

PRELIMINARY OFFICIAL STATEMENT DATED JULY 22, 2026

NEW ISSUE-FULL BOOK-ENTRY

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, interest on the 2026 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. Interest on the 2026 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.



\$62,650,000*
CITY OF PETALUMA
2026 WASTEWATER REVENUE BONDS

Dated: Date of Delivery

Due: May 1, as shown below

The \$62,650,000* City of Petaluma 2026 Wastewater Revenue Bonds (the “2026 Bonds”) are being issued by the City to (i) finance certain capital improvements to the City’s Wastewater System (defined herein), (ii) fund capitalized interest on the 2026 Bonds through May 1, 2029, and (iii) pay the costs of issuing the 2026 Bonds. See “ESTIMATED SOURCES AND USES OF FUNDS” and “THE PROJECT.” The City of Petaluma, California (the “City”) is not funding a reserve fund for the 2026 Bonds.

The 2026 Bonds are being issued as fully registered bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York (“DTC”), and will be available to ultimate purchasers in the denomination of \$5,000 or any integral multiple thereof, under the book-entry system maintained by DTC. Ultimate purchasers of 2026 Bonds will not receive physical certificates representing their interest in the 2026 Bonds. So long as the 2026 Bonds are registered in the name of Cede & Co., as nominee of DTC, references herein to the owners shall mean Cede & Co., and shall not mean the ultimate purchasers of the 2026 Bonds. Interest on the 2026 Bonds will be payable on May 1 and November 1 of each year, commencing November 1, 2026. Payments of the principal of, premium, if any, and interest on the 2026 Bonds will be made directly to DTC, or its nominee, Cede & Co., by The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), so long as DTC or Cede & Co. is the registered owner of the 2026 Bonds. Disbursements of such payments to DTC’s Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of DTC’s Participants and Indirect Participants, as more fully described herein. See APPENDIX D — “BOOK-ENTRY SYSTEM.”

The 2026 Bonds are subject to redemption prior to maturity as described herein.

The 2026 Bonds are special obligations of the City, payable exclusively from Net Revenues (defined herein) of the Wastewater System (defined herein) and from amounts on deposit in certain funds and accounts established under the Indenture (defined herein). The 2026 Bonds are not a debt, liability or obligation of the State of California (the “State”) or any of its political subdivisions other than the City. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2026 BONDS.”

Bids for the purchase of the 2026 Bonds will be received by the City on Wednesday, August 5, 2026, electronically only, through BiDCOMP/PARITY® system, until 7:30 AM, California time. The Bonds will be sold pursuant to the terms of sale set forth in the Official Notice of Sale, dated July 22, 2026.

This cover page contains information for quick reference only. It is not intended to be a summary of all factors relating to an investment in the 2026 Bonds. Investors must read the entire Official Statement before making any investment decision.

The 2026 Bonds are offered when, as and if issued subject to the approval, as to their validity, by Jones Hall LLP, San Mateo, California, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the City by the City Attorney and by Stradling Yocca Carlson & Rauth LLP, Newport Beach, California, as Disclosure Counsel. It is expected that the 2026 Bonds will be available for delivery in book-entry form through the facilities of DTC on or about August 19, 2026.

Dated: August __, 2026.

** Preliminary, subject to change.*

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold, nor may offers to buy them be accepted, prior to the time the Official Statement is delivered in final form. 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.

\$62,650,000*
CITY OF PETALUMA
2026 WASTEWATER REVENUE BONDS

<i>Maturity Date</i> <i>(May 1)*</i>	<i>Principal</i> <i>Amount*</i>	<i>Interest</i> <i>Rate</i>	<i>Yield</i>	<i>Price</i>	<i>CUSIP†</i> <i>(Base No. 716008)</i>
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\$ _____	_____ % Term Bonds Due May 1, 20__	Yield: _____ %	Price: _____	CUSIP† 716008 _____
\$ _____	_____ % Term Bonds Due May 1, 20__	Yield: _____ %	Price: _____	CUSIP† 716008 _____

* Preliminary, subject to change.

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein are provided by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association. CUSIP numbers have been assigned by an independent company not affiliated with the City and are included solely for the convenience of the holders of the 2026 Bonds. The City is not responsible for the selection or use of these CUSIP numbers and no representation is made as to their correctness on the 2026 Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the 2026 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of the 2026 Bonds.

No dealer, broker, salesperson or other person has been authorized by the City, or the Municipal Advisor to give any information or to make any representations other than those contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement is not to be construed as a contract with the purchasers of the 2026 Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. This Official Statement is submitted in connection with the sale of the 2026 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

The information set forth herein has been obtained from official sources which are believed to be reliable. The information and expressions of opinion herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof. All summaries of the Indenture and other documents referred to in this Official Statement, are made subject to the provisions of such documents, respectively, and do not purport to be complete statements of any or all of such provisions.

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.

The City maintains a website. However, the information presented therein is not part of this Official Statement and should not be relied upon in making investment decisions with respect to the 2026 Bonds.

FORWARD-LOOKING STATEMENTS

This Official Statement contains certain “forward-looking statements” concerning the Wastewater System and the operations, performance and financial condition of the City, including their future economic performance, plans and objectives and the likelihood of success in developing and expanding. These statements are based upon a number of assumptions and estimates which are subject to significant uncertainties, many of which are beyond the control of the City. The words “may,” “would,” “could,” “will,” “expect,” “anticipate,” “believe,” “intend,” “plan,” “estimate” and similar expressions are meant to identify these forward-looking statements. Results may differ materially from those expressed or implied by these forward-looking statements.

CITY OF PETALUMA

Kevin McDonnell	Mayor, Council Member
Alex DeCarli	Vice Mayor, Council Member District 5
Janice Cader Thompson	Council Member District 1
John Shribbs	Council Member District 2
Karen Nau	Council Member District 3
Frank Quint	Council Member District 4
Brian Barnacle	Council Member District 6

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Brian Cochran	Assistant City Manger
Corey Garberolio	Assistant Finance Director
Chelsea Thompson	Director of Water Resources & Utilities
Paul Kaushal	Director of Public Works
Eric Danly	City Attorney
Caitlin Corley	City Clerk

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OFFICIAL STATEMENT
\$62,650,000*
CITY OF PETALUMA
2026 WASTEWATER REVENUE BONDS

INTRODUCTION

General

This Official Statement, including the cover page and appendices hereto, sets forth certain information in connection with the sale of \$62,650,000* City of Petaluma 2026 Wastewater Revenue Bonds (the “2026 Bonds”) that are being issued by the City of Petaluma, California (the “City”). This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents described herein.

Authority for Issuance and Application of Proceeds

The 2026 Bonds are being issued pursuant to Chapter 4.08 of the Petaluma Municipal Code (the “Bond Law”) and an Indenture of Trust, dated as of August 1, 2026 (the “Indenture”), between the City and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”). The 2026 Bonds are being issued to (i) finance certain capital improvements to the City’s Wastewater System (defined herein), (ii) fund capitalized interest on the 2026 Bonds through May 1, 2029, and (iii) pay the costs of issuing the 2026 Bonds. See “ESTIMATED SOURCES AND USES OF FUNDS” and “THE PROJECT.”

All capitalized terms used and not otherwise defined herein shall have the meanings assigned to such terms in APPENDIX C — “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE” or, if not defined therein, shall have the meanings assigned to such terms in the Indenture.

The City of Petaluma

The City is located in southern Sonoma 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 1858, the City’s first charter was granted by the State of California (the “State”) in 1947, and it continues to operate as a charter city. For additional information regarding the City. See “THE CITY” and APPENDIX A — “GENERAL INFORMATION ABOUT THE CITY OF PETALUMA AND SONOMA COUNTY.”

The 2026 Bonds

The 2026 Bonds will be dated their date of issuance and delivery, will bear interest at the rates per annum set forth on the inside cover page hereof payable semiannually on May 1 and November 1, commencing November 1, 2026 (each, an “Interest Payment Date”), and will mature on the dates and in the amounts set forth on the inside cover page hereof. The 2026 Bonds will be delivered as fully registered bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York (“DTC”), and will be available to ultimate purchasers (“Beneficial Owners”) in the denomination of \$5,000 or any integral multiple thereof, under the book-entry system maintained by DTC. Beneficial Owners will not be entitled to receive delivery of bonds representing their ownership interest in the 2026 Bonds. See “THE 2026 BONDS.”

* Preliminary, subject to change.

The 2026 Bonds are subject to redemption prior to maturity as described herein. See “THE 2026 BONDS — Redemption.”

Security for the 2026 Bonds

The 2026 Bonds are secured by a pledge of and payable from Net Revenues (as defined herein) on a parity with the City’s 2017 Wastewater Revenue Refunding Bonds (the “2017 Bonds”) and the City’s 2019 Wastewater Revenue Refunding Bonds (the “2019 Bonds”). See “SECURITY AND SOURCES OF PAYMENT FOR THE 2026 BONDS — Parity Debt — Existing Parity Debt.”

No Reserve Fund

The City has not funded a debt service reserve fund for the 2026 Bonds.

Special Obligations

The 2026 Bonds are special obligations of the City, payable exclusively from Wastewater System Net Revenues (each defined herein) and from amounts on deposit in certain funds and accounts established under the Indenture. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2026 BONDS.” The 2026 Bonds are not a debt, liability or obligation of the State or any of its political subdivisions other than the City.

Further Information

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

THE 2026 BONDS

General

The 2026 Bonds will be dated their date of issuance and delivery, will bear interest at the rates per annum set forth on the inside cover page hereof payable on each Interest Payment Date and will mature on the dates and in the amounts set forth on the inside cover page hereof. The 2026 Bonds will be issued in denominations of \$5,000 or any integral multiple thereof, so long as no 2026 Bond may have more than one maturity date. The 2026 Bonds will be issued only as one fully registered 2026 Bond for each maturity, in the name of Cede & Co., as nominee for DTC, as registered owner of all 2026 Bonds. See APPENDIX D — “BOOK ENTRY SYSTEM.” Ownership may be changed only upon the registration books maintained by the Trustee as provided in the Indenture.

Interest on the 2026 Bonds is payable from the Interest Payment Date next preceding the date of authentication thereof unless:

- (a) a 2026 Bond is authenticated between an Interest Payment Date and the 15th calendar day of the month immediately preceding such Interest Payment Date (each, a “Record Date”), in which event it will bear interest from such Interest Payment Date,
- (b) a 2026 Bond is authenticated on or before the first Record Date, in which event interest thereon will be payable from the date of original delivery of the 2026 Bonds, or

(c) interest on any 2026 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.

Interest on the 2026 Bonds (including the final interest payment upon maturity or redemption) is payable when due by check or draft of the Trustee mailed to the Owner thereof at such Owner's address as it appears on the Registration Books at the close of business on the preceding Record Date; provided that at the written request of the Owner of at least \$1,000,000 aggregate principal amount of 2026 Bonds, which written request is on file with the Trustee as of any Record Date, interest on such 2026 Bonds will be paid on the succeeding Interest Payment Date to such account in the United States as specified in such written request.

Redemption

Optional Redemption.* The 2026 Bonds maturing on or after May 1, 2037, are subject to redemption in whole or in part at the at the option of the City 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. The City shall give written notice of any optional redemption of 2026 Bonds to the Trustee at least 45 days prior to the date of redemption or such shorter time as shall be acceptable to the Trustee.

Mandatory Sinking Fund Redemption.* The 2026 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 tables; provided, that if some but not all of the 2026 Term Bonds have been redeemed pursuant to an optional or extraordinary redemption, the total amount of all future sinking fund payments shall be reduced by the aggregate principal amount of the 2026 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 City to the Trustee).

***Redemption Date
(May 1)***

***Principal
Amount***

\$

*

* Maturity.

***Redemption Date
(May 1)***

***Principal
Amount***

\$

*

* Final Maturity.

* Preliminary, subject to change.

Extraordinary Redemption from Net Proceeds of Insurance or Condemnation. The 2026 Bonds shall be subject to extraordinary redemption prior to their respective stated maturities, as a whole or in part on any date, as determined by the City, from Net Proceeds, upon the terms and conditions of, and as provided for in the Indenture, at a redemption price equal to the principal amount of the 2026 Bonds to be redeemed, without premium, plus accrued interest thereon to the date fixed for redemption. Whenever any 2026 Bonds are to be selected for redemption, the Trustee will determine, by lot, the numbers of the 2026 Bonds to be redeemed, and will notify the City of its determination.

Notice of Redemption. Unless waived by any Owner of 2026 Bonds to be redeemed, notice of any redemption of 2026 Bonds will be given, at the expense of the City, by the Trustee, by mailing a copy of a redemption notice by first class mail at least 20 days and not more than 60 days prior to the date fixed for redemption to the Owner of the 2026 Bond or 2026 Bonds to be redeemed at the address shown on the Bond Registration Books; provided, that neither the failure to receive such notice nor any immaterial defect in any notice shall affect the sufficiency of the proceedings for the redemption of the 2026 Bonds. All notices of redemption will be dated and will state: (i) the redemption date, (ii) the redemption price of the 2026 Bonds being redeemed (the "Redemption Price"), (iii) if fewer than all Outstanding 2026 Bonds are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the 2026 Bonds to be redeemed, (iv) that on the redemption date the Redemption Price will become due and payable with respect to each such 2026 Bond or portion thereof called for redemption, and that interest with respect thereto shall cease to accrue from and after said date, and (v) the place or places where such 2026 Bonds are to be surrendered for payment of the Redemption Price, which places of payment may include the Office of the Trustee.

Rescission of Notice of Redemption. The City has the right to rescind any notice of the redemption of 2026 Bonds by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of redemption will 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 2026 Bonds then called for redemption, and such cancellation will not constitute an Event of Default under the Indenture. The City and the Trustee have no liability to the 2026 Bond Owners or any other party related to or arising from such rescission of notice of redemption. The Trustee will mail notice of such rescission of notice of redemption in the same manner as the original notice of redemption was sent.

Consequences of Notice. Notice of redemption having been given as required by the Indenture, the 2026 Bonds or portions of 2026 Bonds so to be redeemed will, on the redemption date, become due and payable at the Redemption Price, and from and after such date (unless the City defaults in the payment of the Redemption Price) such 2026 Bonds or portions of 2026 Bonds will cease to have interest accrue thereon. Upon surrender of 2026 Bonds for redemption in accordance with a redemption notice, the 2026 Bonds will be paid by the Trustee at the Redemption Price. Installments of interest due on or prior to the redemption date will be payable as provided in the Indenture. Upon surrender for any partial redemption of any 2026 Bond, there will be prepared for the Owner a new 2026 Bond or 2026 Bonds of the same maturity in the amount of the unredeemed principal. All 2026 Bonds which have been redeemed will be cancelled and destroyed by the Trustee and will not be redelivered.

Partial Redemption of 2026 Bonds. In the event only a portion of any 2026 Bond is called for redemption, then upon surrender of such 2026 Bond redeemed in part only, the City will execute and the Trustee will authenticate and deliver to the Owner, at the expense of the City, a new 2026 Bond or 2026 Bonds, of the same series and maturity, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the 2026 Bond or 2026 Bonds.

Purchase of Bonds in lieu of Redemption. In lieu of redemption of any 2026 Bonds, the City may at any time purchase 2026 Bonds at public or private sale as and when and at such prices (including brokerage and other charges and including accrued interest) as the City may in its discretion determine. All 2026 Bonds redeemed and/or purchased by the City in this manner shall be cancelled and destroyed pursuant to the terms of the Indenture.

DEBT SERVICE REQUIREMENTS

Annual debt service on the Prior Bonds and on the 2026 Bonds is as follows:

Fiscal Year Ending 6/30	Prior Bonds Debt Service ⁽¹⁾	2026 Bond Principal	2026 Bond Interest	2026 Bond Total	Combined Total
2027	\$8,561,319				
2028	8,561,319				
2029	8,559,569				
2030	4,075,319				
2031	4,079,519				
2032	4,078,319				
2033	4,076,719				
2034	4,076,319				
2035	4,077,619				
2036	1,830,469				
2037					
2038					
2039					
2040					
2041					
2042					
2043					
2044					
2045					
2046					
2047					
2048					
2049					
2050					
2051					
	\$51,976,488				

(1) Prior Bonds include the City of Petaluma 2017 Wastewater Revenue Refunding Bonds (the “2017 Bonds”) and the City of Petaluma 2019 Wastewater Revenue Refunding Bonds (the “2019 Bonds”).

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds for the 2026 Bonds are as follows.

Sources of Funds:

Principal Amount	\$
[Net] Original Issue [Premium/Discount]	
Equity Contribution from City	_____
Total Sources of Funds	\$

Uses of Funds:

Deposit to Project Fund	\$
Deposit to Capitalized Interest Account	
Costs of Issuance ⁽¹⁾	_____
Total Uses of Funds	\$

⁽¹⁾ Includes fees and expenses of Bond Counsel, Disclosure Counsel, the Rating Agency, the Municipal Advisor, the Trustee, printing costs, and other miscellaneous fees and expenses.

THE PROJECT

General. Together with cash on hand and net cash flow from Wastewater System operations, proceeds from the 2026 Bonds will fund two large Wastewater System capital projects – the Parallel Force Main Project and the Pump Station Replacement Project, as described below.

Parallel Force Main Project. Untreated sewage from throughout the City is conveyed via a system of over 195 miles of sewer pipes and ten lift stations to the Primary Influent Pump Station (PIPS) located at 950 Hopper Street. From there, the untreated sewage is conveyed to the City's wastewater treatment plant – the Ellis Creek Water Recycling Facility – via the PIPS Force Main.

The PIPS Force Main is a 2.5 mile long, 36-inch diameter, pressurized, steel-reinforced concrete force main, which conveys up to 36 million gallons per day (MGD) of untreated sewage from the pump station on Hopper Street to the Ellis Creek Water Recycling Facility. The PIPS Force Main is essential to the reliability of the City's entire wastewater system. The PIPS Force Main was installed in 1973 and is nearing the end of its useful life.

The Parallel Force Main Project consists of a new 42-inch diameter force main that will be constructed parallel to the existing PIPS Force Main, to provide redundancy and long-term reliability for the City's wastewater system. The new parallel force main will have a peak flow of 36.8 MGD and will connect to the existing force main at both the pump station and at the wastewater treatment plant, providing redundancy and maximum operational flexibility. Without such redundancy, any failure of the PIPS Force Main would jeopardize the City's ability to effectively transport wastewater to the treatment facility.

The route of the new parallel force main from the pump station to the wastewater treatment plant will traverse the existing force main alignment along improved roadways, through open space, beneath Highway 101 and the SMART Train railway, across multiple creeks, and adjacent to commercial buildings and parking areas.

The City began planning and designing the Parallel Force Main Project many years ago. All of the easements that are required for the project have been obtained, and the City is in the process of obtaining the remaining permits that are required for the project. The estimated total cost of the Parallel Force Main Project is \$58.3 million including an allowance for contingencies. Construction is expected to begin in October, 2026 and be completed by March, 2028.

Pump Station Replacement Project. The Primary Influent Pump Station (PIPS) on Hopper Street is a critical component of the City's wastewater system, pumping wastewater from almost the entire City to the City's wastewater treatment plant via the PIPS Force Main. Due to its age and condition, and operational limitations, the Primary Influent Pump Station is nearing the end of its useful life and must be replaced.

Proceeds from the 2026 Bonds will fund the design and construction of a new pump station facility that will be located adjacent to the Primary Influent Pump Station. The new pump station will be equipped with new pumps and upgraded electrical and mechanical systems that are designed to meet current and projected flow demands, and will connect to both the existing PIPS Force Main and new Parallel Force Main, enhancing redundancy.

The estimated total cost of the Pump Station Replacement Project is \$31.6 million. The Pump Station Replacement Project will immediately follow completion of the Parallel Force Main Project, to ensure continuity of systemwide reliability. Project design is anticipated to be completed by August, 2027. Construction is expected to begin in September, 2027 and be completed by October, 2028.

SECURITY AND SOURCES OF PAYMENT FOR THE 2026 BONDS

Pledge of Net Revenues

The 2026 Bonds and any Parity Debt are secured by a senior lien on Net Revenues. "Net Revenues" means, for any period, Gross Revenues received during such period minus Operation and Maintenance Costs becoming payable during such period. In addition, the 2026 Bonds are secured by a pledge of the Debt Service Fund, including interest earnings thereon. So long as any 2026 Bonds or Parity Debt is Outstanding, Net Revenues may not be used for any purpose other than as expressly permitted by the Indenture.

"Gross Revenues" means all gross income and revenue received by the City from the ownership and operation of the Wastewater System, including, without limiting the generality of the foregoing: (a) all amounts levied by the City as a fee for connecting to the Wastewater System, as such fee is established from time to time under the applicable laws of the State of California, (b) all income, rents, rates, fees, capital improvement fees (including facilities capacity and pump zone fees), charges or other moneys derived from the services, facilities and commodities sold (including recycled water), furnished or supplied through the facilities of the Wastewater System, (c) the earnings on and income derived from the investment of such income, rents, rates, fees, charges or other moneys to the extent that the use of such earnings and income is limited by or under applicable law to the Wastewater System, (d) the proceeds derived by the City directly or indirectly from the sale, lease or other disposition of a part of the Wastewater System as permitted under the Indenture, (e) amounts transferred into the Wastewater Fund from a Rate Stabilization Fund, and (f) amounts received by the City from other public agencies as the proceeds of tax revenues or other amounts payable to the City under contracts for services provided by the City to users of the Wastewater System.

The term "Gross Revenues" does not include (i) customers' deposits or any other deposits subject to refund until such deposits have become the property of the City, (ii) the proceeds of any *ad valorem* property taxes levied to pay general obligation bond indebtedness of the City with respect to the Wastewater System, or (iii) special assessments or special taxes levied for the purpose of paying special assessment bonds or special tax obligations of the City relating to the Wastewater System.

"Wastewater System" means any and all facilities now existing or hereafter acquired or constructed which are owned, controlled or operated by the City for the collection, treatment, disposal, recycling or reuse of wastewater, including sewage treatment plants, intercepting and collecting sewers, outfall sewers, force mains, pumping stations, ejector stations, oxidation ponds, pipes, valves, machinery, and all other appurtenances necessary, useful or convenient for the collection, treatment, purification, reclamation or disposal of sewage and storm drainage, and any necessary lands, rights of way and other real or personal property useful in connection therewith.

“Operation and Maintenance Costs” means the reasonable and necessary costs paid or incurred to maintain and operate the Wastewater System, determined in accordance with generally accepted accounting principles, including but not limited to (a) all reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Wastewater System in good repair and working order, and (b) all administrative costs of the City that are charged directly or apportioned to the operation of the Wastewater System, such as salaries, wages and retirement benefits of employees, overhead, taxes (if any) and insurance.

The term “Operation and Maintenance Costs” does not include (i) administrative costs of the 2026 Bonds which the City is required to pay under the Indenture, (ii) debt service payments on bonds, notes or other obligations issued by the City with respect to the Wastewater System, (iii) depreciation, replacement and obsolescence charges or reserves therefor, (iv) capital expenditures made by the City with respect to the Wastewater System, (v) non-cash changes in GASB 68 pension liabilities and non-cash changes in GASB 75 OPEB liabilities, or (vi) amortization of intangibles or other bookkeeping entries of a similar nature (including amortization of bond premiums).

Special Obligation

The 2026 Bonds are special obligations of the City, payable solely from Net Revenues and from amounts on deposit in certain funds and accounts established under the Indenture. The 2026 Bonds are not a debt, liability or obligation of the State of California or any of its political subdivisions other than the City.

No Reserve Fund

The City has not funded a debt service reserve fund for the 2026 Bonds.

Wastewater Fund; Flow of Funds under Indenture

General. The City has previously established the Wastewater Fund, which it will continue to hold and maintain for the purposes and uses set forth in the Indenture. The City will deposit Gross Revenues into the Wastewater Fund promptly upon receipt, and will apply amounts in the Wastewater Fund solely for the uses and purposes set forth in the Indenture and for the uses and purposes set forth in any agreement, indenture of trust, resolution or other instrument authorizing the issuance of Parity Debt (each a “Parity Debt Document”). In addition to transfers which are required to be made for the repayment of any Parity Debt, the City will withdraw amounts on deposit in the Wastewater Fund and apply such amounts at the times and for the purposes, and in the priority, as follows:

(i) Operation and Maintenance Costs. The City will apply amounts on deposit in the Wastewater Fund to pay all Operation and Maintenance Costs when due.

(ii) Debt Service Fund. On or before the 3rd Business Day preceding each Interest Payment Date, so long as any 2026 Bonds remain outstanding, the City will withdraw from the Wastewater Fund and transfer to the Trustee for deposit into the Debt Service Fund (which the Trustee will establish and hold in trust pursuant to the Indenture) an amount which, together with other available amounts then on deposit in the Debt Service Fund, is at least equal to the aggregate amount of principal of and interest coming due and payable on the 2026 Bonds on such Interest Payment Date.

The Trustee will apply amounts in the Debt Service Fund solely for the purpose of (A) paying the interest on the 2026 Bonds when due and payable (including accrued interest on any 2026 Bonds purchased or redeemed under the Indenture), and (B) paying the principal of the 2026 Bonds at the maturity thereof. Upon the payment of all 2026 Bonds, the Trustee will transfer any moneys remaining in the Debt Service Fund to the City for deposit into the Wastewater Fund.

Other Uses of Wastewater Fund. The City will manage, conserve and apply moneys in the Wastewater Fund in such a manner that all deposits required to be made under the Indenture, and under any Parity Debt Document, will be made at the times and in the amounts so required.

After payments of the amounts described above and as further described in the Indenture, the City may at any time use and apply moneys in the Wastewater Fund for any one or more of the following purposes:

- (i) the payment of any subordinate obligations or any unsecured obligations;
- (ii) the acquisition and construction of extensions and improvements to the Wastewater System;
- (iii) the payment of any other obligations of the City relating to the Wastewater System; or
- (iv) any other lawful purpose of the City relating to the Wastewater System.

Rate Stabilization Fund

The City has established a Rate Stabilization Fund to be administered in accordance with the Indenture, to stabilize Wastewater System rates and charges. From time to time the City may deposit amounts into the Rate Stabilization Fund, from any source of legally available funds, including but not limited to Net Revenues which are released from the pledge and lien which secures the 2026 Bonds and any Parity Debt, as the City may determine.

During any Fiscal Year or within 180 days after the end of such Fiscal Year, the City may but is not required to, transfer amounts on deposit in the Rate Stabilization Fund into the Wastewater Fund for the purpose of paying any lawful expense of the Wastewater System, including debt service on the 2026 Bonds and Parity Debt due and payable in such Fiscal Year. Amounts so transferred will constitute Gross Revenues for such Fiscal Year, except as otherwise provided in the Indenture. Amounts on deposit in the Rate Stabilization Fund are not pledged to or otherwise secure the 2026 Bonds or any Parity Debt. The City may at any time withdraw any or all amounts on deposit in the Rate Stabilization fund and apply such amounts for any lawful purposes of the City relating to the Wastewater System.

Since the City established the Rate Stabilization Fund during Fiscal Year 2010, no money been withdrawn from the Rate Stabilization Fund.

Rate Covenant

The City covenants in the Indenture to fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Wastewater System during each Fiscal Year which are at least sufficient, after making allowances for contingencies and error in the estimates, to yield Gross Revenues sufficient to pay the following amounts in the following order of priority:

- (a) All Operation and Maintenance Costs estimated by the City to become due and payable in such Fiscal Year;
- (b) The principal and interest on the 2026 Bonds and any Parity Debt as they become due and payable during such Fiscal Year, without preference or priority, except to the extent such interest is payable from proceeds of Parity Debt deposited for such purpose; and
- (c) All payments required to meet any other obligations of the City which are charges, liens, encumbrances upon, or which are otherwise payable from, the Gross Revenues or the Net Revenues during such Fiscal Year.

For purposes of complying with the aforementioned covenant, Gross Revenues shall exclude any transfers into the Wastewater Fund from the Rate Stabilization Fund.

The City further covenants to fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Wastewater System during each Fiscal Year which are sufficient to yield Net Revenues which equal at least 120% of the amount described in the preceding clause (b) for such Fiscal Year. For purposes of complying with this covenant, Net Revenues include any transfers from the Rate Stabilization Fund into the Wastewater Fund applicable to such Fiscal Year.

Insurance; Net Proceeds

The City will at all times maintain with responsible insurers all such insurance on the Wastewater System as is customarily maintained with respect to works and properties of like character against accident to, loss of or damage to the Wastewater System. All amounts collected from insurance against accident to or destruction of any portion of the Wastewater System constitute Gross Revenues and must be used to repair or rebuild such damaged or destroyed portion of the Wastewater System, and to the extent not so applied, will be applied to redeem the 2026 Bonds and any Parity Debt in accordance with the Indenture and the related Parity Debt Documents, in amounts determined by the City. The City will also maintain, with responsible insurers, worker's compensation insurance and insurance against public liability and property damage to the extent reasonably necessary to protect the City, the Trustee and the Owners of the 2026 Bonds.

Issuance of Parity Debt

Existing Parity Debt. The 2026 Bonds are secured by a pledge of and are payable from Net Revenues on a parity with the 2017 Bonds and the 2019 Bonds.

Additional Parity Debt. The City may issue bonds, notes or other obligations ("Parity Debt") payable from Net Revenues on a parity with the 2026 Bonds, the 2019 Bonds and the 2017 Bonds, provided the following conditions are satisfied:

(a) No Event of Default, or event with respect to which notice has been given and which, once all grace periods have passed, would constitute an Event of Default, has occurred and is continuing;

(b) Net Revenues for the most recently completed Fiscal Year for which audited financial statements of the City are available, or for any more recent consecutive 12-month period (selected by the City) during the 18-month period immediately preceding the issuance of such Parity Debt as evidenced by a certificate from a Public Utility Rate Consultant; plus, at the option of the City, any Additional Revenues (as defined below), equal at least 125% of Maximum Annual Debt Service that is due and payable during the current or any future Fiscal Year with respect to the 2026 Bonds and all Parity Debt then outstanding and/or proposed to be issued; and

(c) The City has delivered to the Trustee a Certificate of the City certifying that the conditions precedent to the issuance of Parity Debt have been satisfied.

For purposes of calculating Net Revenues to demonstrate compliance with paragraph (b) above, Gross Revenues shall not include connection fees, transfers from the Rate Stabilization Fund into the Wastewater Fund, or interest income allocable to the Wastewater Fund during the period for which the calculation of Net Revenues is made.

"Additional Revenues" is defined in the Indenture to mean, with respect to the issuance of any Parity Debt, any or all of the following amounts:

(i) An allowance equal to 90% of the estimated additional Net Revenues the City would have received during the most recently completed Fiscal Year for which audited financial statements are available, or for any more recent consecutive 12-month period (selected by the City) during the 18-month period immediately preceding the issuance of such Parity Debt arising from an increase in Wastewater System rates and user charges that was duly authorized and in effect on the date such Parity Debt is issued but which was not in effect during all or any portion of such prior period as evidenced by a certificate of a Public Utility Rate Consultant.

(ii) An allowance equal to 75% of the estimated additional Net Revenues the City expects to receive during the 12-month period immediately following the issuance of such Parity Debt, from any revenue-producing additions, improvements or extensions of the Wastewater System to be financed from the proceeds of such Parity Debt, as evidenced by a certificate of a Public Utility Rate Consultant.

State Loans

The City may borrow money from the State and incur State Loans to finance Wastewater System improvements. “State Loans” means loans secured by a pledge of Wastewater System Net Revenues and incurred by the City to finance Wastewater System improvements. A State Loan may be treated as Parity Debt for purposes of the Indenture, so long as the City complies with the Indenture requirements for issuing Parity Debt.

No Senior Obligations; Subordinate Obligations

The City may not issue or incur any additional bonds or other obligations having any priority over the 2026 Bonds in the payment of principal or interest from Net Revenues. Nothing in the Indenture, however, limits or affects the City’s ability to issue or incur obligations which are either unsecured or which are secured by an interest in Net Revenues which is junior and subordinate to the pledge of and lien upon Net Revenues established under the Indenture.

THE CITY OF PETALUMA

General

The City is located in southern Sonoma 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 1858, its first charter was granted by the State in 1947, and it continues to operate as a charter city. Municipal operations are conducted under the Council-Manager form of government. Six Council Members and the Mayor are elected for four-year, staggered terms. The Mayor presides over all Council meetings and the City Manager is responsible for the operation of all municipal functions. For additional information regarding the City, see APPENDIX A — “GENERAL INFORMATION ABOUT THE CITY OF PETALUMA AND SONOMA COUNTY.”

City Council

The current City Council members and the expiration dates of their respective terms are set forth in the following table.

<i>Mayor and City Council Members</i>		<i>Expiration of Term</i>
Kevin McDonnell	Mayor, Council Member	November, 2026
Alex DeCarli	Vice Mayor, Council Member District 5	November, 2028
Janice Cader Thompson	Council Member District 1	November, 2026
John Shribbs	Council Member District 2	November, 2026
Karen Nau	Council Member District 3	November, 2026
Frank Quint	Council Member District 4	November, 2028
Brian Barnacle	Council Member District 6	November, 2028

City Staff

The City's proposed budget for fiscal year 2026/2027 includes 423 full-time equivalent employees, including approximately 45 whose salaries and benefits are allocable to the Wastewater System. The Wastewater System is also responsible for reimbursing the general fund for its allocable share of fixed and overhead costs.

City employees are represented by ten collective bargaining units, as shown below. Department directors including directors of the Wastewater System, are unrepresented. All of the City's bargaining units other than Unit #7 have entered into two-year collective bargaining agreements with the City that include 2% annual increases in base wages during fiscal years 2026/27 and 2027/28. Unit #7 has entered into a three-year agreement that includes 2% annual increases in base wages during fiscal years 2026/27 and 2027/28 and a 3% increase in base wages during fiscal year 2028/29. The City has historically maintained good relationships with its bargaining units and has not experienced any work stoppages in at least ten years.

Bargaining Unit	Covered Employees	Contract Expiration
Unit 1 AFSCME - Confidential	9.0	June 30, 2028
Unit 2 AFSCME - Maintenance	81.0	June 30, 2028
Unit 3 AFSCME - Clerical and Technical	57.0	June 30, 2028
Unit 4 Professional & Mid-Managers Assoc. - Professional	41.0	June 30, 2028
Unit 6 Peace Officers' Association of Petaluma	85.6	June 30, 2028
Unit 7 International Association of Fire Fighters Local 1415	60.0	June 30, 2029
Unit 8 Department Directors	16.0	June 30, 2028
Unit 9 Professional & Mid-Managers Assoc. - Mid-Managers	49.0	June 30, 2028
Unit 10 Public Safety Mid-Management Association	12.0	June 30, 2028
Unit 11 Professional & Mid-Managers Assoc. - Confidential	12.8	June 30, 2028
	423.4	

Seismic Considerations

Two active earthquake faults run through or nearby the City of Petaluma – the Rodgers Creek Fault and the San Andreas Fault. Scientific studies indicate there is a significant risk of a large earthquake occurring on the Rodgers Creek Fault in the coming decades. If a large earthquake occurs, damage to property and/or structures could result from ground shaking, surface rupture along the fault zone, and related secondary ground failures. Seismically-induced ground failures may also include liquefaction, lateral spreading, ground lurching, landslides, inundation, and settlement.

The Ellis Creek Water Recycling Facility was designed and built to withstand a moderate to severe earthquake with minimal damage, and to remain functional during and after such an earthquake. The facility's original Seismic Design Criteria required that all electrical, mechanical and instrumentation equipment be

separately mounted or anchored in compliance with the seismic restraint requirements of the Uniform Building Code (circa 2008 when the plant was constructed). This is inclusive of all light fixtures, electrical and instrumentation panels, tanks, pumps, piping, pipe and conduit supports and hangers, generators, motors, fans, ventilation ducts, equipment, and other similar facilities. More recent additions to the facility have been designed and installed with current Building Code requirements for seismic anchorage relevant at the time of construction.

The City's Wastewater System has never experienced major damage or a sustained service interruption due to an earthquake. The City does not maintain earthquake insurance on Wastewater System facilities. See the captions "—City Insurance" and "CERTAIN RISKS TO BONDHOLDERS—Natural Disasters."

City Insurance

The City maintains insurance for the Wastewater System through the California Joint Powers Risk Management Authority ("CJPRMA"), a joint powers authority that was created under the provisions of Government Code § 6500 *et seq.* to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage.

The City's current insurance coverages (for the Wastewater System and other City assets) are as follows:

General Liability and Property Damage. The City maintains a self-insured retention level of \$750,000 for general liability with excess coverage up to \$40,000,000, as a participant in CJPRMA. Damage to City property is also insured for its replacement cost through participation in CJPRMA's Property Program through the City's agent of record, Alliant Insurance Services, Inc. Certain components of the Wastewater System, including underground pipelines and manhole covers, are not covered by such insurance. The City does not maintain earthquake insurance on Wastewater System facilities. See the captions "—Seismic Considerations" and "CERTAIN RISKS TO BONDHOLDERS—Natural Disasters."

Government Crime. The City carries government crime insurance, including faithful performance/employee dishonesty, forgery or alteration, computer fraud, etc., in the amount of \$4,000,000, with a \$40,000 deductible.

Workers Compensation. The City maintains a self-insured retention level of \$750,000 for workers' compensation insurance coverage with excess coverage through a JPA – the Public Risk Innovation Solutions and Management ("PRISM").

The City has not settled any claims that exceeded its insurance coverage in the past three years.

The City can provide no assurance that it will maintain the above insurance coverage amounts while the 2026 Bonds are outstanding. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2026 BONDS—Insurance; Net Proceeds" for a description of insurance coverages that are required to be maintained while the 2026 Bonds are Outstanding.

THE WASTEWATER SYSTEM

City Management

Peggy Flynn, City Manager. Ms. Flynn was appointed City Manager in February, 2019. Peggy is responsible for the day-to-day oversight of all City employees and City departments, overseeing the development and implementation of the City's operating and capital budgets, advising the City Council on strategic priorities, implementing City Council policies, and representing the City to outside parties including Petaluma residents, the business community and other governmental agencies. Prior to joining the City of Petaluma, Peggy held various leadership positions in municipal government serving as Assistant City Manager for the City of Novato, Director of Communications and Community Relations for the Santa Clara Valley Water District, and

Communications and Legislative Director for the San Jose Redevelopment Agency. Peggy holds a Bachelor's Degree in Journalism from San Jose State University.

Corey Garberolio, Assistant Finance Director. Since joining the City of Petaluma in 2009, Corey has held various leadership positions including Deputy City Manager, Finance Director, Acting Finance Director, Interim Finance Director, Assistant Finance Director, Principal Financial Analyst and Accountant. Corey has extensive hands-on experience in all of the functional areas under the purview of the Finance Department including preparing and monitoring the City's operating and capital budgets, preparing the City's annual comprehensive financial report, and overseeing the issuance and administration of City debt. Prior to joining the City, Corey served as an Accountant with the City of Bakersfield and as a Program Supervisor for Lane County, Oregon. Corey holds a Bachelor's Degree in Business Administration and a Master's Degree in Public Administration from California State University, Bakersfield.

Wastewater System Management

The Department of Public Works and the Department of Water Resources & Utilities are responsible for the day-to-day management of the City's water related functions including water, wastewater, flood control, storm drain and related engineering services. The following positions are responsible for the management, operation and maintenance of the wastewater system.

Chelsea Thompson, Director of Water Resources & Utilities. Ms. Thompson was appointed Director of Water Resources & Utilities in December, 2024. Chelsea is responsible for overseeing the operations of Petaluma's wastewater system including all wastewater collection and treatment services, as well as the planning, administration, engineering and regulatory compliance functions. Chelsea is also responsible for overseeing the operations of the City's water system including water storage, distribution, conservation, metering, and customer service. Since joining the City in 2010, Chelsea has held various senior positions responsible for water conservation, water supply planning and regulatory compliance, air quality, the recycled water program, grant administration and capital improvement project oversight. Chelsea holds a Bachelor's Degree in Environmental Studies and Planning from Sonoma State University.

Paul Kaushal, Director of Public Works. Paul was appointed Director of Public Works in December, 2024. Under Paul's leadership, the Public Works Department is responsible for maintaining all of the City's public facilities and public infrastructure. The Public Works Department is also responsible for implementing the City's five-year capital improvement plan including the Parallel Force Main Project and the Pump Station Replacement Project. Prior to joining the City of Petaluma, Paul held senior positions as Director of Public Works for the City of Fairfield, Deputy Director of Public Works for Alameda County, and City Engineer for the City of Berkeley. Paul is a licensed civil engineer in California and he holds a Bachelor's Degree in Civil Engineering from California State University, Long Beach.

Wastewater System Facilities

General. The Wastewater System provides 24/7 collection, treatment, disposal and reuse of domestic, commercial and industrial wastewater generated within the City and within the nearby unincorporated community of Penngrove.

Collection System. The City operates and maintains approximately 192 miles of gravity sewer mains and four miles of sewer force mains. Sewer pipes range from 4 to 54 inches in diameter and wastewater is pumped throughout the system by 10 lift stations. Wastewater is pumped 2.5 miles from the Primary Influent Pump Station on Hopper Street to the City's wastewater treatment plant – the Ellis Creek Wastewater Recycling Facility.

The City utilizes a geographic information system ("GIS") and asset management system to maintain its sewer pipes and mains. The maintenance program includes routine cleaning of most sewer mains and

preventative maintenance for higher-risk sewer mains. Routine cleaning and inspection of pipes and manholes are completed for the entire City on a 6-year cycle. Preventative maintenance focuses on hot spots, pipes and manholes with a history of overflows, and pipe segments that are susceptible to root intrusion, grease and other debris. Pipe segments requiring preventative maintenance are scheduled on either a quarterly, semi-annual or annual cycle, as appropriate. Root control is performed on select pipelines annually or as needed, depending on inspection results.

Ellis Creek Water Recycling Facility. The Ellis Creek Water Recycling Facility opened in 2009, replacing the 1930's era Hopper Street Wastewater Treatment Plant. The facility provides advanced secondary treatment, anaerobic digestion, and tertiary treatment of wastewater. The facility has average dry weather capacity of 6.7 million gallons per day ("MGD"), wet weather design capacity of 36 MGD, and treats domestic, commercial, and industrial wastewater generated within the City and within the nearby unincorporated community of Penngrove. During calendar year 2025, the facility processed approximately 1.80 billion gallons of wastewater, equivalent to an average daily flow of 4.93 MGD.

Wastewater influent enters the plant headworks where screening and grit removal occur, followed by secondary treatment with nitrification and denitrification in oxidation ditches using activated sludge, and secondary clarification. After secondary clarification, effluent is either pumped to the tertiary treatment system and recycled, or directed through a series of oxidation ponds and wetlands for additional biological treatment. After flowing through the treatment wetlands, the wastewater is chlorinated and then flows to polishing wetlands or a chlorine contact chamber. Prior to discharge, disinfected effluent is dechlorinated with sodium bisulfite to remove residual chlorine from the discharge. The dechlorinated effluent is discharged into the Petaluma River from October 20 to May 1. During wet weather, flows above 16 MGD are sent to oxidation ponds.

Oxidation Ponds. The oxidation pond system consists of an aerated lagoon, an aerated pond and eight oxidation ponds, encompassing an area of approximately 154 acres. The aerated lagoon has four aerators, and Pond 1 is equipped with eight aerators. The ponds are approximately nine feet deep with two feet of freeboard and a total capacity of approximately 410 million gallons or 1,260 acre-feet. The oxidation ponds also provide approximately 250 million gallons or 770 acre-feet of storage capacity, which in conjunction with the recycling program, helps enable the City to comply with the requirements of its discharge permit.

Wetlands. After moving through the oxidation ponds, effluent flows through 17 acres of treatment wetlands to remove nutrients and metals. Effluent is then disinfected with chlorine and discharged to 31 acres of polishing wetlands that naturally dechlorinate the treated wastewater prior to river discharge. When additional discharge capacity is required, a portion of the disinfected effluent from the treatment wetlands is directed through a chlorine contact chamber, dechlorinated, and discharged to the river. Sodium bisulfate is also used to confirm there is no residual chlorine prior to discharge. The polishing wetlands are home to a wide range of wildlife including ducks, geese, swans, pelicans, egrets, cormorants, herons, sandpipers, red-tailed hawks, western pond turtles and marsh wrens. The polishing wetlands, with walking paths around the four ponds, are an integral part of the facility's setting within the community adjacent to the Petaluma River and Shollenberger Park.

Discharge of Treated Wastewater. The City's discharge permit allows treated wastewater to be discharged into the Petaluma River from October 20 to May 1. Effluent flows through a 95-foot, 42-inch diameter high-density polyethylene outfall pipe to a discharge point located on the bank of a tidal slough that flows to the Petaluma River. The discharge point has a concrete headwall, duckbill check valve, concrete apron and riprap for scour protection and erosion prevention during discharge. This new outfall pipe and discharge structure was installed in 2023, replacing an older 3,000-foot outfall pipe and discharge structure that had reached the end of its useful life. The older outfall structure was removed, and the older outfall pipe was capped at the discharge point and abandoned in place in 2024.

Biosolids Treatment. Biosolids that accumulate from screening, grit removal, secondary treatment and clarification are stabilized using mesophilic anaerobic digestion. Digested sludge is stored in a biosolids storage

tank prior to dewatering by a low-speed rotary screw press, and transferred by a shaftless conveyor to distribution piping with automatic flow control valves into a haul trailer pre-positioned in a loading bay adjacent to the screw press building. Biosolids are either applied as a soil amendment or further processed to produce liquid fertilizer.

Recycled Water. The City initiated a water recycling program in 1984, in response to an order by the San Francisco Bay Regional Water Quality Control Board prohibiting the City from discharging treated effluent into the Petaluma River from May 1 through October 20. Today, the City provides complete tertiary treatment with flocculation, filtration, and ultraviolet light disinfection. Tertiary treatment allows for unrestricted reuse in all recycled water applications. Recycled water is distributed through a system of pump stations and pipelines to provide irrigation for agriculture, golf courses, school yards, public parks and other landscaped areas. At the treatment facility, recycled water is used for landscape irrigation, toilet flushing, fire protection, and process water. Urban use of recycled water conserves potable water and supplements the City's water supply. Agricultural use of recycled water also supports the expansion of local farming, including dairies and vineyards, which are important sectors of the regional economy.

The City recently expanded its recycled water production capacity from 5.0 MGD to 6.8 MGD which will enable the City to meet expanded demand for recycled water during peak irrigation months.

Floating Solar System. In March, 2023 the City of Petaluma entered into a 20-year Energy Services Agreement (the "ESA") with Ellis Creek Solar, LLC, a special-purpose entity wholly-owned by San Francisco-based White Pine Renewables. Pursuant to the ESA, Ellis Creek Solar installed a 5.9-megawatt floating solar photovoltaic (PV) array spanning approximately 10.45 acres, on oxidation pond no. 3 at the Ellis Creek Water Recycling Facility, making it one of the largest floating PV systems in California. The solar array became fully operational in September, 2025.

Pursuant to the Agreement, Ellis Creek Solar is required to maintain and operate the solar array over the life of the Agreement, including making any necessary repairs and replacements. Further, White Pine guarantees the solar array will generate a certain amount of electricity and in return, the City is obligated to purchase all electricity generated by the array according to an agreed-upon rate schedule.

The Ellis Creek Water Recycling Facility is the City's largest electricity user, and the City estimates that, going forward, the solar array will supply approximately 90% of the facility's total annual electricity needs. Over the 20-year life of the Agreement, the City estimates it will save approximately \$11.6 million in electricity costs, based on certain assumptions regarding the expected market-rate for electricity over time.

The City's obligations with respect to the ESA are not secured by any pledge of, or lien on, Wastewater System Revenues or Net Revenues, or by a security interest in any assets of the Wastewater System, other than the newly installed solar equipment. The City's obligations with respect to the ESA do not constitute secured debt of the Wastewater System pursuant to the Indenture.

Storm Drains. The City maintains a storm water drainage system that includes approximately 4,300 storm drain catch basins and inlets, over 300 outfalls, and over 121 miles of related pipelines, culverts and open channels (ditches). The City's storm system drains into various creeks within the City, the Petaluma River and eventually, into San Pablo Bay. The stormwater system benefits the City's sanitary sewer system by preventing stormwater from entering the sewer collection system, which causes wear and tear on pipes and pump stations, requiring more frequent maintenance and replacement of sewer system infrastructure. Maintaining the storm drain system reduces the amount of stormwater that reaches the sewer system. During the Fiscal Year ended June 30, 2025, the Wastewater System reimbursed the General Fund \$184,382 for costs associated with the maintenance of storm drains.

General Regulatory Requirements

Wastewater System. The National Pollution Discharge Elimination System (“NPDES”) permit program, established by Congress as part of the 1972 Clean Water Act, regulates point source pollution into the nation’s navigable waters. Pursuant to the Act, the U.S. Environmental Protection Agency (EPA) regulates point source pollution by setting limits on the effluent that can be introduced into a body of water. EPA has authorized the California State Water Resources Control Board (the “Water Board”) to administer the NPDES permit program within the State of California.

The Ellis Creek Water Recycling Facility discharges effluent into the Petaluma River and is therefore required to have an NPDES permit. Effective July 1, 2021, NPDES Permit CA0037810 issued by the Water Board pursuant to Order No. R2-2021-0008, authorizes average dry weather influent flows of up to 6.7 MGD to be discharged into the Petaluma River, and prohibits discharge into the Petaluma River from May 1 through October 20, subject to certain terms and conditions. There have been no permit violations during the current permit cycle.

The City’s NPDES Permit expired on June 30, 2026. NPDES permit-holders are required to apply for a renewal of their NPDES permit at least 180 days prior to the expiration of their five-year permit. The City timely submitted its renewal application to the Water Board on October 1, 2025 and is currently working with the Water Board to finalize the terms and conditions of its new NPDES permit. By law, the City’s existing NPDES permit will remain valid until the City’s application for a renewal is granted. The City anticipates receiving its renewed NPDES permit by year-end 2026.

In addition to the Clean Water Act, the City is also subject to the requirements of the State of California Porter Cologne Water Quality Control Act of 1969, as amended. The City is not aware of any environmental or regulatory issues that would adversely impact its ability to provide sewer service.

Stormwater. In November 1990, EPA published regulations establishing NPDES permit requirements for municipal and industrial stormwater discharges. Phase 1 of the NPDES stormwater permit regulations applies to urban areas with a population greater than 100,000 persons, which does not apply to the City. Phase 1 also applies to stormwater discharges from various industrial activities, including certain construction projects that disturb more than five acres.

Effective March 2003, Phase 2 of the regulations requires that an NPDES permit be obtained for construction projects that disturb 1-5 acres. Phase 2 of the municipal permit system (known as the NPDES General Permit for Small MS4s) also requires that municipal areas of fewer than 100,000 persons develop stormwater management programs. In California, the Water Board is responsible for issuing Phase 2 permits, but regional boards help oversee compliance and the San Francisco Bay Regional Water Quality Control Board is responsible for oversight of the City’s NPDES permit.

Recycled Water. The City’s recycled water program is subject to regulation under the Clean Water Act, the California Water Code, and regulations promulgated by the Drinking Water Division of the Water Board.

The City’s recycled water system operates pursuant to Water Board Order No. 2016-0068, which serves as a General Water Reclamation Requirements for Recycled Water Use Order authorizing municipal wastewater reuse by producers, distributors, and users of non-potable recycled wastewater throughout the region. As the City is a producer, distributor, and user of non-potable recycled wastewater, this Order serves as the City’s permit to produce and use recycled water. The City provides monthly and annual reporting to the Division of Drinking Water and is in full compliance with the terms of its permit with no recent violations.

Planned Wastewater System Capital Improvements

Table 2 presents planned Wastewater System capital improvements. No assurance can be provided that any particular project will be completed or completed on the planned schedule.

<i>Fiscal Year Ending June 30,</i>	2027	2028	2029	2030	2031	Total
PIPS Force Main and Pump Station Projects:						
Parallel Force Main Project	\$47,600,00	\$9,890,000				\$57,490,000
Pump Station Replacement Project	270,000	25,479,000	6,235,000			31,984,000
Ellis Creek Water Recycling Facility Projects:						
Chemical System Upgrade	4,000,000					4,000,000
Evaporative Cooler Replacement	450,000					450,000
Loading Evaluation & Treatment Capacity Imp	500,000	500,000				1,000,000
Parking Lot Construction	1,775,000					1,775,000
Fairgrounds Pump Station					1,515,000	1,515,000
Minor Pump Station				972,000	1,918,000	2,890,000
Other Projects:						
Force Main Rehabilitation	105,000	460,000	322,000	322,000		1,209,000
C St. Lift Station & Collection Systems Upgrades		236,000	1,840,000	2,184,000		4,260,000
Sewer Main Howard Street	2,561,000	452,000				3,013,000
Sewer Main D Street	32,000	2,442,000	1,433,000			3,907,000
Sewer Main I Street	37,000	731,000				768,000
Sewer Main St. Francis				327,000	140,000	467,000
Recycled - Adobe Phase 2	396,000					396,000
Recycled - Baywood Drive	557,000					557,000
Manhole Rehabilitation	721,000		361,000		361,000	1,443,000
WFO Parking-Soundwall Project	81,000	176,000				257,000
Sewer Main Rehab Program		3,885,000	3,885,000	3,885,000	3,885,000	15,540,000
	\$59,085,00	\$44,251,00	\$14,076,00	\$7,690,000	\$7,819,000	\$132,921,000

Source: City of Petaluma.

REVENUES AND DEBT SERVICE COVERAGE

Wastewater Rates and Charges

In June 2023, Bartle Wells Associates completed a Water & Wastewater Utility Rate Study for the City. The 2023 Rate Study recommended a series of annual increases in wastewater rates over the five-year period from fiscal year 2023/24 through fiscal year 2027/28. The recommended rate increases were designed to generate sufficient revenue to fund Wastewater System operations and maintenance costs, debt service payments, and high-priority capital needs. The key recommendations in the 2023 Rate Study were as follows:

- An increase in the Base Rate of 2.0% each year from fiscal year 2023/24 through fiscal year 2027/28; plus,
- An annual pass-through rate adjustment to account for inflation, based on the December-to-December increase in the Consumer Price Index for the San Francisco Bay Area. The annual pass-through rate adjustment was 3.0% for fiscal year 2023/24, 2.60% for fiscal year 2024/25, and 2.4% for fiscal year 2025/26.

The 2023 Rate Study concluded: “With the proposed rate increases and projected annual pass-throughs for inflation [and wholesale water rate increases], the combined water and wastewater bills for a typical single-family home are projected to increase by an average of roughly 6% per year over the next 5 years.” The study further noted that Petaluma’s combined water and wastewater bills for a typical single-family home are in the middle range with implementation of the proposed rate increases.

The 2023 Rate Study also recommended the City adopt a contingency plan to adjust wastewater rates during periods of drought or water shortage emergencies which result in a significant decline in water use and corresponding wastewater revenues. The recommended contingency plan would authorize an increase in the Base Rate from 5% to 20% depending on the magnitude of the water shortage.

Subsequently, on August 7, 2023 the City held a Public Hearing pursuant to Proposition 218, after which, absent a successful ‘protest vote’ the City Council approved Resolutions No. 2023-128 and No. 2023-129, implementing the 2023 Rate Study recommendations in full.

The City anticipates commencing its next Rate Study in 2027.

Historical Wastewater Rates and Charges

Table 3 presents historical wastewater charges by customer classification.

Table 3
City of Petaluma
Wastewater Charges by Customer Classification

<i>Rates Effective as of</i>	Jan. 1, 2015	Jan. 1, 2016	July 1, 2017	July 1, 2018	July 1, 2019	Mar. 1, 2022	Sept. 1, 2023	July 1, 2024	July 1, 2025	July 1, 2026
Fixed Charge ⁽¹⁾										
Single-Family	\$19.34	\$20.13	\$23.41	\$26.94	\$30.99	\$37.93	\$39.85	\$41.70	\$43.57	\$45.80
Multi-Family	16.85	17.54	19.90	22.89	26.35	32.24	33.88	35.45	37.04	38.93
Unmetered Residential	89.73	93.40	86.69	89.99	94.92	100.88	105.99	110.92	115.89	121.82
Non-Residential	various	various	various	various	various	various	various	various	various	various
Commodity Charge ⁽²⁾										
Single-Family	8.78	9.14	9.04	9.01	9.13	8.99	9.45	9.88	10.33	10.85
Multi-Family	8.78	9.14	9.04	9.01	9.13	8.99	9.45	9.88	10.33	10.85
Commercial:										
low strength	8.60	8.95	8.83	8.79	8.89	8.66	9.09	9.52	9.95	10.45
medium strength	10.54	10.97	11.04	11.21	11.56	11.78	12.38	12.96	13.55	14.23
high strength	13.72	14.28	14.51	14.88	15.48	16.01	16.82	17.61	18.39	19.33
Metered Industrial										
Flow (\$/hcf)	6.84	7.12	7.13	7.21	7.39	7.44	7.82	8.18	8.54	8.98
BOD (\$/lb.)	0.65	0.68	0.79	0.91	1.04	1.26	1.33	1.40	1.46	1.54
TSS (\$/lb.)	0.76	0.79	0.91	1.04	1.19	1.30	1.50	1.57	1.65	1.73

(1) Fixed charge payable monthly.

(2) Commodity charge payable monthly per 100 cubic feet of water usage.

Source: City of Petaluma.

Table 4 presents historical typical single-family residential monthly wastewater charges.

Table 4
City of Petaluma Wastewater System
Typical Single-Family Residential Monthly Wastewater Charges

Effective Date	Monthly Fixed Charge	Monthly Commodity Charge ⁽¹⁾	Monthly Total Charge	Percent Change
Jan. 1, 2010	\$14.85	\$35.20	\$50.05	
Jan. 1, 2011	16.19	38.35	54.54	9.0%
Jan. 1, 2012	17.15	38.90	56.05	2.8%
Jan. 1, 2013	17.89	40.55	58.44	4.3%
Jan. 1, 2014	18.52	42.00	60.52	3.6%
Jan. 1, 2015	19.34	43.90	63.24	4.5%
Jan. 1, 2016	20.13	45.70	65.83	4.1%
Jul. 1, 2017	23.41	45.20	68.61	4.2%
Jul. 1, 2018	26.94	45.05	71.99	4.9%
Jul. 1, 2019	30.99	45.65	76.64	6.5%
Mar. 1, 2022	37.93	44.95	82.88	8.1%
Sep. 1, 2023	39.85	47.25	87.10	5.1%
Jul. 1, 2024	41.70	49.40	91.10	4.6%
Jul. 1, 2025	43.57	51.65	95.22	4.5%
Jul. 1, 2026	45.80	54.25	100.05	5.1%

(1) Monthly commodity charge is based on 500 cubic feet of monthly water usage.

Source: City of Petaluma.

Historical Connections and Service Charges

Table 5 presents the number of Wastewater System residential connections.

Table 5
City of Petaluma Wastewater System
Number of Residential Connections

As of June 30,	Petaluma	Penngrove	Total
2021	23,790	546	24,336
2022	24,332	551	24,883
2023	24,459	551	25,010
2024	24,725	561	25,286
2025	24,848	558	25,406

Source: City of Petaluma.

The City provides wastewater services to the nearby unincorporated community of Penngrove pursuant to an “Agreement for Installation of Wastewater Collection Facilities Through Joint Exercise of Powers by the City of Petaluma and County of Sonoma,” dated May 26, 1977, as amended (the “Penngrove Agreement”). Under the Penngrove Agreement, the Sonoma County Water Agency operates and maintains a wastewater

collection system and pump station in Penngrove and the City of Petaluma accepts a volume of wastewater equivalent to usage by no more than 3,000 persons (using standard measuring formulas) into the Wastewater System. Penngrove customers pay the same rates as Petaluma customers, but instead of being billed monthly like Petaluma customers, Penngrove customers are billed annually and pay their wastewater charges to Sonoma County along with their property taxes.

The County can terminate the Penngrove Agreement at any time. However, due to the cost savings that Penngrove customers and the County realize by contracting with the City for wastewater treatment in lieu of owning and operating separate facilities, the County is unlikely to terminate the Penngrove Agreement, although the City can provide no assurances to this effect. Were the Penngrove Agreement to terminate, the City would expect to experience a decrease in revenue associated with the loss of rate-paying customers as well as a decrease in treatment-related costs and expenses. In addition, however, the City would have fewer customers among whom to spread the remaining Wastewater System expenses, which could lead to increased rates payable by those remaining customers. During the Fiscal Year ended June 30, 2025, Penngrove paid the City \$762,168.08 for its wastewater usage.

Table 6 presents the number of Wastewater System connections by customer type.

Table 6
City of Petaluma Wastewater System
Number of Connections by Customer Type

<i>As of June 30,</i>	2021	2022	2023	2024	2025
Single-Family Residential	17,387	17,502	17,581	17,619	17,625
Multi-Family Residential	6,403	6,830	6,878	7,106	7,223
Commercial and Industrial:					
Low Strength	861	864	859	860	854
Medium Strength	23	24	26	26	27
High Strength	159	162	161	161	168
Total	24,833	25,382	25,505	25,772	25,897

Source: City of Petaluma.

Ten Largest Wastewater System Customers

Table 7 presents the ten largest Wastewater System customers during the fiscal year ended June 30, 2025, as measured by revenue.

Table 7
City of Petaluma Wastewater System
Ten Largest Customers Measured by Annual Revenue
Fiscal Year Ending June 30, 2025

Customer	Type of Business	Revenue ⁽¹⁾	% of Total
Petaluma Poultry	Industrial	\$2,168,799	6.86%
Clover Stornetta Farms, Inc.	Industrial	887,104	2.81
Lagunitas Brewery	Industrial	422,324	1.34
Lace House Linen	Industrial	127,901	0.40
Sonoma Hotel Partners LP	Commercial	116,192	0.37
Petaluma Estates	Multi-family	79,196	0.25
Oil Stop LLC	Commercial	79,109	0.25
703200 Providence St. Joseph	Commercial	78,435	0.25
Home2 Suites Petaluma	Commercial	73,362	0.23
Addison Ranch Apartments	Multi-family	70,950	0.22
Total, Top Ten Customers		4,103,372	12.99
Total, All Customers		\$31,600,031	100.00%

(1) Excluding capacity charges.

Source: City of Petaluma.

Revenue by Customer Type

Table 8 presents Wastewater System gross revenue by customer type.

Table 8
City of Petaluma Wastewater System
Gross Revenue by Customer Type

<i>Fiscal Year Ending June 30,</i>	2021	2022	2023	2024	2025
Single-Family Residential	\$15,445,354	\$15,219,723	\$15,320,506	\$15,979,684	\$17,000,870
Multi-Family Residential	4,694,829	4,799,409	4,940,241	5,268,202	5,742,129
Commercial	4,020,796	4,148,595	4,378,747	4,792,823	5,097,120
Industrial	3,378,724	3,181,518	3,045,676	3,634,915	3,759,912
Total	\$27,539,703	\$27,349,245	\$27,685,170	\$29,675,624	\$31,600,031

Source: City of Petaluma.

Wastewater Billing and Collection

Customers are billed monthly for water and wastewater service on one, combined bill. Payment can be made on-line, over the phone, in-person or by mail. Unpaid charges are deemed delinquent 30-days after the date of the bill; however, the City does not discontinue residential water service until an account is delinquent for at least 60 days. Not less than seven business days prior to the discontinuation of residential water service, the City will mail the customer a written Notice of Payment Delinquency and Impending Discontinuation. The City will not discontinue residential water service for nonpayment if the customer enters into and abides by the terms of a Payment Plan.

Approximately 558 customers reside in the nearby unincorporated community of Penngrove. These customers are billed annually by Sonoma County on their property tax bill. Sonoma County remits 100% of the amount payable to the City. During fiscal year 2025, these customers paid \$762,168.08 to the City for wastewater services.

A small number of large industrial customers are billed monthly based on their discharge into the Wastewater System. Discharge volumes are recorded at the treatment plant and submitted to the Finance Department for billing through the City's accounts receivable system.

Table 9 presents Wastewater System annual billings, collections and delinquencies.

Table 9
City of Petaluma Wastewater System
Annual Billings, Collections and Delinquencies

Fiscal Year Ending June 30	Annual Billings	Annual Collections	Delinquency Rate
2021	\$28,774,076	\$28,446,247	1.14%
2022	28,759,285	28,445,490	1.09
2023	29,053,488	28,906,997	0.50
2024	30,886,010	30,847,252	0.13
2025	32,362,199	32,331,499	0.09

Source: City of Petaluma.

Table 10 compares monthly residential wastewater and water service charges within the region.

Table 10
Comparison of Monthly Wastewater and Water Service Charges
For a Typical Single-Family Home (as of May, 2026)

	Wastewater¹	Water²	Total
City of Rohnert Park	\$69.40	\$67.90	\$137.30
Town of Windsor	104.46	35.47	139.93
City of Napa	61.55	78.46	140.01
City of Santa Rosa	92.83	55.06	147.89
City of Benicia	82.05	77.70	159.75
City of Petaluma	95.22	64.72	159.94
City of Vallejo	97.52	62.78	160.30
City of American Canyon	89.93	90.43	180.36
City of Sonoma	113.29	79.13	192.42
City of Healdsburg	147.42	108.71	256.13
City of St. Helena	150.50	135.04	285.54

(1) Flat rate or 5 hcf monthly winter use

(2) 7 hcf monthly use

Source: Bartle Wells Associates.

Wastewater System Summary Financial Information

Table 11 presents historical Wastewater Utility Fund revenues, expenses and debt service coverage.

Table 11
City of Petaluma Wastewater Utility Fund
Historical Revenues, Expenses and Debt Service Coverage
(Source: Audited Financial Statements of the City)

<i>Fiscal Year Ending June 30,</i>	2021	2022	2023	2024	2025
Operating Revenues					
Charges for sales	\$28,774,076	\$28,759,582	\$29,053,488	\$30,886,010	\$32,362,199
Charges for services	178,805	817,546	2,671,844	27,919	80,675
Connection fees ⁽¹⁾	786,089	2,010,346	941,377	(128,590)	1,041,631
Investment earnings and rent	162,254	-	1,056,946	2,359,652	2,641,315
Total	\$29,901,224	\$31,587,474	\$33,723,655	\$33,144,991	\$36,125,820
Operating Expenses ⁽²⁾					
Cost of services	\$7,288,753	\$7,914,627	\$10,498,549	\$11,703,906	\$14,167,531
General & administrative	4,055,520	4,456,874	4,653,003	5,872,185	6,279,051
Total	\$11,344,273	\$12,371,501	\$15,151,552	\$17,576,091	\$20,446,582
Net Revenues Available for Debt Service	\$18,556,951	\$19,215,973	\$18,572,103	\$15,568,900	\$15,679,238
Debt Service Expense					
2017 Bonds	\$805,319	\$805,319	\$805,319	\$805,319	\$805,319
2019 Bonds	7,756,500	7,756,500	7,759,000	7,758,250	7,753,750
Total	\$8,561,819	\$8,561,819	\$8,564,319	\$8,563,569	\$8,559,069
Debt Service Coverage	2.17	2.24	2.17	1.82	1.83

(1) Connection fees were negative in 2024 due to a one-time credit of capacity charges refunded to a large industrial discharger.

(2) Excludes depreciation, interest expense and gain or (loss) on disposal of assets.

Source: City of Petaluma.

Table 12 presents the projected Wastewater System revenues, expenses and debt service coverage. Debt service coverage is preliminary and subject to change.

Table 12
City of Petaluma Wastewater System
Projected Revenues, Expenses and Debt Service Coverage

<i>Fiscal Year Ending June 30,</i>	Estimated	Projected				
	2026	2027	2028	2029	2030	2031
Revenues:						
Sewer Service Charges ⁽¹⁾	\$34,360,000	\$35,571,000	\$37,443,000	\$38,663,000	\$39,922,000	\$41,222,000
Interest/Investment Earnings	1,693,000	1,507,000	1,295,000	1,149,000	1,130,000	1,195,000
Connection Fees/Capacity Charges	750,000	750,000	750,000	750,000	750,000	750,000
Interfund Loan Repayments	784,000	784,000	784,000	784,000	638,000	638,000
Other/Miscellaneous	100,000	100,000	100,000	100,000	100,000	100,000
Total	\$37,687,000	\$38,712,000	\$40,372,000	\$41,446,000	\$42,540,000	\$43,905,000
Operating & Maintenance Expenses: ⁽²⁾						
Administration	\$4,182,000	\$4,307,000	\$4,436,000	\$4,569,000	\$4,706,000	\$4,847,000
Collection System	1,801,000	1,855,000	1,911,000	1,968,000	2,027,000	2,088,000
Sewage Pump Stations	842,000	945,000	973,000	1,002,000	1,032,000	1,063,000
Customer Service	120,000	124,000	128,000	132,000	136,000	140,000
Industrial	664,000	684,000	705,000	726,000	748,000	770,000
Reclamation	1,771,000	1,824,000	1,879,000	1,935,000	1,993,000	2,053,000
Storm Drain	232,000	239,000	246,000	253,000	261,000	269,000
Ellis Creek Operations ⁽³⁾	11,002,000	11,718,000	12,070,000	12,432,000	12,805,000	13,189,000
Wastewater Laboratory	289,000	298,000	307,000	316,000	325,000	335,000
Total	\$20,903,000	\$21,994,000	\$22,655,000	\$23,333,000	\$24,033,000	\$24,754,000
Net Revenues	\$16,784,000	\$16,718,000	\$17,717,000	\$18,113,000	\$18,507,000	\$19,151,000
Debt Service Expense:						
2017 Bonds	\$805,319	\$805,319	\$805,319	\$805,319	\$4,075,319	\$4,079,519
2019 Bonds	7,755,000	7,756,000	7,756,000	7,754,250	0	0
2026 Bonds*	0	242,000	242,000	242,000	2,915,000	2,915,000
2027 Bonds (projected)	0	0	507,000	1,014,000	1,204,000	1,204,000
Total	\$8,560,319	\$8,803,319	\$9,310,319	\$9,815,569	\$8,194,319	\$8,198,519
Debt Service Coverage	1.96	1.90	1.90	1.85	2.26	2.34
Net Cash Flow	\$8,223,681	\$7,914,681	\$8,406,681	\$8,297,431	\$10,312,681	\$10,952,481

Source: City of Petaluma and Bartle Wells Associates.

- (1) FYE 2026 Sewer Service Charges are estimated year-end results. FYE 2027 and FYE 2028 projected Sewer Service Charges assume a 2% annual increase in the Base Rate, a 3% annual CPI pass-through adjustment, and a 0.25% annual increase in the number of connections. FYE 2029 through FYE 2031 projected Sewer Service Charges assume no annual increase in the Base Rate, a 3% annual increase in the CPI pass-through adjustment, and a 0.25% annual increase in the number of connections.
- (2) FYE 2026 Operating and Maintenance Expenses are estimated year-end results. FYE 2027 through FYE 2031 projected Operating and Maintenance Expenses are assumed to increase by 3% per year.
- (3) FYE 2027 through FYE 2031 projected Ellis Creek Operating Expenses assume \$250,000 of annual utility cost savings associated with the Floating Solar Array "Wastewater System Management – Floating Solar System" above.

* Preliminary, subject to change; net of capitalized interest.

Table 13 presents historical Wastewater Utility Fund assets, liabilities and net position.

Table 13
City of Petaluma Wastewater Utility Fund
Assets, Liabilities and Net Position
(Source: Audited Financial Statements of the City)

<i>Fiscal Year Ending June 30,</i>	2021	2022	2023	2024	2025
Current Assets					
Cash & investments	\$39,601,563	\$45,304,908	\$55,230,257	\$50,033,179	\$44,190,465
Restricted investments	21	53	4,700	5,560	4,526
Receivables	3,345,644	4,201,046	4,127,249	3,511,474	5,271,733
Inventories, deposits, ppd. items	15,538	36,416	15,241	19,540	21,150
Total Current Assets	\$42,962,766	\$49,542,423	\$59,377,447	\$53,569,753	\$49,487,874
Non-Current Assets					
Advance to other funds	\$5,526,684	\$4,742,370	\$3,946,868	\$5,736,569	\$5,089,742
Capital assets (net of depreciation)	206,563,345	205,370,543	203,305,591	212,955,513	224,758,612
Total Non-Current Assets	\$212,090,029	\$210,112,913	\$207,252,459	\$218,692,082	\$229,848,354
Total Assets	\$255,052,795	\$259,655,336	\$266,629,906	\$272,261,835	\$279,336,228
Total deferred outflows of resources	\$1,324,933	\$949,832	\$2,687,944	\$2,687,720	\$1,972,651
Current Liabilities					
Accts. payable & accrued liabilities	\$936,225	\$1,115,585	\$2,698,968	\$5,646,445	\$3,969,554
Interest payable	275,985	254,110	231,387	207,006	181,759
Compensated absences ⁽¹⁾	128,219	134,119	136,865	177,800	147,285
OPEB liability ⁽¹⁾	-	-	17,459	17,459	17,781
Long-term debt ⁽¹⁾	5,250,000	5,515,000	5,790,000	6,075,000	6,397,547
Total Current Liabilities	\$6,590,429	\$7,018,814	\$8,874,679	\$12,123,710	\$10,713,926
Non-Current Liabilities					
Compensated absences ⁽²⁾	\$295,638	\$264,798	\$338,160	\$394,126	\$422,986
Net pension liability	7,734,245	3,662,690	8,124,215	8,664,425	9,318,230
OPEB liability	582,868	540,128	448,103	450,419	456,386
Long-term debt ⁽²⁾	79,506,232	72,621,759	65,532,412	58,074,851	50,305,045
Total Non-Current Liabilities	\$88,118,983	\$77,089,375	\$74,442,908	\$67,583,821	\$60,502,647
Total deferred inflows of resources	\$112,451	\$2,490,490	\$273,034	\$209,217	\$151,744
Net Position					
Net investment in capital assets	\$121,807,113	\$127,233,784	\$131,983,179	\$148,811,222	\$168,060,546
Restricted for debt service	21	53	4,700	5,560	4,526
Unrestricted	39,748,731	46,772,652	53,739,368	42,216,025	41,875,490
Total Net Position	\$161,555,865	\$174,006,489	\$185,727,247	\$195,032,807	\$209,940,562

(1) Due within one year.

(2) Due in more than one year.

Table 14 presents historical Wastewater Rate Stabilization Fund assets and net position.

Table 14
City of Petaluma Wastewater Rate Stabilization Fund
Assets and Net Position ⁽¹⁾
(Source: Audited Financial Statements of the City)

<i>Fiscal Year Ending June 30,</i>	2021	2022	2023	2024	2025
Assets					
Cash & investments	\$3,801,885	\$3,763,854	\$3,836,542	\$3,990,850,	\$4,184,481
Total Assets	3,801,885	3,763,854	3,836,532	3,990,850	4,184,481
Net Position					
Unrestricted	3,801,885	3,763,854	3,836,542	3,990,850	4,184,481
Total Net Position	\$3,801,885	\$3,763,854	\$3,836,542	\$3,990,850	\$4,184,481

(1) The Rate Stabilization Fund has no liabilities.

Interfund Loans

During fiscal year 2017-2018, the Wastewater Utility Fund loaned \$4,050,198 to the Employee Benefits Fund to help pay down the CalPERS Unfunded Liability. The loan bears an annual interest rate of 1.75%. Principal and interest payments on the loan are due in 15 equal annual installments through June 30, 2033. As of June 30, 2025, the outstanding balance on the loan was \$2,205,029.

During fiscal year 2017-18, the Wastewater Utility Fund loaned \$1,490,000 to the Capital Projects Fund for costs relating to the LED Streetlight Retrofit Project. The loan bears an annual interest rate of 1.25%. Principal and interest payments on the loan are due in 11 equal annual installments through June 30, 2029. As of June 30, 2025, the outstanding balance on the loan was \$565,514.

During fiscal year 2023-2024, the Wastewater Utility Fund loaned \$2,600,000 to the Capital Projects Fund for the installation of Petaluma River Turning Basin Floating Docks and Piles. The loan bears an annual interest rate of 3.3%. Principal and interest payments on the loan are due in 10 equal annual installments through June 30, 2034. As of June 30, 2025, the outstanding balance on the loan was \$2,376,316.

Retirement Systems

Pension Obligations. Accounting and financial reporting by state and local government employers for defined benefit pension plans is governed by GASB Statement No. 68 (“GASB 68”). GASB 68 includes the following components: (i) unfunded pension liabilities are included on the employer’s balance sheet; (ii) pension expense incorporates rapid recognition of actuarial experience and investment returns and is not based on the employer’s actual contribution amounts; (iii) lower actuarial discount rates are required to be used for underfunded plans in certain cases for purposes of the financial statements; (iv) closed amortization periods for unfunded liabilities are required to be used for certain purposes of the financial statements; and (v) the difference between expected and actual investment returns will be recognized over a closed five-year smoothing period. GASB 68 affects the City’s accounting and reporting requirements, but it does not change the City’s pension plan funding obligations.

The City participates in a Miscellaneous Plan to fund pension benefits for employees that serve the Wastewater System. The City’s pension plan is administered by the California Public Employees’ Retirement System (“CalPERS”). CalPERS administers agent multiple-employer public employee defined benefit pension plans for all of the City’s full-time and certain part-time employees. CalPERS provides retirement, disability

and death benefits to plan members and beneficiaries and acts as a common investment and administrative agent for participating public entities within the State, including the City. CalPERS plan benefit provisions and all other requirements are established by State statute and the City Council.

CalPERS plan benefit provisions and all other requirements are established by State statute and the City's Council. The City's employees participate in one of three plans under the City's Miscellaneous Plan depending upon their date of hire. Employees hired prior to July 1, 2010 participate in the Tier 1 plan, employees hired between July 1, 2010 and December 31, 2012 participate in the Tier 2 plan and employees hired on or after January 1, 2013 participate in the Tier 3 plan. The benefits of each plan are summarized below:

	<i>Miscellaneous Plans</i>		
	<i>Tier 1</i>	<i>Tier 2</i>	<i>Tier 3</i>
Hire date	Prior to July 1, 2010	Between July 1, 2010 and December 31, 2012	On or after January 1, 2013
Benefit formula	2% @ age 55	2% @ age 60	2.0% @ age 62
Benefit vesting schedule	5-years of service	5-years of service	5-years of service
Benefits payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 63 & up	50 - 63 & up	52 - 67 & up
Monthly benefits, as a % of eligible compensation	1.426% - 2.418%	1.092% - 2.418%	1.0% - 2.5%
Required member contribution rates	7.0%-11.0%	7.0%-11.0%	8.20%-11.25%
Employer Normal Cost Rate	9.04% ⁽¹⁾	9.04% ⁽¹⁾	9.04% ⁽¹⁾

(1) The Employer Normal Cost Rate shown is a blended rate for all benefit groups in the plan. For a breakout of the normal cost by benefit group, refer to the most recent actuarial valuation.

Source: City, CalPERS Actuarial Valuation as of June 30, 2024.

At June 30, 2024, the following members were covered by the benefit terms:

<i>Plan Members</i>	<i>Total</i>
Inactive employees or beneficiaries currently receiving benefits	311
Inactive employees or beneficiaries entitled to but not yet receiving benefits	24
Active Employees	<u>240</u>
Total plan members	<u><u>912</u></u>

City employees who were hired on or after January 1, 2013 and who were not previously CalPERS members receive benefits based on 2.0% at age 62 formula. Such employees are required to make the full amount of required employee contributions themselves under the California Public Employees' Pension Reform Act of 2013 ("AB 340"), which was signed by the State Governor on September 12, 2012. AB 340 established a new pension tier for such employees. Benefits for such participants are calculated on the highest average annual compensation over a consecutive 36-month period. Employees are required to pay at least 50% of the total normal cost rate. AB 340 also capped pensionable income as noted below. Amounts are set annually, subject to Consumer Price Index increases, and retroactive benefits increases are prohibited, as are contribution holidays and purchases of additional non-qualified service credit.

City of Petaluma
Pensionable Income Caps for Calendar Year 2025 (AB 340 and Non-AB 340 Employees)

	<i>Employees Hired Before January 1, 2013 (Non-AB 340 Employees)</i>	<i>Employees Hired On or After January 1, 2013 (AB 340 Employees)</i>
Maximum Pensionable Income	\$350,000	\$186,096
Maximum Pensionable Income if also Participating in Social Security	N/A	\$155,081

Source: CalPERS Circulation Letter 200-001-25 for 2025.

Additional employee contributions, limits on pensionable compensation and higher retirement ages for new members as a result of the passage of AB 340 are expected to reduce the City's unfunded pension liability and potentially reduce City contribution levels in the long term.

The City is also required to contribute the actuarially determined remaining amounts necessary to fund benefits for its members. Employer contribution rates for all public employers are determined on an annual basis by the CalPERS actuary and are effective on the July 1 following notice of a change in the rate. Total plan contributions are determined through the CalPERS annual actuarial valuation process. The total minimum required employer contribution is the sum of: (i) the plan's employer normal cost rate, which funds pension benefits for current employees for the upcoming Fiscal Year (expressed as a percentage of payroll); plus (ii) the employer unfunded accrued liability contribution amount, which funds pension benefits that were previously earned by current and former employees (billed monthly).

For Fiscal Year 2025-26, required employer normal cost rates as a percentage of payroll are 9.09%. For Fiscal Year 2026-27, required employer normal cost rates as a percentage of payroll are expected to be 9.04%.

For Fiscal Years 2023-24 and 2024-25, the City made required Miscellaneous plan contributions of \$3,841,784 and \$4,623,098, respectively. The Wastewater System's share of such contributions was \$713,049 for Fiscal Year 2023-24 and \$836,352 for Fiscal Year 2024-25.

The City's required contributions to CalPERS fluctuate each year and, as noted, include a normal cost component and a component that is equal to an amortized amount of the unfunded liability. Many assumptions are used to estimate the ultimate liability of pensions and the contributions that will be required to meet those obligations. The annual earnings on funds held by CalPERS also has an impact on future required contribution levels. The CalPERS Board of Administration has adjusted and may in the future further adjust certain assumptions used in the CalPERS actuarial valuations, which adjustments may increase the City's required contributions to CalPERS in future years. Accordingly, the City cannot provide any assurances that the City's required contributions to CalPERS in future years will not significantly increase (or otherwise vary) from any past or current projected levels of contributions. CalPERS preliminary earnings report for Fiscal Year 2024-25 reported investment gains of approximately 11.6%. Future earnings performance may increase or decrease future contribution rates for plan participants, including the City.

On December 21, 2016, the CalPERS Board of Administration voted to lower its discount rate from 7.50% to 7.00% over a three period. Lowering the discount rate means that employers which contract with CalPERS to administer their pension plans will see increases in their normal costs and unfunded actuarial liabilities.

The announcement on July 12, 2021 that CalPERS achieved investment returns of 21.3% in Fiscal Year 2020-21 caused the CalPERS Board of Administration to lower CalPERS' discount rate from 7.00% to 6.80% in fall 2021 in accordance with a risk mitigation policy that was adopted in 2015, which calls for the discount rate to be lowered if returns exceed the then-current discount rate by two or more percentage points. For Fiscal Year 2025-26, the CalPERS discount rate remained at 6.80%.

The table below is derived from CalPERS' annual valuation report as of June 30, 2024 for the City's Miscellaneous Plan, which was completed in July 2025, and shows the required and projected employer contributions (before cost sharing) for the next six fiscal years. These projections assume that all actuarial assumptions will be realized and that no further changes to assumptions, contributions, benefits, or funding will occur during the projection period. Subsequently, in November 2025, CalPERS announced normal cost percentages will be increasing from the rates shown in the table above beginning in Fiscal Year 2027-28, but has not yet provided actual details at the employer level.

The following projections assumed the investment return for fiscal year 2024-25 would be 6.8%. As described above, CalPERS announced preliminary investment returns of 11.6% for Fiscal Year 2024-25. As a result, the actual contribution requirements for Fiscal Year 2027-28 and the following years shown below can be expected to differ from such projections.

City of Petaluma
Projected Future Employer Contributions – CalPERS Miscellaneous Plan

<i>Fiscal Year</i>	<i>Projected Future Employer Contributions</i> <i>(Assumes 6.80% Return for Fiscal Year 2024-25 and Beyond)</i>					
	<i>Required Contribution</i>					
	<i>2026-27</i>	<i>2027-28</i>	<i>2028-29</i>	<i>2029-30</i>	<i>2030-31</i>	<i>2031-32</i>
Normal Cost %	9.04%	8.9%	8.8%	8.8%	8.7%	8.6%
UAL Payment	\$4,002,228	\$4,157,000	\$4,602,000	\$4,638,000	\$4,656,000	\$4,571,000
Total as a % of Payroll	24.24%	24.3%	25.4%	25.0%	24.5%	23.7%
Projected Payroll	\$26,334,381	\$27,071,744	\$27,829,752	\$28,608,986	\$29,410,036	\$30,233,518

Source: City's Annual Valuation Report as of June 30, 2024.

No assurance can be provided that the City's CalPERS plan expenses will not increase significantly in the future.

The Schedule of Funding Progress below shows the City’s total pension liability for its Miscellaneous CalPERS plan, CalPERS assets and the relationship of the total pension liability to such assets.

City of Petaluma
Schedule of Funding Progress – CalPERS Miscellaneous Plan

<i>Valuation Date⁽¹⁾</i>	<i>Total Accrued Pension Liability</i>	<i>Market Value of Assets</i>	<i>Unfunded Accrued Liability</i>	<i>Annual Covered Payroll</i>	<i>Funded Ratio</i>
6/30/21	\$138,716,641	\$116,951,927	\$21,764,714	\$16,907,996	84.3%
6/30/22	146,980,546	106,003,817	40,976,729	19,037,415	72.1
6/30/23	153,225,729	110,527,349	42,698,380	21,482,222	72.1
6/30/24	161,442,665	119,175,722	42,266,943	24,240,622	73.8

(1) Figures are as of the measurement dates of June 30 of the years 2021 through 2024, which apply to the Fiscal Years ended June 30, 2021 through 2024, respectively.

Source: CalPERS Annual Valuation Report as of June 30, 2024.

Portions of the above disclosures are primarily derived from information that has been produced by CalPERS, its independent accountants and its actuaries. The City has not independently verified such information and neither makes any representations nor expresses any opinion as to the accuracy of the information that has been provided by CalPERS.

The comprehensive annual financial reports of CalPERS are available on CalPERS’ Internet website at www.calpers.ca.gov. The CalPERS website also contains CalPERS’ most recent actuarial valuation reports and other information that concerns benefits and other matters. The textual reference to such Internet website is provided for convenience only. None of the information on such Internet website is incorporated by reference herein. The City cannot guarantee the accuracy of such information. Actuarial assessments are “forward-looking” statements that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or be changed in the future.

The City’s Miscellaneous Plan had a total net pension liability of \$37,940,677 for Fiscal Year 2024-25 (as of the measurement date of June 30, 2024). The net pension liability is the difference between the total pension liability and the fair market value of pension assets. The City’s total pension assets include funds that are held by CalPERS, and its net pension asset or liability is based on such amounts.

A summary of principal assumptions and methods used to determine the total pension liability for the City’s Miscellaneous pension plan for Fiscal Year 2024 is shown below.

City of Petaluma
Actuarial Assumptions for CalPERS Miscellaneous Plan

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB 68
Asset Valuation Method	Fair Value of Assets
<i>Actuarial Assumptions:</i>	
Accounting Discount Rate	6.90%
Inflation	2.30%
Salary Increases	Varies by entry age and service
Mortality Rate Table ⁽¹⁾	Derived using CalPERS’ membership data for all funds

(1) The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study for the period from 2001 to 2019. Pre-retirement and Postretirement mortality rates include generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries. For more details on

this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from November 2021 that can be found on the CalPERS website.

Source: City.

Changes in the net pension liability for the City's Miscellaneous pension plan in Fiscal Year 2024 were as follows:

City of Petaluma
Changes in CalPERS Miscellaneous Plan Net Pension Liability

	<i>Increase / (Decrease)</i>		
	<i>Total Pension Liability</i>	<i>Plan Fiduciary Net Position</i>	<i>Net Pension Liability / (Asset)</i>
Balance at June 30, 2023			
Measurement Date	\$150,614,033	\$110,559,590	40,057,443
Balance at June 30, 2024			
Measurement Date	<u>\$157,172,591</u>	<u>119,231,914</u>	<u>37,940,677</u>
Net Changes for period from July 1, 2023 through June 30, 2024	\$6,558,558	\$8,672,324	(\$2,116,766)

Source: City.

The table below presents the net pension liability of the City's Miscellaneous pension plan, calculated using the discount rate applicable to Fiscal Year 2024 (6.90%), as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.90%) or 1 percentage point higher (7.90%) than the Fiscal Year 2024 rate:

City of Petaluma
Sensitivity of CalPERS Miscellaneous Plan Net Pension Liability
to Changes in the Discount Rate

<i>Plan's Net Pension Liability/(Asset)</i>	<i>Discount Rate – 1% (5.90%)</i>	<i>Applicable Discount Rate (6.90%)</i>	<i>Discount Rate + 1% (7.90%)</i>
Miscellaneous Plan	\$57,593,270	\$37,940,677	\$21,629,298

Source: City.

For additional information relating to the City's CalPERS Miscellaneous pension plan, see Note 9 to the City's audited financial statements set forth in Appendix A.

Other Post-Employment Benefits

Plan Description – Generally. The City of Petaluma Retiree Healthcare Plan is a single-employer defined benefit healthcare plan administered by the City (the "OPEB 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 unions representing City employees. There is no statutory requirement for the City to pre-fund its OPEB Plan obligation. The City has currently chosen to pay plan benefits on a pay-as-you-go basis. The City has been and is continuing to build up resources in the employee benefits fund to pay down the unfunded OPEB liability. There are no employee contributions.

Membership in the OPEB Plan consisted of the following members as of the June 30 measurement date of each of the following years:

	2023	2024
Active members	328	357
Inactives entitled to but not yet receiving benefits	207	206
Inactives currently receiving benefits	<u>115</u>	<u>120</u>
Total plan membership	<u>650</u>	<u>683</u>

OPEB Plan Description – Benefits. The City provides eligible employees who retire with a monthly retiree allowance, currently provided through 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 City’s total OPEB liabilities of \$14,621,186 and \$14,817,728 as of June 30, 2023 and June 30, 2024, respectively, were measured as of June 30, 2023 and June 30, 2024, and were determined by an actuarial valuation as of June 30, 2025.

Changes in the net liability for the City’s post-employment benefit plan for Fiscal Year 2023-24 were as follows.

**City of Petaluma
Changes in Post-Employment Benefit Plan Liability**

	<i>Total OPEB Liability</i>
Balance at June 30, 2024 (Measurement date June 30, 2023)	<u>\$ 14,621,186</u>
Changes for the year:	
Service cost	768,269
Interest	551,308
Differences in experience	(552,796)
Benefit payments	<u>(570,239)</u>
Net changes	<u>196,542</u>
Balance at June 30, 2025 (Measurement date June 30, 2024)	<u>\$ 14,817,728</u>

Source: City.

The following table presents the total liability of the City’s post-employment benefits plan, calculated using the discount rate applicable to Fiscal Year 2024-25 (3.93%), as well as what the total post-employment benefit liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.93%) or 1 percentage point higher (4.93%) than the Fiscal Year 2024-25 rate:

City of Petaluma
Sensitivity of the Post-Employment Benefit Plan Net Liability to Changes in the Discount Rate

<i>1% Decrease</i>	<i>Discount Rate</i>	<i>1% Increase</i>
2.93%	3.93%	4.93%
\$16,945,913	\$14,817,728	\$13,074,280

Source: City.

The City’s projections of Operation and Maintenance Expenses under the caption “REVENUES AND DEBT SERVICE COVERAGE—Wastewater System Summary Financial Information” do not assume unusual increases in post-employment benefit funding expenses in the future. However, future changes in funding policies and assumptions, including those related to assumed rates of investment return and healthcare cost inflation, could trigger increases in the City’s annual required contributions, and such increases could be material to the finances of the City. No assurance can be provided that such expenses will not increase significantly in the future. The City does not expect that any increased funding of post-employment benefits will have a material adverse effect on the ability of the City to pay the 2026 Bonds

For additional information relating to the OPEB Plan, see Note 10 to the City’s audited financial statements set forth in Appendix A.

CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES

Article XIII B

Article XIII B of the State Constitution limits the annual appropriations of the State and of any city, county, school district, authority, special district or other political subdivision of the State to the level of appropriations of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living and population. The “base year” for establishing such appropriation limit is the 1978-79 State fiscal year and the limit is to be adjusted annually to reflect changes in population and consumer prices. Adjustments in the appropriations limit of an entity may also be made if: (a) the financial responsibility for a service is transferred to another public entity or to a private entity; (b) the financial source for the provision of services is transferred from taxes to other revenues; or (c) the voters of the entity approve a change in the limit for a period of time not to exceed four years.

Appropriations that are subject to Article XIII B generally include the proceeds of taxes levied by or for the State or other entity of local government, exclusive of certain State subventions, refunds of taxes and benefit payments from retirement, unemployment, insurance and disability insurance funds. “Proceeds of taxes” include, but are not limited to, all tax revenues and the proceeds to an entity of government from: (i) regulatory licenses, user charges, and user fees (but only to the extent that such proceeds exceed the cost reasonably borne by the entity in providing the service or regulation); and (ii) the investment of tax revenues. Article XIII B includes a requirement that if an entity’s revenues in any year exceed the amounts that are permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years.

Certain expenditures are excluded from the appropriations limit, including payments of indebtedness that were existing or legally authorized as of January 1, 1979, or of bonded indebtedness thereafter approved by the voters, and payments that are required to comply with court or federal mandates which without discretion require an expenditure for additional services or which unavoidably make the provision of existing services more costly.

The City is of the opinion that its charges for wastewater service do not exceed the costs that it reasonably bears in providing such services and therefore are not subject to the limits of Article XIII B. The City has covenanted in the Indenture, to the fullest extent permitted by law, to fix and prescribe, at the commencement of each Fiscal Year, rates and charges for the wastewater service which are reasonably expected, at the commencement of each Fiscal Year, to be at least sufficient to yield during each Fiscal Year Net Revenues equal to 120% of Debt Service on the 2026 Bonds and other Parity Debt for such Fiscal Year. See the caption “SECURITY AND SOURCES OF PAYMENT FOR THE 2026 BONDS—Rate Covenants; Collection of Rates and Charges.”

Proposition 218

General. An initiative measure entitled the “Right to Vote on Taxes Act” (the “**Initiative**”) was approved by the voters of the State at the November 5, 1996 general election. The Initiative added Articles XIII C and XIII D to the State Constitution. According to the “Title and Summary” of the Initiative prepared by the State Attorney General, the Initiative limits “the authority of local governments to impose taxes and property-related assessments, fees and charges.”

Article XIII D. Article XIII D defines the terms “fee” and “charge” to mean “any levy other than an ad valorem tax, a special tax or an assessment, imposed by an agency upon a parcel or upon a person as an incident of property ownership, including user fees or charges for a property-related service.” A “property-related service” is defined as “a public service having a direct relationship to property ownership.” Article XIII D further provides that reliance by an agency on any parcel map (including an assessor’s parcel map) may be considered a significant factor in determining whether a fee or charge is imposed as an incident of property ownership.

Article XIII D requires that any agency which imposes or increases any property-related fee or charge must provide written notice thereof to the record owner of each identified parcel upon which such fee or charge is to be imposed and must conduct a public hearing with respect thereto. The proposed fee or charge may not be imposed or increased if a majority of owners of the identified parcels file written protests against it. As a result, because fees for wastewater service are a “fee” or “charge” as defined in Article XIII D, the local government’s ability to increase such fee or charge may be limited by a majority protest.

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

Based upon the California Court of Appeal decision in *Howard Jarvis Taxpayers Association v. City of Los Angeles*, 85 Cal. App. 4th 79 (2000), which was denied review by the State Supreme Court, it was generally believed that Article XIII D did not apply to charges for water and wastewater services that are “primarily based on the amount consumed” (i.e., metered water or wastewater rates), which had been held to be commodity charges related to consumption of the service, not property ownership. The State Supreme Court ruled in *Bighorn-Desert View Water Agency v. Verjil*, 39 Cal. 4th 205 (2006) (the “**Bighorn Case**”), however, that fees for ongoing water service through an existing connection were property-related fees and charges. The State Supreme Court specifically disapproved the holding in *Howard Jarvis Taxpayers Association v. City of Los Angeles* that metered water rates are not subject to Proposition 218. The City complied with the notice, hearing and protest procedures in Article XIII D, as further explained by the State Supreme Court in the *Bighorn Case*, with respect to the wastewater rate increases that were approved on August 7, 2023. See the caption “REVENUES AND DEBT SERVICE COVERAGE—Wastewater Rates and Charges.”

On April 20, 2015, the California Court of Appeal, Fourth District, issued an opinion in *Capistrano Taxpayers Association, Inc. v. City of San Juan Capistrano*, 235 Cal. App. 4th 1493 (2015) (the “**SJC Case**”), upholding tiered water rates under Proposition 218 provided that the tiers correspond to the actual cost of furnishing service at a given level of usage. The opinion was specific to the facts of the case, including a finding that the City of San Juan Capistrano did not attempt to calculate the actual costs of providing water at various tier levels. The City’s wastewater rates, which are described under the caption “REVENUES AND DEBT SERVICE COVERAGE—Wastewater Rates and Charges,” do not currently include tiered rates based on usage.

Article XIII C. Article XIII C provides that the initiative power may not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge and that the power of initiative to affect local taxes, assessments, fees and charges is applicable to all local governments. Article XIII C does not define the terms “local tax,” “assessment,” “fee” or “charge,” so it was unclear whether the definitions set forth in Article XIII D referred to above are applicable to Article XIII C. Moreover, the provisions of Article XIII C are not expressly limited to local taxes, assessments, fees and charges imposed after November 6, 1996. On July 24, 2006, the State Supreme Court held in the *Bighorn* Case that the provisions of Article XIII C applied to rates and fees charged for domestic water use. In the decision, the Court noted that the decision did not address whether an initiative to reduce fees and charges could override statutory rate setting obligations.

On August 3, 2020, the State Supreme Court issued an opinion in *Wilde v. City of Dunsuir* (Cal. S. Ct. S252915) holding that taxpayers do not have the right under Proposition 218 to challenge water rates by referendum, and the City does not believe that Article XIII C grants to the voters within the City the power (whether by initiative under Article XIII C or otherwise, or by referendum, which is not authorized under Article XIII C) to repeal or reduce rates and charges for the wastewater services in a manner that would interfere with the contractual obligations of the City or the obligation of the City to maintain and operate the Wastewater System. However, there can be no assurance as to the availability of particular remedies adequate to protect the Beneficial Owners of the 2026 Bonds. Remedies that are available to Beneficial Owners of the 2026 Bonds in the event of a default by the City are dependent upon judicial actions which are often subject to discretion and delay and could prove both expensive and time-consuming to obtain. So long as the 2026 Bonds are held in book-entry form, DTC (or its nominee) will be the sole registered owner of the 2026 Bonds and the rights and remedies of the Bond Owners will be exercised through the procedures of DTC.

In addition to the specific limitations on remedies which are contained in the applicable documents themselves, the rights and obligations with respect to the 2026 Bonds, the Indenture is subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors’ rights, to the application of equitable principles if equitable remedies are sought and to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State. The various opinions of counsel to be delivered with respect to such documents, including the opinion of Bond Counsel (the form of which is attached as Appendix E), will be similarly qualified.

Proposition 26

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIII C 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: (a) 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; (b) 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; (c) 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; (d) a charge imposed for entrance to or use of local government property, or the purchase, rental or lease of local government property; (e) 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; (f) a charge imposed as a condition of property development; and (g) assessments and property-related fees imposed in accordance with the provisions of Article XIIID. Proposition 26 applies to charges imposed or increased after November 2, 2010 and 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. The City believes that its Wastewater System rates and charges meet the exception that is described in clause (g) above and are not taxes under Proposition 26.

Future Initiatives

Articles XIIIB, XIIIC and XIIID were adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiatives could be proposed and adopted affecting the City's revenues or ability to increase revenues.

CERTAIN RISKS TO BONDHOLDERS

Limited Obligations

The obligation of the City to pay the 2026 Bonds is a limited obligation of the City and is not secured by a legal or equitable pledge or charge or lien upon any property of the City or any of its income or receipts, except the Net Revenues. The obligation of the City to pay the 2026 Bonds does not constitute an obligation of the City to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation.

Accuracy of Assumptions

To estimate the Net Revenues available to pay the debt service on the 2026 Bonds, the City has made certain assumptions with regard to the number of Wastewater System customers, the rates and charges to be imposed in future years, the expenses associated with operating the Wastewater System and the interest rate at which funds will be invested. The City believes these assumptions to be reasonable, but to the extent one or more of these assumptions fail to materialize, the Net Revenues available to pay debt service on the 2026 Bonds may be less than projected herein. See the caption "REVENUES AND DEBT SERVICE COVERAGE—Wastewater System Summary Financial Information." The City may choose, however, to comply with the rate covenant set forth in the Indenture in part by means of contributions from available reserves or resources, including the Rate Stabilization Fund. In such event, Net Revenues may generate amounts which are less than 1.20 times Debt Service in any given Fiscal Year. See the captions "SECURITY AND SOURCES OF PAYMENT FOR THE 2026 BONDS—Rate Covenants; Collection of Rates and Charges" and "SECURITY AND SOURCES OF PAYMENT FOR THE 2026 BONDS—Rate Stabilization Fund."

Wastewater System Demand

There can be no assurance that the demand for wastewater services will occur as described in this Official Statement. Reduced demand could require an increase in rates or charges to comply with the rate covenant. See the caption "SECURITY AND SOURCES OF PAYMENT FOR THE 2026 BONDS—Rate Covenants; Collection of Rates and Charges." Demand for wastewater services could decline or may not occur as projected due to economic, social, or demographic conditions within the City's service area, hydrological conditions, conservation efforts, mandatory State conservation orders, and other factors.

Wastewater System Expenses

There can be no assurance that Wastewater System operations and maintenance costs will be consistent with the descriptions in this Official Statement. Operations and maintenance costs may vary with labor costs (including costs related to pension liabilities and the costs of retaining qualified personnel), wastewater treatment

costs, energy costs, regulatory compliance costs, increased costs to access groundwater due to land subsidence or falling water tables, increased imported water purchase costs and other factors. Increases in expenses could require an increase in rates or charges in order to comply with the rate covenant. See the caption “SECURITY AND SOURCES OF PAYMENT FOR THE 2026 BONDS—Rate Covenants; Collection of Rates and Charges.” Rate increases are subject to the provisions of Proposition 218 and there can be no assurance that the City will be able to increase rates as needed to address increases in Wastewater System expenses. See the caption “—Rate-Setting Process under Proposition 218.”

Limited Recourse on Default

If the City defaults on its obligation to pay the principal of and interest on the 2026 Bonds, the Trustee, has the right to declare the total unpaid principal amount of the 2026 Bonds, together with the accrued interest thereon, to be immediately due and payable. However, in the event of a default and such acceleration, there can be no assurance that the City will have sufficient funds to pay such accelerated amounts from Net Revenues.

Rate-Setting Process under Proposition 218

The City must comply with the provisions of Proposition 218 when imposing rates and charges for wastewater services, including with the ‘majority protest’ provisions. No assurance can be given that future Wastewater System rate increases will not encounter majority protest opposition or be challenged by initiative action authorized under Proposition 218. In the event that future proposed Wastewater System rate increases cannot be imposed as a result of majority protest or initiative, the City might thereafter be unable to generate Net Revenues in the amounts required by the Indenture to pay the 2026 Bonds. The City believes that its current Wastewater System rates were approved by the City Council in accordance with the public hearing and majority protest provisions of Proposition 218. See the caption “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218.”

Statutory and Regulatory Compliance

Laws and regulations governing the collection, treatment and discharge of wastewater are enacted and promulgated by federal, State and local government agencies. Compliance with these laws and regulations is very costly. Moreover, as more stringent standards are developed in the future, such costs will likely increase.

Failure to comply with applicable laws and regulations could lead to potentially significant claims, which may be payable from assets of the Wastewater System. In addition to claims by private parties, changes in the scope and standards for publicly-owned wastewater systems could lead to administrative orders issued by federal or State regulators, which could impose substantial additional costs on the City. No assurance can be given that the cost of compliance with such laws, regulations and orders would not adversely affect the ability of the City to generate Net Revenues in amounts that are sufficient to pay the 2026 Bonds.

Climate Change

Numerous scientific studies warn that global climate change will lead to rising sea levels and an increased risk of inundation at low-lying wastewater facilities. In addition, higher intensity storms are expected in California, resulting in potentially higher peak wet weather flows, which could lead to higher turbidity in raw water and increased runoff that affects sewers and wastewater treatment. The City has incorporated potential impacts of climate change into its planning activities. However, no assurances can be provided that the City will be successful in guarding against any and all potential impacts of climate change.

Cybersecurity

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 electronic

sensitive 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 measures 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.

Regulatory Requirements

The operations of the Wastewater System are subject to state and federal laws and regulations, particularly with respect to water quality discharge requirements. The adoption of more stringent laws or regulations may cause the City to incur greater expenses for the operation of the Wastewater System. No assurance can be given that the costs of complying with any such new laws or regulations will not adversely affect the City's ability to generate sufficient Net Revenues in the amounts or on the schedule required by the Indenture.

Natural Disasters

Natural disasters such as earthquakes, wildfires, droughts, high winds, landslides or floods, could have a material adverse impact on the revenues available to pay debt service on the 2026 Bonds and/or could result in substantial damage to and interference with the operations of the Wastewater System.

Portions of the City's service area may be subject to unpredictable seismic activity. The Indenture does not require the City to maintain earthquake insurance. The City maintains liability insurance for the Wastewater System and property casualty insurance (for losses other than from seismic events) for certain portions of the Wastewater System. Flood insurance is part of the City's Property Program and the wastewater treatment facility is a scheduled property. See the caption "THE CITY—City Insurance." However, there can be no assurance that specific losses will be covered by insurance or, if covered, that claims will be paid in full by the applicable insurers. Furthermore, significant portions of the Wastewater System, including underground pipelines and manhole covers, are not covered by property casualty insurance. Damage to such portions of the Wastewater System as a result of natural disasters would result in uninsured losses to the City.

Wildfire risk is a concern throughout Sonoma County; however, the Ellis Creek Water Recycling Facility (ECWRF) has a low overall wildfire risk profile due to its design, location and ongoing mitigation measures. The facility was constructed in the mid-2000s as a modern, critical infrastructure project with a strong emphasis on durability and resilience. Buildings at the site are primarily constructed with non-combustible materials, including concrete and masonry, and incorporate fire-resistant landscaping and appropriate defensible space setbacks. These features significantly reduce the likelihood of structural ignition.

A small portion of the site is within a moderate-to-high Fire Hazard Severity Zone according to the State Fire Marshal, due to its proximity to open space across the highway. However, the immediate surroundings of the facility provide substantial buffers. The site is bordered by irrigated and regularly maintained grasslands,

retention ponds, and large expanses of gravel, concrete, and other non-combustible surfaces. Seasonal vegetation within the facility is actively managed through mowing and irrigation to fire department–approved standards, further reducing fuel load and fire intensity potential. Additionally, the facility benefits from its proximity to developed and industrial areas, including adjacent industrial buildings and a nearby medical complex, which further limit the continuity of wildland fuels.

These site-specific protections are further strengthened by countywide wildfire investments through Sonoma County Measure H, a voter-approved half-cent countywide retail transactions (sales) and use tax with no expiration date that became effective in October, 2024. Measure H provides more than \$60 million annually to fund countywide fire protection and related services, of which 7.19% is allocated directly to the City of Petaluma.

Within the City and throughout the County, wildfire mitigation measures focus on three key areas: vegetation management, home hardening and fire-resistant construction standards, and expanded firefighting capacity and staffing. These efforts are designed to keep small wildfires small by improving response times, reducing available fuels to slow fire spread and intensity, and increasing the resilience of structures if a fire does occur. Together, these regional strategies enhance initial attack effectiveness, reduce the likelihood of large-scale fire growth, and improve overall system capacity to protect critical infrastructure such as ECWRF.

Taken as a whole, the combination of non-combustible construction, maintained defensible space, managed vegetation, surrounding fuel breaks, and enhanced regional firefighting capability substantially lowers the probability of wildfire impact to the site. However, no assurance can be given as to the potential impact of wildfires on the operations of the Wastewater System.

Limitations on Remedies

The ability of the City to comply with its covenants under the Indenture and to generate Net Revenues in amounts that are sufficient to pay principal of and interest on the 2026 Bonds may be adversely affected by actions and events outside of the control of the City and may be adversely affected by actions taken (or not taken) by voters, property owners, taxpayers or persons obligated to pay assessments, fees and charges. See the caption “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218.” Furthermore, the remedies that are available to the owners of the 2026 Bonds upon the occurrence of an event of default under the Indenture are in many respects dependent upon judicial actions, which are often subject to discretion and delay and could prove both expensive and time-consuming to obtain.

In addition, usual equity principles may limit the specific enforcement under State law of certain remedies, as may the exercise by the United States of America of the powers delegated to it by the federal Constitution and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium proceedings and other laws relating to or affecting creditors’ rights, or the exercise of powers by the federal or State government, if initiated, could subject the Beneficial Owners of the 2026 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. Remedies may be limited because the Wastewater System serves an essential public purpose.

The opinion to be delivered by Bond Counsel concurrently with the execution and delivery of the 2026 Bonds will be subject to such limitations and the various other legal opinions to be delivered concurrently with the issuance of the 2026 Bonds will be similarly qualified. See Appendix E. In the event that the City fails to comply with its covenants under the Indenture or fails to pay the principal of and interest on the 2026 Bonds, there can be no assurance of the availability of remedies adequate to protect the interest of the holders of the Bonds.

Loss of Tax Exemption

General. In order to maintain the exclusion from gross income for federal income tax purposes of the interest (and original issue discount) on the 2026 Bonds, the City has covenanted in the Indenture to comply with the applicable requirements of the Internal Revenue Code of 1986, as amended (the “Code”), and not to take any action or fail to take any action if such action or failure to take such action would adversely affect the exclusion from gross income of interest (and original issue discount) on the 2026 Bonds thereunder. Interest (and original issue discount) on the 2026 Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date of issuance of such 2026 Bonds as a result of acts or omissions of the City in violation of this or other covenants in the Indenture. The 2026 Bonds are not subject to redemption or any increase in interest rates should an event of taxability occur and will remain outstanding until maturity or prior redemption in accordance with the provisions contained in the Indenture.

Federal Tax Law Changes. From time to time, there are legislative proposals in Congress and IRS rulemaking activities that could adversely affect the market value or marketability of the 2026 Bonds. It cannot be predicted whether future legislation, rules, regulations or other guidance may be proposed or enacted that would affect the federal tax treatment of interest (and original issue discount) received on the 2026 Bonds. Prospective purchasers of the 2026 Bonds should consult with their own tax advisors regarding any pending or proposed legislation or regulations that would change the federal tax treatment of interest (and original issue discount) on the 2026 Bonds. Risks to the status of federal tax exemption affecting interest (and original issue discount) on the 2026 Bonds are also discussed under the caption “TAX MATTERS.”

Secondary Market

There can be no guarantee that there will be a secondary market for the 2026 Bonds or, if a secondary market exists, that the 2026 Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price.

Parity Obligations

The Indenture permits the City to incur Parity Debt payable from Net Revenues of the Wastewater System on a parity with the 2026 Bonds, subject to the terms and conditions set forth therein. Incurring Parity Debt could result in less Net Revenues available to pay the 2026 Bonds. The Rate Covenant requires annual debt service coverage of at least 120% on the 2026 Bonds and all Parity Debt, as further described under the caption “SECURITY AND SOURCES OF PAYMENT FOR THE 2026 BONDS—Rate Covenants; Collection of Rates and Charges.”

CONTINUING DISCLOSURE

To assist the underwriter in complying with Securities and Exchange Commission Rule 15c2-12, the City has covenanted in a Continuing Disclosure Agreement to provide certain financial information and operating data relating to the City and the Wastewater System by not later than March 1st following the end of each fiscal year, commencing with its report for the fiscal year ended June 30, 2026 (the “Annual Report”) and to provide timely notice of the occurrence of certain enumerated events through the EMMA System.

The City has retained Willdan Financial Services (“Willdan”) to serve as its Dissemination Agent in connection with the 2026 Bonds. Annual Reports and notices of enumerated events will be provided through the EMMA System by Willdan on behalf of the City. The specific information to be contained in the Annual Report and the enumerated events is summarized in APPENDIX F — “FORM OF CONTINUING DISCLOSURE AGREEMENT.”

In conjunction with the delivery of the 2026 Bonds, the City engaged Willdan to conduct a continuing disclosure compliance review with respect to the City's prior continuing disclosure obligations under Rule 15c2-12. Based on its review of the report prepared by Willdan, the City has determined that it has in all material respects fulfilled all of its continuing disclosure obligations during the past five years.

APPROVAL OF LEGAL PROCEEDINGS

The valid, legal and binding nature of the 2026 Bonds is subject to the approval of Jones Hall LLP, San Mateo, California, Bond Counsel, and certain other conditions. The form of such legal opinion is attached as Appendix E, and such legal opinion will be attached to each 2026 Bond. Certain legal matters will be passed upon for the City by the City Attorney and for the City by Stradling Yocca Carlson & Rauth LLP, Disclosure Counsel.

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 2026 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 2026 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 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 2026 Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The City has 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 2026 Bonds.

Tax Treatment of Original Issue Discount and Premium. If the initial offering price to the public at which a 2026 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 2026 Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes "2026 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 2026 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 2026 Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such 2026 Bond. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the 2026 Bonds who purchase the 2026 Bonds after the initial offering of a substantial amount of such maturity. Owners of such 2026 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 2026 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 2026 Bonds is sold to the public.

Under the Tax Code, bond premium is amortized on an annual basis over the term of the 2026 Bond (said term being the shorter of the 2026 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 2026 Bond for purposes of determining taxable gain or loss upon disposition. The amount of bond premium on a 2026 Bond is amortized each year over

the term to maturity of the 2026 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 2026 Bond premium is not deductible for federal income tax purposes. Owners of premium 2026 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 2026 Bonds.

California Tax Status. In the further opinion of Bond Counsel, interest on the 2026 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 2026 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 2026 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 laws 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 2026 Bonds, or as to the consequences of owning or receiving interest on the 2026 Bonds, as of any future date. Prospective purchasers of the 2026 Bonds should consult their 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 2026 Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the 2026 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 2026 Bonds, the ownership, sale or disposition of the 2026 Bonds, or the amount, accrual or receipt of interest on the 2026 Bonds.

LITIGATION

At the time of delivery of and payment for the 2026 Bonds, the City will certify that there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body, pending or, to the knowledge of the City, threatened against the City affecting the existence of the City or the titles of its directors or officers to their respective offices or seeking to restrain or to enjoin the sale or delivery of the 2026 Bonds, the application of the proceeds thereof in accordance with the Indenture, or that would have a material adverse effect on the City's ability to pay the principal of or interest on the 2026 Bonds, or in any way contesting or affecting the validity or enforceability of the 2026 Bonds, the Indenture, or any action of the City contemplated by any of said documents, or in any way contesting the completeness or accuracy of this Official Statement or any amendment or supplement thereto, or contesting the powers of the City or its authority with respect to the 2026 Bonds or any action of the City contemplated by any of said documents, nor to the knowledge of the City, is there any basis therefor.

RATINGS

S&P Global Ratings ("S&P") has assigned a 'AA+' rating to the 2026 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 withdrawn the rating, in its sole discretion. Any such downward revision or withdrawal of the rating might have an adverse effect on the price or marketability of the Bonds.

The City has covenanted in the Continuing Disclosure Agreement to file notices of any rating changes on the 2026 Bonds with EMMA. See the caption “CONTINUING DISCLOSURE” and Appendix F. Notwithstanding such covenant, information relating to potential future rating changes on the 2026 Bonds may be publicly available directly from S&P prior to such information being provided to the City and prior to the date by which the City is obligated to file a notice of rating change. Purchasers of the 2026 Bonds are directed to S&P and its website and official media outlets for the most current ratings with respect to the 2026 Bonds after the delivery of the 2026 Bonds.

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.

UNDERWRITING

The 2026 Bonds were sold by competitive bid on _____, 2026 and awarded by the City on that date to _____ (the “Purchaser”) as the successful bidder, in accordance with the Official Notice of Sale. The Purchaser has agreed to purchase the 2026 Bonds at the initial purchase price of \$ _____ (which represents the aggregate principal amount of the 2026 Bonds, plus an original issue premium of \$ _____, less purchaser’s discount of \$ _____). The Official Notice of Sale provides that the Purchaser will purchase all of the 2026 Bonds. The obligation to make such purchase is subject to certain terms and conditions set forth in the Official Notice of Sale. The Purchaser may offer and sell the 2026 Bonds to certain dealers and others at prices lower than the offering prices stated on the cover page hereof. The offering prices may be changed from time to time by the Purchaser.

MISCELLANEOUS

Insofar as any statements made in this Official Statement involve matters of opinion or of estimates, whether or not expressly stated, they are set forth as such and not as representations of fact. No representation is made that any of such statements made will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the Owners of the 2026 Bonds.

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

CITY OF PETALUMA

By: _____
Peggy Flynn
City Manager

APPENDIX A

GENERAL INFORMATION ABOUT THE CITY OF PETALUMA AND SONOMA COUNTY

The information in this section of the Official Statement is presented as general background data. The taxing power of the City of Petaluma, Sonoma County, the State of California, and any political subdivision thereof is not pledged to the payment of the Bonds.

Location and Organization

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

Incorporated in 1858, its first charter was granted by the State in 1947, and it continues to operate as a charter city. Municipal operations are conducted under the Council-Manager form of government. The seven Council Members are 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), Sonoma 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 1,575 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.

Population

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

CITY OF PETALUMA AND SONOMA COUNTY
Population Estimates
(As of January 1)

	2022	2023	2024	2025	2026
Cloverdale	8,863	8,790	8,767	8,729	8,719
Cotati	7,405	7,362	7,348	7,325	7,264
Healdsburg	11,107	11,047	11,126	11,156	11,205
Petaluma	58,550	58,389	58,903	59,395	59,160
Rohnert Park	43,709	43,744	44,107	44,318	44,191
Santa Rosa	175,731	175,257	176,940	178,786	179,798
Sebastopol	7,426	7,348	7,339	7,407	7,350
Sonoma	10,732	10,618	10,606	10,575	10,528
Windsor	25,818	25,568	25,556	25,650	25,498
Unincorporated	131,273	130,750	131,268	131,423	130,309
County Total	349,341	348,123	350,692	353,341	353,713

Source: State of California, Department of Finance, E-5 Population and Housing Estimates for Cities, Counties and the State – January 1, 2021-2026. Sacramento, California, May 2026.

Employment

The City’s major employers are set forth in the table below.

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

Company	Product/Service	Employees
Petaluma School District	School District	873
Friedman’s Home Improvement*	Home Improvement	470
City of Petaluma	Local Government	381
Petaluma Valley Hospital	Medical Center	340
Petaluma Poultry Processors	Food Processing	325
Old Adobe Union School District*	School District	283
Clover Sonoma formerly Clover Stornetta Farms	Food Distribution	245
Kaiser Permanente – Petaluma Medical Offices	Medical Center	232
Lagunita’s Brewing Company*	Brewery	215
Rustic Bakery (Corporate Office)	Office	209

* Includes full-time and part-time employees.

Source: City of Petaluma, Finance Department.

The City is included in the Santa Rosa-Petaluma Metropolitan Statistical Area (“MSA”), which consists of the County. The unemployment rate in Sonoma County was 4.1% in January 2024. This compares with an unadjusted unemployment rate of 5.3% for California and 4.0% for the nation during the same period.

The following table shows the average annual estimates for the County’s civilian labor force, employed labor force, unemployment rate, and employment by industry for the years 2021 to 2025.

SONOMA COUNTY
(Santa Rosa-Petaluma MSA)
Annual Average Civilian Labor Force, Employment and Unemployment,
Employment by Industry

	2021	2022	2023	2024	2025
Civilian Labor Force ⁽¹⁾	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%
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
Professional & 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 ⁽²⁾	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⁾ Totals may not add due to rounding.

Source: State of California Employment Development Department.

Commercial Activity

A summary of historic taxable sales within the County during the past five years in which data is available is shown in the following table.

SONOMA COUNTY
Taxable Transactions
(Figures in Thousands)
Calendar Years 2021 through 2025

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2021	10,288	\$8,032,232	20,305	\$11,395,414
2022	10,094	8,448,454	20,216	12,227,868
2023	9,754	8,212,171	19,685	11,906,680
2024	9,685	8,032,047	19,714	11,669,998
2025	9,675	7,963,088	19,606	11,611,382

Source: California Department of Tax and Fee Administration.

CITY OF PETALUMA
Taxable Transactions
(Figures in Thousands)
Calendar Years 2021 through 2025

	Retail Stores	
	Number of Permits	Taxable Transactions
2021	1,478	\$ 978,891
2022	1,436	1,066,316
2023	1,394	1,042,469
2024	1,372	1,026,063
2025	1,368	1,011,586

Source: California Department of Tax and Fee Administration.

Construction Activity

Building activity for the years 2020 through 2024 in the City is shown in the following tables.

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

	2020	2021	2022	2023	2024
<u>Permit Valuation</u>					
New Single-family	\$ 9,089	\$ 52,986	\$ 19,387	\$ 29,759	\$ 5,843
New Multi-family	60,150	42,000	500	29,000	538
Res. Alterations/Additions	<u>10,980</u>	<u>10,289</u>	<u>12,541</u>	<u>7,639</u>	<u>13,613</u>
Total Residential	\$ 80,219	\$105,275	\$ 32,429	\$ 66,398	\$ 19,993
New Commercial	\$ 14,627	\$ 22,031	\$ 6,290	\$ 1,000	\$ -
New Industrial	-	-	-	70,426	-
New Other	2,642	49,482	1,663	4,527	4,457
Com. Alterations/Additions	<u>32,357</u>	<u>21,346</u>	<u>11,471</u>	<u>6,005</u>	<u>8,526</u>
Total Nonresidential	\$ 49,626	\$ 92,859	\$ 19,424	\$ 81,959	\$ 12,983
<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

Building activity for the years 2020 through 2024 in the County is shown in the following table.

SONOMA COUNTY
Total Building Permit Valuations
(Figures in Thousands)

	2020	2021	2022	2023	2024
<u>Permit Valuation</u>					
New Single-family	\$ 259,587	\$ 375,941	\$ 231,895	\$ 230,140	\$ 180,403
New Multi-family	100,950	234,589	308,328	265,320	98,045
Res. Alterations/Additions	<u>111,110</u>	<u>111,529</u>	<u>128,334</u>	<u>74,149</u>	<u>101,105</u>
Total Residential	\$ 471,647	\$ 722,059	\$ 668,55	\$ 569,609	\$ 379,553
New Commercial	\$ 50,324	\$ 42,220	\$ 66,351	\$ 72,328	\$ 26,073
New Industrial	4,360	-	1,724	70,426	-
New Other	84,120	246,349	279,989	69,511	72,724
Com. Alterations/Additions	<u>108,263</u>	<u>74,938</u>	<u>72,655</u>	<u>65,952</u>	<u>69,604</u>
Total Nonresidential	\$ 247,067	\$ 363,507	\$ 420,719	\$278,218	\$ 168,401
<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 (CIRB) Building Permit Summary

Income

The following table summarizes per capita personal income for Sonoma County, California and the United States for 2020 through 2024.

SONOMA COUNTY
Per Capita Personal Income
2020 through 2024

<i>Year</i>	<i>Sonoma County</i>	<i>State of California</i>	<i>United States</i>
2020	\$72,602	\$70,100	\$59,151
2021	78,446	77,134	64,692
2022	78,666	77,196	66,298
2023	83,375	81,196	70,002
2024	88,832	86,232	73,204

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

Transportation

A local bus transit system serves the City of Petaluma, as well as Golden Gate Transit, which provides access to the entire Bay Area. There is a municipal airport, and airport express service to the major airports serving Sonoma County, Oakland and San Francisco International airports. Passenger rail service is provided by Sonoma-Marin Area Rail Transit ("SMART") which runs from the City of Larkspur to the City of Windsor, with plans to expand to run to the City of Cloverdale.

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APPENDIX B

AUDITED FINANCIAL STATEMENTS
OF THE CITY OF PETALUMA AS OF JUNE 30, 2025

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CITY OF
PETALUMA
CALIFORNIA



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



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

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.

Finance Department
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Petaluma, CA 94952
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finance@cityofpetaluma.org

General Services
Phone (707) 778-4384

Purchasing
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finance@cityofpetaluma.org

Utility Billing
Phone (707) 778-4350
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utilitybilling@cityofpetaluma.org

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 1st and ending June 30th. 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 PEPR, 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.

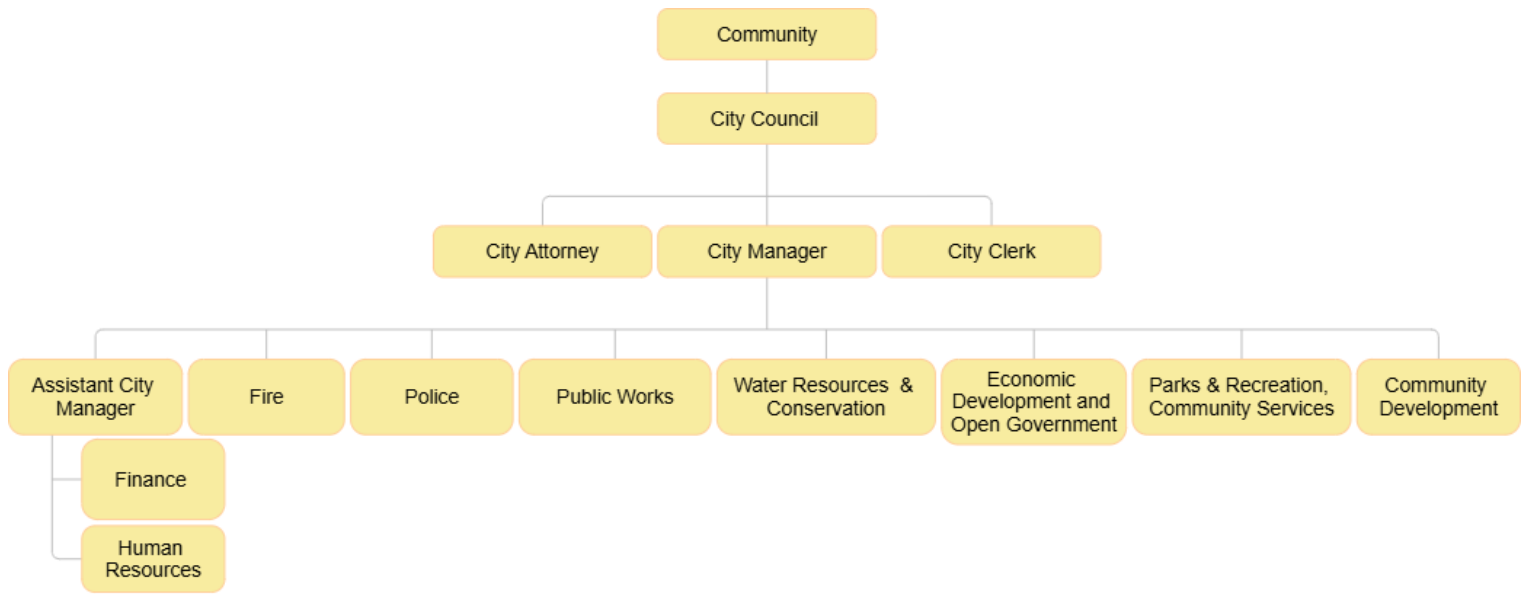
Respectfully submitted,



Corey Garberolio

Assistant Finance Director

CITY ORGANIZATIONAL STRUCTURE AND EXECUTIVE STAFF



CITY MANAGER

PEGGY FLYNN

BRIAN COCHRAN

City Manager

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

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.

CITY ATTORNEY

ERIC DANLY

City Attorney

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

FINANCE

COREY GARBEROLIO

Interim Finance Director

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

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.

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.

POLICE

BRIAN MILLER

Police Chief

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

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.

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.

PARKS AND RECREATION

DREW HALTER

Parks and Recreation Director

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

COMMUNITY DEVELOPMENT

BRIAN OH

Community Development Director

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

WATER RESOURCES AND UTILITIES

CHELSEA THOMPSON

Water Resources and Utilities Director

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

CITY OF PETALUMA PRINCIPAL OFFICIALS
Elected Officials as of June 30, 2025



KEVIN MCDONNELL
Mayor



KAREN NAU
Vice Mayor



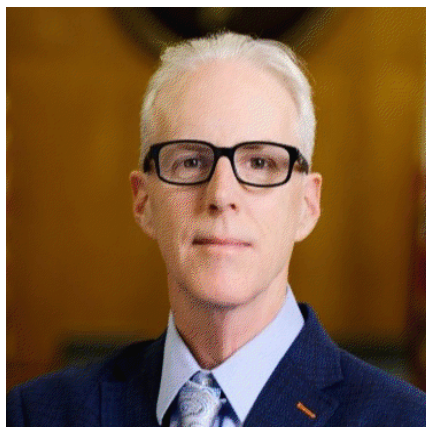
BRIAN BARNACLE
Council Member



JANICE CADER THOMPSON
Council Member



ALEX DECARLI
Council Member



FRANK QUINT
Council Member



JOHN SHRIBBS
Council Member



Government Finance Officers Association

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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.

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.

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.

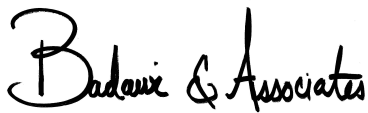
Other Information

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
Page 4

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.

Table 1

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

	Total Activities 2025	Total Activities 2024	Total Activities Change
Assets:			
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>
Total Assets	<u>800,070</u>	<u>774,190</u>	<u>25,880</u>
Deferred Outflows of Resources:			
Related to Pension	28,008	38,379	(10,371)
Related to OPEB	<u>1,594</u>	<u>2,002</u>	<u>(408)</u>
Total Deferred Outflows of Resources	<u>29,602</u>	<u>40,381</u>	<u>(10,779)</u>
Total Assets and Deferred Outflows of Resources	<u>829,672</u>	<u>814,571</u>	<u>15,101</u>
Liabilities:			
Current Liabilities	38,485	32,249	6,236
Non-Current Liabilities	<u>246,567</u>	<u>258,967</u>	<u>(12,400)</u>
Total Liabilities	<u>285,052</u>	<u>291,216</u>	<u>(6,164)</u>
Deferred Inflows of Resources:			
Related to Pension	-	123	(123)
Related to OPEB	<u>4,742</u>	<u>5,706</u>	<u>(964)</u>
Total Deferred Inflows of Resources	<u>4,742</u>	<u>5,829</u>	<u>(1,087)</u>
Total Liabilities and Deferred Inflows of Resources	<u>289,794</u>	<u>297,045</u>	<u>(7,251)</u>
Net Position:			
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>
Total Net Position	<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.

Table 2

Summary of Net Position Governmental Activities As of June 30, 2025 and 2024 (in thousands)			
	Governmental Activities 2025	Governmental Activities 2024	Governmental Activities Change
Assets:			
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>
Total Assets	<u>417,543</u>	<u>411,159</u>	<u>6,384</u>
Deferred Outflows of Resources:			
Related to Pension	24,393	33,280	(8,887)
Related to OPEB	<u>1,436</u>	<u>1,804</u>	<u>(368)</u>
Total Deferred Outflows of Resources	<u>25,829</u>	<u>35,084</u>	<u>(9,255)</u>
Total Assets and Deferred Outflows of Resources	<u>443,372</u>	<u>446,243</u>	<u>(2,871)</u>
Liabilities:			
Current Liabilities	16,505	14,868	1,637
Non-Current Liabilities	<u>165,158</u>	<u>169,884</u>	<u>(4,726)</u>
Total Liabilities	<u>181,663</u>	<u>184,752</u>	<u>(3,089)</u>
Deferred Inflows of Resources:			
Related to Pension	-	71	(71)
Related to OPEB	<u>4,272</u>	<u>5,141</u>	<u>(869)</u>
Total Deferred Inflows of Resources	<u>4,272</u>	<u>5,212</u>	<u>(940)</u>
Total Liabilities and Deferred Inflows of Resources	<u>185,935</u>	<u>189,964</u>	<u>(4,029)</u>
Net Position:			
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>
Total Net Position	<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

Summary of Statement of Activities and Changes in Net Position Governmental Activities For the Years Ended June 30, 2025 and 2024 (In thousands)			
	Governmental Activities 2025	Governmental Activities 2024	Percentage Change
Revenues:			
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	<u>27,818</u>	<u>21,827</u>	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	<u>78,214</u>	<u>71,144</u>	9.9%
Investment Earnings	4,771	5,252	-9.2%
Miscellaneous Revenue	3,686	2,698	36.6%
Total Revenue	<u>114,489</u>	<u>100,921</u>	13.4%
Expenses:			
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	<u>114,570</u>	<u>106,300</u>	7.8%
Revenues Over (Under) Expenses	(81)	(5,379)	-98.5%
Transfers	<u>1,230</u>	<u>451</u>	172.7%
Change in Net Position	1,149	(4,928)	-123.3%
Net position-beginning of year	256,278	261,206	-1.9%
Net position-end of year	<u>\$ 257,427</u>	<u>\$ 256,278</u>	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).

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

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.

Table 5

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

	Business-type Activities 2025	Business-type Activities 2024	Percentage Change
Revenues:			
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%
Expenses:			
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%
Revenues Over (Under) Expenses	22,433	8,300	170.3%
Transfers	<u>(1,230)</u>	<u>(451)</u>	172.7%
Changes in Net Position	<u>21,203</u>	<u>7,849</u>	170.1%
Net Position - Beginning of year	261,248	253,399	3.1%
Net Position - End of Year	<u>\$ 282,451</u>	<u>\$ 261,248</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.

Table 6

Summary of Fund Balances Governmental Funds As of June 30, 2025 and 2024 (in thousands)			
	Governmental Funds 2025	Governmental Funds 2024	Governmental Funds Change
Assets:			
Total assets	\$ 184,791	\$ 185,969	\$ (1,178)
Liabilities:			
Total liabilities	12,820	13,497	(677)
Deferred Inflows of Resources:			
Unavailable revenue	15,506	18,062	(2,556)
Total Deferred Inflows	15,506	18,062	(2,556)
Fund Balance:			
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)
Total fund balance	156,465	154,410	2,055
Total liabilities and fund balances	\$ 184,791	\$ 185,969	\$ (1,178)

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.

Table 7

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%
Total Revenues	\$ 117.02	100.0%	\$ 100.75	100.0%	\$ 16.27	16.1%

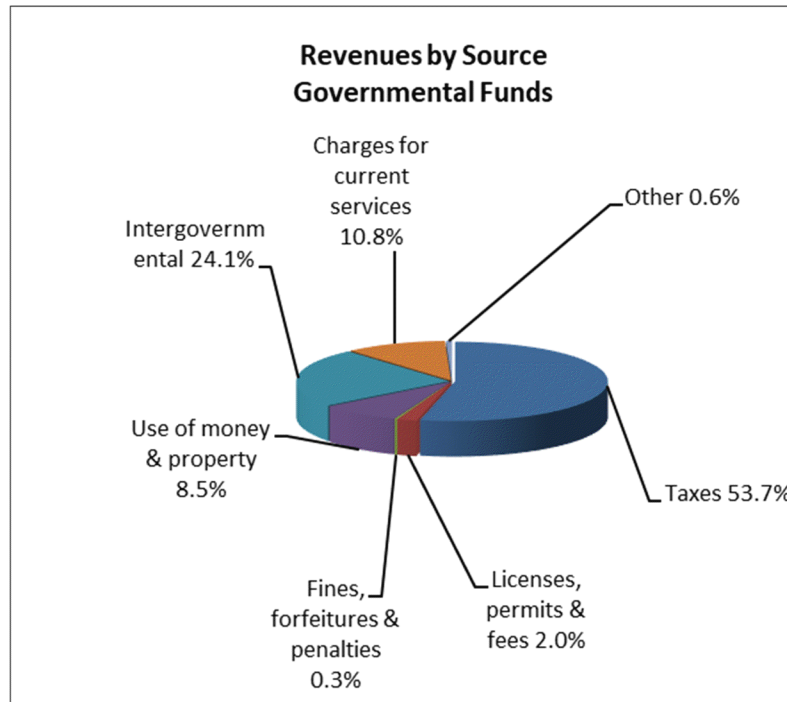
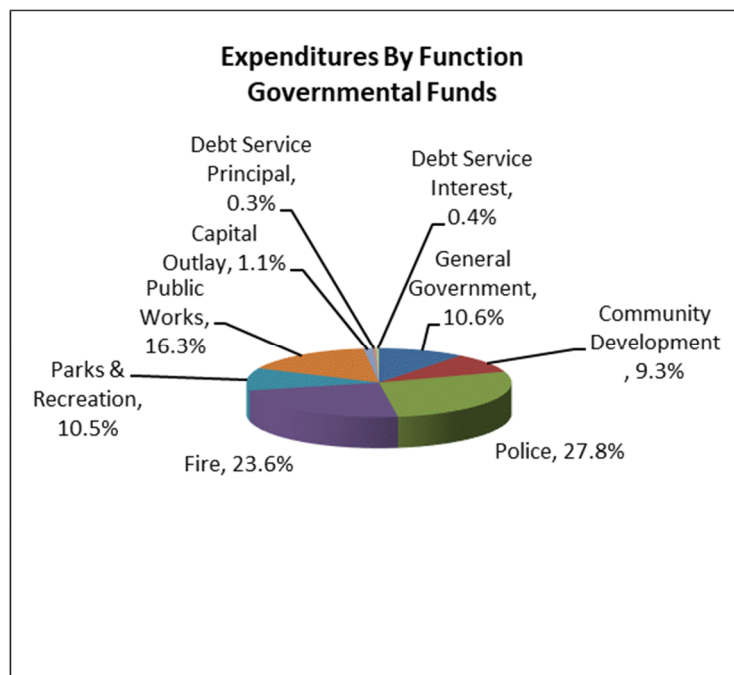


Table 8

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%
Total Expenditures	\$ 115.74	100.0%	\$ 109.50	100.0%	\$ 6.24	5.7%



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
Assets:			
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>
Deferred Outflows of Resources:			
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>
Total Assets and Deferred Outflows of Resources	<u>422,487</u>	<u>403,665</u>	<u>18,822</u>
Liabilities:			
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>
Deferred Inflows of Resources:			
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>
Total Liabilities and Deferred Inflows of Resources	<u>139,505</u>	<u>141,114</u>	<u>(1,609)</u>
Net Position:			
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>
Total Net Position	<u>\$ 282,983</u>	<u>\$ 262,550</u>	<u>\$ 20,433</u>

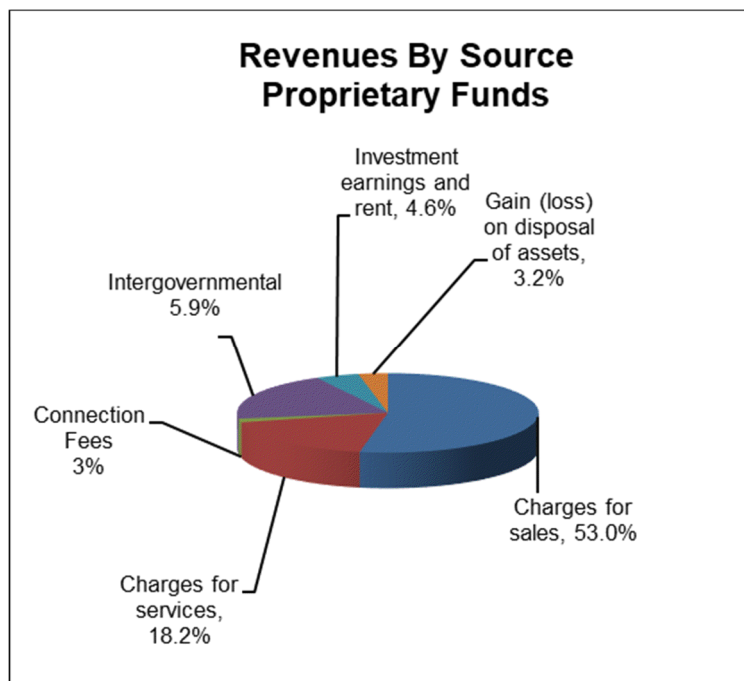
Proprietary Fund revenues increased by approximately \$23.8 million when compared to the prior year due to increased charges for sales and services, intergovernmental revenues, transfers in, and investment earnings.

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)

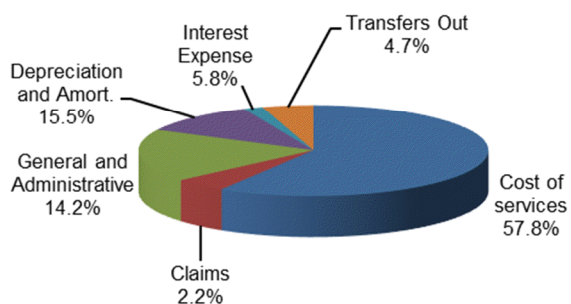
Revenues by Source	FY 2025		FY 2024		Increase/(Decrease)	
	Amount	% of Total	Amount	% of Total	Amount	Percentage
Charges for sales	\$ 58.10	53.0%	\$ 52.81	61.6%	\$ 5.29	10.0%
Charges for services	19.92	18.2%	19.32	22.5%	0.60	3.1%
Connection Fees	1.64	1%	0.28	0%	1.36	487.1%
Intergovern. operating/non-operating	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%
Total Revenues	\$ 109.66	100.0%	\$ 85.80	100.0%	\$ 23.86	27.8%



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%
Total Expenses	\$ 89.24	100.0%	\$ 74.90	100.0%	\$ 14.34	19.1%

Expenses Classified by Function
Proprietary Funds



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

Capital Assets (net of depreciation, in millions) as of June 30, 2025 and 2024						
	Governmental Activities		Increase (Decrease)	Business-type Activities		Increase (Decrease)
	2025	2024	% Change	2025	2024	% 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%
Totals	<u>\$ 217.5</u>	<u>\$ 211.2</u>	<u>3%</u>	<u>\$ 291.0</u>	<u>\$ 275.2</u>	<u>6%</u>

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

Governmental Activities Long-Term Debt As of June 30, 2025 and 2024 (in millions)			
	Balance June 30, 2025	Balance June 30, 2024	Increase (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
Total Debt	<u>\$ 25,424</u>	<u>\$ 25,620</u>	<u>\$ (196)</u>

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
Total Debt	\$ 69,881	\$ 77,857	\$ (7,976)

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 This document can be found on the City's website at www.cityofpetaluma.org.

BASIC FINANCIAL STATEMENTS



GOVERNMENT-WIDE FINANCIAL STATEMENTS

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
ASSETS			
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
Total assets	417,543,041	382,526,596	800,069,637
DEFERRED OUTFLOWS OF RESOURCES			
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
Total assets and deferred outflows of resources	25,819,142	3,782,954	29,602,096
LIABILITIES			
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
Total liabilities	181,662,959	103,389,071	285,052,030
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - OPEB	4,272,061	469,931	4,741,992
Total deferred inflows of resources	4,272,061	469,931	4,741,992
NET POSITION			
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
Total net position	\$ 257,427,163	\$ 282,450,548	\$ 539,877,711

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	
Governmental activities:					
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	-	-	-	-
Total governmental activities	114,570,743	15,048,579	11,995,343	774,289	27,818,211
Business-type activities:					
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
Total business-type activities	68,424,755	65,305,375	21,419,606	-	86,724,981
Total primary government	\$ 182,995,498	\$ 80,353,954	\$ 33,414,949	\$ 774,289	\$ 114,543,192

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)
(86,752,532)	-	(86,752,532)
-	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)
-	18,300,226	18,300,226
(86,752,532)	18,300,226	(68,452,306)
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
62,796,700	-	62,796,700
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)	-
87,900,950	2,902,879	90,803,829
1,148,418	21,203,105	22,351,523
256,278,745	261,247,443	517,526,188
\$ 257,427,163	\$ 282,450,548	\$ 539,877,711



FUND FINANCIAL STATEMENTS

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
ASSETS			
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
Total assets	\$ 23,087,357	\$ 24,414,688	\$ 67,050,866
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
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	-	-	-
Total liabilities	3,903,471	90,000	23,133
Deferred inflows of resources:			
Unavailable revenues	348,995	5,151,645	1,248,445
Fund Balances:			
Nonspendable	2,133,726	-	-
Restricted	-	19,173,043	65,779,288
Committed	-	-	-
Assigned	16,701,165	-	-
Unassigned	-	-	-
Total fund balances	18,834,891	19,173,043	65,779,288
Total liabilities, deferred inflows of resources, and fund balances	\$ 23,087,357	\$ 24,414,688	\$ 67,050,866

See accompanying Notes to Basic Financial Statements.

Major Funds			Non-Major Governmental Funds	Total Governmental Funds
Successor Housing Special Revenue Fund	Grants and Donations Fund	City Capital Projects Fund		
\$ 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>
-	-	-	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>

City of Petaluma
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2025

Total fund balances reported on the governmental funds balance sheet	\$ 156,464,792
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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
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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
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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)
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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
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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	(3,510,023)

Net Position of Governmental Activities	\$ 257,427,163
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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
REVENUES:			
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
Total revenues	77,358,492	2,055,355	3,660,834
EXPENDITURES:			
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	-	-	-
Total expenditures	75,394,358	90,000	1,427,123
REVENUES OVER (UNDER) EXPENDITURES	1,964,134	1,965,355	2,233,711
OTHER FINANCING SOURCES (USES):			
Proceeds from sale of assets	19,495	-	-
Transfers in	9,768,302	-	-
Transfers out	(4,441,724)	-	(3,840,127)
Total other financing sources (uses)	5,346,073	-	(3,840,127)
Net change in fund balances	7,310,207	1,965,355	(1,606,416)
FUND BALANCES:			
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
3,046,587	12,580,915	282,252	18,041,305	117,025,740
-	-	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
908,171	9,217,867	16,812,828	11,897,826	115,748,173
2,138,416	3,363,048	(16,530,576)	6,143,479	1,277,567
-	-	-	-	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)
483,976	945,465	12,118,034	(14,275,930)	777,491
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)	-
22,882,727	823,908	12,388,511	22,196,512	154,409,734
\$ 25,505,119	\$ 5,132,421	\$ 7,975,969	\$ 14,064,061	\$ 156,464,792

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

Net Change in Fund Balances - Total Governmental Funds	\$ 2,055,058
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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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Change in Net Position of Governmental Activities	\$ 1,148,418
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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
ASSETS			
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
Total Current Assets	1,370,533	887,815	43,460
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)
Total Non-current Assets	12,692,171	109,902	913,485
Total assets	14,062,704	997,717	956,945
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources - pension	-	458,502	-
Deferred outflows of resources - OPEB	-	42,720	-
Total deferred outflows of resources	-	501,222	-
LIABILITIES			
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	-	-
Total Current Liabilities	869,174	492,751	46,071
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
Total Non-current Liabilities	25,168	2,808,346	10,389,067
Total liabilities	894,342	3,301,097	10,435,138
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - OPEB	-	127,085	-
Total deferred inflows of resources	-	127,085	-
NET POSITION			
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)
Total net position	\$ 13,168,362	\$ (1,929,243)	\$ (9,478,193)

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)
<u>\$ 6,270,741</u>	<u>\$ 209,940,562</u>	<u>\$ 4,184,481</u>	<u>\$ 58,826,805</u>	<u>\$ 1,317,375</u>	<u>282,300,890</u>	<u>\$ 681,161</u>

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
OPERATING REVENUES:			
Charges for sales	\$ 637,324	\$ -	\$ 5,945
Charges for services	1,279,662	3,470,097	165,744
Connection fee	-	-	-
Total operating revenues	1,916,986	3,470,097	171,689
OPERATING EXPENSES:			
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
Total operating expenses	2,214,943	4,272,451	526,348
OPERATING INCOME (LOSS)	(297,957)	(802,354)	(354,659)
NONOPERATING REVENUES (EXPENSES):			
Investment earnings and rent	73,357	40,032	5
Interest expense	(18,297)	-	(307,825)
Intergovernmental	475,044	-	-
Gain(loss) on disposal of assets	-	-	-
Total nonoperating revenues (expenses)	530,104	40,032	(307,820)
INCOME (LOSS) BEFORE TRANSFERS	232,147	(762,322)	(662,479)
Transfers in	-	43,068	2,721
Transfers out	(135,300)	(32,800)	(74,400)
Total transfers	(135,300)	10,268	(71,679)
Change in net position	96,847	(752,054)	(734,158)
NET POSITION:			
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 Activities- Internal Service Funds
Transit	Wastewater Utility	Wastewater Rate Stabilization	Water Utility	Storm Water	Total	
\$ -	\$ 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
CASH FLOWS FROM OPERATING ACTIVITIES:			
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	-	-	-
Net cash provided by (used in) operating activities	265,077	(305,539)	(270,946)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
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
Net cash provided by (used in) noncapital financing activities	510,189	10,268	270,941
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
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)	-
Net cash provided by (used in) capital and related financing activities	(797,752)	(62,677)	-
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest on investments	73,357	40,032	5
Net cash provided by investing activities	73,357	40,032	5
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	50,871	(317,916)	-
CASH AND CASH EQUIVALENTS - Beginning of year	1,133,527	1,193,918	-
CASH AND CASH EQUIVALENTS - End of year	\$ 1,184,398	\$ 876,002	\$ -
FINANCIAL STATEMENT PRESENTATION:			
Cash and investments	\$ 1,184,398	\$ 876,002	\$ -
Restricted cash and investments	-	-	-
TOTAL	\$ 1,184,398	\$ 876,002	\$ -
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
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
Total adjustments	563,034	496,815	83,713
Net cash provided (used) in operating activities	\$ 265,077	\$ (305,539)	\$ (270,946)
Schedule of non-cash capital and related financing activities:			
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	-



FIDUCIARY FUNDS

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
ASSETS		
Cash and investments	\$ 2,330,319	\$ 4,749,833
Restricted cash and investments	-	13,031
Accounts receivable	185	-
Total assets	2,330,504	4,762,864
LIABILITIES		
Liabilities:		
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
Total liabilities	58,631	47,095,976
NET POSITION:		
Restricted for other governments	2,271,873	-
Restricted for private purposes	-	(42,333,112)
Total net position	\$ 2,271,873	\$ (42,333,112)

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
ADDITIONS:		
Property tax	\$ -	\$ 4,212,532
Use of money and property	-	40,761
Other revenues	8,309,888	-
Total additions	<u>8,309,888</u>	<u>4,253,293</u>
DEDUCTIONS:		
Community development	-	131,313
Interest expense	-	1,616,801
Professional and other services	7,765,597	-
Total deductions	<u>7,765,597</u>	<u>1,748,114</u>
Change in net position	544,291	2,505,179
NET POSITION:		
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 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	<u>5,417,033</u>	<u>967,218</u>	<u>6,384,251</u>
	<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	<u>\$ 187,390,635</u>
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	<u>7,093,183</u>
Total cash and investments	<u><u>\$ 194,483,818</u></u>

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	<u><u>\$ 194,483,818</u></u>

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>	<u>169,042,594</u>
Cash on hand and in banks					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	24,266,254	-	24,266,254
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			58,469,923
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
Investment by Fair Value Level:			
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	-	58,469,923	58,469,923
Total Investments	<u>\$ -</u>	<u>\$ 72,209,572</u>	72,209,572
Investment not subject to leveling disclosure:			
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			25,441,224
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	
Governmental Funds:					
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>
Enterprise Funds:					
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>
Internal Service Funds					
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 Out (fund making transfer):													
Transfers In (fund receiving transfer)	Governmental Funds					Proprietary Funds						Internal Service Funds	Total Transfers In
	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		
Governmental Funds:													
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
Total Governmental Fund	3,139,671	3,840,127	412,499	550,542	20,282,451	135,300	32,800	74,400	49,200	937,799	1,124,000	1,131,550	31,710,339
Proprietary Funds:													
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
Total Proprietary Funds	1,302,053	-	-	-	1,425,000	-	-	-	-	381,356	-	368,450	3,476,859
Total Transfers Out	\$ 4,441,724	\$ 3,840,127	\$ 412,499	\$ 550,542	\$ 21,707,451	\$ 135,300	\$ 32,800	\$ 74,400	\$ 49,200	\$ 1,319,155	\$ 1,124,000	\$ 1,500,000	\$ 35,187,198

- 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 \$3,422,700 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	<u><u>\$ 57,931,495</u></u>

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
Governmental Activities					
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
Business-type Activities					
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	60,253,512	20,292,491	-	(1,445,519)	79,100,484
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	395,639,603	3,789,105	(402,710)	1,445,519	400,471,517
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	(180,707,304)	(8,222,312)	390,712	-	(188,526,905)
Net Capital Assets being Depreciated	214,932,299	(4,433,207)	(11,998)	1,445,519	211,944,612
Business-type Activities Capital Assets, Net	\$ 275,185,811	\$ 15,859,284	\$ (11,998)	\$ -	\$ 291,045,096

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:

Governmental Functions	Depreciation	Amortization of Lease Assets	Total
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
Total Depreciation/Amortization Expense	\$ 10,831,766	\$ 594,979	\$ 11,426,745
Business Functions			
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
Total Depreciation/Amortization Expense	\$ 8,068,070	\$ 154,242	\$ 8,222,312

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:

Governmental Activity Debt:	Original Issue Amount	Balance at June 30, 2024	Additions	Retirements	Balance at June 30, 2025	Amount due within one year
Revenue Bonds:						
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:

Governmental Activity Debt:													
For the Year Ending June 30, 2025	2021 Lease Revenue Bond		2021 Lease Liability		2022 Lease Liability		2023 Lease Liability		2024 Lease Liability		2025 Lease Liability		
	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:

Business-Type Activity Debt:	Original Issue Amount	Balance at June 30, 2024	Additions	Retirements	Balance at June 30, 2025	Amount due within one year
Revenue Bonds:						
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		67,398,814	-	7,880,473	59,518,341	6,832,000
Notes Payable:						
California Department of Boating and Waterways	3,960,000	8,207,959	307,825	-	8,515,784	-
Total Notes Payable		8,207,959	307,825	-	8,515,784	-
Refunding Obligation:						
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		1,008,000	-	497,000	511,000	511,000
Lease Liability:						
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
		468,020	22,642	122,430	368,232	118,457
Total Business Type Activity Debt		\$77,082,793	\$ 330,467	\$ 8,499,903	\$68,913,357	\$ 7,461,457

Future principal and interest payment on all Business-type debt were as follows at June 30, 2025:

Business-Type Activity Debt:								
For the Year Ending June 30, 2025	Revenue Bonds		Notes Payable		Refunding Obligation		Lease Liability	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
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	\$ 9,989,775	8,515,784	\$ -	511,000	\$ 6,924	368,232	\$ 44,602
Add: Original Issuance Premium (Discount)	5,783,341		-		-		-	
Total debt	\$ 59,518,341		\$ 8,515,784		\$ 511,000		\$ 368,232	

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
Nonspendable:								
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
Amounts required to maintain intact:								
Permanent funds	-	-	-	-	-	-	27,896	27,896
Total Nonspendable Fund Balances	2,133,726	-	-	-	-	-	209,256	2,342,982
Restricted for:								
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
Committed to:								
Special projects	-	-	-	-	-	7,975,969	-	7,975,969
Total Committed Fund Balances	-	-	-	-	-	7,975,969	-	7,975,969
Assigned:								
Special projects	16,701,165	-	-	-	-	-	-	16,701,165
Total Assigned Fund Balances	16,701,165	-	-	-	-	-	-	16,701,165
Unassigned:								
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:

Nonmajor Governmental Funds	
Fairground	\$ (440,747)
Proprietary Funds	
Development Services	(1,929,243)
Marina	(9,478,193)
Fiduciary Funds - Private Purpose Trust Fund	
Successor Agency to the Redevelopment Agency	(42,333,112)
Internal Service Funds	
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
Total	<u>\$ 28,008,061</u>	<u>\$ 131,194,154</u>	<u>\$ -</u>	<u>\$ 21,650,693</u>

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%
			50% of the Total Normal
Required employer contribution rates	9.350%	9.350%	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%
			50% of the Total Normal
Required employer contribution rates	20.020%	20.020%	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
Total	912	883
	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
Total	499	489

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)
Balance at June 30, 2023 Measurement Date	\$ 150,614,033	\$ 110,556,590	\$ 40,057,443
Changes in the year:			
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)	-
Net changes	6,558,558	8,675,324	(2,116,766)
Balance at June 30, 2024 Measurement Date	\$ 157,172,591	\$ 119,231,914	\$ 37,940,677

Safety Plan:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2023 Measurement Date	\$ 262,200,752	\$ 166,536,384	\$ 95,664,368
Changes in the year:			
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)	-
Net changes	11,434,776	13,845,667	(2,410,891)
Balance at June 30, 2024 Measurement Date	\$ 273,635,528	\$ 180,382,051	\$ 93,253,477

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	\$ 3,465,773	Total	\$ 8,612,094

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	<u>120</u>
Total	<u><u>683</u></u>

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
Balance at June 30, 2023 (Measurement Date)	<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>
Balance at June 30, 2024 (Measurement Date)	<u><u>\$ 14,817,728</u></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	<u>\$ 1,594,035</u>	<u>\$ 4,741,992</u>

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	<u>(260,621)</u>
Total	<u>\$ (3,758,522)</u>

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:

Successor Agency Debt:	Original Issue Amount	Balance at June 30, 2024	Additions	Retirements	Balance at June 30, 2025	Amount due within one year
Tax Allocation Bonds:						
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>

REQUIRED SUPPLEMENTARY INFORMATION



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
TOTAL PENSION LIABILITY										
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)
Net Change in Total Pension Liability	1,861,836	2,692,523	9,704,199	3,644,163	6,150,243	6,040,736	4,536,971	8,188,152	8,818,121	6,558,558
Total Pension Liability - Beginning	98,977,089	100,838,925	103,531,448	113,235,647	116,879,810	123,030,053	129,070,789	133,607,760	141,795,912	150,614,033
Total Pension Liability - Ending (a)	\$ 100,838,925	\$ 103,531,448	\$ 113,235,647	\$ 116,879,810	\$ 123,030,053	\$ 129,070,789	\$ 133,607,760	\$ 141,795,912	\$ 150,614,033	\$ 157,172,591
PLAN FIDUCIARY NET POSITION										
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	-	-	-	-	-
Net Change in Fiduciary Net Position	(312,532)	(1,504,659)	6,684,198	8,189,192	3,615,916	2,036,456	18,825,359	(10,952,752)	4,550,173	8,675,324
Plan Fiduciary Net Position - Beginning	79,425,238	79,112,706	77,608,047	84,292,245	92,481,437	96,097,353	98,133,809	116,959,169	106,006,417	110,556,590
Plan Fiduciary Net Position - Ending (b)	\$ 79,112,706	\$ 77,608,047	\$ 84,292,245	\$ 92,481,437	\$ 96,097,353	\$ 98,133,809	\$ 116,959,168	\$ 106,006,417	\$ 110,556,590	\$ 119,231,914
Plan Net Position Liability (Asset) Ending (a) - (b)	\$ 21,726,219	\$ 25,923,401	\$ 28,943,402	\$ 24,398,373	\$ 26,932,700	\$ 30,936,980	\$ 16,648,592	\$ 35,789,495	\$ 40,057,443	\$ 37,940,677
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.48%	74.96%	74.44%	79.13%	78.11%	76.03%	87.54%	74.76%	73.40%	75.86%
Covered Payroll	\$ 13,001,281	\$ 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
Plan Net Pension Liability/(Asset) as a Percentage of Covered Payroll	167.11%	195.31%	206.73%	164.62%	191.99%	203.81%	107.35%	191.34%	187.24%	173.95%

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)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,516,929)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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
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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 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>SAFETY 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
TOTAL PENSION LIABILITY										
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)
Net Change in Total Pension Liability	3,603,539	5,701,861	18,153,320	7,964,408	10,488,983	8,652,557	11,194,170	17,366,627	13,284,511	11,434,776
Total Pension Liability - Beginning	165,790,776	169,394,315	175,096,176	193,249,496	201,213,904	211,702,887	220,355,444	231,549,614	248,916,241	262,200,752
Total Pension Liability - Ending (a)	\$ 169,394,315	\$ 175,096,176	\$ 193,249,496	\$ 201,213,904	\$ 211,702,887	\$ 220,355,444	\$ 231,549,614	\$ 248,916,241	\$ 262,200,752	\$ 273,635,528
PLAN FIDUCIARY NET POSITION										
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	-	-	-	-	-
Net Change in Fiduciary Net Position	(417,366)	(2,424,750)	9,869,163	11,439,335	6,139,173	4,248,476	29,990,240	(15,850,216)	7,433,615	13,845,667
Plan Fiduciary Net Position - Beginning	116,108,714	115,691,348	113,266,598	123,135,761	134,575,096	140,714,269	144,962,745	174,952,985	159,102,769	166,536,384
Plan Fiduciary Net Position - Ending (b)	\$ 115,691,348	\$ 113,266,598	\$ 123,135,761	\$ 134,575,096	\$ 140,714,269	\$ 144,962,745	\$ 174,952,985	\$ 159,102,769	\$ 166,536,384	\$ 180,382,051
Plan Net Position Liability (Asset) - Ending (a) - (b)	\$ 53,702,967	\$ 61,829,578	\$ 70,113,735	\$ 66,638,808	\$ 70,988,618	\$ 75,392,699	\$ 56,596,629	\$ 89,813,472	\$ 95,664,368	\$ 93,253,477
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.30%	64.69%	63.72%	66.88%	66.47%	65.79%	75.56%	63.92%	63.51%	65.92%
Covered Payroll	\$ 11,238,710	\$ 11,313,110	\$ 12,054,472	\$ 12,578,583	\$ 12,655,583	\$ 12,812,444	\$ 13,927,653	\$ 14,867,490	\$ 16,003,589	\$ 17,930,809
Plan Net Pension Liability/(Asset) as a Percentage of Covered Payroll	477.84%	546.53%	581.64%	529.78%	560.93%	588.43%	406.36%	604.09%	597.77%	520.07%

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
Total OPEB Liability							
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)
Net change in total OPEB liability	436,353	(1,964,084)	3,998,368	(1,335,623)	(2,330,190)	72,362	196,542
Total OPEB liability - beginning	15,744,000	16,180,353	14,216,269	18,214,637	16,879,014	14,548,824	14,621,186
Total OPEB liability - ending	\$ 16,180,353	\$ 14,216,269	\$ 18,214,637	\$ 16,879,014	\$ 14,548,824	\$ 14,621,186	\$ 14,817,728
 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



REQUIRED SUPPLEMENTARY INFORMATION

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.

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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	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES:				
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
Total revenues	71,480,571	72,227,634	77,358,492	5,130,858
EXPENDITURES:				
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)
Total expenditures	71,032,507	72,521,419	75,394,358	(2,872,939)
REVENUES OVER (UNDER) EXPENDITURES	448,064	(293,785)	1,964,134	2,257,919
OTHER FINANCING SOURCES (USES):				
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
Total other financing sources (uses)	(1,517,049)	(654,514)	5,346,073	6,000,587
Net change in fund balance	\$ (1,068,985)	\$ (948,299)	7,310,207	\$ 8,258,506
FUND BALANCE:				
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	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES:				
Use of money and property	\$ 9,077	\$ 9,077	\$ 2,055,355	\$ 2,046,278
Total revenues	<u>9,077</u>	<u>9,077</u>	<u>2,055,355</u>	<u>2,046,278</u>
EXPENDITURES:				
Current:				
Community development	<u>90,000</u>	<u>90,000</u>	<u>90,000</u>	<u>-</u>
Total expenditures	<u>90,000</u>	<u>90,000</u>	<u>90,000</u>	<u>-</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(80,923)</u>	<u>(80,923)</u>	<u>1,965,355</u>	<u>2,046,278</u>
Net change in fund balance	<u><u>\$ (80,923)</u></u>	<u><u>\$ (80,923)</u></u>	<u>1,965,355</u>	<u><u>\$ 2,046,278</u></u>
FUND BALANCE:				
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	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES:				
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)
Total revenues	8,646,461	8,646,461	3,660,834	(4,985,627)
EXPENDITURES:				
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
Total expenditures	1,137,870	2,533,715	1,427,123	1,106,592
REVENUES OVER (UNDER) EXPENDITURES	7,508,591	6,112,746	2,233,711	(3,879,035)
OTHER FINANCING SOURCES (USES):				
Transfers out	(9,880,427)	(5,377,827)	(3,840,127)	1,537,700
Total other financing sources (uses)	(9,880,427)	(5,377,827)	(3,840,127)	1,537,700
Net change in fund balance	\$ (2,371,836)	\$ 734,919	(1,606,416)	\$ (2,341,335)
FUND BALANCE:				
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	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES:				
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
Total revenues	654,962	654,962	3,046,587	2,391,625
EXPENDITURES:				
Current:				
Community development	484,845	482,734	647,301	(164,567)
Fire	1,270,000	1,270,000	260,870	1,009,130
Total expenditures	1,754,845	1,752,734	908,171	844,563
REVENUES OVER (UNDER) EXPENDITURES	(1,099,883)	(1,097,772)	2,138,416	3,236,188
OTHER FINANCING SOURCES (USES):				
Transfers in	481,845	481,845	483,976	2,131
Transfers out	(4,418)	(4,418)	-	4,418
Total other financing sources (uses)	477,427	477,427	483,976	6,549
Net change in fund balance	\$ (622,456)	\$ (620,345)	2,622,392	\$ 3,242,737
FUND BALANCE:				
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	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES:				
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
Total revenues	7,069,002	5,003,698	12,580,915	7,577,217
EXPENDITURES:				
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)
Total expenditures	4,127,875	4,338,557	9,217,867	(4,879,310)
REVENUES OVER (UNDER) EXPENDITURES	2,941,127	665,141	3,363,048	2,697,907
OTHER FINANCING SOURCES (USES):				
Transfers in	30,000	30,000	1,357,964	1,327,964
Transfers out	(2,798,000)	(738,000)	(412,499)	325,501
Total other financing sources (uses)	(2,768,000)	(708,000)	945,465	1,653,465
Net change in fund balance	\$ 173,127	\$ (42,859)	4,308,513	\$ 4,351,372
FUND BALANCE:				
Beginning of year			823,908	
End of year			<u>\$ 5,132,421</u>	

SUPPLEMENTARY INFORMATION



BUDGETED MAJOR GOVERNMENTAL FUNDS OTHER THAN GENERAL FUND AND SPECIAL REVENUE FUNDS
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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	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES:				
Licenses, permits and fees	\$ -	\$ -	\$ 185,775	\$ 185,775
Use of money and property	-	-	86,477	86,477
Intergovernmental	-	73,000	10,000	(63,000)
Total revenues	-	73,000	282,252	209,252
EXPENDITURES:				
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
Total expenditures	29,229,591	24,614,118	16,812,828	7,801,290
REVENUES OVER (UNDER) EXPENDITURES	(29,229,591)	(24,541,118)	(16,530,576)	8,010,542
OTHER FINANCING SOURCES (USES):				
Transfers in	18,787,591	10,476,691	12,668,576	2,191,885
Transfers out	-	-	(550,542)	(550,542)
Total other financing sources (uses)	18,787,591	10,476,691	12,118,034	1,641,343
Net change in fund balance	\$ (10,442,000)	\$ (14,064,427)	(4,412,542)	\$ 9,651,885
FUND BALANCE:				
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.

NON-MAJOR GOVERNMENTAL FUNDS (Continued)

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
ASSETS				
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	-	-	-
Total assets	\$ 1,024,964	\$ 314,676	\$ 1,158,983	\$ 218,070
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 51,670	\$ -	\$ 81,299	\$ 99,019
Refundable deposits	-	-	-	-
Due to other funds	-	151,030	-	-
Total liabilities	51,670	151,030	81,299	99,019
Deferred inflows of resources:				
Unavailable revenues	58,101	-	-	-
Fund Balances:				
Nonspendable	-	-	-	-
Restricted	915,193	163,646	1,077,684	119,051
Unassigned	-	-	-	-
Total fund balances	915,193	163,646	1,077,684	119,051
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,024,964	\$ 314,676	\$ 1,158,983	\$ 218,070

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
ASSETS			
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
Total assets	\$ 5,874,427	\$ 27,896	\$ 16,460,480
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 1,362,623
Refundable deposits	-	-	7,650
Due to other funds	-	-	950,950
Total liabilities	-	-	2,321,223
Deferred inflows of resources:			
Unavailable revenues	-	-	75,196
Fund Balances:			
Nonspendable	-	27,896	209,256
Restricted	5,874,427	-	14,466,481
Unassigned	-	-	(611,676)
Total fund balances	5,874,427	27,896	14,064,061
Total liabilities, deferred inflows of resources, and fund balances	\$ 5,874,427	\$ 27,896	\$ 16,460,480



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
REVENUES:					
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	-	-	-	-	-
Total revenues	860,782	-	3,347,049	440,760	673,645
EXPENDITURES:					
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	-	-	-	-	-
Total expenditures	301,102	-	268	179,676	1,205,575
REVENUES OVER (UNDER) EXPENDITURES	559,680	-	3,346,781	261,084	(531,930)
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	-
Transfers out	(650,914)	-	(3,185,362)	(130,000)	-
Total other financing sources (uses)	(650,914)	-	(3,185,362)	(130,000)	-
Net change in fund balances	(91,234)	-	161,419	131,084	(531,930)
FUND BALANCES:					
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	-	-
2,622,200	3,624,257	-	876,775	138,425	1,718,321	-	3,316,543
-	262,617	-	-	25,682	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	148,585
-	-	-	258,276	-	3,157,441	-	-
4,878,769	-	-	-	-	-	-	-
559,753	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
5,438,522	262,617	-	258,276	25,682	3,157,441	-	148,585
(2,816,322)	3,361,640	-	618,499	112,743	(1,439,120)	-	3,167,958
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)
4,137,119	(2,744,184)	3,322	(660,767)	(110,000)	1,216,293	(532,025)	(1,582,000)
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	-
-	-	-	-	-	-	-	-
2,760,781	(297,611)	(3,322)	46,161	332,894	(217,920)	532,025	-
\$ 4,081,578	\$ 319,845	\$ -	\$ 3,893	\$ 335,637	\$ (440,747)	\$ -	\$ 1,585,958

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		Non-Major
	Revenue	Wickersham	Governmental
	Bonds	Park Trust	Funds
REVENUES:			
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
Total revenues	421,447	1,101	18,041,305
EXPENDITURES:			
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
Total expenditures	920,082	-	11,897,826
REVENUES OVER (UNDER) EXPENDITURES	(498,635)	1,101	6,143,479
OTHER FINANCING SOURCES (USES):			
Transfers in	1,427,052	-	7,431,521
Transfers out	(11,464,464)	-	(21,707,451)
Total other financing sources (uses)	(10,037,412)	-	(14,275,930)
Net change in fund balances	(10,536,047)	1,101	(8,132,451)
FUND BALANCES:			
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	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES:				
Use of money and property	\$ 786	\$ 786	\$ 58	\$ (728)
Intergovernmental	579,000	599,000	860,724	261,724
Total revenues	579,786	599,786	860,782	260,996
EXPENDITURES:				
Current:				
Community development	328,869	327,948	301,102	26,846
Total expenditures	328,869	327,948	301,102	26,846
REVENUES OVER (UNDER) EXPENDITURES	250,917	271,838	559,680	287,842
OTHER FINANCING SOURCES (USES):				
Transfers out	(289,000)	(309,000)	(650,914)	(341,914)
Total other financing sources (uses)	(289,000)	(309,000)	(650,914)	(341,914)
Net change in fund balance	\$ (38,083)	\$ (37,162)	(91,234)	\$ (54,072)
FUND BALANCE:				
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	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES:				
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
Total revenues	3,188,554	3,188,554	3,347,049	158,495
EXPENDITURES:				
Current:				
Public works	358	268	268	-
Total expenditures	358	268	268	-
REVENUES OVER (UNDER) EXPENDITURES	3,188,196	3,188,286	3,346,781	158,495
OTHER FINANCING SOURCES (USES):				
Transfers out	(3,185,362)	(3,185,362)	(3,185,362)	-
Total other financing sources (uses)	(3,185,362)	(3,185,362)	(3,185,362)	-
Net change in fund balance	\$ 2,834	\$ 2,924	161,419	\$ 158,495
FUND BALANCE:				
Beginning of year			2,227	
End of year			\$ 163,646	

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	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES:				
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
Total revenues	263,528	263,528	440,760	177,232
EXPENDITURES:				
Current:				
Police	172,945	171,829	179,676	(7,847)
Total expenditures	172,945	171,829	179,676	(7,847)
REVENUES OVER (UNDER) EXPENDITURES	90,583	91,699	261,084	169,385
OTHER FINANCING SOURCES (USES):				
Transfers out	(160,000)	(160,000)	(130,000)	30,000
Total other financing sources (uses)	(160,000)	(160,000)	(130,000)	30,000
Net change in fund balance	\$ (69,417)	\$ (68,301)	131,084	\$ 199,385
FUND BALANCE:				
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	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES:				
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
Total revenues	519,841	519,841	673,645	153,804
EXPENDITURES:				
Current:				
Parks and recreation	507,130	505,901	1,205,575	(699,674)
Total expenditures	507,130	505,901	1,205,575	(699,674)
REVENUES OVER (UNDER) EXPENDITURES	12,711	13,940	(531,930)	(545,870)
Net change in fund balance	<u>\$ 12,711</u>	<u>\$ 13,940</u>	(531,930)	<u>\$ (545,870)</u>
FUND BALANCE:				
Beginning of year			650,981	
End of year			<u>\$ 119,051</u>	

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	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES:				
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
Total revenues	2,428,829	2,428,829	2,622,200	193,371
EXPENDITURES:				
Current:				
Public works	5,326,052	5,307,323	4,878,769	428,554
Capital outlay	570,960	600,442	559,753	40,689
Total expenditures	5,897,012	5,907,765	5,438,522	469,243
REVENUES OVER (UNDER) EXPENDITURES	(3,468,183)	(3,478,936)	(2,816,322)	662,614
OTHER FINANCING SOURCES (USES):				
Transfers in	4,139,362	4,139,362	4,290,689	151,327
Transfers out	(1,613,370)	(153,570)	(153,570)	-
Total other financing sources (uses)	2,525,992	3,985,792	4,137,119	151,327
Net change in fund balance	\$ (942,191)	\$ 506,856	1,320,797	\$ 813,941
FUND BALANCE:				
Beginning of year			2,760,781	
End of year			\$ 4,081,578	

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	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES:				
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
Total revenues	<u>4,043,677</u>	<u>4,043,677</u>	<u>3,624,257</u>	<u>(419,420)</u>
EXPENDITURES:				
Current:				
Community development	701,411	700,738	262,617	438,121
Total expenditures	<u>701,411</u>	<u>700,738</u>	<u>262,617</u>	<u>438,121</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>3,342,266</u>	<u>3,342,939</u>	<u>3,361,640</u>	<u>18,701</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	494,971	494,971
Transfers out	(3,255,484)	(3,594,529)	(3,239,155)	355,374
Total other financing sources (uses)	<u>(3,255,484)</u>	<u>(3,594,529)</u>	<u>(2,744,184)</u>	<u>850,345</u>
Net change in fund balance	<u>\$ 86,782</u>	<u>\$ (251,590)</u>	<u>617,456</u>	<u>\$ 869,046</u>
FUND BALANCE:				
Beginning of year			(297,611)	
End of year			<u>\$ 319,845</u>	

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	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES:				
Use of money and property	\$ 2,836	\$ -	\$ -	\$ -
Total revenues	<u>2,836</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	-	-	3,322	3,322
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>3,322</u>	<u>3,322</u>
Net change in fund balance	<u>\$ 2,836</u>	<u>\$ -</u>	<u>3,322</u>	<u>\$ 3,322</u>
FUND BALANCE:				
Beginning of year			(3,322)	
End of year			<u>\$ -</u>	

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	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES:				
Taxes	\$ 950,656	\$ 950,656	\$ 874,751	\$ (75,905)
Use of money and property	2,127	2,127	2,024	(103)
Total revenues	952,783	952,783	876,775	(76,008)
EXPENDITURES:				
Current:				
Parks and recreation	378,851	377,396	258,276	119,120
Total expenditures	378,851	377,396	258,276	119,120
REVENUES OVER (UNDER) EXPENDITURES	573,932	575,387	618,499	43,112
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	2,516	2,516
Transfers out	(653,283)	(663,283)	(663,283)	-
Total other financing sources (uses)	(653,283)	(663,283)	(660,767)	2,516
Net change in fund balance	\$ (79,351)	\$ (87,896)	(42,268)	\$ 45,628
FUND BALANCE:				
Beginning of year			46,161	
End of year			<u>\$ 3,893</u>	

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	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES:				
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)
Total revenues	<u>150,856</u>	<u>150,856</u>	<u>138,425</u>	<u>(12,431)</u>
EXPENDITURES:				
Current:				
Community development	<u>185,508</u>	<u>184,700</u>	<u>25,682</u>	<u>159,018</u>
Total expenditures	<u>185,508</u>	<u>184,700</u>	<u>25,682</u>	<u>159,018</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(34,652)</u>	<u>(33,844)</u>	<u>112,743</u>	<u>146,587</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	<u>-</u>	<u>-</u>	<u>(110,000)</u>	<u>(110,000)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(110,000)</u>	<u>(110,000)</u>
Net change in fund balance	<u>\$ (34,652)</u>	<u>\$ (33,844)</u>	<u>2,743</u>	<u>\$ 36,587</u>
FUND BALANCE:				
Beginning of year			<u>332,894</u>	
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	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES:				
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
Total revenues	<u>570,358</u>	<u>570,358</u>	<u>1,718,321</u>	<u>1,147,963</u>
EXPENDITURES:				
Current:				
Parks and recreation	<u>571,062</u>	<u>570,502</u>	<u>3,157,441</u>	<u>(2,586,939)</u>
Total expenditures	<u>571,062</u>	<u>570,502</u>	<u>3,157,441</u>	<u>(2,586,939)</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(704)</u>	<u>(144)</u>	<u>(1,439,120)</u>	<u>(1,438,976)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	<u>-</u>	<u>-</u>	<u>1,216,293</u>	<u>1,216,293</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>1,216,293</u>	<u>1,216,293</u>
Net change in fund balance	<u>\$ (704)</u>	<u>\$ (144)</u>	<u>(222,827)</u>	<u>\$ (222,683)</u>
FUND BALANCE:				
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	Variance with Final Budget Positive (Negative)
	Original	Final	Amounts	
OTHER FINANCING SOURCES (USES):				
Transfers out	\$ (500,000)	\$ (532,000)	\$ (532,025)	\$ (25)
Total other financing sources (uses)	(500,000)	(532,000)	(532,025)	(25)
Net change in fund balance	<u>\$ (500,000)</u>	<u>\$ (532,000)</u>	(532,025)	<u>\$ (25)</u>
FUND BALANCE:				
Beginning of year			<u>532,025</u>	
End of year			<u>\$ -</u>	

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	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES:				
Taxes	\$ 3,225,000	\$ 3,225,000	\$ 3,316,543	\$ 91,543
Total revenues	3,225,000	3,225,000	3,316,543	91,543
EXPENDITURES:				
Current:				
Fire	-	-	148,585	(148,585)
Total expenditures	-	-	148,585	(148,585)
REVENUES OVER (UNDER) EXPENDITURES	3,225,000	3,225,000	3,167,958	(57,042)
OTHER FINANCING SOURCES (USES):				
Transfers out	(3,225,000)	(1,932,000)	(1,582,000)	350,000
Total other financing sources (uses)	(3,225,000)	(1,932,000)	(1,582,000)	350,000
Net change in fund balance	\$ -	\$ 1,293,000	1,585,958	\$ 292,958
FUND BALANCE:				
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	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES:				
Use of money and property	\$ 611,615	\$ 611,615	421,447	\$ (190,168)
Total revenues	611,615	611,615	421,447	(190,168)
EXPENDITURES:				
Current:				
Debt service				
Principal	410,000	410,000	410,000	-
Interest and other charges	503,719	503,719	510,082	(6,363)
Total expenditures	913,719	913,719	920,082	(6,363)
REVENUES OVER (UNDER) EXPENDITURES	(302,104)	(302,104)	(498,635)	(196,531)
OTHER FINANCING SOURCES (USES):				
Transfers in	1,950,542	1,427,052	1,427,052	-
Transfers out	-	-	(11,464,464)	(11,464,464)
Total other financing sources (uses)	1,950,542	1,427,052	(10,037,412)	(11,464,464)
Net change in fund balance	<u>\$ 1,648,438</u>	<u>\$ 1,124,948</u>	(10,536,047)	<u>\$ (11,660,995)</u>
FUND BALANCE:				
Beginning of year			16,410,474	
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

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES:				
Use of money and property	\$ 532	\$ 532	\$ 1,101	\$ 569
Total revenues	532	532	1,101	569
Net change in fund balance	<u>\$ 532</u>	<u>\$ 532</u>	1,101	<u>\$ 569</u>
FUND BALANCE:				
Beginning of year			26,795	
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
ASSETS			
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	2,345,556	304,574	214,834
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	-	9,296	67,287
Total assets	2,345,556	313,870	282,121
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources - pension	-	-	369,305
Deferred outflows of resources - OPEB	256,161	-	-
Total deferred outflows of resources	256,161	-	369,305
LIABILITIES			
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	93,929	10,266	565,698
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	5,966,962	2,802	1,919,308
Total liabilities	6,060,891	13,068	2,485,006
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - OPEB	762,038	-	-
Total deferred inflows of resources	762,038	-	-
NET POSITION			
Net investment in capital assets	-	9,296	67,287
Unrestricted	(4,221,212)	291,506	(1,900,867)
Total net position	\$ (4,221,212)	\$ 300,802	\$ (1,833,580)

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
OPERATING REVENUES:			
Charges for services	\$ 1,584,721	\$ -	\$ 5,242,474
Total operating revenues	<u>1,584,721</u>	<u>-</u>	<u>5,242,474</u>
OPERATING EXPENSES:			
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
Total operating expenses	<u>555,425</u>	<u>164,125</u>	<u>4,513,431</u>
OPERATING INCOME (LOSS)	<u>1,029,296</u>	<u>(164,125)</u>	<u>729,043</u>
NONOPERATING REVENUES (EXPENSES):			
Investment earnings and rent	158,572	14,607	-
Interest expense	(72,407)	-	-
Gain(loss) on disposal of assets	5,372	570	-
Total nonoperating revenues (expenses)	<u>91,537</u>	<u>15,177</u>	<u>-</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>1,120,833</u>	<u>(148,948)</u>	<u>729,043</u>
Transfers in	32	1,941	35,965
Transfers out	(1,500,000)	-	-
Total transfers	<u>(1,499,968)</u>	<u>1,941</u>	<u>35,965</u>
Change in net position	<u>(379,135)</u>	<u>(147,007)</u>	<u>765,008</u>
NET POSITION:			
Beginning of year	\$ (3,842,077)	\$ 447,809	\$ (2,598,588)
End of year	<u>\$ (4,221,212)</u>	<u>\$ 300,802</u>	<u>\$ (1,833,580)</u>

<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
CASH FLOWS FROM OPERATING ACTIVITIES:			
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)	-	-
Net cash provided by (used in) operating activities	1,003,087	(157,222)	891,075
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers from other funds	32	1,941	35,965
Transfers to other funds	(1,500,000)	-	-
Interfund borrowings	(462,519)	-	(896,936)
Net cash provided by (used in) noncapital financing activities	(1,962,487)	1,941	(860,971)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
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)
Net cash provided by (used in) capital and related financing activities	(67,035)	570	(30,104)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest on investments	158,572	14,607	-
Net cash provided by investing activities	158,572	14,607	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(867,863)	(140,104)	-
CASH AND CASH EQUIVALENTS - Beginning of year	3,213,326	439,234	-
CASH AND CASH EQUIVALENTS - End of year	\$ 2,345,463	\$ 299,130	\$ -
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
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)
Total adjustments	(26,209)	6,903	162,032
Net cash provided (used) in operating activities	\$ 1,003,087	\$ (157,222)	\$ 891,075
Schedule of non-cash capital and related financing activities:			
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
<u>\$ 2,610,854</u>	<u>\$ 356,479</u>	<u>\$ -</u>	<u>\$ 15,585,231</u>	<u>\$ 21,197,157</u>
\$ (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
<u>(951,933)</u>	<u>(54,580)</u>	<u>-</u>	<u>1,706,169</u>	<u>2,436,596</u>
\$ -	\$ 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
ASSETS				
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	4,626,943	26,095	109,826	4,762,864
LIABILITIES				
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	47,095,976	-	-	47,095,976
NET POSITION				
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
ADDITIONS				
Property tax	\$ 4,212,532	\$ -	\$ -	\$ 4,212,532
Use of money and property	35,393	1,031	4,337	40,761
Total operating revenues	4,247,925	1,031	4,337	4,253,293
DEDUCTIONS				
Community development	131,313	-	-	131,313
Interest payments	1,616,801	-	-	1,616,801
Total expenditures	1,748,114	-	-	1,748,114
Change in net position	2,499,811	1,031	4,337	2,505,179
NET POSITION:				
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
ASSETS			
Cash and investments	\$ 2,269,333	\$ 60,986	\$ 2,330,319
Accounts receivable	185	-	185
Total assets	2,269,518	60,986	2,330,504
LIABILITIES			
Liabilities:			
Accounts payable	58,247	-	58,247
Deposits payable	384	-	384
Total liabilities	58,631	-	58,631
NET POSITION			
Restricted for other governments	2,210,887	60,986	2,271,873
Total net position	\$ 2,210,887	\$ 60,986	\$ 2,271,873

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
ADDITIONS:			
Other revenues	\$ 8,309,888	\$ -	\$ 8,309,888
Total additions	8,309,888	-	8,309,888
DEDUCTIONS:			
Professional and other services	7,748,999	16,598	7,765,597
Total deductions	7,748,999	16,598	7,765,597
Change in net position	560,889	(16,598)	544,291
NET POSITION			
Beginning of year	1,649,998	77,584	1,727,582
End of year	<u>\$ 2,210,887</u>	<u>\$ 60,986</u>	<u>\$ 2,271,873</u>



STATISTICAL SECTION

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.

Contents	Schedule
Financial Trends <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>	1, 2, 3, 4, 5
Revenue Capacity <i>These schedules contain trend information to help the reader assess the factors affecting the City's ability to generate its property taxes.</i>	6, 7, 8, 9, 10, 11
Debt Capacity <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>	12, 13, 14, 15
Demographic and Economic Information <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>	16, 17
Operating Information <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>	18, 19, 20

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
Expenses:										
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>
General revenues and other changes in net position:										
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>
Changes in net position:										
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
General Fund:										
Nondisposable	\$ 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>
All Other Governmental Funds:										
Nondisposable	\$ 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
Revenues										
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
Total revenues	60,682,301	60,613,790	66,226,168	65,958,488	63,864,070	72,228,557	88,440,211	101,385,506	100,749,813	117,025,740
Expenditures										
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
Total expenditures	48,554,698	53,600,045	62,897,042	57,194,201	59,199,020	66,108,191	82,604,591	96,072,414	109,489,176	115,748,173
Excess of revenues over (under) expenditures	12,127,603	7,013,745	3,329,126	8,764,287	4,665,050	6,120,366	5,835,620	5,313,092	(8,739,363)	1,277,567
Other Financing Sources (Uses):										
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)
Total other financing sources (uses)	(1,346,866)	(1,066,353)	(781,618)	(362,583)	(1,166,827)	(906,412)	19,552,437	(733,329)	(1,046,045)	777,491
Special Item										
Successor Agency Bond Proceeds	-	5,547,823	4,736,219	-	-	-	-	-	-	-
Net change in Fund Balance	\$ 10,780,737	\$ 11,495,215	\$ 7,283,727	\$ 8,401,704	\$ 3,498,223	\$ 5,213,954	\$ 25,388,057	\$ 4,579,763	\$ (9,785,408)	\$ 2,055,058

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.

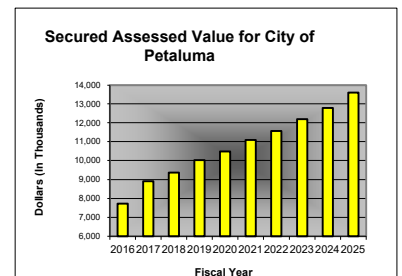
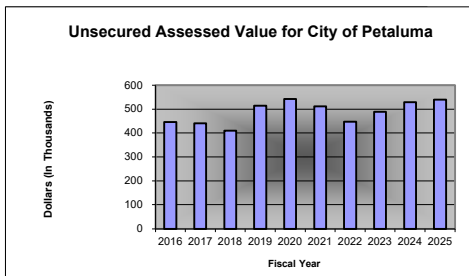
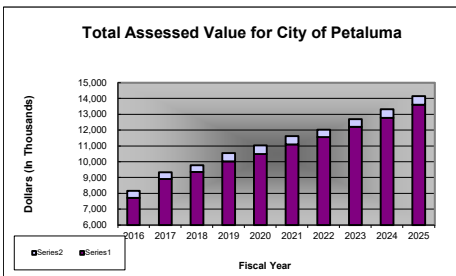
Schedule 5
City of Petaluma, CA
Tax Revenues by Source, Governmental Funds
Last Ten Fiscal Years

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%
Total taxes	<u>\$ 31,530,250</u>	<u>\$ 32,616,097</u>	<u>\$ 33,851,761</u>	<u>\$ 35,684,263</u>	<u>\$ 34,663,927</u>	<u>\$ 39,482,640</u>	<u>\$ 57,769,250</u>	<u>\$ 56,801,133</u>	<u>\$ 57,269,299</u>	<u>\$ 62,796,700</u>	

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

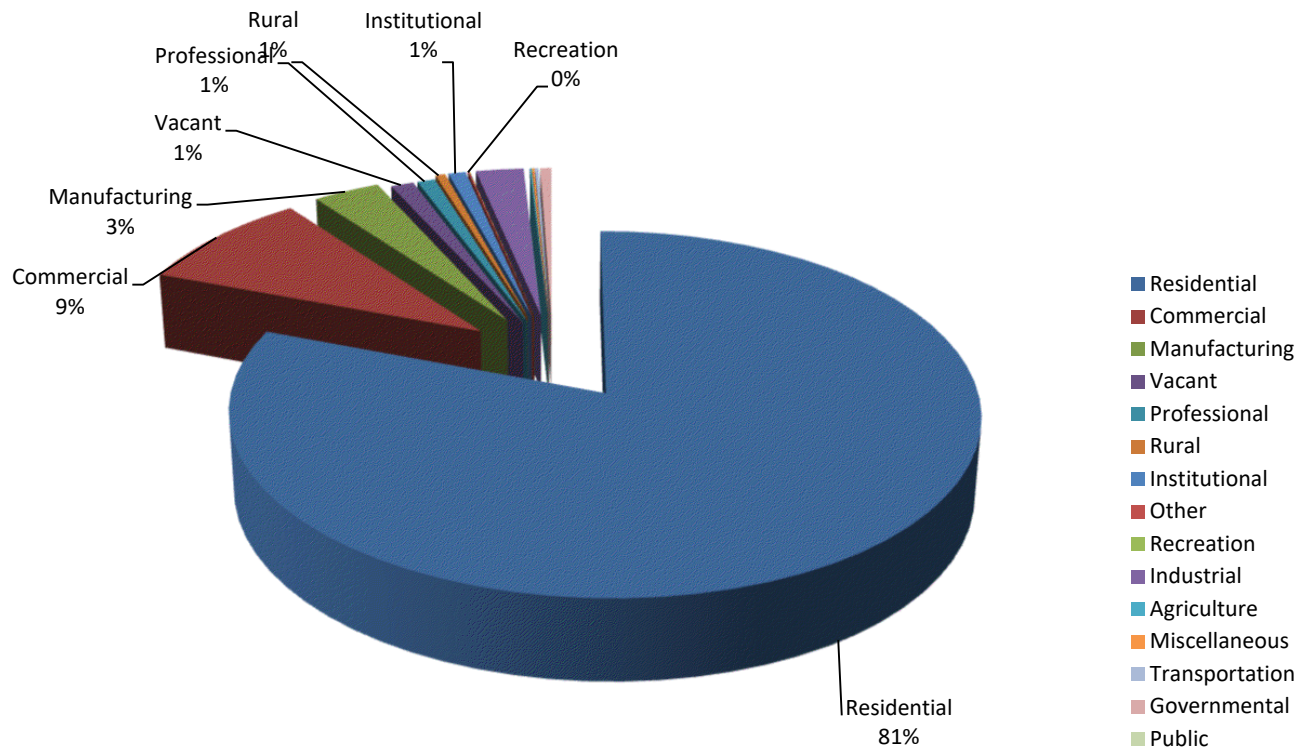
Last Ten Fiscal Years (in thousands)

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	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:		(2,822,315,152)	
Adjusted Assessed Valuation:	\$	10,988,725,591	

	Total Debt 6/30/2025	% Applicable	City's Share of Debt 6/30/2025
OVERLAPPING TAX AND ASSESSMENT DEBT:			
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			\$ 216,136,030
DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
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:			\$ 40,035,919
OVERLAPPING TAX INCREMENT DEBT	\$ 46,410,000	96.19%	\$ 44,639,923
Total Direct Debt			17,931,000
Total Overlapping Debt			282,880,872
Combined Total Debt			\$ 300,811,872

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

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%
Total Principal Employers	3,573		11.60%	4,484		13.63%
Total City Employment (1)	30,800			32,900		

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
Governmental										
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
Business Activities										
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
Internal Service										
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
Total	291	305	311	317	325	328	333	369	393	405

Source: City budget, finance department

Schedule 19
City of Petaluma, CA
Operating Indicators by Function/Program,
Last Ten Fiscal Years

Function/Program	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
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

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Function/Program										
Police										
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
Fire										
Fire stations	3	3	3	3	3	3	3	3	3	3
Ambulances	4	3	3	3	4	4	4	4	4	4
Public works										
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	5169	5178	5178	5178	5197
Traffic Signals	51	51	51	51	51	51	51	51	51	54
Park and recreation										
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
Water										
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	2626	2640	2665	2670
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	8743	8757	8230	8260
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
Wastewater										
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	2445	2445	2445	2445
Transit										
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 INDENTURE

The following is a brief summary of the provisions of the Indenture relating to the 2026 Bonds, which are described as the “Bonds” herein, that are not summarized elsewhere in the Official Statement. Such summary is not intended to be definitive, and reference is made to the complete documents for the complete terms thereof.

Certain Definitions

“Additional Revenues” is defined in the main body of the Official Statement.

“Balloon Indebtedness” means any Outstanding Parity Debt or proposed Parity Debt with respect to which 25% or more of the outstanding principal balance, by its terms, is due and payable within any 12-month period. For clarity, Balloon Indebtedness does not include long-term, fixed-rate, fully amortizing debt.

“Bond Counsel” means (a) Jones Hall LLP, or (b) any other attorney or firm of attorneys appointed by or acceptable to the City 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 Law” means the provisions of Chapter 4.08 of the Petaluma Municipal Code, entitled the “Petaluma Bond Law,” as in effect on the Closing Date or as thereafter amended in accordance with its terms.

“Bonds” means the City of Petaluma 2026 Wastewater Revenue Bonds issued and at any time Outstanding hereunder.

“Business Day” means a day (other than a Saturday or a Sunday) on which banks are not required or authorized to remain closed in the state in which the Office of the Trustee is located, and on which the Federal Reserve Bank system is not closed.

“Capitalized Interest Account” means the account by that name established and held by the Trustee within the Debt Service Fund pursuant to the Indenture.

“Certificate of the City” means a certificate in writing signed by the Mayor, the City Manager of the City, the Finance Director of the City, or any other officer of the City duly authorized by the City Council for that purpose.

“Closing Date” means the date of delivery of the Bonds to the Original Purchaser.

“Continuing Disclosure Agreement” means the Continuing Disclosure Agreement described in the Indenture.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to 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 its counsel, fees, charges and disbursements of attorneys, financial advisor, accounting firms, consultants and other professionals, 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.

“Debt Service” means, with respect to any Fiscal Year, the aggregate amount of principal and interest on any Outstanding Bonds and Parity Debt that is due and payable during such Fiscal Year, exclusive of any interest that is payable from amounts on deposit in the Capitalized Interest Account held by the Trustee for that purpose, provided that:

(a) if any Outstanding Parity Debt or proposed Parity Debt is taxable or tax-exempt Balloon Indebtedness, then the aggregate principal amount of such Balloon Indebtedness shall be assumed to amortize from the date of calculation in substantially equal annual installment payments (e.g., principal plus interest) over a term of 30-years at an interest rate equal to 110% (taxable) or 80% (tax-exempt) of the greater of (i) the average yield on a 30-year U.S. Treasury Bond for the five (5) whole calendar years preceding the date of calculation, or (ii) the yield on a 30-year U.S. Treasury Bond on the date of calculation; and

(b) if any Outstanding Parity Debt or proposed Parity Debt is taxable or tax-exempt Variable-Rate Debt that is not Balloon Indebtedness, then the interest rate on such Variable-Rate Debt shall be assumed to equal 110% (taxable) or 80% (tax-exempt) of the greater of (i) the average yield on a 1-month U.S. Treasury Bill for the five (5) whole calendar years preceding the date of calculation, or (ii) the yield on a 1-month U.S. Treasury Bill on the date of calculation.

“Debt Service Fund” means the fund by that name established and held by the Trustee under the Indenture.

“Depository” means (a) initially, DTC, and (b) any other Securities Depository acting as Depository under the Indenture.

“Depository System Participant” means any participant in the Depository’s book-entry system.

“Defeasance Securities” means (1) cash, (2) direct, non-callable obligations of the United States of America, or any agency, department or instrumentality of the United States of America, the timely payment of principal and interest on which are guaranteed by the full faith and credit of the United States of America or (3) pre-refunded municipal obligations that are secured by direct, non-callable obligations of the United States of America, the timely payment of principal and interest on which are guaranteed by the full faith and credit of the United States of America.

“Event of Default” means any of the events described in 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 is 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 the period commencing on July 1 of each year and ending on the next succeeding June 30, or such other period as may be established by the City as its official fiscal year period (written notice of which shall be given by the City to the Trustee).

“Gross Revenues” is defined in the main body of the Official Statement.

“Indenture” means the Indenture of Trust, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Indenture under the provisions thereof.

“Independent Accountant” means any accountant or firm of such accountants appointed and paid by the City, and who, or each of whom (a) is in fact independent and not under domination of the City; (b) does not have any substantial interest, direct or indirect, with the City; and (c) is not connected with the City as an officer or employee of the City, but who may be regularly retained to make annual or other audits of the books of or reports to the City.

“Maximum Annual Debt Service” means, as of the date of any calculation, the maximum amount of Debt Service that is due and payable during the current or any future Fiscal Year.

“Moody’s” means Moody’s Investors Services, and its successors and assigns.

“Net Proceeds” means, when used with respect to any casualty insurance or condemnation award, the proceeds from such insurance or condemnation award remaining after payment of all expenses (including attorneys’ fees) incurred in the collection of such proceeds.

“Net Revenues” means, for any period, Gross Revenues received during such period minus Operation and Maintenance Costs becoming payable during such period.

“Nominee” means (a) initially, Cede & Co. as nominee of DTC, and (b) any other nominee of the Depository designated under the Indenture.

“Office” means, with respect to the Trustee, the corporate trust office of the Trustee at the address set forth in the Indenture, or at such other or additional offices as may be specified by the Trustee in writing to the City; 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 business is conducted.

“Operation and Maintenance Costs” is defined in the main body of the Official Statement.

“Original Purchaser” means the original purchaser of the Bonds upon their delivery by the Trustee on the Closing Date.

“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 this 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 City has been discharged in accordance with the Indenture; (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; and (d) Bonds which are required to be disregarded and not deemed Outstanding under the Indenture.

“Owner”, when used with respect to any Bond, means the person in whose name the ownership of such Bond is registered on the Registration Books.

“Parity Debt” means the 2017 Bonds, 2019 Bonds, and other bonds, notes, loan agreements, installment sale agreements, leases or obligations of the City payable from and secured by a pledge of and lien on any of the Net Revenues issued or incurred on a parity with the Bonds under the Indenture.

“Parity Debt Documents” means the 2017 Indenture, 2019 Indenture and any other agreement, indenture of trust, resolution or other instrument authorizing the issuance of Parity Debt.

“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 City, (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 Local Agency Deposit Law (California Government Code Section 53630 et seq.);
- (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 (NSRSO’s), which funds may include funds for which the Trustee, its affiliates, parent or subsidiaries provide investment advisory, custodial, transfer agency or other management services, and for which they receive and retain a fee for such services;
- (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 commitment to invest therein, a rating of A-1 or better from S&P or P-1 from Moody’s.

Ratings of Permitted Investments referred to herein shall be determined at the time of purchase of such Permitted Investments and without regard to rating subcategories. The Trustee shall have no responsibility to monitor the ratings of Permitted Investments after the initial purchase of such Permitted Investments or the responsibility to validate the ratings of Permitted Investments prior to the initial purchase.

“Project” means (a) the Parallel Force Main Project and (b) the Pump Station Replacement Project currently planned by the City for the Wastewater System; provided, that the City may modify the definition of “Project” to include such other capital improvement projects for the Wastewater System, subject to the approval of the City Council of the City.

“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 or 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) all costs of engineering and architectural services, including the actual out-of-pocket costs for test borings, surveys, estimates, plans and specifications and preliminary investigations therefor, development fees, sales commissions, and 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) 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; (f) all financing costs incurred in connection with the acquisition, construction and installation of the Project; and (g) the interest components of the Bonds allocable to the Project, which come due during the period of acquisition, construction and installation of the Project.

“Project Fund” means the fund by that name established and held by the Trustee under the Indenture.

“Public Utility Rate Consultant” means a nationally recognized firm with demonstrated experience performing rate studies and advising California cities on the design and implementation of wastewater system rates and user charges that adhere to the requirements of the California Government Code and California Proposition 218; provided, such firm is independent of the City; does not have any substantial interest, direct or indirect, with the City; and is not connected with the City as an officer or employee.

“Rate Stabilization Fund” means the fund by that name established and held by the City 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.

“Registration Books” means the books maintained by the Trustee under the Indenture for the registration and transfer of ownership of the Bonds.

“Request of the City” means a request in writing signed by the Mayor, the City Manager of the City, or any other officer of the City duly authorized by the City Council for that purpose.

“Resolution” means the Resolution adopted by the City Council of the City pursuant to the Bond Law on June 8, 2026, authorizing issuance of the Bonds.

“Securities Depositories” means DTC; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the City may designate in a Request of the City delivered by the City to the Trustee.

“S&P” means S&P Global Ratings, a division of Standard & Poor’s Financial Services LLC, and its successors.

“State Loans” means loans secured by a pledge of Net Revenues of the Wastewater System and incurred by the City to finance improvements to the Wastewater System pursuant to the Indenture.

“Supplemental Indenture” means any indenture, agreement, resolution or other instrument hereafter duly adopted or executed in accordance with 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 temporary and final regulations promulgated, and applicable official public guidance published, under said Code.

“Variable-Rate Debt” means any indebtedness, the interest rate on which is not fixed for the entire term of the indebtedness at the time the debt is issued.

“Wastewater Fund” means the fund established and held by the City with respect to the Wastewater System for the deposit of Gross Revenues.

“Wastewater System” is defined in the main body of the Official Statement.

Establishment of Funds and Accounts

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.

Project Fund. A portion of the proceeds of the Bonds will be deposited by the Trustee in the Project Fund on the Closing Date. The moneys in the Project Fund will be disbursed to pay Project Costs.

Other Funds. The Debt Service Fund and Rate Stabilization Fund are described in the main body of the Official Statement.

Investment of Funds; Determination of Value of Investments

All amounts in any of the funds or accounts established and held by the City shall be invested by the City solely in investments which are authorized for the investment of such funds under the applicable laws of the State of California and under the adopted investment policy of the City.

Moneys on deposit in the funds and accounts held by the Trustee shall be invested solely in Permitted Investments pursuant to a Request of the City delivered to the Trustee at least two Business Days in advance of the making of such investments. The Trustee may rely conclusively upon the investment direction of the City as to the suitability and legality of the directed investments. In the absence of any such direction from the City, the Trustee shall hold such moneys uninvested.

Obligations purchased as an investment of moneys in any fund or account shall be deemed to be part of such fund or account. Whenever in the Indenture the City is required to transfer any moneys to the Trustee, such transfer may be accomplished by transferring a like amount of Permitted Investments. All interest or gain derived from the investment of amounts in any of the funds or accounts held by the Trustee shall be retained in the respective fund or account from which such investment was made. For purposes of acquiring any investments under the Indenture, the Trustee may commingle funds held by it upon receipt by the Trustee of the Request of the City. The Trustee or an affiliate may act as principal or agent in the acquisition or disposition of any investment and may impose its customary charges therefor. The Trustee has no liability for losses arising from any investments made under the Indenture. The Trustee shall have no liability in respect of losses incurred as a result of the liquidation of any investment prior to its stated maturity or the failure of the City to provide timely written investment direction. Ratings of Permitted Investments shall be determined at the time of purchase of such Permitted Investments without regard to ratings subcategories.

Certain Covenants of the City

Payment of Bonds. The City shall punctually pay or cause to be paid the interest and principal to become due with respect to all of the Bonds in strict conformity with the terms of the Bonds and of the Indenture, and will faithfully observe and perform all of the conditions, covenants and requirements of the Indenture and all Supplemental Indentures.

Discharge of Claims. The City covenants that in order to fully preserve and protect the priority and security of the Bonds the City shall pay from the Net Revenues and discharge all lawful claims for labor, materials and supplies furnished for or in connection with the Wastewater System which, if unpaid, may become a lien or charge upon the Net Revenues prior or superior to the lien of the Bonds and impair the security of the Bonds. The City shall also pay, from the Net Revenues, all taxes and assessments or other governmental charges lawfully levied or assessed upon or in respect of the Wastewater System or upon any part thereof or upon any of the Net Revenues therefrom.

Operation of Wastewater System in Efficient and Economical Manner. The City covenants and agrees to operate the Wastewater System in an efficient and economical manner and to operate, maintain and preserve the Wastewater System in good repair and working order.

Sale or Eminent Domain of Wastewater System. Except as provided in the Indenture, the City covenants that the Wastewater System will not be encumbered, sold, leased, pledged, any charge placed thereon, or otherwise disposed of, as a whole or substantially as a whole, if such encumbrance, sale, lease, pledge, charge or other disposition would materially impair the ability of the City to pay the principal or interest on the Bonds or any Parity Debt, or would materially adversely affect its ability to comply with the terms of the Indenture or any Parity Debt Documents. The City may not enter into any agreement which impairs the operation of the Wastewater System or any part of it necessary to secure adequate Net Revenues to pay the Bonds and any Parity Debt, or which otherwise would impair the rights of the Bond Owners with respect to the Net Revenues. The Net Proceeds received as a result of the taking of all or any part of the Wastewater System by the lawful exercise of eminent domain, if and to the extent that such right can be exercised against such property of the City, shall either (a) be used for the acquisition or construction of improvements and extension of the Wastewater System, or (b) be applied to redeem the Bonds and any Parity Debt in accordance with the Indenture and the related Parity Debt Documents, in amounts as determined by the City.

Insurance. The City will at all times maintain with responsible insurers all such insurance on the Wastewater System as is customarily maintained with respect to works and properties of like character against accident to, loss of or damage to the Wastewater System. The City shall also maintain, with responsible insurers, worker's compensation insurance and insurance against public liability and property damage to the extent reasonably necessary to protect the City, the Trustee and the Owners of the Bonds. The Trustee has no liability to determine whether the City is in compliance with the foregoing provisions. The Net Proceeds collected by the City from insurance against accident to or destruction of any portion of the Wastewater System shall be used to repair or rebuild such damaged or destroyed portion of the Wastewater System, and to the extent not so applied, shall be applied to redeem the Bonds and any Parity Debt in accordance with the Indenture and the related Parity Debt Documents, in amounts as determined by the City.

Accounting Records and Financial Statements. The City will keep proper books of record and accounts of the Wastewater System, separate from all other records and accounts, in which complete and correct entries shall be made of all transactions relating to the Wastewater System. Said books shall, upon reasonable request, be subject to the inspection of the Trustee and the Owners of not less than 10% of the Outstanding Bonds or their representatives authorized in writing. The City shall cause the books and

accounts of the Wastewater System to be audited annually by an Independent Accountant and will make available for inspection by the Bond Owners at the Office of the Trustee, upon reasonable written request, a copy of the report of such Independent Accountant.

Rates and Charges. The City's covenants with respect to adopting rates and charges of the Wastewater System are summarized in the main body of the Official Statement.

Issuance of Parity and Subordinate Debt. The provisions describing the issuance of Parity Debt and subordinate obligations are summarized in the main body of the Official Statement.

Tax Covenants. The City 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 City 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 Indenture.

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 acceleration, or otherwise.

(b) Failure to pay any installment of interest on the Bonds when due.

(c) Failure by the City 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 City by the Trustee; *provided*, if in the reasonable opinion of the City 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 City institutes corrective action within such 30-day period and thereafter diligently and in good faith cures the failure within 60 days after the written notice of default thereof.

(d) The City commences a voluntary bankruptcy case under Title 11 of the United States Code or any substitute or successor statute.

Remedies. If an Event of Default occurs and is continuing, the Trustee may, and at the written direction of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding the Trustee shall (a) for any default listed in clause (a), (b) or (d) only, declare the principal of the Bonds, together with the accrued interest thereon, to be due and payable immediately, and upon any such declaration the same will become immediately due and payable, anything in the Indenture or in the Bonds to the contrary notwithstanding, and (b) subject to the provisions of the Indenture, exercise any other remedies available to the Trustee and the Bond Owners in law or at equity to enforce the rights of the Bond Owners under the Indenture, including the right, by action brought pursuant to the California Code of Civil Procedure, or as otherwise provided by law, to obtain the issuance of a writ of mandamus enforcing the duty of the City to take all steps necessary for the payment of principal of and interest on the Bonds, and other amounts due hereunder.

Immediately upon becoming aware of the occurrence of an Event of Default, but in no event later than five Business Days following becoming aware of such occurrence, the Trustee shall give notice of

such Event of Default to the City by telephone confirmed in writing. Such notice shall also state whether the principal of the Bonds has been declared to be or have immediately become due and payable. With respect to any Event of Default described in clauses (a) or (b) above the Trustee shall, and with respect to any Event of Default described in clause (c) above the Trustee in its sole discretion may, also give such notice to the Owners, which shall include the statement that interest on the Bonds shall cease to accrue from and after the date, if any, on which the Trustee declares the Bonds to become due and payable under the preceding paragraph (but only to the extent that principal and any accrued, but unpaid, interest on the Bonds is actually paid on such date).

This provision, however, is subject to the condition that if, at any time after the principal of the Bonds has been so declared due and payable, and before any judgment or decree for the payment of the moneys due has been obtained or entered, the City shall deposit with the Trustee a sum sufficient to pay all principal on the Bonds matured prior to such declaration and all matured installments of interest (if any) upon all the Bonds, with interest on such overdue installments of principal and interest at an interest rate of 10% per annum, and the reasonable fees and expenses of the Trustee, including fees and expenses of its attorneys, and any and all other defaults 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) has 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 at least a majority in aggregate principal amount of the Bonds then Outstanding, by written notice to the City and to the Trustee, may, on behalf of the Owners of all of the Bonds, rescind and annul such declaration and its consequences. However, no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

Nothing herein shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Owner any plan of reorganization, arrangement, adjustment, or composition affecting the Bonds or the rights of any Owner thereof, or to authorize the Trustee to vote in respect of the claim of any Owner in any such proceeding without the approval of the Owner so affected.

Application of Funds Upon Acceleration. All amounts received by the Trustee under any right given or action taken by the Trustee under the provisions of the Indenture shall be applied by the Trustee as follows and in the following order:

(a) *First*, to the payment of any fees, costs and expenses incurred by the Trustee to protect the interests of the Owners of the Bonds; payment of the fees, costs and expenses of the Trustee (including fees and expenses of its counsel, including any allocated costs of internal counsel) incurred in and about the performance of its powers and duties under this Indenture and the payment of all fees, costs and expenses owing to the Trustee under the Indenture, together with interest on all such amounts advanced by the Trustee at the maximum rate permitted by law.

(b) *Second*, to the payment of the whole amount then owing and unpaid upon the Bonds for interest and principal, with interest on such overdue amounts at the respective rates of interest borne by those Bonds, and in case such moneys shall be insufficient to pay in full the whole amount so owing and unpaid upon the Bonds, then to the payment of such interest, principal and interest on overdue amounts without preference or priority among such interest, principal and interest on overdue amounts ratably to the aggregate of such interest, principal and interest on overdue amounts.

Power of Trustee to Control Proceedings. If the Trustee, upon the happening of an Event of Default, takes any action, by judicial proceedings or otherwise, in the performance of its duties under the Indenture, whether upon its own discretion, upon the request of the Owners of a majority in aggregate principal amount

of the Bonds then Outstanding, it has full power, in the exercise of its discretion for the best interests of the Owners of the Bonds, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action and the Trustee has been indemnified to its satisfaction. The Trustee may not, unless there no longer continues an Event of Default, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Owners of a majority in principal amount of the Outstanding Bonds hereunder opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation.

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 the powers hereinbefore granted or to institute such action, suit or proceeding in its own name;
- (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; and
- (d) the Trustee has failed to comply with such request for a period of 60 days after such written request has been received by, and said tender of indemnity has been made to, the Trustee.

Amendment of Indenture

Amendments With Consent of Owners. The Indenture and the rights and obligations of the City and of the Owners of the Bonds may be modified or amended by the City and the Trustee upon Request of the City at any time by the execution of a Supplemental Indenture, but only with the written consent of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding with respect to all Bonds then Outstanding, exclusive of Bonds disqualified. Any such Supplemental Indenture becomes effective upon the execution and delivery thereof by the parties thereto and upon consent of the requisite Bond Owners. No such modification or amendment may: (i) extend the maturity of any Bond or reduce the interest rate thereon, or otherwise alter or impair the obligation of the City to pay the principal thereof, or interest thereon, at the time and place and at the rate and in the currency provided therein, without the written consent of the Owner of such Bond, or (ii) permit the creation by the City of any mortgage, pledge or lien upon the Gross Revenues or Net Revenues superior to or on a parity with the pledge and lien created for the benefit of the Bonds (except as expressly permitted by this Indenture), or reduce the percentage of Bonds required for the affirmative vote or written consent to an amendment or modification, or (iii) modify any of the rights or obligations of the Trustee without its written consent.

Amendments Without Consent of Owners. The Indenture and the rights and obligations of the City and of the Owners of the Bonds may also be modified or amended at any time by a Supplemental Indenture, without the consent of any Owners of the Bonds, for any one or more of the following purposes: (i) to add to the covenants and agreements of the City contained in the Indenture, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power herein reserved to or conferred upon the City; (ii) to cure any ambiguity, or to cure, correct or supplement any defective provision contained in the Indenture, or in any other respect whatsoever as the City deems necessary or desirable, provided under any circumstances that such modifications or amendments do not materially adversely affect the interests of the Owners in the opinion of Bond Counsel filed with the City and the Trustee; (iii) to provide for the issuance of Parity Debt under the Indenture, and to provide the terms and conditions under which such

Parity Debt may be issued, including but not limited to the establishment of special funds and accounts relating thereto and any other provisions relating solely thereto, subject to and in accordance with the provisions of the Indenture; and (iv) to amend any provision hereof to assure the exclusion from gross income of interest on the Bonds for federal income tax purposes under the Tax Code, in the opinion of Bond Counsel filed with the City and the Trustee.

Discharge of Indenture

(i) If the City pays and discharges the entire indebtedness on any Bonds in any one or more of the following ways: (a) by paying or causing to be paid the principal of and interest on such Bonds, as and when the same become due and payable; (b) subject to the conditions set forth in subsection (ii) below, by irrevocably depositing with the Trustee or an escrow bank, in trust, at or before maturity, an amount of cash which, together with the available amounts then on deposit in the funds and accounts established under this Indenture, in the opinion or report of an Independent Accountant is fully sufficient to pay such Bonds, including all principal and interest; (c) subject to the conditions set forth in subsection (ii) below, by irrevocably depositing with the Trustee or an escrow bank, Defeasance Securities in such amount as an Independent Accountant determines will, together with the interest to accrue thereon and available moneys then on deposit in any of the funds and accounts established under this Indenture, be fully sufficient to pay and discharge the indebtedness on such Bonds (including all principal and interest) at or before maturity; or (d) by purchasing such Bonds prior to maturity and tendering such Bonds to the Trustee for cancellation;

then, at the election of the City, and notwithstanding that any such Bonds have not been surrendered for payment, the pledge of the Net Revenues and other funds provided for in this Indenture and all other obligations of the Trustee and the City under this Indenture with respect to such Bonds shall cease and terminate, except only: the obligations of the City under the Indenture regarding its Tax Covenants, the obligation of the Trustee to transfer and exchange Bonds hereunder, the obligation of the City to pay or cause to be paid to the Owners of such Bonds, from the amounts so deposited with the Trustee, all sums due thereon, and the obligations of the City to compensate and indemnify the Trustee under the Indenture. The City must file notice of such election with the Trustee. The Trustee shall pay any funds thereafter held by it, which are not required for said purpose, to the City or to its order.

(ii) To accomplish defeasance pursuant to paragraphs (i)(b) or (i)(c) above, the City shall cause to be delivered (a) a report of an Independent Accountant verifying the sufficiency of the escrow established to pay the Bonds in full on the maturity date (“Verification”), (b) an escrow agreement, and (c) an opinion of Bond Counsel to the effect that the Bonds are no longer “Outstanding” under this Indenture; each Verification and defeasance opinion to be acceptable in form and substance, and addressed, to the City and Trustee.

(iii) In the case of a defeasance or payment of all of the Bonds Outstanding in accordance with the foregoing, the Trustee shall pay all amounts held by it in any funds or accounts hereunder, which are not required for said purpose or for payment of amounts due the Trustee under the Indenture, to the City.

(iv) Bonds shall be deemed “Outstanding” under this Indenture unless and until they are in fact paid and retired or the above criteria are met.

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APPENDIX D

BOOK-ENTRY SYSTEM

The information in this section concerning DTC and DTC's book-entry only system has been obtained from sources that the City believes to be reliable, but the City takes 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 2026 Bonds, payment of principal, premium, if any, accreted value, if any, and interest on the 2026 Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the 2026 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"), New York, NY, will act as securities depository for the 2026 Bonds. The 2026 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 2026 Bond will be issued for each annual maturity of the 2026 Bonds, each in the aggregate principal amount of such annual maturity, and will be deposited with DTC.

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

Purchases of 2026 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2026 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2026 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 2026 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 2026 Bonds, except in the event that use of the book-entry system for the 2026 Bonds is discontinued.

To facilitate subsequent transfers, all 2026 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 2026 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no

knowledge of the actual Beneficial Owners of the 2026 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2026 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 2026 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2026 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the 2026 Bonds documents. For example, Beneficial Owners of 2026 Bonds may wish to ascertain that the nominee holding the 2026 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 2026 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 2026 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 2026 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the 2026 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of 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 City or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A 2026 Bond Owner shall give notice to elect to have its 2026 Bonds purchased or tendered, through its Participant, to the Trustee, and shall effect delivery of such 2026 Bond by causing the Direct Participant to transfer the Participant's interest in the 2026 Bonds, on DTC's records, to the Trustee. The requirement for physical delivery of 2026 Bond in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the 2026 Bond are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered 2026 Bond to the Trustee's DTC account.

DTC may discontinue providing its services as depository with respect to the 2026 Bonds at any time by giving reasonable notice to the City or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, 2026 Bonds will be printed and delivered to DTC.

THE TRUSTEE, AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE 2026 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 2026 BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

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APPENDIX E

FORM OF BOND COUNSEL OPINION

[Dated Date]

City Council
City of Petaluma
11 English Street
Petaluma, CA 94952

OPINION: \$ _____ City of Petaluma
 2026 Wastewater Revenue Bonds

Members of the City Council:

We have acted as bond counsel to the City of Petaluma (the “City”) in connection with the issuance by the City of the captioned bonds (the “Bonds”). In such capacity, we have examined such law and such certified proceedings, certifications and other documents as we have deemed necessary to render this opinion.

The Bonds are issued pursuant to the provisions of the Petaluma Bond Law, constituting Chapter 4.08 of Title 4 of the Petaluma Municipal Code (the “Bond Law”), an Indenture of Trust, dated as of August 1, 2026 (the “Indenture”), by and between the City and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), and a resolution (the “Resolution”) of the City Council of the City adopted _____, 2026.

Under the Indenture, the City has pledged the Net Revenues of its Wastewater System (as such terms are defined in the Indenture) for the payment of principal and interest on the Bonds when due.

Regarding questions of fact material to our opinion, we have relied on representations of the City contained in the Indenture, 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, 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 City is a duly created and validly existing municipal corporation and charter city with the power to adopt the Resolution, enter into the Indenture and perform the agreements on its part contained therein, and issue the Bonds.
2. The Indenture has been duly authorized, executed and delivered by the City, and constitutes a valid and binding obligation of the City, enforceable against the City.
3. The Indenture creates a valid lien on the Net Revenues and other funds pledged by the Indenture for the security of the Bonds, on a parity with other bonds issued or to be issued in accordance with the Indenture.

4. The Bonds have been duly authorized and executed by the City, and are valid and binding limited obligations of the City, payable solely from the Net Revenues and other funds provided therefor in the Indenture.

5. 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 City comply with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the delivery of the Bonds in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The City has 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.

6. 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 and the Indenture 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,

APPENDIX F

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this “Disclosure Agreement”) is executed and delivered by the City of Petaluma, California (the “City”) and Willdan Financial Services as dissemination agent (the “Dissemination Agent”) in connection with the issuance of \$_____ City of Petaluma 2026 Wastewater Revenue Bonds (the “Bonds”). The Bonds are being issued pursuant to Chapter 4.08 of the Petaluma Municipal Code and an Indenture of Trust, dated as of August 1, 2026 (the “Indenture”), between the City and The Bank of New York Mellon Trust Company, N.A., as trustee. The City and Dissemination Agent covenant and agree as follows:

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

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.

“Beneficial Owner” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Dissemination Agent” shall mean Willdan Financial Services, or any successor Dissemination Agent designated by the City.

“Financial Obligation” means 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 Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board.

“Official Statement” shall mean the Official Statement relating to the Bonds, dated _____, 2026.

“Participating Underwriter” shall mean the original purchasers of the Bonds required to comply with the Rule in connection with offering of the Bonds.

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

“State” shall mean the State of California.

SECTION 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than March 1 following the end of each Fiscal Year of the City (presently such fiscal year ends June 30) or the next succeeding business day if that day is not a business day, commencing with the report for the fiscal year ending June 30, 2026, provide to 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 cross-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 they are 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(c).

(b) Not later than fifteen (15) Business Days prior to said date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If the City is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the City shall send a notice to the MSRB in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall (if the Dissemination Agent is other than the City), file a report with the City certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided to the MSRB.

SECTION 4. Content of Annual Reports. The City's Annual Report shall contain or include by reference the:

1. The audited financial statements of the City for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If 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 final 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 of the City for the following tables 5, 6, 7, 8, 9, and 11.

3. Any rate increases that became effective on July 1 of the preceding calendar year.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which have been submitted to each of the MSRB or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB. The City shall clearly identify each such other document so included by reference.

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 events with respect to the Indenture or its obligations in relation to the Bonds:

(1) Principal and interest payment delinquencies;

(2) Nonpayment 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 of determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (7) Modifications to the rights of Bondholders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the Bonds, if material;
- (11) Rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of the City; Note: For the purposes of the event identified in subparagraph (12), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.
- (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 of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

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. 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 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 9. Default. In the event of a failure of the City to comply with any provision of this Disclosure Certificate, the sole legal remedy of any Holder or Beneficial Owner of the Bonds or the Participating Underwriter shall be an action to compel performance. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture.

No Bondholder or Beneficial Owner may institute such action, suit or proceeding to compel performance unless they shall have first delivered to the City satisfactory written evidence of their status as such, and a written notice of and request to cure such failure, and the City shall have refused to comply therewith within a reasonable time.

SECTION 10. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the City agrees, to the extent permitted by law, to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 11. 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 Agreement, the City shall describe such amendment in the same manner as for a Listed Event under Section 5(c). 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 12. Transmission of Notices, Documents and Information.

(a) Unless otherwise required by the MSRB, all notices, documents and information provided to the MSRB shall be provided to the MSRB's Electronic Municipal Markets Access (EMMA) system, the current Internet Web address of which is www.emma.msrb.org.

(b) All notices, documents and information provided to the MSRB shall be provided in an electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 14. Governing Law. The provisions of this Disclosure Agreement shall be governed by and construed in accordance with the laws of the State of California.

Dated: July __, 2026

CITY OF PETALUMA

By _____
Authorized Representative

Acknowledged and Agreed:

WILLDAN FINANCIAL SERVICES

By _____
Authorized Representative

EXHIBIT A

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Obligated Party: City of Petaluma

Name of Bond Issue: \$_____ City of Petaluma 2026 Wastewater Revenue Bonds

Date of Issuance: August __, 2026

NOTICE IS HEREBY GIVEN that an Annual Report with respect to the above-named Bonds was not released by the City by the date required in the Continuing Disclosure Agreement. [The City anticipates that the Annual Report will be filed by _____.]

Dated: _____, 20__

City of Petaluma

By _____ [form only; no signature required]

CITY OF PETALUMA 2026 WASTEWATER REVENUE BONDS



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