to the Leased Property. Accordingly, it is possible that leaks, spills, discharges or other types of accidents could adversely affect the fair rental value of the Leased Property and lead, in an extreme case, to the abatement, in whole or part, of Lease Payments. See "RISK FACTORS – Abatement" above.

## **Climate Change**

Numerous credible scientific studies warn that global climate change will severely damage the world's infrastructure, ecosystems and social systems over the next 25 to 100 years. The City cannot predict what impact climate change will have on the City's General Fund finances in the future, or on the City's ability to make Lease Payments which pay debt service on the Bonds. The City has adopted a Blueprint for Climate Action, most recently amended in November 2024. See "THE CITY – Certain City Policies and Practices – Blueprint for Climate Action."

## **Cybersecurity**

The City, like many other public and private entities, relies on computer and other digital networks and systems to conduct its operations and finances. As a recipient and provider of personal, private or other sensitive electronic information, the City is potentially subject to cyber threats including, but not limited to, hacking, viruses, malware, ransomware and other attacks on computer and other sensitive digital networks and systems. Entities or individuals, both foreign and domestic, may attempt to gain unauthorized access to the City's systems for the purposes of misappropriating assets or information or causing operational disruption or damage. The City provides training to its staff on phishing and safe browsing and how to avoid potential cyber threats. See "THE CITY – Certain Policies and Practices – *Cybersecurity*." However, no assurances can be provided that the security and operational control measures of the City will be successful in guarding against any and each cyber threat or breach.

## **Future Initiatives**

From time to time, State and/or local voter initiatives may be adopted, which could affect the City's ability to make Lease Payments.

## **Limitations on Remedies**

The enforceability of the rights and remedies of Bond Owners and the Trustee, and the obligations incurred by the Authority and the City, respectively, may be subject to the following, among others: the limitations on legal remedies against joint powers authorities and cities in California; the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting the enforcement of creditors' rights generally,

now or hereafter in effect; principles of equity that may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the U.S. Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitations or modification of their rights. See also “– Bankruptcy” above.

### **Remedies on Default**

If an Event of Default occurs and is continuing under the Lease, the Authority at its option may terminate the Lease and re-lease all or any portion of the Leased Property. The City irrevocably appoints the Authority under the Lease as the agent and attorney-in-fact of the City and the City will allow the Trustee to enter upon and re-lease the Leased Property upon the occurrence and continuation of an Event of Default, other than as described in the preceding paragraph. The Authority may take whatever action at law or in equity may appear necessary or desirable, to collect each Base Rental Payment as it becomes due under the Lease, if the Lease is not terminated in accordance with its terms. See APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS.”

**Substitution and Pursuant to the Lease, the City may, so long as the Lease is in effect, substitute other real property for any portion of the Leased Property, or release any identifiable real property and/or improvements constituting the Leased Property, provided the City shall satisfy all of the requirements set forth in the Lease. See SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Substitution and Release of Property.”**

### **Secondary Market Risk**

There can be no assurance that there will be a secondary market for the purchase or sale of the Bonds, and from time to time there may be no such market, depending upon prevailing market conditions, the financial condition or market position of firms that make such secondary markets, and the financial condition of the City.

## **LIMITATIONS ON REVENUES AND APPROPRIATIONS**

*Various provisions in the State Constitution and other State laws limit the City’s ability to raise and expend revenues. Described below are some of these limitations. In addition to the ones discussed below, other initiative measures could be adopted from time to time that may further affect the City’s revenues and finances.*

### **Property Tax Limitations – Article XIII A, XIII B, XIII C (Proposition 218)**

Article XIII A of the California Constitution limits the amounts of *ad valorem* tax on real property to 1% of “full cash value” as determined by the county assessor. Article XIII A defines “full cash value” to mean “the City Assessor’s valuation of real property as shown on the 1975-76 tax bill under ‘full cash value’, or thereafter the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment period.” Furthermore, all real property valuation may be increased to reflect the inflation rate, as shown

by the consumer price index, not to exceed 2% per year, or may be reduced in the event of declining property values caused by damage, destruction or other factors.

Article XIII A exempts from the 1% tax limitation any taxes to repay indebtedness approved by the voters prior to July 1, 1978, and any bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978 by two-thirds of the voters voting on the proposition approving such bonds, and requires a vote of two-thirds of the qualified electorate to impose special taxes, while totally precluding the imposition of any additional *ad valorem*, sales or transaction tax on real property. In addition, Article XIII A requires the approval of two-thirds of all members of the State legislature to change any State tax law resulting in increased tax revenues.

Article XIII B of the California Constitution limits the annual appropriations from the proceeds of taxes of the State and any city, county, school district, authority or other political subdivision of the State to the level of appropriations for the prior fiscal year, as adjusted for changes in the cost of living, population and services rendered by the governmental entity. Article XIII B includes a requirement that if an entity's revenues in any year exceed the amount permitted to be spent, the excess would have to be returned by revising tax or fee schedules over the subsequent two years.

On November 5, 1996, California voters approved an initiative to amend the California Constitution known as the Right to Vote on Taxes Act ("Proposition 218"), which added Article XIII C and XIII D to the California Constitution. Among other provisions, Proposition 218 requires majority voter approval for the imposition, extension or increase of general taxes and two-thirds voter approval for the imposition, extension or increase of special taxes by a local government, which is defined in Proposition 218 to include cities. Proposition 218 also provides that any general tax imposed, extended or increased without voter approval by any local government on or after January 1, 1995 and prior to November 6, 1996 will continue to be imposed only if approved by a majority vote in an election held within two years of November 6, 1996. Proposition 218 also provides that the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge. This extension of the initiative power is not limited by the terms of Proposition 218 to impositions after November 6, 1996 and absent other legal authority, could result in retroactive reduction in any existing taxes, assessments, fees and charges. In addition, Proposition 218 limits the application of assessments, fees and charges and requires certain existing, new and increased assessments, fees and charges to be submitted to property owners for approval or rejection, after notice and public hearing. Neither the City nor the Authority expects the provisions of Proposition 218 to have any immediate material effect on the revenues from which Lease Payments are expected to be appropriated.

### **Article XIII A Implementing Legislation**

Legislation enacted by the California Legislature to implement Article XIII A (Statutes of 1978, Chapter 292, as amended) provides that, notwithstanding any other law, local agencies may not levy any property tax, except to pay debt service on indebtedness approved by the voters prior to July 1, 1978, and that each county will levy the maximum tax permitted by Article XIII A of \$4.00 per \$100 assessed valuation (based on the traditional practice of using 25% of full cash value as the assessed value for tax purposes). The legislation further provided that, for Fiscal Year 1978-79 only, the tax levied by each county was to be appropriated among all taxing agencies within the county in proportion to their average share of taxes levied in certain previous years.

Future assessed valuation growth allowed under Article XIII A (i.e., new construction, change of ownership, and 2% annual value growth) will be allocated on the basis of “situs” among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and schools will share the growth of “base” revenue from the tax rate area. Each year’s growth allocation becomes part of each agency’s allocation in the following year. The Authority is unable to predict the nature or magnitude of future revenue sources that may be provided by the State to replace lost property tax revenues. Article XIII A effectively prohibits the levying of any other *ad valorem* property tax above those described above, even with the approval of the affected voters.

### **Challenges to Article XIII A**

There have been many challenges to Article XIII A of the California Constitution. The United States Supreme Court heard the appeal in *Nordlinger v. Hahn*, a challenge relating to residential property. Based upon the facts presented in *Nordlinger*, the United States Supreme Court held that the method of property tax assessment under Article XIII A did not violate the federal Constitution. Neither the Authority nor the City can predict whether there will be any future challenges to California’s present system of property tax assessment and cannot evaluate the ultimate effect on the City’s receipt of tax increment revenues should a future decision hold unconstitutional the method of assessing property.

### **Statutory Revenue Limitations – Proposition 62**

Proposition 62 is a statewide statutory initiative adopted by the voters at the November 4, 1986 general election. It added Sections 53720 to 53730 to the Government Code to require that all new local taxes be approved by the voters. The statute provides that all local taxes are either general taxes or special taxes. General taxes are imposed for general governmental purposes. Special taxes are imposed for specific purposes only. General taxes may not be imposed by local government unless approved by a two-thirds vote of the entire legislative body and a majority of the voters voting on the proposed general tax. Special taxes may not be imposed by local government unless approved by a majority of the entire legislative body and by two-thirds of the voters voting on the special tax. Soon after Proposition 62 was adopted by the voters, legal challenges to taxes adopted contrary to its provisions were filed. In 1991, in the most significant case, *City of Woodlake v. Logan*, the California Court of Appeal held that the statutory voter approval requirement for general taxes was unconstitutional. The California Supreme Court refused to review *Woodlake*.

On September 28, 1995, the California Supreme Court, on a 5-2 vote, in a decision entitled *Santa Clara County Local Transportation Authority v. Guardino* (Case No. S036269), “disapproved” *Woodlake* and held that the voter approval requirements of Proposition 62 are valid. On December 14, 1995, the Supreme Court made minor non-substantive changes to its written opinion and denied the petition for rehearing. The decision provides that the voter approval requirements of Proposition 62 for both general and special taxes are valid. The *Guardino* case fails to say (1) whether the decision is retroactively applicable to general taxes adopted prior to the decision; (2) whether taxpayers have any remedies for refund of taxes paid under a tax ordinance that was not voter approved; (3) what statute of limitations applies to taxes adopted without voter approval prior to *Guardino*; (4) whether Proposition 62 applies only to new taxes or to tax increases as well.

The Court of Appeals in a December 15, 1997 decision entitled *McBearty v. City of Brawley* (Case No. D027877) addressed some of these issues. In *Brawley*, a taxpayer challenged the city’s utility tax that was passed by the city council in 1991 without a vote of the electorate.

The Court of Appeals held that (i) a three year statute of limitations applies to challenges to a tax ordinance subject to Proposition 62; and (ii) the statute of limitations did not begin to run until September 1995 when the *Guardino* case determined that Proposition 62 was constitutional. The effect of the holding in *Brawley* is that any tax ordinances passed between November 1986 and December 1995 that were not approved by the electorate would be subject to a challenge until December 1998. The court ordered the city to either cease collecting the tax or seek voter approval to continue levying the tax. However, in *Howard Jarvis Taxpayers Association v. City of La Habra*, decided on June 4, 2001, the California Supreme Court overruled part of *McBearty*, finding that the three year statute of limitations applicable to such taxes does not run from the date of the *Guardino* decision, but rather the continued imposition and collection of such tax is an ongoing violation, upon which the limitations period begins with each new collection.

Several questions raised by the *Guardino* decision remain unresolved. Proposition 62 provides that if a jurisdiction imposes a tax in violation of Proposition 62, the portion of the one percent general *ad valorem* tax levy allocated to that jurisdiction is reduced by \$1 for every \$1 in revenue attributable to the improperly imposed tax for each year that such tax is collected. The practical applicability of this provision has not been fully determined. Potential future litigation and legislation may resolve some or all of the issues raised by the *Guardino* decision.

Neither the Authority nor the City can predict the outcome of any pending or future litigation concerning the validity of Proposition 62, nor can either predict the scope of the *Guardino* or *McBearty* decisions discussed above. Proposition 62 could affect the ability of the City to continue the imposition of, or to retain, certain taxes, and restrict the City's ability to raise revenue.

### **Proposition 1A**

Proposition 1A ("Proposition 1A"), proposed by the Legislature in connection with the 2004-05 Budget Act and approved by the voters in November 2004, restricts State authority to reduce major local tax revenues such as the tax shifts permitted to take place in Fiscal Years 2004/05 and 2005-06. Proposition 1A provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the Legislature. Proposition 1A provides, however, that beginning in Fiscal Year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe state financial hardship, the shift is approved by two-thirds of both houses and certain other conditions are met. Such a shift may not occur more than twice in any ten-year period. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county.

Proposition 1A provides that if the State reduces the vehicle license fee ("VLF") rate below 0.65% of vehicle value, the State must provide local governments with equal replacement revenues. Further, Proposition 1A requires the State to suspend State mandates affecting cities, counties and special districts, excepting mandates relating to employee rights, schools or community colleges, in any year that the State does not fully reimburse local governments for their costs to comply with such mandates.

## **Proposition 22**

On November 2, 2010, voters in the State approved Proposition 22. Proposition 22, known as the “Local Taxpayer, Public Safety, and Transportation Protection Act of 2010,” eliminates or reduces the State’s authority to (i) temporarily shift property taxes from cities, counties and special districts to schools, (ii) use vehicle license fee revenues to reimburse local governments for state-mandated costs (the State will have to use other revenues to reimburse local governments), (iii) redirect property tax increment from redevelopment agencies to any other local government, (iv) use State fuel tax revenues to pay debt service on State transportation bonds, or (v) borrow or change the distribution of State fuel tax revenues.

## **Proposition 26**

On November 2, 2010, voters in the State also approved Proposition 26. Proposition 26 amends Article XIIC of the State Constitution to expand 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 which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and 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 XIID. 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 bear a fair or reasonable relationship to the payor’s burdens on, or benefits received from, the governmental activity. Neither the City nor the Authority expects provisions of Proposition 26 to materially impede the City’s ability to pay Lease Payments when due.

## **Unitary Property**

AB 454 (Chapter 921, Statutes of 1986) provides that revenues derived from most utility property assessed by the CDTFA (“Unitary Property”), commencing with the 1988-89 fiscal year, will be allocated as follows: (i) each jurisdiction will receive up to 102% of its prior year State-assessed revenue; and (ii) if county-wide revenues generated from Unitary Property are less than the previous year’s revenues or greater than 102% of the previous year’s revenues, each jurisdiction will share the burden of the shortfall or benefit of the excess revenues by a specified formula. This provision applies to all Unitary Property except railroads, whose valuation will continue to be allocated to individual tax rate areas.

The provisions of AB 454 do not constitute an elimination of the assessment of any State-assessed properties nor a revision of the methods of assessing utilities by the CDTFA. Generally,

AB 454 allows valuation growth or decline of Unitary Property to be shared by all jurisdictions in a county.

## TAX MATTERS

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

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

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

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

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

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

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

**Other Tax Considerations.** Current and future legislative proposals, if enacted into law, clarification of the Tax Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals, clarification of the Tax Code or court decisions may also affect the market price for, or marketability of, the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, such legislation would apply to bonds issued prior to enactment.

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

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

## **CERTAIN LEGAL MATTERS**

Upon the delivery of the Bonds, Jones Hall LLP, as Bond Counsel, will issue its opinion approving the validity of the Bonds, the proposed form of which opinion is set forth in APPENDIX E – FORM OF OPINION OF BOND COUNSEL. Certain legal matters will be passed upon for the City by Jones Hall LLP, as Disclosure Counsel and for the Authority and the City by the City Attorney.

## **CONTINUING DISCLOSURE**

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

The City has covenanted for the benefit of the holders and beneficial owners of the Bonds pursuant to a Continuing Disclosure Agreement, dated the date of issuance of the Bonds (the “Continuing Disclosure Agreement”), by and between the City and Willdan Financial Services (“Willdan”), as Dissemination Agent, to provide certain financial information and operating data relating to the City (the “Annual Report”) no later than March 31 following the end of each fiscal

year, commencing with the report for Fiscal Year 2025-26, and to provide notices of the occurrence of certain enumerated events through the EMMA System. The specific nature of the information to be contained in the Annual Report and the enumerated events is set forth in APPENDIX D – “FORM OF CONTINUING DISCLOSURE AGREEMENT.”

In conjunction with the delivery of the Bonds, the City engaged Willdan to conduct a continuing disclosure compliance review with respect to all of the City’s and the Petaluma Community Development Successor Agency’s prior continuing disclosure obligations under Rule 15c2-12. Based on its review of the report prepared by Willdan, the City has determined that the City and the Successor Agency have in all material respects complied with their continuing disclosure obligations during the past five years.

### **LITIGATION**

There is no controversy of any nature now pending against the City or the Authority or, to the best knowledge of their respective officers threatened, seeking to restrain or enjoin the sale, execution, issuance or delivery of the Bonds or in any way contesting or affecting the validity of the Bonds or any proceedings of the City or the Authority taken with respect to the sale, execution, issuance or delivery thereof or the pledge or application of any moneys or security provided for the payment of the Bonds or the use of the Bond proceeds or contesting the corporate existence of the City or the Authority, or the title of the officers thereof to their respective offices.

There are various lawsuits and claims pending against the City for which the City is either self-insured or insured in varying degrees by commercial insurance, or which in the aggregate, if determined adversely to the City, could potentially have a material adverse impact on the City’s finances in the future. However, the City does not expect any such suits or claims to have a material adverse effect on the City’s ability to make Lease Payments.

### **FINANCIAL STATEMENTS**

The City’s financial statements for the Fiscal Year ended June 30, 2025, included in APPENDIX B hereto, have been audited by Badawi and Associates (the “Auditor”), certified public accountants. The Auditor was not requested to consent to the inclusion of its report in APPENDIX B and it has not undertaken to update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in the Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to the date of its report.

### **MUNICIPAL ADVISOR**

The City has retained Steven Gortler to serve as Municipal Advisor in connection with the issuance of the Bonds. The Municipal Advisor has participated in drafting the Preliminary Official Statement. However, the Municipal Advisor has not audited, authenticated, or otherwise verified the information in the Preliminary Official Statement, and makes no guaranty, warranty or other representation regarding the accuracy or completeness of such information. The compensation of the Municipal Advisor is contingent upon the delivery of the Bonds.

**RATING**

S&P Global Ratings (“S&P”) has assigned a “AA” rating to the Bonds. Such rating reflects only the views of S&P and an explanation of the significance of such rating should be obtained from S&P. The City makes no assurance that the rating will continue for any given period of time or that S&P will not revise downward or withdraw the rating, in its sole discretion Any such downward revision or withdrawal of the rating may have an adverse effect on the market price or marketability of the Bonds.

**UNDERWRITING**

\_\_\_\_\_ (the “Underwriter”) purchased the Bonds from the Authority at a competitive sale for a price of \$\_\_\_\_\_ (representing the principal amount of the Bonds, plus a [net] original issue [premium/discount] of \$\_\_\_\_\_, and less an underwriting discount of \$\_\_\_\_\_).

The Underwriter intends to offer the Bonds to the public initially at the prices set forth on the inside cover page of this Official Statement, which prices may subsequently change without any requirement of prior notice. The Underwriter reserves the right to join with dealers and other underwriters in offering the Bonds to the public. In connection with the offering of the Bonds, the Underwriter may over allot or effect transactions that stabilize or maintain the market price of the Bonds at levels above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

**APPROVAL OF LEGAL PROCEEDINGS**

The issuance of the Bonds is subject to the approving opinion of Jones Hall LLP, as Bond Counsel, to be delivered in substantially the form set forth in APPENDIX E. Bond Counsel has undertaken no responsibility to the owners of the Bonds or any other party for the accuracy, completeness or fairness of this Official Statement or any other offering material related to the Bonds, and expresses no opinion to the Owners with respect thereto. Certain legal matters also will be passed upon for the City and the Authority by the City Attorney.

**EXECUTION AND DELIVERY**

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

CITY OF PETALUMA AND PETALUMA  
PUBLIC FINANCING AUTHORITY

By: \_\_\_\_\_  
City Manager/Executive Director

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## APPENDIX A

### SUPPLEMENTAL INFORMATION – THE CITY OF PETALUMA AND SONOMA COUNTY

*The following information relating to the City of Petaluma, California (the “City”) is provided for informational purposes only. The Bonds (as defined in the front part of this Official Statement) are payable solely as described in this Official Statement and are not payable or secured by a pledge of the faith and credit or taxing power of the City.*

#### **General**

**City of Petaluma.** The City is located in Sonoma County, approximately 40 miles north of San Francisco. Situated along Highway 101, Petaluma is part of the San Francisco Bay metropolitan area and the entrance to California’s renowned wine grape growing region.

Incorporated in 1858, the City operates as a charter city. Municipal operations are conducted under the Council- Manager form of government. The seven Council Members are elected at-large for four-year, staggered terms. The Mayor presides over all Council meetings. The City Manager is responsible for the operation of all municipal functions.

**The County.** One of California’s original 27 counties (incorporated in 1850), the County is the northernmost of the nine greater San Francisco Bay Area counties. Bordered on the north and east by Mendocino, Lake, and Napa counties and to the west and south by the Pacific Ocean, Marin County, and San Pablo Bay, its area encompasses 1,598 square miles.

Geographically, Sonoma County is divided almost equally into mountainous regions, rolling hills and valley land. Three narrow valleys, separated by mountains, run northwest to southeast. Elevations range from sea level to 4,262 feet at Mt. Saint Helena, where Sonoma, Napa, and Lake counties converge.

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## Population

The historic population estimates of the towns and cities that are in the County, as of January 1 of the past five years are shown in the following table:

### COUNTY OF SONOMA Population 2022 through 2025

	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
Cloverdale	8,876	8,817	8,763	8,678	8,719
Cotati	7,423	7,393	7,353	7,290	7,264
Healdsburg	11,038	10,988	11,010	10,972	11,205
<b>Petaluma</b>	<b>58,592</b>	<b>58,536</b>	<b>58,858</b>	<b>59,094</b>	59,160
Rohnert Park	43,773	43,882	44,089	44,062	44,191
Santa Rosa	175,806	175,723	177,043	178,452	179,798
Sebastopol	7,438	7,372	7,338	7,367	7,350
Sonoma	10,744	10,646	10,595	10,507	10,528
Windsor	25,898	25,719	25,669	25,625	25,498
Unincorporated	131,635	131,267	131,332	130,801	130,309
<b>County Total</b>	<b>481,223</b>	<b>480,343</b>	<b>482,050</b>	<b>482,848</b>	<b>484,022</b>

Source: California State Department of Finance, Demographic Research Unit

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## Employment and Industry

The City is included in the Santa Rosa Metropolitan Statistical Area (“MSA”), which consists of the County. The unemployment rate in the Sonoma County was 4.0 percent in April 2026, down from a revised 4.2 percent in March 2026, and below the year-ago estimate of 4.1 percent. This compares with an unadjusted unemployment rate of 5.0 percent for California and 4.0 percent for the nation during the same period.

The following table shows the average annual estimated numbers by industry comprising the civilian labor force, as well as unemployment information for years 2021 through 2025.

**SANTA ROSA-PETALUMA MSA  
(Sonoma County)  
Annual Average Civilian Labor Force, Employment and Unemployment,  
Employment by Industry  
(March 2025 Benchmark)**

	2021	2022	2023	2024	2025
Civilian Labor Force <sup>(1)</sup>	241,500	245,000	246,900	247,300	248,700
Employment	228,000	237,100	238,100	237,200	237,700
Unemployment	13,500	7,900	8,900	10,200	11,000
Unemployment Rate	5.6%	3.2%	3.6%	4.1%	4.4%
<u>Wage and Salary Employment <sup>(2)</sup></u>					
Agriculture	5,900	6,100	6,300	6,100	5,700
Mining and Logging	200	200	200	200	200
Construction	16,100	16,400	16,400	16,300	16,100
Manufacturing	22,900	23,600	22,700	21,100	19,900
Wholesale Trade	7,500	7,300	6,700	6,400	6,000
Retail Trade	23,100	23,100	23,000	22,500	22,100
Transportation, Warehousing and Utilities	4,400	4,600	4,400	4,500	4,500
Information	2,500	2,600	2,500	2,600	2,500
Finance and Insurance	7,600	7,800	7,100	6,800	6,800
Professional and Business Services	23,700	24,500	24,400	24,200	24,600
Educational and Health Services	34,000	35,000	36,400	37,900	40,200
Leisure and Hospitality	21,100	25,100	25,700	25,600	25,600
Other Services	6,400	7,200	7,600	7,900	7,900
Federal Government	1,300	1,200	1,300	1,400	1,300
State Government	2,900	3,000	3,000	3,000	2,700
Local Government	21,100	22,100	22,900	23,800	23,800
Total, All Industries <sup>(3)</sup>	200,500	209,800	210,600	210,100	209,800

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

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

(3) Totals may not add due to rounding.

Source: State of California Employment Development Department.

## Major Employers

The following table lists the top ten employers within the City as of June 30, 2025.

### CITY OF PETALUMA Principal Employers (As of June 30, 2025)

Rank	Employer Name	Employees
1	Petaluma School District	873
2	Friedman's Home Improvement	470
3	City of Petaluma	381
4	Petaluma Valley Hospital	340
5	Petaluma Poultry Processors	325
6	Old Adobe Union School District	283
7	Clover Sonoma	245
8	Kaiser Permanente – Petaluma Medical Offices	232
9	Lagunita's Brewing Company	215
10	Rustic Bakery (Corporate Office)	209

Source: City of Petaluma

The following table lists the largest employers within the County, in alphabetical order.

### COUNTY OF SONOMA Major Employers (As of June 2025)

Employer Name	Location	Industry
Aabalat Fine & Rare Wines	Petaluma	Wineries (mfrs)
Amy's Kitchen Inc	Santa Rosa	Frozen Food Processors (mfrs)
Army National Guard Recruiter	Santa Rosa	Government Offices-State
Clover Sonoma	Petaluma	Dry Condensed/Evprtd Dairy Prod (mfrs)
COAST Guard Training Ctr	Petaluma	Federal Government-National Security
County-Sonoma Trnsprtn-Pubc	Santa Rosa	Fire Departments
Fairmont Sonoma Msn Inn & Spa	Sonoma	Hotels & Motels
First Security Svc	Rohnert Park	Security Guard & Patrol Service
Freeman Toyota	Santa Rosa	Automobile Dealers-New Cars
Ghilotti Construction Co	Santa Rosa	Road Building Contractors
H2Hotel	Healdsburg	Hotels & Motels
Macy's	Santa Rosa	Department Stores
Medtronic	Santa Rosa	Physicians & Surgeons Equip & Supls-Mfrs
Petaluma Valley Hospital	Petaluma	Hospitals
Protransport-1	Cotati	Transportation Services
Providence Santa Rosa Meml Hsp	Santa Rosa	Hospitals
Santa Rosa Police Dept	Santa Rosa	Police Departments
Solairus Aviation LLC	Petaluma	Aircraft Charter Rental & Leasing Svc
Sonoma County of Water Agency	Santa Rosa	Water Companies-Bottled/Bulk & Etc
Sonoma County Office of Edu	Santa Rosa	County Government-Education Programs
Sonoma County Sheriff	Santa Rosa	Government Offices-County
Stockham Construction Inc	Cotati	General Contractors
Sutter Santa Rosa Regl Hosp	Santa Rosa	Hospitals
Walmart	Windsor	Department Stores
Walmart	Rohnert Park	Department Stores

Source: California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database, 2025 1st Edition.

## Effective Buying Income

“Effective Buying Income” is defined as personal income less personal tax and nontax payments, a number often referred to as “disposable” or “after-tax” income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor’s income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), nontax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as “disposable personal income.”

The following table summarizes the median household income for City, the County, the State of California and the United States for the period 2022 through 2026.

**CITY OF PETALUMA, COUNTY OF SONOMA, STATE  
OF CALIFORNIA AND THE UNITED STATES  
Effective Buying Income  
2022 through 2026**

<b>Year</b>	<b>Area</b>	<b>Total Effective Buying Income (000's Omitted)</b>	<b>Median Household Effective Buying Income</b>
2022	City of Petaluma	\$2,786,049	\$93,401
	Sonoma County	21,216,228	83,997
	California	1,452,426,153	77,058
	United States	11,208,582,541	64,448
2023	City of Petaluma	\$2,848,554	\$92,658
	Sonoma County	20,942,065	84,761
	California	1,461,799,662	77,175
	United States	11,454,846,397	65,326
2024	City of Petaluma	\$3,012,561	\$97,218
	Sonoma County	21,955,860	88,920
	California	1,510,708,521	80,973
	United States	11,987,185,826	67,876
2025	City of Petaluma	\$2,989,884	\$95,000
	Sonoma County	21,732,264	87,095
	California	1,557,429,767	82,725
	United States	12,525,577,707	69,687
2026	City of Petaluma	\$3,285,722	\$103,747
	Sonoma County	703,501	99,379
	California	1,730,654,738	90,403
	United States	13,932,177,817	75,433

Source: Claritas, LLC.

## Commercial Activity

Summaries of historic taxable sales within the City and County during the past five years in which data is available are shown in the following tables.

Total taxable sales during calendar year 2025 in the City were reported to be \$1,305,086,689, a 1.67% increase from the total taxable sales of \$1,283,710,092 reported during calendar year 2024.

**CITY OF PETALUMA**  
**Taxable Retail Sales**  
**Number of Permits and Valuation of Taxable Transactions**  
**(Dollars in Thousands)**

	<b>Retail Stores</b>		<b>Total All Outlets</b>	
	Numbers of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2021	1,478	\$978,891	2,658	\$1,223,297
2022	1,436	1,066,316	2,649	1,385,970
2023	1,394	1,042,469	2,564	1,325,433
2024	1,372	1,026,064	2,507	1,283,710
2025	1,368	1,011,586	2,512	1,305,087

*Source: State Department of Tax and Fee Administration.*

Total taxable sales during calendar year 2025 in the County were reported to be \$11,611,381,900, an 0.50% decrease from the total taxable sales of \$11,669,998,176 reported during calendar year 2024.

**SONOMA COUNTY**  
**Taxable Retail Sales**  
**Number of Permits and Valuation of Taxable Transactions**  
**(Dollars in Thousands)**

	<b>Retail Stores</b>		<b>Total All Outlets</b>	
	Numbers of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2021	10,288	8,032,232	20,305	11,395,415
2022	10,094	8,448,454	20,216	12,277,868
2023	9,754	8,212,171	19,685	11,906,680
2024	9,658	8,032,047	19,714	11,669,998
2025	9,675	7,963,088	19,606	11,611,382

*Source: State Department of Tax and Fee Administration.*

## Construction Activity

The following table shows a five-year summary of the valuation of building permits issued in the City and the County.

### CITY OF PETALUMA Total Building Permit Valuations (Dollars in Thousands) 2020 through 2024

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
<u>Permit Valuation</u>					
New Single-family	\$9,089.0	\$52,985.9	\$19,387.5	\$29,759.2	\$5,842.9
New Multi-family	60,149.9	42,000.0	500.0	29,000.0	538.0
Res. Alterations/Additions	<u>10,980.5</u>	<u>10,289.4</u>	<u>12,541.5</u>	<u>7,639.2</u>	<u>13,612.5</u>
Total Residential	80,219.4	105,275.3	32,429.0	66,398.4	19,993.4
New Commercial	14,627.0	50,055.4	6,290.0	1,000.0	0.0
New Industrial	0.0	0.0	0.0	70,426.0	0.0
New Other	2,641.8	21,457.7	1,662.9	4,527.4	4,457.3
Com. Alterations/Additions	<u>32,356.8</u>	<u>21,345.8</u>	<u>11,471.5</u>	<u>6,005.6</u>	<u>8,526.3</u>
Total Nonresidential	\$49,625.6	\$92,858.9	\$19,424.4	\$81,959.0	\$12,983.6
<u>New Dwelling Units</u>					
Single Family	47	225	67	136	21
Multiple Family	<u>465</u>	<u>184</u>	<u>44</u>	<u>928</u>	<u>2</u>
TOTAL	512	409	111	1,064	23

Source: Construction Industry Research Board, Building Permit Summary.

### SONOMA COUNTY Total Building Permit Valuations (Dollars in Thousands) 2020 through 2024

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
<u>Permit Valuation</u>					
New Single-family	\$259,578.5	\$375,904.9	\$231,894.7	\$244,290.1	204,897.5
New Multi-family	100,949.9	234,588.8	308,327.8	139,952.1	98,044.9
Res. Alterations/Additions	<u>111,109.8</u>	<u>111,529.3</u>	<u>128,334.3</u>	<u>64,561.5</u>	<u>101,105.3</u>
Total Residential	471,638.2	722,023.0	668,556.8	448,803.7	404,047.7
New Commercial	60,122.5	80,466.2	264,484.0	72,327.8	26,072.6
New Industrial	4,360.0	0.0	1,724.4	70,426.0	0.0
New Other	74,321.3	208,103.5	81,855.3	69,511.4	72,723.8
Com. Alterations/Additions	<u>108,262.5</u>	<u>74,937.8</u>	<u>72,654.9</u>	<u>65,952.4</u>	<u>69,604.4</u>
Total Nonresidential	247,066.3	363,507.5	420,718.6	278,217.6	\$168,400.8
<u>New Dwelling Units</u>					
Single Family	1,038	1,245	902	807	674
Multiple Family	<u>778</u>	<u>1,262</u>	<u>1,460</u>	<u>1,548</u>	<u>323</u>
TOTAL	1,816	2,507	2,362	2,355	997

Source: Construction Industry Research Board, Building Permit Summary.

## **Transportation**

All modes of commercial transportation are available in the County. The Petaluma River is capable of handling water barge freight from the San Francisco Bay to Petaluma. Northwestern Pacific Railroad provides rail transportation with the County with connections to major rail interchanges. The Sonoma County Airport, located just outside the City of Santa Rosa, handles commercial and private air traffic, with several airlines providing regional air transportation. Seven private airfields serve the County as well. In addition, highways traverse the County; the major freeway is U.S. Highway 101 which runs from Marin and San Francisco Counties in the south to Mendocino County in the north. State Highway 12 is the major east-west thoroughfare from Bodega Bay on the western coastline to Sonoma on the east.

## **Education**

The County is divided into 40 school districts for kindergarten through twelfth-grade (K-12) educational services. There are 31 elementary, 3 high school, and 6 unified districts. Unified districts operate both elementary and secondary schools for the students residing within their boundaries.

Although many districts are small in size, approximately 71,000 students attend the 179 public schools that are located in Sonoma County. There are 111 elementary, 28 middle/junior high, and 19 high schools, as well as 14 alternative schools and 7 independent study schools. Fifty-six of Sonoma County's public schools are charter schools. Eighty-one schools have been named California Distinguished Schools and eleven have been recognized as National Blue Ribbon Schools.

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**APPENDIX B**

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

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# **CITY OF PETALUMA, CALIFORNIA**

## **Annual Comprehensive Financial Report For the year ended June 30, 2025**



Prepared by the Finance Department



**CITY OF PETALUMA, CALIFORNIA**

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

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CITY OF PETALUMA, CALIFORNIA

Annual Comprehensive Financial Report  
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# CITY OF PETALUMA

POST OFFICE BOX 61  
PETALUMA, CA 94953-0061

**Kevin McDonnell**  
*Mayor*

**Brian Barnacle**  
**Janice Cader-Thompson, Dist. 1**  
**Mike Healy**  
**Karen Nau, Dist. 3**  
**Dennis Pocekay**  
**John Shribbs, Dist. 2**  
*Councilmembers*

December 30, 2025

To the Honorable Mayor, Members of the City Council and Citizens of the City of Petaluma:

We are pleased to submit to you the Annual Comprehensive Financial Report (ACFR) for the City of Petaluma. This report is published in accordance with local ordinance and state law requirements that financial statements be presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby submit the ACFR for the City of Petaluma, California for the fiscal year ended June 30, 2025.

For the fiscal year ended June 30, 2025, the City of Petaluma continues to comply with the pronouncements of the Governmental Accounting Standards Board (GASB), including GASB Statement No.34. This reporting model provides financial report users a narrative introduction, overview, and analysis, in the form of Management's Discussion and Analysis (MD&A), which accompanies the Basic Financial Statements. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Petaluma's MD&A can be found in the financial section, immediately following the reports of the independent auditors.

This MD&A consists of management's representations concerning the finances of the City of Petaluma. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Petaluma has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse, and to compile sufficient reliable information for the preparation of the City of Petaluma's financial statements. The concept of reasonable basis recognizes that: (a) the cost of a control should not exceed the benefits likely to be derived and (b) the evaluation of costs and benefits requires estimates and judgments by management. All internal control evaluations occur within the above framework.

The City of Petaluma's financial statements have been audited by Badawi & Associates, Certified Public Accountants, a public accounting firm fully licensed and qualified to perform audits of State and local governments within the State of California.

The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Petaluma, for the fiscal year ended June 30, 2025, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation.

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The independent auditor concluded that there was a reasonable basis for rendering an unmodified opinion that the City of Petaluma's financial statements for the fiscal year ended June 30, 2025, are fairly presented in conformity with accounting principles generally accepted in the United States of America. The independent auditor's report is presented as the first component of the financial section of this report.

## Profile of the City

The City of Petaluma became a chartered city in 1858, and is located in southern Sonoma County, California, approximately 40 miles north of San Francisco. Petaluma consists of 13.8 square miles and serves a population of over 58,000, and includes residential communities, commercial retail areas and several industrial/office complexes. It is also home to 47 parks, 4 community facilities, 2 outdoor pools, as well as open spaces.

The City operates under the Council-Manager form of government. Policy making and legislative authority are vested in the City Council, which consists of an elected Mayor and a six-member Council. The City Manager is responsible for implementing the policies, ordinances, and directives of the City Council, for overseeing the day-to-day operations of the City and for appointing the directors of the City departments. The seven-member Council is elected on a nonpartisan basis. The Mayor and Council members are elected to four-year staggered terms.

The City provides a full range of services including public safety, building safety regulation and inspection, community planning, low- and moderate-income housing, street and park maintenance, recreational programs and infrastructure, public and community facilities, parks, and capital improvement construction. City services also include water and wastewater utilities. The City owns a marina and airport and provides citizens with transit and ambulance services.

## Long-Term Financial Planning

The City continues to focus its efforts on long-term fiscal and organizational sustainability. In November of 2020 after a robust community outreach and engagement effort regarding the fiscal health of the City, Petaluma voters passed a one-cent general purpose sales tax measure aimed at providing the resources necessary to address the increase in demand for services and other needs citywide. This new source of locally controlled revenue ensures continuity of core essential services to our residents by backfilling the historical deficit gap and provides the resources necessary for investing in staff to deliver high-quality services to our residents. It also provides for addressing city-wide priority initiatives including deferred maintenance on City roads and facilities.

But even with these new resources, the City continues to focus on the fiscal and organizational sustainability of the City in the short and long term. As of today, the state of the economy remains a concern resulting from high inflation, rising interest rates and world events. Sales tax, the largest portion of General Fund revenues, has declined from the post-pandemic rebound high several years ago, and very slow growth is anticipated over the next few years. Due to the uncertainty which could trigger a recession, the long-term forecast has been adjusted accordingly to reflect only moderate revenue growth. The 5-year forecast has proven invaluable over the past decade as it has proven to be accurate in projecting potential deficits. Petaluma will continue to rely on the 5-year forecast for planning into the future.

The Economic Development Program remains a top priority in the City, a program that focuses on supporting local businesses to start, grow, and thrive through dedicated staff, streamlined processes, and strategic initiatives like the Business Navigator Program (offering early consultations, permit help) and sector-specific workgroups (e.g., restaurants), all under the larger "Fertile Ground" vision for a vibrant local economy, aiming

for inclusive growth and supporting infrastructure via the General Plan Update. Petaluma continues its strong business retention program reaching out to dozens of local companies and connecting them to local financial, real estate, and business support services. Petaluma's economic development program launched a successful marketing program aimed at attracting jobs, talent and investment to the City. The Petaluma Star campaign highlights successful companies throughout the City and makes a strong business case for Petaluma as a business destination by highlighting Petaluma's quality of life, cost of doing business, and key demographics.

General Fund revenues and expenditures were balanced in FY 25, with revenues exceeding expenditures by \$1.9m. Looking forward, the economy does remain challenged with high inflation, which could trigger a recession, thus the forecast has been updated to reflect cautious slow growth. Additionally, the impact of labor negotiations which are underway could result in higher than anticipated payroll expenditures moving forward, which could impact the future forecast. The City continues to maintain emergency reserves according to Council policy at 15% of operating expenditures. Maintaining reserves is critical and provides the City the resources necessary to plan ahead should a recession or unexpected event impact City finances. Although the City Council adopted a FY 26 balanced General Fund budget in May of 2025, this would not have been possible without the additional resources from the recent one-cent sales tax and sound fiscal management.

## Economy

The information presented in the financial statements is best understood when considered from the broader perspective of the specific environment within which the City of Petaluma operates.

The City is dedicated to the Community and our commitment to prudently manage the City's finances. This commitment has contributed to our ability to weather challenging years.

Revenues have stabilized after several years of declining results, however, the broader economic environment continues to present significant challenges. Persistently high inflation is impacting both operating costs and consumer purchasing behavior, impacting both expenditures and revenues. Inflation is now growing at a slower pace, but prices remain significantly higher than they were just a few years ago. We continue to efficiently manage day-to-day operations utilizing technology to keep City business moving forward. We continue to collaborate with our partners in the community as well as other government agencies to assist and provide support citywide. The City's sales tax revenues, the largest portion of General Fund revenues, were impacted as a result of the challenged economy, but have stabilized, albeit at a level lower than post pandemic. We did experience a post-rebound burst of spending in FY 22 that has not been replicated. While revenues appear stabilized, uncertainty remains and thus very slow growth is expected into the future. Other revenue sources continue to grow slowly; as data is analyzed, we will monitor and adjust accordingly.

The long-term outlook for Sonoma County tourism is positive with slow but steady growth that will rebuild its tourism base. Occupancy rates continue to grow, and according to the Sonoma County Economic Development Board the long-term outlook for Sonoma County tourism is slow but steady growth following the pandemic lows. The county's natural beauty, wineries and craft breweries, and diverse tourist attractions are anticipated to continue to attract visitors. Wildfires continue to challenge the travel and tourism industry in Sonoma County. Petaluma's Transient Occupancy Tax revenues have rebounded to pre-pandemic levels, and are expected to grow in future years.

Petaluma's overall economic outlook is stable however the unstable nature of the current economic environment remains a concern. The areas of home price stability, jobs, and real estate vacancies are challenged as Petaluma's median home price remains high due to shortage of inventory relative to demand. The commercial real estate market remains challenged due to business closures, moves and the option of

permanent remote work options. The Fed has begun to lower interest rates which should have a positive impact on home sales turnover in coming years.

Assessed property valuations have continued to increase year over year following the recession nearly a decade ago. The County Assessor has projected that assessed valuations in Petaluma will grow by 4.98% in 2026. General fund property taxes in fiscal year 2025 were \$15.3 million, up \$1.5 million or 10.9% from the prior year.

Retail sales in Petaluma recovered in FY22 following above average growth emerging out of the pandemic, reaching a high of \$17.2 million due to increased sales and a one-time true-up payment of \$1.3 million. In FY23, sales tax declined slightly to \$15.6 million, a decrease of \$0.2 million in regular operating revenues. In FY24, sales tax declined again, dropping to \$15.1 million. FY 25 sales tax revenues stabilized at \$15.2m for the fiscal year. Looking forward, general fund sales tax is anticipated to grow slowly over the next few years. Measure U sales tax received in fiscal year 2025 was \$16.2 million, flat compared to the prior year. Total sales tax revenue in 2026 is estimated to be \$30.5 million, virtually flat when compared to FY 25. As updated data is received and trends are recognized, the revenue forecast will be adjusted.

We remain cautiously optimistic about Sonoma County's long-term outlook. The City has adopted a balanced budget for the upcoming fiscal year. The City's future looks bright; much different than in past years when significant financial challenges have threatened city services. However, the City has used Measure U sales tax revenues to bolster services by adding positions and other ongoing operating costs that must be closely monitored to ensure that expenses do not outstrip revenues. The financial forecast will continue to be used as a tool to plan and close any structural deficit. It is critical the City maintains reserves for future use in the event of a natural disaster such as a fire, pandemic or economic downturn.

## Financial Information

Annual Budget. The City of Petaluma operates on a fiscal year basis, beginning July 1<sup>st</sup> and ending June 30<sup>th</sup>. The budget is prepared under the supervision of the City Manager and transmitted to the City Council for deliberation and final adoption in June, prior to the beginning of the fiscal year.

In accordance with the City's Charter, the budget is required to be submitted to the City Council by the first Monday in May. Budget hearings are held in May and June. The budget is approved by resolution, and the appropriations are set by ordinance. Upon adoption by the City Council, the City maintains budgetary controls to ensure compliance with legal provisions embodied in the annual budget. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. The City's budgetary procedures are further discussed in the Notes to the Basic Financial Statements, which are located in the financial section of this report.

Debt Administration. As of June 30, 2025, the City of Petaluma and its component units have a number of debt issues outstanding. The last Tax Allocation Bond (TAB) was issued by the Redevelopment Agency during fiscal year 2011, two issues were refunded in 2015, and another issue was refunded in fiscal year 2017. Wastewater revenue refunding bonds were issued during fiscal year 2017 and 2019. Water revenue refunding bonds were issued in October of 2012. In September of 2021, the City issued new General Funded lease revenue bonds for financing road improvements.

The City contracts with the California Public Employees' Retirement System (CalPERS) to administer the City's employee retirement benefits for the Miscellaneous and Safety groups. Over the past decade, the City has taken steps towards reducing its retirement unfunded liabilities with actions such as reducing benefits ahead of the mandated Statewide PEPRRA, increasing the employee share of contributions and by making a one-time payment targeting specific amortizations. It is estimated that these steps have resulted in savings of

approximately \$3 million annually, savings the City will continue to realize into the future. More information about the City's unfunded liabilities can be found in Note 9 of the financial statements. Additional information about the annual actuarial reports can be found at <https://www.calpers.ca.gov/page/employers/actuarial-resources/public-agency-actuarial-valuation-reports>.

Other. Additional information concerning the finances of the City is contained in the Notes to the Basic Financial Statements. The City has refrained from duplicating information contained in the MD&A or in the notes in this transmittal letter.

## Awards and Acknowledgements

Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the City of Petaluma for its annual comprehensive financial report for the fiscal year ended June 30, 2024.

A Certificate of Achievement is valid for a period of one year only. We believe that our current annual comprehensive financial report meets the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements. This report could not have been prepared without the efforts of Finance staff who spent untold hours preparing the financial statements, notes, statistical information, and other details to comply with all the necessary requirements and pronouncements. I would like to express my appreciation to all members of the Department who assisted with and contributed to the preparation of this report, particularly the audit team Janine Tedrow and Sue Simmons and Isabel Craft. I would also like to thank the Mayor and City Council for their confidence and support for maintaining the highest standards of professionalism in the management of the City of Petaluma's finances.

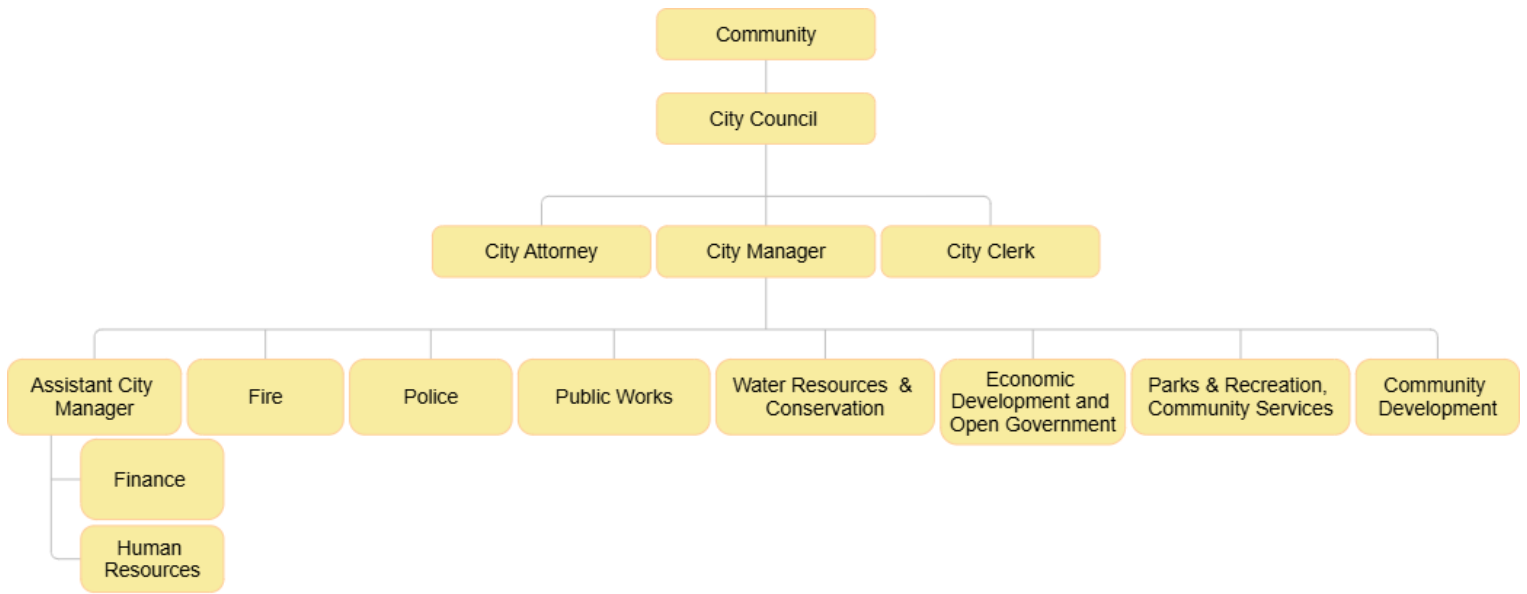
Respectfully submitted,



Corey Garberolio

Assistant Finance Director

# CITY ORGANIZATIONAL STRUCTURE AND EXECUTIVE STAFF



## CITY MANAGER

PEGGY FLYNN

BRIAN COCHRAN

### **City Manager**     **Assistant City Manager**

Provides general management oversight and direction to all City Departments. Also provides administrative support to the City Council.

## FINANCE

COREY GARBEROLIO

### **Interim Finance Director**

Provides financial management and accounting services for all City of Petaluma Departments.

## POLICE

BRIAN MILLER

### **Police Chief**

Provides public safety through crime prevention, community policing, and code enforcement services.

## PARKS AND RECREATION

DREW HALTER

### **Parks and Recreation Director**

Oversees the City's parks and recreation, park, and facility maintenance.

## CITY CLERK

CAITLIN CORLEY

### **City Clerk**

Liaison between the public, media, Mayor, and Councilmembers. Maintains City records, oversees elections, and prepares and publishes City Council Agendas.

## FIRE

JEFF SCHACH

### **Fire Chief**

Provides fire, rescue and emergency medical services. Also oversees and inspects building and development to assure compliance with fire safety codes.

## PUBLIC WORKS

PAUL KAUSHAL

### **Public Works and Utilities Director**

Oversees the City's public improvement requirements and manages water resources, wastewater treatment, streets, public transit, and flood management.

## COMMUNITY DEVELOPMENT

BRIAN OH

### **Community Development Director**

Oversees the City's Planning, Building and Housing services.

## CITY ATTORNEY

ERIC DANLY

### **City Attorney**

Provides legal advice to City staff and the City Council; defends the City against lawsuits.

## HUMAN RESOURCES

LINDA LE

### **Human Resources Director**

Recruits employees, negotiates labor contracts, provides benefits for city employees and oversees the City's Risk Management program.

## ECONOMIC DEVELOPMENT AND OPEN GOVERNMENT

INGRID ALVERDE

### **Economic Development and Open Government Director**

Oversees the economic development and information technology divisions and is the liaison for public information.

## WATER RESOURCES AND UTILITIES

CHELSEA THOMPSON

### **Water Resources and Utilities Director**

Oversees the City's water resources, wastewater treatment and storm water systems.



Government Finance Officers Association

Certificate of  
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in Financial  
Reporting

Presented to

**City of Petaluma  
California**

For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

June 30, 2024

*Christopher P. Morill*

Executive Director/CEO

## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Audit of the Financial Statements**

#### *Opinions*

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

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

#### *Emphasis of Matter*

As discussed in Note 13C, certain conditions raise substantial doubt about the Marina Enterprise Fund's ability to continue as a going concern. The financial statements do not include an adjustment that might result from the outcome of the uncertainty.

The emphasis of this matter does not constitute a modification to our opinions.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Petaluma and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

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### ***Responsibility of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibility for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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

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### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, defined benefit pension plan information, and OPEB plan information on pages 5-28 and 107-118 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statement. The City Capital Projects Fund budgetary comparison schedule, combining and individual nonmajor fund financial statements, budgetary comparison schedules on pages 122-159, are presented for purposes of additional analysis and are not a required part of the basic financial statement.

The City Capital Projects Fund budgetary comparison schedule, combining and individual nonmajor fund financial statements, budgetary comparison schedules on pages 122-159 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the City Capital Projects Fund, combining and individual nonmajor fund financial statements, and the budgetary comparison schedules on pages 122-159 are fairly stated in all material respects in relation to the basic financial statements as a whole.

### ***Other Information***

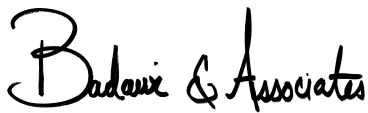
Management is responsible for the other information included in the ACFR. The other information comprises the introductory section and the statistical section but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2025, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Badawi & Associates". The signature is written in a cursive, flowing style.

Badawi & Associates, CPAs  
Emeryville, California  
December 30, 2025

# CITY OF PETALUMA

## MANAGEMENT’S DISCUSSION AND ANALYSIS

As management of the City of Petaluma, we offer readers of the City’s financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2025.

We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction of the City of Petaluma’s Basic Financial Statements. The City of Petaluma’s Basic Financial Statements are comprised of three components: 1) *Government-Wide Financial Statements*, 2) *Fund Financial Statements*, and 3) *Notes to the Financial Statements*.

This report also contains other supplementary information in addition to the Basic Financial Statements themselves.

The ***Government-Wide Financial Statements*** consist of a *Statement of Net Position* and a *Statement of Activities*, which are designed to provide readers with a broad overview of the City’s finances in a manner similar to a private-sector business. The *Statement of Net Position* provides information on all the City’s assets and liabilities, including capital assets and long-term liabilities on the full accrual basis, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of changes in the City’s financial position. The *Statement of Activities* provides information about the City’s revenues and expenses, also on the full accrual basis, and represents the change in the government’s net position during the current fiscal year. All changes in net position are reported when the underlying event, giving rise to the change, occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the Government-Wide Financial Statements distinguish the two functions of the City. The first is activities which are principally supported by taxes and intergovernmental revenues (governmental activities). The second is activities that are intended to recover all, or a significant portion, of their costs through user fees and charges (business-type activities).

The governmental activities of the City include:

- General Government
- Police
- Recreation
- Community Development
- Fire including Emergency Services
- Public Works

The business-type activities of the City include:

- Airport
- Development Services
- Transit
- Marina
- Waste Water Utility
- Water Utility

The ***Fund Financial Statements*** report the City’s operations by fund. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate

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

- *Governmental Funds* account for most of the City's basic services and focus primarily on short-term activities by measuring current revenues and expenditures and excluding capital assets and long-term obligations. Different from the Government-Wide Financial Statements, Governmental Fund Financial Statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the Government-Wide Financial Statements, it is useful to compare the information presented for governmental funds in the Governmental Fund Financial Statements with similar information presented for governmental activities in the Government-Wide Financial Statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Governmental funds information is presented in the Governmental Fund Financial Statements for the City's major funds:

- General Fund
- HOME/Begin Special Revenue Fund
- Impact Fee Special Revenue Funds
- Successor Housing Special Revenue Fund
- City Capital Project Funds

Data from the non-major governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements elsewhere in this report.

- *Proprietary Funds* are generally used to account for services for which the City charges customers—either outside customers, or internal departments or programs of the City. The City maintains the following two types of proprietary funds:
  - Enterprise funds are used to report the functions presented as business-type activities in the Governmental-Wide Financial Statements. Enterprise funds account for airport, ambulance, development services, marina and transit operations, storm water, waste water and water utilities.
  - Internal service funds, the second type of proprietary fund, are used to account for the accumulation of resources, and the allocation of costs, which are required to provide internal services to various City departments and functions. Employee benefits, general services, information technology, risk management, vehicle/equipment replacement and worker's compensation comprise the City's internal service funds. Because these services benefit governmental functions more so than business-type functions, all but the business activity portion of the vehicle/equipment replacement fund has been included within the governmental activities in the Government-Wide Financial Statements. The business activity portion of the vehicle/equipment replacement fund has been combined with the business type activities in the Government-Wide Financial Statements.

The Proprietary Fund Financial Statements provide fund information for each enterprise fund separately. The Internal Service funds are combined into a single, aggregated presentation in the Proprietary Fund Financial Statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

- *Fiduciary Funds* are used to report assets held in a trust or agency capacity for others. Fiduciary Funds are not reflected in the government wide financial statements because the resources are not available to support the City's programs. The fiduciary financial statements can be found in the basic financial statement section of this report.

The *Notes to the Basic Financial Statements* provide additional information that is essential to obtain a full understanding of the data provided in the Government-Wide and Fund Financial Statements.

In addition to the Basic Financial Statements and accompanying notes, this report also presents certain required supplementary information. This includes budgetary comparison statements for the governmental funds to demonstrate compliance with the legal provisions of the 2025 appropriation ordinance. Also included is the City's progress in funding its obligation to provide pension benefits to its employees.

## **FINANCIAL HIGHLIGHTS**

### **Government Wide Financial Statements**

- The assets and deferred outflows of resources of the City of Petaluma exceeded its liabilities and deferred inflows of resources at June 30, 2025 by \$539.9 million (Net Position). Of this amount, \$425.5 million was invested in capital assets; \$98.4 million was restricted for capital projects, debt service, non-expendable trusts and special projects; and \$15.9 million was unrestricted. This includes all City funds.
- The City's total Net Position increased by \$22.3 million over the prior year. This increase is attributable to a \$11.7 million increase in unrestricted net position, a \$26.5 million increase in capital assets investment, and a \$15.9 million decrease in restricted net position.
  - At the close of the fiscal year, the City's Governmental Activities reported a combined net position of \$257.4 million, an increase of \$1.1 million from the prior year. Attributing to this change is a combined net change in fund balances in Governmental Funds of \$2.1 million resulting from revenues exceeding expenditures, as well as an increase of \$5.3 million resulting from Capital Asset activity during the year including the capitalizing of assets and associated depreciation expense recorded on the Government Wide Financial Statements. Liabilities including debt activity and other liabilities, including long term pension debt, decreased by \$5.5m. Internal service funds show an overall decrease in net position of \$.7m also contributing to the overall net change in Governmental Activities.
  - Business-Type Activities reported combined fund balances of \$282.5 million at the close of the fiscal year, an increase of \$21.2 million over the prior year. Business Activity change in net position is primarily comprised of increases due to current year revenues exceeding expenditures.

### **Fund Financial Statements**

- At the close of the fiscal year, the City's governmental funds including the General Fund, special revenue funds, debt service funds, and capital project funds reported combined ending fund balances of \$156.5 million, an increase of \$2.1 million from the prior year. This increase is due largely to increased fund balances in several Major Funds slightly offset by decreases in the Capital Impact Fee Special Revenue Funds, Capital Projects and Non Major Funds. Fiscal Year 2025 fund balance was comprised of \$2.3 million non-spendable reserves; \$130.1 million restricted reserves, \$7.9 million committed reserves, \$16.7 million assigned reserves and a deficit balance of \$0.6 million of unassigned reserves.

- At the close of the fiscal year, the total fund balance for the General Fund was \$18.8 million, approximately a \$7.3 million increase over the prior year due largely to reclassification of fund balances and revenues exceeding expenditures.

## **GOVERNMENT-WIDE FINANCIAL STATEMENT ANALYSIS**

As noted earlier, the Statement of Net Position, provides information about the net position which is an indicator of a government's financial position. The Statement of Net Position is comprised of both *Governmental Activities* and *Business-type Activities* and both contribute to the overall total net position. The City of Petaluma's total net position (the amount by which total assets exceed total liabilities) equaled \$539.9 million at the close of the fiscal year ended June 30, 2025.

The largest portion of the City's net position (79%) reflects its investment in capital assets (e.g., infrastructure, land, buildings, machinery, and equipment), less any related, outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources i.e. future revenues, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (18%) represents resources that are subject to external restrictions. The remaining balance (3%), the unrestricted net position, may be used to meet the government's ongoing obligations to citizens and creditors, subject to restrictions of various funding sources, as applicable.

Total net position increased by \$22.3 million during the fiscal year as shown below in Table 1. Net position investment in capital assets increased by \$26.6 million; restricted net position decreased by \$15.9 million and unrestricted net position increased by \$11.7 million. Contributing factors for the overall change in total net position are mainly attributed to increased overall fund balances and associated activity in the governmental and proprietary fund groupings. The increase in total net position in the governmental fund grouping is attributed to increased fund balances, a change in Net Pension Liability as well as a net increase in total invested in Capital Assets. Changes in the unrestricted fund balance category are the result of changes in fund balances not included in the restricted category including changes in overall Net pension liability, including the Long-Term Pension Liability and Deferred Inflows and Outflows as well as changes in the overall Net OPEB Liability. See Notes 9 and 10 for detailed information on these long-term liabilities.

**Summary Statement of Net Position**  
**Total Primary Government**  
**As of June 30, 2025 and 2024**  
**(in thousands)**

	<b>Total Activities 2025</b>	<b>Total Activities 2024</b>	<b>Total Activities Change</b>
<b>Assets:</b>			
Current and other assets	\$ 291,515	\$ 287,849	\$ 3,666
Capital Assets, net of depreciation	<u>508,555</u>	<u>486,341</u>	<u>22,214</u>
<b>Total Assets</b>	<u>800,070</u>	<u>774,190</u>	<u>25,880</u>
<b>Deferred Outflows of Resources:</b>			
Related to Pension	28,008	38,379	(10,371)
Related to OPEB	<u>1,594</u>	<u>2,002</u>	<u>(408)</u>
<b>Total Deferred Outflows of Resources</b>	<u>29,602</u>	<u>40,381</u>	<u>(10,779)</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u>829,672</u>	<u>814,571</u>	<u>15,101</u>
<b>Liabilities:</b>			
Current Liabilities	38,485	32,249	6,236
Non-Current Liabilities	<u>246,567</u>	<u>258,967</u>	<u>(12,400)</u>
<b>Total Liabilities</b>	<u>285,052</u>	<u>291,216</u>	<u>(6,164)</u>
<b>Deferred Inflows of Resources:</b>			
Related to Pension	-	123	(123)
Related to OPEB	<u>4,742</u>	<u>5,706</u>	<u>(964)</u>
<b>Total Deferred Inflows of Resources</b>	<u>4,742</u>	<u>5,829</u>	<u>(1,087)</u>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>289,794</u>	<u>297,045</u>	<u>(7,251)</u>
<b>Net Position:</b>			
Net Investment in Capital Assets	425,514	398,958	26,556
Restricted	98,374	114,277	(15,903)
Unrestricted	<u>15,990</u>	<u>4,291</u>	<u>11,699</u>
<b>Total Net Position</b>	<u>\$ 539,878</u>	<u>\$ 517,526</u>	<u>\$ 22,352</u>

### Government-wide Financial Statement Analysis- Governmental Activities

*Governmental activities* contributed \$257.4 million to the City's net position, an increase of \$1.1 million from the prior year as shown below in Table 2. As mentioned previously, main contributing factors for the increase in net position are the net effect of increased governmental fund balances of \$2.1 million along with an increase of \$5.3 million of capital asset activity occurring during the year, and decreases of \$5.5m in liabilities including debt activity and other liabilities, including long term pension debt. Internal service fund balances show an overall decrease in net position of \$.7m also contributing to the overall net change in Governmental Activities.

**Summary of Net Position  
Governmental Activities  
As of June 30, 2025 and 2024  
(in thousands)**

	Governmental Activities 2025	Governmental Activities 2024	Governmental Activities Change
<b>Assets:</b>			
Current and other assets	\$ 199,033	\$ 200,003	\$ (970)
Capital Assets, net of depreciation	<u>218,510</u>	<u>211,156</u>	<u>7,354</u>
<b>Total Assets</b>	<u>417,543</u>	<u>411,159</u>	<u>6,384</u>
<b>Deferred Outflows of Resources:</b>			
Related to Pension	24,393	33,280	(8,887)
Related to OPEB	<u>1,436</u>	<u>1,804</u>	<u>(368)</u>
<b>Total Deferred Outflows of Resources</b>	<u>25,829</u>	<u>35,084</u>	<u>(9,255)</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u>443,372</u>	<u>446,243</u>	<u>(2,871)</u>
<b>Liabilities:</b>			
Current Liabilities	16,505	14,868	1,637
Non-Current Liabilities	<u>165,158</u>	<u>169,884</u>	<u>(4,726)</u>
<b>Total Liabilities</b>	<u>181,663</u>	<u>184,752</u>	<u>(3,089)</u>
<b>Deferred Inflows of Resources:</b>			
Related to Pension	-	71	(71)
Related to OPEB	<u>4,272</u>	<u>5,141</u>	<u>(869)</u>
<b>Total Deferred Inflows of Resources</b>	<u>4,272</u>	<u>5,212</u>	<u>(940)</u>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>185,935</u>	<u>189,964</u>	<u>(4,029)</u>
<b>Net Position:</b>			
Net Investment in Capital Assets	203,377	200,849	2,528
Restricted	98,369	114,272	(15,903)
Unrestricted	<u>(44,319)</u>	<u>(58,842)</u>	<u>14,523</u>
<b>Total Net Position</b>	<u>\$ 257,427</u>	<u>\$ 256,279</u>	<u>\$ 1,148</u>

The Statement of Activities provides information on the change in net position and includes various categories of revenues and expenses as shown below in Table 3. Governmental activities include the following revenue categories:

Charges for services include charges for administration, charges for community development planning, permits, inspection and other services, developer impact fees, specific police, fire, and public works services for which a fee is charged, recreation charges and rents of park property, fines and penalties, various fees and license charges, parking permits, and sales.

Operating and capital grants and contributions include amounts received from federal, state and county governments, as well as private grantors, developers, and other donors.

General Revenues include property tax, sales tax (including local district tax) and franchise taxes which are amounts collected from the providers of the City's cable, garbage and utilities services. Other taxes include transient occupancy tax, business license tax, and other miscellaneous taxes.

Governmental activities include the following expense categories:

*General government* functions include legislative and administrative branches of the City: City Council, City Clerk, City Manager, City Attorney, Finance Department, Human Resources and Animal Services. *Community development* functions provide inspection, permit, code enforcement, as well as housing services. A portion of this fund, the cost recovery section of building services, is an enterprise fund, as it is required to charge fees to cover its costs of services. Both cost recovery and non-cost recovery services for planning and development are part of the General Fund. *Police and Fire* provide emergency services to the community including full range of law enforcement services as well as prevention and extinguishment of fires, medical treatment and transport of the sick and traumatically injured and the rescuing of victims. *Recreation* includes operation of City parks, community centers, recreation classes and services, swimming pools, museum, and landscape assessment districts. *Public Works* functions cover the costs for street maintenance, streetlights, traffic signals, street signs, building and equipment maintenance, and the Petaluma River turning basin operation.

Governmental Activities Changes:

- Program revenues from Governmental Activities were \$27.8 million in fiscal year 2025, an increase of \$5.9 million compared to the prior year.
  - Operating and Capital Grants and Contributions grew by \$8.7 million due to increased Community Development grant activity.
  - Capital Grants and Contributions declined by \$3.7m due to decreased capital related grant activity
- Property tax revenues increased by 10.9% as assessed values continued to grow.
- Sales tax revenues increased by \$3.48m or 10.8% overall as compared to FY 24; this increase is due to the new Countywide Measure H Fire sales tax adopted by voters in FY 24. FY 25 includes three quarters of revenue contributing \$3.3m to the overall change was accurately predicted by the City's sales tax consultants and was planned for in the budget.
- Intergovernmental revenues increased by 11.1% or \$1.5 million, due to increased IGT Medical/Medicare payments for ambulance services, as well as additional grants and gas tax revenue.
- Investment Earnings decreased slightly by \$.5 million in FY 25 due to slightly declining interest rates.
- Miscellaneous Revenue increased by \$1 million, primarily due to higher restitution revenue including Opioid related revenues
- General Government expenses were down by 25.2% or \$2.5 million due mainly to decreased costs and activity associated with Capital Projects.
- Community Development expenses were up by 33.8% or \$3.4 million due mainly to increased costs associated with various grants and associated activity including housing our unsheltered as well as housing note related activity
- Police expenses were down slightly by .7% or \$.2 million related mainly to payroll costs, associated vacancies, and pension liability adjustments.
- Fire expenses were up 4.9% or \$1.4 million due mainly to payroll costs, operating cost increases, and pension liability adjustments.
- Parks and Recreation expenses were up 57% or \$3.8 million due to increased parks related CIP and program activity.

- Public Works expenses were up 14.9% or \$2.5 million due to increased public works related CIP and grant activity.

The chart that follows show the program revenues, general revenues, and expenses by function for all Governmental Activities.

Table 3			
<b>Summary of Statement of Activities and Changes in Net Position</b>			
<b>Governmental Activities</b>			
<b>For the Years Ended June 30, 2025 and 2024</b>			
<b>(In thousands)</b>			
	<b>Governmental Activities 2025</b>	<b>Governmental Activities 2024</b>	<b>Percentage Change</b>
<b>Revenues:</b>			
Program Revenues			
Charges for service	\$ 15,049	\$ 14,073	6.9%
Operating grants and contributions	11,995	3,247	269.4%
Capital grants and contributions	774	4,507	-82.8%
Total program revenue	27,818	21,827	27.4%
General Revenues:			
Taxes:			
Property Tax	15,337	13,833	10.9%
Sales Tax	35,639	32,160	10.8%
Franchise Tax	5,392	5,122	5.3%
Intergovernmental/Unrestricted	15,418	13,875	11.1%
Other Taxes	6,428	6,154	4.5%
Total Taxes	78,214	71,144	9.9%
Investment Earnings	4,771	5,252	-9.2%
Miscellaneous Revenue	3,686	2,698	36.6%
Total Revenue	114,489	100,921	13.4%
<b>Expenses:</b>			
General government	7,557	10,105	-25.2%
Community development	13,333	9,964	33.8%
Police	33,649	33,893	-0.7%
Fire	29,560	28,181	4.9%
Parks and Recreation	10,453	6,660	57.0%
Public Works	19,557	17,016	14.9%
Interest on Long-Term Debt	461	481	-4.2%
Total Expenses	114,570	106,300	7.8%
<b>Revenues Over (Under) Expenses</b>	(81)	(5,379)	-98.5%
Transfers	1,230	451	172.7%
<b>Change in Net Position</b>	1,149	(4,928)	-123.3%
Net position-beginning of year	256,278	261,206	-1.9%
<b>Net position-end of year</b>	<b>\$ 257,427</b>	<b>\$ 256,278</b>	0.4%

## Government-wide Financial Statement Analysis- Business-type Activities

The *Business-type activities* net position contributed \$282.5 million to the City's net position; an increase of \$21.2 million over the prior year as shown below in Table 4. All business-type activities are intended to be fully supported by the fees they charge (including subsidies received for operations, as is the case with the Transit operation).

<b>Summary of Statement of Net Position</b>			
<b>Business-type Activities</b>			
<b>As of June 30, 2025 and 2024</b>			
<b>(in thousands)</b>			
	<b>Business-type Activities 2025</b>	<b>Business-type Activities 2024</b>	<b>Business-type Activities Change</b>
<b>Assets:</b>			
Current and other assets	\$ 91,482	\$ 87,845	\$ 3,637
Capital Assets, net of depreciation	<u>291,045</u>	<u>275,186</u>	<u>15,859</u>
Total assets	<u>382,527</u>	<u>363,031</u>	<u>19,496</u>
<b>Deferred Outflows of Resources:</b>			
Related to Pension	3,625	5,099	(1,474)
Related to OPEB	<u>158</u>	<u>199</u>	<u>(41)</u>
Total Deferred Outflows of Resources	<u>3,783</u>	<u>5,298</u>	<u>(1,515)</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u>386,310</u>	<u>368,329</u>	<u>17,981</u>
<b>Liabilities:</b>			
Current Liabilities	21,979	17,381	4,598
Non-Current Liabilities	<u>81,410</u>	<u>89,083</u>	<u>(7,673)</u>
Total liabilities	<u>103,389</u>	<u>106,464</u>	<u>(3,075)</u>
<b>Deferred Inflows of Resources:</b>			
Related to Pension	-	52	(52)
Related to OPEB	<u>470</u>	<u>565</u>	<u>(95)</u>
Total Deferred Inflows of Resources	<u>470</u>	<u>617</u>	<u>(147)</u>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>103,859</u>	<u>107,081</u>	<u>(3,222)</u>
<b>Net Position:</b>			
Net Investment in Capital Assets	222,136	198,109	24,027
Restricted	5	5	-
Unrestricted	<u>60,310</u>	<u>63,133</u>	<u>(2,823)</u>
<b>Total Net Position</b>	<u>\$ 282,451</u>	<u>\$ 261,247</u>	<u>\$ 21,204</u>

The Statement of Activities provides information on the change in net position and includes various categories of revenues and expenses as shown below in Table 5. Business-type activities include the following revenue categories:

Charges for services include usage charges for wastewater and water utilities, water and wastewater connection fees, airport and marina charges for sales, airport and marina leases, rents, and transient parking charges, charges for transit services, and charges for development services.

Operating grants and contributions, and capital grants and contributions include amounts received from federal, state and county governments.

Business-type activity expenses include Airport, Development Services, Marina, Transit, Wastewater, Water and Storm Water activities.

#### Business-type Activities Changes:

- Program revenues from Business Activities were \$86.7 million in fiscal year 2025, an increase of \$23.6 million compared to the prior year.
  - Charges for Service revenues were up 12.5% or \$7.2 million due to increased revenues in most enterprise funds related to sales and service fees.
  - Operating Grants and Contributions were up 321% or \$16.3 million due to increased non-recurring grant funds for Transit, Wastewater and Water projects in the fiscal year.
- Airport revenues were unchanged as compared to FY 24. Expenses increased slightly when compared to the prior year due to increased project activity.
- Development Services revenues increased during the year due to increased activity resulting from the City development and a strong housing market while expenses also rose due to increased activity.
- Marina overall net position decreased due to operating at a loss.
- Transit received higher intergovernmental revenues than the prior year, and expenses increased compared to the prior year due to capital-related purchases and higher operating costs.
- Wastewater Utility revenue increased from FY 24 with greater charges for sales and services. Expenses increased due to higher operating costs resulting from persistent high inflation driving costs up.
- Water Utility operating revenue showed an overall increase due to charges for services. Expenses increased due to higher operating costs than in the prior year resulting from persistent high inflation driving costs up.
- Storm Water Utility revenue increased in FY 25 as compared to FY 24. The General Fund continues to fund the majority of the Storm related costs, in addition, the trash capture revenue generated from the refuse franchise agreement continues to assist with the operational costs of maintaining citywide storm drains. Expenditures increased from prior year due to increased operational costs.

The chart below shows the program revenues, general revenues, and expenses by function for all business-type activities.

**Summary of Statement and Changes in Net Position**  
**Business-type Activities**  
**As of June 30, 2025 and 2024**  
**(in thousands)**

	<b>Business-type Activities 2025</b>	<b>Business-type Activities 2024</b>	<b>Percentage Change</b>
<b>Revenues:</b>			
Program Revenues			
Charges for Service	\$ 65,305	\$ 58,025	12.5%
Operating Grants and Contributions	21,420	5,092	320.7%
Capital Grants and Contributions	-	-	0.0%
Total Program Revenue	<u>86,725</u>	<u>63,117</u>	37.4%
General Revenues			
Investment Earnings	4,127	4,011	2.9%
Miscellaneous Revenue	<u>6</u>	<u>5</u>	20.0%
Total Revenue	<u>90,858</u>	<u>67,133</u>	35.3%
<b>Expenses:</b>			
Business Type Activities			
Airport	2,233	2,089	6.9%
Development Services	4,272	3,789	12.7%
Marina	834	782	6.6%
Transit	6,267	5,052	24.0%
Wastewater	26,459	23,654	11.9%
Water Utility	27,396	22,890	19.7%
Storm Water	<u>964</u>	<u>577</u>	67.1%
Total Expenses	<u>68,425</u>	<u>58,833</u>	16.3%
<b>Revenues Over (Under) Expenses</b>	22,433	8,300	170.3%
Transfers	<u>(1,230)</u>	<u>(451)</u>	172.7%
<b>Changes in Net Position</b>	<u>21,203</u>	<u>7,849</u>	170.1%
Net Position - Beginning of year	261,248	253,399	3.1%
<b>Net Position - End of Year</b>	<u><b>\$ 282,451</b></u>	<u><b>\$ 261,248</b></u>	8.1%

## FUND FINANCIAL STATEMENT ANALYSIS

In addition to the accrual basis government wide statements described above, the City also maintains financial records at the fund level for budgetary control. Individual funds are generally established to track resources and operating costs for the general fund and other specific programs. The results for governmental funds below differ from the results reported in the government-wide statements since the focus is on current, available resources. The following are the financial results from the governmental funds:

### **Governmental Funds**

The focus of the City of Petaluma's Governmental Funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements.

The major governmental funds include:

**General Fund-**This fund provides for the basic services which are expected of a local government, including general government, police, fire, recreation, community development and public works. Support for these services is provided by charges for services, fees, taxes, intergovernmental revenues, donations and grants.

**HOME/Begin Special Revenue Fund-**The federal HOME program was created in 1990 and has provided millions to the City of Petaluma to fund affordable housing on a project-specific basis. The HOME program is administered through the California State Department of Housing and Community Development.

**Impact Fee Special Revenue Funds-** The sources of revenue for these funds are the various development impact fees collected from developers which are used for the installation or expansion of related infrastructure and affordable housing. These funds are used to account for the impact fees, in the following categories, which are imposed on development in the City:

- Storm Drainage
- Housing in-Lieu
- Commercial Linkage
- Parkland Acquisition/Development
- Traffic Mitigation
- City Facilities Development

**City Capital Project Funds-**The City Capital Project Funds account for the capital improvement activities and projects (CIP) which are financed with governmental resources. They include:

- General Government CIP
- Community Development CIP
- Police CIP
- Fire CIP
- Parks and Recreation CIP
- Public Works CIP
- FEMA CIP
- TDA CIP

**Redevelopment Special Revenue Funds and Redevelopment Capital Project Fund-** The City's Redevelopment Agency (RDA), Petaluma Community Development Commission (PCDC), was activated on December 1, 1975 and adopted the Redevelopment Plan for the Central Business District Project Area (CBD) on September 27, 1976. Pursuant to ABx 1 26 ("AB 26"), approved by Governor Brown on June 28, 2011 and upheld by the California State Supreme Court on December 29, 2011, the Redevelopment agency

of the City of Petaluma (Petaluma Community Development Commission) was dissolved on January 31, 2012. The former PCDC is now administered under the name Petaluma Community Development Successor Agency. Please refer to note 15 for a more detailed discussion of the activities and assets and liabilities transferred as of February 1, 2012.

As of June 30, 2025, the City of Petaluma Governmental Funds reported combined ending fund balances of \$156.5 million, an increase of \$2.1 million from fiscal year 2024 as shown in Table 6 below. Total non-spendable reserves are \$2.3 million, and restricted and committed reserves are \$130.1 million and \$7.9 million respectively. Assigned and unassigned balances are \$16.7 million and -\$0.6 million respectively. As mentioned prior, the main contributing factors to the increase in Governmental Fund Balances is due to increased fund balances in the majority of Major Fund partially offset by decreased balances in the Non-Major Governmental Funds. General Fund revenues exceeded expenditures, the result of stabilizing revenue growth. The General Fund's largest source of revenues, sales tax, has experienced reductions over the last several years, but remained stable through FY 25 showing less reductions than in past years. Also contributing to the increase in the General Fund is due to the reclassification of revenue to align with appropriate categorization and to facilitate efficient financial planning.

The General Fund is the chief operating fund of the City. At June 30, 2025, total fund balance for the General Fund was \$18.8 million. This is made up of \$2.1 million in non-spendable fund balance, and \$16.7 million in assigned fund balance. The General Fund's fund balance increased by \$7.3 million during the current fiscal year. This increase was largely due to revenues exceeding expenditures as well as a reclassification of previously set aside fund balance intended for future costs and to align with appropriate categorization to facilitate efficient financial planning.

The fund balance in the City Capital Projects Fund decreased by \$4.4 million due to timing of project revenues and costs that occurred during the year.

The Impact Fees Special Revenue fund balance decreased by \$1.6 million mainly due to an increase in development activity.

The Grants Special Revenue fund balance increased by \$4.3 million mainly due to an increase in grant related activity largely associated with capital projects.

The fund balances in the Home/Begin fund increased by \$1.9 million, Housing Special Revenue Fund increased by \$2.6m while the Non-Major fund group had a decrease in fund balance of \$8.1 million resulting from various activities.

**Summary of Fund Balances**  
**Governmental Funds**  
**As of June 30, 2025 and 2024**  
**(in thousands)**

	<b>Governmental Funds 2025</b>	<b>Governmental Funds 2024</b>	<b>Governmental Funds Change</b>
<b>Assets:</b>			
Total assets	\$ 184,791	\$ 185,969	\$ (1,178)
<b>Liabilities:</b>			
Total liabilities	12,820	13,497	(677)
<b>Deferred Inflows of Resources:</b>			
Unavailable revenue	15,506	18,062	(2,556)
Total Deferred Inflows	15,506	18,062	(2,556)
<b>Fund Balance:</b>			
Nonspendable	2,343	1,699	644
Restricted	130,057	130,989	(932)
Committed	7,976	12,734	(4,758)
Assigned	16,701	9,507	7,194
Unassigned	(612)	(519)	(93)
<b>Total fund balance</b>	<b>156,465</b>	<b>154,410</b>	<b>2,055</b>
<b>Total liabilities and fund balances</b>	<b>\$ 184,791</b>	<b>\$ 185,969</b>	<b>\$ (1,178)</b>

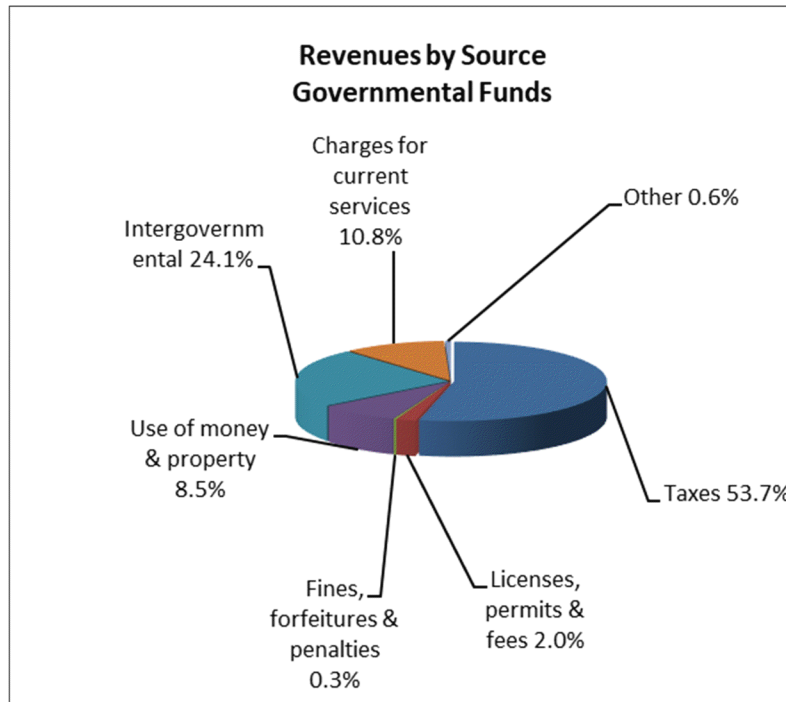
Governmental Fund revenues increased by approximately \$16.2 million compared to the prior year due to increased tax revenue, interest earnings, intergovernmental revenues, and charges for services. All revenue categories increased as compared to FY 24 with the exception of Licenses, permits & fees & fines, a category that is highly dependent on City development. The other revenue also shows decreases due to one-time revenue that was nonrecurring in FY25.

Governmental Fund expenses increased overall by \$6.2 million over the prior year. This increase is due mainly to increased expenses in Community Development, Police, Fire, and Recreation offset slightly by a reduction in Public Works, directly related to slight reduction of CIP related activity.

Tables 7 and 8 below show Governmental Fund Revenues by Source and Expenditures by Function.

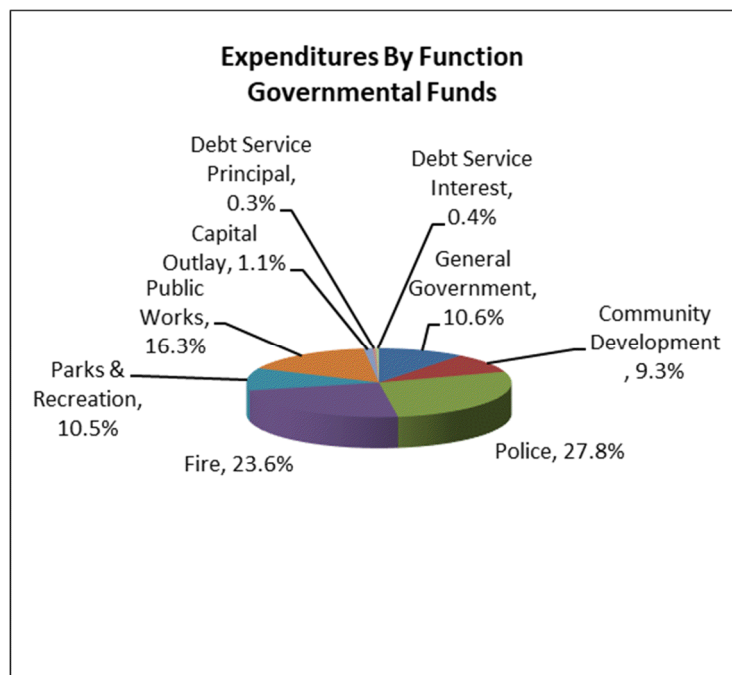
**Revenues Classified by Source**  
**Governmental Funds**  
**For the Years ending June 30, 2025 and 2024**  
**(in millions of dollars)**

Revenue by Source	FY 2025		FY 2024		Increase/(Decrease)	
	Amount	% of Total	Amount	% of Total	Amount	Percentage
Taxes	\$ 62.80	53.7%	\$ 57.27	56.8%	\$ 5.53	9.7%
Licenses, permits & fees	2.37	2.0%	4.31	4.3%	(1.94)	-45.0%
Fines, forfeitures & penalties	0.36	0.3%	0.59	0.6%	(0.23)	-39.2%
Use of money & property	9.91	8.5%	5.91	5.9%	4.00	67.7%
Intergovernmental	28.19	24.1%	20.16	20.0%	8.03	39.8%
Charges for current services	12.65	10.8%	9.86	9.8%	2.79	28.3%
Other	0.74	0.6%	2.65	2.6%	(1.91)	-72.1%
<b>Total Revenues</b>	<b>\$ 117.02</b>	<b>100.0%</b>	<b>\$ 100.75</b>	<b>100.0%</b>	<b>\$ 16.27</b>	<b>16.1%</b>



**Expenditures Classified by Function  
Governmental Funds  
For the Years ending June 30, 2025 and 2024  
(in millions of dollars)**

Expenditures by Function	FY 2025		FY 2024		Increase/(Decrease)	
	Amount	% of Total	Amount	% of Total	Amount	Percentage
Current:						
General Government	\$ 12.24	10.6%	\$ 11.73	10.7%	\$ 0.51	4.3%
Community Development	10.77	9.3%	7.33	6.7%	3.44	46.9%
Police	32.09	27.8%	30.86	28.3%	1.23	4.0%
Fire	27.33	23.6%	24.22	22.1%	3.11	12.8%
Parks and Recreation	12.16	10.5%	9.60	8.8%	2.56	26.7%
Public Works	18.97	16.3%	23.99	21.8%	(5.02)	-20.9%
Capital Outlay	1.27	1.1%	0.85	0.8%	0.42	49.4%
Debt Service Principal	0.40	0.3%	0.39	0.4%	0.01	100.0%
Debt Service Interest	0.51	0.4%	0.53	0.5%	(0.02)	100.0%
<b>Total Expenditures</b>	<b>\$ 115.74</b>	<b>100.0%</b>	<b>\$ 109.50</b>	<b>100.0%</b>	<b>\$ 6.24</b>	<b>5.7%</b>



## Proprietary Funds

The major proprietary funds include:

**Airport Fund-** This fund accounts for the daily operation and maintenance of the Petaluma Airport, including capital improvement projects.

**Development Services Fund-** This fund accounts for the cost recovery services offered by the City for building, development and planning.

**Marina Fund-** The Marina Fund accounts for the daily operation and maintenance of the Petaluma Marina, including capital improvement projects.

Transit Fund- The Transit Fund accounts for the daily operation and maintenance of the City's bus system and paratransit system, including capital improvement projects.

Waste Water Utility Fund- This fund is part of the Public Works and Utilities Department which provides comprehensive and integrated management of Petaluma's water resources, including the collection and treatment of wastewater. Capital projects are included in this fund.

Water Utility Fund- This fund is part of the Public Works and Utilities Department which provides comprehensive and integrated management of Petaluma's water resources, including the reliable delivery of high quality water. Capital projects are included in this fund.

Storm Water Fund- This fund is part of the Public Works and Utilities Department which tracks costs associated with the City's storm drainage system.

As of June 30, 2025, total net position for Proprietary Funds increased by \$20.4 million from the prior year as shown in Table 9 below. Enterprise Funds activity showed total net position for Airport, Transit, Wastewater, Water and Storm Water funds up \$0.09 million, \$2.2 million, \$15.1 million, \$5 million, and \$0.009 million respectively. The Development Services fund balance decreased by \$.7 million, and the Marina by \$0.7 million.

Internal Service Funds activity included an decrease in net position of \$.5 million, due mainly to timing of revenues received and associated expenditures in the Employee Benefit, Vehicle Replacement, Risk and Workers Compensation Funds.

As a reminder, due to the recognition of total net pension liability and other post-employment benefit long term liabilities reported on the Proprietary Fund and Government Wide Financial statements, fund balances for various Proprietary Funds reflect changed balances from year to year. See Notes 9 and 10 for detailed information on both long-term liabilities.

**Summary of Statement of Net Position**  
**Proprietary Funds**  
**As of June 30, 2025 and 2024**  
(in thousands)

	Proprietary Funds 2025	Proprietary Funds 2024	Proprietary Funds Change
<b>Assets:</b>			
Current assets	\$ 114,008	\$ 109,472	\$ 4,536
Non-current assets	<u>304,071</u>	<u>287,982</u>	<u>16,089</u>
Total assets	<u>418,079</u>	<u>397,454</u>	<u>20,625</u>
<b>Deferred Outflows of Resources:</b>			
Related to Pension	3,994	5,690	(1,696)
Related to OPEB	<u>414</u>	<u>521</u>	<u>(107)</u>
Total Deferred Outflows of Resources	<u>4,408</u>	<u>6,211</u>	<u>(1,803)</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u><u>422,487</u></u>	<u><u>403,665</u></u>	<u><u>18,822</u></u>
<b>Liabilities:</b>			
Current liabilities	31,760	25,981	5,779
Non-current liabilities	<u>106,513</u>	<u>113,592</u>	<u>(7,079)</u>
Total liabilities	<u>138,273</u>	<u>139,573</u>	<u>(1,300)</u>
<b>Deferred Inflows of Resources:</b>			
Related to Pension	-	58	(58)
Related to OPEB	<u>1,232</u>	<u>1,483</u>	<u>(251)</u>
Total Deferred Inflows of Resources	<u>1,232</u>	<u>1,541</u>	<u>(309)</u>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u><u>139,505</u></u>	<u><u>141,114</u></u>	<u><u>(1,609)</u></u>
<b>Net Position:</b>			
Net Investment in Capital Assets	227,138	201,862	25,276
Restricted for debt service	5	5	-
Unrestricted	<u>55,840</u>	<u>60,683</u>	<u>(4,843)</u>
<b>Total Net Position</b>	<u><u>\$ 282,983</u></u>	<u><u>\$ 262,550</u></u>	<u><u>\$ 20,433</u></u>

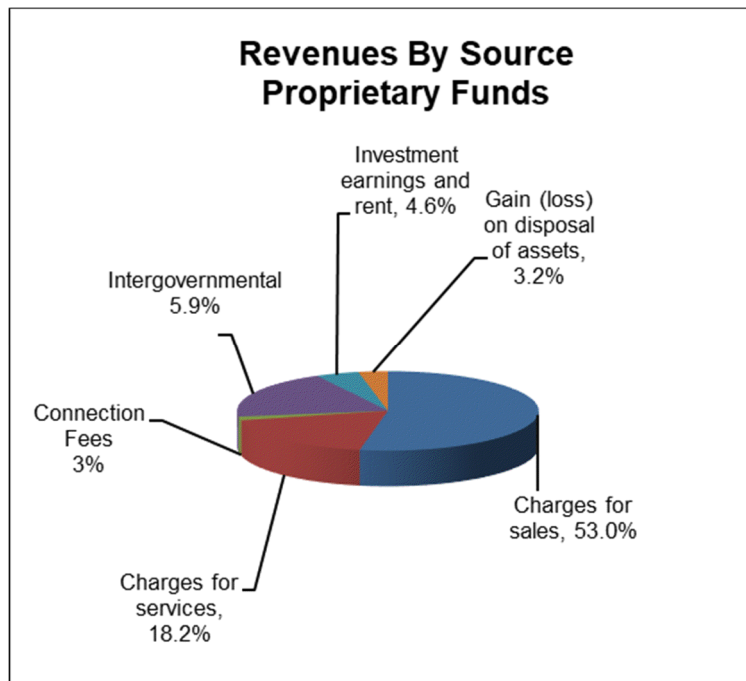
Proprietary Fund revenues increased by approximately \$23.8 million when compared to the prior year due to increased charges for sales and services, intergovernmental revenues, transfers in, and investment earnings.

Proprietary Fund expenses increased overall by \$14.3 million over the prior year. This increase is largely due to increased cost of services due to persistent high inflation and a challenged economy.

Tables 10 and 11 below show Proprietary Fund Revenues by Source and Expenses by Function.

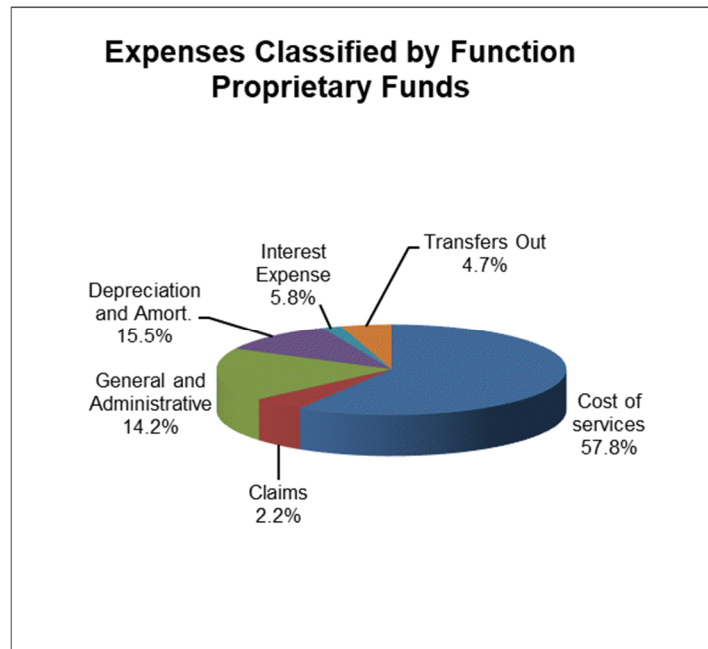
**Revenues Classified by Source  
Proprietary Funds  
For the Years ending June 30, 2025 and 2024  
(in millions of dollars)**

Revenues by Source	FY 2025		FY 2024		Increase/(Decrease)	
	Amount	% of Total	Amount	% of Total	Amount	Percentage
Charges for sales	\$ 58.10	53.0%	\$ 52.81	61.6%	\$ 5.29	10.0%
Charges for services	19.92	18.2%	19.32	22.5%	0.60	3.1%
Connection Fees	1.64	1%	0.28	0%	1.36	487.1%
Intergovern. operating/non-operating	21.45	19.6%	5.16	6.0%	16.29	316.0%
Investment earnings and rent	5.08	4.6%	4.78	5.6%	0.30	6.2%
Transfers in	3.47	3.2%	3.45	4.0%	0.02	0.6%
Contribution to/from City/Capital	-	0.0%	-	0.0%	-	0.0%
<b>Total Revenues</b>	<b>\$ 109.66</b>	<b>100.0%</b>	<b>\$ 85.80</b>	<b>100.0%</b>	<b>\$ 23.86</b>	<b>27.8%</b>



**Expenses Classified by Function  
Proprietary Funds  
For the Years ending June 30, 2025 and 2024  
(in millions of dollars)**

Expenses by Function	FY 2025		FY 2024		Increase/(Decrease)	
	Amount	% of Total	Amount	% of Total	Amount	Percentage
Cost of services	\$ 52.44	58.8%	\$ 43.99	58.7%	\$ 8.45	19.2%
Claims	4.36	4.9%	3.79	5.1%	0.57	14.9%
General and administrative	16.79	18.8%	13.40	17.9%	3.39	25.3%
Depreciation and amortization	9.82	11.0%	9.39	12.5%	0.43	4.6%
Interest expense	1.60	1.8%	1.93	2.6%	(0.33)	-17.1%
Transfers Out	4.24	4.7%	2.40	3.2%	1.84	100.0%
<b>Total Expenses</b>	<b>\$ 89.24</b>	<b>100.0%</b>	<b>\$ 74.90</b>	<b>100.0%</b>	<b>\$ 14.34</b>	<b>19.1%</b>



## **GENERAL FUND BUDGETARY HIGHLIGHTS**

The General Fund revenues originally adopted were adjusted during the year to reflect anticipated changes in taxes, licenses, interest earnings, intergovernmental charges, and charges for services. Expenditures originally adopted were also adjusted during the year to reflect higher projected costs of salaries and benefits and supplies. The increased costs were mostly offset by adjusted revenues.

General Fund revenues were \$5.1 million higher than the revised budget, due mainly to increased property taxes, investment earnings, Fire strike team reimbursements, and ambulance charges, which when combined and in total were \$5.1 million higher than budgeted. Property taxes continue to grow due to rising assessed values and home prices, but property transfer tax continues to dip as the volume of home sales decreases due to high prices and interest rates. With the Fed reducing rates we expect to see the volume of home sales begin to increase even as our investment earnings decline from these FY 24 highs. Ambulance services brought in additional revenue from charges for services and one-time federal reimbursements.

General Fund expenditures were \$2.9 million higher than the revised budget, primarily due to rising cost of providing services. Department operating budgets – Fire, Police, Public Works and Parks and Recreation were over budget due to the rising costs of doing business, unanticipated program costs, some of which are partially offset by revenues that exceeded budget.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

The City of Petaluma's investment in capital assets for its Governmental and Business-Type Activities as of June 30, 2025, equals \$508.5 million (net of accumulated depreciation) as shown below in Table 12. This investment in capital assets includes land, construction in progress, buildings and improvements, vehicles and equipment, and infrastructure. Detailed information about the City's capital assets is contained in Note 5.

The total increase in the City's investment in capital assets, net of depreciation, for the current fiscal year was \$22.1 million or a 4.5% increase (this represents an increase of \$6.3 million in Governmental Activities and an increase of \$15.9 million for Business Activities).

Capital asset balances as of June 30, 2025 and 2024 were:

Table 12

<b>Capital Assets</b>						
(net of depreciation, in millions)						
as of June 30, 2025 and 2024						
	<b>Governmental</b>		Increase	<b>Business-type</b>		Increase
	<b>Activities</b>		(Decrease)	<b>Activities</b>		(Decrease)
	<b>2025</b>	<b>2024</b>	% Change	<b>2025</b>	<b>2024</b>	% Change
Land	\$ 37.5	\$ 37.5	0%	\$ 10.7	\$ 10.7	0%
Construction in Process	37.4	37.5	0%	68.4	49.5	38%
Bldg and Improv	11.4	9.1	25%	11.3	12.0	-5%
Vehicle and Equip	7.3	5.1	44%	6.6	3.7	77%
Infrastructure	122.5	120.2	2%	193.6	198.7	-3%
Lease vehicle and equip	1.4	1.8	100%	0.4	0.6	-23%
<b>Totals</b>	<b><u>\$ 217.5</u></b>	<b><u>\$ 211.2</u></b>	<b><u>3%</u></b>	<b><u>\$ 291.0</u></b>	<b><u>\$ 275.2</u></b>	<b><u>6%</u></b>

At the end of the current fiscal year, the City had \$18.6 million outstanding in general long-term lease revenue bonds for road improvements. The Waste Water Fund had \$56.6 million outstanding in refunded revenue bonds for the Ellis Creek Recycling. The Water Utility had \$2.8 million in outstanding revenue bonds. Airport had outstanding debt of \$.5 million for the 2016 Refunding Lease at the end of the fiscal year. Finally, the Marina Fund had a State loan outstanding in the amount of \$8.5 million.

State statutes limit the amount of general obligation debt a governmental entity may issue to 15% of its total assessed valuation. The current debt limit for the City is \$2.1 billion. At June 30, 2025, the City had \$18.6 million in general obligation debt outstanding. Additional information on the City of Petaluma's long-term debt can be found in Note 6 of this report.

Long Term Debt balances as of June 30, 2025 and 2024 were:

Table 13

<b>Governmental Activities Long-Term Debt</b>			
<b>As of June 30, 2025 and 2024</b>			
(in millions)			
	Balance	Balance	Increase
	<b>June 30, 2025</b>	<b>June 30, 2024</b>	(Decrease)
2021 Lease Revenue Bonds	17,420	17,830	(410)
2021 Lease Revenue Bonds Unamortized Premium	1,180	1,225	(45)
Compensated Absences	5,417	5,422	(5)
Lease Liability	1,407	1,143	264
<b>Total Debt</b>	<b><u>\$ 25,424</u></b>	<b><u>\$ 25,620</u></b>	<b><u>\$ (196)</u></b>

**Business-Type Activities Long-Term Debt**  
**As of June 30, 2025 and 2024**  
(in millions)

	Balance June 30, 2025	Balance June 30, 2024	Increase (Decrease)
2016 Airport Refunding Lease	511	1,008	(497)
2017 Wastewater Revenue Refunding Bonds	23,365	23,365	-
2017 Wastewater Revenue Unamortized Premium	509	560	(51)
2019 Wastewater Revenue Refunding Bonds	27,500	33,575	(6,075)
2019 Wastewater Revenue Unamortized Premium	5,274	6,593	(1,319)
2012 Water Revenue Refunding Bonds	2,870	3,306	(436)
Marina loan-CA Dept of Boating & Waterways	8,516	8,208	308
Compensated Absences	968	893	75
Lease Liability	368	349	19
<b>Total Debt</b>	<b>\$ 69,881</b>	<b>\$ 77,857</b>	<b>\$ (7,976)</b>

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Petaluma's overall economic outlook is stable however the unstable nature of the current economic environment remains a concern. The areas of home price stability, jobs, and real estate vacancies are challenged as Petaluma's median home price remains high due to shortage of inventory relative to demand. The commercial real estate market remains challenged due to business closures, moves and the option of permanent remote work options. The Fed has begun to lower interest rates which should have a positive impact on home sales turnover in coming years.

The City has a diverse economic base that includes residential, retail, and commercial assets. Petaluma has become a magnet for Bay Area residents looking for meaningful work and housing options. The City and surrounding area's natural beauty, wineries and craft breweries, and diverse tourist attractions are anticipated to continue to attract visitors. Tourism remains largely stable from quarter to quarter.

Revenues have stabilized after several years of declining results, however, the broader economic environment continues to present significant challenges. Persistently high inflation is impacting both operating costs and consumer purchasing behavior, impacting both expenditures and revenues. Inflation is now growing at a slower pace, but prices remain significantly higher than they were just a few years ago. We continue to efficiently manage day-to-day operations utilizing technology to keep City business moving forward. We continue to collaborate with our partners in the community as well as other government agencies to assist and provide support citywide. The City's sales tax revenues, the largest portion of General Fund revenues, were impacted as a result of the challenged economy, but have stabilized, albeit at a level lower than post pandemic. We did experience a post-rebound burst of spending in FY 22 that has not been replicated. While revenues appear stabilized, uncertainty remains and thus very slow growth is expected into the future. Other revenue sources continue to grow slowly; as data is analyzed, we will monitor and adjust accordingly.

Measure U, the City's 1-cent sales tax measure passed by voters in 2020 provides essential resources to the City that support the delivery of core essential services to our residents. Despite having this additional sales tax revenue, it's important to remember this source is finite. While it provides financial resources that the City has not historically had, the needs far outweigh the available resources. The City continues to prudently manage finances to maintain reserves and provide core services, while also investing in infrastructure improvements.

The City's FY 25 General Fund balance has increased over FY 24, due to revenues exceeding expenditures as well as a reclassification of previously set aside fund balance intended for future costs and to align with appropriate categorization to facilitate efficient financial planning. This has enabled the replenishment of fund reserves, a Council priority to ensure financial stability into the future.

The City Council held public meetings and adopted a balanced budget for FY 2025-2026.

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the City of Petaluma's finances for all those with an interest in the government's financial activities. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Corey Garberolio, Assistant Finance Director, located at 11 English Street, Petaluma, CA 94952, by phone at 707-778-4357 or by email at [cgarberolio@cityofpetaluma.org](mailto:cgarberolio@cityofpetaluma.org) This document can be found on the City's website at [www.cityofpetaluma.org](http://www.cityofpetaluma.org).

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**BASIC  
FINANCIAL STATEMENTS**

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# **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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**CITY OF PETALUMA**

**STATEMENT OF NET POSITION AND  
STATEMENT OF ACTIVITIES**

The purpose of the Statement of Net Position and the Statement of Activities is to summarize the entire City's financial activities and financial position.

The Statement of Net Position reports the difference between the City's total assets, and deferred outflows of resources and the City's total liabilities and deferred inflow, including all the City's capital assets and all its long-term debt. The Statement of Net Position summarizes the financial position of all the City's Governmental Activities in a single column, and the financial position of all the City's Business-Type Activities in a single column; these columns are followed by a Total column that presents the financial position of the entire City.

The City's Governmental Activities include the activities of its General Fund, along with all its Special Revenue, Capital Projects, Debt Service Funds and Permanent Fund. Since the City's Internal Service Funds service these Funds, their activities are consolidated with Governmental Activities, after eliminating interfund transactions and balances. The City's Business-Type Activities include all its Enterprise Fund activities.

The Statement of Activities reports increases and decreases in the City's net position. It is also prepared on the full accrual basis, which means it includes all the City's revenues and all its expenses, regardless of when cash changes hands. This differs from the modified accrual basis used in the Fund financial statements, which reflect only current assets, current liabilities, available revenues and measurable expenditures.

The Statement of Activities presents the City's expenses first, listed by program, and follows these with the expenses of its business-type activities. Program revenues—that is, revenues which are generated directly by these programs—are then deducted from program expenses to arrive at the net expense of each governmental and business-type program. The City's general revenues are then listed in the Governmental Activities or Business-type Activities column, as appropriate, and the Change in Net Position is computed and reconciled with the Statement of Net Position.

Both these Statements include the financial activities of the City, the City of Petaluma Public Financing Corporation, and the Petaluma Public Financing Authority, which are legally separate but are component units of the City because they are controlled by the City, which is financially accountable for the activities of these entities.

**City of Petaluma**  
**Statement of Net Position**  
**June 30, 2025**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 106,455,874	\$ 75,055,808	\$ 181,511,682
Restricted cash and investments	5,874,427	4,526	5,878,953
Receivables:			
Accounts, net	2,158,885	6,004,831	8,163,716
Interest	1,392,945	-	1,392,945
Intergovernmental	11,187,574	9,250,865	20,438,439
Internal balances	(211,981)	211,981	-
Inventories	12,394	926,142	938,536
Deposits and prepaid items	1,557,633	27,347	1,584,980
Loans receivable	57,931,495	-	57,931,495
Interest receivable related to loans receivable	13,673,580	-	13,673,580
Capital assets:			
Non-depreciable	74,876,709	79,100,484	153,977,193
Depreciable, net	142,633,506	211,944,612	354,578,118
<b>Total assets</b>	<b>417,543,041</b>	<b>382,526,596</b>	<b>800,069,637</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources - pension	24,383,076	3,624,985	28,008,061
Deferred outflows of resources - OPEB	1,436,066	157,969	1,594,035
<b>Total assets and deferred outflows of resources</b>	<b>25,819,142</b>	<b>3,782,954</b>	<b>29,602,096</b>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	8,158,151	12,778,139	20,936,290
Wages payable	847,495	-	847,495
Interest payable	81,423	201,670	283,093
Unearned revenue	76,880	553,653	630,533
Refundable deposits	531,500	597,667	1,129,167
Claims payable:			
Due within one year	4,252,968	-	4,252,968
Due in more than one year	14,178,362	-	14,178,362
Compensated absences:			
Due within one year	1,146,408	331,015	1,477,423
Due in more than one year	5,417,033	967,218	6,384,251
Net pension liability, due in more than one year	113,616,238	17,577,916	131,194,154
OPEB liability:			
Due within one year	500,598	55,066	555,664
Due in more than one year	12,848,694	1,413,370	14,262,064
Long-term debt:			
Due within one year	910,214	7,461,457	8,371,671
Due in more than one year	19,096,995	61,451,900	80,548,895
<b>Total liabilities</b>	<b>181,662,959</b>	<b>103,389,071</b>	<b>285,052,030</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources - OPEB	4,272,061	469,931	4,741,992
<b>Total deferred inflows of resources</b>	<b>4,272,061</b>	<b>469,931</b>	<b>4,741,992</b>
<b>NET POSITION</b>			
Net investment in capital assets	203,377,433	222,136,265	425,513,698
Restricted for:			
Special projects:			
CDBG	915,193	-	915,193
HOME / BEGIN	19,173,043	-	19,173,043
Redevelopment low / moderate income housing	5,132,421	-	5,132,421
Impact fees	65,779,288	-	65,779,288
Gas tax	163,646	-	163,646
Public safety	1,077,684	-	1,077,684
Landscape Assessment Districts	119,051	-	119,051
Street maintenance	4,071,147	-	4,071,147
Parks	3,893	-	3,893
Tourism Improvement	1,585,958	-	1,585,958
Debt service	-	4,526	4,526
Permanent Nonexpendable	27,896	-	27,896
Total restricted	98,369,065	4,526	98,373,591
Unrestricted (deficit)	(44,319,335)	60,309,757	15,990,422
<b>Total net position</b>	<b>\$ 257,427,163</b>	<b>\$ 282,450,548</b>	<b>\$ 539,877,711</b>

See accompanying Notes to Basic Financial Statements.

**City of Petaluma**  
**Statement of Activities**  
**For the year ended June 30, 2025**

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental activities:</b>					
General government	\$ 7,557,552	\$ 499,040	\$ -	\$ -	\$ 499,040
Community development	13,332,986	1,380,092	10,150,575	-	11,530,667
Police	33,648,709	216,272	879,143	535,930	1,631,345
Fire	29,559,642	8,768,129	759,934	-	9,528,063
Parks and recreation	10,453,531	3,150,671	205,691	-	3,356,362
Public works	19,557,033	1,034,375	-	238,359	1,272,734
Interest expense	461,290	-	-	-	-
<b>Total governmental activities</b>	<b>114,570,743</b>	<b>15,048,579</b>	<b>11,995,343</b>	<b>774,289</b>	<b>27,818,211</b>
<b>Business-type activities:</b>					
Airport	2,233,240	1,916,986	475,044	-	2,392,030
Development services	4,272,451	3,470,097	-	-	3,470,097
Marina	834,173	171,689	-	-	171,689
Transit	6,267,203	98,332	8,231,299	-	8,329,631
Wastewater utility	26,458,526	33,484,505	6,471,171	-	39,955,676
Water utility	27,395,706	25,851,016	6,194,092	-	32,045,108
Storm water	963,456	312,750	48,000	-	360,750
<b>Total business-type activities</b>	<b>68,424,755</b>	<b>65,305,375</b>	<b>21,419,606</b>	<b>-</b>	<b>86,724,981</b>
<b>Total primary government</b>	<b>\$ 182,995,498</b>	<b>\$ 80,353,954</b>	<b>\$ 33,414,949</b>	<b>\$ 774,289</b>	<b>\$ 114,543,192</b>

**General Revenues and Transfers:**

Taxes:

- Property taxes
- Sales and use taxes
- Franchise taxes
- Business license taxes
- Transient occupancy taxes
- Other taxes

Total taxes

Intergovernmental, unrestricted

Investment earnings

Gain on disposal of assets

Other revenue

Transfer in/(out)

**Total general revenues and transfers**

**Change in net position**

**Net position - beginning of year**

**Net position - end of year**

Net (Expense) Revenue  
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (7,058,512)	\$ -	\$ (7,058,512)
(1,802,319)	-	(1,802,319)
(32,017,364)	-	(32,017,364)
(20,031,579)	-	(20,031,579)
(7,097,169)	-	(7,097,169)
(18,284,299)	-	(18,284,299)
(461,290)	-	(461,290)
<u>(86,752,532)</u>	<u>-</u>	<u>(86,752,532)</u>
-	158,790	158,790
-	(802,354)	(802,354)
-	(662,484)	(662,484)
-	2,062,428	2,062,428
-	13,497,150	13,497,150
-	4,649,402	4,649,402
-	(602,706)	(602,706)
<u>-</u>	<u>18,300,226</u>	<u>18,300,226</u>
<u>(86,752,532)</u>	<u>18,300,226</u>	<u>(68,452,306)</u>
15,337,208	-	15,337,208
35,638,878	-	35,638,878
5,392,273	-	5,392,273
1,377,248	-	1,377,248
3,587,191	-	3,587,191
1,463,902	-	1,463,902
<u>62,796,700</u>	<u>-</u>	<u>62,796,700</u>
15,418,019	-	15,418,019
4,770,969	4,126,538	8,897,507
19,495	6,172	25,667
3,665,936	-	3,665,936
1,229,831	(1,229,831)	-
<u>87,900,950</u>	<u>2,902,879</u>	<u>90,803,829</u>
1,148,418	21,203,105	22,351,523
256,278,745	261,247,443	517,526,188
<u>\$ 257,427,163</u>	<u>\$ 282,450,548</u>	<u>\$ 539,877,711</u>



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# FUND FINANCIAL STATEMENTS

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*Governmental Funds Financial Statements*

*Proprietary Funds Financial Statements*

*Fiduciary Funds Financial Statements*



## FUND FINANCIAL STATEMENTS

The funds described below were determined to be Major Funds by the City in fiscal 2025. Individual non-major funds may be found in the Supplemental Section.

### **GENERAL FUND**

The General Fund is used to account for resources traditionally associated with government, which are not required legally, or by sound financial management, to be accounted for in another fund.

### **HOME/BEGIN SPECIAL REVENUE FUND**

The HOME/Begin Special Revenue Fund is used to account for federal grants received under the Housing and Community Development Act of 1974. The money is used for specific programs, which provide housing to people with low and moderate income.

### **IMPACT FEES SPECIAL REVENUE FUND**

This fund is used to account for fees received from local development projects, which are used for the construction of major public improvements, provided assistance to low income people in the community, and for the acquisition, development, and enhancement of neighborhood and community parks.

### **SUCCESSOR HOUSING SPECIAL REVENUE FUND**

This fund was established to account for the collection of property tax increment related to the dissolution of the former Petaluma Community Development Commission (PCDC) and its related project areas. This fund is used for loan repayments and activities related to the assets assumed by the City as Successor Agency as well as housing activities of the former PCDC.

### **GRANTS AND DONATIONS SPECIAL REVENUE FUND**

This fund accounts for various donations received by City departments, and related expenditures.

### **CITY CAPITAL PROJECTS FUND**

This fund accounts for the collection of resources and the related expenditure on acquisition and construction of major capital improvement projects in the City, other than those accounted for in proprietary funds.

**City of Petaluma**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2025**

	Major Funds		
	General Fund	HOME / Begin Special Revenue Fund	Impact Fees Special Revenue Fund
<b>ASSETS</b>			
Cash and investments	\$ 5,472,087	\$ 624,673	\$ 53,382,434
Restricted cash and investments	-	-	-
Receivables:			
Accounts, net	1,534,364	-	-
Interest	1,392,945	-	-
Intergovernmental	8,228,062	-	-
Due from other funds	4,317,961	-	-
Inventories	6,950	-	-
Deposits and prepaid items	180,972	-	-
Loans receivable	77,743	18,638,370	12,113,768
Interest receivable related to loans receivable	8,212	5,151,645	1,153,205
Advances to other funds	1,868,061	-	401,459
<b>Total assets</b>	<b>\$ 23,087,357</b>	<b>\$ 24,414,688</b>	<b>\$ 67,050,866</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	\$ 2,716,326	\$ 90,000	\$ 23,133
Wages payable	847,495	-	-
Unearned revenue	76,880	-	-
Refundable deposits	262,770	-	-
Due to other funds	-	-	-
Advances from other funds	-	-	-
<b>Total liabilities</b>	<b>3,903,471</b>	<b>90,000</b>	<b>23,133</b>
<b>Deferred inflows of resources:</b>			
Unavailable revenues	348,995	5,151,645	1,248,445
<b>Fund Balances:</b>			
Nonspendable	2,133,726	-	-
Restricted	-	19,173,043	65,779,288
Committed	-	-	-
Assigned	16,701,165	-	-
Unassigned	-	-	-
<b>Total fund balances</b>	<b>18,834,891</b>	<b>19,173,043</b>	<b>65,779,288</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 23,087,357</b>	<b>\$ 24,414,688</b>	<b>\$ 67,050,866</b>

See accompanying Notes to Basic Financial Statements.

Major Funds				
Successor Housing Special Revenue Fund	Grants and Donations Fund	City Capital Projects Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ 1,126,888	\$ 5,461,456	\$ 12,259,995	\$ 6,931,184	\$ 85,258,717
-	-	-	5,874,427	5,874,427
26,062	-	55,998	542,368	2,158,792
-	-	-	-	1,392,945
-	694,377	468,140	1,796,995	11,187,574
-	-	203,788	151,030	4,672,779
-	-	-	-	6,950
-	-	1,444	181,360	363,776
26,176,599	-	-	925,015	57,931,495
7,302,417	-	-	58,101	13,673,580
-	-	-	-	2,269,520
<u>\$ 34,631,966</u>	<u>\$ 6,155,833</u>	<u>\$ 12,989,365</u>	<u>\$ 16,460,480</u>	<u>\$ 184,790,555</u>

\$ 240,205	\$ 1,023,412	\$ 1,815,106	\$ 1,362,623	\$ 7,270,805
-	-	-	-	847,495
-	-	-	-	76,880
259,980	-	1,100	7,650	531,500
-	-	-	950,950	950,950
-	-	3,142,192	-	3,142,192
<u>500,185</u>	<u>1,023,412</u>	<u>4,958,398</u>	<u>2,321,223</u>	<u>12,819,822</u>

<u>8,626,662</u>	<u>-</u>	<u>54,998</u>	<u>75,196</u>	<u>15,505,941</u>
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-	-	-	209,256	2,342,982
25,505,119	5,132,421	-	14,466,481	130,056,352
-	-	7,975,969	-	7,975,969
-	-	-	-	16,701,165
-	-	-	(611,676)	(611,676)
<u>25,505,119</u>	<u>5,132,421</u>	<u>7,975,969</u>	<u>14,064,061</u>	<u>156,464,792</u>

<u>\$ 34,631,966</u>	<u>\$ 6,155,833</u>	<u>\$ 12,989,365</u>	<u>\$ 16,460,480</u>	<u>\$ 184,790,555</u>
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**City of Petaluma**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Government-Wide Statement of Net Position**  
**June 30, 2025**

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**Total fund balances reported on the governmental funds balance sheet** \$ 156,464,792

Amounts reported for Governmental Activities in the Statement of Net Position are different from those reported in the Governmental Funds above because of the following:

Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds. 211,100,966

Internal service funds are not governmental funds. However, they are used by management to charge the costs of certain activities, such as insurance and central services and maintenance to individual governmental funds. The net current assets of the Internal Service Funds are therefore included in Governmental Activities in the Statement of Net Position. 531,503

Interest payable on long-term debt did not require current financial resources. Therefore, interest payable was not reported as a liability in the Governmental Funds Balance Sheet. (80,536)

Revenues which are deferred on the Fund Balance Sheets because they are not available currently are taken into revenue in the Statement of Activities. 15,505,941

The assets, deferred outflows of resources, liabilities, and deferred inflows of resources below are not due and payable in the current period and therefore are not reported in the Funds:

Compensated absences	(6,385,875)
Long-term debt - due within one year	(450,196)
Long-term debt - due in more than one year	(18,149,564)
Deferred outflows related to pension	24,013,771
Net Pension liability	(111,825,438)
Net OPEB liability - due within one year	(411,303)
Net OPEB liability - due in more than one year	(10,556,780)
Deferred outflows related to OPEB	1,179,905
Deferred inflows related to OPEB	<u>(3,510,023)</u>

**Net Position of Governmental Activities** \$ 257,427,163



**City of Petaluma**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the year ended June 30, 2025**

	Major Funds		
	General Fund	HOME / Begin Special Revenue Fund	Impact Fees Special Revenue Fund
<b>REVENUES:</b>			
Taxes	\$ 53,159,656	\$ -	\$ -
Licenses, permits and fees	1,167,584	-	910,977
Fines, forfeitures, and penalties	339,683	-	-
Use of money and property	1,982,093	2,055,355	2,723,903
Intergovernmental	9,769,960	-	-
Charges for current services	10,454,354	-	18,220
Other	485,162	-	7,734
<b>Total revenues</b>	<b>77,358,492</b>	<b>2,055,355</b>	<b>3,660,834</b>
<b>EXPENDITURES:</b>			
Current:			
General government	5,395,705	-	-
Community development	1,656,397	90,000	1,162,304
Police	30,206,068	-	-
Fire	26,921,147	-	-
Parks and recreation	3,255,970	-	254,804
Public works	7,568,650	-	10,015
Capital outlay	390,421	-	-
Debt Services:			
Principal	-	-	-
Interest and other charges	-	-	-
<b>Total expenditures</b>	<b>75,394,358</b>	<b>90,000</b>	<b>1,427,123</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>1,964,134</b>	<b>1,965,355</b>	<b>2,233,711</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Proceeds from sale of assets	19,495	-	-
Transfers in	9,768,302	-	-
Transfers out	(4,441,724)	-	(3,840,127)
<b>Total other financing sources (uses)</b>	<b>5,346,073</b>	<b>-</b>	<b>(3,840,127)</b>
<b>Net change in fund balances</b>	<b>7,310,207</b>	<b>1,965,355</b>	<b>(1,606,416)</b>
<b>FUND BALANCES:</b>			
Beginning of year, as previously presented	11,524,684	17,207,688	67,385,704
Restatements	-	-	-
Beginning of year, as restated	11,524,684	17,207,688	67,385,704
End of year	\$ 18,834,891	\$ 19,173,043	\$ 65,779,288

See accompanying Notes to Basic Financial Statements.

Major Funds				
Successor Housing Special Revenue Fund	Grants and Donations Fund	City Capital Projects Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 9,637,043	\$ 62,796,699
-	-	185,775	109,517	2,373,853
-	-	-	19,500	359,183
2,229,593	26,575	86,477	810,204	9,914,200
759,934	12,534,420	10,000	5,113,337	28,187,651
40,170	-	-	2,140,567	12,653,311
16,890	19,920	-	211,137	740,843
<u>3,046,587</u>	<u>12,580,915</u>	<u>282,252</u>	<u>18,041,305</u>	<u>117,025,740</u>
-	-	6,846,358	-	12,242,063
647,301	6,616,771	-	589,401	10,762,174
-	1,707,926	-	179,676	32,093,670
260,870	-	-	148,585	27,330,602
-	445,938	3,579,195	4,621,292	12,157,199
-	123,777	6,387,275	4,879,037	18,968,754
-	323,455	-	559,753	1,273,629
-	-	-	410,000	410,000
-	-	-	510,082	510,082
<u>908,171</u>	<u>9,217,867</u>	<u>16,812,828</u>	<u>11,897,826</u>	<u>115,748,173</u>
<u>2,138,416</u>	<u>3,363,048</u>	<u>(16,530,576)</u>	<u>6,143,479</u>	<u>1,277,567</u>
-	-	-	-	19,495
483,976	1,357,964	12,668,576	7,431,521	31,710,339
-	(412,499)	(550,542)	(21,707,451)	(30,952,343)
<u>483,976</u>	<u>945,465</u>	<u>12,118,034</u>	<u>(14,275,930)</u>	<u>777,491</u>
2,622,392	4,308,513	(4,412,542)	(8,132,451)	2,055,058
22,882,727	-	12,388,511	23,020,420	154,409,734
-	823,908	-	(823,908)	-
<u>22,882,727</u>	<u>823,908</u>	<u>12,388,511</u>	<u>22,196,512</u>	<u>154,409,734</u>
<u>\$ 25,505,119</u>	<u>\$ 5,132,421</u>	<u>\$ 7,975,969</u>	<u>\$ 14,064,061</u>	<u>\$ 156,464,792</u>

# City of Petaluma

## Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities For the year ended June 30, 2025

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<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ 2,055,058</b>
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Amounts reported for governmental activities in the Statement of Activities are different because of the following:

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.

Capitalized expenditures are therefore added back to fund balance	15,213,612
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Depreciation & amortization expense is deducted from the fund balance (Depreciation & amortization expense is net of internal service fund's of \$1,597,246 which has already been allocated to serviced funds)	(9,829,499)
Gain/(loss) on sale of capital assets	(82,539)

Repayment of debt principal was an expenditure in governmental funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Position. Also governmental funds report the effect of premium when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Current year repayment - principal	410,000
Amortization of bond premium	45,375

The amounts below included in the Statement of Activities do not provide or (require) the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds (net change):

Interest expense	3,417
Unavailable revenue	(2,555,905)
Compensated absences	(100,533)
OPEB liability, and deferred outflows and inflows of resources	265,820
Net pension liability, and deferred outflows and inflows of resources	(3,504,746)

Internal Service Funds are used by management to charge the costs of certain activities, such as equipment acquisition, maintenance, and insurance to individual funds.

The portion of the net revenue (expense) of these Internal Service Funds arising out of their transactions with governmental funds is reported with governmental activities, because they service those activities.

Change in Net Position -All Internal Service Funds	(771,642)
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<b>Change in Net Position of Governmental Activities</b>	<b>\$ 1,148,418</b>
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## **MAJOR PROPRIETARY FUNDS**

Proprietary funds account for City operations financed and operated in a manner similar to a private business enterprise. The intent of the City is that the cost of providing goods and services be financed primarily through user charges.

### **AIRPORT FUND**

This fund accounts for the daily operation and maintenance of the Petaluma Airport, including capital improvements.

### **DEVELOPMENT SERVICES FUND**

This fund accounts for cost recovery services, including building services, development services and planning services provided to developers, where fees charged are required to cover costs of providing services.

### **MARINA FUND**

This fund accounts for the daily operation and maintenance of the Petaluma Marina, structural and equipment improvements, and planning and implementing promotional campaigns.

### **TRANSIT FUND**

This fund is used to account for the operation of City's transit services.

### **WASTEWATER UTILITY FUND**

This fund is part of the Water Resources and Conservation Department, which provides comprehensive and integrated management of Petaluma's water resources, including collection and treatment of wastewater.

### **WASTEWATER RATE STABILIZATION FUND**

This fund is used for the purpose of debt service calculations. The Financial Plan uses money from the Rate Stabilization fund to help meet the debt service coverage requirements.

### **WATER UTILITY FUND**

This fund is part of the Water Resources and Conservation Department, which provides comprehensive and integrated management of Petaluma's water resources, including reliable delivery of high quality water.

### **STORM WATER FUND**

The Storm Water Utility was set up to track costs associated with the City's storm drainage system. Some examples of these costs include maintenance, monitoring, ground water and drinking water protection, infrastructure management, code development and enforcement, drainage system inspection and regulation, and floodplain management.

**City of Petaluma**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2025**

	Major Proprietary Funds		
	Airport	Development Services	Marina
<b>ASSETS</b>			
Current Assets:			
Cash and investments	\$ 1,184,398	\$ 876,002	\$ -
Restricted cash and investments	-	-	-
Receivables:			
Accounts, net	111,333	11,813	21,144
Intergovernmental	442	-	-
Due from other funds	-	-	-
Inventories	73,690	-	3,683
Deposits and prepaid items	670	-	18,633
<b>Total Current Assets</b>	<b>1,370,533</b>	<b>887,815</b>	<b>43,460</b>
Non-Current Assets:			
Advance to other funds	-	-	-
Capital assets:			
Non-depreciable	5,073,038	-	-
Depreciable	21,808,476	604,841	5,035,883
Less: accumulated depreciation	(14,189,343)	(494,939)	(4,122,398)
<b>Total Non-current Assets</b>	<b>12,692,171</b>	<b>109,902</b>	<b>913,485</b>
<b>Total assets</b>	<b>14,062,704</b>	<b>997,717</b>	<b>956,945</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources - pension	-	458,502	-
Deferred outflows of resources - OPEB	-	42,720	-
<b>Total deferred outflows of resources</b>	<b>-</b>	<b>501,222</b>	<b>-</b>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable and accrued liabilities	173,401	266,883	30,047
Unearned revenue	-	-	-
Interest payable	2,319	-	-
Due to other funds	-	-	-
Refundable deposits	166,635	159,227	12,897
Claims payable, due within one year	-	-	-
Compensated absences, due within one year	15,418	51,749	3,127
OPEB liability, due within one year	-	14,892	-
Long-term debt, due within one year	511,401	-	-
<b>Total Current Liabilities</b>	<b>869,174</b>	<b>492,751</b>	<b>46,071</b>
Non-current Liabilities:			
Claims payable, due in more than one year	-	-	-
Compensated absences, due in more than one year	23,687	202,799	5,222
Advance from other funds	-	-	1,868,061
Net pension liability	-	2,223,324	-
OPEB liability	-	382,223	-
Long-term debt, due in more than one year	1,481	-	8,515,784
<b>Total Non-current Liabilities</b>	<b>25,168</b>	<b>2,808,346</b>	<b>10,389,067</b>
<b>Total liabilities</b>	<b>894,342</b>	<b>3,301,097</b>	<b>10,435,138</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources - OPEB	-	127,085	-
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>127,085</b>	<b>-</b>
<b>NET POSITION</b>			
Net investment in capital assets	12,179,289	109,902	(7,602,299)
Restricted for debt service	-	-	-
Unrestricted	989,073	(2,039,145)	(1,875,894)
<b>Total net position</b>	<b>\$ 13,168,362</b>	<b>\$ (1,929,243)</b>	<b>\$ (9,478,193)</b>

See accompanying Notes to Basic Financial Statements.

Major Proprietary Funds						Governmental Activities- Internal Service Funds
Transit	Wastewater Utility	Wastewater Rate Stabilization	Water Utility	Storm Water	Total	
\$ 706	\$ 44,190,465	\$ 4,184,481	\$ 23,033,604	\$ 1,586,152	\$ 75,055,808	\$ 21,197,157
-	4,526	-	-	-	4,526	-
49,182	3,881,814	-	1,929,045	500	6,004,831	93
7,260,477	1,389,919	-	600,027	-	9,250,865	-
-	-	-	-	-	-	341,477
159,511	17,128	-	669,156	2,974	926,142	5,444
670	4,022	-	2,682	670	27,347	1,193,857
7,470,546	49,487,874	4,184,481	26,234,514	1,590,296	91,269,519	22,738,028
-	5,089,742	-	763,568	-	5,853,310	763,568
1,541,222	67,304,006	-	5,182,218	-	79,100,484	-
13,426,887	268,479,539	-	90,379,126	124,216	399,858,968	16,292,315
(7,837,684)	(111,024,933)	-	(50,228,428)	(16,631)	(187,914,356)	(9,883,066)
7,130,425	229,848,354	-	46,096,484	107,585	296,898,406	7,172,817
14,600,971	279,336,228	4,184,481	72,330,998	1,697,881	388,167,925	29,910,845
163,527	1,921,642	-	1,081,314	-	3,624,985	369,305
-	51,009	-	64,240	-	157,969	256,161
163,527	1,972,651	-	1,145,554	-	3,782,954	625,466
3,363,956	3,969,554	-	4,822,592	151,706	12,778,139	887,346
553,653	-	-	-	-	553,653	-
4	181,759	-	17,588	-	201,670	887
3,721,829	-	-	-	-	3,721,829	341,477
-	-	-	258,908	-	597,667	-
-	-	-	-	-	-	4,252,968
18,345	147,285	-	86,960	8,131	331,015	27,608
-	17,781	-	22,393	-	55,066	89,295
160	6,397,547	-	552,349	-	7,461,457	460,018
7,657,947	10,713,926	-	5,760,790	159,837	25,700,496	6,059,599
-	-	-	-	-	-	14,178,362
42,257	422,986	-	250,695	19,572	967,218	149,958
-	-	-	-	201,097	2,069,158	3,675,048
792,960	9,318,230	-	5,243,402	-	17,577,916	1,790,800
-	456,386	-	574,761	-	1,413,370	2,291,914
593	50,305,045	-	2,628,997	-	61,451,900	947,431
835,810	60,502,647	-	8,697,855	220,669	83,479,562	23,033,513
8,493,757	71,216,573	-	14,458,645	380,506	109,180,058	29,093,112
-	151,744	-	191,102	-	469,931	762,038
-	151,744	-	191,102	-	469,931	762,038
7,129,672	168,060,546	-	42,151,570	107,585	222,136,265	5,001,800
-	4,526	-	-	-	4,526	-
(858,931)	41,875,490	4,184,481	16,675,235	1,209,790	60,160,099	(4,320,639)
\$ 6,270,741	\$ 209,940,562	\$ 4,184,481	\$ 58,826,805	\$ 1,317,375	282,300,890	\$ 681,161

Prior years' accumulated adjustment to reflect the consolidation of internal service funds' activities related to the Proprietary fund (97,613)

Current years' adjustments to reflect the consolidation of internal service activities related to proprietary funds 247,271

Net Position per Business-Type Activities Statement of Net Position \$ 282,450,548

**City of Petaluma**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Proprietary Funds**  
**For the year ended June 30, 2025**

	Major Proprietary Funds		
	Airport	Development Services	Marina
<b>OPERATING REVENUES:</b>			
Charges for sales	\$ 637,324	\$ -	\$ 5,945
Charges for services	1,279,662	3,470,097	165,744
Connection fee	-	-	-
<b>Total operating revenues</b>	<b>1,916,986</b>	<b>3,470,097</b>	<b>171,689</b>
<b>OPERATING EXPENSES:</b>			
Cost of services	1,296,755	3,284,502	188,571
Claims	-	-	-
General and administrative	389,344	872,687	259,539
Depreciation and amortization	528,844	115,262	78,238
<b>Total operating expenses</b>	<b>2,214,943</b>	<b>4,272,451</b>	<b>526,348</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(297,957)</b>	<b>(802,354)</b>	<b>(354,659)</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Investment earnings and rent	73,357	40,032	5
Interest expense	(18,297)	-	(307,825)
Intergovernmental	475,044	-	-
Gain(loss) on disposal of assets	-	-	-
<b>Total nonoperating revenues (expenses)</b>	<b>530,104</b>	<b>40,032</b>	<b>(307,820)</b>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>232,147</b>	<b>(762,322)</b>	<b>(662,479)</b>
Transfers in	-	43,068	2,721
Transfers out	(135,300)	(32,800)	(74,400)
<b>Total transfers</b>	<b>(135,300)</b>	<b>10,268</b>	<b>(71,679)</b>
<b>Change in net position</b>	<b>96,847</b>	<b>(752,054)</b>	<b>(734,158)</b>
<b>NET POSITION:</b>			
Beginning of year	13,071,515	(1,177,189)	(8,744,035)
End of year	<u>\$ 13,168,362</u>	<u>\$ (1,929,243)</u>	<u>\$ (9,478,193)</u>

Major Proprietary Funds						Governmental
Transit	Wastewater Utility	Wastewater Rate Stabilization	Water Utility	Storm Water	Total	Activities- Internal Service Funds
\$ -	\$ 32,362,199	\$ -	\$ 25,093,109	\$ -	\$ 58,098,577	\$ -
98,332	80,675	-	155,322	312,750	5,562,582	14,357,226
-	1,041,631	-	602,585	-	1,644,216	-
98,332	33,484,505	-	25,851,016	312,750	65,305,375	14,357,226
5,237,042	14,167,531	-	21,751,786	822,374	46,748,561	5,692,816
-	-	-	-	-	-	4,355,043
634,176	6,279,051	-	3,608,323	130,156	12,173,276	4,612,316
395,985	5,087,707	-	2,007,159	9,117	8,222,312	1,597,246
6,267,203	25,534,289	-	27,367,268	961,647	67,144,149	16,257,421
(6,168,871)	7,950,216	-	(1,516,252)	(648,897)	(1,838,774)	(1,900,195)
-	2,641,315	193,631	1,103,027	75,171	4,126,538	956,430
-	(1,089,283)	-	(110,663)	(1,809)	(1,527,877)	(72,407)
8,231,299	6,471,171	-	6,194,092	48,000	21,419,606	-
1,218	4,954	-	-	-	6,172	19,966
8,232,517	8,028,157	193,631	7,186,456	121,362	24,024,439	903,989
2,063,646	15,978,373	193,631	5,670,204	(527,535)	22,185,665	(996,206)
194,333	248,537	-	479,742	536,623	1,505,024	1,971,835
(49,200)	(1,319,155)	-	(1,124,000)	-	(2,734,855)	(1,500,000)
145,133	(1,070,618)	-	(644,258)	536,623	(1,229,831)	471,835
2,208,779	14,907,755	193,631	5,025,946	9,088	20,955,834	(524,371)
4,061,962	195,032,807	3,990,850	53,800,859	1,308,287		1,205,532
\$ 6,270,741	\$ 209,940,562	\$ 4,184,481	\$ 58,826,805	\$ 1,317,375		\$ 681,161
Current years' adjustments to reflect the consolidation of internal service activities related to proprietary funds					247,271	
Change in net position per Business-Type Activities Statement of Net Position					\$ 21,203,105	

**City of Petaluma**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the year ended June 30, 2025**

	Major Proprietary Funds		
	Airport	Development Services	Marina
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash received from customers & interfund charges	\$ 1,911,435	\$ 3,451,926	\$ 163,654
Cash payments to suppliers of goods and services	(1,258,166)	(3,198,302)	(175,272)
Cash payments to employees for services	(388,192)	(559,163)	(259,328)
Claims paid	-	-	-
<b>Net cash provided by (used in) operating activities</b>	<b>265,077</b>	<b>(305,539)</b>	<b>(270,946)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Operating grants and contributions	645,489	-	-
Transfers from other funds	-	43,068	2,721
Transfers to other funds	(135,300)	(32,800)	(74,400)
Interfund borrowings	-	-	342,620
<b>Net cash provided by (used in) noncapital financing activities</b>	<b>510,189</b>	<b>10,268</b>	<b>270,941</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Principal payments on long-term debt and lease liability	(495,118)	-	-
Interest paid on long-term debt and lease liability	(20,531)	-	-
Proceeds from sale of capital assets	-	-	-
Acquisition of capital assets	(282,103)	(62,677)	-
<b>Net cash provided by (used in) capital and related financing activities</b>	<b>(797,752)</b>	<b>(62,677)</b>	<b>-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest on investments	73,357	40,032	5
<b>Net cash provided by investing activities</b>	<b>73,357</b>	<b>40,032</b>	<b>5</b>
<b>NET (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>50,871</b>	<b>(317,916)</b>	<b>-</b>
<b>CASH AND CASH EQUIVALENTS - Beginning of year</b>	<b>1,133,527</b>	<b>1,193,918</b>	<b>-</b>
<b>CASH AND CASH EQUIVALENTS - End of year</b>	<b>\$ 1,184,398</b>	<b>\$ 876,002</b>	<b>\$ -</b>
<b>FINANCIAL STATEMENT PRESENTATION:</b>			
Cash and investments	\$ 1,184,398	\$ 876,002	\$ -
Restricted cash and investments	-	-	-
<b>TOTAL</b>	<b>\$ 1,184,398</b>	<b>\$ 876,002</b>	<b>\$ -</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET</b>			
<b>CASH PROVIDED BY OPERATING ACTIVITIES:</b>			
Operating income (loss)	\$ (297,957)	\$ (802,354)	\$ (354,659)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:			
Depreciation and amortization	528,844	115,262	78,238
Changes in assets and liabilities:			
Accounts receivable	(9,492)	(11,813)	(8,454)
Inventories	(8,783)	-	789
Deposits and prepaid items	-	-	(441)
Advance to other funds	-	-	-
Deferred outflows of resources - pension	-	178,304	-
Deferred outflows of resources - OPEB	-	10,942	-
Accounts payable and accrued liabilities	47,372	86,200	12,951
Unearned revenue	-	-	-
Refundable deposits	3,941	(6,358)	419
Claims payable	-	-	-
Net pension liability	-	120,308	-
Deferred inflows of resources - pension	-	(6,463)	-
Deferred inflows of resources - OPEB	-	(25,834)	-
OPEB liability	-	5,267	-
Compensated absences payable	1,152	31,000	211
<b>Total adjustments</b>	<b>563,034</b>	<b>496,815</b>	<b>83,713</b>
<b>Net cash provided (used) in operating activities</b>	<b>\$ 265,077</b>	<b>\$ (305,539)</b>	<b>\$ (270,946)</b>
<b>Schedule of non-cash capital and related financing activities:</b>			
Initial recognition of leases		\$ -	\$ -
Capitalized accrued interest		-	307,825

See accompanying Notes to Basic Financial Statements.

Major Proprietary Funds						Governmental
Transit	Wastewater Utility	Wastewater Rate Stabilization	Water Utility	Storm Water	Total	Activities- Internal Service Funds
\$ 125,072	\$ 33,105,981	\$ -	\$ 25,623,068	\$ 312,750	\$ 64,693,886	\$ 14,450,236
(2,293,504)	(15,846,032)	-	(19,033,004)	(690,540)	(42,494,820)	(7,742,544)
(624,299)	(4,963,016)	-	(3,220,125)	(126,503)	(10,140,626)	(1,548,191)
-	-	-	-	-	-	(2,722,905)
(2,792,731)	12,296,933	-	3,369,939	(504,293)	12,058,440	2,436,596
5,035,036	5,089,436	-	5,602,020	48,000	16,419,981	-
194,333	248,537	-	479,742	536,623	1,505,024	1,971,835
(49,200)	(1,319,155)	-	(1,124,000)	-	(2,734,855)	(1,500,000)
990,791	646,827	-	88,209	(46,664)	2,021,783	(374,310)
6,170,960	4,665,645	-	5,045,971	537,959	17,211,933	97,525
-	(7,461,621)	-	(541,282)	-	(8,498,021)	(507,292)
4	(1,114,530)	-	(114,929)	(1,809)	(1,251,795)	(78,598)
1,218	4,954	-	-	-	6,172	19,966
(3,378,745)	(16,876,444)	-	(3,430,151)	(30,717)	(24,060,837)	(2,338,750)
(3,377,523)	(25,447,641)	-	(4,086,362)	(32,526)	(33,804,481)	(2,904,674)
-	2,641,315	193,631	1,103,027	75,171	4,126,538	956,430
-	2,641,315	193,631	1,103,027	75,171	4,126,538	956,430
706	(5,843,748)	193,631	5,432,575	76,311	(407,570)	585,877
-	50,038,739	3,990,850	17,601,029	1,509,841	75,467,904	20,611,280
\$ 706	\$ 44,194,991	\$ 4,184,481	\$ 23,033,604	\$ 1,586,152	\$ 75,060,334	\$ 21,197,157
\$ 706	\$ 44,190,465	\$ 4,184,481	\$ 23,033,604	\$ 1,586,152	\$ 75,055,808	\$ 21,197,157
-	4,526	-	-	-	4,526	-
\$ 706	\$ 44,194,991	\$ 4,184,481	\$ 23,033,604	\$ 1,586,152	\$ 75,060,334	\$ 21,197,157
\$ (6,168,871)	\$ 7,950,216	\$ -	\$ (1,516,252)	\$ (648,897)	\$ (1,838,774)	\$ (1,900,195)
395,985	5,087,707	-	2,007,159	9,117	8,222,312	1,597,246
26,740	(378,524)	-	(243,517)	-	(625,060)	93,010
(29,152)	(1,610)	-	(154,531)	(209)	(193,496)	(1,024)
-	-	-	-	-	(441)	471,895
-	-	-	-	-	-	221,409
51,167	702,004	-	542,847	-	1,474,322	65,611
-	13,065	-	16,452	-	40,459	605,555
2,972,690	(1,676,891)	-	2,873,313	132,043	4,447,678	-
(125,038)	-	-	-	-	(125,038)	-
-	-	-	15,569	-	13,571	1,632,138
-	-	-	-	-	-	(159,997)
83,943	653,805	-	(120,290)	-	737,766	(5,995)
(2,179)	(26,627)	-	(16,483)	-	(51,752)	(154,905)
-	(30,846)	-	(38,847)	-	(95,527)	31,584
-	6,289	-	7,920	-	19,476	(59,736)
1,984	(1,655)	-	(3,401)	3,653	32,944	-
3,376,140	4,346,717	-	4,886,191	144,604	13,897,214	4,336,791
\$ (2,792,731)	\$ 12,296,933	\$ -	\$ 3,369,939	\$ (504,293)	\$ 12,058,440	\$ 2,436,596
\$ 753	\$ 14,362	\$ -	\$ 5,645	\$ -	\$ 20,760	\$ 311,573
-	-	-	-	-	307,825	-



<b>FIDUCIARY FUNDS</b>
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**PRIVATE PURPOSE TRUST FUNDS**

These funds account for assets legally held in trust for specific purposes.

**CUSTODIAL FUNDS**

These funds are used to account for assets held in a custodial capacity for others and therefore cannot be used to support the City's programs.

**City of Petaluma**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2025**

	Custodial Funds	Private Purpose Trust Funds
<b>ASSETS</b>		
Cash and investments	\$ 2,330,319	\$ 4,749,833
Restricted cash and investments	-	13,031
Accounts receivable	185	-
<b>Total assets</b>	<b>2,330,504</b>	<b>4,762,864</b>
<b>LIABILITIES</b>		
<b>Liabilities:</b>		
Accounts payable and accrued liabilities	58,247	129,980
Deposits payable	384	-
Interest payable	-	265,688
Long-term debt:		
Long-term debt, due within one year	-	2,430,000
Long-term debt, due in more than one year	-	44,270,308
<b>Total liabilities</b>	<b>58,631</b>	<b>47,095,976</b>
<b>NET POSITION:</b>		
Restricted for other governments	2,271,873	-
Restricted for private purposes	-	(42,333,112)
<b>Total net position</b>	<b>\$ 2,271,873</b>	<b>\$ (42,333,112)</b>

**City of Petaluma**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**For the year ended June 30, 2025**

	Custodial Funds	Private Purpose Trust Funds
<b>ADDITIONS:</b>		
Property tax	\$ -	\$ 4,212,532
Use of money and property	-	40,761
Other revenues	8,309,888	-
<b>Total additions</b>	<b>8,309,888</b>	<b>4,253,293</b>
<b>DEDUCTIONS:</b>		
Community development	-	131,313
Interest expense	-	1,616,801
Professional and other services	7,765,597	-
<b>Total deductions</b>	<b>7,765,597</b>	<b>1,748,114</b>
<b>Change in net position</b>	<b>544,291</b>	<b>2,505,179</b>
<b>NET POSITION:</b>		
Beginning of year	\$ 1,727,582	\$ (44,838,291)
End of year	<u>\$ 2,271,873</u>	<u>\$ (42,333,112)</u>



**CITY OF PETALUMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2025**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City was incorporated as a general law City by the state legislature on April 12, 1858. The City currently operates under a Council-Manager form of government established under a charter election in 1947. The City provides the following services as authorized by its charter: police and fire protection, transit service, parks and recreation, public works, community development, and general administrative services. In addition, the City owns and operates a water and waste water system, a municipal airport, and a marina.

**A. *Reporting Entity***

The City is legally separate and fiscally independent which means it can issue debt, set and modify budgets and fees, and sue or be sued. These financial statements present the government and its component unit-entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government.

**PRIMARY GOVERNMENT**

The financial statements of the primary government of the City of Petaluma include the activities of the City, as well as the City of Petaluma Public Financing Corporation, and the Petaluma Public Financing Authority, which are controlled by and dependent on the City. While these are separate legal entities, their financial activities are integral to those of the City. Their financial activities have been aggregated and merged (termed "blending") with those of the primary government of the City in the accompanying financial statements.

**BLENDED COMPONENT UNITS**

**City of Petaluma Public Financing Corporation**

The City of Petaluma Public Financing Corporation (PPFC) was established in November of 1990 and is a not-for-profit benefit corporation, created under the laws of the State of California. Although PPFC is a separate legal entity from the City, it is reported as if it were part of the primary government, because its sole purpose is to be a financing entity for the City. PPFC does not issue separate basic financial statements.

**Petaluma Public Financing Authority**

The Petaluma Public Financing Authority (PPFA) was established in May 1996 as a joint powers authority between the City and former Redevelopment Agency. Its purpose was to issue revenue bonds, which provided funds for a consolidated special assessment bond refunding. Although PPFA is a separate legal entity from the City, it is reported as if it were part of the primary government, because its sole purpose is to be a financing entity for the City. PPFA does not issue separate basic financial statements.

**B. *Basis of Presentation***

The City's Basic Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Government Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the U.S.A.

**CITY OF PETALUMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2025**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Basis of Presentation, Continued**

These Standards require that the financial statements described below be presented.

**Government-wide Statements:** The Statement of Net Position and the Statement of Activities display information about the primary government (the City and its component units). These statements include the financial activities of the overall City government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. However, the interfund services provided and used are not eliminated in the process of consolidation. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational needs of a particular program and (c) fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**Fund Financial Statements:** The fund financial statements provide information about the City's funds, including fiduciary funds and blended component units. Separate statements for each fund category - governmental, proprietary, and fiduciary - are presented. The emphasis of fund financial statements is on major individual governmental and enterprise funds, each of which is displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. *Nonoperating* revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

**C. Major Funds**

Major funds are defined as funds that have either assets, liabilities, revenues or expenditures/expenses equal to ten percent of their fund-type total and five percent of the grand total. Major governmental and business-type funds are identified and presented separately in the fund financial statements. All other funds, called non-major funds, are combined and reported in a single column, regardless of their fund-type. The General Fund is always a major fund. The City may also select other funds it believes should be presented as major funds.

The City reported the following major governmental and proprietary funds in the accompanying financial statements:

**GENERAL FUND**

The General Fund is used to account for resources traditionally associated with government, which are not required legally, or by sound financial management, to be accounted for in another fund.

**CITY OF PETALUMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2025**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Major Funds, Continued**

**HOME/BEGIN SPECIAL REVENUE FUND**

The Home/BEGIN Special Revenue Fund is used to account for federal grants received under the Housing and Community Development Act of 1974. The money is restricted for specific programs, which provide housing to people with low and moderate income.

**IMPACT FEES SPECIAL REVENUE FUND**

This fund is used to account for fees received from local development projects, which are restricted for the construction of major public improvements, provide assistance to low income people in the community and for the acquisition, development, and enhancement of neighborhood and community parks.

**SUCCESSOR HOUSING SPECIAL REVENUE FUND**

This fund was established to account for housing activities and the collection of housing loans of the former Petaluma Community Development Commission (PCDC) and its related project areas. This fund is used for loan collections and assets assumed by the City as Successor Agency as well as housing activities of the former PCDC.

**GRANTS AND DONATIONS SPECIAL REVENUE FUND**

This fund accounts for various donations received by City departments, and related expenditures.

**CITY CAPITAL PROJECTS FUND**

This fund accounts for the collection of resources and the related expenditure on acquisition and construction of major capital improvement projects in the City, other than those accounted for in proprietary funds.

**AIRPORT FUND**

This fund accounts for the daily operation and maintenance of the Petaluma Airport, including capital improvements.

**DEVELOPMENT SERVICES FUND**

This fund accounts for cost recovery services, including building services, development services and planning services provided to developers, where fees charged are required to cover cost of providing services.

**MARINA FUND**

This fund accounts for the daily operation and maintenance of the Petaluma Marina, structural and equipment improvements, and planning and implementing promotional campaigns.

**TRANSIT FUND**

This fund is used to account for the operation of City's transit services.

**CITY OF PETALUMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2025**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Major Funds, Continued**

**WASTEWATER UTILITY FUND**

This fund is part of the Public Works & Utilities Department, which provides comprehensive and integrated management of Petaluma's water resources, including collection and treatment of wastewater.

**WASTEWATER RATE STABILIZATION FUND**

This fund is used for the purpose of debt service calculations. The Financial Plan uses money from the Rate Stabilization fund to help meet the debt service coverage requirements.

**WATER UTILITY FUND**

This fund is part of the Public Works & Utilities Department, which provides comprehensive and integrated management of Petaluma's water resources, including reliable delivery of high quality water.

**STORM WATER FUND**

The Storm Water Utility was set up to track costs associated with the with the City's storm drainage system. Some examples of these costs include maintenance, monitoring, ground water and drinking water protection, infrastructure management, code development and enforcement, drainage system inspection and regulation, and floodplain management.

**INTERNAL SERVICE FUNDS**

These funds account for employee benefits, general services, information services, risk management, vehicle and equipment replacement, and workers' compensation; all of which are provided to other departments on a cost-reimbursement basis.

**FIDUCIARY FUNDS**

The Private-Purpose Trust Funds are used to account for resources legally held in trust for special purposes.

Custodial Funds are used to account for assets held by the City as an agent for non-related parties, a not-for-profit organization, and certain assessment districts located in the City. The financial activities of these funds are excluded from the Entity-wide financial statement but are presented in separate Fiduciary Fund financial statements.

**D. Basis of Accounting**

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the *economic resources measurement focus* and the full *accrual basis* of accounting. Revenues are recorded when *earned* and expenses are recorded at the time liabilities are *incurred*, regardless of when the related cash flows take place.

**CITY OF PETALUMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2025**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. *Basis of Accounting, Continued***

Governmental funds are reported using the *current financial resources* measurement focus and the *modified accrual* basis of accounting. Under this method, revenues are recognized when *measurable* and *available*. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Governmental capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds of governmental long-term debt and acquisitions under leases are reported as *other financing sources*.

Non-exchange transactions, in which the City gives or receives value without directly receiving or giving equal value in exchange, include taxes, grants, entitlements, and donations. On the accrual basis, revenue from taxes is recognized in the fiscal year for which the taxes are levied or assessed. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The City may fund programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net position may be available to finance program expenditures. The City's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

Certain indirect costs are included in program expenses reported for individual functions and activities.

Those revenues susceptible to accrual are use of money and property revenue, charges for services and fines and penalties. Sales taxes collected and held by the State at year-end on behalf of the City also are recognized as revenue.

**E. *Budgetary Policy and Control***

The City Council adopts an annual budget, submitted by the City Manager prior to the beginning of the new fiscal year. Public hearings are conducted prior to its adoption by the City Council. All appropriations which are not obligated, encumbered, or expended at the end of the fiscal year lapse and become a part of the unassigned fund balance which may be appropriated for the next fiscal year. The City Council has the legal authority to amend the budget at any time during the fiscal year. The City Manager has the authority to make adjustments to the operating budget within funds and between departments. Transfers of operating budgets from appropriated reserve accounts, use of unappropriated fund balances, cancellation of appropriations and all changes in capital improvement project budgets require the approval of the City Council. Supplemental appropriations during the fiscal year were not material.

The annual budget is prepared on a basis consistent with generally accepted accounting principles. It is adopted for all governmental type funds.

The City maintains budgetary controls to ensure compliance with legal provisions embodied in the appropriated budget approved by the City Council. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) for the operating budget is within a department.

**CITY OF PETALUMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2025**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Budgetary Policy and Control, Continued**

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded when issued in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary control in the governmental and proprietary fund types. Open encumbrances at year-end are recorded as reservations of fund balance since the commitments will be paid by subsequent years' budget appropriations. Encumbrances do not constitute expenditures or liabilities.

In fiscal 2024-2025, the General Fund and the following Major Funds had expenditures in excess of its budget at the level of budgetary control:

Fund	Amount Exceeded Budget
General Fund:	
General government:	
City council	\$ 30,541
City manager	194,589
Administrative services	
Police	512,880
Fire	1,297,181
Parks and recreation	339,100
Public works	736,528
Capital outlay	236,417
Impact Fees	
Park and recreation	242,077
Successor Housing:	
Community development	164,567

Sufficient resources were available within the funds to finance these overages.

**F. Inventories**

Inventories in General Fund, which consisted primarily of supplies and parts, are recorded at cost and inventories in Proprietary Funds, which consisted primarily supplies, meters, and vehicle parts held for future consumption, are record at the lower of cost or market on a first-in, first-out basis. Reported expenditures/expenses reflecting the purchase of supplies have been restated to reflect the consumption method of recognizing inventory-related expenditures/expenses. A nonspendable reservation of fund balance has been reported in the governmental funds to show that inventories do not constitute *available spendable resources*, even though they are a component of net current assets.

**G. Leave Benefits**

The City has compensated absences for regular vacation and sick leave which are accounted for in accordance with generally accepted accounting principles (GAAP). Employees may accumulate earned vacation time according to certain limits. Management employees are limited to the amount, which may be earned, in a three year period. All other employees are limited to the amount, which may be earned, in a two year period. All employees may accumulate unused sick leave without limits. The unused sick leave vests after five years of service for firefighters, and after ten years of service for all other employees. Vested sick leave is payable upon death or retirement for all employees at 50% of the vested amount, up to a limit of 1,000 hours for fire battalion chiefs, 720 hours for firefighters, 700 hours for police mid-management employees, and 480 hours for all other employees.

**CITY OF PETALUMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2025**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**G. Leave Benefits, Continued**

All employees may elect, in lieu of a cash payment, to have all vested sick leave applied to their years of service under the retirement plan. Public safety employees are also eligible for vested sick leave to be paid upon a disability retirement at 50% of the vested amount, up to a limit of 1,000 hours for firefighters, and 700 hours for all police officers. A liability is calculated for all of the cost of compensated absences based on benefits earned by employees in the current period, for which there is a probability of payment at termination. The salary and related payroll costs are those in effect as of June 30, 2025. Compensated absences are recorded as liabilities on the Government-Wide Financial Statements and the Proprietary Fund Financial Statements. For all compensated absences recorded, the programs that have incurred the expense are used to liquidate the liability.

	Governmental Activities	Business-Type Activities	Total
Beginning Balance	\$ 6,522,644	\$ 1,265,289	\$ 7,787,933
Net Change	40,797	32,944	73,741
Ending Balance	<u>\$ 6,563,441</u>	<u>\$ 1,298,233</u>	<u>\$ 7,861,674</u>
Due Within One Year	\$ 1,146,408	\$ 331,015	\$ 1,477,423
Due In More Than One Year	5,417,033	967,218	6,384,251
	<u>\$ 6,563,441</u>	<u>\$ 1,298,233</u>	<u>\$ 7,861,674</u>

**H. Revenues**

Property Taxes -- Article XIII of the California Constitution (more commonly known as Proposition 13) limits ad valorem taxes on real property to one percent of value plus taxes necessary to pay indebtedness approved by voters prior to July 1, 1978. The Article also established the 1975/76 assessed valuation as the basis and limits annual increases to the cost of living, not to exceed two percent, for each year thereafter. Property may also be reassessed to full market value after a sale, transfer of ownership, or completion of new construction. The State is prohibited under the Article from imposing new ad valorem, sales, or transactions taxes on real property. Local government may impose special taxes (except on real property) with the approval of two-thirds of the qualified voters. Property taxes attach as a lien on the property as of January 1. Secured property taxes are levied on July 1 and are due in two installments by December 10 and April 10. The County of Sonoma bills and collects property taxes on behalf of the City using an alternative method of distribution known as the "Teeter Plan." The State Revenue and Taxation Code allows counties to distribute secured real property and supplemental property taxes on an accrual basis resulting in full payment to the City each fiscal year. Any subsequent delinquent payments and related penalties and interest will revert to Sonoma County. The City reports property tax revenue net of collection fees.

**Sales Tax Revenue** -- The City accrues the State's July and August sales tax payments for the previous fiscal year. The July and August payments are comprised of the actual, May and June receipts, respectively and the respective receipts are recognized as revenue in the fiscal year.

**Operating and Non-Operating Revenues of Proprietary Funds** -- Operating revenues in the proprietary fund are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

**CITY OF PETALUMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2025**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***I. Interest Payable***

In the Government-Wide Financial Statements, interest payable for long-term debt is recognized as the liability is incurred in the appropriate activity.

In the Fund Financial Statements, propriety fund types recognize the interest payable when the liability is incurred.

***J. Revenues***

Property Taxes -- Article XIII of the California Constitution (more commonly known as Proposition 13) limits ad valorem taxes on real property to one percent of value plus taxes necessary to pay indebtedness approved by voters prior to July 1, 1978. The Article also established the 1975/76 assessed valuation as the basis and limits annual increases to the cost of living, not to exceed two percent, for each year thereafter. Property may also be reassessed to full market value after a sale, transfer of ownership, or completion of new construction. The State is prohibited under the Article from imposing new ad valorem, sales, or transactions taxes on real property. Local government may impose special taxes (except on real property) with the approval of two-thirds of the qualified voters. Property taxes attach as a lien on the property as of January 1. Secured property taxes are levied on July 1 and are due in two installments by December 10 and April 10. The County of Sonoma bills and collects property taxes on behalf of the City using an alternative method of distribution known as the "Teeter Plan." The State Revenue and Taxation Code allows counties to distribute secured real property and supplemental property taxes on an accrual basis resulting in full payment to the City each fiscal year. Any subsequent delinquent payments and related penalties and interest will revert to Sonoma County. The City reports property tax revenue net of collection fees.

**Sales Tax Revenue** -- The City accrues the State's July and August sales tax payments for the previous fiscal year. The July and August payments are comprised of the actual, May and June receipts, respectively and the respective receipts are recognized as revenue in the fiscal year.

**Operating and Non-Operating Revenues of Proprietary Funds** -- Operating revenues in the proprietary fund are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

***K. Interest Payable***

In the Government-Wide Financial Statements, interest payable for long-term debt is recognized as the liability is incurred in the appropriate activity.

In the Fund Financial Statements, propriety fund types recognize the interest payable when the liability is incurred.

**CITY OF PETALUMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2025**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**L. *Deferred Outflows/Inflows of Resources***

In addition to assets, the statement of financial position or balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets or fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position or balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

**M. *Use of Restricted and Unrestricted Net Position***

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the City's policy is to apply restricted net position first.

**N. *Use of Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. In addition, estimates affect the reported amount of expenses. Actual results could differ from these estimates and assumptions.

**O. *Fair Value Measurements***

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs – other than quoted prices included within level 1 – that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

**CITY OF PETALUMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2025**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**P. *Implementation of Governmental Accounting Standards Board (GASB) Pronouncements***

In 2025, the City adopted new accounting standards in order to conform to the following Governmental Accounting Standards Board Statements:

**GASB Statement No.101** –*Compensated Absences* – The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The City implemented the requirement of this statement during the current fiscal year.

**GASB Statement No.102** –*Certain Risk Disclosures* – The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government’s vulnerabilities due to certain concentrations or constraints. The City implemented the requirement of this statement during the current fiscal year. It resulted in no disclosure.

**CITY OF PETALUMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2025**

**NOTE 2 - CASH AND INVESTMENTS**

**A. Policies**

The City pools its available cash for investment purposes. The City considers pooled cash and highly liquid investments held with financial institutions, a fiscal agent, and in a pooled account with the State, to be cash equivalents.

California Law requires banks and savings and loan institutions to pledge government securities with a fair value of 110% of the City's cash on deposit or first trust deed mortgage notes with a value of 150% of the City's cash on deposit as collateral for these deposits. Under California Law this collateral is held in an investment pool by an independent financial institution in the City's name and places the City ahead of general creditors of the institution pledging the collateral.

The City's investments are carried at fair value, as required by generally accepted accounting principles. The City adjusts the carrying value of its investments to reflect their fair value at each fiscal year end, and it includes the effects of these adjustments in income for that fiscal year.

Investment income is allocated among funds on the basis of interest income on certain investments and is allocated based on the source of the investment and legal requirements which apply.

Cash and investments with an original maturity of three months or less are used in preparing proprietary fund statements of cash flows because these assets are highly liquid and are expended to liquidate liabilities arising during the year.

**B. Classification**

Cash and investments are classified in the financial statements as shown below, based on whether or not their use is restricted under the terms of City debt instruments or Commission agreements. Cash and investments as of June 30, 2025, are as follows:

City cash and investments in primary government	
Cash and investments	\$ 181,511,682
Restricted cash and investments	5,878,953
Total cash and investment in primary government	\$ 187,390,635
Cash and investment in Fiduciary Funds (Separate Statement)	
Cash and investment	\$7,080,152
Restricted Cash and investment	13,031
Total cash and investment in Fiduciary Funds	7,093,183
Total cash and investments	\$ 194,483,818

Cash and investments as of June 30, 2025, consist of the following:

Cash on hand	\$ 3,898
Cash and investments with financial institutions	188,587,936
Cash and investments with fiscal agents	5,891,984
Total Cash and Investments	\$ 194,483,818

**CITY OF PETALUMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2025**

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

**C. *Investments Authorized by the California Government Code and the City’s Investment Policy***

The City’s Investment Policy and the California Government Code allow the City to invest in the following, provided the credit ratings of the issuers are acceptable to the City and approved percentages and maturities are not exceeded. The table below also identifies certain provisions of the California Government Code or the City’s Investment Policy where it is more restrictive that addresses interest rate risk, credit risk and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City’s investment policy.

The City’s investment policy and the California Government Code allow the City to invest in the following:

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
State of California and Local Agency Investment Fund (LAIF)	No Limit	N/A	N/A	N/A
Securities of the State or Local Agencies of the State	No Limit	*	N/A	N/A
California Asset Management Program	No Limit	N/A	N/A	N/A
Certificates of Deposit	2 years	N/A	30%	N/A
Bankers' Acceptance	180 days	N/A	40%	30%
Securities of the U.S. Treasury or Other Federal Agencies	5 years	*	N/A	N/A
Repurchase Agreements	5 years	A-1/P-1	N/A	N/A
Money Market Funds	No Limit	Two highest ratings	20%	N/A
Medium-Term Notes (as currently owned)	5 years	N/A	N/A	N/A

\* May change if approved by Council

**D. *Investments Authorized by Debt Agreements***

The City and the Successor Agency to the PCDC held cash and investments with fiscal agents in the amount of \$5,891,984 at June 30, 2025, including certain amounts which are held to be used only for specific capital outlay, payments of certain long-term debt and maintaining required reserves. The City invests funds only as permitted by specific State statutes governing their investment or applicable City ordinance, resolution, or bond indenture.

**E. *Interest Rate Risk***

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter-term and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

**CITY OF PETALUMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2025**

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

**E. Interest Rate Risk, Continued**

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity or earliest call date:

Investment Type	12 months or less	13 - 24 months	25 - 36 months	37 - 48 months	Total
Securities of U.S. Government Agencies					
FHMS	\$4,510,154	\$3,609,835	\$4,318,456	\$219,806	\$ 12,658,251
FNMA	-	347,773	733,625	-	1,081,398
U.S. Treasury Bonds/Notes	-	29,480,410	28,989,513	-	58,469,923
California Local Agency Investment Fund	66,674,784	-	-	-	66,674,784
California Asset Management Program	24,266,254	-	-	-	24,266,254
Held by Fiscal Agents	5,891,984	-	-	-	5,891,984
Total Investments	<u>\$ 101,343,176</u>	<u>\$ 33,438,018</u>	<u>\$ 34,041,594</u>	<u>\$ 219,806</u>	169,042,594
<i>Cash on hand and in banks</i>					25,441,224
Total Cash and Investments					<u>\$ 194,483,818</u>

The City is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The balance is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, United States Treasury Notes and Bills and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations. At June 30, 2025, these investments have an average maturity of 248 days.

The City is a participant in the California Asset Management Program (CAMP). CAMP is an investment pool offered by the California Asset Management Trust (the "Trust"). The Trust is a joint powers authority, and public agency, created by the Declaration of Trust and established under the provisions of the California Joint Exercise of Powers Act (California Government Code Sections 6500 et seq., or the "Act") for the purpose of exercising the common power of CAMP participants to invest certain proceeds of debt issues and surplus funds. CAMP investments are limited to investments permitted by subdivisions (a) to (n), inclusive, of Section 53601 of the California Government Code. The City reports its investments in CAMP at the amortized cost provided by CAMP, which is the same as the value of the pool share, in accordance with GASB 79 requirements. At June 30, 2025, the fair value was approximate to the City's cost. At June 30, 2025, these investments have an average maturity of 41 days.

The City, as a CAMP shareholder, may withdraw all or any portion of the funds in its CAMP account at any time by redeeming shares. The CAMP Declaration of Trust permits the CAMP trustee to suspend the right of withdrawal from CAMP or to postpone the date of payment of redemption proceeds if the New York Stock Exchange is closed other than for customary weekend and holiday closings, if trading on the New York Stock Exchange is restricted, or if, in the opinion of the CAMP trustees, an emergency exists such that disposal of the CAMP pool securities or determination of its net asset value is not reasonably practicable. If the right of withdrawal is suspended, the City may either withdraw its request for that withdrawal or receive payment based on the net asset value of the CAMP pool next determined after termination of the suspension of the right of withdrawal.

Money market mutual funds are available for withdrawal on demand.

**CITY OF PETALUMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2025**

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

**F. Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The actual ratings as of June 30, 2025, are as follows:

Investment Type	N/A	AAA	Total
Securities of U.S. Government Agencies			
FHMS	\$ -	\$ 12,658,251	\$ 12,658,251
FNMA	-	1,081,398	1,081,398
California Asset Management Program	<u>24,266,254</u>	<u>-</u>	<u>24,266,254</u>
Total	<u>\$ 24,266,254</u>	<u>\$ 13,739,649</u>	38,005,903
<i>Not rated:</i>			
California Local Agency Investment Fund			66,674,784
Held by Fiscal Agents			5,891,984
Cash on Hand and in Banks			25,441,224
<i>Exempt from credit rate disclosure:</i>			
U.S. Treasury Bonds/ Notes			<u>58,469,923</u>
Total Cash and Investments			<u>\$ 194,483,818</u>

**G. Fair Value Hierarchy**

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The following is a summary of the fair value hierarchy of the fair value of investments of the City as of June 30, 2025:

Investment Type	Level 1	Level 2	Total
<b>Investment by Fair Value Level:</b>			
Securities of U.S. Government Agencies			
FHLB	\$ -	\$ 12,658,251	\$ 12,658,251
FNMA	-	1,081,398	1,081,398
U.S. Treasury Bonds/Notes	<u>-</u>	<u>58,469,923</u>	<u>58,469,923</u>
Total Investments	<u>\$ -</u>	<u>\$ 72,209,572</u>	72,209,572
<b>Investment not subject to leveling disclosure:</b>			
California Asset Management Program			24,266,254
California Local Agency Investment Fund			66,674,784
Held by Fiscal Agents			5,891,984
Cash on Hand and in Banks			<u>25,441,224</u>
Total Cash and Investments			<u>\$ 194,483,818</u>

U.S. Treasury Bond/ Notes and U.S. Governmental Agencies Securities classified as Level 2 in the fair value hierarchy are valued using institutional bond quotes. The California Local Agency Investment Fund (LAIF) is valued based on the fair value factor provided by the Treasurer of the State of California, which is calculated as fair value divided by the amortized cost of the investment pool. The California Asset Management Program (CAMP) is valued based at the amortized costs provide by CAMP which is the same as the value of the pooled share in accordance with GASB 79 requirements.

**CITY OF PETALUMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2025**

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

**H. Concentration of Credit Risk**

Concentration of Credit Risk is having investments in any one issuer, other than U.S. treasury securities, money market mutual funds, and California Local Agency Investment Funds that represent a 5% or more of City-wide investments. The City did not have investments in any one issuer as June 30, 2025.

**NOTE 3 - INTERFUND TRANSACTIONS**

**A. Current Balances**

Current interfund balances arise in the normal course of business and are expected to be repaid shortly after the end of the fiscal year. During fiscal 2024-2025 short-term borrowings were as follows:

Due to	Due From	Amount
General Fund	Transit Enterprise Fund	\$ 3,721,829
General Fund	Non-Major Governmental Funds	596,132
	Sub Total	4,317,961
City Capital Projects Fund	Non-Major Governmental Funds	203,788
Non-Major Governmental Funds	Non-Major Governmental Funds	151,030
Internal Service Funds	Internal Service Funds	341,477
	Total	<u>\$ 5,014,256</u>

**B. Long-Term Advances, Continued**

At June 30, 2025, advances to/advances from other funds were as follows:

Advance To Other Funds (Fund making loan)	Advance From Other Funds (Funds receiving loans)				Total
	Marina Fund	Storm Water Fund	City Capital Projects Fund	Internal Service Fund Employee Benefits Fund	
<b>Governmental Funds:</b>					
General Fund	\$ 1,868,061	\$ -	\$ -	\$ -	\$ 1,868,061
Impact Fees Special Revenue Fund	-	201,097	200,362	-	401,459
Total Governmental Funds	<u>1,868,061</u>	<u>201,097</u>	<u>200,362</u>	<u>-</u>	<u>2,269,520</u>
<b>Enterprise Funds:</b>					
Wastewater Utility Fund	-	-	2,941,830	2,147,912	5,089,742
Water Utility Fund	-	-	-	763,568	763,568
Total Enterprise Funds	<u>-</u>	<u>-</u>	<u>2,941,830</u>	<u>2,911,480</u>	<u>5,853,310</u>
<b>Internal Service Funds</b>					
Risk Management - Internal Service Fund	-	-	-	763,568	763,568
Total Internal Service Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>763,568</u>	<u>763,568</u>
Total	<u>\$ 1,868,061</u>	<u>\$ 201,097</u>	<u>\$ 3,142,192</u>	<u>\$ 3,675,048</u>	<u>\$ 8,886,398</u>

**CITY OF PETALUMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2025**

**NOTE 3 - INTERFUND TRANSACTIONS (Continued)**

**B. Long-Term Advances**

During fiscal 2011-2012, the Storm Drainage Impact Fee Fund which is rolled up within the Impact Fees Special Revenue Fund advanced the Storm Water Enterprise Fund to cover storm water maintenance costs for the period from January 1, 2012 to December 31, 2014. The advance bears an annual interest rate of 0.60 percent. As of June 30, 2025, the outstanding amount of the advance was \$201,097.

During fiscal 2017-2018, the Wastewater Utility Enterprise Fund (\$4,050,198), Water Utility Enterprise Fund (\$1,350,066) and Risk Management Internal Service Fund (\$1,350,066) together loaned \$6,750,330 to the Employee Benefits Fund for the pay down of the PERS Unfunded Liability. The annual savings advanced for the paydown are expected to lessen the burden on the budget during the period of rising PERS costs. All funds paying towards the cost of employee retirements, including the lending funds, will recognize some savings. The advance bears an annual interest rate of 1.75 percent. The principal and interest are due in 15 equal installments, such that the entire principal and interest shall be repaid on or before June 30, 2033. As of June 30, 2025, the outstanding amount of the advance was \$3,675,048.

During fiscal 2017-2018, the Wastewater Utility Fund advanced \$1,490,000 to the City Capital Projects Fund to cover the costs of the LED Streetlight Retrofit Project. The advance bears an annual interest rate of 1.25 percent. The principal and interest are due in eight equal payments. During fiscal 2023-2024, the Wastewater Utility Fund further advanced \$2,600,000 to the City Capital Projects Fund for the installation of Petaluma River Turning Basin Floating Docks and Piles. The advance bears an annual interest rate of 3.3 percent beginning September 18, 2023. Payment of principal and all interest accrued shall begin on June 30, 2025, and shall be made in 10 equal annual installments such that the entire principal and accrued interest shall be fully repaid on or before June 30, 2034. As of June 30, 2025, the outstanding amount of the advance was \$2,941,830.

The advance of \$1,868,061 from the General Fund to the Marina Fund is to cover the negative cash balance of the Marina Fund until it is able to repay it back.

During fiscal 2021-2022, the Impact Fees Special Revenue Fund advanced the City Capital Projects Fund to provide funding for the Tennis and Pickle Ball Court construction. The advance bears an annual interest rate of 1 percent. As of June 30, 2025, the outstanding amount of the advance was \$200,362.

**CITY OF PETALUMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2025**

**NOTE 3 - INTERFUND TRANSACTIONS (Continued)**

**C. Transfers Between Funds**

With Council approval, resources may be transferred from one City fund to another. Transfers between funds during the fiscal year ended June 30, 2025, were as follows:

Transfers In (fund receiving transfer)	Transfers Out (fund making transfer):												Total Transfers In
	Governmental Funds					Proprietary Funds							
	General Fund	Impact Fees Special Revenue Fund	Grant and Donations Fund	City Capital Projects Fund	Non-Major Governmental Funds	Airport Fund	Development Service Fund	Marina Fund	Transit Fund	Wastewater Utility Fund	Water Utility Fund	Internal Service Funds	
<b>Governmental Funds:</b>													
General Fund	\$ -	\$ -	\$ -	\$ 178	\$ 8,727,690	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,040,434	\$ 9,768,302
Successor Housing Fund	-	437,427	-	-	40,000	-	-	-	-	-	-	6,549	483,976
Grant and Donations Fund	409,740	-	-	-	948,224	-	-	-	-	-	-	-	1,357,964
City Capital Projects Fund	1,302,879	3,402,700	412,499	-	6,150,999	135,300	32,800	74,400	49,200	536,799	571,000	-	12,668,576
Non-Major Funds	1,427,052	-	-	550,364	4,415,538	-	-	-	-	401,000	553,000	84,567	7,431,521
<b>Total Governmental Fund</b>	<b>3,139,671</b>	<b>3,840,127</b>	<b>412,499</b>	<b>550,542</b>	<b>20,282,451</b>	<b>135,300</b>	<b>32,800</b>	<b>74,400</b>	<b>49,200</b>	<b>937,799</b>	<b>1,124,000</b>	<b>1,131,550</b>	<b>31,710,339</b>
<b>Proprietary Funds:</b>													
Transit Fund	180,000	-	-	-	-	-	-	-	-	-	-	14,333	194,333
Development Service Fund	-	-	-	-	-	-	-	-	-	-	-	43,068	43,068
Marina Fund	-	-	-	-	-	-	-	-	-	-	-	2,721	2,721
Water Utility Fund	-	-	-	-	-	-	-	-	-	381,356	-	98,386	479,742
Wastewater Utility Fund	93,580	-	-	-	-	-	-	-	-	-	-	154,957	248,537
Storm Water Fund	528,473	-	-	-	-	-	-	-	-	-	-	8,150	536,623
Internal Service Funds	500,000	-	-	-	1,425,000	-	-	-	-	-	-	46,835	1,971,835
<b>Total Proprietary Funds</b>	<b>1,302,053</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,425,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>381,356</b>	<b>-</b>	<b>368,450</b>	<b>3,476,859</b>
<b>Total Transfers Out</b>	<b>\$ 4,441,724</b>	<b>\$ 3,840,127</b>	<b>\$ 412,499</b>	<b>\$ 550,542</b>	<b>\$ 21,707,451</b>	<b>\$ 135,300</b>	<b>\$ 32,800</b>	<b>\$ 74,400</b>	<b>\$ 49,200</b>	<b>\$ 1,319,155</b>	<b>\$ 1,124,000</b>	<b>\$ 1,500,000</b>	<b>\$ 35,187,198</b>

- The General Fund transfers \$4,441,724, includes: \$409,740 to Grants & Donations (Opioid programs), \$1,302,879 to City Capital Projects, \$1,427,052 (various projects) to Non-Major Funds (debt service), \$180,000 to Transit (fare-free transit), \$93,580 to Wastewater (settlements), \$528,473 to Storm Water (operating costs), and \$500,000 to Internal Services (vehicle replacements).
- The Impact Fee transfer of \$3,840,127 includes: \$437,427 to Successor Housing (housing programs) and \$3,402,700 to City Capital Projects (fire stations, Lucchesi Skate Park, etc.).
- The Grant and Donations transfer of \$412,499 is for fire suppression and ADA improvements.
- The City Capital Projects Fund transfer of \$550,364 to Non-Major Funds is for river dredging program.
- The Non-Major Governmental Funds transfers \$21,707,451 includes: \$8,645,690 to General Fund (general support and return excess funds to Measure U) \$40,000 to Successor Housing (return excess funds to Measure U) \$948,224 to Grants and Donations \$6,232,999 to City Capital Projects (various projects including pavement restorations) \$4,415,538 to Non-Major Governmental (highway user tax allocation and TOT tax distribution) \$1,425,000 to Internal Service Funds (fire engine and vehicle purchases).
- The Airport Fund, the Development Services Fund, the Marina Fund, and the Transit Fund transfer a total of \$291,700 to the City Capital Projects Fund for ERP payments: \$135,300, \$32,800, \$74,400, and \$49,200, respectively.
- The Wastewater Fund transfers \$1,319,155 includes: \$536,799 to City Capital Project (ERP payment) \$401,000 to Non-Major Funds (pavement mgt. program) \$381,356 to Water Fund (advanced metering infrastructure and recycled revenue from wastewater).
- The Water Fund transfers \$1,124,000 includes: \$571,000 to City Capital Projects (for ERP payment) \$553,000 to Non-Major Funds (pavement mgt. program).
- The Internal Service Fund transfers \$1,500,000 is to return the reserve unemployment excess balance.

**CITY OF PETALUMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2025**

**NOTE 3 - INTERFUND TRANSACTIONS (Continued)**

**D. Internal Balances**

Internal balances are presented in the Entity-wide financial statements only. They represent the net interfund receivables and payables remaining after the elimination of all such balances within governmental and business-type activities.

**NOTE 4 - LOANS RECEIVABLE**

Loans receivable comprised balances from the following programs, all of which are discussed below:

Housing Loans to Not-For Profit Agencies	
Old Elm Partners	\$ 6,075,736
Roundwalk Village Partners	2,190,777
Boulevard (Buckelew) Project	480,200
Downtown River Associate LP	11,366,341
Edith Street Apartments, Inc.	1,217,884
Lieb Senior Apartments, Inc.	1,593,886
575 Vallejo Street Association	851,184
579 Vallejo Street Association	990,000
Casa Grande	4,128,287
Wood Sorrel	1,347,513
Logan Place	7,643,219
Salishan Apartments Inc.	388,380
Vintage Chateau	4,499,825
Madrone	1,104,479
Washington Creek	568,969
Caulfield Senior Housing	182,999
Parklane Apartments	6,182,616
414 Petaluma Boulevard	1,100,000
River City Construction	2,800,000
Total Housing Loans to Not-For Profit Agencies	54,712,295
First-Time Home Buyers Loans	3,219,200
Total	\$ 57,931,495

**A. Housing Loans to Not-For-Profit-Agencies**

The City has provided various loans to not-for-profit agencies for the construction of units for low-income rental housing projects. The loans are funded using HOME funds, Community Development Block Grant funds, the General fund, and other Housing funds. The interest rates range from zero to 5.78%. Payment is deferred until a variety of events occur, such as: sale or transfer of property, failure to adhere to low and moderate housing provisions of the promissory note, to the extent of residual receipts, or at the maturity date of the note. The maturity dates range from 32-55 years.

**CITY OF PETALUMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2025**

**NOTE 4 - LOANS RECEIVABLE (Continued)**

**A. *Housing Loans to Not-For-Profit-Agencies, Continued***

The City and the former PCDC have also loaned funds to not-for-profit agencies to finance constructions of low and moderate income housing. The terms range from 13 to 60 years, and the interest rates range from zero to 6.56%. Payments are deferred until a variety of events occur, such as: sale or transfer of property, failure to adhere to low and moderate housing provisions of the promissory note, to the extent of residual receipts, or at the maturity date of the note. Management evaluated these loans and they are expected to be collected, therefore, no allowance for doubtful accounts was set up.

With the dissolution of the PCDC as discussed in Note 15, the City agreed to become the successor to the PCDC's housing activities and as a result the Successor Housing Special Revenue Fund assumed the loans receivable of the former Redevelopment Special Revenue Fund.

As of June 30, 2025, the total principal and interest receivable related to these loans were \$54,712,295 and \$13,673,580, respectively.

**B. *First-Time Home Buyers Loans***

The City offers qualified low and moderate income first time home buyers silent second mortgages on home purchases. Accrued interest and principal are due when the primary loan is refinanced or on sale of the property. The interest rate is the lower of the principal amount plus interest at a rate of 10% per annum, or 28.6% to 33% net of sales price. At June 30, 2025, the total principal related to these loans was \$3,219,200.

**NOTE 5 - CAPITAL ASSETS**

Capital assets, which include land, buildings, improvements, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business type activities in the Governmental-Wide Financial Statement. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value. All other capital assets are recorded at historical cost or estimated historical cost if actual cost is not available. The City's policy is to capitalize all vehicles, office equipment and items with an inherently higher value with a unit cost of \$5,000 or more, and a useful life of one year or more. Land, easements, land improvements, buildings, building improvements and infrastructure with a cost exceeding \$50,000 and a useful life exceeding one year are also capitalized.

Depreciation is recorded on a straight-line basis over estimated useful lives of the assets as follows:

Vehicles and equipment 3-15 years  
Building and improvements 10-50 years  
Infrastructure 20-50 years

**CITY OF PETALUMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2025**

**NOTE 5 - CAPITAL ASSETS (Continued)**

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34 which requires the inclusion of infrastructure capital assets in local governments' basic financial statements. In accordance with GASB Statement No. 34, the City has included all infrastructure within the basic financial statements. The City defines infrastructure as the basic physical assets that allow the City to function. The assets include:

- Sidewalks and bridges
- Street system
- Sewer system
- Pipes

The assets include streets, bridges, sidewalks, drainage systems, and lighting systems, etc. Each major infrastructure system can be divided into subsystems. For example, the street system can be subdivided into pavement, curb and gutters, sidewalks, medians, streetlights, landscaping and land. These subsystems were not delineated in the basic financial statements. The appropriate operating department maintains information regarding the subsystems.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest on construction related debt incurred during the period of construction for business-type and proprietary funds assets is capitalized as a cost of the constructed assets.

For all infrastructure systems, the City elected to use the Basic Approach as defined by GASB Statement No. 34 for infrastructure reporting. Estimated historical costs were developed in one of the following methods:

- 1) Use of historical records where available.
- 2) Standard unit costs appropriate for the construction/acquisition date of the asset.
- 3) Present replacement cost indexed by a reciprocal factor of the price increase from the construction/acquisition date to the current date.

The accumulated depreciation, defined as the total depreciation from the date of construction/ acquisition to the current date, was computed on a straight-line basis, using industry accepted life expectancies for each infrastructure subsystem. The book value was then computed by deducting the accumulated depreciation from the estimated historical cost.

***Intangible Right-to-use Assets:***

In FY 2021, the City implemented the guidance in GASB No. 87, leases and recognized the value of vehicles leased from Enterprise Fleet Management under long-term contracts. The intangible right to use assets and related amortization have been reported on the capital assets schedule.

As of June 30, 2025, the City had multiple vehicles leased from Enterprise Fleet Management. Additional in fiscal year 2024, the City entered into a tractor lease agreement with Kubota Tractors. The intangible right-to-use of these assets is being amortized over 5 years, the term of the lease. Terms of the lease are described in Note 6.

**CITY OF PETALUMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2025**

**NOTE 5 - CAPITAL ASSETS (Continued)**

**A. Capital Asset Additions and Retirements**

Governmental capital assets activity for the year ended June 30, 2025, is as follows:

	Balance at June 30, 2024	Additions	Retirements/ Adjustment	Transfers	Balance at June 30, 2025
<i>Governmental Activities</i>					
Capital Assets not being Depreciated					
Land	\$ 37,473,199	\$ -	\$ -	\$ -	\$ 37,473,199
Construction In Progress	37,460,093	13,903,053	-	(13,959,636)	37,403,510
Total Capital Assets not being Depreciated	74,933,292	13,903,053	-	(13,959,636)	74,876,709
Capital Assets being Depreciated					
Buildings and Improvements	24,977,012	-	-	2,732,093	27,709,105
Machinery & Equip & Software	18,880,439	3,623,265	(224,314)	-	22,279,390
Infrastructure	273,943,325	-	(593,073)	11,227,543	284,577,795
Lease Vehicles & Equipment	2,581,515	337,617	-	-	2,919,132
Total Capital Assets being Depreciated	320,382,291	3,960,882	(817,387)	13,959,636	337,485,422
Less Accumulated Depreciation					
Buildings and Improvements	(15,841,087)	(528,385)	-	-	(16,369,472)
Machinery & Equip & Software	(13,773,065)	(1,402,525)	224,314	-	(14,951,276)
Infrastructure	(153,721,895)	(8,900,856)	510,532	-	(162,112,219)
Less Accumulated Amortization					
Lease Vehicles & Equipment	(823,970)	(594,979)	-	-	(1,418,949)
Total Accumulated Depreciation & Amortization	(184,160,019)	(11,426,745)	734,846	-	(194,851,916)
Net Capital Assets being Depreciated	136,222,272	(7,465,863)	(82,541)	13,959,636	142,633,506
Governmental Activities Capital Assets, Net	\$211,155,564	\$ 6,437,190	\$ (82,541)	\$ -	\$217,510,215

**CITY OF PETALUMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2025**

**NOTE 5 - CAPITAL ASSETS (Continued)**

**A. Capital Asset Additions and Retirements, Continued**

Business-type capital assets activity for the year ended June 30, 2025, is as follows:

	Balance at June 30, 2024	Additions	Retirements/ Adjustments	Transfers	Balance at June 30, 2025
<b>Business-type Activities</b>					
Capital Assets not being Depreciated					
Land	\$ 10,731,229	\$ -	\$ -	\$ -	\$ 10,731,229
Construction In Progress	49,522,283	20,292,491	-	(1,445,519)	68,369,255
Total Capital Assets not being Depreciated	<u>60,253,512</u>	<u>20,292,491</u>	<u>-</u>	<u>(1,445,519)</u>	<u>79,100,484</u>
Capital Assets being Depreciated					
Buildings and Improvements	30,029,986	-	-	-	30,029,986
Vehicles and Equipment	16,374,773	3,765,587	(402,710)	-	19,737,650
Infrastructure	348,481,208	-	-	1,445,519	349,926,727
Lease Vehicles	753,636	23,518	-	-	777,154
Total Capital Assets being Depreciated	<u>395,639,603</u>	<u>3,789,105</u>	<u>(402,710)</u>	<u>1,445,519</u>	<u>400,471,517</u>
Less Accumulated Depreciation					
Buildings and Improvements	(18,058,040)	(631,062)	-	-	(18,689,102)
Vehicles and Equipment	(12,658,537)	(917,017)	402,710	-	(13,172,844)
Infrastructure	(149,793,545)	(6,519,991)	(11,998)	-	(156,325,534)
Less Accumulated Amortization					
Lease vehicles	(185,183)	(154,242)	-	-	(339,425)
Total Accumulated Depreciation	<u>(180,707,304)</u>	<u>(8,222,312)</u>	<u>390,712</u>	<u>-</u>	<u>(188,526,905)</u>
Net Capital Assets being Depreciated	<u>214,932,299</u>	<u>(4,433,207)</u>	<u>(11,998)</u>	<u>1,445,519</u>	<u>211,944,612</u>
Business-type Activities Capital Assets, Net	<u>\$ 275,185,811</u>	<u>\$ 15,859,284</u>	<u>\$ (11,998)</u>	<u>\$ -</u>	<u>\$ 291,045,096</u>

**B. Capital Asset Contributions**

Some capital assets may be acquired using federal and State grant funds, or they may be contributed by developers or other governments. These contributions are required to be accounted for as revenues at the time the capital assets are contributed.

**CITY OF PETALUMA**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2025

**NOTE 5 - CAPITAL ASSETS (Continued)**

**C. Depreciation/Amortization Allocation**

Depreciation/Amortization expense is charged to functions and programs based on their usage of the related assets. The amounts allocated to each function or program are as follows:

<b>Governmental Functions</b>	<u>Depreciation</u>	<u>Amortization of Lease Assets</u>	<u>Total</u>
General Government	\$ 196,521	\$ -	\$ 196,521
Community Development	2,589,764	-	2,589,764
Police	115,717	-	115,717
Fire	140,196	-	140,196
Parks and Recreation	926,046	-	926,046
Public Works	5,861,255	-	5,861,255
Internal Service Funds:			
Information Services	95,754	-	95,754
Vehicle Replacement - GG	906,513	594,979	1,501,492
<b>Total Depreciation/Amortization Expense</b>	<u>\$ 10,831,766</u>	<u>\$ 594,979</u>	<u>\$ 11,426,745</u>
<b>Business Functions</b>			
Airport	\$ 528,506	\$ 338	\$ 528,844
Development Services	115,262	-	115,262
Marina	78,238	-	78,238
Transit	395,850	135	395,985
Wastewater Utility	5,068,874	18,833	5,087,707
Water Utility	1,872,223	134,936	2,007,159
Storm Water	9,117	-	9,117
<b>Total Depreciation/Amortization Expense</b>	<u>\$ 8,068,070</u>	<u>\$ 154,242</u>	<u>\$ 8,222,312</u>

**CITY OF PETALUMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2025**

**NOTE 6 - LONG-TERM DEBT**

The City generally incurs long-term debt to finance projects or purchase assets, which will have useful lives equal to or greater than the related debt.

**A. The City's Long-Term Debt**

The City's Governmental long-term debt activities for the year ended June 30, 2025 were as follows:

<b>Governmental Activity Debt:</b>	<u>Original Issue Amount</u>	<u>Balance at June 30, 2024</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at June 30, 2025</u>	<u>Amount due within one year</u>
<b>Revenue Bonds:</b>						
2021 Lease Revenue Bonds	\$ 19,125,000	\$ 17,830,000	\$ -	\$ 410,000	\$ 17,420,000	\$ 430,000
Plus: Original issue Premium	-	1,225,135	-	45,375	1,179,760	-
2021 Lease Vehicles	441,102	144,921	-	106,333	38,588	38,588
2022 Lease Vehicles	362,706	183,621	-	69,549	114,072	72,136
2023 Lease Vehicles	257,917	173,521	-	51,202	122,319	55,063
2024 Lease Vehicles & Equipment	1,261,171	1,101,105	144,713	262,770	983,048	284,120
2025 Lease Vehicles	166,860	-	166,860	17,438	149,422	30,307
Total Revenue Bonds		<u>\$ 20,658,303</u>	<u>\$ 311,573</u>	<u>\$ 962,667</u>	<u>\$ 20,007,209</u>	<u>\$ 910,214</u>

**B. Debt Service Requirements**

Future principal and interest payment on Governmental long-term debt at June 30, 2025 were as follows:

<b>Governmental Activity Debt:</b>	<b>2021 Lease Revenue Bond</b>		<b>2021 Lease Liability</b>		<b>2022 Lease Liability</b>		<b>2023 Lease Liability</b>		<b>2024 Lease Liability</b>		<b>2025 Lease Liability</b>	
For the Year												
Ending June 30, 2025	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2026	\$ 430,000	\$ 483,219	\$ 38,588	\$ 402	\$ 72,136	\$ 4,362	\$ 55,063	\$ 7,147	\$ 284,120	\$ 70,287	\$ 30,307	\$ 9,998
2027	450,000	461,719	-	-	41,936	962	57,340	2,993	327,741	45,807	32,614	7,690
2028	460,000	452,719	-	-	-	-	9,916	189	337,334	19,469	35,097	5,207
2029	485,000	429,719	-	-	-	-	-	-	33,853	1,513	37,770	2,535
2030/2034	2,795,000	1,776,894	-	-	-	-	-	-	-	-	13,634	304
2035/2039	3,295,000	1,273,394	-	-	-	-	-	-	-	-	-	-
2040/2044	3,660,000	907,188	-	-	-	-	-	-	-	-	-	-
2045/2049	4,085,000	488,900	-	-	-	-	-	-	-	-	-	-
2050/2051	1,760,000	62,938	-	-	-	-	-	-	-	-	-	-
Outstanding Accumulated Payments and Penalties	17,420,000	6,336,688	38,588	<u>\$ 402</u>	114,072	<u>\$ 5,324</u>	122,319	<u>\$ 10,329</u>	983,048	<u>\$ 137,076</u>	149,422	<u>\$ 25,734</u>
Add: Original Issuance Premium (Discount)	1,179,760		-	-	-	-	-	-	-	-	-	-
Total debt	<u>\$ 18,599,760</u>		<u>\$ 38,588</u>		<u>\$ 114,072</u>		<u>\$ 122,319</u>		<u>\$ 983,048</u>		<u>\$ 149,422</u>	

**CITY OF PETALUMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2025**

**NOTE 6 - LONG-TERM DEBT (Continued)**

**B. Debt Service Requirements, Continued**

Business-type debt activities for the year ended June 30, 2025, were as follows:

<b>Business-Type Activity Debt:</b>	Original Issue Amount	Balance at June 30, 2024	Additions	Retirements	Balance at June 30, 2025	Amount due within one year
<b>Revenue Bonds:</b>						
2012 Water Revenue Refunding Bonds 3.670%, due 5/1/2031	\$ 7,529,000	\$ 3,306,000	\$ -	\$ 436,000	\$ 2,870,000	\$ 452,000
2017 Wastewater Revenue Refunding Bonds 3.125-4.00%, Due 11/01/2036	23,365,000	23,365,000	-	-	23,365,000	-
Plus: Original issue Premium	967,283	560,003	-	50,910	509,093	-
2019 Wastewater Revenue Refunding Bonds 5.00%, Due 05/01/2029	60,775,000	33,575,000	-	6,075,000	27,500,000	6,380,000
Plus: Original issue Premium	13,185,626	6,592,811	-	1,318,563	5,274,248	-
Total Revenue Bonds		<u>67,398,814</u>	<u>-</u>	<u>7,880,473</u>	<u>59,518,341</u>	<u>6,832,000</u>
<b>Notes Payable:</b>						
California Department of Boating and Waterways	3,960,000	8,207,959	307,825	-	8,515,784	-
Total Notes Payable		<u>8,207,959</u>	<u>307,825</u>	<u>-</u>	<u>8,515,784</u>	<u>-</u>
<b>Refunding Obligation:</b>						
2016 Airport Refunding Obligation 2.710%, due 11/1/2025	4,531,000	1,008,000	-	497,000	511,000	511,000
Total Refunding Obligation		<u>1,008,000</u>	<u>-</u>	<u>497,000</u>	<u>511,000</u>	<u>511,000</u>
<b>Lease Liability:</b>						
2021 Lease Liability	60,064	17,729	-	15,150	2,579	2,579
2023 Lease Liability	251,789	192,438	-	48,171	144,267	51,104
2024 Lease Liability	304,202	257,853	-	56,037	201,816	60,603
2025 Lease Liability	22,642	-	22,642	3,072	19,570	4,171
		<u>468,020</u>	<u>22,642</u>	<u>122,430</u>	<u>368,232</u>	<u>118,457</u>
Total Business Type Activity Debt		<u>\$77,082,793</u>	<u>\$ 330,467</u>	<u>\$ 8,499,903</u>	<u>\$68,913,357</u>	<u>\$ 7,461,457</u>

Future principal and interest payment on all Business-type debt were as follows at June 30, 2025:

<b>Business-Type Activity Debt:</b>	Revenue Bonds		Notes Payable		Refunding Obligation		Lease Liability	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
For the Year Ending June 30, 2025								
2026	\$ 6,832,000	\$ 2,277,354	\$ -	\$ -	\$ 511,000	\$ 6,924	\$ 118,457	\$ 24,210
2027	7,169,000	1,941,453	8,515,784	-	-	-	126,978	14,840
2028	7,520,000	1,588,947	-	-	-	-	107,128	5,020
2029	7,890,000	1,219,031	-	-	-	-	14,766	524
2030/2034	14,854,000	2,734,903	-	-	-	-	903	8
2035/2036	9,470,000	228,087	-	-	-	-	-	-
Outstanding Accumulated Payments and Penalties	53,735,000	<u>\$ 9,989,775</u>	8,515,784	<u>\$ -</u>	511,000	<u>\$ 6,924</u>	368,232	<u>\$ 44,602</u>
Add: Original Issuance Premium (Discount)	5,783,341		-		-		-	
Total debt	<u>\$ 59,518,341</u>		<u>\$ 8,515,784</u>		<u>\$ 511,000</u>		<u>\$ 368,232</u>	

**CITY OF PETALUMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2025**

**NOTE 6 - LONG-TERM DEBT (Continued)**

**C. Description of the City's Long-Term Debt Issues**

**2021 Lease Revenue Bonds** - On August 18, 2021, the Petaluma Public Financing Authority issued Lease Revenue Bonds in the amount of \$19,125,000. The proceeds will be used to finance the improvement and rehabilitation of streets in the City. The Bonds mature annually each May 1 from 2022 to 2051, in amounts ranging from \$390,000 to \$890,000 and bear interest ranging between 2.00% - 5.00% Interest is payable semiannually on May 1 and November 1. Total principal and interest remaining to be paid on the Bonds were \$23,756,688 as of June 30, 2025.

The bonds were issued at a premium of \$1,361,260 which is being amortized over the 30-year life of the bonds resulting in an annual amortization of \$45,375.

**2012 Water Revenue Refunding Bonds** - On October 1, 2012, the City issued Water Revenue Bonds, Series 2001 in the amount of \$7,529,000. The proceeds of the bonds were used to refund the 2001 Water Revenue Bonds, and to finance improvements to the Water System. This current refunding was undertaken to reduce debt service payments over the next 20 years by \$72,683 and resulted in an economic gain (difference between the present value of the debt service requirements on the old and new bonds discounted at the effective interest rate on the new debt and adjusted for any additional cash) of \$51,077. The Bonds mature annually each November 1 from 2013 to 2031, in amounts ranging from \$337,000 to \$520,000 and bear interest 3.67% Interest is payable semiannually on May 1 and November 1. The bonds are payable solely from a pledge of and lien upon the net revenues received by the City from the ownership and operation of its Water Utility Fund. 100% of the net revenues are pledged for the debt service. Net revenue and debt service amounts to \$723,545 and \$548,019 in fiscal 2024-25. Total principal and interest remaining to be paid on the Bonds was \$3,187,969 as of June 30, 2025.

**2017 Wastewater Revenue Refunding Bonds** - On June 1, 2017 the City issued Wastewater Revenue Refunding Bonds in the amount of \$23,365,000. The proceeds of the bonds were used to refund and retire the City's 2011 Waste Water Revenue Refunding Bond that are payable from the revenues of the City's wastewater and storm drainage system. The Bonds mature annually each May 1 from 2030 to 2036 in amounts ranging from \$1,775,000 to \$3,905,000 and bear interest at rates ranging from 3.125% to 4.00%. Interest is payable semiannually May 1 and November 1. The bonds are payable solely from a pledge of and lien upon the net revenues received by the City from the ownership and operation of its Wastewater System. 100% of the net revenues are pledged for the debt service. Total principal and interest remaining to be paid on the Bonds was \$29,515,556 as of June 30, 2025.

The bonds were issued at a premium of \$967,283 which is being amortized over the 19-year life of the bonds resulting in an annual amortization of \$50,910.

**2019 Wastewater Revenue Refunding Bonds** - On August 21, 2019 the City issued 2019 Wastewater Revenue Bonds in the amount of \$60,775,000. The proceeds of the bonds were used to refund and retire the outstanding balance of the City's loan with the California State Water Resources Control Board through its State Revolving Fund. The Bonds mature annually each May 1 from 2020 to 2029 in amounts ranging from \$5,000,000 to \$7,385,000 and bear interest at rates of 5.00%. Interest is payable semiannually May 1 and November 1. The bonds are payable solely from a pledge of and lien upon the net revenues received by the City from the ownership and operation of its Wastewater System. 100% of the net revenues are pledged for the debt service. Total principal and interest remaining to be paid on the Bonds was \$31,021,250 as of June 30, 2025.

The bonds were issued at a premium of \$13,185,626 which is being amortized over the 10-year life of the bonds resulting in an annual amortization of \$1,318,563.

**CITY OF PETALUMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2025**

**NOTE 6 - LONG-TERM DEBT (Continued)**

**C. Description of the City's Long-Term Debt Issues, Continued**

**California Department of Boating and Waterways** - On March 11, 1993, the California Department of Boating and Waterways issued a note in the amount of \$3,960,000 to finance construction of the Petaluma Marina. The terms of the loan allow unpaid interest to be added to the outstanding principal. The loan balance is increased by unpaid interest and penalties. The debt is the responsibility of the Marina Fund. The outstanding balance, including accrued interest at June 30, 2025 is \$8,515,784. The City has been attempting to work with the California Department of Boating and Waterways in order to eliminate the liability in the Marina Fund.

**2016 Airport Lease Obligation** – In March of 2016, the Petaluma Public Financing Authority entered into a lease obligation with the City in the amount of \$4,531,000. The proceeds of the lease obligation were used to retire the 2003 Certificates of Participation and the 2005 California Department of Transportation Airport Loans. The lease obligation is payable each November from 2016 to 2025, in amounts ranging from \$388,000 to \$511,000 and bear interest at rate of 2.71%. Interest is payable semiannually on May 1 and November 1. The outstanding principal balance at June 30, 2025 was \$511,000.

**2021 Lease Liability** – On July 6, 2020, the City entered into a lease agreement with Enterprise Fleet Management to acquire the right to use 15 vehicles in the amount of \$501,106 at an interest rate of 3.66% for a period of 60 months. Monthly principal and interest payments were due starting 2021 through 2026. As of June 30, 2025, the outstanding principal balance was \$41,167, of which \$38,588 was reported in governmental activity, and \$2,579 in business-type activity.

**2022 Lease Liability** – On July 20, 2021, the City entered into a lease agreement with Enterprise Fleet Management to acquire the right to use 7 vehicles in the amount of \$337,770 at an interest rate of 3.96% for a period of 60 months. Monthly principal and interest payments were due starting 2022 through 2026. As of June 30, 2025, the outstanding principal balance reported in governmental activity was \$114,072.

**2023 Lease Liability** – On August 3, 2022, the City entered into a lease agreement with Enterprise Fleet Management to acquire the right to use 9 vehicles in the amount of \$509,706 at an interest rate of 6.64% for a period of 60 months. Monthly principal and interest payments were due starting 2023 through 2027. As of June 30, 2025, the outstanding principal balance was \$266,586, of which \$144,267 was reported in governmental activity, and \$122,319 in business-type activity.

**2024 Lease Liability** – On July 1, 2023, the City entered into a lease agreement with Enterprise Fleet Management to acquire the right to use 21 vehicles in the amount of \$1,487,217 at an interest rate of 7.20% - 8.28% for a period of 60 months. Monthly principal and interest payments were due starting 2023 through 2027. As of June 30, 2025, the outstanding principal balance was \$1,015,816, of which \$814,000 was reported in governmental activity, and \$201,816 in business-type activity.

On March 3, 2024, and on November 1, 2023, the City entered into a lease agreement with Kubota Tractor Corporation and Toro Ground master to acquire the right to use of equipment in the amounts of \$78,156, and \$164,439 at an interest rate of 7% and 6.59%, respectively, for a period of 60 months. Principal and interest payments were due starting 2024 through 2028. As of June 30, 2025, the outstanding principal balance reported in the governmental activity was \$169,049.

**2025 Lease Liability** – On April 1, 2025, the City entered into a lease agreement with Enterprise Fleet Management to acquire the right to use 8 vehicles in the amount of \$189,502 at an interest rate of 7.49% for a period of 60 months. Monthly principal and interest payments were due starting 2025 through 2030. As of June 30, 2025, the outstanding principal balance was \$168,992, of which \$149,422 was reported in governmental activity, and \$19,570 in business-type activity.

**CITY OF PETALUMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2025**

**NOTE 7 - DEBT WITHOUT CITY COMMITMENT**

The following bond issues are not reported in the City's financial statements, because they are special obligations payable solely from, and secured by, specific revenue sources described in the resolutions and official statements of the respective issues. Neither the faith and credit, nor the taxing power of the City, the County, the State of California, or any political subdivision thereof, is pledged for payment of these bonds.

Multi-Family Housing Revenue Bonds - the Redevelopment Agency issued \$4,750,000 in Multifamily Housing Revenue Bonds, with a variable rate of interest, not to exceed 12%, with the variable rate to be determined by the marketing agent. The proceeds from the bonds were used to make a loan to Oakmont Retirement Investors, LLC for the purpose of financing the acquisition and construction of a 76-unit assisted living care/multi-family rental facility known as Oakmont at Petaluma. The bonds are special obligation of the former PCDC, payable solely from the rental revenue and other assets pledged or assigned to Payment of the bonds by Windchime of Walnut Creek, LP. These bonds are not recorded as liabilities on the City's financial statements.

On September 19, 2011, the City approved the issuance of the Multi-Family Housing Revenue Bonds in the amount of \$20,000,000 through the California Municipal Financing Agency. The proceeds from the bonds are to be used by the developer, Logan Place, L.P., for the purpose of financing the acquisition and construction of 66-unit, affordable housing development in the City of Petaluma, known as the "Logan Place." The bonds are special obligation of City, the payments of the bonds are solely the responsibility of the Logan Place, L.P. These bonds are not recorded as liabilities on the City's financial statements.

On February 6, 2012, the City approved the issuance of the Multi-Family Housing Revenue Bonds in the amount of \$12,500,000 through the California Municipal Financing Agency. The proceeds from the bonds are to be used by the developer, Petaluma Ecumenical Properties, for the purpose of financing the acquisition and construction of 50-unit, multi-family, low-income senior rental housing development in the City of Petaluma, known as the "Kellgren Senior Apartments." The bonds are special obligation of the City, the payments of the bonds are solely the responsibility of the Petaluma Ecumenical Properties, LLC. These bonds are not recorded as liabilities on the City's financial statements.

On September 15, 2003, former PCDC issued Multi-Family Housing Revenue Bonds and Taxable Multi-Family Housing Revenue Bonds in the amount of \$6,197,000. The proceeds of the bonds were used to finance the construction and equipping of an 81 unit, multi-family, rental housing development in the City of Petaluma, known as the "Downtown River Apartments." The bonds are special obligation of the former PCDC payable solely from rental revenue and other assets pledged or assigned to payment of the bonds by the obligator. These bonds are not recorded as liabilities on the City's financial statements.

On October 5, 2015, the City approved the issuance of the Multi-Family Housing Revenue Bonds in the amount of \$25,000,000 through the California Municipal Financing Agency. The proceeds from the bonds are to be used by the developer, Eden Housing Inc., for the purpose of financing the acquisition and rehabilitation of 2 affordable housing develops, a 32-unit, multi-family, low-income residential rental housing development in the City of Petaluma, known as the "Washington Creek Apartments" and a 74-unit, multi-family, low-income residential rental housing development in the City of Petaluma, known as the "Corona Ranch Apartments." The bonds are special obligation of the City, the payments of the bonds are solely the responsibility of the Eden Housing Inc. These bonds are not recorded as liabilities on the City's financial statements.

**CITY OF PETALUMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2025**

**NOTE 8 - NET POSITION AND FUND BALANCES**

**A. Net Position**

Net position is the excess of all the City's assets and deferred outflows of resources over all its liabilities and deferred inflows of resources, regardless of fund. Net position is divided into three captions on the Statement of Net Position. These captions apply only to net position, which is determined only at the Government-wide level and business type authorities, and are described below:

*Net investment in capital assets* describes the portion of Net Position which is represented by the current net book value of the City's capital assets, less the outstanding balance of any debt issued to finance these assets and related deferred inflows or outflows of resources.

*Restricted* describes the portion of Net Position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the City cannot unilaterally alter. These principally include developer fees received for use on capital projects, debt service requirements, and redevelopment funds restricted to low-and-moderate-income housing purposes.

*Unrestricted* describes the portion of Net Position which is not restricted to use.

**B. Fund Balance**

Governmental fund balances represent the net current position of each fund. Net current position generally represent a fund's cash and receivables, less its liabilities.

The City's fund balances are classified based on spending constraints imposed on the use of resources. For programs with multiple funding sources, the City prioritizes and expends funds in the following order: Restricted, Committed, Assigned, and Unassigned. Each category in the following hierarchy is ranked according to the degree of spending constraint:

*Nonspendable* represents balances set aside to indicate items do not represent available, spendable resources even though they are a component of assets. Fund balances required to be maintained intact, such as Permanent Funds, and assets not expected to be converted to cash, such as prepaids, notes receivable, and land held for redevelopment are included. However, if proceeds realized from the sale or collection of nonspendable assets are restricted, committed or assigned, then Nonspendable amounts are required to be presented as a component of the applicable category.

*Restricted* fund balances have external restrictions imposed by creditors, grantors, contributors, laws, regulations, or enabling legislation which requires the resources to be used only for a specific purpose.

Encumbrances and nonspendable amounts subject to restrictions are included along with spendable resources.

*Committed* fund balances include amounts that can be used only for the specific purposes determined by a formal action of the City Council's highest level of decision-making authority. The City Council can, by adoption of resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

*Assigned* fund balances are amounts constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. Intent is expressed by resolution of the City Council or its designee, City Manager, and may be changed at the discretion of the City Council or its designee. This category includes encumbrances, Nonspendables, when it is the City's intent to use proceeds or collections for a specific purpose, and residual fund balances, if any, of Special Revenue, Capital Projects and Debt Service Funds which have not been restricted or committed.

**CITY OF PETALUMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2025**

**NOTE 8 - NET POSITION AND FUND BALANCES (Continued)**

**B. Fund Balance, Continued**

Unassigned fund balance represents residual amounts that have not been restricted, committed, or assigned. This includes the residual general fund balance and residual fund deficits, if any, of other governmental funds

Detailed classifications of the City's Fund Balances as of June 30, 2025, are below:

Fund Balance Classification	General Fund	Home/Begin Special Revenue	Impact Fees Special Revenue	Successor Housing Special Revenue	Grants and Donations	City Capital Projects	Non-Major Governmental	Total
<b>Nonspendable:</b>								
Items not in spendable form:								
Loans, prepaids and inventories	\$ 265,665	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 181,360	\$ 447,025
Advances to other funds	1,868,061	-	-	-	-	-	-	1,868,061
Subtotal	2,133,726	-	-	-	-	-	181,360	2,315,086
<b>Amounts required to maintain intact:</b>								
Permanent funds	-	-	-	-	-	-	27,896	27,896
Total Nonspendable Fund Balances	2,133,726	-	-	-	-	-	209,256	2,342,982
<b>Restricted for:</b>								
Special projects	-	-	65,779,288	-	5,132,421	-	14,466,481	85,378,190
Low-income housing	-	19,173,043	-	25,505,119	-	-	-	44,678,162
Total Restricted Fund Balances	-	19,173,043	65,779,288	25,505,119	5,132,421	-	14,466,481	130,056,352
<b>Committed to:</b>								
Special projects	-	-	-	-	-	7,975,969	-	7,975,969
Total Committed Fund Balances	-	-	-	-	-	7,975,969	-	7,975,969
<b>Assigned:</b>								
Special projects	16,701,165	-	-	-	-	-	-	16,701,165
Total Assigned Fund Balances	16,701,165	-	-	-	-	-	-	16,701,165
<b>Unassigned:</b>								
Unassigned	-	-	-	-	-	-	(611,676)	(611,676)
Total Unassigned Fund Balances	-	-	-	-	-	-	(611,676)	(611,676)
Total Fund Balance	\$ 18,834,891	\$ 19,173,043	\$ 65,779,288	\$ 25,505,119	\$ 5,132,421	\$ 7,975,969	\$ 14,064,061	\$ 156,464,792

**C. Fund Deficits**

As of June 30, 2025, the following funds had negative net positions:

<b>Nonmajor Governmental Funds</b>	
Fairground	\$ (440,747)
<b>Proprietary Funds</b>	
Development Services	(1,929,243)
Marina	(9,478,193)
<b>Fiduciary Funds - Private Purpose Trust Fund</b>	
Successor Agency to the Redevelopment Agency	(42,333,112)
<b>Internal Service Funds</b>	
Employee Benefit	(4,221,212)
Information Services	(1,833,580)
Workers' Compensation	(669,445)

See Note 13C for further discussion of the Marina Fund. All other deficits are expected to be repaid by future revenues.

**CITY OF PETALUMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2025**

**NOTE 9 – PENSION PLANS**

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

**A. General Information about the Pension Plans and Summary of Balances by Plan**

**Plan Descriptions** – All qualified permanent and probationary employees are eligible to participate in the City’s separate Safety (police and fire) and Miscellaneous (all other) Plans, agent multiple-employer defined benefit pension plans administered by the California Public Employees’ Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

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

Below is a summary of the deferred outflows of resources, net pension liabilities, and deferred inflows of resources by Plan for the year ended June 30, 2025:

	Deferred Outflows of Resources	Net Pension Liability	Deferred Inflows of Resources	Pension Expense
Miscellaneous	\$ 8,088,871	37,940,677	\$ -	\$ 6,575,939
Safety	19,919,190	93,253,477	-	15,074,754
<b>Total</b>	<b>\$ 28,008,061</b>	<b>\$ 131,194,154</b>	<b>\$ -</b>	<b>\$ 21,650,693</b>

**CITY OF PETALUMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2025**

**NOTE 9 – PENSION PLANS (Continued)**

**A. General Information about the Pension Plans and Summary of Balances by Plan, Continued**

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

	Miscellaneous		
	Tier I	Tier II	Tier III
Hire Date	Prior to July 1, 2010	Between July 1, 2010 and December 31, 2012	On or after January 1, 2013
Benefit formula	2% @ 55	2% @ 60	2% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50-63	50-63	52-67
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.092% to 2.418%	1% to 2.5%
Required employee contribution rates	7% - 11%	7% - 11%	8.20% - 11.25%
Required employer contribution rates	9.350%	9.350%	50% of the Total Normal Cost

In addition, the City made a payment to the Miscellaneous Plan's unfunded liability in the amount of \$3,099,565

	Safety		
	Tier I	Tier II	Tier III
Hire Date	Prior to July 1, 2010	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	3% @ 50	3% @ 55	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50-55	50-63	52-67
Monthly benefits, as a % of eligible compensation	1.426% to 2%	2.4% to 3%	2% to 2.7%
Required employee contribution rates	9% - 12%	9% - 12%	12.75% - 13.50%
Required employer contribution rates	20.020%	20.020%	50% of the Total Normal Cost

In addition, the City made a payment to the Safety Plan's unfunded liability in the amount of \$7,810,627

The City's Net pension liability is generally liquidated by the General Fund, Internal Service Funds and, Enterprise Funds

**Employees Covered** – As of measurement dates June 30, 2024, and 2023, the following employees were covered by the benefit terms for each Plan:

	Miscellaneous	
	June 30, 2024	June 30, 2023
Inactive employees or beneficiaries currently receiving benefits	361	358
Inactive employees entitled to but not yet receiving benefits	311	295
Active employees	240	230
<b>Total</b>	<b>912</b>	<b>883</b>

	Safety	
	June 30, 2024	June 30, 2023
Inactive employees or beneficiaries currently receiving benefits	255	253
Inactive employees entitled to but not yet receiving benefits	113	106
Active employees	131	130
<b>Total</b>	<b>499</b>	<b>489</b>

**CITY OF PETALUMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2025**

**NOTE 9 – PENSION PLANS (Continued)**

**A. General Information about the Pension Plans and Summary of Balances by Plan, Continued**

**Contributions** – Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

**B. Net Pension Liability**

The City’s net pension liability for each Plan is measured as the total pension liability, less the pension plan’s fiduciary net position. The net pension liability of each of the Plans is measured as of June 30, 2024, using an annual actuarial valuation as of June 30, 2023, rolled forward to June 30, 2024- using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

**Actuarial Assumptions** – The total pension liabilities in the June 30, 2023, actuarial valuations were determined using the following actuarial assumptions:

	All Plans
Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
Actuarial Cost Method	Entry-Age Actuarial Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Payroll Growth	2.80%
Projected Salary Increase	Varies by Entry Age and Service
Investment Rate of Return	6.8% (1)
Retirement Age	The probabilities of retirement are based on the 2021 CalPERS Experience Study and Review of Actuarial Assumptions.
Mortality	The probabilities of mortality are based on the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. Mortality rates incorporate full generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries.

(1) Net of pension plan investment and administrative expenses, including inflation.

Details of the Experience Study can be found on the CalPERS website under Forms and Publications.

**Change of Assumptions** – There were no assumption changes in 2024. Effective with the June 30, 2021 valuation date (June 30, 2022 measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. In addition, demographic assumptions and the price inflation assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. The accounting discount rate was 7.15% for measurement dates June 30, 2017 through June 30, 2021, 7.65% for measurement dates June 30, 2015 through June 30, 2016, and 7.50% for measurement date June 30, 2014.

**CITY OF PETALUMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2025**

**NOTE 9 – PENSION PLANS (Continued)**

**B. Net Pension Liability, Continued**

**Discount Rate** – The discount rate used to measure the total pension liability was 6.9% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 6.9% percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 6.9% percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds’ asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 basis points. The expected real rates of return by asset class are as follows:

Asset Class	Assumed Asset Allocation	Real Return
Global Equity - Cap-weighted	30.00%	4.54%
Global Equity - Non-Cap-weighted	12.00	3.84
Private Equity	13.00	7.28
Treasury	5.00	0.27
Mortgage-backed Securities	5.00	0.50
Investment Grade Corporates	10.00	1.56
High Yield	5.00	2.27
Emerging Market Debt	5.00	2.48
Private Debt	5.00	3.57
Real Assets	15.00	3.21
Leverage	(5.00)	(0.59)
Total	100%	

(a) An expected inflation of 2.30% used for this period.

(b) Figures are based on the 2021 Asset Liability Management study.

**CITY OF PETALUMA**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2025

**NOTE 9 – PENSION PLANS (Continued)**

**C. Changes in the Net Pension Liability**

The changes in the Net Pension Liability for each Plan follows:

**Miscellaneous Plan:**

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
<b>Balance at June 30, 2023 Measurement Date</b>	\$ 150,614,033	\$ 110,556,590	\$ 40,057,443
<b>Changes in the year:</b>			
Service cost	3,608,481	-	3,608,481
Interest on the total pension liability	10,293,639	-	10,293,639
Differences between actual and expected experience	873,384	-	873,384
Contribution - employer	-	3,841,784	(3,841,784)
Contribution - employee	-	2,654,958	(2,654,958)
Net investment income	-	10,485,488	(10,485,488)
Administrative expenses	-	(89,960)	89,960
Benefit payments , including refunds of employee contributions	(8,216,946)	(8,216,946)	-
<b>Net changes</b>	<b>6,558,558</b>	<b>8,675,324</b>	<b>(2,116,766)</b>
<b>Balance at June 30, 2024 Measurement Date</b>	<b>\$ 157,172,591</b>	<b>\$ 119,231,914</b>	<b>\$ 37,940,677</b>

**Safety Plan:**

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
<b>Balance at June 30, 2023 Measurement Date</b>	\$ 262,200,752	\$ 166,536,384	\$ 95,664,368
<b>Changes in the year:</b>			
Service cost	4,994,534	-	4,994,534
Interest on the total pension liability	17,964,001	-	17,964,001
Differences between actual and expected experience	2,823,410	-	2,823,410
Contribution - employer	-	10,234,649	(10,234,649)
Contribution - employee	-	2,184,560	(2,184,560)
Net investment income	-	15,909,138	(15,909,138)
Administrative expenses	-	(135,511)	135,511
Benefit payments , including refunds of employee contributions	(14,347,169)	(14,347,169)	-
<b>Net changes</b>	<b>11,434,776</b>	<b>13,845,667</b>	<b>(2,410,891)</b>
<b>Balance at June 30, 2024 Measurement Date</b>	<b>\$ 273,635,528</b>	<b>\$ 180,382,051</b>	<b>\$ 93,253,477</b>

**CITY OF PETALUMA**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2025

**NOTE 9 – PENSION PLANS (Continued)**

**C. Changes in the Net Pension Liability, Continued**

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate** – The following presents the net pension liability of the City for each Plan, calculated using the discount rate for each Plan, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>Miscellaneous</u>	<u>Safety</u>
1% Decrease	5.90%	5.90%
Net Pension Liability	\$ 57,593,270	\$ 130,357,727
Current Discount Rate	6.90%	6.90%
Net Pension Liability	\$ 37,940,677	\$93,253,477
1% Increase	7.90%	7.90%
Net Pension Liability	\$ 21,629,298	\$ 62,920,272

**Pension Plan Fiduciary Net Position** – Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

**D. Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions**

For the year ended June 30, 2025, the City recognized pension expense of \$21,650,693. At June 30, 2024 measurement date, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**Miscellaneous Plan:**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 4,623,098	\$ -
Differences between actual and expected experience	1,606,443	-
Net differences between projected and actual earnings on plan investments	1,859,330	-
Total	<u>\$ 8,088,871</u>	<u>\$ -</u>

**Safety Plan:**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 11,307,096	\$ -
Differences between actual and expected experience	4,614,583	-
Changes in assumptions	1,347,413	-
Net differences between projected and actual earnings on plan investments	2,650,098	-
Total	<u>\$ 19,919,190</u>	<u>\$ -</u>

**CITY OF PETALUMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2025**

**NOTE 9 – PENSION PLANS (Continued)**

**D. Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions, Continued**

\$15,930,194 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<i>Miscellaneous Plan:</i>		<i>Safety Plan:</i>	
Year Ended June 30	Annual Amortization	Year Ended June 30	Annual Amortization
2026	\$ 1,274,179	2026	\$ 3,556,878
2027	3,204,965	2027	6,042,245
2028	(428,590)	2028	(87,917)
2029	(584,781)	2029	(899,112)
Total	<u>\$ 3,465,773</u>	Total	<u>\$ 8,612,094</u>

**E. Deferred Public Agency Retirement System**

The City of Petaluma contributes to a Public Agency Retirement System/Alternative Retirement System (PARS), a public agency multiple-employer defined contribution pension trust. PARS provides benefits at the time of retirement, total disability or death. PARS acts as a common investment and administrative agent for participating public agencies. Benefit provisions and all other requirements are established by federal statute and city resolutions. Copies of PARS’ annual financial report may be obtained from their office at 3961 MacArthur Blvd., Suite 200, Newport Beach, CA 92660.

Participants are required to contribute 7% of their annual salary. The City is required to contribute 0.5% of the annual salary of covered participants. The contribution requirements were established on the Adoption Agreement. For fiscal year ended June 30, 2025, the City contributed \$3,496 and the covered employees contributed \$48,940 the total of which met the requirements of the plan.

In the year 2022, The City has evaluated the requirements of GASB Statement No. 84, Fiduciary Activities and GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans and determined that plan didn’t meet the criteria to be reported as a fiduciary activity, as required by the above two statements.

**NOTE 10 – OTHER POST EMPLOYMENT BENEFITS**

**A. General Information about the City’s Other Post Employment Benefit (OPEB) Plan**

**Plan Description** – The City’s Post Employment Benefit Plan is a single-employer defined benefit OPEB plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Governmental Accounting Standards Board Statement No. 75.

**Benefits Provided** – The plan provides healthcare benefits to eligible retirees and their dependents. Benefit provisions are established and may be amended through agreements and memorandums of understanding between the City, its management employees, and the union representing City employees.

**CITY OF PETALUMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2025**

**NOTE 10 – OTHER POST EMPLOYMENT BENEFITS (Continued)**

**A. General Information about the City’s Other Post Employment Benefit (OPEB) Plan, Continued**

The City provides eligible employees who retire with a monthly retiree allowance, currently provided through the California Public Employees’ Retirement System (CALPERS) Health Benefits Program under the Public Employees’ Medical and Hospital Care Act (PEMHCA). The monthly benefit allowance varies by bargaining unit labor contract. The benefit allowances have been long-standing and previously ratified by labor and the City Council through the negotiation process. The dollar amount varies by bargaining units and by years of service. The range of the benefit is \$100 to \$156.83 per month for retirees who satisfy the Plan’s service requirements for a City cash subsidy. The City’s employer contribution for each employee shall be at least the minimum amount required by PEMHCA based on unequal method for retirees participating in PEMHCA healthcare plans. The City pays this contribution directly to CALPERS and any remaining cash subsidy directly to retirees. No dental or vision benefits are provided, except for some retired Council Members. The Plan does not issue a financial report.

In the 1990s, the City adopted various resolutions relating to a health benefit allowance for Council Members. There are six former Council Members receiving a benefit under the resolution ranging from \$100 to \$120 per month. In 1995, State law prohibited newly elected Council Members from receiving the benefit unless on a self-pay basis. The exception would be if a Council Member could retire into CALPERS and was covered under the PEMHCA.

Employees are eligible for retiree health benefits if they retire from the City on or after age 50 and 5 years of CALPERS service or disability. The benefits are available only to employees who retire from the City.

For the year ended June 30, 2025, the City’s contributions to the Plan were \$610,565.

The City’s Total OPEB Liability will be liquidated by the General Fund, Internal Service Funds, and Enterprise Funds.

**Employees Covered by Benefit Terms** – Membership in the plan consisted of the following at the measurement date of June 30, 2024.

Active employees	357
Inactive currently receiving benefits	206
Inactive entitled to but not yet receiving benefits payments	120
Total	683

**CITY OF PETALUMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2025**

**NOTE 10 – OTHER POST EMPLOYMENT BENEFITS (Continued)**

**B. Total OPEB Liability**

*Actuarial Methods and Assumptions* – The City’s total OPEB liability was measured and determined based on the following dates, actuarial methods and assumptions:

*Actuarial Assumptions:*

Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
Contribution Policy	No pre-funding
Discount Rate:	3.93% at June 30, 2024 (Bond Buyer 20-Bond Index)
	3.65% at June 30, 2023 (Bond Buyer 20-Bond Index)
General Inflation	2.5% annually
Salary Increases:	Aggregate -2.75% annually
	Merit - CalPERS 2000-2019 Experience Study
Medical Trend	Non-Medicare - 7.90% for 2026, decreasing to an ultimate rate of 3.45% in 2076
	Medicare (Non-Kaiser) - 6.90% for 2026, decreasing to an ultimate rate of 3.45% in 2076
	Medicare (Kaiser) - 5.65% for 2026, decreasing to an ultimate rate of 3.45% in 2076
Mortality, Retirement, Disability	CalPERS 2000-2019 Experience Study
Mortality Improvement	Mortality projected fully generational with Scale MP-2021

The discount rate was based on the Municipal Bond Rate as of the measurement date.

**C. Changes in Total OPEB Liability**

The changes in the total OPEB liability follows:

	Total OPEB Liability
<b>Balance at June 30, 2023 (Measurement Date)</b>	<u>\$ 14,621,186</u>
Changes in the year:	
Service cost	768,269
Interest on the total OPEB liability	551,308
Actual vs. expected experience	(552,796)
Benefit payments	(570,239)
Net changes	<u>196,542</u>
<b>Balance at June 30, 2024 (Measurement Date)</b>	<u>\$ 14,817,728</u>

**CITY OF PETALUMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2025**

**NOTE 10 – OTHER POST EMPLOYMENT BENEFITS (Continued)**

**D. Sensitivity of the Total OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates**

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

Total OPEB Liability		
Discount Rate - 1% (2.93%)	Current Discount Rate (3.93%)	Discount Rate + 1% (4.93%)
\$ 16,945,913	\$ 14,817,728	\$ 13,074,280

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

Total OPEB Liability		
1% Decrease	Current Trend	1% Increase
\$ 12,933,678	\$ 14,817,728	\$ 17,215,058

**E. OPEB Expenses and Deferred Outflows/Inflows of Resources Related to OPEB**

For the fiscal year ended June 30, 2025, the City recognized OPEB expense of \$430,794. At June 30, 2025, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 610,565	\$ -
Changes in assumptions	975,367	3,680,355
Differences between expected and actual experience	8,103	1,061,637
Total	\$ 1,594,035	\$ 4,741,992

A total of \$610,565 is reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as part of OPEB expense as follows:

Fiscal Year Ending June 30:	
2026	\$ (904,645)
2027	(561,932)
2028	(789,641)
2029	(720,367)
2030	(521,316)
Thereafter	(260,621)
Total	\$ (3,758,522)

**CITY OF PETALUMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2025**

**NOTE 11 – DEFERRED COMPENSATION**

The City offers its employees a deferred compensation plan (Plan) created in accordance with California Government Code Section 53212 and Internal Revenue Code of 1986, Section 457. The Plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or an unforeseeable emergency.

In March 1997, the City amended the Plan's documents to comply with a new federal law. The Plan's assets have been placed into a trust for the exclusive benefit of the employees and their beneficiaries. The City is the administrator of the Plan but the assets are held by an independent investment manager and, therefore, are not recorded as assets of the City. Each employee directs the investment of the assets in his or her account.

In the year 2021, The City has evaluated the requirements of GASB Statement No. 84, Fiduciary Activities and GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans and determined that plan didn't meet the criteria to be reported as a fiduciary activity, as required by the above two statements. Moreover, the plan is classified as other employee benefits for financial reporting purposes.

**NOTE 12 - RISK MANAGEMENT**

The City provides coverage up to a maximum of \$750,000 for each general liability claim. The City is a member of a public entity risk pool, which provides liability coverage of up to \$40,000,000 per occurrence, including the City's risk-limit. The actuarially determined liability at June 30, 2025, for general liability was \$1,826,257 which includes an estimate for incurred, but not reported claims.

The amounts of coverage for the risk retention, pool participation, purchased insurance and cost reimbursed benefits have not changed from the prior year. The amount of settled claims has not exceeded the maximum coverage in any of the past three years, under risk retention, pool participation, purchased insurance and cost reimbursed plans.

The public entity risk pool (Pool), to which the City belongs, assesses each member an annual contribution to cover claims, operating costs and claim settlement expenses. The Pool has a multi-level risk sharing arrangement for its liability program. Members assume their own losses, up to their retention level. Losses in excess of the retention are paid out of a central pool maintained by the Pool for each of the four levels of coverage. This central pool is funded by all of the members participating in that program layer through contributions. Losses in excess of participation limits and coverages are the responsibility of the individual member from which the loss or claim originated.

The City provides coverage up to a maximum of \$1,000,000 for each workers' compensation claim. In addition, the City carries excess insurance which provides liability coverage up to the statutory limit. The actuarially determined liability as of June 30, 2025 for workers' compensation was \$16,620,732 which includes an estimate for incurred, but not reported claims.

Most funds of the City participate in the retention program and make payments to the Risk Management Fund and the Workers' Compensation Fund, based on budgetary estimates of the amounts needed to pay prior and current year claims, and to establish a reserve for catastrophic losses.

**CITY OF PETALUMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2025**

**NOTE 12 RISK MANAGEMENT (Continued)**

The accrued claims liability reported in the risk funds as of June 30, 2025, is based upon the requirement of GASB Statement No.10. This statement requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Liabilities for future claims and payments for workers' compensation were based on an actuarial study, which was completed for the year ended June 30, 2025. Liabilities for future claims and payments for general liability were determined by management, based on the results of the actuarial study as of June 30, 2025.

The following is a reconciliation of changes in the aggregate liabilities for claims for the years ended June 30, 2025, 2024, and 2023:

For the Years Ended June 30,	Claims Payable July 1,	Claims Incurred	Claims Payments	Claims Payable June 30,	Claims Payable Due within One Year
2023	\$ 13,337,583	\$ 3,549,839	\$ (1,641,064)	\$ 15,246,358	\$ 3,221,523
2024	15,246,358	3,996,901	(2,444,067)	16,799,192	3,688,107
2025	16,799,192	3,446,899	(1,814,761)	18,431,330	4,252,968

Employee medical, disability and life insurance benefits are also purchased. The City self-insures for additional employee benefit insurance such as dental, vision and unemployment, on a cost reimbursement basis, up to defined annual maximums. No liability has been accrued for these claims, as they are deemed immaterial.

**NOTE 13 - COMMITMENTS AND CONTINGENCIES**

**A. *Litigation***

The City participates in several Federal and State grant programs. These programs are subject to the audits by the City's independent accountants in accordance with the provisions of the Federal Single Audit Act and applicable State requirements. In addition, these programs are subject to further examination by the grantors and the amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

The City is subject to litigation arising in the normal course of business. In the opinion of the City Attorney there is no other pending litigation, which is likely to have a material adverse effect on the financial position of the City.

**B. *Construction and Other Commitments***

The City's governmental funds had year-end commitments at June 30, 2025 totaling \$1,985,221 for construction related contracts awarded, but not completed, and proprietary funds in the amount of \$23,837,006. In addition, the City's governmental funds had outstanding professional service contracts at year-end in the amount of \$10,650,441 and proprietary funds in the amount of \$9,725,382.

**CITY OF PETALUMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2025**

**NOTE 13 - COMMITMENTS AND CONTINGENCIES (Continued)**

**C. Marina Enterprise Fund Finances**

At June 30, 2025, the Marina Enterprise Fund had \$0 in cash while accumulated deficit was \$9.5 million. As discussed in Note 6C, the Marina Enterprise Fund had an outstanding loan of \$8.5 million payable to the California Department of Boating and Waterways, to which the City has not made payments since 2000. The City has been working with the Department in order to eliminate the loan.

**NOTE 14 – POLLUTION REMEDIATION OBLIGATIONS**

In accordance with GASB Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations, the City is required to estimate the components of expected pollution remediation outlays and determine whether outlays for those components should be accrued as liabilities or, if appropriate, capitalized when goods and services are acquired if one of the following five specified obligating events occurs:

- The City is compelled to take pollution remediation action because of an imminent endangerment;
- The City violates a pollution prevention-related permit or license;
- The City is named, or evidence indicates that it will be named, by a regulator as a responsible party or potentially responsible party for remediation, or as a government responsible for sharing costs;
- The City is named, or evidence indicates that it will be named, in a lawsuit to compel participation in pollution remediation
- The City commences or legally obligates itself to commence pollution remediation.

At June 30, 2025, the City identified the following site which met one of the above obligating events:

**Payran Street Site** 301 Payran Street, site of a former fire station and underground storage tank, has had an extensive history of subsurface investigations and remediation work since approximately 1988. Groundwater sampling and analysis has confirmed that both onsite and offsite groundwater is impacted with petroleum hydrocarbons. The State Water Resources and Control Board is the Local Oversight Program (LOP) and has approved a plan developed by Edd Clark & Associates (ECA) for site closure. ECA has performed multiple remediation methods to clean the site, including High Vacuum Dual Phase Extraction (HVDPE), groundwater extraction, and hydrogen peroxide injection. The currently remediation procedures began 2024 requiring multiple events and extending through 2025 into 2026. Remediation is expected to be complete in 2026.

**NOTE 15 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES**

**A. Redevelopment Dissolution**

Effective January 31, 2012, all Redevelopment Agencies were dissolved. Certain assets of the former Redevelopment Agency Low and Moderate Income Housing Fund were distributed to a Housing Successor; and all remaining former Redevelopment Agency assets and liabilities were distributed to the Successor Agency.

**CITY OF PETALUMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2025**

**NOTE 15 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES**

**(Continued)**

**A. *Redevelopment Dissolution, Continued***

ABx1 26 and AB1484 direct the State Controller to review the activities of all former redevelopment agencies and successor agencies to determine whether an asset transfer between a former redevelopment agency and any public agency occurred on or after January 1, 2011. If an asset transfer did occur and the public agency that received the asset is not contractually committed to a third party for the expenditure or encumbrance of the asset, the legislation purports to require the State Controller to order the asset returned to the redevelopment agency. In February 2015, the California State Controller’s Office (SCO) concluded that \$1.7 million in loan repayments made by the former Petaluma Community Development Commission (PCDC) to the City prior to the dissolution of the PCDC must be turned over to the Successor Agency. Petaluma submitted a letter stating its disagreement with the SCO. In addition to the loan repayment, the City and the California Department of Finance have litigated over the use of \$7.7 million in 2011 bond proceeds to fund the Rainer Crosstown Connector Highway Project. The litigation portion is complete however the decision on the use of bond proceeds is pending due to the complexity of the case and State law. It is anticipated the funds will be released for use however at this point it is unknown.

Cash and investments of the Successor Agency as of June 30, 2025, are discussed in Note 2. Information presented in the following footnotes represents other assets and liabilities of the Successor Agency as of June 30, 2025.

**B. *Notes Receivable***

The Successor Agency assumed the Storefront Loan Program of the PCDC as of February 1, 2012, which offers low interest loans to property owners with buildings located in the Central Business District (Downtown) as an incentive to make improvements to the exterior storefronts. At June 30, 2025, the remaining outstanding balance has been fully paid off.

**C. *Long-Term Debt***

***Current Year Transactions and Balances***

All of the long-term debt of the Successor Agency is comprised of Tax Allocation Bonds issued by the Redevelopment Agency. The Bonds are special obligations of the Agency and are secured only by the Agency’s tax increment revenues. Tax Allocation Bond transactions were as follows:

<b>Successor Agency Debt:</b>	Original Issue Amount	Balance at June 30, 2024	Additions	Retirements	Balance at June 30, 2025	Amount due within one year
<b>Tax Allocation Bonds:</b>						
2015 Tax Allocation Bonds, Series A 3.73%, due 5/1/2033	\$19,545,000	\$13,850,000	\$ -	\$ 770,000	\$13,080,000	\$ 790,000
2015 Tax Allocation Bonds, Series B 3.25%, due 5/1/2030	16,060,000	7,650,000	-	1,170,000	6,480,000	1,210,000
2017 Tax Allocation Refunding Bonds 3.00-4.00%, due 11/01/2039	35,945,000	27,280,000	-	430,000	26,850,000	430,000
Plus: Original issue Premium	491,287	312,639	-	22,331	290,308	
Total Tax Allocation Bonds		<u>\$49,092,639</u>	<u>\$ -</u>	<u>\$ 2,392,331</u>	<u>\$46,700,308</u>	<u>\$ 2,430,000</u>

**CITY OF PETALUMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2025**

**NOTE 15 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES**

**(Continued)**

**C. Long-Term Debt, Continued**

***Redevelopment Agency Tax Allocation Bonds***

**2015 Series A & B Tax Allocation Bonds** - On March 1, 2015 the former PCDC issued Refunding Tax Allocation Bonds, Series 2015A & B Tax Allocation Bonds in the amount of \$19,545,000 and \$16,060,000. The proceeds of the bonds will be used to refund the 2003A and 2005A Tax Allocation Bonds. The Bonds mature annually each May from 2016 to 2033, and May 2016 to 2030, respectively, in amounts ranging from \$325,000 to \$3,950,000 and from \$35,000 to \$685,000 and bear interest rates of 3.73% and 3.25%. Interest is payable semiannually on May 1 and November 1. The bonds are payable solely from secured tax revenues.

**2017 Tax Allocation Refunding Bonds** - On May 31, 2017 the Petaluma Community Development Successor Agency issued Tax Allocation Refunding Bonds in the amount of \$35,945,000. The proceeds of the bonds will be used to refund the Tax Allocation Bonds, Series 2007 and Subordinate Tax Allocation Bonds, Series 2011. The Bonds mature annually each November from 2017 to 2039 in amounts ranging from \$355,000 to \$4,060,000 and bear interest rates of 2.00% and 4.00%. Interest is payable semiannually on May 1 and November 1. The bonds are payable solely from secured tax revenues.

The bonds were issued at a premium of \$491,287 which is being amortized over the 22-year life of the bonds resulting in an annual amortization of \$22,331.

As discussed above, the former PCDC has pledged tax increment revenues for the repayment of the Tax Allocation Bonds. In future years, annual principal and interest payments on Tax Allocation Bonds are expected to require 29% of tax incremental revenues. The total principal and interest remaining to be paid on the Bonds at June 30, 2025 was \$59,386,502. With the dissolution of the Redevelopment Agency discussed above, Tax Increment is no longer distributed, and instead the Successor Agency receives payments from the County's Redevelopment Property Tax Trust Fund (RPTTF) that are to be used to fund debt service on the Bonds, with no distinction between housing and non-housing revenues. The RPTTF received for fiscal year 2024-2025 was \$4,212,532 which represented coverage of 105% of the \$4,023,126 of debt service.

**2003A and 2005A Tax Allocation Bonds** - As of June 30, 2025, the outstanding defeased balance related to the 2003A and 2005A Tax Allocation Bonds was \$12,385,000 and \$6,450,000, respectively.

**2007 and 2011 Tax Allocation Bonds** - As of June 30, 2025 the outstanding defeased balance related to the 2007 and 2011 Tax Allocation Bonds was \$26,935,000 and \$0, respectively.

**CITY OF PETALUMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2025**

**NOTE 15 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES**

**(Continued)**

**D. Debt Service Requirements**

Annual debt service requirements are shown below:

For the Year Ending June 30,	Tax Allocation Bonds	
	Principal	Interest
2026	\$ 2,430,000	\$ 1,568,679
2027	2,510,000	1,481,884
2028	2,595,000	1,392,103
2029	2,690,000	1,299,338
2030	3,130,000	1,203,151
2031-2035	13,990,000	4,403,470
2036-2040	19,065,000	1,627,878
Outstanding Accumulated Payments and Penalties	46,410,000	14,629,628
Less: Original Issuance Premium (Discount)	290,308	
Total Payments due	<u>\$ 46,700,308</u>	

**E. Commitments and Contingencies State Approval of Enforceable Obligations**

The Successor Agency prepares a Recognized Obligation Payment Schedule (ROPS) semi-annually that contains all proposed expenditures for the subsequent six-month period. The ROPS is subject to the review and approval of the Oversight Board as well as the State Department of Finance. Although the State Department of Finance may not question items included on the ROPS in one period, they may question the same items in a future period and disallow associated activities. The amount, if any, of current obligations that may be denied by the State Department of Finance cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

**NOTE 16 – RESTATEMENTS**

The City’s restatements for the fiscal year ended June 30, 2025, were as follows:

	Funds		Government-Wide
	Grant and Donations Fund	Nonmajor Governmental Funds	Governmental Activities
Fund Balance/net position as previously reported at June 30, 2024	\$ -	\$ 23,020,420	\$ 256,278,745
Change within financial reporting entity (nonmajor to major)	823,908	(823,908)	-
Fund Balance/net position as restated at June 30, 2024	<u>\$ 823,908</u>	<u>\$ 22,196,512</u>	<u>\$ 256,278,745</u>

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# REQUIRED SUPPLEMENTARY INFORMATION

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**City of Petaluma Agent Multiple-employer Defined Benefit Plans  
As of June 30, 2025**

Last 10 years

**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS**

Measurement Date:	<i>MISCELLANEOUS PLAN</i>									
	6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019	6/30/2020	6/30/2021	6/30/2022	6/30/2023	6/30/2024
<b>TOTAL PENSION LIABILITY</b>										
Service Cost	\$ 2,007,788	\$ 2,017,338	\$ 2,343,412	\$ 2,452,860	\$ 2,267,931	\$ 2,418,103	\$ 2,388,256	\$ 2,890,530	\$ 3,238,912	\$ 3,608,481
Interest	7,267,715	7,469,079	7,655,833	7,911,849	8,339,289	8,755,819	9,077,638	9,302,197	9,868,775	10,293,639
Changes of Benefit Terms	-	-	-	-	-	-	-	-	210,136	-
Changes of Assumptions	(1,694,544)	-	6,039,854	(662,917)	-	-	-	3,958,306	-	-
Difference Between Expected and Actual Experience	(848,115)	(1,631,258)	(1,001,955)	(230,240)	1,696,254	1,572,996	319,069	(430,856)	3,300,157	873,384
Benefit Payments, Including Refunds of Employee Contributions	(4,871,008)	(5,162,636)	(5,332,945)	(5,827,389)	(6,153,231)	(6,706,182)	(7,247,992)	(7,532,025)	(7,799,859)	(8,216,946)
<b>Net Change in Total Pension Liability</b>	<b>1,861,836</b>	<b>2,692,523</b>	<b>9,704,199</b>	<b>3,644,163</b>	<b>6,150,243</b>	<b>6,040,736</b>	<b>4,536,971</b>	<b>8,188,152</b>	<b>8,818,121</b>	<b>6,558,558</b>
<b>Total Pension Liability - Beginning</b>	<b>98,977,089</b>	<b>100,838,925</b>	<b>103,531,448</b>	<b>113,235,647</b>	<b>116,879,810</b>	<b>123,030,053</b>	<b>129,070,789</b>	<b>133,607,760</b>	<b>141,795,912</b>	<b>150,614,033</b>
<b>Total Pension Liability - Ending (a)</b>	<b>\$ 100,838,925</b>	<b>\$ 103,531,448</b>	<b>\$ 113,235,647</b>	<b>\$ 116,879,810</b>	<b>\$ 123,030,053</b>	<b>\$ 129,070,789</b>	<b>\$ 133,607,760</b>	<b>\$ 141,795,912</b>	<b>\$ 150,614,033</b>	<b>\$ 157,172,591</b>
<b>PLAN FIDUCIARY NET POSITION</b>										
Contributions - Employer	\$ 1,990,786	\$ 2,382,217	\$ 2,624,811	\$ 5,913,026	\$ 2,217,461	\$ 2,509,179	\$ 2,850,083	\$ 3,386,510	\$ 3,696,621	\$ 3,841,784
Contributions - Employee	889,286	936,978	976,772	1,362,257	1,613,907	1,632,423	1,642,931	1,991,427	2,269,222	2,654,958
Net Investment Income	1,767,481	386,997	8,528,004	7,122,301	6,003,561	4,736,510	21,678,368	(8,725,805)	6,462,141	10,485,488
Benefit Payments, Including Refunds of Employee Contributions	(4,871,008)	(5,162,636)	(5,332,945)	(5,827,389)	(6,153,231)	(6,706,182)	(7,247,992)	(7,532,025)	(7,799,859)	(8,216,946)
Net Plan to Plan Resource Movement	-	-	2,139	(215)	-	-	-	-	-	-
Administrative Expense	(89,077)	(48,215)	(114,583)	(131,351)	(65,997)	(135,474)	(98,031)	(72,859)	(77,952)	(89,960)
Other Miscellaneous Income	-	-	-	(249,437)	215	-	-	-	-	-
<b>Net Change in Fiduciary Net Position</b>	<b>(312,532)</b>	<b>(1,504,659)</b>	<b>6,684,198</b>	<b>8,189,192</b>	<b>3,615,916</b>	<b>2,036,456</b>	<b>18,825,359</b>	<b>(10,952,752)</b>	<b>4,550,173</b>	<b>8,675,324</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>79,425,238</b>	<b>79,112,706</b>	<b>77,608,047</b>	<b>84,292,245</b>	<b>92,481,437</b>	<b>96,097,353</b>	<b>98,133,809</b>	<b>116,959,169</b>	<b>106,006,417</b>	<b>110,556,590</b>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 79,112,706</b>	<b>\$ 77,608,047</b>	<b>\$ 84,292,245</b>	<b>\$ 92,481,437</b>	<b>\$ 96,097,353</b>	<b>\$ 98,133,809</b>	<b>\$ 116,959,168</b>	<b>\$ 106,006,417</b>	<b>\$ 110,556,590</b>	<b>\$ 119,231,914</b>
<b>Plan Net Position Liability (Asset) Ending (a) - (b)</b>	<b>\$ 21,726,219</b>	<b>\$ 25,923,401</b>	<b>\$ 28,943,402</b>	<b>\$ 24,398,373</b>	<b>\$ 26,932,700</b>	<b>\$ 30,936,980</b>	<b>\$ 16,648,592</b>	<b>\$ 35,789,495</b>	<b>\$ 40,057,443</b>	<b>\$ 37,940,677</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	<b>78.48%</b>	<b>74.96%</b>	<b>74.44%</b>	<b>79.13%</b>	<b>78.11%</b>	<b>76.03%</b>	<b>87.54%</b>	<b>74.76%</b>	<b>73.40%</b>	<b>75.86%</b>
<b>Covered Payroll</b>	<b>\$ 13,001,281</b>	<b>\$ 13,272,833</b>	<b>\$ 14,000,551</b>	<b>\$ 14,820,907</b>	<b>\$ 14,028,153</b>	<b>\$ 15,179,537</b>	<b>\$ 15,508,156</b>	<b>\$ 18,704,640</b>	<b>\$ 21,394,148</b>	<b>\$ 21,811,628</b>
<b>Plan Net Pension Liability/(Asset) as a Percentage of Covered Payroll</b>	<b>167.11%</b>	<b>195.31%</b>	<b>206.73%</b>	<b>164.62%</b>	<b>191.99%</b>	<b>203.81%</b>	<b>107.35%</b>	<b>191.34%</b>	<b>187.24%</b>	<b>173.95%</b>

**Notes to Schedule:**

**Benefit changes:** The figures above generally include any liability impact that may have resulted from voluntary benefit changes that occurred on or before the Measurement Date. However, offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes) that occurred after the Valuation Date are not included in the figures above, unless the liability impact is deemed to be material by the plan actuary.

**Changes of Assumptions:** There were no assumption changes in 2023 or 2024. Effective with the June 30, 2021, valuation date (June 30, 2022, measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. In addition, demographic assumptions and the price inflation assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. The accounting discount rate was 7.15% for measurement dates June 30, 2017, through June 30, 2021, and 7.65% for measurement dates June 30, 2015, through June 30, 2016.

**City of Petaluma Agent Multiple-employer Defined Benefit Plans**  
**For the fiscal year ended June 30, 2025**  
**Last 10 years**  
**SCHEDULE OF CONTRIBUTIONS**

	<i>MISCELLANEOUS PLAN</i>									
	Fiscal Year 2015-16	Fiscal Year 2016-17	Fiscal Year 2017-18	Fiscal Year 2018-19	Fiscal Year 2019-20	Fiscal Year 2020-21	Fiscal Year 2021-22	Fiscal Year 2022-23	Fiscal Year 2023-24	Fiscal Year 2024-25
Actuarially determined contribution	\$ 2,382,217	\$ 2,624,811	\$ 2,396,097	\$ 2,217,461	\$ 2,509,179	\$ 2,850,083	\$ 3,386,510	\$ 3,696,621	\$ 3,841,784	\$ 4,623,098
Contribution in relation to the actuarially determined contributions	(2,382,217)	(2,624,811)	(5,913,026)	(2,217,461)	(2,509,179)	(2,850,083)	(3,386,510)	(3,696,621)	(3,841,784)	(4,623,098)
Contribution deficiency (excess)	\$ -	\$ -	\$ (3,516,929)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Covered payroll \$ 13,272,833 \$ 14,000,551 \$ 14,820,907 \$ 14,028,153 \$ 15,179,537 \$ 15,508,156 \$ 18,704,640 \$ 21,394,148 \$ 21,811,628 \$ 26,495,612

Contributions as a percentage of covered payroll 17.95% 18.75% 39.90% 15.81% 16.53% 18.38% 18.11% 17.28% 17.61% 17.45%

**Notes to Schedule**

Valuation date: 6/30/2014 6/30/2015 6/30/2016 6/30/2017 6/30/2018 6/30/2019 6/30/2020 6/30/2021 6/30/2022 6/30/2023

The actuarial methods and assumptions used to determine contributions were:

- Actuarial cost method Entry age normal
- Amortization method Level of percent of pay
- Asset valuation method Fair value of assets
- Inflation 2.30%
- Salary increases Varies by entry age and service
- payroll growth 2.80%
- Investment rate of return 6.80%
- Retirement age
- Mortality

The probabilities of retirement are based on the 2021 CalPERS Experience Study and Review of Actuarial Assumptions.  
The probabilities of mortality are based on the 2021 CalPERS Experience Study and Review of Actuarial Assumptions.  
Mortality rates incorporate full generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries.

**City of Petaluma Agent Multiple-employer Defined Benefit Plans**

**As of June 30, 2025**

**Last 10 years**

**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS**

Measurement Date:	SAFETY PLAN									
	6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019	6/30/2020	6/30/2021	6/30/2022	6/30/2023	6/30/2024
<b>TOTAL PENSION LIABILITY</b>										
Service Cost	\$ 3,115,595	\$ 3,034,176	\$ 3,646,598	\$ 3,691,563	\$ 3,739,059	\$ 3,793,765	\$ 3,991,665	\$ 4,498,565	\$ 4,520,240	\$ 4,994,534
Interest	12,221,159	12,650,095	13,084,036	13,623,550	14,341,094	14,944,956	15,713,626	16,335,007	17,218,322	17,964,001
Changes of Benefit Terms	(3,032,668)	-	-	-	-	-	-	-	125,780	-
Changes of Assumptions	-	-	11,023,088	(821,854)	-	-	-	8,084,483	-	-
Difference Between Expected and Actual Experience	(423,859)	(1,118,953)	(297,700)	1,060,333	2,573,806	927,352	3,350,559	1,263,175	5,057,349	2,823,410
Benefit Payments, Including Refunds of Employee Contributions	(8,276,688)	(8,863,457)	(9,302,702)	(9,589,184)	(10,164,976)	(11,013,516)	(11,861,680)	(12,814,603)	(13,637,180)	(14,347,169)
<b>Net Change in Total Pension Liability</b>	<b>3,603,539</b>	<b>5,701,861</b>	<b>18,153,320</b>	<b>7,964,408</b>	<b>10,488,983</b>	<b>8,652,557</b>	<b>11,194,170</b>	<b>17,366,627</b>	<b>13,284,511</b>	<b>11,434,776</b>
<b>Total Pension Liability - Beginning</b>	<b>165,790,776</b>	<b>169,394,315</b>	<b>175,096,176</b>	<b>193,249,496</b>	<b>201,213,904</b>	<b>211,702,887</b>	<b>220,355,444</b>	<b>231,549,614</b>	<b>248,916,241</b>	<b>262,200,752</b>
<b>Total Pension Liability - Ending (a)</b>	<b>\$ 169,394,315</b>	<b>\$ 175,096,176</b>	<b>\$ 193,249,496</b>	<b>\$ 201,213,904</b>	<b>\$ 211,702,887</b>	<b>\$ 220,355,444</b>	<b>\$ 231,549,614</b>	<b>\$ 248,916,241</b>	<b>\$ 262,200,752</b>	<b>\$ 273,635,528</b>
<b>PLAN FIDUCIARY NET POSITION</b>										
Contributions - Employer	\$ 4,384,155	\$ 4,894,550	\$ 5,735,707	\$ 9,856,013	\$ 6,295,736	\$ 7,037,426	\$ 7,777,765	\$ 8,485,617	\$ 9,494,687	\$ 10,234,649
Contributions - Employee	1,037,804	1,025,996	1,300,945	1,347,243	1,382,382	1,419,769	1,687,498	1,740,753	1,887,805	2,184,560
Net Investment Income	2,505,960	588,669	12,302,444	10,381,838	8,721,753	7,003,170	32,531,466	(13,152,998)	9,805,300	15,909,138
Benefit Payments, Including Refunds of Employee Contributions	(8,276,688)	(8,863,457)	(9,302,702)	(9,589,184)	(10,164,976)	(11,013,516)	(11,861,680)	(12,814,603)	(13,637,180)	(14,347,169)
Net Plan to Plan Resource Movement	61,599	-	-	(314)	-	-	-	-	-	-
Administrative Expense	(130,196)	(70,508)	(167,231)	(191,879)	(96,036)	(198,373)	(144,809)	(108,985)	(116,997)	(135,511)
Other Miscellaneous Income	-	-	-	(364,382)	314	-	-	-	-	-
<b>Net Change in Fiduciary Net Position</b>	<b>(417,366)</b>	<b>(2,424,750)</b>	<b>9,869,163</b>	<b>11,439,335</b>	<b>6,139,173</b>	<b>4,248,476</b>	<b>29,990,240</b>	<b>(15,850,216)</b>	<b>7,433,615</b>	<b>13,845,667</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>116,108,714</b>	<b>115,691,348</b>	<b>113,266,598</b>	<b>123,135,761</b>	<b>134,575,096</b>	<b>140,714,269</b>	<b>144,962,745</b>	<b>174,952,985</b>	<b>159,102,769</b>	<b>166,536,384</b>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 115,691,348</b>	<b>\$ 113,266,598</b>	<b>\$ 123,135,761</b>	<b>\$ 134,575,096</b>	<b>\$ 140,714,269</b>	<b>\$ 144,962,745</b>	<b>\$ 174,952,985</b>	<b>\$ 159,102,769</b>	<b>\$ 166,536,384</b>	<b>\$ 180,382,051</b>
<b>Plan Net Position Liability (Asset) - Ending (a) - (b)</b>	<b>\$ 53,702,967</b>	<b>\$ 61,829,578</b>	<b>\$ 70,113,735</b>	<b>\$ 66,638,808</b>	<b>\$ 70,988,618</b>	<b>\$ 75,392,699</b>	<b>\$ 56,596,629</b>	<b>\$ 89,813,472</b>	<b>\$ 95,664,368</b>	<b>\$ 93,253,477</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	<b>68.30%</b>	<b>64.69%</b>	<b>63.72%</b>	<b>66.88%</b>	<b>66.47%</b>	<b>65.79%</b>	<b>75.56%</b>	<b>63.92%</b>	<b>63.51%</b>	<b>65.92%</b>
<b>Covered Payroll</b>	<b>\$ 11,238,710</b>	<b>\$ 11,313,110</b>	<b>\$ 12,054,472</b>	<b>\$ 12,578,583</b>	<b>\$ 12,655,583</b>	<b>\$ 12,812,444</b>	<b>\$ 13,927,653</b>	<b>\$ 14,867,490</b>	<b>\$ 16,003,589</b>	<b>\$ 17,930,809</b>
<b>Plan Net Pension Liability/(Asset) as a Percentage of Covered Payroll</b>	<b>477.84%</b>	<b>546.53%</b>	<b>581.64%</b>	<b>529.78%</b>	<b>560.93%</b>	<b>588.43%</b>	<b>406.36%</b>	<b>604.09%</b>	<b>597.77%</b>	<b>520.07%</b>

**Notes to Schedule:**

**Benefit changes:** The figures above generally include any liability impact that may have resulted from voluntary benefit changes that occurred on or before the Measurement Date. However, offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes) that occurred after the Valuation Date are not included in the figures above, unless the liability impact is deemed to be material by the plan actuary.

**Changes of Assumptions:** There were no assumption changes in 2023 or 2024. Effective with the June 30, 2021, valuation date (June 30, 2022, measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. In addition, demographic assumptions and the price inflation assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. The accounting discount rate was 7.15% for measurement dates June 30, 2017, through June 30, 2021, and 7.65% for measurement dates June 30, 2015, through June 30, 2016.

**City of Petaluma Agent Multiple-employer Defined Benefit Plans**  
**For the fiscal year ended June 30, 2025**  
**Last 10 years**  
**SCHEDULE OF CONTRIBUTIONS**

	<i>SAFETY PLAN</i>									
	Fiscal Year 2015-16	Fiscal Year 2016-17	Fiscal Year 2017-18	Fiscal Year 2018-19	Fiscal Year 2019-20	Fiscal Year 2020-21	Fiscal Year 2021-22	Fiscal Year 2022-23	Fiscal Year 2023-24	Fiscal Year 2023-24
Actuarially determined contribution	\$ 4,894,550	\$ 5,735,707	\$ 5,882,658	\$ 6,295,736	\$ 7,037,426	\$ 7,786,832	\$ 10,234,649	\$ 8,485,617	\$10,234,649	\$11,307,096
Contribution in relation to the actuarially determined contributions	(4,894,550)	(5,735,707)	(9,856,013)	(6,295,736)	(7,037,426)	(7,786,832)	(10,234,649)	(8,485,617)	(10,234,649)	(11,307,096)
Contribution deficiency (excess)	\$ -	\$ -	\$ (3,973,355)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 11,313,110	\$ 12,054,472	\$ 12,578,583	\$ 12,655,472	\$ 12,812,444	\$ 13,927,653	\$ 14,867,490	\$ 16,003,589	\$ 17,930,809	\$ 18,465,978
Contributions as a percentage of covered payroll	43.26%	47.58%	78.36%	49.75%	54.93%	55.91%	68.84%	53.02%	57.08%	61.23%

**Notes to Schedule**

Valuation date:	6/30/2014	6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019	6/30/2020	6/30/2021	6/30/2022	6/30/2023
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The actuarial methods and assumptions used to determine contributions were:

Actuarial cost method	Entry age normal
Amortization method	Level of percent of pay
Asset valuation method	Fair value of assets
Inflation	2.30%
Salary increases	Varies by entry age and service
payroll growth	2.80%
Investment rate of return	6.80%
Retirement age	The probabilities of retirement are based on the 2021 CalPERS Experience Study and Review of Actuarial Assumptions.
Mortality	The probabilities of mortality are based on the 2021 CalPERS Experience Study and Review of Actuarial Assumptions.

Mortality rates incorporate full generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries.

**CITY OF PETALUMA**  
**Required supplemental Information**  
**For the fiscal year ended June 30, 2025**  
**SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS**  
**OPEB Plan - Single Employer**  
**Last 10 years\***

<i>Measurement Period</i>	6/30/2018	6/30/2019	6/30/2020	6/30/2021	6/30/2022	6/30/2023	6/30/2024
<b>Total OPEB Liability</b>							
Service Cost	\$ 985,423	\$ 945,118	\$ 798,042	\$ 1,144,593	\$ 1,089,438	\$ 781,814	\$ 768,269
Interest on the total OPEB liability	590,974	653,601	516,603	421,950	382,131	533,129	551,308
Actual vs. expected experience	-	-	-	(1,548,253)	-	10,717	-
Changes of assumptions	(696,520)	(3,089,676)	3,192,107	(820,930)	(3,247,287)	(712,337)	(552,796)
Benefit payments, including refunds of employee contributions	(443,524)	(473,127)	(508,384)	(532,983)	(554,472)	(540,961)	(570,239)
<b>Net change in total OPEB liability</b>	436,353	(1,964,084)	3,998,368	(1,335,623)	(2,330,190)	72,362	196,542
<b>Total OPEB liability - beginning</b>	15,744,000	16,180,353	14,216,269	18,214,637	16,879,014	14,548,824	14,621,186
<b>Total OPEB liability - ending</b>	<b>\$ 16,180,353</b>	<b>\$ 14,216,269</b>	<b>\$ 18,214,637</b>	<b>\$ 16,879,014</b>	<b>\$ 14,548,824</b>	<b>\$ 14,621,186</b>	<b>\$ 14,817,728</b>
Covered Employee Payroll	\$ 31,217,344	\$ 32,816,511	\$ 34,820,346	\$ 35,857,240	\$ 39,829,597	\$ 42,932,986	\$ 47,535,149
Total OPEB liability as a percentage of covered-employee payroll	51.83%	43.32%	52.31%	47.07%	36.53%	34.06%	31.17%

\*Fiscal year 2018 was the first year of implementation

The City currently do not have assets set-aside in a qualifying trust for OPEB benefits



<b>REQUIRED SUPPLEMENTARY INFORMATION</b>
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#### GENERAL FUND

The General Fund is used to account for resources traditionally associated with government, which are not required legally, or by sound financial management, to be accounted for in another fund.

#### HOME/BEGIN SPECIAL REVENUE FUND

The Home/Begin Special Revenue Fund is used to account for federal grants received under the Housing and Community Development Act of 1974. The money is used for specific programs, which provide housing to people with low and moderate income.

#### IMPACT FEES SPECIAL REVENUE FUND

This fund is used to account for fees received from local development projects, which are used for the construction of major public improvements, provide assistance to low income people in the community and for the acquisition, development, and enhancement of neighborhood and community parks.

#### SUCCESSOR HOUSING SPECIAL REVENUE FUND

This fund was established to account for loan repayments and activities related to the assets assumed by the City as Housing Successor to the Petaluma Community Development Commission (PCDC) for the housing activities of the former PCDC.

#### GRANTS AND DONATIONS SPECIAL REVENUE FUND

This fund accounts for various donations received by City departments, and related expenditures.

# City of Petaluma

## Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

### General Fund

For the year ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 53,057,500	\$ 50,320,400	\$ 53,159,656	\$ 2,839,256
Licenses, permits and fees	1,403,800	1,587,100	1,167,584	(419,516)
Fines, forfeitures, and penalties	362,900	362,900	339,683	(23,217)
Use of money and property	1,039,870	1,081,070	1,982,093	901,023
Intergovernmental	8,044,400	9,384,555	9,769,960	385,405
Charges for current services	7,501,401	9,420,909	10,454,354	1,033,445
Other	70,700	70,700	485,162	414,462
<b>Total revenues</b>	<b>71,480,571</b>	<b>72,227,634</b>	<b>77,358,492</b>	<b>5,130,858</b>
<b>EXPENDITURES:</b>				
Current:				
General government:				
City council	36,566	30,773	61,314	(30,541)
City clerk	488,047	489,775	450,237	39,538
City attorney	1,020,907	1,015,047	882,949	132,098
City manager	2,197,018	2,183,290	2,377,879	(194,589)
Administrative services	2,166,802	1,785,583	1,623,326	162,257
Community development	1,800,838	1,796,801	1,656,397	140,404
Police	29,635,390	29,693,188	30,206,068	(512,880)
Fire	23,819,811	25,623,966	26,921,147	(1,297,181)
Parks and recreation	2,916,121	2,916,870	3,255,970	(339,100)
Public works	6,951,007	6,832,122	7,568,650	(736,528)
Capital outlay	-	154,004	390,421	(236,417)
<b>Total expenditures</b>	<b>71,032,507</b>	<b>72,521,419</b>	<b>75,394,358</b>	<b>(2,872,939)</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>448,064</b>	<b>(293,785)</b>	<b>1,964,134</b>	<b>2,257,919</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from sale of assets	3,000	3,000	19,495	16,495
Transfers in	16,094,247	16,433,292	9,768,302	(6,664,990)
Transfers out	(17,614,296)	(17,090,806)	(4,441,724)	12,649,082
<b>Total other financing sources (uses)</b>	<b>(1,517,049)</b>	<b>(654,514)</b>	<b>5,346,073</b>	<b>6,000,587</b>
<b>Net change in fund balance</b>	<b>\$ (1,068,985)</b>	<b>\$ (948,299)</b>	<b>7,310,207</b>	<b>\$ 8,258,506</b>
<b>FUND BALANCE:</b>				
Beginning of year			11,524,684	
End of year			<u>\$ 18,834,891</u>	

**City of Petaluma**

**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**

**Home/Begin Special Revenue Fund**

**For the year ended June 30, 2025**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Use of money and property	\$ 9,077	\$ 9,077	\$ 2,055,355	\$ 2,046,278
<b>Total revenues</b>	<u>9,077</u>	<u>9,077</u>	<u>2,055,355</u>	<u>2,046,278</u>
<b>EXPENDITURES:</b>				
Current:				
Community development	<u>90,000</u>	<u>90,000</u>	<u>90,000</u>	<u>-</u>
<b>Total expenditures</b>	<u>90,000</u>	<u>90,000</u>	<u>90,000</u>	<u>-</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(80,923)</u>	<u>(80,923)</u>	<u>1,965,355</u>	<u>2,046,278</u>
<b>Net change in fund balance</b>	<u><u>\$ (80,923)</u></u>	<u><u>\$ (80,923)</u></u>	<u>1,965,355</u>	<u><u>\$ 2,046,278</u></u>
<b>FUND BALANCE:</b>				
Beginning of year			<u>17,207,688</u>	
End of year			<u><u>\$ 19,173,043</u></u>	

# City of Petaluma

## Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

### Impact Fees Special Revenue Fund

For the year ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Licenses, permits and fees	\$ 6,938,647	\$ 6,938,647	\$ 910,977	\$ (6,027,670)
Use of money and property	1,569,041	1,169,041	2,723,903	1,554,862
Charges for current services	138,773	138,773	18,220	(120,553)
Other	-	400,000	7,734	(392,266)
<b>Total revenues</b>	<b>8,646,461</b>	<b>8,646,461</b>	<b>3,660,834</b>	<b>(4,985,627)</b>
<b>EXPENDITURES:</b>				
Current:				
Community development	905,522	2,301,367	1,162,304	1,139,063
Parks and recreation	12,727	12,727	254,804	(242,077)
Public works	94,621	94,621	10,015	84,606
Capital outlay	125,000	125,000	-	125,000
<b>Total expenditures</b>	<b>1,137,870</b>	<b>2,533,715</b>	<b>1,427,123</b>	<b>1,106,592</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>7,508,591</b>	<b>6,112,746</b>	<b>2,233,711</b>	<b>(3,879,035)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	(9,880,427)	(5,377,827)	(3,840,127)	1,537,700
<b>Total other financing sources (uses)</b>	<b>(9,880,427)</b>	<b>(5,377,827)</b>	<b>(3,840,127)</b>	<b>1,537,700</b>
<b>Net change in fund balance</b>	<b>\$ (2,371,836)</b>	<b>\$ 734,919</b>	<b>(1,606,416)</b>	<b>\$ (2,341,335)</b>
<b>FUND BALANCE:</b>				
Beginning of year			67,385,704	
End of year			<u>\$ 65,779,288</u>	

# City of Petaluma

## Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

### Successor Housing Special Revenue Fund

For the year ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Use of money and property	\$ 4,962	\$ 4,962	\$ 2,229,593	\$ 2,224,631
Intergovernmental	575,000	575,000	759,934	184,934
Charges for current services	75,000	75,000	40,170	(34,830)
Other	-	-	16,890	16,890
<b>Total revenues</b>	<b>654,962</b>	<b>654,962</b>	<b>3,046,587</b>	<b>2,391,625</b>
<b>EXPENDITURES:</b>				
Current:				
Community development	484,845	482,734	647,301	(164,567)
Fire	1,270,000	1,270,000	260,870	1,009,130
<b>Total expenditures</b>	<b>1,754,845</b>	<b>1,752,734</b>	<b>908,171</b>	<b>844,563</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(1,099,883)</b>	<b>(1,097,772)</b>	<b>2,138,416</b>	<b>3,236,188</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	481,845	481,845	483,976	2,131
Transfers out	(4,418)	(4,418)	-	4,418
<b>Total other financing sources (uses)</b>	<b>477,427</b>	<b>477,427</b>	<b>483,976</b>	<b>6,549</b>
<b>Net change in fund balance</b>	<b>\$ (622,456)</b>	<b>\$ (620,345)</b>	<b>2,622,392</b>	<b>\$ 3,242,737</b>
<b>FUND BALANCE:</b>				
Beginning of year			22,882,727	
End of year			<u>\$ 25,505,119</u>	

# City of Petaluma

## Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

### Grants and Donations

For the year ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Use of money and property	\$ -	\$ -	\$ 26,575	\$ 26,575
Intergovernmental	7,069,002	5,003,698	12,534,420	7,530,722
Other	-	-	19,920	19,920
<b>Total revenues</b>	<b>7,069,002</b>	<b>5,003,698</b>	<b>12,580,915</b>	<b>7,577,217</b>
<b>EXPENDITURES:</b>				
Current:				
Community development	990,214	990,200	6,616,771	(5,626,571)
Police	1,743,174	1,953,870	1,707,926	245,944
Parks and recreation	1,200,000	1,200,000	445,938	754,062
Public works	149,487	149,487	123,777	25,710
Capital outlay	45,000	45,000	323,455	(278,455)
<b>Total expenditures</b>	<b>4,127,875</b>	<b>4,338,557</b>	<b>9,217,867</b>	<b>(4,879,310)</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>2,941,127</b>	<b>665,141</b>	<b>3,363,048</b>	<b>2,697,907</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	30,000	30,000	1,357,964	1,327,964
Transfers out	(2,798,000)	(738,000)	(412,499)	325,501
<b>Total other financing sources (uses)</b>	<b>(2,768,000)</b>	<b>(708,000)</b>	<b>945,465</b>	<b>1,653,465</b>
<b>Net change in fund balance</b>	<b>\$ 173,127</b>	<b>\$ (42,859)</b>	<b>4,308,513</b>	<b>\$ 4,351,372</b>
<b>FUND BALANCE:</b>				
Beginning of year			823,908	
End of year			<u>\$ 5,132,421</u>	

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# **SUPPLEMENTARY INFORMATION**

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<p style="text-align: center;"><b>BUDGETED MAJOR GOVERNMENTAL FUNDS OTHER THAN GENERAL FUND AND SPECIAL REVENUE FUNDS</b></p>
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**CITY CAPITAL PROJECTS FUND**

This fund accounts for the collection of resources and the related expenditure on acquisition and construction of major capital improvement projects in the City, other than those accounted for in proprietary funds.

# City of Petaluma

## Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

### City Capital Projects Fund

For the year ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Licenses, permits and fees	\$ -	\$ -	\$ 185,775	\$ 185,775
Use of money and property	-	-	86,477	86,477
Intergovernmental	-	73,000	10,000	(63,000)
<b>Total revenues</b>	<b>-</b>	<b>73,000</b>	<b>282,252</b>	<b>209,252</b>
<b>EXPENDITURES:</b>				
Current:				
General government	5,238,000	6,951,578	6,846,358	105,220
Parks and recreation	7,359,767	6,835,567	3,579,195	3,256,372
Public works	16,631,824	10,826,973	6,387,275	4,439,698
<b>Total expenditures</b>	<b>29,229,591</b>	<b>24,614,118</b>	<b>16,812,828</b>	<b>7,801,290</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(29,229,591)</b>	<b>(24,541,118)</b>	<b>(16,530,576)</b>	<b>8,010,542</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	18,787,591	10,476,691	12,668,576	2,191,885
Transfers out	-	-	(550,542)	(550,542)
<b>Total other financing sources (uses)</b>	<b>18,787,591</b>	<b>10,476,691</b>	<b>12,118,034</b>	<b>1,641,343</b>
<b>Net change in fund balance</b>	<b>\$ (10,442,000)</b>	<b>\$ (14,064,427)</b>	<b>(4,412,542)</b>	<b>\$ 9,651,885</b>
<b>FUND BALANCE:</b>				
Beginning of year			12,388,511	
End of year			\$ 7,975,969	

## NON-MAJOR GOVERNMENTAL FUNDS

### **SPECIAL REVENUE FUNDS**

#### **COMMUNITY DEVELOPMENT BLOCK GRANT FUND**

The fund accounts for federal grants received under the Housing and Community Development Act of 1974 from the US Department of Housing and Urban Development. Funds are used to develop a viable urban community, by providing adequate housing, a suitable living environment, and expanding economic opportunities, principally for persons with low and moderate income.

#### **GAS TAX FUND**

The fund reports receipts and disbursements of funds under Streets and Highways Code Sections 2105, 2106, 2107 and 2107.5 of the State of California. Expenditures in this fund, for administrations, maintenance and construction, must be street related.

#### **PUBLIC SAFETY FUND**

The fund is used to account for asset seizure, supplemental law enforcement, abandoned vehicle abatement and fire hazmat activities.

#### **LANDSCAPE ASSESSMENT DISTRICTS FUND**

The fund details revenue and maintenance costs associated with forty-seven landscape assessment districts maintained by the City of Petaluma. These districts collect funds from the property owners, and use the funds to maintain common landscape areas within the boundaries of the district.

#### **STREET FUND**

The fund accounts for revenue received from the solid waste surcharge, imposed as part of the franchise fee on the waste hauler. This revenue, along with transfers from various other City funds, will be expended on street maintenance activities.

#### **TRANSIENT OCCUPANCY TAX FUND**

The fund reports the hotel and motel occupancy tax receipts, and the disbursements to local, not-for-profit groups, which sponsor community events, or promote tourism.

#### **PRINCE PARK FUND**

The fund details the activity of the ongoing maintenance of Prince Park. The activities included in this fund are receipts of investment earnings, and transfers out to the general fund to cover costs of the park's maintenance.

#### **MEASURE M PARK FUND**

The fund accounts for the receipt and disbursements of funds from the Sonoma County Measure M sales tax. Expenditures must be used for maintenance and improvement of city parks, waterways, natural areas, and to improve recreation facilities.

<b>NON-MAJOR GOVERNMENTAL FUNDS (Continued)</b>
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**TOURISM IMPROVEMENT DISTRICT FUND**

The fund reports the receipt from the Petaluma Downtown Tourism Improvement District Tax and disbursements from the funds. The Petaluma Downtown Tourism District collects tax from hotels and lodging establishments in the district and pays a portion of this to the City to be utilized for district approved projects.

**FAIRGROUND FUND**

The fund accounts for revenues taken in from fairgrounds events and property management activities as well as associated expenditures.

**VIRGINIA CRAIG ESTATE/TRUST FUND**

The fund accounts for a bequest from the estate of Virginia Craig. Funding is specifically to support the City's parks.

**MEASURE H FIRE FUND**

The fund accounts for revenue collected from the measure sales tax to support fire response services and disaster/hazard mitigation.

**DEBT SERVICE FUNDS**

**2021 LEASE REVENUE BONDS FUND**

This fund is used to account for Bond related activity.

**PERMANENT FUND**

**WICKERSHAM PARK TRUST FUND**

The fund accounts for resources that are held by the City, which are legally restricted to the extent that only earnings may be used maintenance improvements to Wickersham Park.



**City of Petaluma**  
**Combining Balance Sheet**  
**Non-Major Governmental Funds**  
**June 30, 2025**

	SPECIAL REVENUE FUNDS			
	Community Development Block Grant	Gas Tax	Public Safety Special Revenue	Landscape Assessment District
<b>ASSETS</b>				
Cash and investments	\$ 41,848	\$ -	\$ 1,138,443	\$ 209,007
Restricted cash and investments	-	-	-	-
Receivables:				
Accounts, net	-	-	-	-
Intergovernmental	-	314,676	20,540	9,063
Due from other funds	-	-	-	-
Deposits and prepaid items	-	-	-	-
Loans receivable	925,015	-	-	-
Interest receivable related to loans receivable	58,101	-	-	-
<b>Total assets</b>	<b>\$ 1,024,964</b>	<b>\$ 314,676</b>	<b>\$ 1,158,983</b>	<b>\$ 218,070</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ 51,670	\$ -	\$ 81,299	\$ 99,019
Refundable deposits	-	-	-	-
Due to other funds	-	151,030	-	-
<b>Total liabilities</b>	<b>51,670</b>	<b>151,030</b>	<b>81,299</b>	<b>99,019</b>
<b>Deferred inflows of resources:</b>				
Unavailable revenues	58,101	-	-	-
<b>Fund Balances:</b>				
Nonspendable	-	-	-	-
Restricted	915,193	163,646	1,077,684	119,051
Unassigned	-	-	-	-
<b>Total fund balances</b>	<b>915,193</b>	<b>163,646</b>	<b>1,077,684</b>	<b>119,051</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 1,024,964</b>	<b>\$ 314,676</b>	<b>\$ 1,158,983</b>	<b>\$ 218,070</b>

SPECIAL REVENUE FUNDS

Street	Transient Occupancy Tax	Prince Park	Measure M Parks	Tourism Improvement District	Fairgrounds	Virginia Craig Estate/Trust	Measure H Fire
\$ 4,138,419	\$ 118,058	\$ -	\$ -	\$ 318,877	\$ 500,000	\$ -	\$ 438,636
-	-	-	-	-	-	-	-
134,188	370,381	-	-	24,236	13,563	-	-
97,713	-	-	207,681	-	-	-	1,147,322
151,030	-	-	-	-	-	-	-
10,431	-	-	-	-	170,929	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 4,531,781</u>	<u>\$ 488,439</u>	<u>\$ -</u>	<u>\$ 207,681</u>	<u>\$ 343,113</u>	<u>\$ 684,492</u>	<u>\$ -</u>	<u>\$ 1,585,958</u>
\$ 450,203	\$ 168,594	\$ -	\$ -	\$ 131	\$ 511,707	\$ -	\$ -
-	-	-	-	-	7,650	-	-
-	-	-	203,788	-	596,132	-	-
<u>450,203</u>	<u>168,594</u>	<u>-</u>	<u>203,788</u>	<u>131</u>	<u>1,115,489</u>	<u>-</u>	<u>-</u>
-	-	-	-	7,345	9,750	-	-
10,431	-	-	-	-	170,929	-	-
4,071,147	319,845	-	3,893	335,637	-	-	1,585,958
-	-	-	-	-	(611,676)	-	-
<u>4,081,578</u>	<u>319,845</u>	<u>-</u>	<u>3,893</u>	<u>335,637</u>	<u>(440,747)</u>	<u>-</u>	<u>1,585,958</u>
<u>\$ 4,531,781</u>	<u>\$ 488,439</u>	<u>\$ -</u>	<u>\$ 207,681</u>	<u>\$ 343,113</u>	<u>\$ 684,492</u>	<u>\$ -</u>	<u>\$ 1,585,958</u>

**City of Petaluma**  
**Combining Balance Sheet**  
**Non-Major Governmental Funds**  
**June 30, 2025**

	DEBT SERVICE		
	FUND	PERMANENT	Total
	2021 Lease		Non-Major
	Revenue	Wickersham	Governmental
	Bonds	Park Trust	Funds
<b>ASSETS</b>			
Cash and investments	\$ -	\$ 27,896	\$ 6,931,184
Restricted cash and investments	5,874,427	-	5,874,427
Receivables:			
Accounts, net	-	-	542,368
Intergovernmental	-	-	1,796,995
Due from other funds	-	-	151,030
Deposits and prepaid items	-	-	181,360
loans receivable	-	-	925,015
Interest receivable related to loans receivable	-	-	58,101
<b>Total assets</b>	<b>\$ 5,874,427</b>	<b>\$ 27,896</b>	<b>\$ 16,460,480</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 1,362,623
Refundable deposits	-	-	7,650
Due to other funds	-	-	950,950
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>2,321,223</b>
<b>Deferred inflows of resources:</b>			
Unavailable revenues	-	-	75,196
<b>Fund Balances:</b>			
Nonspendable	-	27,896	209,256
Restricted	5,874,427	-	14,466,481
Unassigned	-	-	(611,676)
<b>Total fund balances</b>	<b>5,874,427</b>	<b>27,896</b>	<b>14,064,061</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 5,874,427</b>	<b>\$ 27,896</b>	<b>\$ 16,460,480</b>



**City of Petaluma**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Non-Major Governmental Funds**  
**For the year ended June 30, 2025**

	SPECIAL REVENUE FUNDS				
	Community Development Block Grant	Grants and Donations	Gas Tax	Public Safety Special Revenue	Landscape Assessment District
<b>REVENUES:</b>					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, permits and fees	-	-	-	-	-
Fines, forfeitures, and penalties	-	-	-	19,500	-
Use of money and property	58	-	37,154	41,429	18,914
Intergovernmental	860,724	-	3,309,895	379,831	-
Charges for current services	-	-	-	-	654,731
Other	-	-	-	-	-
<b>Total revenues</b>	<b>860,782</b>	<b>-</b>	<b>3,347,049</b>	<b>440,760</b>	<b>673,645</b>
<b>EXPENDITURES:</b>					
Current:					
Community development	301,102	-	-	-	-
Police	-	-	-	179,676	-
Fire	-	-	-	-	-
Parks and recreation	-	-	-	-	1,205,575
Public works	-	-	268	-	-
Capital outlay	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest and other charges	-	-	-	-	-
<b>Total expenditures</b>	<b>301,102</b>	<b>-</b>	<b>268</b>	<b>179,676</b>	<b>1,205,575</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>559,680</b>	<b>-</b>	<b>3,346,781</b>	<b>261,084</b>	<b>(531,930)</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	-	-	-	-	-
Transfers out	(650,914)	-	(3,185,362)	(130,000)	-
<b>Total other financing sources (uses)</b>	<b>(650,914)</b>	<b>-</b>	<b>(3,185,362)</b>	<b>(130,000)</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>(91,234)</b>	<b>-</b>	<b>161,419</b>	<b>131,084</b>	<b>(531,930)</b>
<b>FUND BALANCES:</b>					
Beginning of year, as previously presented	1,006,427	823,908	2,227	946,600	650,981
Restatements	-	(823,908)	-	-	-
Beginning of year, as restated	1,006,427	-	2,227	946,600	650,981
End of year	\$ 915,193	\$ -	\$ 163,646	\$ 1,077,684	\$ 119,051

SPECIAL REVENUE FUNDS

Street	Transient Occupancy Tax	Prince Park	Measure M Parks	Tourism Improvement District	Fairgrounds	Virginia Craig Estate/Trust	Measure H Fire
\$ 1,858,558	\$ 3,587,191	\$ -	\$ 874,751	\$ -	\$ -	\$ -	\$ 3,316,543
-	-	-	-	109,517	-	-	-
-	-	-	-	-	-	-	-
135,325	37,066	-	2,024	14,861	100,825	-	-
562,887	-	-	-	-	-	-	-
15,861	-	-	-	-	1,469,975	-	-
49,569	-	-	-	14,047	147,521	-	-
<u>2,622,200</u>	<u>3,624,257</u>	<u>-</u>	<u>876,775</u>	<u>138,425</u>	<u>1,718,321</u>	<u>-</u>	<u>3,316,543</u>
-	262,617	-	-	25,682	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	148,585
-	-	-	258,276	-	3,157,441	-	-
4,878,769	-	-	-	-	-	-	-
559,753	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>5,438,522</u>	<u>262,617</u>	<u>-</u>	<u>258,276</u>	<u>25,682</u>	<u>3,157,441</u>	<u>-</u>	<u>148,585</u>
<u>(2,816,322)</u>	<u>3,361,640</u>	<u>-</u>	<u>618,499</u>	<u>112,743</u>	<u>(1,439,120)</u>	<u>-</u>	<u>3,167,958</u>
4,290,689	494,971	-	2,516	-	1,216,293	-	-
(153,570)	(3,239,155)	3,322	(663,283)	(110,000)	-	(532,025)	(1,582,000)
<u>4,137,119</u>	<u>(2,744,184)</u>	<u>3,322</u>	<u>(660,767)</u>	<u>(110,000)</u>	<u>1,216,293</u>	<u>(532,025)</u>	<u>(1,582,000)</u>
1,320,797	617,456	3,322	(42,268)	2,743	(222,827)	(532,025)	1,585,958
2,760,781	(297,611)	(3,322)	46,161	332,894	(217,920)	532,025	-
-	-	-	-	-	-	-	-
<u>2,760,781</u>	<u>(297,611)</u>	<u>(3,322)</u>	<u>46,161</u>	<u>332,894</u>	<u>(217,920)</u>	<u>532,025</u>	<u>-</u>
<u>\$ 4,081,578</u>	<u>\$ 319,845</u>	<u>\$ -</u>	<u>\$ 3,893</u>	<u>\$ 335,637</u>	<u>\$ (440,747)</u>	<u>\$ -</u>	<u>\$ 1,585,958</u>

# City of Petaluma

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

### Non-Major Governmental Funds

For the year ended June 30, 2025

	DEBT SERVICE		
	FUND	PERMANENT	Total
	2021 Lease Revenue Bonds	Wickersham Park Trust	Non-Major Governmental Funds
<b>REVENUES:</b>			
Taxes	\$ -	\$ -	\$ 9,637,043
Licenses, permits and fees	-	-	109,517
Fines, forfeitures, and penalties	-	-	19,500
Use of money and property	421,447	1,101	810,204
Intergovernmental	-	-	5,113,337
Charges for current services	-	-	2,140,567
Other	-	-	211,137
<b>Total revenues</b>	<b>421,447</b>	<b>1,101</b>	<b>18,041,305</b>
<b>EXPENDITURES:</b>			
Current:			
Community development	-	-	589,401
Police	-	-	179,676
Fire	-	-	148,585
Parks and recreation	-	-	4,621,292
Public works	-	-	4,879,037
Capital outlay	-	-	559,753
Debt service:			
Principal	410,000	-	410,000
Interest and other charges	510,082	-	510,082
<b>Total expenditures</b>	<b>920,082</b>	<b>-</b>	<b>11,897,826</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(498,635)</b>	<b>1,101</b>	<b>6,143,479</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	1,427,052	-	7,431,521
Transfers out	(11,464,464)	-	(21,707,451)
<b>Total other financing sources (uses)</b>	<b>(10,037,412)</b>	<b>-</b>	<b>(14,275,930)</b>
<b>Net change in fund balances</b>	<b>(10,536,047)</b>	<b>1,101</b>	<b>(8,132,451)</b>
<b>FUND BALANCES:</b>			
Beginning of year, as previously presented	16,410,474	26,795	23,020,420
Restatements	-	-	(823,908)
Beginning of year, as restated	16,410,474	26,795	22,196,512
End of year	\$ 5,874,427	\$ 27,896	\$ 14,064,061

# City of Petaluma

## Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

### Community Development Block Grant

For the year ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Use of money and property	\$ 786	\$ 786	\$ 58	\$ (728)
Intergovernmental	579,000	599,000	860,724	261,724
<b>Total revenues</b>	<b>579,786</b>	<b>599,786</b>	<b>860,782</b>	<b>260,996</b>
<b>EXPENDITURES:</b>				
Current:				
Community development	328,869	327,948	301,102	26,846
<b>Total expenditures</b>	<b>328,869</b>	<b>327,948</b>	<b>301,102</b>	<b>26,846</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>250,917</b>	<b>271,838</b>	<b>559,680</b>	<b>287,842</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	(289,000)	(309,000)	(650,914)	(341,914)
<b>Total other financing sources (uses)</b>	<b>(289,000)</b>	<b>(309,000)</b>	<b>(650,914)</b>	<b>(341,914)</b>
<b>Net change in fund balance</b>	<b>\$ (38,083)</b>	<b>\$ (37,162)</b>	<b>(91,234)</b>	<b>\$ (54,072)</b>
<b>FUND BALANCE:</b>				
Beginning of year			1,006,427	
End of year			\$ 915,193	

# City of Petaluma

## Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

### Gas Tax

For the year ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Use of money and property	\$ 3,192	\$ 3,192	\$ 37,154	\$ 33,962
Intergovernmental	3,185,362	3,185,362	3,309,895	124,533
<b>Total revenues</b>	<b>3,188,554</b>	<b>3,188,554</b>	<b>3,347,049</b>	<b>158,495</b>
<b>EXPENDITURES:</b>				
Current:				
Public works	358	268	268	-
<b>Total expenditures</b>	<b>358</b>	<b>268</b>	<b>268</b>	<b>-</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>3,188,196</b>	<b>3,188,286</b>	<b>3,346,781</b>	<b>158,495</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	(3,185,362)	(3,185,362)	(3,185,362)	-
<b>Total other financing sources (uses)</b>	<b>(3,185,362)</b>	<b>(3,185,362)</b>	<b>(3,185,362)</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>\$ 2,834</b>	<b>\$ 2,924</b>	<b>161,419</b>	<b>\$ 158,495</b>
<b>FUND BALANCE:</b>				
Beginning of year			2,227	
End of year			<b>\$ 163,646</b>	

# City of Petaluma

## Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

### Public Safety

For the year ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Fines, forfeitures, and penalties	\$ -	\$ -	\$ 19,500	\$ 19,500
Use of money and property	13,528	13,528	41,429	27,901
Intergovernmental	250,000	250,000	379,831	129,831
<b>Total revenues</b>	<b>263,528</b>	<b>263,528</b>	<b>440,760</b>	<b>177,232</b>
<b>EXPENDITURES:</b>				
Current:				
Police	172,945	171,829	179,676	(7,847)
<b>Total expenditures</b>	<b>172,945</b>	<b>171,829</b>	<b>179,676</b>	<b>(7,847)</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>90,583</b>	<b>91,699</b>	<b>261,084</b>	<b>169,385</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	(160,000)	(160,000)	(130,000)	30,000
<b>Total other financing sources (uses)</b>	<b>(160,000)</b>	<b>(160,000)</b>	<b>(130,000)</b>	<b>30,000</b>
<b>Net change in fund balance</b>	<b>\$ (69,417)</b>	<b>\$ (68,301)</b>	<b>131,084</b>	<b>\$ 199,385</b>
<b>FUND BALANCE:</b>				
Beginning of year			946,600	
End of year			<u>\$ 1,077,684</u>	

**City of Petaluma**

**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**

**Landscape Assessment Districts**

**For the year ended June 30, 2025**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Use of money and property	\$ 12,711	\$ 12,711	\$ 18,914	\$ 6,203
Charges for current services	507,130	507,130	654,731	147,601
<b>Total revenues</b>	<b>519,841</b>	<b>519,841</b>	<b>673,645</b>	<b>153,804</b>
<b>EXPENDITURES:</b>				
Current:				
Parks and recreation	507,130	505,901	1,205,575	(699,674)
<b>Total expenditures</b>	<b>507,130</b>	<b>505,901</b>	<b>1,205,575</b>	<b>(699,674)</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>12,711</b>	<b>13,940</b>	<b>(531,930)</b>	<b>(545,870)</b>
<b>Net change in fund balance</b>	<b>\$ 12,711</b>	<b>\$ 13,940</b>	<b>(531,930)</b>	<b>\$ (545,870)</b>
<b>FUND BALANCE:</b>				
Beginning of year			650,981	
End of year			\$ 119,051	

# City of Petaluma

## Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

### Street

For the year ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 1,748,816	\$ 1,748,816	\$ 1,858,558	\$ 109,742
Use of money and property	72,414	72,414	135,325	62,911
Intergovernmental	607,599	607,599	562,887	(44,712)
Charges for current services	-	-	15,861	15,861
Other	-	-	49,569	49,569
<b>Total revenues</b>	<b>2,428,829</b>	<b>2,428,829</b>	<b>2,622,200</b>	<b>193,371</b>
<b>EXPENDITURES:</b>				
Current:				
Public works	5,326,052	5,307,323	4,878,769	428,554
Capital outlay	570,960	600,442	559,753	40,689
<b>Total expenditures</b>	<b>5,897,012</b>	<b>5,907,765</b>	<b>5,438,522</b>	<b>469,243</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(3,468,183)</b>	<b>(3,478,936)</b>	<b>(2,816,322)</b>	<b>662,614</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	4,139,362	4,139,362	4,290,689	151,327
Transfers out	(1,613,370)	(153,570)	(153,570)	-
<b>Total other financing sources (uses)</b>	<b>2,525,992</b>	<b>3,985,792</b>	<b>4,137,119</b>	<b>151,327</b>
<b>Net change in fund balance</b>	<b>\$ (942,191)</b>	<b>\$ 506,856</b>	<b>1,320,797</b>	<b>\$ 813,941</b>
<b>FUND BALANCE:</b>				
Beginning of year			2,760,781	
End of year			<u>\$ 4,081,578</u>	

# City of Petaluma

## Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

### Transient Occupancy Tax

For the year ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 4,037,041	\$ 4,037,041	\$ 3,587,191	\$ (449,850)
Use of money and property	6,636	6,636	37,066	30,430
<b>Total revenues</b>	<b>4,043,677</b>	<b>4,043,677</b>	<b>3,624,257</b>	<b>(419,420)</b>
<b>EXPENDITURES:</b>				
Current:				
Community development	701,411	700,738	262,617	438,121
<b>Total expenditures</b>	<b>701,411</b>	<b>700,738</b>	<b>262,617</b>	<b>438,121</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>3,342,266</b>	<b>3,342,939</b>	<b>3,361,640</b>	<b>18,701</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	-	494,971	494,971
Transfers out	(3,255,484)	(3,594,529)	(3,239,155)	355,374
<b>Total other financing sources (uses)</b>	<b>(3,255,484)</b>	<b>(3,594,529)</b>	<b>(2,744,184)</b>	<b>850,345</b>
<b>Net change in fund balance</b>	<b>\$ 86,782</b>	<b>\$ (251,590)</b>	<b>617,456</b>	<b>\$ 869,046</b>
<b>FUND BALANCE:</b>				
Beginning of year			(297,611)	
End of year			\$ 319,845	

**City of Petaluma**

**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**

**Prince Park**

**For the year ended June 30, 2025**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Use of money and property	\$ 2,836	\$ -	\$ -	\$ -
<b>Total revenues</b>	<b>2,836</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	-	-	3,322	3,322
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>3,322</b>	<b>3,322</b>
<b>Net change in fund balance</b>	<b>\$ 2,836</b>	<b>\$ -</b>	<b>3,322</b>	<b>\$ 3,322</b>
<b>FUND BALANCE:</b>				
Beginning of year			(3,322)	
End of year			\$ -	

# City of Petaluma

## Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

### Measure M Parks

For the year ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 950,656	\$ 950,656	\$ 874,751	\$ (75,905)
Use of money and property	2,127	2,127	2,024	(103)
<b>Total revenues</b>	<b>952,783</b>	<b>952,783</b>	<b>876,775</b>	<b>(76,008)</b>
<b>EXPENDITURES:</b>				
Current:				
Parks and recreation	378,851	377,396	258,276	119,120
<b>Total expenditures</b>	<b>378,851</b>	<b>377,396</b>	<b>258,276</b>	<b>119,120</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>573,932</b>	<b>575,387</b>	<b>618,499</b>	<b>43,112</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	-	2,516	2,516
Transfers out	(653,283)	(663,283)	(663,283)	-
<b>Total other financing sources (uses)</b>	<b>(653,283)</b>	<b>(663,283)</b>	<b>(660,767)</b>	<b>2,516</b>
<b>Net change in fund balance</b>	<b>\$ (79,351)</b>	<b>\$ (87,896)</b>	<b>(42,268)</b>	<b>\$ 45,628</b>
<b>FUND BALANCE:</b>				
Beginning of year			46,161	
End of year			\$ 3,893	

# City of Petaluma

## Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

### Tourism Improvement District

For the year ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Licenses, permits and fees	\$ 111,419	\$ 111,419	\$ 109,517	\$ (1,902)
Use of money and property	4,437	4,437	14,861	10,424
Other	35,000	35,000	14,047	(20,953)
<b>Total revenues</b>	<b>150,856</b>	<b>150,856</b>	<b>138,425</b>	<b>(12,431)</b>
<b>EXPENDITURES:</b>				
Current:				
Community development	185,508	184,700	25,682	159,018
<b>Total expenditures</b>	<b>185,508</b>	<b>184,700</b>	<b>25,682</b>	<b>159,018</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(34,652)</b>	<b>(33,844)</b>	<b>112,743</b>	<b>146,587</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	-	-	(110,000)	(110,000)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>(110,000)</b>	<b>(110,000)</b>
<b>Net change in fund balance</b>	<b>\$ (34,652)</b>	<b>\$ (33,844)</b>	<b>2,743</b>	<b>\$ 36,587</b>
<b>FUND BALANCE:</b>				
Beginning of year			332,894	
End of year			<u>\$ 335,637</u>	

# City of Petaluma

## Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

### Fairgrounds

For the year ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Use of money and property	\$ -	\$ -	\$ 100,825	\$ 100,825
Charges for current services	570,358	570,358	1,469,975	899,617
Other	-	-	147,521	147,521
<b>Total revenues</b>	<u>570,358</u>	<u>570,358</u>	<u>1,718,321</u>	<u>1,147,963</u>
<b>EXPENDITURES:</b>				
Current:				
Parks and recreation	<u>571,062</u>	<u>570,502</u>	<u>3,157,441</u>	<u>(2,586,939)</u>
<b>Total expenditures</b>	<u>571,062</u>	<u>570,502</u>	<u>3,157,441</u>	<u>(2,586,939)</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(704)</u>	<u>(144)</u>	<u>(1,439,120)</u>	<u>(1,438,976)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	<u>-</u>	<u>-</u>	<u>1,216,293</u>	<u>1,216,293</u>
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>1,216,293</u>	<u>1,216,293</u>
<b>Net change in fund balance</b>	<u>\$ (704)</u>	<u>\$ (144)</u>	<u>(222,827)</u>	<u>\$ (222,683)</u>
<b>FUND BALANCE:</b>				
Beginning of year			<u>(217,920)</u>	
End of year			<u>\$ (440,747)</u>	

**City of Petaluma**

**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**

**Virginia Craig Estate**

**For the year ended June 30, 2025**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	\$ (500,000)	\$ (532,000)	\$ (532,025)	\$ (25)
<b>Total other financing sources (uses)</b>	<b>(500,000)</b>	<b>(532,000)</b>	<b>(532,025)</b>	<b>(25)</b>
<b>Net change in fund balance</b>	<b>\$ (500,000)</b>	<b>\$ (532,000)</b>	<b>(532,025)</b>	<b>\$ (25)</b>
<b>FUND BALANCE:</b>				
Beginning of year			532,025	
End of year			\$ -	

# City of Petaluma

## Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

### Measure H Fire

For the year ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 3,225,000	\$ 3,225,000	\$ 3,316,543	\$ 91,543
<b>Total revenues</b>	<b>3,225,000</b>	<b>3,225,000</b>	<b>3,316,543</b>	<b>91,543</b>
<b>EXPENDITURES:</b>				
Current:				
Fire	-	-	148,585	(148,585)
<b>Total expenditures</b>	<b>-</b>	<b>-</b>	<b>148,585</b>	<b>(148,585)</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>3,225,000</b>	<b>3,225,000</b>	<b>3,167,958</b>	<b>(57,042)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	(3,225,000)	(1,932,000)	(1,582,000)	350,000
<b>Total other financing sources (uses)</b>	<b>(3,225,000)</b>	<b>(1,932,000)</b>	<b>(1,582,000)</b>	<b>350,000</b>
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ 1,293,000</b>	<b>1,585,958</b>	<b>\$ 292,958</b>
<b>FUND BALANCE:</b>				
Beginning of year			-	
End of year			\$ 1,585,958	

# City of Petaluma

## Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

### 2021 Lease Revenue Bond

For the year ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Use of money and property	\$ 611,615	\$ 611,615	421,447	\$ (190,168)
<b>Total revenues</b>	<u>611,615</u>	<u>611,615</u>	<u>421,447</u>	<u>(190,168)</u>
<b>EXPENDITURES:</b>				
Current:				
Debt service				
Principal	410,000	410,000	410,000	-
Interest and other charges	503,719	503,719	510,082	(6,363)
<b>Total expenditures</b>	<u>913,719</u>	<u>913,719</u>	<u>920,082</u>	<u>(6,363)</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(302,104)</u>	<u>(302,104)</u>	<u>(498,635)</u>	<u>(196,531)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	1,950,542	1,427,052	1,427,052	-
Transfers out	-	-	(11,464,464)	(11,464,464)
<b>Total other financing sources (uses)</b>	<u>1,950,542</u>	<u>1,427,052</u>	<u>(10,037,412)</u>	<u>(11,464,464)</u>
<b>Net change in fund balance</b>	<u>\$ 1,648,438</u>	<u>\$ 1,124,948</u>	<u>(10,536,047)</u>	<u>\$ (11,660,995)</u>
<b>FUND BALANCE:</b>				
Beginning of year			<u>16,410,474</u>	
End of year			<u>\$ 5,874,427</u>	

**City of Petaluma**

**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**

**Wickersham Park Trust**

**For the year ended June 30, 2025**

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	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
<b>REVENUES:</b>				
Use of money and property	\$ 532	\$ 532	\$ 1,101	\$ 569
<b>Total revenues</b>	<u>532</u>	<u>532</u>	<u>1,101</u>	<u>569</u>
<b>Net change in fund balance</b>	<u>\$ 532</u>	<u>\$ 532</u>	<u>1,101</u>	<u>\$ 569</u>
<b>FUND BALANCE:</b>				
Beginning of year			<u>26,795</u>	
End of year			<u>\$ 27,896</u>	

## **INTERNAL SERVICE FUNDS**

Internal Service Funds are used to account for special activities and services performed by a designated City department for other departments on a cost reimbursement basis.

### **EMPLOYEE BENEFITS FUND**

The fund accounts for City employees' dental, unemployment and vision benefits, and retiree benefits.

### **GENERAL SERVICES FUND**

The fund accounts for purchasing, printing and mail services.

### **INFORMATION SERVICES FUND**

The fund accounts for the cost of purchasing, operating and maintaining the City's voice, data and computer systems.

### **RISK MANAGEMENT FUND**

The fund accounts for the accumulation of the resources and expenses related to the City's risk management activities and general insurance programs.

### **VEHICLE/EQUIPMENT REPLACEMENT FUND (GG) AND (BA)**

The fund accounts for the accumulation of resources, and related expenses incurred for the replacement of major equipment and vehicles in the City. The fund is divided into two sub-funds, one for equipment acquired for general government (GG) activities, and one for equipment acquired for business-type activities (BA).

### **WORKERS' COMPENSATION FUND**

The fund accounts for the accumulation of resources, and expenses related to funding workers' compensation benefits for City employees.

**City of Petaluma**  
**Combining Statement of Net Position**  
**Internal Service Funds**  
**June 30, 2025**

	Employee Benefit	General Services	Information Services
<b>ASSETS</b>			
Current Assets:			
Cash and investments	\$ 2,345,463	\$ 299,130	\$ -
Receivables:			
Accounts, net	93	-	-
Due from other funds	-	-	-
Inventories	-	5,444	-
Deposits and prepaid items	-	-	214,834
Total Current Assets	<u>2,345,556</u>	<u>304,574</u>	<u>214,834</u>
Non-Current Assets:			
Advance to other funds	-	-	-
Capital assets:			
Depreciable	-	9,296	1,519,553
Less: accumulated depreciation	-	-	(1,452,266)
Total Non-current Assets	<u>-</u>	<u>9,296</u>	<u>67,287</u>
<b>Total assets</b>	<u>2,345,556</u>	<u>313,870</u>	<u>282,121</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources - pension	-	-	369,305
Deferred outflows of resources - OPEB	<u>256,161</u>	<u>-</u>	<u>-</u>
<b>Total deferred outflows of resources</b>	<u>256,161</u>	<u>-</u>	<u>369,305</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable and accrued liabilities	4,634	9,839	202,921
Interest payable	-	-	-
Due to other funds	-	-	341,477
Claims payable, due within one year	-	-	-
Compensated absences, due within one year	-	427	21,300
OPEB liability, due within one year	89,295	-	-
Long-term debt, due within one year	-	-	-
Total Current Liabilities	<u>93,929</u>	<u>10,266</u>	<u>565,698</u>
Non-current Liabilities:			
Claims payable, due in more than one year	-	-	-
Compensated absences, due in more than one year	-	2,802	128,508
Advance from other funds	3,675,048	-	-
Net pension liability	-	-	1,790,800
OPEB liability, due in more than one year	2,291,914	-	-
Long-term debt, due in more than one year	-	-	-
Total Non-current Liabilities	<u>5,966,962</u>	<u>2,802</u>	<u>1,919,308</u>
<b>Total liabilities</b>	<u>6,060,891</u>	<u>13,068</u>	<u>2,485,006</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources - OPEB	<u>762,038</u>	<u>-</u>	<u>-</u>
<b>Total deferred inflows of resources</b>	<u>762,038</u>	<u>-</u>	<u>-</u>
<b>NET POSITION</b>			
Net investment in capital assets	-	9,296	67,287
Unrestricted	<u>(4,221,212)</u>	<u>291,506</u>	<u>(1,900,867)</u>
<b>Total net position</b>	<u>\$ (4,221,212)</u>	<u>\$ 300,802</u>	<u>\$ (1,833,580)</u>

Risk Management	Vehicles/ Equipment Replacement (GG)	Vehicles/ Equipment Replacement (BA)	Workers' Compensation	Total
\$ 2,610,854	\$ 356,479	\$ -	\$ 15,585,231	\$ 21,197,157
-	-	-	-	93
-	-	-	341,477	341,477
-	-	-	-	5,444
925,925	-	-	53,098	1,193,857
3,536,779	356,479	-	15,979,806	22,738,028
763,568	-	-	-	763,568
-	13,655,130	1,108,336	-	16,292,315
-	(7,322,464)	(1,108,336)	-	(9,883,066)
763,568	6,332,666	-	-	7,172,817
4,300,347	6,689,145	-	15,979,806	29,910,845
-	-	-	-	369,305
-	-	-	-	256,161
-	-	-	-	625,466
325,784	315,649	-	28,519	887,346
-	887	-	-	887
-	-	-	-	341,477
945,734	-	-	3,307,234	4,252,968
5,881	-	-	-	27,608
-	-	-	-	89,295
-	460,018	-	-	460,018
1,277,399	776,554	-	3,335,753	6,059,599
864,864	-	-	13,313,498	14,178,362
18,648	-	-	-	149,958
-	-	-	-	3,675,048
-	-	-	-	1,790,800
-	-	-	-	2,291,914
-	947,431	-	-	947,431
883,512	947,431	-	13,313,498	23,033,513
2,160,911	1,723,985	-	16,649,251	29,093,112
-	-	-	-	762,038
-	-	-	-	762,038
-	4,925,217	-	-	5,001,800
2,139,436	39,943	-	(669,445)	(4,320,639)
\$ 2,139,436	\$ 4,965,160	\$ -	\$ (669,445)	\$ 681,161

**City of Petaluma**  
**Combining Statement of Revenues, Expenses and Changes in Net Position**  
**Internal Service Funds**  
**For the year ended June 30, 2025**

	Employee Benefit	General Services	Information Services
<b>OPERATING REVENUES:</b>			
Charges for services	\$ 1,584,721	\$ -	\$ 5,242,474
<b>Total operating revenues</b>	<b>1,584,721</b>	<b>-</b>	<b>5,242,474</b>
<b>OPERATING EXPENSES:</b>			
Cost of services	280,846	121,401	3,662,800
Claims	36,947	-	-
General and administrative	237,632	42,724	754,877
Depreciation and amortization	-	-	95,754
<b>Total operating expenses</b>	<b>555,425</b>	<b>164,125</b>	<b>4,513,431</b>
<b>OPERATING INCOME (LOSS)</b>	<b>1,029,296</b>	<b>(164,125)</b>	<b>729,043</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Investment earnings and rent	158,572	14,607	-
Interest expense	(72,407)	-	-
Gain(loss) on disposal of assets	5,372	570	-
<b>Total nonoperating revenues (expenses)</b>	<b>91,537</b>	<b>15,177</b>	<b>-</b>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>1,120,833</b>	<b>(148,948)</b>	<b>729,043</b>
Transfers in	32	1,941	35,965
Transfers out	(1,500,000)	-	-
<b>Total transfers</b>	<b>(1,499,968)</b>	<b>1,941</b>	<b>35,965</b>
<b>Change in net position</b>	<b>(379,135)</b>	<b>(147,007)</b>	<b>765,008</b>
<b>NET POSITION:</b>			
Beginning of year	\$ (3,842,077)	\$ 447,809	\$ (2,598,588)
End of year	\$ (4,221,212)	\$ 300,802	\$ (1,833,580)

<u>Risk Management</u>	<u>Vehicles/ Equipment Replacement (GG)</u>	<u>Vehicles/ Equipment Replacement (BA)</u>	<u>Workers' Compensation</u>	<u>Total</u>
\$ 2,713,497	\$ -	\$ -	\$ 4,816,534	\$ 14,357,226
2,713,497	-	-	4,816,534	14,357,226
813,295	18,277	-	796,197	5,692,816
1,173,166	-	-	3,144,930	4,355,043
2,940,040	276,350	-	360,693	4,612,316
-	1,501,492	-	-	1,597,246
4,926,501	1,796,119	-	4,301,820	16,257,421
(2,213,004)	(1,796,119)	-	514,714	(1,900,195)
116,776	19,866	-	646,609	956,430
-	-	-	-	(72,407)
3,210	10,814	-	-	19,966
119,986	30,680	-	646,609	903,989
(2,093,018)	(1,765,439)	-	1,161,323	(996,206)
8,574	1,925,000	-	323	1,971,835
-	-	-	-	(1,500,000)
8,574	1,925,000	-	323	471,835
(2,084,444)	159,561	-	1,161,646	(524,371)
\$ 4,223,880	\$ 4,805,599	\$ -	\$ (1,831,091)	\$ 1,205,532
\$ 2,139,436	\$ 4,965,160	\$ -	\$ (669,445)	\$ 681,161

**City of Petaluma**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the year ended June 30, 2025**

	Employee Benefit	General Services	Information Services
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash received from interfund charges	\$ 1,626,846	\$ -	\$ 5,242,474
Cash payments to suppliers of goods and services	(248,592)	(96,623)	(3,321,741)
Cash payments to employees for services	(338,220)	(60,599)	(1,029,658)
Claims paid	(36,947)	-	-
<b>Net cash provided by (used in) operating activities</b>	<b>1,003,087</b>	<b>(157,222)</b>	<b>891,075</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Transfers from other funds	32	1,941	35,965
Transfers to other funds	(1,500,000)	-	-
Interfund borrowings	(462,519)	-	(896,936)
<b>Net cash provided by (used in) noncapital financing activities</b>	<b>(1,962,487)</b>	<b>1,941</b>	<b>(860,971)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Principal payments on long-term debt and lease	-	-	-
Interest paid on long-term debt and lease liability	(72,407)	-	-
Proceeds from sale of capital assets	5,372	570	-
Acquisition of capital assets	-	-	(30,104)
<b>Net cash provided by (used in) capital and related financing activities</b>	<b>(67,035)</b>	<b>570</b>	<b>(30,104)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest on investments	158,572	14,607	-
<b>Net cash provided by investing activities</b>	<b>158,572</b>	<b>14,607</b>	<b>-</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(867,863)</b>	<b>(140,104)</b>	<b>-</b>
<b>CASH AND CASH EQUIVALENTS - Beginning of year</b>	<b>3,213,326</b>	<b>439,234</b>	<b>-</b>
<b>CASH AND CASH EQUIVALENTS - End of year</b>	<b>\$ 2,345,463</b>	<b>\$ 299,130</b>	<b>\$ -</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET</b>			
<b>CASH PROVIDED BY OPERATING ACTIVITIES:</b>			
Operating income (loss)	\$ 1,029,296	\$ (164,125)	\$ 729,043
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:			
Depreciation and amortization	-	-	95,754
Changes in assets and liabilities:			
Accounts receivable	42,125	-	-
Inventories	-	(1,024)	-
Deposits and prepaid items	-	-	53,604
Deferred outflows of resources - pension	-	-	221,409
Deferred outflows of resources - OPEB	65,611	-	-
Accounts payable and accrued liabilities	(10,624)	7,134	34,106
Claims payable	-	-	-
Net pension liability	-	-	(159,997)
Deferred inflows of resources - pension	-	-	(5,995)
Deferred inflows of resources - OPEB	(154,905)	-	-
OPEB liability	31,584	-	-
Compensated absences payable	-	793	(76,849)
<b>Total adjustments</b>	<b>(26,209)</b>	<b>6,903</b>	<b>162,032</b>
<b>Net cash provided (used) in operating activities</b>	<b>\$ 1,003,087</b>	<b>\$ (157,222)</b>	<b>\$ 891,075</b>
<b>Schedule of non-cash capital and related financing activities:</b>			
Initial recognition of leases	\$ -	\$ -	\$ -

Risk Management	Vehicles/ Equipment Replacement (GG)	Vehicles/ Equipment Replacement (BA)	Workers' Compensation	Total
\$ 2,713,497	\$ 2,008	\$ -	\$ 4,865,411	\$ 14,450,236
(2,836,289)	(56,588)	-	(1,182,711)	(7,742,544)
(119,714)	-	-	-	(1,548,191)
(709,427)	-	-	(1,976,531)	(2,722,905)
(951,933)	(54,580)	-	1,706,169	2,436,596
8,574	1,925,000	-	323	1,971,835
-	-	-	-	(1,500,000)
88,209	-	-	896,936	(374,310)
96,783	1,925,000	-	897,259	97,525
-	(507,292)	-	-	(507,292)
-	(6,191)	-	-	(78,598)
3,210	10,814	-	-	19,966
-	(2,308,646)	-	-	(2,338,750)
3,210	(2,811,315)	-	-	(2,904,674)
116,776	19,866	-	646,609	956,430
116,776	19,866	-	646,609	956,430
(735,164)	(921,029)	-	3,250,037	585,877
3,346,018	1,277,508	-	12,335,194	20,611,280
\$ 2,610,854	\$ 356,479	\$ -	\$ 15,585,231	\$ 21,197,157
\$ (2,213,004)	\$ (1,796,119)	\$ -	\$ 514,714	\$ (1,900,195)
-	1,501,492	-	-	1,597,246
-	2,008	-	48,877	93,010
-	-	-	-	(1,024)
471,389	-	-	(53,098)	471,895
-	-	-	-	221,409
-	-	-	-	65,611
309,623	238,039	-	27,277	605,555
463,739	-	-	1,168,399	1,632,138
-	-	-	-	(159,997)
-	-	-	-	(5,995)
-	-	-	-	(154,905)
-	-	-	-	31,584
16,320	-	-	-	(59,736)
1,261,071	1,741,539	-	1,191,455	4,336,791
(951,933)	(54,580)	-	1,706,169	2,436,596
\$ -	\$ 311,573	\$ -	\$ -	\$ 311,573



## FIDUCIARY FUNDS

### **PRIVATE-PURPOSE TRUST FUNDS:**

#### SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY

This fund was established to account for the activities of the Successor Agency to the former PCDC.

#### THOMAS LEE CHARITY TRUST FUND

This fund is a private purpose trust fund in which trust earnings are available for one-time aid to Petaluma citizens in need.

#### CHILD CARE TRUST FUND

This is a private purpose trust fund in which the fund's earnings are available for childcare vouchers for eligible Petaluma working families with childcare costs.

### **CUSTODIAL FUNDS:**

#### GENERAL CUSTODIAL FUND

These funds account for resources received from, held for, and due to, nonrelated parties.

#### OAK AND WATER ST. BENEFIT DISTRICTS FUND

These funds account for monies held by the City, collected from parcel assessments, and used to pay special assessment related activities.

**City of Petaluma**  
**Combining Statement of Fiduciary Net Position**  
**Private Purpose Trust Fund**  
**June 30, 2025**

	Successor Agency to the Redevelopment Agency	Thomas Lee Charity	Child Care	Total
<b>ASSETS</b>				
Current Assets:				
Cash and investments	\$ 4,613,912	\$ 26,095	\$ 109,826	\$ 4,749,833
Restricted cash and investments	13,031	-	-	13,031
Total Assets	<u>4,626,943</u>	<u>26,095</u>	<u>109,826</u>	<u>4,762,864</u>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	129,980	-	-	129,980
Interest payable	265,688	-	-	265,688
Long-term debt:				
Due within one year	2,430,000	-	-	2,430,000
Due in more than one year	44,270,308	-	-	44,270,308
Total liabilities	<u>47,095,976</u>	<u>-</u>	<u>-</u>	<u>47,095,976</u>
<b>NET POSITION</b>				
Restricted for private purposes or for other governments	<u>\$(42,469,033)</u>	<u>\$ 26,095</u>	<u>\$ 109,826</u>	<u>\$(42,333,112)</u>

**City of Petaluma**  
**Combining Statement of Changes in Fiduciary Net Position**  
**Private Purpose Trust Fund**  
**For the year ended June 30, 2025**

	Successor Agency to the Redevelopment Agency	Thomas Lee Charity	Child Care	Total
<b>ADDITIONS</b>				
Property tax	\$ 4,212,532	\$ -	\$ -	\$ 4,212,532
Use of money and property	35,393	1,031	4,337	40,761
<b>Total operating revenues</b>	<b>4,247,925</b>	<b>1,031</b>	<b>4,337</b>	<b>4,253,293</b>
<b>DEDUCTIONS</b>				
Community development	131,313	-	-	131,313
Interest payments	1,616,801	-	-	1,616,801
<b>Total expenditures</b>	<b>1,748,114</b>	<b>-</b>	<b>-</b>	<b>1,748,114</b>
<b>Change in net position</b>	<b>2,499,811</b>	<b>1,031</b>	<b>4,337</b>	<b>2,505,179</b>
<b>NET POSITION:</b>				
Beginning of year	<u>\$(44,968,844)</u>	<u>\$ 25,064</u>	<u>\$ 105,489</u>	<u>(44,838,291)</u>
End of year	<u><u>\$(42,469,033)</u></u>	<u><u>\$ 26,095</u></u>	<u><u>\$ 109,826</u></u>	<u><u>\$(42,333,112)</u></u>

**City of Petaluma**  
**Combining Statement of Fiduciary Net Position**  
**Custodial Funds**  
**June 30, 2025**

	General Custodial Fund	Oak & Water St. Benefit Dist Fund	Total Custodial Funds
<b>ASSETS</b>			
Cash and investments	\$ 2,269,333	\$ 60,986	\$ 2,330,319
Accounts receivable	185	-	185
<b>Total assets</b>	<b>2,269,518</b>	<b>60,986</b>	<b>2,330,504</b>
<b>LIABILITIES</b>			
<b>Liabilities:</b>			
Accounts payable	58,247	-	58,247
Deposits payable	384	-	384
<b>Total liabilities</b>	<b>58,631</b>	<b>-</b>	<b>58,631</b>
<b>NET POSITION</b>			
Restricted for other governments	2,210,887	60,986	2,271,873
<b>Total net position</b>	<b>\$ 2,210,887</b>	<b>\$ 60,986</b>	<b>\$ 2,271,873</b>

**City of Petaluma**  
**Combining Statement of Changes in Fiduciary Net Position**  
**Custodial Funds**  
**For the year ended June 30, 2025**

	General Custodial Fund	Oak & Water St. Benefit Dist Fund	Total Custodial Funds
<b>ADDITIONS:</b>			
Other revenues	\$ 8,309,888	\$ -	\$ 8,309,888
<b>Total additions</b>	<b>8,309,888</b>	<b>-</b>	<b>8,309,888</b>
<b>DEDUCTIONS:</b>			
Professional and other services	7,748,999	16,598	7,765,597
<b>Total deductions</b>	<b>7,748,999</b>	<b>16,598</b>	<b>7,765,597</b>
<b>Change in net position</b>	<b>560,889</b>	<b>(16,598)</b>	<b>544,291</b>
<b>NET POSITION</b>			
Beginning of year	1,649,998	77,584	1,727,582
End of year	<b>\$ 2,210,887</b>	<b>\$ 60,986</b>	<b>\$ 2,271,873</b>



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# STATISTICAL SECTION

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**City of Petaluma, CA**  
**Statistical Section**

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*This part of the City of Petaluma's Annual Comprehensive Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.*

<b>Contents</b>	<b>Schedule</b>
<b>Financial Trends</b> <i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</i>	<b>1, 2, 3, 4, 5</b>
<b>Revenue Capacity</b> <i>These schedules contain trend information to help the reader assess the factors affecting the City's ability to generate its property taxes.</i>	<b>6, 7, 8, 9, 10, 11</b>
<b>Debt Capacity</b> <i>These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.</i>	<b>12, 13, 14, 15</b>
<b>Demographic and Economic Information</b> <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.</i>	<b>16, 17</b>
<b>Operating Information</b> <i>These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.</i>	<b>18, 19, 20</b>

**Sources:** *Unless otherwise noted, the information in these schedules is derived from the annual comprehensive financial reports for the relevant year. The City implemented GASB Statement 34 in 2004; schedules presenting information include information beginning in that year.*

Schedule 1  
City of Petaluma, CA  
Net Position by Component  
Last Ten Fiscal Years  
*(accrual basis of accounting)*

	Fiscal Year									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Governmental Activities										
Net Investment in Capital Assets	\$ 189,666,550	\$ 190,230,149	\$ 197,024,210	\$ 193,766,262	\$ 189,587,374	\$ 187,146,154	191,440,106	198,385,574	200,848,990	203,377,433
Restricted:										
Special projects	89,258,127	108,073,879	111,586,670	119,178,925	110,670,411	116,577,296	112,365,739	113,446,715	113,758,216	98,341,169
Permanent-non expendable	23,852	24,036	24,333	24,333	25,295	25,451	25,541	26,040	26,795	27,896
Unrestricted	(55,873,989)	(55,661,778)	(66,355,734)	(71,645,259)	(63,359,178)	(68,563,468)	(56,396,358)	(50,652,244)	(58,355,256)	(44,319,335)
Total governmental activities net position	223,074,540	242,666,286	242,279,479	241,324,261	236,923,902	235,185,433	247,435,028	261,206,085	256,278,745	257,427,163
Business-type activities										
Net Investment in Capital Assets	116,665,454	130,273,647	141,024,513	152,416,343	162,087,283	167,447,009	174,306,502	181,857,263	198,108,578	222,136,265
Restricted:										
Debt service	2,246,500	40,170	934	43	35,625	21	53	4,700	5,560	4,526
Unrestricted	43,276,542	38,210,093	40,821,446	41,951,566	50,905,267	59,122,024	66,696,519	71,536,651	63,133,305	60,309,757
Total business-type activities net position	162,188,496	168,523,910	181,846,893	194,367,952	213,028,175	226,569,054	241,003,074	253,398,614	261,247,443	282,450,548
Primary government										
Net Investment in Capital Assets	306,332,004	320,503,796	338,048,723	346,182,605	351,674,657	354,593,163	365,746,608	380,242,837	398,957,568	425,513,698
Restricted:										
Special projects	89,258,127	108,073,879	111,586,670	119,178,925	110,670,411	116,577,296	112,365,739	113,446,715	114,245,229	98,341,169
Debt service	2,246,500	40,170	934	43	35,625	21	53	4,700	5,560	4,526
Permanent fund: non expendable trust	23,852	24,036	24,333	24,333	25,295	25,451	25,541	26,040	26,795	27,896
Unrestricted	(12,597,447)	(17,451,685)	(25,534,288)	(29,693,693)	(12,453,911)	(9,441,444)	10,300,161	20,884,407	4,291,036	15,990,422
Total primary government activities net position	\$ 385,263,036	\$ 411,190,196	\$ 424,126,372	\$ 435,692,213	\$ 449,952,077	\$ 461,754,487	\$ 488,438,102	\$ 514,604,699	\$ 517,526,188	\$ 539,877,711

Schedule 2  
City of Petaluma, CA  
Changes in Net Position, Last Ten Fiscal Years  
(accrual basis of accounting)

	Fiscal Year									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>Expenses:</b>										
Governmental activities	\$ (32,446,974)	\$ (38,037,280)	\$ (37,056,842)	\$ (52,242,862)	\$ (54,405,656)	\$ (54,248,361)	\$ (58,455,500)	\$ (61,936,394)	\$ (84,472,762)	\$ (86,752,532)
Business-type activities	9,458,447	5,570,433	14,454,988	11,628,456	17,651,127	13,631,554	15,567,826	11,034,126	4,283,504	18,300,226
Total net revenues (expenses)	<u>\$ (22,988,527)</u>	<u>\$ (32,466,847)</u>	<u>\$ (22,601,854)</u>	<u>\$ (40,614,406)</u>	<u>\$ (36,754,529)</u>	<u>\$ (40,616,807)</u>	<u>\$ (42,887,674)</u>	<u>\$ (50,902,268)</u>	<u>\$ (80,189,258)</u>	<u>\$ (68,452,306)</u>
<b>General revenues and other changes in net position:</b>										
Governmental activities:										
Taxes:										
Property taxes	\$ 9,583,057	\$ 9,961,220	\$ 10,120,512	\$ 11,278,819	\$ 11,637,555	\$ 11,297,979	\$ 12,363,399	\$ 13,126,935	\$ 13,832,715	\$ 15,337,208
Sales taxes	12,836,372	12,346,472	13,412,360	13,728,518	12,956,128	18,231,308	33,626,463	32,329,679	32,159,750	35,638,878
Franchise tax	4,386,505	4,678,179	4,741,131	4,646,929	4,941,468	4,734,361	4,564,755	4,898,510	5,122,498	5,392,273
Intergovernmental, unrestricted	7,826,858	8,093,750	8,746,222	10,100,536	10,226,663	10,378,572	11,112,310	13,227,978	13,874,687	15,418,019
Other taxes	4,973,753	5,630,225	5,577,756	6,029,998	5,128,776	5,218,992	7,214,633	6,446,008	6,154,335	6,428,341
Unrestricted investment earnings	642,914	296,135	641,094	1,966,335	1,875,478	922,727	617,965	3,653,885	5,251,849	4,770,969
Gain on disposal of assets	-	13,050	-	37,009	-	201,539	-	-	-	19,495
Miscellaneous revenue	2,783,899	3,420,154	3,058,231	2,917,083	2,858,095	1,181,183	633,717	1,605,509	2,698,341	3,665,936
Transfers	(754,473)	(479,403)	273,382	582,417	381,134	343,231	571,853	418,947	451,247	1,229,831
Pension Unfunded Liability Paydown	-	-	(7,490,284)	-	-	-	-	-	-	-
Successor Agency Bond Proceeds	-	5,547,823	4,736,219	-	-	-	-	-	-	-
Total governmental activities	<u>42,278,885</u>	<u>49,507,605</u>	<u>43,816,623</u>	<u>51,287,644</u>	<u>50,005,297</u>	<u>52,509,892</u>	<u>70,705,095</u>	<u>75,707,451</u>	<u>79,545,422</u>	<u>87,900,950</u>
Business-type activities:										
Taxes:										
Unrestricted investment earnings	\$ 338,933	\$ 285,078	\$ 719,743	\$ 1,465,197	1,371,898	222,061	(563,503)	1,757,232	4,011,044	4,126,536
Gain on disposal of assets	825	500	-	9,823	18,332	30,495	1,550	23,129	5,528	6,172
Transfers	754,473	479,403	(273,382)	(582,417)	(381,134)	(343,231)	(571,853)	(418,947)	(451,247)	(1,229,831)
Total business-type activities	<u>1,094,231</u>	<u>764,981</u>	<u>446,361</u>	<u>892,603</u>	<u>1,009,096</u>	<u>(90,675)</u>	<u>(1,133,806)</u>	<u>1,361,414</u>	<u>3,565,325</u>	<u>2,902,877</u>
Total primary government	<u>\$ 43,373,116</u>	<u>\$ 50,272,586</u>	<u>\$ 44,262,984</u>	<u>\$ 52,180,247</u>	<u>\$ 51,014,393</u>	<u>\$ 52,419,217</u>	<u>\$ 69,571,289</u>	<u>\$ 77,068,865</u>	<u>\$ 83,110,747</u>	<u>\$ 90,803,827</u>
<b>Changes in net position:</b>										
Governmental activities	\$ 9,831,911	\$ 11,470,325	\$ 6,759,781	\$ (955,218)	\$ (4,400,359)	\$ (1,738,469)	12,249,595	13,771,057	(4,927,340)	1,148,418
Business-type activities	<u>10,552,678</u>	<u>6,335,414</u>	<u>14,901,349</u>	<u>12,521,059</u>	<u>18,660,223</u>	<u>13,540,879</u>	<u>14,434,020</u>	<u>12,395,540</u>	<u>7,848,829</u>	<u>21,203,105</u>
Total primary government	<u>\$ 20,384,589</u>	<u>\$ 17,805,739</u>	<u>\$ 21,661,130</u>	<u>\$ 11,565,841</u>	<u>\$ 14,259,864</u>	<u>\$ 11,802,410</u>	<u>\$ 26,683,615</u>	<u>\$ 26,166,597</u>	<u>\$ 2,921,489</u>	<u>\$ 22,351,523</u>

Schedule 3  
**City of Petaluma, CA**  
**Fund Balances, Governmental Funds**  
**Last Ten Fiscal Years**  
*(modified accrual basis of accounting)*

	Fiscal Year									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>General Fund:</b>										
Nonspendable	\$ 87,958	\$ 102,778	\$ 114,598	\$ 119,554	\$ 123,471	\$ 216,611	\$ 178,964	\$ 151,050	\$ 1,672,220	\$ 2,133,726
Committed	3,277,768	4,230,191	4,426,112	4,434,461	3,493,019	1,484,700	1,297,291	1,447,559	345,271	-
Assigned	4,866,554	5,088,820	5,422,325	7,818,049	7,731,497	9,641,704	11,887,062	12,509,446	9,507,193	16,701,165
Unassigned	1,998,762	2,040,912	3,162,821	3,173,198	2,739,137	1,616,931	4,299,126	4,561,680	-	-
Total general fund	<u>\$ 10,231,042</u>	<u>\$ 11,462,701</u>	<u>\$ 13,125,856</u>	<u>\$ 15,545,262</u>	<u>\$ 14,087,124</u>	<u>\$ 12,959,946</u>	<u>\$ 17,662,443</u>	<u>\$ 18,669,735</u>	<u>\$ 11,524,684</u>	<u>\$ 18,834,891</u>
<b>All Other Governmental Funds:</b>										
Nonspendable	\$ 23,852	\$ 24,036	\$ 24,333	\$ 24,821	\$ 25,295	\$ 25,451	\$ 25,541	\$ 26,040	\$ 26,795	\$ 209,256
Restricted	90,030,630	108,776,998	112,241,884	119,178,925	110,670,411	116,577,296	133,895,035	135,743,524	130,988,597	130,056,352
Committed	1,331,352	969,777	3,125,166	2,171,835	4,230,538	5,360,064	8,155,444	9,755,843	12,388,511	7,975,969
Unassigned	-	-	-	(1,900)	-	(695,435)	(123,084)	-	(518,853)	(611,676)
Total all other governmental fund balances	<u>91,385,834</u>	<u>109,770,811</u>	<u>115,391,383</u>	<u>121,373,681</u>	<u>114,926,244</u>	<u>121,267,376</u>	<u>141,952,936</u>	<u>145,525,407</u>	<u>142,885,050</u>	<u>137,629,901</u>
Total governmental fund balances	<u>\$ 101,616,876</u>	<u>\$ 121,233,512</u>	<u>\$ 128,517,239</u>	<u>\$ 136,918,943</u>	<u>\$ 129,013,368</u>	<u>\$ 134,227,322</u>	<u>\$ 159,615,379</u>	<u>\$ 164,195,142</u>	<u>\$ 154,409,734</u>	<u>\$ 156,464,792</u>

Schedule 4

City of Petaluma, CA

Changes in Fund Balances, Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>Revenues</b>										
Taxes (see schedule 5)	\$ 31,530,249	\$ 32,616,096	\$ 33,851,759	\$ 35,684,263	\$ 34,663,927	\$ 39,482,641	\$ 57,769,249	\$ 56,801,132	\$ 57,269,299	\$ 62,796,699
Licenses, permits and fees	6,678,465	5,802,314	6,946,493	5,304,069	6,308,672	6,907,524	4,268,153	14,548,956	4,305,790	2,373,853
Fines, forfeitures and penalties	556,508	739,272	815,913	672,267	407,108	162,180	334,687	366,258	590,114	359,183
Use of money and property	986,419	2,247,879	2,370,910	3,615,466	2,300,053	740,837	(499,114)	2,640,716	5,914,466	9,914,200
Intergovernmental	11,289,946	10,964,409	13,172,378	11,873,154	13,246,486	17,329,604	19,370,026	17,679,613	20,161,210	28,187,651
Charges for current services	7,475,695	7,520,475	8,586,203	8,293,242	6,383,015	7,152,359	7,032,126	8,483,567	9,859,250	12,653,311
Other	2,165,019	723,345	482,512	516,027	554,809	453,412	165,084	865,264	2,649,684	740,843
<b>Total revenues</b>	<b>60,682,301</b>	<b>60,613,790</b>	<b>66,226,168</b>	<b>65,958,488</b>	<b>63,864,070</b>	<b>72,228,557</b>	<b>88,440,211</b>	<b>101,385,506</b>	<b>100,749,813</b>	<b>117,025,740</b>
<b>Expenditures</b>										
Current:										
General government	5,319,069	5,900,460	6,309,124	6,020,133	3,502,395	5,111,118	7,784,592	7,895,053	11,731,407	12,242,063
Community development	2,506,730	2,437,844	2,786,591	2,974,024	3,455,063	3,572,276	3,973,126	6,538,621	7,326,007	10,762,174
Police	16,858,379	17,742,374	17,912,921	19,563,549	20,842,998	19,892,818	25,751,751	27,990,556	30,855,831	32,093,670
Fire	12,748,714	13,915,726	14,941,695	15,720,465	16,641,787	17,075,117	21,160,548	22,017,592	24,218,056	27,330,602
Parks and recreation	2,949,395	2,594,334	2,535,257	2,291,240	2,489,095	3,169,332	3,792,648	9,085,128	9,596,291	12,157,199
Public works	7,838,030	10,729,275	17,239,449	10,191,662	12,026,046	16,913,965	17,756,749	21,210,747	23,993,991	18,968,754
Capital outlay	334,381	280,032	1,172,005	433,128	241,636	373,565	1,005,160	416,626	848,096	1,273,629
Principal	-	-	-	-	-	-	535,000	370,000	390,000	410,000
Interest	-	-	-	-	-	-	845,017	548,091	529,497	510,082
<b>Total expenditures</b>	<b>48,554,698</b>	<b>53,600,045</b>	<b>62,897,042</b>	<b>57,194,201</b>	<b>59,199,020</b>	<b>66,108,191</b>	<b>82,604,591</b>	<b>96,072,414</b>	<b>109,489,176</b>	<b>115,748,173</b>
<b>Excess of revenues over (under) expenditures</b>	<b>12,127,603</b>	<b>7,013,745</b>	<b>3,329,126</b>	<b>8,764,287</b>	<b>4,665,050</b>	<b>6,120,366</b>	<b>5,835,620</b>	<b>5,313,092</b>	<b>(8,739,363)</b>	<b>1,277,567</b>
<b>Other Financing Sources (Uses):</b>										
Debt issuance	-	-	-	-	-	-	20,486,260	-	-	-
Proceeds from the sale of assets	7,607	13,050	-	-	-	49,633	-	-	9,984	19,495
Transfers in	8,378,259	7,454,274	14,685,728	8,065,562	12,311,021	18,302,893	27,454,194	40,296,294	35,089,598	31,710,339
Transfers out	(9,732,732)	(8,533,677)	(15,467,346)	(8,428,145)	(13,477,848)	(19,258,938)	(28,388,017)	(41,029,623)	(36,145,627)	(30,952,343)
<b>Total other financing sources (uses)</b>	<b>(1,346,866)</b>	<b>(1,066,353)</b>	<b>(781,618)</b>	<b>(362,583)</b>	<b>(1,166,827)</b>	<b>(906,412)</b>	<b>19,552,437</b>	<b>(733,329)</b>	<b>(1,046,045)</b>	<b>777,491</b>
<b>Special Item</b>										
Successor Agency Bond Proceeds	-	5,547,823	4,736,219	-	-	-	-	-	-	-
<b>Net change in Fund Balance</b>	<b>\$ 10,780,737</b>	<b>\$ 11,495,215</b>	<b>\$ 7,283,727</b>	<b>\$ 8,401,704</b>	<b>\$ 3,498,223</b>	<b>\$ 5,213,954</b>	<b>\$ 25,388,057</b>	<b>\$ 4,579,763</b>	<b>\$ (9,785,408)</b>	<b>\$ 2,055,058</b>

Debt service as a percentage of noncapital expenditures (1)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1.69%	1.17%	1.02%	0.92%
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(1) Paragraph 12b requires that the interest and principal components of debt service expenditures be presented separately and that total debt service be shown as a percentage of total noncapital expenditures. Noncapital expenditures are total expenditures less capital outlay (to the extent capitalized for the government-wide statement of net assets) and expenditures for capitalized assets included within the functional expenditure categories.

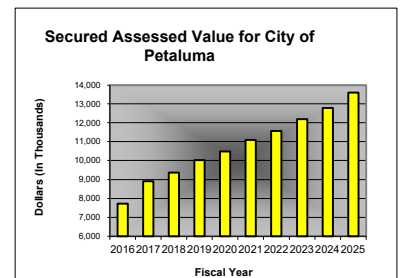
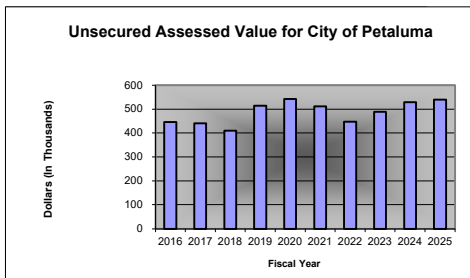
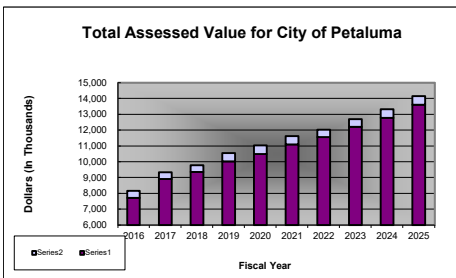
Schedule 5  
**City of Petaluma, CA**  
**Tax Revenues by Source, Governmental Funds**  
**Last Ten Fiscal Years**

Tax Revenue	Fiscal Year										% Change 2016-2025
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	
Property	\$ 9,333,619	\$ 9,961,220	\$ 10,120,513	\$ 11,278,819	\$ 11,637,555	\$ 11,297,979	\$ 12,363,399	\$ 13,126,936	\$ 13,832,715	\$ 15,337,208	64.32%
Sales and Use	12,836,372	12,346,472	13,412,360	13,728,518	12,956,128	18,231,308	33,626,463	32,329,679	32,159,751	35,638,877	177.64%
Occupancy	2,490,524	2,651,226	3,072,242	3,359,945	2,642,249	2,131,357	3,440,339	3,385,313	3,668,066	3,587,191	44.03%
Franchise	4,386,505	4,678,180	4,741,131	4,646,929	4,941,468	4,734,361	4,564,755	4,898,510	5,122,498	5,392,273	22.93%
Property Transfer	1,245,039	1,769,698	1,237,310	1,335,133	1,315,425	1,800,542	2,348,922	1,659,787	1,103,375	1,463,902	17.58%
Other	1,238,190	1,209,301	1,268,204	1,334,920	1,171,102	1,287,093	1,425,372	1,400,908	1,382,894	1,377,249	11.23%
<b>Total taxes</b>	<b>\$ 31,530,250</b>	<b>\$ 32,616,097</b>	<b>\$ 33,851,761</b>	<b>\$ 35,684,263</b>	<b>\$ 34,663,927</b>	<b>\$ 39,482,640</b>	<b>\$ 57,769,250</b>	<b>\$ 56,801,133</b>	<b>\$ 57,269,299</b>	<b>\$ 62,796,700</b>	

**Schedule 6**  
**City of Petaluma, CA**  
**Assessed Value and Estimated Actual Value of Taxable Property**  
**Last Ten Fiscal Years**

City						
Fiscal Year	Secured Property	Unsecured Property	Less: Tax-Exempt Property	Total Taxable Assessed Value	Estimated Actual Value (2)	Total Direct Tax Rate (1)
2016	6,029,133,776	177,624,704	(144,824,654)	6,656,015,859	8,176,559,700	1.228
2017	7,102,508,869	169,672,532	(216,201,804)	7,055,979,597	8,211,304,528	1.164
2018	7,562,693,038	138,359,729	(217,750,163)	7,483,302,604	9,731,780,604	1.300
2019	8,041,680,642	220,504,474	(221,483,043)	8,040,702,073	10,277,022,337	1.278
2020	8,404,723,132	264,133,529	(232,931,730)	8,435,924,931	10,119,871,577	1.200
2021	8,742,811,749	283,035,383	(225,372,603)	8,800,474,529	10,184,683,271	1.157
2022	9,139,738,565	231,523,900	(225,767,663)	9,145,494,802	11,145,239,550	1.219
2023	9,626,240,967	261,617,067	(239,176,949)	9,648,681,085	13,200,193,572	1.368
2024	10,150,090,245	263,935,615	(240,699,688)	10,173,326,172	13,691,090,952	1.346
2025	10,604,230,931	274,989,690	(250,807,754)	10,628,412,867	13,781,745,946	1.297

Redevelopment Agency						
Fiscal Year	Secured Property	Unsecured Property	Less: Tax-Exempt Property	Total Taxable Assessed Value	Estimated Actual Value (2)	Total Direct Tax Rate (1)
2016	1,796,512,501	271,000,767	(81,935,657)	1,985,577,611	2,439,175,960	1.228
2017	1,987,486,724	293,974,519	(149,512,727)	2,131,948,516	2,481,027,370	1.164
2018	2,075,301,464	277,372,858	(146,241,888)	2,206,432,434	2,869,390,362	1.300
2019	2,150,159,917	223,863,160	(154,212,558)	2,219,810,519	2,837,195,320	1.278
2020	2,296,641,565	227,858,460	(198,451,008)	2,326,049,017	2,790,365,908	1.200
2021	2,355,744,886	227,691,867	(204,501,570)	2,378,935,183	2,753,113,060	1.157
2022	2,425,024,263	215,814,840	(206,149,606)	2,434,689,497	2,967,056,268	1.219
2023	2,573,138,075	227,324,694	(209,168,912)	2,591,293,857	3,545,104,270	1.368
2024	2,626,868,753	265,403,751	(199,052,769)	2,693,219,735	3,624,487,050	1.346
2025	3,000,559,159	263,902,685	(213,586,277)	3,050,875,567	3,956,036,758	1.297



(1) In 1978 the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of the property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only reassessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations above.

(2) As of 2007-08, secured and unsecured values are gross taxable values. Exemptions include all types of exempt properties. Previous years reported homeowners' exemptions only.

(3) As of 2007-08, Estimated Actual Value is derived from a series of calculations comparing median assessed values from 1940 to current median sales prices. Based on these calculations, a multiplier value was extrapolated and applied to current assessed values.

Source: Sonoma County Assessor data, MuniServices, LLC/Neumo

Schedule 7

City of Petaluma, CA

Assessed Value of Taxable Property by Use Code, Citywide

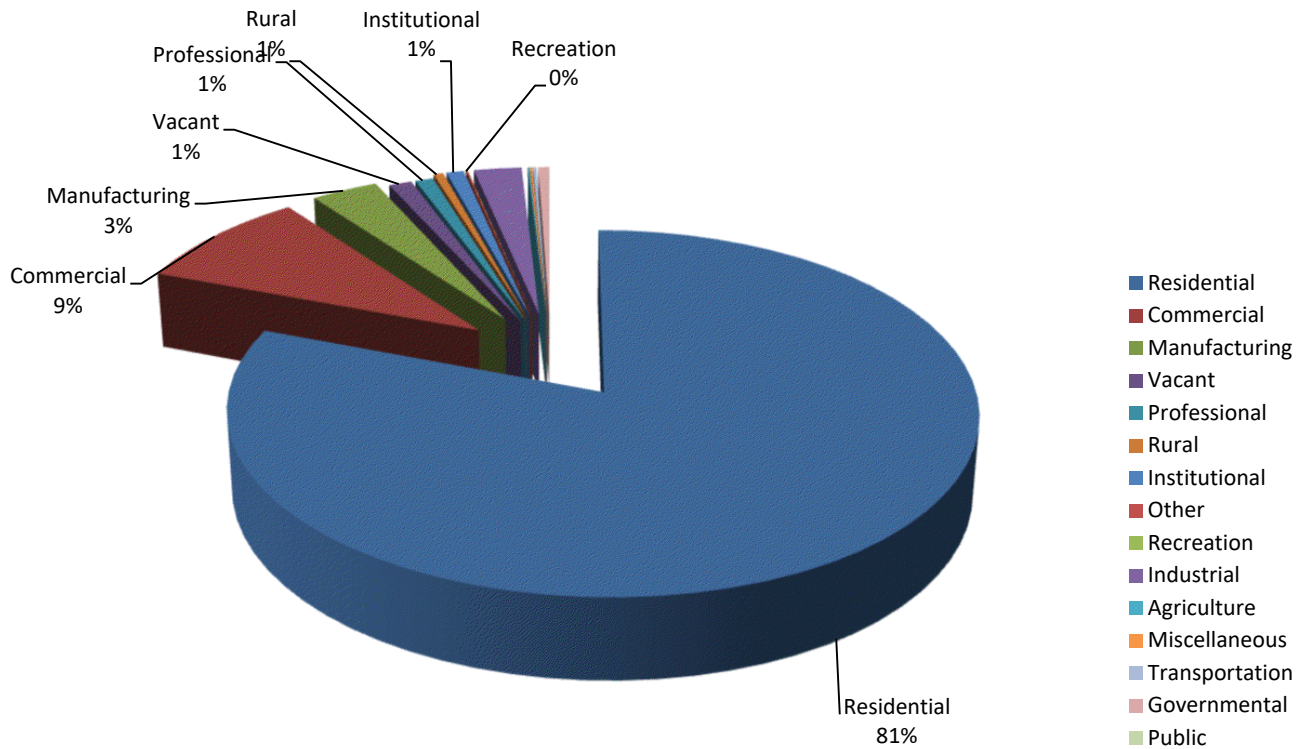
Last Ten Fiscal Years (in thousands)

Category	Fiscal Year									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Residential	6,615,390	7,034,503	7,473,070	8,098,323	8,475,646	8,915,230	9,335,757	9,791,938	10,318,490	10,954,367
Commercial	858,577	944,370	974,194	975,992	1,019,880	1,097,758	1,152,177	1,146,514	1,165,154	1,310,127
Manufacturing	450,611	484,841	492,180	393,564	411,906	360,994	139,811	412,293	427,585	456,640
Vacant	212,309	287,083	350,108	204,015	255,978	137,601	149,821	181,040	145,575	132,051
Professional	67,539	69,649	74,363	197,538	78,773	94,165	95,282	100,323	113,787	114,328
Rural	42,465	55,342	63,334	76,631	70,328	56,597	57,484	61,143	62,451	65,494
Institutional	41,285	60,718	61,757	62,462	66,523	75,057	74,818	77,328	110,600	112,774
Other	53,043	53,678	54,709	59,277	34,380	6,745	1,332	8,302	9,642	9,835
Recreation	36,017	38,315	38,845	41,367	41,496	-	-	-	1,736	1,770
Industrial	15,901	26,366	18,035	35,134	199,547	262,576	510,559	296,460	304,748	319,110
Agriculture	5,940	9,904	10,917	21,189	9,578	9,821	9,923	10,121	10,323	11,497
Miscellaneous	5,246	9,386	10,474	9,390	20,047	14,548	15,189	16,181	14,690	22,682
Transportation	8,384	8,713	8,738	8,565	8,725	19,925	20,132	21,403	21,789	22,411
Governmental	5,500	5,584	5,696	6,785	6,921	47,346	1,026	76,133	70,183	71,496
Public	1,521	1,544	1,575	1,606	1,639	194	1,454	200	204	208
Gross Secured Value	8,419,728	9,089,996	9,637,995	10,191,841	10,701,365	11,098,557	11,564,763	12,199,379	12,776,957	13,604,790
Unsecured Value	448,625	463,647	415,732	444,367	491,992	510,727	447,339	488,942	529,339	538,892
Exemptions	226,760	365,714	363,992	375,696	431,383	429,874	431,917	448,346	439,752	464,394
Net Taxable Value	8,641,593	9,187,929	9,689,735	10,260,512	10,761,974	11,179,410	11,580,184	12,239,975	12,866,544	13,679,288

Source: Sonoma County Assessor data, MuniServices, LLC / Neumo

**Schedule 8**  
**City of Petaluma, CA**  
**Assessed Value of Taxable Property by Use Code, Citywide**  
**2024-2025 Land Use Chart**

**Assessed Value by Use Code for RDA and City**



Source: MuniServices, LLC/Neumo

**Schedule 9**  
**City of Petaluma, CA**  
**Direct and Overlapping Property Tax Rates,**  
*(rate per \$100 of assessed value)*  
**Last Ten Fiscal Years**

	Fiscal Year									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Basic City and County Levy (1):										
Bay Area Quality Mgmnt	0.0019	0.0019	0.0019	0.0019	0.0019	0.0019	0.0019	0.0019	0.0019	0.0019
City Direct Rate	0.1643	0.1643	0.1643	0.1643	0.1643	0.1643	0.1643	0.1643	0.1643	0.1643
County Library	0.0186	0.0186	0.0186	0.0186	0.0186	0.0186	0.0186	0.0186	0.0186	0.0186
County of Sonoma	0.2784	0.2784	0.2784	0.2784	0.2784	0.2784	0.2784	0.2784	0.2784	0.2784
Gen #1 SOCO Water Agency	0.0075	0.0075	0.0075	0.0075	0.0075	0.0075	0.0075	0.0075	0.0075	0.0075
MRN/SNMA MOSO &Vector	0.0024	0.0024	0.0024	0.0024	0.0024	0.0024	0.0024	0.0024	0.0024	0.0024
Petaluma AWUF	0.1110	0.1110	0.1110	0.1110	0.1110	0.1110	0.1110	0.1110	0.1110	0.1110
Petaluma Schools	0.3973	0.3973	0.3973	0.3973	0.3973	0.3973	0.3973	0.3973	0.3973	0.3973
South SO RES CN Land	0.0002	0.0002	0.0002	0.0002	0.0002	0.0002	0.0002	0.0002	0.0002	0.0002
Spring Lake Park SCWA	0.0024	0.0024	0.0024	0.0024	0.0024	0.0024	0.0024	0.0024	0.0024	0.0024
ZN ZA Petaluma Basin	0.0158	0.0158	0.0158	0.0158	0.0158	0.0158	0.0158	0.0158	0.0158	0.0158
Total Basic City and County Levy:	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
Override Assessments:										
WS Dam-Russian River Project	0.0070	0.0070	0.0070	0.0070	0.0070	0.0070	0.0070	0.0070	0.0070	0.0070
Petaluma Elementary School Bonds	0.0530	0.0410	0.0310	0.0360	0.0320	0.0280	0.0270	0.0230	0.0170	0.0160
Petaluma High School Bonds	0.0590	0.0460	0.0620	0.0600	0.0450	0.0410	0.0210	0.0265	0.0220	0.0175
Sonoma County Junior College Bonds	0.0160	0.0400	0.0370	0.0360	0.0370	0.0370	0.0370	0.0350	0.0335	0.0305
Total Override Assessments:	0.1350	0.1340	0.1370	0.1390	0.1210	0.1130	0.0920	0.0915	0.0795	0.0710
Total Direct and Overlapping Rates:	1.1350	1.1340	1.1370	1.1390	1.1210	1.1130	1.0920	1.0915	1.0795	1.0710

**Source:** Sonoma County Auditor data, MuniServices, LLC / Neumo

(1) In 1978, California voters passed Proposition 13 which sets the property tax rate at a 1.00% fixed amount. This 1% is shared by all taxing agencies within which jurisdiction's the subject property resides. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of the School District bonds.

**Schedule 10**  
**City of Petaluma, CA**  
**Principal Property Tax Payers,**  
**Current Year and Nine Years Ago**

Taxpayer	Fiscal Year				
	2025		2016		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Percentage of Total City Taxable Assessed Value	
Enclave Apartments Property Owner LLC	163,821,894	1	1.20%	-	0.00%
Sequoia Equities - Azure Lp	130,006,091	2	0.95%	40,961,560	0.47%
La Via Apartments Lp	108,039,651	3	0.79%	-	0.00%
SSCOP De LLC	70,672,352	4	0.52%	44,111,153	0.51%
Lagunitas Brewing Co Inc	67,382,800	5	0.49%	37,656,852	0.44%
Addison Ranch Apartments LLC	60,612,550	6	0.44%	27,602,064	0.32%
Vestar Petaluma EWP LLC	60,065,514	7	0.44%	-	0.00%
CREFMA1 Deer Creek Village Owner LLC	56,168,724	8	0.41%	-	0.00%
Labcon North America	54,356,242	9	0.40%	27,306,816	0.32%
Cap VIII-Altura LLC	50,884,336	10	0.37%	-	0.00%
Sonoma Hotel Partners Lp	43,451,068	11	0.32%	-	0.00%
CCF PCG Petaluma LLC	39,300,121	12	0.29%	-	0.00%
TSA SKH Investors LLC Et Al	39,079,165	13	0.29%	33,291,818	0.39%
G & I IX Lagunitas 1 Lp	36,186,815	14	0.26%	-	0.00%
Target Corporation	35,840,290	15	0.26%	31,519,639	0.36%
Pacific Castle Redwood LLC	35,061,475	16	0.26%	-	0.00%
Redwood Tech De Spe LLC	34,999,093	17	0.26%	-	0.00%
TSW Investors LLC Et Al	34,694,771	18	0.25%	-	0.00%
Chelsea GCA Realty Ptp	34,164,732	19	0.25%	26,059,850	0.30%
Novak Property LLC	33,845,874	20	0.25%	27,664,094	0.32%
Norcal Healthconnect LLC	32,366,844	21	0.24%	-	0.00%
Biosearch Technologies Inc	32,193,730	22	0.24%	-	0.00%
Surfside Palms Apartments LLC	30,061,030	23	0.22%	-	0.00%
Redwood Tech Hotel Investors LLC	29,319,786	24	0.21%	-	0.00%
The Haven At Petaluma LLC	27,925,334	25	0.20%	-	0.00%
KW G I VI Petaluma Lp	-	-	-	73,232,017	0.85%
Regency Petaluma LLC	-	-	-	41,537,243	0.48%
MGP VIII Properties LLC	-	-	-	39,156,329	0.45%
Azure At Lakeville Square LLC	-	-	-	32,585,721	0.38%
Quarry Heights LLC	-	-	-	28,652,369	0.33%
Redwood Gateway LLC	-	-	-	27,951,983	0.32%
Petaluma Marina Investors LLC	-	-	-	25,956,989	0.30%
Clover Stornetta Farms Inc.	-	-	-	25,165,716	0.29%
Syers Properties I Lp	-	-	-	25,162,558	0.29%
Washington Square Assoc	-	-	-	24,875,151	0.29%
1465 N Mcdowell Holdings 1 LLC	-	-	-	18,238,069	0.21%
Baywood Equities Lp	-	-	-	17,633,895	0.20%
Jerico Products Inc.	-	-	-	17,233,248	0.20%
Enphase Energy Inc.	-	-	-	16,759,160	0.19%
Lowenberg Assoc Lp	-	-	-	16,697,072	0.19%
Parkway Petaluma LLC	-	-	-	16,495,864	0.19%
Total Top 25 Taxpayers	\$ 1,340,500,282		9.80%	\$ 743,507,230	8.60%
All Other Taxpayers	12,338,788,152		90.20%	7,898,086,240	91.40%
Total Taxable Assessed Values	\$ 13,679,288,434		100.00%	\$ 8,641,593,470	100.00%

**Schedule 11  
City of Petaluma, CA  
Property Tax Levies and Collections,  
Last Ten Fiscal Years**

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy (1)		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount (1)	Percentage of Levy
2016	\$ 9,159,779	\$ 9,159,779	100.00%	-	\$ 9,159,779	100.00%
2017	9,633,671	9,633,671	100.00%	-	9,633,671	100.00%
2018	9,972,979	9,972,979	100.00%	-	9,972,979	100.00%
2019	10,858,852	10,858,852	100.00%	-	10,858,852	100.00%
2020	11,417,750	11,417,750	100.00%	-	11,417,750	100.00%
2021	11,123,286	11,123,286	100.00%	-	11,123,286	100.00%
2022	12,005,504	12,005,540	100.00%	-	12,005,540	100.00%
2023	12,859,849	12,859,849	100.00%	-	12,859,849	100.00%
2024	13,615,324	13,615,324	100.00%	-	13,615,324	100.00%
2025	15,023,076	15,023,076	100.00%	-	15,023,076	100.00%

**Source:** Sonoma County ACTTC Office, Property Tax Division

(1) The County of Sonoma bills and collects property taxes on behalf of the City using an alternative method of distribution known as the "Teeter Plan". The State Revenue and Taxation Code allows counties to distribute secured real property and supplemental property taxes on an accrual basis resulting in full payment to the City each fiscal year. Any subsequent delinquent payments and related penalties and interest will revert to Sonoma County.

**Schedule 12**  
**City of Petaluma, CA**  
**Ratios of Outstanding Debt by Type,**  
**Last Ten Fiscal Years**

Governmental Activities				
Fiscal Year	General Obligation Bonds	Redevelopment Tax Allocation Bonds	Lease Liability	Total Governmental Activities
2016	\$ -	\$ -	\$ -	\$ -
2017	-	-	-	-
2018	-	-	-	-
2019	-	-	-	-
2020	-	-	-	-
2021	-	-	392,538	392,538
2022	19,905,885	-	658,516	20,564,401
2023	19,490,510	-	718,187	20,208,697
2024	19,055,135	-	1,603,168	20,658,303
2025	18,599,760	-	1,407,449	20,007,209

Business-type Activities						
Year	Revenue Bonds	Term Loans	Certificates of Participation	Revolving Credit Lines	Lease Liability	Total Business-Type Activities
2016	\$ 28,641,704.53	\$ 6,268,083.00	\$ 4,531,000.00	\$ 92,469,786.00	\$ -	\$ 131,910,573.53
2017	30,215,374	6,337,247	4,143,000	86,324,413	-	127,020,034
2018	29,827,464	6,390,244	3,730,000	80,031,552	-	119,979,260
2019	29,429,553	6,426,352	3,306,000	73,587,664	-	112,749,569
2020	96,014,705	6,426,352	2,870,000	-	-	105,311,057
2021	89,270,233	7,307,636	2,423,000	-	51,378	99,052,247
2022	82,262,760	7,609,676	1,964,000	-	46,418	91,882,854
2023	74,977,286	7,911,713	1,492,000	-	269,419	84,650,418
2024	67,398,814	8,207,959	1,008,000	-	468,020	77,082,793
2025	59,518,340	8,515,784	511,000	-	368,233	68,913,357

Fiscal Year	Total Primary Government	Percentage of Personal Income	Per Capita
2025	\$ 88,920,566.00	2%	1,505

**Schedule 13**  
**City of Petaluma, CA**  
**Direct and Overlapping Governmental Activities Debt**  
**As of June 30, 2025**

2024-25 Assessed Valuation:	\$	13,811,040,743	(includes aircraft valuations)
Redevelopment Incremental Valuation:		<u>(2,822,315,152)</u>	
Adjusted Assessed Valuation:	\$	10,988,725,591	

	Total Debt 6/30/2025	% Applicable	City's Share of Debt 6/30/2025
<b>OVERLAPPING TAX AND ASSESSMENT DEBT:</b>			
Sonoma County Joint Community College	\$ 336,025,000	11.34%	\$ 38,091,794
Petaluma Joint Union High School District	106,465,000	76.97%	81,943,981
Cinnabar School District	2,210,000	41.71%	921,813
Old Adobe Union School District	53,977,609	90.19%	48,680,246
Petaluma City School District	40,175,000	84.07%	33,773,516
Wilmar Union School District	4,248,755	11.49%	488,394
Waugh School District Facilities Improvement District #1	3,921,990	69.45%	2,724,018
Waugh School District Community Facilities District #1	545,000	100.00%	545,000
California Statewide Community Development Authority 1915 Act Bonds	8,967,268	100.00%	8,967,268
Total Overlapping Tax and Assessment Debt			<u>\$ 216,136,030</u>
<b>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</b>			
Sonoma County General Fund Obligations	\$ 29,630,000	11.42%	\$ 3,382,857
Sonoma County Pension Obligations	159,945,000	11.42%	18,260,921
Sonoma County Office of Education COP	2,332,932	11.42%	266,351
Cinnabar School District COP	467,000	41.71%	194,790
City of Petaluma General Fund Obligations	17,931,000	100.00%	17,931,000
Total Direct and Overlapping General Fund Debt:			<u>\$ 40,035,919</u>
OVERLAPPING TAX INCREMENT DEBT	\$ 46,410,000	96.19%	\$ 44,639,923
Total Direct Debt			17,931,000
Total Overlapping Debt			<u>282,880,872</u>
Combined Total Debt			<u><u>\$ 300,811,872</u></u>

**Source:**  
MuniServices, LLC/Avenu Insights & Analytics/ City of Petaluma

Ratios to adjust Assessment Valuation:  
Total Overlapping Tax and Assessment Debt 1.56%

Ratios to Adjusted Assessed Valuation:  
Combined Direct Debt (\$18,838,000) 0.13%  
Combined Total Debt 2.18%

**Schedule 14**  
**City of Petaluma, CA**  
**Legal Debt Margin Information**  
**Last Ten Fiscal Years**

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Fiscal Year	Tax Increment Revenue*	Annual Debt Service**	Required Coverage (125%)	Legal Debt Margin	Debt as Percentage of Legal Debt Margin
2016	-	-	-	-	-
2017	-	-	-	-	-
2018	-	-	-	-	-
2019	-	-	-	-	-
2020	-	-	-	-	-
2021	-	-	-	-	-
2022	-	-	-	-	-
2023	-	-	-	-	-
2024	-	-	-	-	-
2025	-	-	-	-	-

\*gross tax increment  
 \*\* all bonded debt

**Schedule 15**  
**City of Petaluma, CA**  
**Pledged-Revenue Coverage**  
**Last Ten Fiscal Years**

2012 Refunding Water Revenue Bonds						
Fiscal Year	Operating Revenue	Operating Expenses	Net Available Revenue	Debt Service		Coverage*
				Principal	Interest	
2016	\$ 13,496,180	\$ 11,012,149	\$ 2,484,031	\$ 404,000	\$ 238,244	3.87
2017	14,255,191	11,259,216	2,995,975	423,000	222,952	4.64
2018	17,339,375	12,269,979	5,069,396	337,000	211,594	9.24
2019	18,719,646	13,151,831	5,567,815	347,000	199,042	10.20
2020	21,206,990	13,790,045	7,416,945	361,000	186,051	13.56
2021	20,941,195	14,924,427	6,016,768	375,000	172,545	10.99
2022	19,130,923	14,595,098	4,535,825	388,000	158,544	8.30
2023	19,625,726	15,590,371	4,035,355	401,000	144,066	7.40
2024	23,093,532	21,149,274	1,944,258	419,000	129,019	3.55
2025	26,196,136	25,360,109	836,027	436,000	113,330	1.52

2017 Waste Water Revenue Bonds						
Fiscal Year	Operating Rev less Connect Fees	Operating Expenses	Net Available Revenue	Debt Service		Coverage***
				Principal	Interest	
2018	\$ 25,543,802	\$ 8,368,876	\$ 17,174,926	\$ -	\$ 706,891	24.30
2019	27,495,156	10,532,619	16,962,537	-	805,319	21.06
2020	27,834,006	13,282,390	14,551,616	-	805,319	18.07
2021	28,952,881	11,344,273	17,608,608	-	805,319	21.87
2022	29,577,128	12,371,501	17,205,627	-	805,319	21.36
2023	31,725,332	15,151,552	16,573,780	-	805,319	20.58
2024	30,913,929	17,576,091	13,337,838	-	805,319	16.56
2025	32,442,874	20,446,582	11,996,292	-	805,319	14.90

2019 Waste Water Revenue Bonds						
Fiscal Year	Operating Rev less Connect Fees	Operating Expenses	Net Available Revenue	Debt Service		Coverage***
				Principal	Interest	
2020	\$ 27,834,006	\$ 13,282,390	\$ 14,551,616	\$ 5,645,000	\$ 2,000,510	1.90
2021	28,952,881	11,344,273	17,608,608	5,000,000	2,756,500	2.27
2022	29,577,128	12,371,501	17,205,627	5,250,000	2,506,500	2.22
2023	31,725,332	15,151,552	16,573,780	5,515,000	2,244,000	2.14
2024	30,913,929	17,576,091	13,337,838	5,790,000	1,968,250	1.72
2025	32,442,874	20,446,582	11,996,292	6,075,000	1,678,750	1.55

\* 115% required  
\*\*\* 125% required

**Statement 16**  
**City of Petaluma, CA**  
**Demographic and Economic Statistics,**  
**Last Ten Calendar Years**

Calendar Year	Population (1)	Personal Household Income in thousands of dollars (2)	Per Capita Personal Income (3)	Median Age	School Enrollment*	Estimated Unemployment Rate %
2016	\$ 60,373	\$ 2,166,217	\$ 35,879	41.1	7,789	3.50%
2017	60,941	2,291,736	37,606	40.8	7,776	3.00%
2018	62,708	2,508,230	39,999	41.6	7,728	2.30%
2019	62,247	2,626,223	42,190	41.8	7,821	2.00%
2020	61,873	2,715,023	43,881	41.7	7,811	11.90%
2021	61,104	2,894,179	47,365	41.7	7,657	7.30%
2022	58,945	3,206,857	54,404	42.8	7,464	2.00%
2023	58,321	3,700,862	63,457	42.8	7,336	3.20%
2024	58,445	4,192,232	70,994	43.5	7,388	3.30%
2025	59,094	4,523,323	76,545	45.0	7,416	3.80%

**Source:** MuniServices, LLC/Neumo

(1) Population projections are provided by the California Department of Finance Projections.

(2) Income Data is provided by the United States Census Data and is adjusted for inflation.

(3) Unemployment and Total Employment Data are provided by the EDD's Bureau of Labor Statistics Department.

(4) Unemployment data is provided by EDD, Labor Market Information Division.

\*As of 2007-08, Public School Enrollment reflects the total number of students enrolled in the Petaluma City Elementary Petaluma Joint Union High Unified School Districts.

Schedule 17  
**City of Petaluma, CA**  
**Principal Employers**  
**Current Year and Nine Years Ago**

Employer	Fiscal Year					
	2025			2016		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Petaluma School District	873	1	2.83%	1,300	1	3.95%
Friedman's Home Improvement (a)	470	2	1.53%	-	-	-
City of Petaluma	381	3	1.24%	362	4	1.10%
Petaluma Valley Hospital	340	4	1.10%	501	3	1.52%
Petaluma Poultry Processors	325	5	1.06%	597	2	1.81%
Old Adobe Union School District (a)	283	6	0.92%	-	-	-
Clover Sonoma formerly Clover Stornetta Farms	245	7	0.80%	235	10	0.71%
Kaiser Permanente - Petaluma Medical Offices	232	8	0.75%	-	-	-
Lagunita's Brewing Company (a)	215	9	0.70%	320	6	0.97%
Rustic Bakery (Corporate Office)	209	10	0.68%	-	-	-
Enphase Energy Inc	-	-	-	342	5	1.04%
Santa Rosa Junior College	-	-	-	300	7	0.91%
Hansel Auto	-	-	-	273	8	0.83%
Calix Networks Inc.	-	-	-	254	9	0.77%
<b>Total Principal Employers</b>	<b>3,573</b>		<b>11.60%</b>	<b>4,484</b>		<b>13.63%</b>
<b>Total City Employment (1)</b>	<b>30,800</b>			<b>32,900</b>		

**Source:** MuniServices, LLC / Neumo, 2016 previously produced ACFR

**Notes:**

Results based on direct correspondence with city's local businesses.

(a) Includes both FT & PT Employees

(1) Total City Labor Force provided by EDD Labor Force Data.

**Schedule 18**  
**City of Petaluma, CA**  
**Full-time-Equivalent City Government Employees by Function/Program**  
**Last Ten Fiscal Years**

Function/Program	Fiscal Year									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>Governmental</b>										
General government (total of next 8)	35.6	36.6	38.6	39.6	40.0	39.8	40.8	44.3	47.3	50.3
Administrative Services (Finance)	13.0	14.0	15.0	15.0	15.0	15.0	15.0	15.0	16.0	16.0
Internal Services	9.0	9.0	10.0	11.0	11.0	11.0	11.0	9.0	11.0	13.0
Animal Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
City Attorney	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.5	4.5	4.5
City Clerk	2.0	2.0	2.0	2.0	2.0	2.0	2.0	3.0	3.0	3.0
City Manager	4.0	4.0	4.0	4.0	4.0	4.0	4.0	6.0	6.0	6.0
Human Resources	3.6	3.6	3.6	3.6	4.0	3.8	4.8	6.8	6.8	7.8
Community development	2.0	2.0	2.0	2.0	2.0	3.0	2.5	5.0	4.0	6.0
Fire	58.0	58.0	58.0	58.0	64.0	64.0	64.0	67.0	68.3	68.3
Police	84.5	89.7	91.7	93.1	94.1	96.1	96.1	101.6	103.6	103.6
Parks and recreation	6.0	9.0	8.4	8.4	8.35	7.0	18.2	21.0	25.0	27.0
Public works	36.2	39.6	41.0	41.1	42.07	43.8	26.3	31.2	38.4	42.8
<b>Business Activities</b>										
Airport	1.0	1.0	2.0	2.0	1.0	1.0	0	1	1	1
Airport & Marina Mgr					1.0	1.0	1	1	1	1
Development Services	6.0	6.0	7.0	7.0	7.0	7.0	7.0	9.0	16.0	16.0
Marina	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Transit	1.0	1.0	2.5	2.5	2.5	2.0	2	3	3	4
Water	30.4	30.9	30.0	31.5	31.5	31.6	36.4	42.6	43.3	42.8
Waste water	30.4	31.0	30.0	31.5	31.5	31.6	36.4	42.6	43.3	42.8
<b>Internal Service</b>										
Employee benefits	0	0	0	0	0	0	0	0	0	0
General services	2	2	2	2	2	2	2	1	1	1
Information technology	7	7	7	7	7	7	7	7	9	11
Risk management	0	0	1	2	2	2	2	1	1	1
Workers' compensation	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>291</b>	<b>305</b>	<b>311</b>	<b>317</b>	<b>325</b>	<b>328</b>	<b>333</b>	<b>369</b>	<b>393</b>	<b>405</b>

**Source:** City budget, finance department

**Schedule 19  
City of Petaluma, CA  
Operating Indicators by Function/Program,  
Last Ten Fiscal Years**

<b>Function/Program</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
Community development										
Commercial building permits issued	255	367	251	263	215	173	426	244	146	233
Residential building permits issued	1,609	1,549	1,874	1,779	2,119	2,498	1,593	2,750	1,064	2,570
Inspections performed	4,850	6,185	6,370	5,718	5,527	6,206	7,881	9,748	9,034	8,538
Police										
Number of police calls	56,887	57,616	61,083	56,137	54,112	50,284	57,011	60,629	59,963	55,671
Parking citations	6,723	8,248	8,677	5,705	3,522	2,409	4,713	4,564	4,472	2,989
Traffic citations	3,966	4,041	5,558	3,469	1,565	627	1,824	1,944	2,306	2,092
Administrative citations	35	120	118	176	102	55	8	2	8	4
Fire										
Ambulance runs	4,204	4,193	4,651	4,820	4,953	4,600	5,450	5,777	5,886	6,132
Fire calls	2,086	2,250	2,326	2,483	2,549	2,429	2,686	2,791	2,744	2,684
Inspections	2,425	2,656	2,288	2,905	1,407	405	650	537	864	3,842
Public works										
Street miles resurfaced/sealed	1.08	2.74	3.86	1.23	1.13	1.14	20.4	3.5	2.9	-
Potholes repaired										
Parks and recreation										
Historical library & museum visitors	10,192	10,612	11,150	12,470	5,850	7,435	11,855	13,220	9,616	12,799
Recreation program attendance	2,339	2,364	2,413	2,075	1,781	1,301	2,361	2,705	2,116	7,818
Senior Center Classes/Activities Attendance (3)				16,500	10,334	36	3,960	12,186	18,835	24,290
Special event attendance	4,700	4,850	4,850	6,700	6,300	4,127	6,450	7,268	7,000	12,000
Airport										
Airport movements (1)	26,000	26,000	53,200	53,200	53,300	53,300	53,300	53,300	55,500	56,610
Annual fuel consumption (gallons)	192,256	175,629	200,953	155,179	137,970	123,870	136,112	119,915	129,513	113,597
Water										
New connections										
Water main breaks										
Annual water purchased in billions of gallons	3.	2.8	2.7	2.2	2.7	2.2	2.3	1.9	2.3	2.5
Utility accounts	20,322	20,442	20,497	20,605	20,688	20,771	20,913	21,044	21,101	21,131
Wastewater										
Average dry weather flows of sewage	4.3 mgd	4.3 mgd	4.3 mgd	4.4 mgd	4.0 mgd	4.05 mgd	3.71 mgd	3.92 mgd	3.98 mgd	3.96 mgd
Transit										
Number of bus routes (2)	7	7	14	14	12	12	12	13	11	12
Annual ridership	370,674	414,089	344,665	350,449	332,291	112,547	185,916	205,996	282,461	301,758

**Sources:**

Various city department reports, annual budget narrative

(1) Beginning in FY2018, Airport movements based on FAA Terminal Area Forecast for Petaluma Municipal Airport, prior yrs take-offs only.

(2) Beginning in FY2018, Includes both Transit and Paratransit routes, previous years only Transit routes.

(3) Additional information added FY2019

**Schedule 20**  
**City of Petaluma, CA**  
**Capital Asset Statistics by Function/Program**  
**Last Ten Fiscal Years**

Function/Program	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>Police</b>										
Stations	1	1	1	1	1	1	1	1	1	1
Zone offices	2	2	2	2	2	2	2	2	2	2
Patrol vehicles, marked and unmarked	55	55	53	54	53	54	54	54	54	59
<b>Fire</b>										
Fire stations	3	3	3	3	3	3	3	3	3	3
Ambulances	4	3	3	3	4	4	4	4	4	4
<b>Public works</b>										
Streets (miles) (1)	185	185	185	177	177	177	177	177	177	177
Highways (miles)	0.80	0.80	-	-	-	-	-	-	-	-
Streetlights	5,392	5,065	5,111	5,111	5,135	5,169	5,178	5,178	5,178	5,197
Traffic Signals	51	51	51	51	51	51	51	51	51	54
<b>Park and recreation</b>										
Acreage	324	324	460	462	462	462	462	462	465	465
Parks	45	45	46	50	46	46	46	46	47	47
Community centers	4	4	4	4	4	4	4	4	4	4
Recreation facilities	4	4	4	3	3	3	3	3	3	3
Ball/soccer fields (Athletic Fields)	51	51	51	53	53	53	53	53	54	54
Tennis court	11	11	11	11	11	10	10	10	10	10
Pickle Ball Court						4	4	4	4	4
Turning basin public dock footage	995	995	995	995	995	995	995	995	995	995
Community swimming pool ctrs	2	2	2	2	2	2	2	2	2	2
Library	1	1	1	1	1	1	1	1	1	1
<b>Water</b>										
Water mains (miles)	268	252	252	239	239	261	262	265	264	265
Fire hydrants	2,597	2,587	2,562	2,583	2,572	2,608	2,626	2,640	2,665	2,670
Aqueduct stations	8	8	8	8	8	8	8	8	8	8
Wells	13	13	11	11	11	11	11	11	11	11
Valves	7,636	7,681	7,723	8,495	8,571	8,678	8,743	8,757	8,230	8,260
Reservoirs, finished water (total capacity)	11.1	11.1	11.1	11.1	11.1	11.1	11.1	11.1	11.1	11.1
<b>Wastewater</b>										
Booster stations (pumps)	12	12	12	12	12	12	12	12	13	13
Sanitary sewers (miles)	196.5	197	197	190	195	196.1	197	197	197	197
Storm sewers (miles)	127	124	120	120	120	121	122	122	123	123
Treatment capacity (millions of gallons)	2,445	2,445	2,445	2,445	2,445	2,445	2,445	2,445	2,445	2,445
<b>Transit</b>										
Buses	11	14	14	14	14	14	14	13	13	18
Paratransit vans (2)	-	-	9	9	10	10	11	9	9	9

**Sources:**

- (1) Various city department reports, annual budget narrative
- (2) Additional information added FY2018

## APPENDIX C

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

The following is a brief summary of the provisions of the Site Lease, the Lease Agreement and the Indenture relating to the Bonds. Such summary is not intended to be definitive, and reference is made to the complete documents for the complete terms thereof.

### CERTAIN DEFINITIONS

Except as otherwise defined in this summary, the terms previously defined in this Official Statement have the respective meanings previously given. In addition, the following terms have the following meanings when used in this summary:

“Additional Rental Payments” means the amounts of additional rental which are payable by the City under the Lease or which are otherwise identified as Additional Rental Payments under the Lease.

“Authorized Representative” (a) with respect to the Authority, the Chair, Executive Director, Treasurer or any other person designated as an Authorized Representative by a Written Certificate of the Authority signed by the Chair, Executive Director or Treasurer and filed with the City and the Trustee; and (b) with respect to the City, the Mayor, City Manager, Assistant City Manager, Director of Finance, or any other person designated as an Authorized Official of the City by a Written Certificate of the City signed by the Mayor, City Manager, Assistant City Manager or Director of Finance and filed with the Authority and the Trustee.

“Bond Counsel” means (a) Jones Hall LLP, or (b) any other attorney or firm of attorneys appointed by or acceptable to the Authority of nationally-recognized experience in the issuance of obligations the interest on which is excludable from gross income for federal income tax purposes under the Tax Code.

“Bond Fund” means the fund by that name established and held by the Trustee under the Indenture.

“Bond Year” means each twelve-month period extending from May 2 in one calendar year to May 1 of the succeeding calendar year, both dates inclusive; except that the first Bond Year commences on the Closing Date and extends to and including May 1, 2027.

“Business Day” means a day (i) other than a Saturday or a Sunday, or (ii) any other day on which banks in the City in which the Office of the Trustee is located are authorized and required by law to close, or (iii) a day on which the New York Stock Exchange or the payment system of Federal Reserve System is not operational.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the Authority or the City relating to the authorization, issuance, sale and delivery of the Bonds, including but not limited to: printing expenses; rating agency fees; filing and recording fees; initial fees, expenses and charges of the Trustee and their respective counsel, including the Trustee’s first annual administrative fee; fees, charges and disbursements of attorneys, financial advisors, accounting firms, consultants and other professionals; fees and charges for preparation, execution and safekeeping of the Bonds; and any other cost, charge or fee in connection with the original issuance of the Bonds.

“Costs of Issuance Fund” means the fund by that name established and held by the Trustee under the Indenture.

“Federal Securities” means: (a) any direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), for which the full faith and credit of the United States of America are pledged; (b) obligations of any agency, department or instrumentality of the United States of America, the timely

payment of principal and interest on which are directly guaranteed by the full faith and credit of the United States of America.

“Fiscal Year” means any twelve-month period extending from July 1 in one calendar year to June 30 of the succeeding calendar year, both dates inclusive, or any other twelve-month period selected and designated by the Authority as its official fiscal year period.

“Independent Accountant” means any certified public accountant or firm of certified public accountants appointed and paid by the Authority or the City, and who, or each of whom (a) is in fact independent and not under domination of the Authority or the City; (b) does not have any substantial interest, direct or indirect, in the Authority or the City; and (c) is not connected with the Authority or the City as an officer or employee of the Authority or the City but who may be regularly retained to make annual or other audits of the books of or reports to the Authority or the City.

“Information Services” means in accordance with then-current guidelines of the Securities and Exchange Commission, the Electronic Municipal Market Access System (referred to as “EMMA”), a facility of the Municipal Securities Rulemaking Board (at <http://emma.msrb.org>), or such service or services as the Authority may designate in a certificate delivered to the Trustee.

“Insurance and Condemnation Fund” means the fund by that name established and held by the Trustee under the Indenture.

“Lease Payment Date” means, with respect to any Interest Payment Date, the 5th Business Day immediately preceding such Interest Payment Date.

“Lease Payments” means the amounts payable by the City under the Lease designated as such, including any prepayment thereof and including any amounts payable upon a delinquency in the payment thereof.

“Net Proceeds” means amounts derived from any policy of casualty insurance or title insurance with respect to the Leased Property, or the proceeds of any taking of the Leased Property or any portion thereof in eminent domain proceedings (including sale under threat of such proceedings), to the extent remaining after payment therefrom of all expenses incurred in the collection and administration thereof.

“Nominee” means (a) initially, Cede & Co. as nominee of DTC, and (b) any other nominee of the Depository designated under the Indenture.

“Office” means the corporate trust office of the Trustee in San Francisco, California, or such other or additional offices as the Trustee may designate in writing to the Authority from time to time as the corporate trust office for purposes of the Indenture; except that with respect to presentation of Bonds for payment or for registration of transfer and exchange such term means the office or agency of the Trustee at which, at any particular time, its corporate trust agency and operations business is conducted initially in San Francisco, California.

“Outstanding”, when used as of any particular time with reference to Bonds, means all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under the Indenture except: (a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (b) Bonds with respect to which all liability of the Authority shall have been discharged in accordance with the Indenture, including Bonds (or portions thereof) described in the Indenture; and (c) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee under the Indenture.

“Owner”, whenever used herein with respect to a Bond, means the person in whose name the ownership of such Bond is registered on the Registration Books.

“Permitted Encumbrances” means, as of any time: (a) liens for general ad valorem taxes and assessments, if any, not then delinquent, or which the City may permit to remain unpaid under the Lease; (b) the Site Lease, the Lease and the Assignment Agreement; (c) any right or claim of any mechanic, laborer, material man, supplier or vendor not filed or perfected in the manner prescribed by law; (d) the exceptions disclosed in the title insurance policy with respect to the Leased Property issued as of the Closing Date by Stewart Title Company; and (e) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record and which the City certifies in writing will not materially impair the use of the Leased Property for its intended purposes.

“Permitted Investments” means any of the following:

- (a) Federal Securities;
- (b) Demand deposits, time deposits, interest bearing money market accounts, trust funds, trust accounts, overnight bank deposits, interest bearing deposits, other deposit products, certificates of deposit, and bank deposits in any bank or savings and loan association, including those placed by a third party pursuant to an agreement between the Trustee and the Authority, (i) which are fully insured by the Federal Deposit Insurance Corporation (FDIC) or (ii) which are secured by and collateralized at all times, in the manner and to the extent provided by the California Government Code and the California Local Agency Deposit Law;
- (c) Non-Negotiable Certificates of Deposit issued by state or federally chartered banks, savings and loans, or credit unions, provided that the amount per institution is limited to the maximum amount that is insured by the Federal Deposit Insurance Corporation (FDIC);
- (d) Money market mutual funds that are registered with the SEC under the Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and which (i) invest only in Federal Securities, (ii) maintain a constant net asset value, and (iii) maintain the highest rating by at least two nationally recognized statistical rating organizations (NRSRO's), including those for which the Trustee or an affiliate receives and retains a fee for services provided to the fund, whether as custodian, transfer agent, investment advisor or otherwise;
- (e) The Local Agency Investment Fund of the State of California, created pursuant to Section 16429.1 of the California Government Code;
- (f) The California Asset Management Trust, which is part of the California Asset Management Program (CAMP), provided the portfolio in which funds are invested maintains the highest rating by at least two nationally recognized statistical rating organizations (NRSRO's); and
- (g) Commercial paper having, at the time of investment or contractual comment to invest therein, the highest rating classification from either S&P or Moody's.

“Project” means (a) the acquisition, construction and equipping of the City's public safety facility and related facilities and improvements, and (b) incidental expenses related to the foregoing, as such project may be modified by the City Council from time-to-time.

“Project Costs” means, with respect to the Project, all costs of the acquisition, construction and installation thereof which are paid from moneys on deposit in the Project Fund, including but not limited to:

- (a) all costs required to be paid to any person under the terms of any agreement for the purchase of the Project or otherwise relating to the acquisition, construction and installation of the Project;

(b) obligations incurred for labor and materials in connection with the acquisition, construction and installation of the Project;

(c) the cost of performance or other bonds and any and all types of insurance that may be necessary or appropriate to have in effect in connection with the acquisition, construction and installation of the Project;

(d) preliminary costs of the Project, including but not limited to design, environmental, engineering and architectural services, costs for testing, surveys, estimates, plans and specifications and preliminary investigations therefor, development fees and costs for supervising construction, as well as for the performance of all other duties required by or consequent to the proper acquisition, construction and installation of the Project;

(e) costs of equipping and furnishing the Project, and costs of taking occupancy of the Project including costs incurred in connection with the relocation of City functions and personnel into the Project;

(f) any sums required to reimburse the City for advances made for any of the above items or for any other costs incurred and for work done which are properly chargeable to the acquisition, construction and installation of the Project;

(g) all financing costs incurred in connection with the acquisition, construction and installation of the Project; and

(h) the Lease Payments coming due during the period of construction of the Project.

“Project Fund” means the fund by that name established and held by the Trustee under the Indenture.

“Record Date” means, with respect to any Interest Payment Date, the 15th calendar day of the month preceding such Interest Payment Date, whether or not such day is a Business Day.

“Registration Books” means the records maintained by the Trustee under the Indenture for the registration and transfer of ownership of the Bonds.

“Securities Depositories” means DTC; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other securities depositories as the Authority designates in written notice filed with the Trustee.

“S&P” means S&P Global Ratings, a division of Standard & Poor’s Financial Services LLC, and its successors or assigns, except that if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term “S&P” shall be deemed to refer to any other nationally recognized securities rating agency selected by the City.

“Supplemental Indenture” means any indenture hereafter duly authorized and entered into between the Authority and the Trustee, supplementing, modifying or amending this Indenture; but only if and to the extent that such Supplemental Indenture is specifically authorized under the Indenture.

“Tax Code” means the Internal Revenue Code of 1986 as in effect on the Closing Date or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the Closing Date, together with applicable proposed, temporary and final regulations promulgated, and applicable official public guidance published, under said Code.

“Written Certificate,” “Written Request” and “Written Requisition” of the Authority or the City mean, respectively, a written certificate, request or requisition signed in the name of the Authority or the City by its Authorized Representative. Any such instrument and supporting opinions or representations, if any,

may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

## **SITE LEASE**

Under the Site Lease, the City leases the Leased Property to the Authority in consideration of an upfront rental payment. The Site Lease is for a term commencing on the Closing Date and extending to the date on which no Bonds remain outstanding under the Indenture. In the event of any release or substitution of property under the Lease Agreement as described below, the description of the property leased under the Site Lease will be modified accordingly.

## **LEASE AGREEMENT**

### **Lease of Leased Property; Term**

Under the Lease Agreement, the Authority leases the Leased Property to the City, in consideration of the agreement by the City to pay the Lease Payments. The Lease Agreement is for a term commencing on the Closing Date and extending to the date on which no Bonds remain outstanding under the Indenture.

### **Lease Payments**

The City agrees to pay semiannual Lease Payments, subject to abatement as described elsewhere in the Official Statement, as the rental for the use and occupancy of the Leased Property. On each Lease Payment Date, the City is obligated to deposit with the Trustee the full amount of the Lease Payments coming due and payable on the next Interest Payment Date, to the extent required to be paid by the City under the Lease Agreement. Any amount held in the Bond Fund, the Interest Account and the Principal Account on any Lease Payment Date (other than amounts required for payment of past due principal or interest on any Bonds not presented for payment) will be credited towards the Lease Payment then required to be paid.

### **Source of Payments; Budget and Appropriation**

The Lease Payments are payable from any source of available funds of the City, subject to the provisions of the Lease Agreement relating to abatement.

The City covenants to take all actions required to include the Lease Payments in each of its budgets during the Term of the Lease Agreement and to make the necessary appropriations for all Lease Payments and Additional Rental Payments. Such covenant constitutes a duty imposed by law and each and every public official of the City is required to take all actions required by law in the performance of the official duty of such officials to enable the City to carry out and perform the covenants and agreements in the Lease Agreement agreed to be carried out and performed by the City.

### **Termination or Abatement of Lease Payments**

Certain provisions relating to abatement are summarized in the main body of the Official Statement.

***Eminent Domain.*** If the Leased Property is taken permanently under the power of eminent domain or sold to a government threatening to exercise the power of eminent domain, the Term of the Lease thereupon ceases as of the day possession is taken.

If less than all of the Leased Property is taken permanently and the remainder is useable for the City's purposes, or if the Leased Property is taken temporarily, under the power of eminent domain, then: (i) the Lease continues in full force and effect with respect thereto and does not terminate by virtue of such taking, and the parties waive the benefit of any law to the contrary, and (ii) the Lease Payments are subject

to abatement in an amount determined by the City such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining usable portions of the Leased Property.

**Damage or Destruction.** The Lease Payments are subject to abatement during any period in which by reason of damage or destruction (other than by eminent domain which is hereinbefore provided for) there is substantial interference with the use and occupancy by the City of the Leased Property or any portion thereof. The Lease Payments are subject to abatement in an amount determined by the City, such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining usable portions of the Leased Property not damaged or destroyed. Such abatement will continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction. In the event of any such damage or destruction, this Lease continues in full force and effect and the City waives any right to terminate this Lease by virtue of any such damage and destruction.

### **Substitution and Release of Leased Property**

Provisions relating to substitution and release of the Leased Property are summarized in the main body of the Official Statement.

### **Maintenance, Utilities, Taxes and Modifications**

Throughout the Term of the Lease, as part of the consideration for the rental of the Leased Property, all improvement, repair and maintenance of the Leased Property are the responsibility of the City, and the City will pay for or otherwise arrange for the payment of all utility services supplied to the Leased Property, which may include, without limitation, janitor service, security, power, gas, telephone, light, heating, water and all other utility services, and will pay for or otherwise arrange for the payment of the cost of the repair and replacement of the Leased Property resulting from ordinary wear and tear or want of care on the part of the City or any assignee or sublessee thereof. In exchange for the Lease Payments provided in the Indenture, the Authority agrees to provide only the Leased Property. The City waives the benefits of subsections 1 and 2 of Section 1932, Section 1933(4) and Sections 1941 and 1942 of the California Civil Code, but such waiver does not limit any of the rights of the City under the terms of this Lease.

The City shall also pay or cause to be paid all taxes and assessments of any type or nature, if any, charged to the Authority or the City affecting the Leased Property or the respective interests or estates therein; provided that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the City shall pay only such installments as are required to be paid during the Term of the Lease as and when the same become due.

The City may, at its expense and in its name, in good faith contest any such taxes, assessments, utility and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Authority notifies the City that, in its reasonable opinion, by nonpayment of any such items the interest of the Authority in the Leased Property will be materially endangered or the Leased Property or any part thereof will be subject to loss or forfeiture, in which event the City shall promptly pay such taxes, assessments or charges or provide the Authority with full security against any loss which may result from nonpayment, in form satisfactory to the Authority and the Trustee.

### **Modification of Leased Property**

The City has the right, at its own expense, to make additions, modifications and improvements to the Leased Property or any portion thereof. All additions, modifications and improvements to the Leased Property will thereafter comprise part of the Leased Property and become subject to the provisions of the Lease. Such additions, modifications and improvements may not in any way damage the Leased Property, or cause the Leased Property to be used for purposes other than those authorized under the provisions of state and federal law; and the Leased Property, upon completion of any additions, modifications and improvements made thereto under the Lease, must be of a value which is not substantially less than the

value thereof immediately prior to the making of such additions, modifications and improvements. The City will not permit any mechanic's or other lien to be established or remain against the Leased Property for labor or materials furnished in connection with any remodeling, additions, modifications, improvements, repairs, renewals or replacements made by the City; except that if any such lien is established and the City first notifies or causes to be notified the Authority of the City's intention to do so, the City may in good faith contest any lien filed or established against the Leased Property, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom and shall provide the Authority with full security against any loss or forfeiture which might arise from the nonpayment of any such item, in form satisfactory to the Authority. The Authority will cooperate fully in any such contest, upon the request and at the expense of the City.

## **Insurance**

Provisions relating to insurance coverages are summarized in the main body of the Official Statement.

## **Assignment; Subleases**

The Authority has assigned certain of its rights under the Lease Agreement to the Trustee under the Assignment Agreement. The City may not assign any of its rights in the Lease Agreement. The City may sublease all or a portion of the Property, but only under the conditions contained in the Lease Agreement, including the condition that such sublease not cause interest on the Bonds to become subject to federal or State of California personal income taxes.

## **Amendment of Lease Agreement**

The Authority and the City may at any time amend or modify any of the provisions of the Lease Agreement, but only: (a) with the prior written consent of the Owners of a majority in aggregate principal amount of the outstanding Bonds; or (b) without the consent of any of the Bond Owners, but only if such amendment or modification is for any one or more of the following purposes:

(a) To add to the covenants and agreements of the City contained in the Lease Agreement, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power reserved to or conferred upon the City.

(b) To make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the Lease Agreement, to conform to the original intention of the City and the Authority.

(c) To modify, amend or supplement the Lease Agreement in such manner as to assure that the interest on the Bonds remains excluded from gross income under the Tax Code.

(d) To amend the description of the Leased Property to reflect accurately the property originally intended to be included therein, or in connection with any substitution or release of property as described above.

(e) To obligate the City to pay additional amounts of rental for the use and occupancy of the Leased Property, but only if (A) such additional rent payments are pledged or assigned for the payment of any bonds, notes or other obligations the proceeds of which are applied to finance or refinance the acquisition or construction of any real or personal property for which the City is authorized to expend funds subject to its control, and (B) the City has filed with the Trustee a written certificate stating that the estimated value of the Leased Property is, or following the completion of the acquisition and construction of any improvements to be financed from the proceeds of such bonds, notes or other obligations will be, at least equal to the aggregate original then-outstanding principal amount of the Bonds and all such other bonds, notes or other obligations.

(f) In any other respect whatsoever as the Authority and the City may deem necessary or desirable, provided that, in the opinion of Bond Counsel, such modifications or amendments do not materially adversely affect the interests of the Owners of the Bonds.

No such modification or amendment may (i) extend or have the effect of extending any Lease Payment Date or reducing any Lease Payment or any premium payable upon the prepayment thereof, without the express consent of the Owners of the affected Bonds, or (ii) modify any of the rights or obligations of the Trustee without its written assent thereto.

### **Events of Default**

Each of the following constitutes an Event of Default under and as defined in the Lease Agreement:

(a) Failure by the City to pay any Lease Payment or other payment required to be paid under the Lease Agreement at the time specified therein.

(b) Failure by the City to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in the preceding subsection (a), for a period of 30 days after written notice specifying such failure and requesting that it be remedied has been given to the City by the Authority or the Trustee. If in the reasonable opinion of the City the failure stated in the notice can be corrected, but not within such 30-day period, the failure will not constitute an Event of Default if the City commences to cure the failure within such 30-day period and thereafter diligently and in good faith cures the failure in a reasonable period of time.

(c) Certain events relating to the insolvency or bankruptcy of the City.

### **Remedies on Default**

Upon the occurrence and continuance of any Event of Default, the Authority has the right to terminate the Lease Agreement or, with or without such termination, re-enter, take possession of and re-let the Leased Property. When the Authority does not elect to terminate the Lease Agreement, the City remains liable to pay all Lease Payments as they come due and liable for damages resulting from such Event of Default. Any amounts collected by the Authority from the re-letting of the Leased Property will be credited towards the unpaid Lease Payments. Any net proceeds of re-leasing or other disposition of the Leased Property are required to be applied as set forth in the Indenture. Under the Assignment Agreement, the Authority assigns all of its rights with respect to remedies in an Event of Default to the Trustee, so that all such remedies will be exercised by the Trustee and the Bond Owner as provided in the Indenture.

The Trustee has no right to accelerate Lease Payments and, due to the governmental nature of the Leased Property, it is uncertain whether a court would permit the exercise of the remedies of re-entry, repossession or re-letting.

## **INDENTURE OF TRUST**

### **Establishment of Funds and Accounts; Flow of Funds**

Costs of Issuance Fund. A portion of the proceeds of the Bonds will be deposited by the Trustee in the Costs of Issuance Fund on the Closing Date. The moneys in the Costs of Issuance Fund will be disbursed to pay Costs of Issuance related to the Bonds.

Bond Fund; Deposit and Transfer of Amounts Therein. Provisions related to the Bond Fund are set forth below.

Insurance and Condemnation Fund; Application of Net Proceeds. Any Net Proceeds of insurance or eminent domain awards with respect to the Leased Property will be deposited in the Insurance and

Condemnation Fund. In the event of an insurance or eminent domain award, the Net Proceeds on deposit in the Insurance and Condemnation Fund will be used, as directed by the City, either:

(a) to replace, repair, restore, modify or improve the Leased Property if the City determines that such is economically feasible or in the best interests of the City, or

(b) to the extent not so used, to prepay the Lease Payments and thereby redeem outstanding Bonds.

Any proceeds of an insurance or eminent domain award deposited in the Insurance and Condemnation Fund to be applied to the prompt replacement, repair, restoration, modification or improvement of the damaged or destroyed portions of the Leased Property by the City, or to replace any Leased Property taken in eminent domain proceedings. Any balance of the proceeds remaining after such work has been completed as certified by the City under a Written Certificate to the Trustee shall be paid to the City.

Notwithstanding the foregoing, however, in the event of condemnation, damage or destruction of the Leased Property in full, the Net Proceeds of such insurance are required to be used by the City to redeem the Bonds in full; except that, if such proceeds and other amounts available under this Indenture are not sufficient to redeem outstanding Bonds in full, the City is required to rebuild or replace the Leased Property.

#### **Bond Fund; Interest and Principal Accounts**

All Revenues shall be promptly deposited by the Trustee upon receipt thereof in a special fund designated as the "Bond Fund" which the Trustee shall establish, maintain and hold in trust; except that all moneys received by the Trustee and required under the Indenture or under the Lease to be deposited in the Redemption Fund or the Insurance and Condemnation Fund shall be promptly deposited in such funds. All Revenues deposited with the Trustee shall be held, disbursed, allocated and applied by the Trustee only as provided in the Indenture. Any surplus remaining in the Bond Fund, after payment in full of (i) the principal of and interest on the Bonds or provision therefore under the Indenture, and (ii) any applicable fees and expenses to the Trustee, shall be withdrawn by the Trustee and remitted to the City.

On or before each Interest Payment Date, the Trustee shall transfer from the Bond Fund and deposit into the following respective accounts (each of which the Trustee shall establish and maintain within the Bond Fund), the following amounts in the following order of priority:

*Deposit to Interest Account.* The Trustee shall deposit in the Interest Account an amount required to cause the aggregate amount on deposit in the Interest Account to be at least equal to the amount of interest becoming due and payable on such Interest Payment Date on all Bonds then Outstanding.

*Deposit to Principal Account.* The Trustee shall deposit in the Principal Account an amount required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of the Bonds coming due and payable on such Principal Payment Date, including the principal amount of Bonds which are subject to mandatory sinking fund redemption on such Principal Payment Date.

#### **Investment of Funds; Determination of Value of Investments**

All moneys in any of the funds or accounts held by the Trustee under the Indenture will be invested by the Trustee solely in Permitted Investments as directed by the Authority at least two Business Days in advance of the making of such investments. In the absence of any such directions from the Authority, the Trustee shall invest as set forth in the Indenture.

All interest or gain derived from the investment of amounts in any of the funds or accounts established under the Indenture will be deposited in the Bond Fund, *provided, however*, that earnings on the investment of the amount in the Project Fund shall be retained therein. For the purpose of determining the amount in any fund or account established under the Indenture, the value of investments credited to such fund will be calculated at the market value thereof, in accordance with the procedures specified in the Indenture.

### **Covenants of the Authority**

Payment of Bonds. The Authority will punctually pay or cause to be paid the principal, interest and premium (if any) on all Bonds in strict conformity with the terms of the Bonds and of this Indenture, but only out of the Revenues, and other amounts pledged for such payment as provided in the Indenture.

No Additional Obligations. The Authority covenants that no additional bonds, notes or other indebtedness will be issued or incurred which are payable out of the Revenues in whole or in part. Notwithstanding the foregoing, additional bonds, notes and obligations may be issued by the Authority that are secured by additional lease payments payable under the Lease, as described above under "LEASE AGREEMENT – Amendment of Lease Agreement."

Tax Covenants. The Authority will not take, nor permit nor suffer to be taken by the Trustee or otherwise, any action with respect to the proceeds of any of the Bonds which would cause any of the Bonds to be "arbitrage bonds" or "private activity bonds" within the meaning of the Tax Code. The Authority will cause to be calculated annually all excess investment earnings which are required to be rebated to the United States of America under the Tax Code, and will cause all required amounts to be rebated from payments made by the City for such purpose under the Lease Agreement.

Lease Agreement. The Trustee will promptly collect all amounts due from the City pursuant to the Lease Agreement. Subject to the provisions of the Indenture governing the enforcement of remedies upon the occurrence of an Event of Default, the Trustee is required to enforce, and take all steps, actions and proceedings which the Trustee determines to be reasonably necessary for the enforcement of all of its rights thereunder as assignee of the Authority and for the enforcement of all of the obligations of the City under the Lease Agreement.

### **Amendment of Indenture**

The Indenture may be modified or amended at any time by a Supplemental Indenture with the prior written consents of the Owners of a majority in aggregate principal amount of the Bonds then outstanding. No such modification or amendment may (i) extend the fixed maturity of any Bonds, or reduce the amount of principal thereof or extend the time of payment, or change the method of computing the rate of interest thereon, or extend the time of payment of interest thereon, without the consent of the Owner of each Bond so affected, or (ii) reduce the aforesaid percentage of Bonds the consent of the Owners of which is required to effect any such modification or amendment, or permit the creation of any lien on the Revenues and other assets pledged under the Indenture prior to or on a parity with the lien created by the Indenture except as permitted therein, or deprive the Owners of the Bonds of the lien created by the Indenture on such Revenues and other assets (except as expressly provided in the Indenture), without the consent of the Owners of all of the Bonds then Outstanding.

The Indenture may also be modified or amended at any time by a Supplemental Indenture, without the consent of any Bond Owners, to the extent permitted by law, but only for any one or more of the following purposes:

(a) To add to the covenants and agreements of the Authority contained in the Indenture, other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power therein reserved to or conferred upon the Authority.

(b) To cure any ambiguity, inconsistency or omission in the Indenture, or correct any defective provision in the Indenture, or in any other respect whatsoever as the Authority may deem necessary or desirable, so long as such modification or amendment does not materially adversely affect the interests of the Bond Owners in the opinion of Bond Counsel filed with the Trustee.

(c) To modify, amend or supplement the Indenture in such manner as to permit the qualification of the Indenture under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute.

(d) To facilitate the issuance of additional obligations which are payable from additional rental payments under the Lease, as described above under "LEASE AGREEMENT – Amendment of Lease Agreement."

(e) To modify, amend or supplement the Indenture so as to cause interest on the Bonds to remain excludable from gross income under the Tax Code.

### **Events of Default**

Events of Default Defined. The following events constitute events of default under the Indenture:

(a) Failure to pay any installment of the principal of any Bonds when due, whether at maturity as therein expressed, by proceedings for redemption, by acceleration, or otherwise.

(b) Failure to pay any installment of interest on the Bonds when due.

(c) Failure by the Authority to observe and perform any of the other covenants, agreements or conditions on its part contained in the Indenture or in the Bonds, if such failure has continued for a period of 30 days after written notice thereof, specifying such failure and requiring the same to be remedied, has been given to the Authority by the Trustee; *provided, however*, if in the reasonable opinion of the Authority the failure stated in the notice can be corrected, but not within such 30-day period, such failure shall not constitute an Event of Default if the Authority institutes corrective action within such 30-day period and thereafter diligently and in good faith cures the failure in a reasonable period of time.

(d) The commencement by the Authority of a voluntary case under Title 11 of the United States Code or any substitute or successor statute.

(e) The occurrence and continuation of any Event of Default under and as defined in the Lease Agreement. See "LEASE AGREEMENT - Events of Default" above.

Any such declaration of an Event of Default is subject to the condition that if, at any time after such declaration and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the Authority deposits with the Trustee a sum sufficient to pay all the principal of and installments of interest on the Bonds payment of which is overdue, with interest on such overdue principal at the rate borne by the respective Bonds to the extent permitted by law, and the reasonable fees, charges and expenses (including those of its legal counsel, including the allocated costs of internal attorneys) of the Trustee, and any and all other Events of Default actually known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate has been made therefor, then, and in every such case, the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, by written notice to the Authority, the City and the Trustee, may, on behalf of the Owners of all of the Bonds, rescind and annul such declaration and its consequences and waive such Event of Default; but no such rescission and annulment shall extend to or shall affect any subsequent Event of Default, or shall impair or exhaust any right or power consequent thereon.

Remedies. Upon the occurrence and during the continuance of any Event of Default, the Trustee may, and at the written request of the Owners of a majority in aggregate principal amount of the Bonds then outstanding, and upon being indemnified to its satisfaction therefor, the Trustee shall declare in a written notice to the Authority that an Event of Default has occurred and shall proceed to protect or enforce its rights or the rights of such Owners by such appropriate action, suit, mandamus or other proceedings to protect and enforce any such right, at law or in equity, including but not limited to enforcement of any and all rights granted to the Authority or the Trustee under the Lease.

Any such declaration of an Event of Default is subject to the condition that if, at any time after such declaration and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the Authority deposits with the Trustee a sum sufficient to pay all the principal of and installments of interest on the Bonds payment of which is overdue, with interest on such overdue principal at the rate borne by the respective Bonds to the extent permitted by law, and the reasonable fees, charges and expenses (including those of its legal counsel, including the allocated costs of internal attorneys) of the Trustee, and any and all other Events of Default actually known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate has been made therefor, then, and in every such case, the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, by written notice to the Authority, the City and the Trustee, may, on behalf of the Owners of all of the Bonds, rescind and annul such declaration and its consequences and waive such Event of Default; but no such rescission and annulment shall extend to or shall affect any subsequent Event of Default, or shall impair or exhaust any right or power consequent thereon.

Application of Revenues and Other Funds After Default. If an Event of Default has occurred and is continuing, all Revenues and any other funds then held or thereafter received by the Trustee under any of the provisions of the Indenture will be applied by the Trustee as follows and in the following order:

(a) To the payment of reasonable fees, charges and expenses of the Trustee (including reasonable fees and disbursements of its legal counsel including outside counsel and the allocated costs of internal attorneys) incurred in and about the performance of its powers and duties under the Indenture;

(b) To the payment of the principal of and interest then due on the Bonds (upon presentation of the Bonds to be paid, and stamping or otherwise noting thereon of the payment if only partially paid, or surrender thereof if fully paid) in accordance with the provisions of the Indenture, as follows:

To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

*Second:* To the payment to the persons entitled thereto of the unpaid principal of any Bonds which shall have become due, whether at maturity or by acceleration or redemption, with interest on the overdue principal at the rate borne by the respective Bonds (to the extent permitted by law), and, if the amount available shall not be sufficient to pay in full all the Bonds, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the persons entitled thereto, without any discrimination or preference.

Limitation on Bond Owners' Right to Sue. No Owner of any Bond has the right to institute any suit, action or proceeding at law or in equity, for any remedy under the Indenture, unless:

(a) such Owner has previously given to the Trustee written notice of the occurrence of an Event of Default;

(b) the Owners of a majority in aggregate principal amount of all the Bonds then outstanding have requested the Trustee in writing to exercise its powers under the Indenture;

(c) said Owners have tendered to the Trustee indemnity reasonably acceptable to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request;

(d) the Trustee has refused or failed to comply with such request for a period of 60 days after such written request has been received by the Trustee and said tender of indemnity is made to the Trustee; and

(e) no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Owners of a majority in aggregate principal amount of the Bonds then outstanding.

### **Discharge of Indenture**

The Authority may pay and discharge the indebtedness on any or all of the Outstanding Bonds in any one or more of the following ways:

(a) by paying or causing to be paid the principal of and interest on the Bonds, as and when the same become due and payable;

(b) by depositing with the Trustee or an escrow agent, at or before maturity, cash and/or non-callable Federal Securities which, together with the investment earnings to be received thereon, have been verified by a written opinion of an Independent Accountant to be sufficient to pay such Bonds when and as the same become due and payable; or

(c) by delivering to the Trustee, for cancellation by it, all of such Bonds.

Upon such payment, and notwithstanding that any Bonds have not been surrendered for payment, the pledge of the Revenues and other funds provided for in the Indenture with respect to such Bonds, and all other obligations of the Authority under the Indenture with respect to such Bonds, will cease and terminate, except only the obligation of the Authority to pay or cause to be paid to the Owners of such Bonds not so surrendered and paid all sums due thereon from amounts set aside for such purpose. Any funds thereafter held by the Trustee, which are not required for said purposes, will be paid over to the Authority.

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## APPENDIX D

### FORM OF CONTINUING DISCLOSURE AGREEMENT

§ \_\_\_\_\_  
**PETALUMA PUBLIC FINANCING AUTHORITY  
2026 LEASE REVENUE BONDS  
(PUBLIC SAFETY FACILITY)**

This Continuing Disclosure Agreement (the “Disclosure Agreement”), dated as of August 1, 2026, is executed and delivered by the City of Petaluma (the “City”), and Willdan Financial Services, as dissemination agent (the “Dissemination Agent”) in connection with the issuance by the Petaluma Public Financing Authority (the “Authority”) of the above-captioned bonds (the “Bonds”). The City and the Dissemination Agent covenant and agree as follows:

Section 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the City and the Dissemination Agent for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule (as defined below).

Any document required by this Disclosure Agreement may be combined with any document required to be provided by the City containing similar information, including with respect to the Petaluma Public Financing Authority’s 2021 Lease Revenue Bonds (Road Improvement Projects).

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

“Annual Report” shall mean any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“Dissemination Agent” shall mean Willdan Financial Services, or any successor Dissemination Agent accepted by the City.

“EMMA” shall mean the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System for Municipal Securities disclosures, maintained on the internet at <http://emma.msrb.org>.

“Financial obligation” shall mean a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term “financial obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Agreement. “MSRB” shall mean the Municipal Securities Rulemaking Board.

“Official Statement” shall mean the final Official Statement relating to the Bonds.

“Participating Underwriter” shall mean the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Rule” shall mean Rule 15c2-12 adopted by the U.S. Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

**Section 3. Provision of Annual Reports.**

(a) The City shall, or shall cause the Dissemination Agent to, not later than March 31 of each year, provide to the MSRB, in an electronic format accompanied by identifying information as prescribed by the MSRB, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; provided 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 not available by that date. If the City’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(b).

(b) Not later than fifteen (15) business days prior to the date specified in subsection (a) above for providing the Annual Report to the MSRB, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If by such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the City to determine if the City is in compliance with the first sentence of this subsection (b).

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the MSRB by the date required in subsection (a), the Dissemination Agent shall send a notice to the MSRB, in an electronic format as prescribed by the MSRB, a notice to such effect.

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

1. Audited financial statements of the City prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the City’s audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

2. An update as of the most recently ended Fiscal Year for the following tables contained in the body of the Official Statement: 1, 2, 5 and 6.

Any or all of the items listed above may be included by specific reference to other documents, including the audited financial statements, official statements of debt issues of the City or related public entities, which have been available to the public on the MSRB’s internet

website or filed with the U.S. Securities and Exchange Commission. The City shall clearly identify each such other document so included by reference in the applicable Annual Report.

Section 5.           Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the City shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds, which notice shall be given in a timely manner, not in excess of ten (10) business days after the occurrence of such Listed Event:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701- TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
- (7) Modifications to rights of security holders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the securities, if material
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the City;
- (13) The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material;

- (15) Incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect security holders, if material; and
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties.

(b) If a Listed Event occurs, the City shall provide, in a timely manner and in no event in excess of ten (10) Business Days after the occurrence of such Listed Event, notice of such Listed Event with the MSRB.

Section 6. Termination of Reporting Obligation. The City's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all the Bonds.

Section 7. Dissemination Agent. Willdan Financial Services will serve as the initial Dissemination Agent hereunder. The City may, from time to time, appoint or engage a different Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the City pursuant to this Disclosure Agreement.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the City may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, provided that, in the opinion of nationally recognized bond counsel, such amendment or waiver is permitted by the Rule. In the event of any amendment or waiver of a provision of this Disclosure Certificate, the City shall describe such amendment in the same manner as for a Listed Event. The City shall obtain the consent of the Dissemination Agent for any amendment of the Disclosure Agreement that affects the duties or obligations of the Dissemination Agent.

Section 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the City shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

The City acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the City, and that under some circumstances compliance with this Disclosure Agreement, without additional disclosures or other action, may not fully discharge all duties and obligations of the City under such laws.

Section 10. Default. In the event of a failure of the City to comply with any provision of this Disclosure Agreement, the sole legal remedy of any Holder or Beneficial Owner of the Bonds



IN WITNESS WHEREOF, the parties hereto have executed this Disclosure Agreement as of the date first written above.

CITY OF PETALUMA

By: \_\_\_\_\_  
City Manager

WILLDAN FINANCIAL SERVICES,  
as Dissemination Agent

By: \_\_\_\_\_  
Authorized Representative

**APPENDIX E**

**FORM OF OPINION OF BOND COUNSEL**

[Dated Date]

Board of Directors  
Petaluma Public Financing Authority  
11 English Street  
Petaluma, California 94952

**OPINION:**     \$\_\_\_\_\_ Petaluma Public Financing Authority  
                  2026 Lease Revenue Bonds (Public Safety Facility)

Members of the Board:

We have acted as bond counsel to the Petaluma Public Financing Authority (the "Authority") in connection with the issuance by the Authority of the captioned bonds (the "Bonds"). In such capacity, we have examined such law and such certified proceedings, certifications, opinions and other documents as we have deemed necessary to render this opinion.

The Bonds are issued pursuant to Article 4 of Chapter 5, Division 7, Title 1 of the Government Code of the State of California (the "Bond Law"), the Indenture of Trust, dated as of August 1, 2026 (the "Indenture"), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), and a resolution (the "Resolution") of the Board of Directors of the Authority adopted on \_\_\_\_\_, 2026.

Under the Indenture, the Authority has pledged certain revenues (the "Revenues") for the payment of principal and interest on the Bonds when due, including lease payments made by the City of Petaluma (the "City") under a Lease Agreement, dated as of September 1, 2021, as amended by the First Amendment to Lease Agreement, dated as of August 1, 2026 (together, the "Lease"), between the Authority and the City.

Regarding questions of fact material to our opinion, we have relied on representations of the Authority contained in the Indenture and the City contained in the Lease Agreement, and on the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation. Regarding certain questions of law material to our opinion, we have assumed the correctness of certain legal conclusions contained in the written opinions of the City Attorney of the City, serving as general counsel to the Authority, and others, without undertaking to verify the same by independent investigation.

Based on the foregoing, we are of the opinion that, under existing law:

1. The Authority is a duly created and validly existing joint exercise of powers authority with the power to adopt the Resolution, enter into the Indenture and the Lease Agreement, perform the agreements on its part contained therein, and issue the Bonds.

2. The City is a duly created and validly existing municipal corporation and charter city with the power to enter into the Lease Agreement and perform the agreements on its part contained therein.

3. The Indenture has been duly authorized, executed and delivered by the Authority, and constitutes a valid and binding obligation of the Authority, enforceable against the Authority.

4. The Lease Agreement has been duly authorized, executed and delivered by the Authority and the City, and constitutes a valid and binding obligation of the Authority and the City, enforceable against the Authority and the City.

5. The Indenture creates a valid lien on the Revenues and other funds pledged by the Indenture for the security of the Bonds on a parity basis with other bonds (if any) issued or to be issued in accordance with the Indenture.

6. The Bonds have been duly authorized and executed by the Authority, and are valid and binding limited obligations of the Authority, payable solely from the Revenues and other funds provided therefor in the Indenture.

7. The interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. It should be noted however that interest on the Bonds may be subject to the corporate alternative minimum tax. The opinions set forth in the preceding sentences are subject to the condition that the Authority and the City comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, and continue to be, excluded from gross income for federal income tax purposes. The Authority and the City have made certain representations and covenants to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of issuance of the Bonds.

8. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

We express no opinion regarding any other tax consequences arising with respect to the ownership, sale or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds, the Indenture and the Lease Agreement are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur. Moreover, our opinions are not a guarantee of a particular result, and are not binding on the Internal Revenue Service or any court; rather, our opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions, and any assumptions expressed herein, and in reliance upon the

representations, and covenants referenced above. Our engagement with respect to this matter has terminated as of the date hereof.

Respectfully submitted,

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## APPENDIX F

### BOOK-ENTRY SYSTEM

*The information in this section concerning DTC and DTC's book-entry only system has been obtained from sources that each of the Authority and the City believes to be reliable, but the Authority and the City take no responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, premium, if any, and interest on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC.*

The Depository Trust Company ("DTC") will act as securities depository for the Bonds. The 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 will be issued for each annual maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited through the facilities of 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. DTC holds and provides asset servicing for over 3.6 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 an S&P Global Ratings rating of "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com). The information set forth on such website is not incorporated herein by reference.

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

To facilitate subsequent transfers, all 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 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 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 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 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as prepayments, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

A Bond Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Trustee, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Trustee. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Trustee's DTC account.

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

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

THE TRUSTEE, AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE BONDS, WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES TO OWNERS ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY DTC PARTICIPANT, OR OF ANY DTC PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OF SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

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