ATTACHMENT 1

[JH Draft 6-15-16]

PRELIMINARY OFFICIAL STATEMENT DATED _________, 2016

NEW ISSUE | **RATING: S&P: "___"**
FULL BOOK ENTRY | **See "RATING."**

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the Series 2016A 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 imposed on individuals and corporations, although for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS."

$____________*

CITY OF SANTA ROSA
WASTEWATER REVENUE REFUNDING BONDS, SERIES 2016A

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

General. The captioned bonds (the "Series 2016A Bonds") are being issued by the City of Santa Rosa (the "City") under an Indenture of Trust dated as of February 1, 1988, as amended by a series of Supplemental Indentures of Trust, including the Nineteenth Supplemental Indenture of Trust, dated as of ___________ 1, 2016, which relates specifically to the Series 2016A Bonds (the "Nineteenth Supplement," and collectively, the "Indenture"), between the City and U.S. Bank National Association, San Francisco, California, as trustee (the "Trustee").

Purpose of the Series 2016A Bonds. Proceeds of the Series 2016A Bonds will be used to (i) defease, pay and redeem a portion of the City's outstanding Wastewater Revenue Bonds, Series 2007A and all the City's outstanding Wastewater Revenue Bonds, Series 2008A, (ii) if the City determines at the time of pricing of the Series 2016A Bonds that it is economic to do so, prepay all or a portion of the outstanding loans previously incurred by the City to finance improvements to the Enterprise, (iii) fund a deposit into the Reserve Account (as defined in this Official Statement) that satisfies the Reserve Requirement (as defined in this Official Statement) and (iv) pay the costs of issuing the Series 2016A Bonds.

DTC; Interest Payment Dates. The Series 2016A 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 certificates representing their ownership interest in the Series 2016A Bonds. Interest on the Series 2016A Bonds is payable on September 1 and March 1 of each year, commencing [September 1, 2016], by the Trustee to DTC for subsequent disbursement to DTC participants, so long as DTC, or its nominee, remains the registered owner of the Series 2016A Bonds.

Redemption Prior to Maturity. ***The Series 2016A Bonds are subject to redemption prior to maturity as described in this Official Statement. See "THE SERIES 2016A BONDS – Redemption."***

Security for the Series 2016A Bonds. The Series 2016A Bonds are special obligations of the City and are payable exclusively from Net Revenues (as defined in this Official Statement) of the City's wastewater enterprise system (the "Enterprise") and from amounts on deposit in certain funds and accounts established under the Indenture.

Outstanding Parity Bonds and State Loans. The Series 2016A Bonds are secured by and payable from Net Revenues on a parity basis with certain outstanding obligations consisting of bonds issued under the Indenture and loans from the State of California. See "THE ENTERPRISE – Outstanding Parity Revenue Obligations."

Additional Parity Bonds and State Loans. Under the Indenture, the City may incur additional obligations secured by Net Revenues on a parity basis with the Series 2016A Bonds, provided that the conditions set forth in the Indenture are met. See "RISK FACTORS" and "SECURITY FOR THE SERIES 2016A BONDS – Parity Bonds and State Loans."

Deemed Consent to Certain Springing Amendments. Under the Nineteenth Supplement, the initial purchasers of the Series 2016A Bonds and any series of Parity Bonds (as defined in this Official Statement) issued after the date of the Nineteenth Supplement are deemed to have filed their written consents to certain amendments to the Indenture regarding the Reserve Account that would become effective at such time as the Series 2016A Bonds and any series of Parity Bonds issued after the delivery of the Series 2016A Bonds constitute at least a majority in aggregate principal amount of the Bonds then outstanding. The amendments include, among others, that the City may notify the Trustee in writing that the owners of the Series 2016A Bonds will no longer have any interest in or claim to the Reserve Account and the City may withdraw from the Reserve Account any moneys in excess of the Reserve Requirement when it is calculated, without taking into account the Series 2016A Bonds. See "SECURITY FOR THE SERIES 2016A BONDS – Deemed Consent to Certain Springing Amendments."

Limited Obligation. Neither the Series 2016A Bonds nor the obligation of the City to pay principal of or interest thereon constitutes a debt, obligation or liability of the City within the meaning of any Constitutional limitation on indebtedness, or a pledge of the full faith and credit of the City. The Series 2016A Bonds are secured solely by the pledge of Net Revenues of the Enterprise by the City and certain funds held under the Indenture. The Series 2016A Bonds are not secured by a pledge of the taxing power of the City. Neither the Series 2016A Bonds nor the obligation of the City to pay principal of or interest thereon constitutes a debt, obligation or liability whatsoever of the State of California or any of its political subdivisions.

Summary Only. This cover page contains certain information for quick reference only. It is not intended to be a summary of all factors relating to an investment in the Series 2016A Bonds. Investors should review the entire Official Statement before making any investment decision.

MATURITY SCHEDULE

(See inside cover)

ATTACHMENT 1

The Series 2016A Bonds are offered when, as and if issued, and accepted by the Underwriter, subject to approval as to legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, and subject to certain other conditions. Jones Hall, A Professional Law Corporation, San Francisco, California is acting as Disclosure Counsel to the City. Certain legal matters will be passed upon for the Underwriter by Stradling Yocca Carlson & Rauth, a Professional Corporation, as Underwriter's Counsel. It is anticipated that the Series 2016A Bonds will be available for delivery in book-entry form on or about _____________, 2016.

RAYMOND JAMES®

Dated: _____________, 2016

ATTACHMENT 1

MATURITY SCHEDULE

$____________*
WASTEWATER REVENUE REFUNDING BONDS,
SERIES 2016A

Base CUSIP†: 802649

Maturity (September 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP† Number
2016					
2017					
2018					
2019					
2020					
2021					
2022					
2023					
2024					
2025					
2026					
2027					
2028					
2029					
2030					

 CUSIP data in this Official Statement are provided for convenience of reference only. Neither the City nor Underwriter assumes any responsibility for the accuracy of these CUSIP data.

ATTACHMENT 1

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

No Offering May Be Made Except by this Official Statement. No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations with respect to the Series 2016A Bonds other than as contained in this Official Statement, and if given or made, such other information or representation must not be relied upon as having been authorized.

No Unlawful Offers or Solicitations. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

Effective Date. This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Series 2016A Bonds will, under any circumstances, create any implication that there has been no change in the affairs of the City or any other parties described in this Official Statement.

Use of this Official Statement. This Official Statement is submitted in connection with the sale of the Series 2016A Bonds referred to in this Official Statement and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not a contract with the purchasers of the Series 2016A Bonds.

Preparation of this Official Statement. The information contained in this Official Statement has been obtained from sources that are believed to be reliable, but this information is not guaranteed as to accuracy or completeness.

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

Document References and Summaries. All references to and summaries of the Indenture, the Installment Purchase Agreement or other documents contained in this Official Statement are subject to the provisions of those documents and do not purport to be complete statements of those documents.

Bonds are Exempt from Securities Laws Registration. The issuance and sale of the Series 2016A Bonds have not been registered under the Securities Act of 1933, as amended (the "Securities Act"), or the Securities Exchange Act of 1934, as amended (the "Securities Exchange Act"), in reliance upon exemptions for the issuance and sale of municipal securities provided under Section 3(a)(2) of the Securities Act and Section 3(a)(12) of the Securities Exchange Act.

***Stabilization of Prices*.** In connection with this offering, the Underwriter may overallot or effect transactions which stabilize or maintain the market price of the Series 2016A Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Series 2016A Bonds to certain dealers and others at prices lower than the public offering prices set forth on the cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

Estimates and Projections. Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 21E of the Securities Exchange Act and Section 27A of the Securities Act. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE CITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

Website. The City maintains a website; however, the information presented on the website is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the Series 2016A Bonds.

ATTACHMENT 1

CITY OF SANTA ROSA

CITY COUNCIL

John Sawyer, *Mayor*
Tom Schwedhelm, *Vice Mayor*
Erin Carlstrom, *Council Member*
Julie Combs, *Council Member*
Chris Coursey, *Council Member*
Ernesto Olivares, *Council Member*
Gary Wysocky, *Council Member*

BOARD OF PUBLIC UTILITIES

Dan Galvin, *Chair*
Megan Kaun, *Vice Chair*
Bill Arnone, *Member*
Richard Dowd, *Member*
Leonard Holt, *Member*
Jack Tibbetts, *Member*
Mary Watts, *Member*

CITY OFFICIALS

Sean McGlynn, *City Manager*
Gloria Hurtado, *Deputy City Manager*
Deborah Lauchner, *Chief Financial Officer*
Caroline Fowler, *City Attorney**
Stephanie Williams, *Interim City Clerk*
Linda Reed, *Acting Director of Santa Rosa Water*
Jason Nutt, *Director of Transportation and Public Works*

BOND RELATED SERVICES
Bond Counsel

Jones Hall, A Professional Law Corporation
San Francisco, California

Municipal Advisor

The PFM Group
San Francisco, California

Verification Agent

____
____

Trustee

U.S. Bank National Association
San Francisco, California

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* Position vacated on June 17, 2016.

TABLE OF CONTENTS

ATTACHMENT 1

LOCATION MAP

OFFICIAL STATEMENT

$__________*
CITY OF SANTA ROSA
WASTEWATER REVENUE REFUNDING BONDS, SERIES 2016A

INTRODUCTION

*This Official Statement, including the cover page and appendices, is provided to furnish information in connection with the sale by the City of Santa Rosa (the "**City**") of the captioned bonds (the "**Series 2016A Bonds**"). This Introduction contains a brief summary of certain information contained in this Official Statement. It is not intended to be complete and is qualified by the more detailed information contained elsewhere in this Official Statement. Definitions of certain terms used in this Official Statement are set forth in "APPENDIX B – Summary of the Indenture."*

Authority for Issuance. The Series 2016A Bonds are being issued under the following:

(i) Provisions of Chapter 3-12 (commencing with Section 3-12.010) of the Santa Rosa City Code (the "**Revenue Code**"), which authorizes the City to issue its revenue bonds for the purpose of financing the City's wastewater enterprise (the "**Enterprise**").

(ii) Indenture of Trust dated as of February 1, 1988 (the "**Master Indenture**"), as amended by a series of Supplemental Indentures of Trust, including the Nineteenth Supplemental Indenture of Trust dated as of _________ 1, 2016 (the "**Nineteenth Supplement**," and collectively with the Master Indenture, the "**Indenture**"), which relates specifically to the Series 2016A Bonds.

Use of Proceeds. The proceeds of the Series 2016A Bonds will be used to (i) defease, pay and redeem a portion of the City's outstanding Wastewater Revenue Bonds, Series 2007A ("**Refunded Series 2007A Bonds**"), and all the City's outstanding Wastewater Revenue Bonds, Series 2008A ("**Series 2008A Bonds**," and together with the Refunded Series 2007A Bonds, the "**Refunded Bonds**"); (ii) if the City determines at the time of pricing of the Series 2016A Bonds that it is economic to do so, prepay all or a portion of the outstanding Prior Loans (as defined below), which were previously incurred by the City to finance improvements to the Enterprise; (iii) fund a deposit into the Reserve Account (as defined below) that satisfies the Reserve Requirement (as defined under the heading "SECURITY FOR THE SERIES 2016A BONDS – Application of Revenues") and (iv) pay the costs of issuing the Series 2016A Bonds. See "REFUNDING PLAN."

Security for the Series 2016A Bonds. The Series 2016A Bonds will be payable from and secured by Net Revenues (as defined in this Official Statement) derived from the operation of the Enterprise and amounts in certain funds and accounts held under the Indenture. See "SECURITY FOR THE SERIES 2016A BONDS."

Parity Bonds. The Series 2016A Bonds will be payable from and secured by Net Revenues on a parity basis with the following (collectively, "**Parity Bonds**"):

(i) certain outstanding obligations of the City, which are outstanding in the principal amount of $196,598,380 (not including the State Loans described below) as of May 31, 2016; and

(ii) obligations issued in the future by the City in compliance with the Indenture.

Outstanding Parity Bonds and the Series 2016A Bonds are referred to as "**Bonds**" in this Official Statement.

See "SECURITY FOR THE SERIES 2016A BONDS – Parity Bonds and State Loans."

State Loans. In addition, the City may borrow money from the State (each, a "**State Loan**") and the payments to the State may be secured on a parity with the Bonds (except that the State is not entitled to be paid from monies in the Reserve Account). See "SECURITY FOR THE SERIES 2016A BONDS – Parity Bonds and State Loans." As of May 31, 2016, the outstanding principal amount of the City's current State Loans is $55,865,836 (collectively, the "**Prior Loans**").

Reserve Account**.** The Indenture establishes a debt service reserve account (the "**Reserve Account**") that is held by the Trustee, in which an amount equal to the Reserve Requirement (as defined in "SECURITY FOR THE SERIES 2016A BONDS – Reserve Account") must be deposited and maintained. A single Reserve Account has been created under the Master Indenture for all Bonds issued under the Indenture; *however*, see "– Deemed Consent to Certain Springing Amendments" and "SECURITY FOR THE SERIES 2016A BONDS – Deemed Consent to Certain Springing Amendments" for information about certain springing amendments to the Reserve Account-related provisions of the Indenture.

Moneys in the Reserve Account are not available to pay debt service on the State Loans.

Deemed Consent to Certain Springing Amendments. Under the Nineteenth Supplement, the initial purchasers of the Series 2016A Bonds and any series of Parity Bonds issued after the date of the Nineteenth Supplement are deemed to have filed their written consents to certain amendments to the Indenture regarding the Reserve Account that would become effective at such time as the Series 2016A Bonds and any series of Parity Bonds issued after the delivery of the Series 2016A Bonds constitute at least a majority in aggregate principal amount of the Bonds then Outstanding. The amendments include, among others, that the City may notify the Trustee in writing that the Owners of the Series 2016A Bonds will no longer have any interest in or claim to the Reserve Account and the City may withdraw from the Reserve Account any moneys in excess of the Reserve Requirement when it is calculated, without taking into account the Series 2016A Bonds. See "SECURITY FOR THE SERIES 2016A BONDS – Deemed Consent to Certain Springing Amendments."

Rate Covenant*.* In the Indenture, the City covenants that it will fix, prescribe, revise and collect Charges (as defined herein) for the services and facilities furnished by the Enterprise during each fiscal year that are sufficient to satisfy specific obligations of the Enterprise. See "SECURITY FOR THE SERIES 2016A BONDS – Rate Covenant; Collection of Rates and Charges."

Limited Obligation. Neither the Series 2016A Bonds nor the obligation of the City to pay principal of or interest thereon constitutes a debt, obligation or liability of the City within the meaning of any Constitutional limitation on indebtedness, or a pledge of the full faith and credit of the City. The Series 2016A Bonds are secured solely by the pledge of Net Revenues of the Enterprise by the City and certain funds held under the Indenture. The Series 2016A Bonds are not secured by a pledge of the taxing power of the City. Neither the Series 2016A Bonds nor the obligation of the City to pay principal of or interest thereon constitutes a debt, obligation or liability whatsoever of the State of California or any of its political subdivisions.

Risk Factors. The purchase of the Series 2016A Bonds involves certain risks. For a description of some of these risks, see "RISK FACTORS."

The City. The City is the county seat of Sonoma County (the "**County**") at the crossroads of U.S. Highway 101 and State Route 12, approximately 50 miles north of San Francisco. The City has a current estimated population of 175,667 as of January 1, 2016.

For selected financial, economic and demographic information about the City, see "APPENDIX C – General Demographic Information About the City of Santa Rosa and County of Sonoma."

The City's audited financial statements for the fiscal year ended June 30, 2015, are attached as Appendix A.

The Enterprise. The Enterprise includes any and all facilities, properties and improvements owned, controlled or operated by the City for the collection, treatment, disposal or reuse of wastewater. The Enterprise provides for the collection and treatment of wastewater for the City and, through its subregional wastewater treatment and disposal system, also serves the wastewater treatment and disposal needs of the adjacent cities of Rohnert Park, Cotati, and Sebastopol and the South Park County Sanitation District. See "THE ENTERPRISE."

Definitive Statement. All descriptions and summaries of various documents in this Official Statement do not purport to be comprehensive or definitive, and reference is made to each document for complete details of all terms and conditions. All statements in this Official Statement are qualified in their entirety by reference to each document. Certain capitalized terms used in this Official Statement and not defined in this Official Statement have the respective meanings given to them in "APPENDIX B – Summary of the Indenture."

REFUNDING PLAN

General

The proceeds of the Series 2016A Bonds will be used to (i) defease, pay and redeem the Refunded Bonds, (ii) if the City determines at the time of pricing of the Series 2016A Bonds that it is economic to do so, prepay all or a portion of the Prior Loans; (iii) fund a deposit into the Reserve Account that satisfies the Reserve Requirement and (iv) pay the costs of issuing the Series 2016A Bonds.

Refunding of the Refunded Bonds

General. A portion of the proceeds of the Series 2016A Bonds will be used for the purpose of defeasing, paying and redeeming the Refunded Bonds in the principal amounts indicated in the following table. Upon the issuance of the Series 2016A Bonds, the Refunded Bonds will be defeased pursuant to the terms of the Indenture and all obligations of the City under the Refunded Bonds will be discharged.

Series	Outstanding Principal Amount of Series	CUSIPs of Refunded Bonds (Base: 802649)	Principal Amount of Refunded Bonds to Be Redeemed	Redemption Date	Redemption Price
Wastewater Revenue Bonds, Series 2007A	$40,380,000	NM1	$_________	September 1, 2017	100%
		NN9			
		NX7			
		NP4			
		NQ2			
		NR0			
		NS8			
		NT6			
		NU3			
		NV1			
		NW9			
Wastewater Revenue Bonds, Series 2008A	$47,700,000	PK3	$265,000	September 1, 2016	102%
		PL1	820,000		
		PM9	2,905,000		
		PN7	3,060,000		
		PP2	3,230,000		
		PQ0	3,015,000		
		PR8	4,920,000		
		PS6	5,210,000		
		PT4	5,500,000		
		PU1	5,800,000		
		PV9	6,120,000		
		PW7	6,450,000		

Pursuant to an Escrow Deposit and Trust Agreement, dated as of __________ 1, 2016 (the "**Escrow Agreement**"), by and between the City and U.S. Bank National Association, as escrow agent (the "**Escrow Agent**"), the Escrow Agent will establish an escrow fund containing a subaccount for the Refunded Series 2007A Bonds (the "**2007A Escrow Account**") and subaccount for the Series 2008A Bonds (the "**2008A Escrow Account**"). The Escrow Agent will hold the 2007A Escrow Account in trust as an irrevocable escrow securing the payment of the Refunded 2007A Bonds, and the 2008A Escrow Account in trust as an escrow securing the payment of the 2008A Bonds. *The moneys held by the Escrow Agent in the 2007A Escrow Account and 2008A Escrow Account will not be available for payment of the Series 2016A Bonds.*

Refunding of Refunded Series 2007A Bonds. On the delivery date of the Series 2016A Bonds, the Escrow Agent will deposit a portion of the proceeds of the Series 2016A Bonds, together with other available funds relating to the Refunded Series 2007A Bonds, into the 2007A Escrow Account. The Escrow Agent will invest $___________* of the deposit amount in certain non-callable Federal Securities (the "**2007A Defeasance Securities**") and the remaining $____________* in cash, uninvested. The principal of and interest on the 2007A Defeasance Securities, together with any amounts held as cash in the 2007A Escrow Account, will be sufficient to pay the scheduled principal and interest on the Refunded Series 2007A Bonds until the redemption date shown in the table above and, on such date, the principal amount to be redeemed, without premium, plus accrued interest.

The accuracy of the mathematical computations of the adequacy of the principal of and interest on the 2007A Defeasance Securities and other amounts to provide for the payment of the principal, interest and redemption price of the Refunded Series 2007A Bonds will be verified at the time of delivery of the Series 2007A Bonds by a firm of independent accountants. See "VERIFICATION."

Refunding of Series 2008A Bonds. On the delivery date of the Series 2016A Bonds, the Escrow Agent will deposit a portion of the proceeds of the Series 2016A Bonds, together with other available funds relating to the Series 2008A Bonds, into the 2008A Escrow Account. The Escrow Agent will invest $___________* of the deposit amount in certain non-callable Federal Securities (as defined in the Indenture) (the "**2008A Defeasance Securities**") and the remaining $____________* in cash, uninvested. The principal of and interest on the 2008A Defeasance Securities, together with any amounts held as cash in the 2008A Escrow Account, will be sufficient to pay the scheduled principal and interest on the Series 2008A Bonds until the redemption date shown in the table above and, on such date, a redemption price of 102% of the principal amount to be redeemed, plus accrued interest.

The accuracy of the mathematical computations of the adequacy of the principal of and interest on the 2008A Defeasance Securities and other amounts to provide for the payment of the principal interest and redemption price of the Series 2008A Bonds will be verified at the time of delivery of the Series 2016A Bonds by a firm of independent accountants. See "VERIFICATION."

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* Preliminary; subject to change.

Prepayment of the Prior Loans

On a Prior Loan-by-Prior Loan basis, if the City determines at the time of pricing the Series 2016A Bonds that it is economic to do so, all or a portion of the Prior Loans will be prepaid on the Closing Date, and all liability of the City with respect to each such Prior Loan that is prepaid will be discharged as of the Closing Date in accordance with the terms and subject to the conditions of the respective loan agreement; however, if one or more of the Prior Loan(s) are not prepaid on the Closing Date, such Prior Loan(s) will remain outstanding.

The Prior Loans are listed in the table below:

State Loan No.	Outstanding Principal Amount as of May 31, 2016
4062-130	$6,485,241
4062-140	5,359,577
4062-150	5,963,179
4062-160	2,048,273
4062-170	6,714,411
4062-210	239,980
4062-220	9,635,407
4062-230	7,017,174
4062-240	2,855,137
4062-250	9,547,483

The remaining debt service schedules of the Prior Loans are shown in "APPENDIX F – Revenue Obligation Debt Service Schedule."

Estimated Sources and Uses of Funds

The anticipated sources and uses of funds relating to the Series 2016A Bonds are as follows:

Sources:	
Principal Amount of the Series 2016A Bonds	$_______*.00
Plus Net Original Issue Premium	
Total Sources:	$
Uses:	
Deposit into 2007A Escrow Account(1)	$
Deposit into 2008A Escrow Account(1)	
Prepayment of Prior Loans(2)	
Deposit to Reserve Account(3)	
Costs of Issuance(4)	
Underwriter's Discount	
Total Uses:	$

____

(1) See "– Refunding of the Refunded Bonds."
(2) See "– Prepayment of the Prior Loans."
(3) Equals amount that satisfies Reserve Requirement resulting from the issuance of the Series 2016A Bonds.

(4) Includes fees of the Trustee, Escrow Agent, Verification Agent and Municipal Advisor, fees of Bond Counsel and Disclosure Counsel, printing costs, rating agency fees and other related costs.

Debt Service Schedule

Scheduled debt service on the Series 2016A Bonds is shown in the following table. See "APPENDIX F – Revenue Obligation Debt Service Schedule" for the debt service schedule on the (i) Series 2016A Bonds, (ii) Parity Bonds that will be outstanding after issuance of the Series 2016A Bonds and (iii) Prior Loans.

Debt Service Schedule

Fiscal Year Ending June 30	Principal Amount	Interest Amount	Total
2017			
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
Total			

THE SERIES 2016A BONDS

Description

The Series 2016A Bonds will be dated their date of delivery and will mature on September 1 in each of the years and in the principal amounts and will bear interest at the rates per annum all as set forth on the inside cover page of this Official Statement.

The Series 2016A Bonds will bear interest payable on March 1 and September 1 of each year, commencing [September 1, 2016]. Interest on the Series 2016A Bonds will accrue from the date of delivery and will be computed based on a 360-day year of twelve 30-day months.

The Series 2016A Bonds will be issued in fully registered form, registered in the name of The Depository Trust Company, New York, New York ("**DTC**"), or its nominee. Individual purchases of Series 2016A Bonds registered in the name of DTC, or its nominee, will be made in book-entry form only in denominations of $5,000. Purchasers of such Series 2016A Bonds will not receive physical delivery of certificates representing their purchased Series 2016A Bonds. Principal, interest and premium, if any, payable with respect to such Series 2016A Bonds will be paid by wire transfer of the Trustee to DTC, which is obligated in turn to remit such interest, principal and premium, if any, to DTC Participants (as defined herein), which is obligated in turn to remit such interest, principal and premium, if any, to the Beneficial Owners (as defined herein) of such Series 2016A Bonds. See "APPENDIX G – Book Entry Only System."

Interest on the Series 2016A Bonds will be payable on each Interest Payment Date by check mailed by first class mail on such Interest Payment Date to the registered Owners thereof (as defined herein) at the address shown on the registration books maintained by the Trustee on the applicable Record Date (as defined herein); provided, however, that any Owner of at least $1,000,000 in aggregate principal amount of Series 2016A Bonds may be paid interest by wire transfer upon written request of such Owner submitted to the Trustee prior to the Record Date.

While the Series 2016A Bonds are held in the book-entry only system of DTC, all such payments will be made to Cede & Co., as the registered Owner of the Series 2016A Bonds. The principal of the Series 2016A Bonds and any premium upon redemption, are payable in lawful money of the United States of America upon presentation and surrender thereof at the principal corporate trust office of the Trustee. See "APPENDIX G – Book Entry Only System."

Redemption*

Optional Redemption. The Series 2016A Bonds maturing on or before September 1, 2026, are not subject to optional redemption prior to maturity. The Series 2016A Bonds maturing on or after September 1, 2027, are subject to redemption prior to their respective maturity dates, at the option of the City, as a whole, or in part, as determined by the City, on any date on or after September 1, 2026, from any source of available funds, at the principal amount of the Series 2016A Bonds to be redeemed, plus accrued interest thereon to the date of redemption, without premium.

The City is required to give the Trustee written notice of its intention to redeem Series 2016A Bonds as provided above not less than 30 nor more than 60 days prior to the date fixed for redemption.

* Preliminary; subject to change.

Mandatory Sinking Account Redemption. The 2016A Bonds maturing September 1, 20___ (the "**Term Bonds**") will be subject to redemption in part by lot, on September 1 in each year commencing September 1, 20___ from Sinking Fund Installments made by the City into the Debt Service Fund pursuant to the Indenture, at a Redemption Price equal to the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts and on September 1 in the respective years as set forth in the following table, or in lieu thereof shall be purchased pursuant to the Indenture; provided, however, that if some but not all of the Term Bonds have been redeemed pursuant to the Optional Redemption provision above, or purchased as provided in the Indenture, the total amount of all future Sinking Fund Installments with respect to the Term Bonds shall be reduced by the aggregate principal amount of Term Bonds so redeemed or purchased, to be allocated among such Sinking Fund Installments in integral multiples of Authorized Denominations as determined by the City (written notice of which determination shall be given by the City to the Trustee not later than the 45th day prior to the Principal Installment Date of each Sinking Fund Installment).

The Sinking Fund Installments applicable to the Term Bonds are as follows:

Sinking Fund Account Redemption Date (September 1)	Sinking Fund Installments Redeemed or Purchased
†	

† Maturity.

Partial Redemption

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

Selection of Bonds for Redemption

Whenever provision is made in the Indenture for the redemption of less than all of a Series of Bonds, the Trustee will select the Bonds to be redeemed from all of the same Series of Bonds or such given portion thereof not previously called for redemption, by lot in a manner which results in the Bonds Outstanding after such redemption to be in Authorized Denominations (unless the City otherwise consents in writing) and which the Trustee in its sole discretion will deem appropriate and fair. See “APPENDIX B – Summary of the Indenture.”

Notice of Redemption

When redemption is authorized or required, the Trustee will give to the Owners of the Series 2016A Bonds to be redeemed written notice, at the expense of the City, of the redemption of such Series 2016A Bonds.

Such notice must specify: (a) that all or a designated portion (in the case of redemption of a Series 2016A Bond in part but not in whole) of such Owner's Series 2016A Bonds is to be redeemed, (b) the date of redemption, (c) the place where the redemption will be made, (d) the redemption price, (e) the CUSIP numbers of the Series 2016A Bonds to be redeemed, (f) the rate of interest borne by each Series 2016A Bond to be redeemed, and (g) the original date of issuance of the Series 2016A Bonds to be redeemed. Such notice must further state that on the specified redemption date there will become due and payable with respect to each Series 2016A Bond to be redeemed, the principal and premium, if any, thereof, together with interest accrued thereon to said redemption date, and that from and after such redemption date, interest thereon will cease to accrue and be payable.

Unless waived by any Owner of Series 2016A Bonds to be redeemed, notice of redemption will be mailed to the respective Owners of any Series 2016A Bonds designated for redemption at their addresses appearing on the bond registration books held by the Trustee, by first class mail, at least 30 days but not more than 60 days prior to the redemption date. Neither the failure of any Owner to receive any notice so mailed nor any defect therein will affect the sufficiency of the proceedings for redemption of any Series 2016A Bond nor the cessation of accrual of interest thereon.

The City has the right to rescind any notice of the optional redemption of Series 2016A Bonds by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of optional 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 Series 2016A 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 Bond Owners or any other party related to or arising from a rescission of a notice of redemption. The Trustee will mail notice of a rescission of notice of redemption in the same manner as the original notice of redemption was sent.

Transfer and Exchange

So long as the Series 2016A Bonds are registered in the name of Cede & Co., as nominee of DTC, transfers and exchanges of Series 2016A Bonds will be made in accordance with DTC procedures. See Appendix G. Any Series 2016A Bond may, in accordance with its terms, be transferred, only upon the registration books of the City kept for that purpose at the office of the Trustee, by the Owner hereof in person, or by his attorney duly authorized in writing, upon the surrender of such Series 2016A Bond together with a written instrument of transfer satisfactory to the Trustee duly executed by the Owner or his attorney duly authorized in writing, and thereupon a new Series 2016A Bond or Bonds, without coupons, and in the same aggregate principal amount and of the same maturity, shall be issued to the transferee in exchange, as provided in the Indenture, and upon the payment of charges, if any, including, after the first exchange, the cost of preparing new Bonds therein prescribed. The Trustee is not required to register the transfer or exchange of any Series 2016A Bond during the period the Trustee is selecting Series 2016A Bonds for redemption or as to any Series 2016A Bond selected for redemption.

SECURITY FOR THE SERIES 2016A BONDS

Pledge of Net Revenues; Net Revenues

Pledge of Net Revenues. Pursuant to the Indenture, the City transfers, places a charge upon, assigns and sets over to the Trustee, for the benefit of the owners of the Bonds (including the Series 2016A Bonds and any Parity Bonds), that portion of the Net Revenues that is necessary to pay the principal or redemption price of and interest on the Bonds in any Fiscal Year, together with all moneys on deposit in the Debt Service Fund (except, potentially, as described under the heading "– Deemed Consent to Certain Springing Amendments" with respect to the Reserve Account, which is held within the Debt Service Fund), and such portion of the Net Revenues is irrevocably pledged to the punctual payment of the principal or redemption price of and interest on the Bonds.

The Indenture provides that the Net Revenues may not be used for any other purpose while any of the Bonds remain Outstanding, except that out of Net Revenues there may be apportioned and paid such sums for such purposes, as are expressly permitted by the Indenture, including payment of debt service on State Loans (which are treated like Parity Bonds except that they have no right to moneys in the Reserve Account). The pledge under the Indenture constitutes a first, direct charge and lien on the Net Revenues for the payment of the principal or redemption price of and interest on the Bonds in accordance with the terms thereof.

Pursuant to the Indenture, the Net Revenues constitute a trust fund for the security and payment of the principal or redemption price of and interest on the Bonds.

Definition of Net Revenues. Set forth below are the definitions of Net Revenues and certain related terms:

"**Net Revenues**" means, for any period of computation, the amount of the Gross Revenues received during such period less the amount of Maintenance and Operation Costs becoming payable during such period.

"**Gross Revenues**" means, for any period of computation, all gross charges received for, and all other gross income and revenues derived by the City from, the ownership or operation of the Enterprise or otherwise arising from the Enterprise during such period, including but not limited to

(a) all Charges (as defined in this Official Statement) received by the City;

(b) all receipts derived from the investment of funds held by the City or the Trustee under the Indenture and receipts from the Rate Stabilization Fund;

(c) all moneys received by the City from other public entities whose inhabitants are served pursuant to contracts with the City; and

(d) moneys deposited into the Debt Service Fund or other fund to secure the Bonds or to provide for the payment of the principal of or interest on the Bonds.

"**Maintenance and Operation Costs**" means the reasonable and necessary costs of maintaining and operating the Enterprise, calculated on sound accounting principles, including (among other things) the reasonable expenses of management, personnel, services, equipment, repair and other expenses necessary to maintain and preserve the Enterprise in good repair and working order, and reasonable amounts for administration, overhead, insurance, taxes (if any) and other similar costs, but excluding in all cases, depreciation and obsolescence charges or reserves therefore and amortization of intangibles or other bookkeeping entries of a similar nature.

Rate Covenant

The City has covenanted in the Indenture to fix, prescribe, revise and collect Charges (as defined below) for the services and facilities furnished by the Enterprise during each fiscal year which (together with other funds accumulated from Gross Revenues and which are lawfully available to the City for payment of any of the following amounts during such fiscal year) are at least sufficient, after making allowances for contingencies and errors in the estimates, to pay the following amounts in the following order:

(a) all Maintenance and Operation Costs of the Enterprise estimated by the City to become due and payable in such fiscal year;

(b) the Debt Service on the outstanding Bonds and State Loans becoming due and payable during such fiscal year;

(c) all other payments required for compliance with the Indenture and the instruments pursuant to which any Parity Bonds shall have been issued; and

(d) all payments required to meet any other obligations of the City which are charges, liens or encumbrances upon, or payable from, the Gross Revenues or the Net Revenues.

In addition, the City has covenanted in the Indenture to fix, prescribe, revise and collect Charges for the services and facilities furnished by the Enterprise during each fiscal year which are sufficient to yield (i) Net Revenues, including Demand Fees, at least equal to 125% of the amounts payable under the preceding clause (b) in such fiscal year, and (ii) Net Revenues, excluding Demand Fees, at least equal to 100% of the amounts payable under the preceding clause (b) in such fiscal year.

"**Charges**" means fees, tolls, rates and rentals prescribed under the Revenue Bond Law or any other law of the State by the City Council for the services and facilities of the Enterprise furnished by the City, and includes sewer service charges, Demand Fees, connection fees and any other capacity, demand or facility fees and charges.

"**Demand Fees**" means the charges so denominated in Section 15-16.030 of the Santa Rosa City Code and payable as a one-time charge at the time of and as a condition precedent to the connection of properties to the City portion of the Enterprise.

"**Debt Service**" means, during any period of computation, the amount obtained for such period by totaling the following amounts:

(a) The principal amount of all Outstanding Serial Bonds payable by their terms in such period;

(b) The principal amount of all Outstanding Term Bonds scheduled to be paid or redeemed by operation of mandatory Sinking Fund Installments in such period; and

(c) The interest which would be due during such period on the aggregate principal amount of Bonds which would be Outstanding in such period if the Bonds are paid or redeemed as scheduled; and

(d) The Maturity Amount of Capital Appreciation Bonds; and

(e) Loan payments to be made to the State under the State Loans.

For purposes of this definition, it is assumed that any Parity Bonds which bear a variable interest rate bear interest at a fixed rate, calculated as follows:

(i) If the Parity Bonds are issued on a tax-exempt basis, the interest rate on such Parity Bonds shall be deemed to be equal to the greater of: (A) the most recently published Bond Buyer 25 Bond Revenue Index (or comparable index if no longer published); or (B) the average variable rate of interest borne by such Parity Bonds during the preceding 36 months;

(ii) If the Parity Bonds are issued on a taxable basis, the interest rate on such Parity Bonds shall be deemed to be the greater of: (A) the rate of interest borne by U.S. Treasury Bonds of a 30-year maturity, as published in a financial publication or electronically disseminated as of the date of calculation, plus 75 basis points; or (B) the average of the actual interest rate borne by such Parity Bonds over a 36-month period occurring immediately prior to the date of calculation;

(iii) If an interest rate "cap" (or similar instrument) has been purchased for such Parity Bonds, neither of the formulas set in (i) or (ii) above shall produce an interest rate in excess of said cap for the period that such interest rate cap is in effect; and

(iv) If the City has entered into a "Swap" agreement meeting the requirements of the Indenture (a "**Swap Agreement**"), the interest rate borne by the Bonds during the term of such Swap Agreement shall be considered to be the interest rate payable by the City under such Swap Agreement (as to those Bonds equal in principal amount to the notional amount of such Swap Agreement).

Outstanding Parity Revenue Obligations

A summary of the outstanding Bonds and State Loans outstanding after issuance of the Series 2016A Bonds is set forth in "THE ENTERPRISE – Outstanding Parity Revenue Obligations."

The annual payment schedule for the City's outstanding Bonds and State Loans for each fiscal year in which the Series 2016A Bonds are scheduled to be outstanding is set forth in "APPENDIX F – Revenue Obligation Debt Service Schedule."

The City also has a loan outstanding from the California Energy Commission in the aggregate principal amount of $344,104.67 as of June 22, 2016. Such loan is not secured by the Net Revenues, but historically has been paid from Net Revenues.

Parity Bonds and State Loans

Limitations on Issuance of Parity Bonds. The Indenture permits the issuance of additional bonds to provide financing for the Enterprise. Parity Bonds secured by a pledge of and lien on a parity with that of the Bonds may, pursuant to a supplemental indenture, be issued under the following conditions:

(a) The City must be in compliance with all covenants set forth in the Indenture.

(b) The Net Revenues, calculated on sound accounting principles, and excluding any balances in any fund (other than the Rate Stabilization Fund) at the beginning of the period of computation, as shown by the books of the City for the latest fiscal year or any more recent 12-month period selected by the City ending not more than 60 days prior to the adoption of the supplemental indenture pursuant to which such Parity Bonds are issued, plus, at the option of the City, any or all of the items set forth in subparagraphs (i) and (ii) below, must be an amount at least equal to 100% of the Maximum Annual Debt Service on the Bonds, excluding Demand Fees, and 125% of the Maximum Annual Debt Service on the Bonds, including Demand Fees, with Maximum Annual Debt Service calculated, in each case, on all Bonds that will be outstanding immediately subsequent to the issuance of such Parity Bonds.

The items, any or all of which may be added to such Net Revenues for the purpose of issuing or incurring Parity Bonds, are the following:

(i) An allowance for Net Revenues from any additions to or improvements or extensions of the Enterprise to be made with the proceeds of such Parity Bonds, and also for Net Revenues from any such additions, improvements or extensions which have been made from moneys from any source but in any case which, during all or any part of such fiscal year or such 12-month period were not in service, all in an amount equal to 90% of the estimated additional average annual Net Revenues to be derived from such additions, improvements and extensions for the first 36-month period in which each addition, improvement or extension is respectively to be in operation, all as shown in the written report of an Independent Financial Advisor engaged by the City.

(ii) An allowance for earnings arising from any increase in the Charges which has become effective prior to the incurring of such additional indebtedness but which, during all or any part of such fiscal year or other such 12-month period, was not in effect, in an amount equal to the amount by which the Net Revenues would have been increased if such increase in charges had been in effect during the whole of such fiscal year or such 12-month period, all as shown in the written report of an Independent Financial Advisor engaged by the City.

(c) The supplemental indenture providing for the issuance of such Parity Bonds is required to provide that:

(i) The proceeds of such Parity Bonds will be applied to the acquisition, construction, improvement, financing or refinancing of additional facilities, improvements or extensions of existing facilities within the Enterprise, or otherwise for facilities, improvements or property which the City determines are of benefit to the Enterprise, or for the purpose of refunding any Bonds in whole or in part, including all costs (including costs of issuing such Parity Bonds and including capitalized interest on such Parity Bonds during any period which the City deems necessary or advisable) relating thereto;

(ii) Interest on such Parity Bonds must be payable on an Interest Payment Date;

(iii) The principal of such Parity Bonds must be payable on September 1 in any year in which principal is payable; and

(iv) Money (or a letter of credit or surety bond meeting the requirements of the Indenture) must be deposited in the Reserve Account at the time of sale of such Parity Bonds, from proceeds of the sale or any other source, to increase the amount of deposit in the Reserve Account to an amount equal to the Reserve Requirement on all outstanding Bonds (including the Parity Bonds); *however*, see "– Deemed Consent to Certain Springing Amendments."

State Loans. The City may borrow money from the State and incur additional State Loans to finance improvements to the Enterprise. A State Loan may be treated as a Parity Bond for purposes of the Indenture, as long as the City complies with the provisions of the Indenture described in paragraphs (a), (b) and (c)(i) above before incurring said State Loan, but the City is not obligated to comply with the provisions of the Indenture described in paragraphs (c) (ii), (iii) or (iv) above in order for such State Loan to be treated as a Parity Bond under the Indenture.

Pursuant to the Indenture, the State Loans are treated as Parity Bonds, but the State is not entitled to be paid from any monies held in the Reserve Account in the event the Net Revenues are insufficient to make timely payments on the State Loans. In addition, because the State Loans may not be payable on the same interest and principal payment dates as the Bonds issued under the Indenture, the Indenture provides that the City may not make a payment on the State Loans when to do so would cause the City to fail to make timely payment on the Bonds. However, in the event the Net Revenues are insufficient to pay the full amount of payments on the Bonds then Outstanding and the State Loans, the City will make payments on the Outstanding Bonds and such State Loans on a pro rata basis.

Senior Obligations; ***Subordinate Obligations***. The City has covenanted in the Indenture that it will not make or suffer to exist any pledge or assignment of, lien on, or security interest in the Net Revenues that ranks prior to or on a parity with the pledge and security interest granted by the Indenture, except as described above.

The City may pledge Net Revenues on a subordinate basis under long-term contracts, leases, or sub-leases for the purpose of financing improvements to the Enterprise. The City may also issue bonds which are secured by a lien subordinate to that of the Bonds without meeting the requirements for Parity Bonds.

Application of Revenues

The City has covenanted and agreed in the Indenture that all Gross Revenues, when and as received, will be held in trust and will be deposited in the Revenue Fund maintained by the City. While any Bond is outstanding or interest thereon is unpaid, amounts in the Revenue Fund are required to be disbursed in the following manner and order of priority:

Maintenance and Operation Costs. The City will first pay from moneys in the Revenue Fund the budgeted Maintenance and Operation Costs as such costs become due and payable.

Debt Service Fund. On or before each Interest Payment Date, the City will transfer from the Revenue Fund to the Trustee for deposit in the Debt Service Fund, the amount of interest to become due and payable on all Outstanding Bonds.

On or before each date that the principal amount of Outstanding Bonds or any mandatory sinking fund installments with respect to Bonds is due (the "**Principal Installments**"), the City will transfer from the Revenue Fund to the Trustee, for deposit in the Debt Service Fund, an amount equal to the amount of Principal Installments becoming due and payable on all Outstanding Bonds.

On or before each date on which a State Loan payment is due under the State Loans, the City shall transfer from the Revenue Fund to the State an amount equal to the aggregate amount of State Loan payments becoming due and payable under the State Loans.

Prior to each Interest Payment Date and each date any Principal Installment or State Loan payment is due, the Trustee shall withdraw from the Debt Service Fund an amount equal to the interest, principal amount of maturing Bonds or State Loan payments, as applicable, due on such date and shall cause the same to be applied to the payment of said interest, principal amount or State Loan payments, as applicable.

Reserve Account and Reserve Account Surety Bonds. After making the payments, allocations and transfers described above, if the balance in the Reserve Account is less than the Reserve Requirement, the deficiency will be restored by transfers from the first funds which become available in the Revenue Fund to the Trustee for deposit in the Reserve Account, such transfer to be made no later than the times provided in the Indenture. No deposit need be made in the Reserve Account so long as the balance therein is an amount at least equal to the Reserve Requirement.

"**Reserve Requirement**" is defined as an amount equal to Maximum Annual Debt Service, exclusive of Debt Service on State Loans; provided, that in no event will the proceeds of a Series of Parity Bonds deposited to the Reserve Account exceed the lesser of: (1) 10% of the principal amount of such Series of Parity Bonds; (2) 125% of average annual Debt Service on such Series of Parity Bonds; or (3) Maximum Annual Debt Service on such Series of Parity Bonds. The Reserve Requirement on the date of delivery of the Bonds will be $_____________[*]. Moneys in the Reserve Account will be used solely for the purpose of paying the principal of and interest on the Bonds, or the mandatory sinking fund payments required to be made for the Bonds, in the event that the moneys in the Debt Service Fund are insufficient therefor, and for only that purpose, the Trustee will withdraw and transfer moneys from the Reserve Account to the Debt Service Fund in accordance with the terms of the Indenture.

Money (or a letter of credit or an insurance policy deposited to the Reserve Account pursuant to the Indenture as described below) will be deposited in the Reserve Account from the proceeds of the sale of Parity Bonds to increase the amount on deposit in the Reserve Account to an amount equal to the Reserve Requirement, taking into account the Debt Service on all Outstanding Bonds (including such Parity Bonds); *however*, see "– Deemed Consent to Certain Springing Amendments."

In lieu of making the Reserve Requirement deposit, the City may, pursuant to the Indenture, deliver an irrevocable letter of credit, with a term of no less than three years, issued by a financial institution whose unsecured debt obligations are rated in one of the two highest rating categories of Moody's Investors Service, Inc. and Standard & Poor's Rating Services, or an insurance policy issued by an insurance company whose unsecured debt obligations (or for which obligations secured by such insurance company's insurance policies) are rated in one of the two highest rating categories of Moody's Investors Service, Inc., and Standard & Poor's Rating Services, in full or partial satisfaction of the Reserve Requirement; *however*, see "–Deemed

[*] Preliminary; subject to change.

Consent to Certain Springing Amendments." See also "APPENDIX B – Summary of the Indenture."

In the event that the amount on deposit, or credited to, the Reserve Account exceeds the amount of one or more letters of credit or insurance policies (each, a "**Qualified Reserve Account Credit Instrument**"), any draw on the Qualified Reserve Account Credit Instrument(s) shall be made only after all the funds in the Reserve Account have been expended. In the event that the amount on deposit in, or credited to, the Reserve Account includes amounts available under more than one Qualified Reserve Account Credit Instrument, draws on the Qualified Reserve Account Credit Instruments shall be made on a pro rata basis. The Indenture provides that the Reserve Account must be replenished in the following priority: (i) principal and interest on the Qualified Reserve Account Credit Instrument(s) must be paid from first available Revenues (and if there is more than one Qualified Account Credit Instrument, such payment will be made on a pro rata basis); and (ii) after all such amounts are paid in full, amounts necessary to fund the Reserve Account to the required level, after taking into account the amounts available under the Qualified Reserve Account Credit Instrument(s) must be deposited from next available Net Revenues.

The Reserve Account does not secure the State Loans.

The Reserve Requirement is currently satisfied by a combination of cash, securities and surety bonds. Approximately 51% of the Reserve Requirement is satisfied by surety bonds from Ambac Assurance Corporation in the face amount of $7,961,087.52.

Surplus. The City has covenanted to manage, conserve and apply moneys in the Revenue Fund in such a manner that all deposits required to be made pursuant to the Indenture and as specified above will be made at the times and in the amounts so required. If all of the foregoing transfers are made within the time required, any surplus moneys in the Revenue Fund may be applied as follows. Subject to the foregoing, so long as no default has occurred and is continuing under the Indenture, the City may at any time and from time to time use and apply Net Revenues in the Revenue Fund for (i) transfers to the Rate Stabilization Fund; (ii) the acquisition and construction of extensions and betterments to the Enterprise; (iii) the redemption of any of the Bonds which are then subject to redemption or the purchase from time to time in the open market of any Outstanding Bonds whether or not then subject to redemption (irrespective of the maturity or number of such Bonds) at prices and in such manner, either at public or private sale, or otherwise, as the City in its discretion may determine; (iv) payment of debt service on any outstanding bonds or other obligations incurred to finance improvements to the Enterprise; or (v) any other lawful purpose of the Enterprise.

Rate Stabilization Fund

General. The City maintains a separate fund known as the "**Rate Stabilization Fund**," which is held and maintained by the City. The City continuously maintains a balance of $1,000,000 in the Rate Stabilization Fund (which was the balance as of the date of this Official Statement) and has no plans to alter such amount.

Amounts, if any, on deposit in the Rate Stabilization Fund have not been pledged to the payment of the principal of or interest on the Bonds. The City can provide no assurance that additional moneys will be set aside at any time in the future for deposit into the Rate Stabilization Fund.

The Rate Stabilization Fund is held, maintained and invested by the City in accordance with the policies and guidelines generally applicable to moneys held by the City.

Deposits to the Rate Stabilization Fund. From time to time, the City may deposit into the Rate Stabilization Fund from Net Revenues remaining, after making the allocation provided in "– Application of Revenues," such amounts as the City may determine, provided that deposits for each fiscal year may be made at any time during such fiscal year and until (but not after) the end of the following fiscal year.

Withdrawals from the Rate Stabilization Fund. The City may withdraw amounts from the Rate Stabilization Fund (i) for inclusion in Gross Revenues for any fiscal year at any time during such fiscal year and until (but not after) the end of the following fiscal year, or (ii) for any of the other purposes pursuant to the Indenture at any time. All interest or other earnings on deposits in the Rate Stabilization Fund will be withdrawn at least annually and accounted for as Gross Revenues in the Revenue Fund. Notwithstanding the foregoing, no deposit of Net Revenues in the Rate Stabilization Fund may be made to the extent such Net Revenues were included in an independent Financial Advisor's report submitted in accordance with the Indenture and the withdrawal of Net Revenues for purposes of such deposit would cause noncompliance with provisions of the Indenture.

Deemed Consent to Certain Springing Amendments

The Indenture provides that at such time as the Series 2016A Bonds and any series of Parity Bonds issued after the delivery of the Series 2016A Bonds constitute at least a majority in aggregate principal amount of the Bonds then Outstanding, the Indenture will be amended to provide:

- the City the option not to deposit any money or other assets into the Reserve Account as long as the supplemental indenture expressly declares that the Owners of such Parity Bonds will have no interest in or claim to the Reserve Account or any other reserve account;

- that no deposit into the Reserve Account will be required from the proceeds of any Parity Bonds not covered by the Reserve Account;

- that the unsecured debt obligations of an issuer of an irrevocable letter of credit for deposit into the Reserve Account, as described under the heading "– Application of Revenues – Reserve Account and Reserve Account Surety Bonds," must, at the time of issuance of the letter of credit, be rated in one of the two highest rating categories of a nationally-recognized rating agency;

- that the unsecured debt obligations of an issuer of an insurance policy into the Reserve Account, as described under the heading "– Application of Revenues – Reserve Account and Reserve Account Surety Bonds," must, at the time of issuance of the letter of credit, be rated in one of the two highest rating categories of a nationally-recognized rating agency, and the City will have no obligation to replace such insurance policy if it lapses or expires for any reason; and

- that on the effective date of the amendments effected by the Nineteenth Supplement, the City may notify the Trustee in writing that the Owners of the Series 2016A Bonds will no longer have any interest in or claim to the Reserve Account, and the City may withdraw from the Reserve Account any moneys in excess of the Reserve Requirement when it is calculated without taking into account the Series 2016A Bonds.

The initial purchasers of the Series 2016A Bonds and any series of Parity Bonds issued after the date of the Nineteenth Supplement are deemed to have filed their written consent to these amendments under the Indenture.

Limited Obligation

The general fund of the City is not liable and the credit or taxing power of the City is not pledged for the payment of the principal or redemption price of and interest on the Bonds. The Owner of the Bonds may not compel the exercise of the taxing power by the City or the forfeiture of its property. The principal or redemption price of and interest on the Bonds are not a debt of the City within the meaning of the State Constitutional debt limitation applicable to the City, nor a legal or equitable pledge, charge, lien or encumbrance, upon any of its property, or upon any of its income, receipts, or revenues except the Net Revenues of the Enterprise.

THE ENTERPRISE

City Government

General. The City was incorporated in 1868 and became a chartered city in 1872. The City operates under the Council-Manager form of government. The City has broad powers to finance the acquisition, construction, extension or improvement of any enterprise system or facility of the City such as the Enterprise.

The City Council consists of seven members elected at large to serve overlapping four-year terms.

The City Council, which acts as the City's legislative and policy-making body, also selects the City Manager. As the City's chief administrator, the City Manager is responsible for implementing the policies established by the City Council.

The Board of Public Utilities (the "**BPU**") was created pursuant to the Charter of the City and its members are appointed by the City Council for staggered, four-year terms. The City Charter requires the City Manager or a member of the City Manager's staff to be an ex-officio non-voting member of the BPU. The BPU is charged with the responsibility for maintaining, building and operating the utilities of the City, including the Enterprise. The City Council may act on behalf of the BPU, with its consent, and has retained the right to establish rates and charges for utilities pursuant to ordinance. All funds and properties of the Enterprise are managed by the City on books separate from those of other utilities of the City.

City Council; Board of Public Utilities. Members of the City Council and the BPU, their terms of office and a brief biographical sketch of some of the senior City staff are set forth below.

City Council

Member	Position	Term Expires
John Sawyer	Mayor	December 2018
Tom Schwedhelm	Vice Mayor	December 2018
Erin Carlstrom	Council Member	December 2016
Julie Combs	Council Member	December 2016
Chris Coursey	Council Member	December 2018
Ernesto Olivares	Council Member	December 2016
Gary Wysocky	Council Member	December 2016

Board of Public Utilities

Member	Position	Term Expires
Dan Galvin	Chairman	December 2018
Megan Kaun	Vice Chairman	December 2018
Bill Arnone	Board Member	December 2018
Richard Dowd	Board Member	December 2016
Leonard Holt	Board Member	December 2016
Jack Tibbetts	Board Member	December 2016
Mary Watts	Board Member	December 2016

City Staff. Set forth below are biographies of members of senior staff of the City with responsibility for the Enterprise. Operations of the Enterprise are carried out under the general supervision of the City's Director of Utilities. Daily operations of the Enterprise are under the direct supervision of the Deputy Director – Local Utility Operations.

Sean McGlynn, City Manager. Sean P. McGlynn has been serving as the City of Santa Rosa's City Manager since the middle of September 2014. Prior to his current position, Mr. McGlynn served as Deputy City Manager for El Paso, Texas, the 19th most populous city in the country. Mr. McGlynn oversaw a diverse portfolio that included Aviation, City Development (El Paso's planning and economic development functions), Community Development, Destination El Paso, Libraries, Museums and Cultural Affairs, Parks, and the Zoo. The operating budget of the portfolio was over $130 million and had over 1,000 employees. He oversaw the implementation of a $500 million dollar Quality of Life bond investment, which garnered an over 70 percent voter approval in 2012. Mr. McGlynn managed El Paso's participation in the Rockefeller Foundation's 100 Resilient Cities initiative, for which El Paso was selected from nearly 400 applicants worldwide for inclusion in the first cohort of 32 cities. During his tenure as Deputy City Manager, the economic development team, after little job creation activity since 2007, added 1,100 jobs and recruited two large companies to El Paso: Prudential and Schneider Electric. In May 2014, El Paso's City Council asked Mr. McGlynn to serve as Interim City Manager to ensure a smooth and productive transition between City Managers.

Prior to serving as Deputy City Manager, Mr. McGlynn was the head of El Paso's Museums and Cultural Affairs where he reorganized funding opportunities to support local individual arts, launched the Public Art program, created a unique incentive package to encourage downtown events, oversaw multiple award winning exhibitions, programs, and processes, developed a public private partnership for 40 plus live/work artist spaces, garnered multiple National Endowment for the Arts grants, and was recognized by his peers as a national leader by being elected President of the Urban Arts Federation. Prior to his work in El Paso, Mr. McGlynn served six years in the Department of Cultural Affairs in New York City where he was responsible for an operating budget of over $150 million and a ten-year capital plan in excess of $800 million. He was also responsible for creating a City-wide after school initiative with New York City's Department of Youth and Community Development, as well as serving on the board of over ten arts and culture not-for-profit organizations.

Gloria Hurtado, Deputy City Manager. Gloria Hurtado joined the City in June 2015 as Deputy City Manager. In this role, she serves as the Chief Operating Officer overseeing internal operations and city departments. Prior to joining the Santa Rosa team, Ms. Hurtado served as Assistant City Manager for the City of San Antonio, Texas. As Assistant City Manager, Ms. Hurtado was responsible for the management and oversight of the Parks and Recreation, Library, Human Services and Health departments. The four departments represent combined budgets of $217 million and a workforce of over 500 employees. During her tenure in San Antonio, Ms. Hurtado led efforts to improve services to the community, including implementing adult literacy services at four branch libraries with wrap around social services. She was also responsible for overseeing major capital projects that included the construction of two senior centers and "makeovers" of eight branch libraries. Ms. Hurtado also developed and implemented a successful mentoring program for women in the city organization.

Prior to joining the San Antonio team, Ms. Hurtado held various management positions with the City of Phoenix, Arizona, including 13 years as Human Services Director. In addition to overseeing the city's social service system, she managed multiple federal grants for Head Start, Senior Services and Homeless programs. Ms. Hurtado was instrumental in establishing the Continuum of Care for Phoenix and implementing comprehensive Homeless programs. Prior to her career in municipal government, Ms. Hurtado served in a variety of positions in the private and public sectors. Ms. Hurtado is a native of Los Angeles, California. She holds a B.A. in Political Science from Whittier College and an M.B.A. from the University of Phoenix.

<u>Deborah Lauchner, Chief Financial Officer.</u> Ms. Lauchner was appointed to the position of Chief Financial Officer on July 28, 2014. Ms. Lauchner obtained her Bachelor's of Science degree in Agricultural and Managerial Economics from the University of California at Davis. Her more than 25 years of public administration experience include working at the United States Department of Agriculture, Farmer's Home Administration, which later became the Rural Development Agency, as an Agricultural Credit Manager assisting small family farm operations with their credit needs; Santa Cruz County as the Assistant Treasurer Tax Collector managing property tax collection, the County treasury and central collections ensuring collection of \$217 million in revenues and managing a \$500 million investment portfolio; City of Rohnert Park as Finance Manager, City of Novato as Finance Manager, City of Vallejo as Finance Director leading the City out of bankruptcy and City of Santa Rosa serving as Chief Financial Officer. Just prior to joining the City, Ms. Lauchner was the Finance Director with the City of Vallejo and was responsible for leading the City out of bankruptcy saving the City over \$100 million in long term liabilities and over \$4 million in annual operating costs while passing the first balanced budget in over a decade and receiving an "unqualified" audit opinion for the first time in seven years.

<u>Linda Reed, Acting Director of Santa Rosa Water</u>. Ms. Reed has been with the City since 1987. She has worked at multiple levels of the organization over the years. Ms. Reed served as the Deputy Director, Water Administrations prior to being appointed Acting Director. As a Deputy Director, Ms. Reed managed the rate and fee setting, financial planning, and budgeting functions for Santa Rosa Water as well as coordinating the Department's outreach and public relations activities, Right-of-Way function, and various administrative duties. Ms. Reed holds a Bachelor of Science degree in Business Administration from the University of the Pacific.

<u>Jason Nutt, Director of Transportation and Public Works</u>. Mr. Nutt was appointed to this position in March 2015, rejoining the City for a second time. Prior to this appointment, Mr. Nutt served as the Deputy Director of Public Works – Traffic between August 2005 and January 2010. Between his service times in the City, Mr. Nutt served as the Director of Public Works with the City of Novato from January 2010 and June 2013 then as the Deputy Director of Transportation and Public Works with the County of Sonoma between June 2013 and March 2015. Other prior employers have been the County of Marin and private environmental consulting firms located in the south and east areas of the Bay. He holds a Bachelor of Science degree in Civil Engineering from Santa Clara University and two advanced certificates from UC Davis Extension in Transportation Management and Land Use & Environmental Planning. He is licensed in the State of California as a Professional Civil Engineer and Traffic Engineer.

Employment; Employees' Retirement Plan

Approximately 136 people are employed by the City directly or indirectly to support the services provided by the Enterprise. The costs of the employees, including retirement benefits, are accounted for as Maintenance and Operation Costs of the Enterprise.

Retirement Plan Description. All permanent employees of the City are eligible to participate in the Public Employees' Retirement Fund (the "**Fund**") of the State of California's Public Employees' Retirement System ("**PERS**"). The Fund is an agent multiple-employer defined benefit retirement plan that acts as a common investment and administrative agent for various local and state governmental agencies within the State of California. The Fund provides retirement, disability, and death benefits based on the employee's years of service, age and final compensation. Employees vest after five years of service and may receive retirement benefits at age 50. These benefit provisions and all other requirements are established by State statute and memoranda of understanding with bargaining units.

All Enterprise employees are members of the City's Miscellaneous Plan. The Enterprise is allocated its portion of the City's required contribution to the Fund as determined by PERS actuaries. The Enterprise contributed 100% of its allocated required contributions of $1,642,000, $1,748,000 and $1,796,000 to PERS for the fiscal years ended June 30, 2015, 2014, and 2013, respectively. The City budgeted to make Enterprise contributions of $1,869,000 for fiscal year 2015-16 and $2,118,000 for fiscal year 2016-17.

The following table sets forth the schedule of funding for the City's Miscellaneous Plan for the fiscal years ended June 30, 2012, 2013, and 2014.

Valuation Date (June 30)	Accrued Liability	Market Value of Assets	Unfunded Liability	Funded Ratio (1)	Annual Covered Payroll
2012	$508,583,563	$379,342,063	$129,241,500	74.6%	$60,996,189
2013	531,753,751	421,551,300	110,202,451	79.3	59,160,904
2014	585,793,774	485,987,194	99,806,580	83.0	59,877,729

(1) Based on the market value of assets.
Source: CalPERS Actuarial Report Dated October 2015.

The City's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2015, and in particular Note 8 thereto, includes additional information on the City's pension liabilities and available funding. See Appendix B.

Recent Actions Taken by PERS. At its April 17, 2013, meeting, PERS' Board of Administration (the "**Board of Administration**") approved a recommendation to change the PERS amortization and smoothing policies. Prior to this change, PERS employed an amortization and smoothing policy that spread investment returns over a 15-year period with experience gains and losses paid for over a rolling 30-year period. After this policy change, PERS will employ an amortization and smoothing policy that will pay for all gains and losses amortized over a 20-year period with a five-year ramp-up and five-year ramp-down period. The new amortization and smoothing policy was used for the first time in the June 30, 2013, actuarial valuations in setting employer contribution rates for fiscal year 2015-16.

On February 18, 2014, the Board of Administration approved new demographic actuarial assumptions based on a 2013 study of recent experience. The largest impact, applying to all benefit groups, is a new 20-year mortality projection reflecting longer life expectancies and that longevity will continue to increase. Because retirement benefits will be paid out for more years, the cost of those benefits will increase as a result. The Board of Administration also assumed earlier retirements for Police 3%@50, Fire 3%@55, and Miscellaneous 2.7%@55 and 3%@60, which will increase costs for those groups. As a result of these changes, rates will increase beginning in fiscal year 2016-17 (based on the June 30, 2014 valuation) with full impact in fiscal year 2020-21.

On November 18, 2015, the Board of Administration adopted a funding risk mitigation policy intended to incrementally lower its discount rate - its assumed rate of investment return - in years of good investment returns, help pay down the pension fund's unfunded liability, and provide greater predictability and less volatility in contribution rates for employers. The policy establishes a mechanism to reduce the discount rate by a minimum of 0.05 percentage points to a maximum of 0.25 percentage points in years when investment returns outperform the existing discount rate, currently 7.5%, by at least four percentage points. PERS staff modeling anticipates the policy will result in a lowering of the discount rate to 6.5% in about 21 years, improve funding levels gradually over time and cut risk in the pension system by lowering the volatility of investment returns. More information about the funding risk mitigation policy can be accessed through PERS' web site at the following website address: https://www.calpers.ca.gov/page/newsroom/calpers-news/2015/adopts-funding-risk-mitigation-policy. *The reference to this Internet website is provided for reference and convenience only. The information contained within the website may not be current, has not been reviewed by the City and is not incorporated in this Official Statement by reference.*

Description of Postretirement Healthcare Benefits (OPEB). The City sponsors a single-employer defined-benefit postemployment healthcare plan to provide medical insurance benefits to eligible retired employees and their spouses. The plan is administered by a third party. Benefit provisions are established and may be amended by the City.

The City has a stand-alone medical program for Miscellaneous employees, providing medical insurance options through City healthcare plans. Medical coverage for Safety employees is provided through the CalPERS healthcare program ("**PEMHCA**").

The City allows retirees to continue participating in the medical insurance program after retirement, with some retirees eligible to receive a stipend from retiree medical stipend plans established for some bargaining units. The following summarizes the retiree healthcare benefits:

- Retiree Medical Stipend Plans: The City contributes to retiree medical stipend plans for Fire, Maintenance, SRCEA, Transit, Police Management, Police Officers and Police Civilian Technical employees. Stipend amounts and eligibility requirements vary by bargaining unit.

- PEMHCA Minimum: Safety retirees participating in PEMHCA receive the PEMHCA minimum required employer contribution towards the retiree monthly premium.

- Implied Subsidy: An implied subsidy generally exists when retiree premiums are based on blended active and retiree experience. Since PEMHCA is a community rated plan for the City, no implied subsidy is required for the PEMHCA plan. The City's actuary has determined that no implied subsidy is required for the City's stand-alone medical plan.

The Enterprise is allocated its portion of the City's OPEB costs, which were $93,159, $93,359, and $82,209 for the fiscal years ended June 30, 2015, 2014, and 2013, respectively. The City budgeted to make Enterprise contributions $152,000 for OPEB costs in fiscal year 2015-16 and $156,000 for OPEB costs in fiscal year 2016-17.

The City's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2015, and in particular Note 9 thereto, includes information about the City's postemployment healthcare liabilities and funding.

Investment Policies and Procedures

The City invests its funds, including funds of the Enterprise, in accordance with the City's Investment and Portfolio Policy (the "**Investment Policy**"), which is subject to review and approval by the City Council. The purpose of the Investment Policy is to establish the investment goals of safety, liquidity, and return on investments (in that order). The City's Investment Policy complies with the provisions of the California Government Code, Sections 53600 through 53659 (the authority governing investments for municipal governments in the State). The Investment Policy limits the City to investments authorized by State law (Sections 53601, 53635 and 16429.1 et seq.) and establishes further guidelines.

The City Council receives monthly investment reports. According to the report for the month ended March 31, 2016, the City has invested funds as set forth in the table below.

CITY OF SANTA ROSA
Investment Portfolio as of March 31, 2016

	Par Value	Market Value (1)	Cost (3)	% of Portfolio (4)	YTM at Cost
Treasury Coupon Securities	$114,234,000	$115,786,163	$115,178,337	31.6%	0.99%
Federal Agency Coupon Securities	30,645,000	30,733,606	30,630,065	8.4	0.98
Federal Agency Mortgage-Backed	5,855,067	5,895,303	5,902,891	1.6	0.95
Negotiable CD	69,450,000	69,666,608	69,664,903	19.0	1.20
FDIC-Insured CD	1,232,145	1,228,760	1,233,340	0.3	0.33
Corporate Notes	80,565,000	81,537,558	81,154,023	22.3	1.41
Commercial Paper	15,262,000	15,228,413	15,225,250	4.2	0.73
Municipal Bonds	750,000	754,376	752,903	0.2	0.86
Liquid Funds (2)	45,221,664	45,221,664	45,221,664	12.4	0.40
Total	**$363,214,876**	**$366,052,451**	**364,963,376**	**100.0%**	**1.04%**

(1) Market Values include accrued interest as of trade date.
(2) Liquid Funds include City's LAIF, WFB Peg and Sweep, and custody account cash balances.
(3) Cost equals Amortized Cost Value (original investment cost adjusted for amortization of premium or accretion of discount).
(4) % of Portfolio is based on Market Value.
Source: PFM Asset Management March 2016 Investment Report and Account Statements.

Wastewater Operations

General. The City is responsible for the operation and maintenance of the local wastewater collection system (the "**Local Wastewater System**") and is the managing partner of the subregional wastewater treatment and disposal system (the "**Subregional System**").

Through the Local Wastewater System and the Subregional System, the City provides wastewater treatment throughout the City and much of the adjacent area. The Enterprise consists of both the Local Wastewater System and the Subregional System. Maps of the Local Wastewater System and Subregional System are provided on the following pages.

Local Wastewater System. The Local Wastewater System consists of 590 miles of sewer main, and 17 wastewater lift pump stations. A previous treatment plant, the Oakmont Treatment Plant (the "**Oakmont Facility**"), was historically operated by the local collections system to serve the Oakmont community, a "55 and over" subdivision within the City, between April and October; however the Oakmont Facility is no longer operational due to regulatory requirements and infrastructure improvements that allow the wastewater from Oakmont to be treated more cost effectively at the Laguna Wastewater Treatment Plant described below. Also, pursuant to cooperative settlement agreements with the Oakmont Golf Club and the Oakmont Village Association, the City is no longer responsible for providing recycled water to the Oakmont Golf Club.

The Local Wastewater System transports the City's wastewater flow to a regional wastewater treatment plant that is owned and operated by the City, the Laguna Wastewater Treatment Plant (the "**Laguna Facility**"), as described below.

Subregional System. The Subregional System consists of the Laguna Facility, which has a current capacity of 21.34 mgd (average dry weather flow) and provides tertiary level of treatment to the influent. For more information about the Laguna Facility, see "Existing Facilities – Laguna Facility" below.

The Subregional System serves the City, as well as the adjacent cities of Rohnert Park, Cotati and Sebastopol (collectively, the "**Other Subregional Cities**") and the South Park County Sanitation District (the "**Sanitation District**") through contracts with those public agencies. (See "**Subregional Agreement**" below.) Together, the City, the Other Subregional Cities and the Sanitation District are referred to in this Official Statement as the "**Member Agencies**."

Service Area. The service area of the Enterprise includes the 41 square miles of the City and the service areas of the Other Subregional Cities and the Sanitation District. The total square mileage of the Enterprise's service area is 69.4 miles.

[Remainder of page intentionally left blank.]

ATTACHMENT 1

[INSERT MAP OF LOCAL WASTEWATER SYSTEM]

ATTACHMENT 1

[INSERT MAP OF SUBREGIONAL SYSTEM]

Existing Facilities

General. The Enterprise consists of the following infrastructure and features:

- 6.60 miles of force main pipe ranging from 2-inch to 20-inch
- 584 miles of gravity sewer pipe ranging in size from 4-inch to 66-inch (includes South Park)
- Approx. 12,220 manholes (City-owned)
- 3,218 cleanouts (City-owned)
- 17 lift stations
- Two wastewater treatment plants (only one of which is being operated)
- A compost facility and numerous rural properties for beneficial reuse of biosolids
- A 28.16-mile pipeline and associated pump stations, referred to as the Subregional Reclamation Lines
- A 41-mile pipeline and associate pump stations, referred to as the Geysers Pipeline (Geysers lines)
- An extensive network of storage ponds, pump stations, and pipelines for agricultural and urban irrigation of reclaimed water
- 3.78 miles of Urban Reuse pipe ranging from 4-inch to 24-inch

Capacity. In 2015, the Enterprise had an average wastewater treatment demand of approximately 13.3 million-gallons per day ("**mgd**") (average dry weather flow), and treatment capacity of the Enterprise is 21.34 mgd (average dry weather flow). The hydraulic capacity of the Laguna Facility (to handle short-term wet weather flow) is approximately 65.0 mgd. The City certified a programmatic environmental impact report for flows up to 25.9 mgd, which is sufficient to meet projected demand in the service areas through the City's General Plan horizon of 2035 and beyond.

Laguna Facility. The Laguna Facility consists of three parts: (1) the wastewater treatment plant, (2) the biosolids reuse system, and (3) the recycled water system.

<u>Wastewater Treatment Plant</u>. Raw wastewater from the interceptor sewers and septage receiving system are combined and channeled to the primary treatment process, which consists of screening, grit removal and primary sedimentation at the wastewater treatment plant. In the primary treatment tanks, suspended material in the wastewater is allowed to settle out. The settled material (primary sludge) is routed to the digesters while the liquid effluent flows to the secondary treatment process.

In secondary treatment, the primary effluent is aerated, and bacteria consume most of the organic material. The resulting mixture then flows into secondary clarifiers where additional settlement occurs. The secondary sludge is either recirculated to the aeration tanks or removed for sludge thickening while the liquid effluent flows to the tertiary treatment process.

Tertiary treatment consists of filtration of the secondary effluent through anthracite coal beds that remove remaining organic material. After filtration, the tertiary effluent is disinfected by ultraviolet light which neutralizes remaining bacteria and viruses. After disinfection, the effluent is pumped through pipelines to storage ponds for subsequent reuse or for discharge to the Laguna de Santa Rosa.

Biosolids Reuse System. The solids generated during the wastewater treatment process (sludge) are thickened to remove excess water and then pumped to four anaerobic digesters for volatile solids reduction, stabilization, and production of methane gas. The methane gas is recovered and used in on-site engine driven generators to help meet treatment plant heat and electrical power needs. The product of the digestion process, called biosolids, is further dewatered and then transported for agricultural land application, landfill disposal, or further processed by composting. Currently, the City may dispose up to 3,700 wet tons per year, and 22 tons per day, of biosolids at the Redwood Landfill (owned by Waste Management) in Novato, California, through October 31, 2016; the City may also (but has never needed to) dispose up to 1,750 wet tons of biosolid at the Recology Hay Road landfill (owned by Recology) near Vacaville, California, until October 31, 2017.

In 1991, the Subregional System implemented the Biosolids Beneficial Reuse Program with the goal of reducing the amount of biosolids disposed at the landfill by developing diversified reuse alternatives. This Program, which includes agricultural land application and composting, has reduced landfill disposal from 100% to less than 10%.

Recycled Water System. Tertiary treated, recycled water is currently disposed of in three ways: agricultural and urban reuse, use in the Geysers Recharge Project, and discharge into the Russian River via the Laguna de Santa Rosa. The City manages these three disposal methods in order to remain in regulatory compliance independent of weather.

Agricultural and Urban Reuse: Pursuant to five-year contracts with end users of recycled water, the recycled system irrigates, at a price of $50 per acre-foot of water, approximately 6,300 acres of farmland, golf courses, and urban reuse area annually, currently reusing approximately 2.2 billion gallons annually (approximately 35% of total water treated by the Laguna Facility). The City received total revenues of $22,811.20, $28,628.00 and $34,978.12 from these contracts in fiscal years 2014-15, 2013-14, and 2012-13, respectively.

The storage system consists of 3 storage ponds located at the Laguna Facility, and a series of pumps and piping that convey recycled water to 8 remote storage ponds. The storage system has a capacity of 1.4 billion gallons of usable storage. The irrigation system consists of smaller pumps, piping and sprinkler equipment and can meet a peak irrigation demand of up to 35 MGD.

Geysers Project. The Geysers Recharge Project was completed in 2003 and the original project provided approximately 4.0 billion gallons of recycled water annually to the Geysers Power Company, LLC ("**GPC**"), a subsidiary of the Calpine Corporation ("**Calpine**") in northern Sonoma County. The treated effluent is injected into a geothermal steam field that in turn produces electricity. The system includes 40 miles of transmission pipeline, four pump stations and a one million gallon terminal reservoir, as well as infield piping and injection wells. In 2007, the contract with GPC was amended to provide up to 5.5 billion gallons of recycled water to the geothermal steam field, at the City's option. In fiscal year 2014-15, the City provided 4.047 billion gallons of recycled water to GPC (which was approximately 65% of total water treated by the Laguna Facility).

The City's current agreement with GPC with respect to the Geysers Recharge Project is scheduled to terminate on December 31, 2037; however, the City or GPC may terminate the agreement earlier under certain circumstances, including the right of the City to terminate upon failure of GPC to accept certain minimum amounts of treated water and the right of GPC to terminate upon failure of the City to deliver certain minimum amounts of treated water. Both parties may determine to optionally terminate in 2028 upon notice to the other party. If the agreement is optionally terminated by GPC or is terminated by the City for failure of GPC to accept the minimum amounts of treated water required under the agreement, GPC is required under the agreement to pay a sliding-scale termination fee to the City that ranges from $32,000,000 if it terminates in 2016 to $2,000,000 in the final year (2037) for each year or portion of a year that the 30-year term of the agreement is reduced; such payment is also guaranteed by Calpine. The agreement also specifies the annual amount of water that the City is required to deliver to GPC and which GPC is required to accept. If the agreement is optionally terminated by the City or is terminated by GPC for failure of City to deliver the minimum amounts of treated water required under the agreement, the City is required under the agreement to pay a sliding-scale termination fee to GPC that ranges from $16,000,000 if it terminates in 2016 to $1,000,000 in the final year (2037) for each year or portion of a year that the 30-year term of the agreement is reduced. The agreement provides that should either party deliver/accept less than 90% of the annual amount in any year, it has four years to make up the amount using best efforts and if it cannot, the agreement provides for payments ranging from $360,000 to $1,200,000 per year for each year in which the water was not delivered/accepted. See “RISK FACTORS – Drought.” Neither party has ever failed to deliver or accept, as applicable, the agreed-upon levels of recycled water.

The City is also a party to an “Agreement to Convey Recycled Water by and through Geysers Pipeline for Reuse” dated November 6, 2008 (the “**Windsor Agreement**”), with the Town of Windsor and the Windsor Water District (collectively, the “**Town of Windsor**”). The Windsor Agreement has a stated termination date of December 31, 2037, subject to earlier termination as a result of an un-remedied breach by either party or, in the City’s discretion, following termination of the current agreement with GPC described in the previous paragraph. Pursuant to the Windsor Agreement, the City agrees to accept from the Town of Windsor and the Town of Windsor agrees to deliver to the City between 193 and 456 million gallons per year of treated wastewater for discharge into the Geysers pipeline; the recycled water from the Town of Windsor is not treated in the Laguna Facility. The Town of Windsor pays all of the power costs to pump its recycled water into the pipeline. The Town of Windsor also agrees to pay annual payments to the City that are unrelated to the volume of recycled water delivered to the City; the payments escalate from $775,862 in calendar year 2016 to $1.5 million in calendar year 2037. In the Windsor Agreement, the Town of Windsor covenants to fix and collect sewer rates from the customers of its sewer system to allow the Town to make the required payments to the City.

Discharge to Russian River. Between October and May, when irrigation is not needed or practical, and the Geysers Recharge Project is taking maximum deliveries, excess recycled water is stored and discharged to the Russian River via the Laguna de Santa Rosa. The allowable discharge rate is based upon specific criterion set forth in the Laguna Facility’s NPDES Permit (defined below in “– Environmental Compliance”). In many recent years, discharge has not been necessary due to the aforementioned irrigation reuse and Geysers systems.

Subregional Agreement

The City is a party to an agreement for wastewater treatment and disposal, originally dated April 3, 1975 and subsequently amended five times (as amended, “**Subregional Agreement**”), with the Cities of Rohnert Park, Cotati and Sebastopol and the Sanitation District. The Subregional Agreement specifies the terms by which the City will receive raw wastewater from the Member Agencies (and from California State University, Sonoma, pursuant to an additional agreement with the City of Rohnert Park) at the Laguna Facility.

The original term of the Subregional Agreement was not less than 30 years. Pursuant to its terms, the Subregional Agreement continues thereafter so long as the Laguna Facility and related facilities, or their replacement facilities, remain in service. The City expects the Laguna Facility to remain in service indefinitely so long as the City maintains the Laguna Facility at current standards, which are in accordance with all regulatory requirements. The Subregional Agreement provides that the City will continue to own, maintain and operate the Subregional System, and the other Member Agencies shall not acquire any capital or proprietary interest therein by reason of the Subregional Agreement. Each Member Agency is required to provide, operate and maintain in good working order and repair its own collection and transmission facilities.

Each Member Agency provides a member to the Technical Advisory Committee which reviews and advises the City and the other Member Agencies with regard to mutual problems relating to the Subregional Agreement, provides recommendations and advice in the drafting and application of uniform wastewater use ordinances, reviews annual budgets and capacity assignments, and advises the Board of Public Utilities and each Member Agency's legislative body. A similarly constituted policy committee was established in 1985 to advise the City and the other Member Agencies on policy matters.

The Subregional Agreement requires each Member Agency to enact and enforce adequate wastewater use and pollution control ordinances. Each Member Agency is responsible for setting its own fees for industrial permits and user charges. Each Member Agency has granted the City responsibility and control over the industrial pretreatment (source control) program for the entire Subregional System.

Operation and maintenance costs of the Subregional System are allocated to the Member Agencies and include administration and labor, material, utility and other special service charges. Such operation and maintenance costs are offset, to some extent, by treatment process by-product revenues (which are applied under the Subregional Agreement only to the operation and maintenance costs of the Subregional System). Operation and maintenance costs are apportioned on the basis of each Member Agency's actual annual flow as measured over the previous fiscal year.

Ongoing operating expenses and cash-funded capital upgrades are apportioned among the Member Agencies based on the previous calendar year's total flow into the Laguna Facility. Debt service expenses are apportioned based on (i) whether the projects being funded from debt improve existing operations ("**preservation**") or provide additional capacity ("**expansion**") and (ii) the requirements of the Subregional Agreement as amended when the debt was issued. The first four amendments to the Agreement reapportioned capacity between Member Agencies based on general plan needs each time additional treatment capacity was acquired. The fifth amendment, executed in 2008, also created a cost allocation basis for wet weather driven projects based on each Member Agency's wet weather flows. If a Member Agency were to fail to make a monthly payment, the Member Agency would be in breach of contract and the Subregional Agreement obligates a delinquent Member Agency to pay interest at the rate of 8% per annum for the period of delinquency or dispute. No Member Agency has ever failed to make its monthly payment.

The proportion of each Member Agency's capacity service relating to operation and maintenance costs for fiscal year 2015-16 and the proportion of each Member Agency's capacity service relating to capital-related costs for debt service costs in effect for fiscal year 2015-16 for the current system capacity are shown below. The fiscal year 2015-16 allocations are consistent with the previous five years' allocations.

Fiscal Year 2015-16
Member Agency Allocations

Member Agency	O&M Contribution	% of O&M Contribution	Debt Service	% of Debt Service	Total Contribution
Santa Rosa	$22,246,005	73.90%	$19,203,711	76.37%	$41,449,716
Rohnert Park	5,330,756	17.71	3,823,056(1)	15.20	9,153,812
Sebastopol	860,013	2.86	658,730	2.62	1,518,743
Cotati	664,090	2.21	937,481	3.73	1,601,571
SPCSD	1,002,374	3.33	521,548	2.07	1,523,922
	$30,103,238	100.00%	$25,144,526	100.00%	$55,247,764

(1) Includes payments for City's loan of 1.03 mgd capacity to Rohnert Park pursuant to November 6, 2002, agreement, as described below.
Source: City of Santa Rosa.

The capital-related expenses for costs other than debt service were historically approximately $1 million annually in the aggregate for all Member Agencies until fiscal year 2014-15, when the Member Agencies agreed to increase their cash-funded capital contributions on an annual basis. It is anticipated that the Member Agencies will be contributing an aggregate of approximately $8 million per year for capital replacement by 2022, and that each Member Agency's share of that contribution will be proportionate to its operations and maintenance cost contribution.

There are a number of side agreements between the City and certain of the Member Agencies regarding minor reallocation of capacity due to annexations of property and the provision of wastewater service to areas outside the City limits. In addition, on November 6, 2002, the City agreed to loan capacity of 1.03 mgd to Rohnert Park. Until such time as the capacity is returned to the City, Rohnert Park makes debt service payments based on this capacity. Such loaned capacity will revert to the City after a subsequent enlargement of the Subregional System results in additional capacity being allocated to Rohnert Park as approved by the Member Agencies; however, the City has no anticipated timeframe for such enlargement, particularly due to the recent decrease in wastewater flow, as indicated by Table 1 under the heading "– Wastewater Flow – Laguna Facility."

The City operates and maintains the wastewater collection facilities within the service area of the Sanitation District pursuant to an agreement between the two entities. When the area that is served by the Sanitation District, which is within the urban boundary of the City, is annexed to the City, the Sanitation District will eventually dissolve, and the rights and obligations of the Sanitation District will be assigned to and assumed by the City; the City does not expect the assignment and assumption to materially impact the finances of the Enterprise. The agreement covers the City's ongoing operation and maintenance of the Sanitation District's collection system and requires the Sanitation District to continue to pay its share of the capital expenses of the Subregional System until the area is annexed to the City.

Environmental Compliance

The Enterprise is subject to federal, state and local regulatory requirements pertaining to drinking water quality and distribution, wastewater treatment and reuse, biosolids management, air quality, hazardous materials handling and waste management. Federal regulations are based upon provisions within the Safe Drinking Water Act, Clean Water Act (the "**CWA**"), Clean Air Act, and Resource Conservation and Recovery Act. State and local regulations are prescribed by the California Air Resources Board, California Department of Toxic Substances Control, the State Water Resources Control Board (the "**State Water Board**"), the North Coast Water Quality Control Board (the "**Regional Water Board**") and the Bay Area Air Quality Management District. Enterprise facilities and programs are managed to comply with all applicable laws and regulations.

CWA regulations deal primarily with the quality of effluent that may be discharged from Enterprise facilities, the recycling of residual solids generated by Enterprise facilities, the reuse of reclaimed water for irrigation and industrial uses to conserve potable water, and the nature of waste material (particularly industrial waste) discharged into a sanitary sewer system. Provisions of the CWA are administered through the Regional Water Board through a National Pollutant Discharge Elimination System ("**NPDES**") permit. On November 21, 2013, the Regional Water Board issued Order No. R1-2013-0001, which sets forth the Subregional System's renewed five-year NPDES Waste Discharge Requirements and Master Reclamation Permit ("**Permit**").

After the issuance of the new Permit, the City filed a Petition for Review of the Permit with the State Water Board challenging the Permit provisions related to final effluent limitations and for phosphorus, recycled water use, receiving water temperature limitations, and a number of other issues the City raised during the Regional Board's permit review and issuance process. In 2014, settlement talks regarding recycled water requirements between the City and the Regional Water Board were ongoing in good faith. As a result, on December 23, 2014, the City sent a request to the State Water Board to put the Petition for Review into abeyance. In October 2015, the City requested the State Water Board extend the current abeyance period for the Petition for Review for an additional two years to October 23, 2017. On November 16, 2015, the State Water Board provided written confirmation to hold the Petition for Review in abeyance until October 23, 2017. The City may opt to end the abeyance period at any time, and if it does, the Petition for Review would be placed in the queue to be considered by the State Water Board.

See "THE ENTERPRISE – Historical and Projected Revenues, Expenses and Debt Service Coverage" and "RISK FACTORS – Environmental Regulation."

The City is not aware of any conditions that could result in regulatory action that could materially impact its ability to pay debt service on the Series 2016A Bonds.

Capital Improvement Program

Local Wastewater System Improvements. In order to assess certain capital improvement needs of the Enterprise's sewer system through 2035, the City commissioned outside consultants to update the City's Sanitary Sewer System Master Plan (the "**2006 Master Plan Report**"). The 2006 Master Plan Report estimated that approximately $178 million in additional capital costs would be required through fiscal year 2019-20 in order to correct existing deficiencies in the collection system of the Enterprise. Subsequent hydraulic analysis eliminated the need to construct a parallel Llano Trunk sewer line by modifying the configuration and changing the operation of the existing wet weather wastewater retention facility at the West College site, resulting in elimination of approximately $60 million of future growth-related infrastructure cost. Since the release of the 2006 Master Plan Report, approximately $123 million of collection system infrastructure has been cash-funded. The most current update, the October 2014 Sanitary Sewer System Master Plan Update (the "**2014 Master Plan Update**"), recommends upsizing 23.3 miles of trunk sewers, estimated to cost $64 million, based on population projection increases and accepted storm level intensities through 2035.

The City's five-year capital improvement program projection (fiscal years 2016-17 through 2020-21) includes a proposed $60 million of projects for Local Wastewater System improvements (consisting of an estimated $18.7 million for trunk sewers and $41.3 million for other infrastructure upgrades and replacements) that are to be funded solely by user rates and demand fee revenues. The projects identified as correcting existing deficiencies in the collection system of the Enterprise have been integrated into the City's existing capital improvement program for the Enterprise. The City intends that projects identified in the 2014 Master Plan Update to accommodate development will be built by outside developers as a condition of their development according to the needs of the 2014 Master Plan Update.

The City performs a rigorous risk-based analysis of the Enterprise facilities annually. Piping is ranked and assigned a priority for replacement/refurbishment based on its age, pipe material, actual condition and service record. Not all pipelines exceeding their expected service life need to be replaced: appropriate projects are determined by physical inspection and/or video inspection, proximity to vital/fragile areas (streams, wetlands, etc.) and need for maintenance. The selected pipelines then become a part of an annual replacement program. The improvement projects typically consist of replacing the pipeline with a new pipeline of like size. It is City policy to use a minimum of 8" diameter for all new pipelines.

Special Initiative Projects.

Subregional System Improvements. The City continues to invest in the Subregional System to manage wastewater flows and more restrictive regulatory requirements. The Subregional System capital program consists of projects encompassing urban reuse, discharge compliance, water conservation, Geysers Recharge Project reuse, agricultural reuse, upgrades at the Laguna Facility and biosolids reuse. Over the past five years, the City has spent over $37 million on Subregional System capital improvements. The City expects to spend another $83.5 million over the next five years, and to pay those costs with a combination of expected revenues of $5.1 million per year and proceeds of Parity Bonds ($57.9 million) in fiscal year 2016-17 or 2017-18.

High Strength Waste Receiving Facility. In an effort reduce the carbon footprint of regional traffic, reduce electrical power costs, and promote local business development, the Subregional System has taken on and is about to complete construction of a high strength waste ("**HSW**") receiving facility. HSW is essentially wastewater with very high volatile solids and very high biochemical oxygen demand that has significant methane production potential when directly anaerobically digested. Local restaurants and food production businesses are currently burdened with disposing of HSW via trucking to East Bay Municipal Utility District's high strength waste facility in Oakland, California.

Once the HSW receiving facility is on-line, existing capacity in the Laguna Facility's digestion and combined heat and power facilities will allow the Laguna Facility to receive and digest up to 40,000 gallons per day of locally generated HSW and convert the produced methane into heat and electricity to be used at the Laguna Facility. By doing this, the carbon footprint associated with hauling HSW from Sonoma County to East Bay Municipal Utility District will be essentially eliminated, power costs attributable to running the Laguna Facility will be offset, and local businesses will be supported by having a more economical HSW disposal alternative. The City expects the HSW receiving facility to go on-line within the next three months, pending the City's receipt of an air quality permit.

Microgrid Demonstration Project. The Laguna Facility was recently selected by the California Energy Commission ("**CEC**") to be one of three microgrid demonstration project sites in California, and of the three, the only Wastewater Treatment Plant to be selected. The project will allow the CEC to better understand how facilities such as the Laguna Facility, which have the ability to produce variable amounts of electrical power, may be able to mitigate regional power grid instability by varying their demand on the grid. Varying the Laguna Facility's electrical demand is expected to allow greater market penetration of solar energy, which has reached an effective penetration limit due to its inherent variable, grid-destabilizing supply characteristic.

The microgrid demonstration project is a joint venture with TRANE, who is the primary recipient of the associated CEC grant. The project is slated for completion in late 2017.

Property Acquisition. The City has long had a program to buy property surrounding the Laguna Facility when market conditions were favorable for purchase in order to create a buffer around the Facility and thereby limit costs associated with mitigation of complaints and/or unmeritorious litigation. Additionally, in order to increase available biosolids land application acreage, the City has recently started pursuing opportunities to acquire property in southern Sonoma County also. Over the past 5 years, the City has spent approximately $1 million on acquiring Laguna Facility buffer property and anticipates expenditures of approximately $2 million over the next few years for land application sites.

The rate increase passed by the City Council on December 1, 2015, for rates taking effect in 2016 through 2020, includes funding to gradually increase the cash funding for on-going Subregional System capital replacements. See "– Rates and Charges."

The capital improvement program described above does not reflect any costs of complying with regulatory requirements that may be imposed on the City in the future. See "THE ENTERPRISE – Environmental Compliance" and "– Historical and Projected Revenues, Expenses and Debt Service Coverage" and "RISK FACTORS – Permits and Regulation."

The table below sets forth the estimated five-year capital improvement plan for the Enterprise to be funded both from expected revenues and proceeds of Parity Bonds.

CITY OF SANTA ROSA WASTEWATER ENTERPRISE
ESTIMATED CAPITAL IMPROVEMENT PLAN

System	Fiscal Year 2016-17	Fiscal Year 2017-18	Fiscal Year 2018-19	Fiscal Year 2019-20	Fiscal Year 2020-21	Total
Local System- Cash Funded	$12,000,000	$12,000,000	$12,000,000	$12,000,000	$12,000,000	$60,000,000
Subregional - Cash Funded	3,214,671	4,080,000	5,080,000	6,080,000	7,080,000	25,534,671
Subtotal - Cash Funded	15,214,671	16,080,000	17,080,000	18,080,000	19,080,000	85,534,671
Local System - Bond Funded	10,651 (1)	--	--	--	--	10,651
Subregional - Bond Funded	--	57,900,000 (2)	--	--	--	57,900,000
Total	$15,225,322	$73,980,000	$17,080,000	$18,080,000	$19,080,000	$143,445,322

(1) Represents remaining proceeds of Series 2008A Bonds.
(2) Represents planned issuance of Parity Bonds in fiscal year 2016-17 or 2017-18, as described above under the heading "Subregional System Improvements."

Total Customer Accounts – City Only

The following table shows a history of customers served by the Enterprise in the City only. See Table 6 below for the number of customers served by the Enterprise in the service area of the other Member Agencies in fiscal year 2014-15.[1] See Table 7 below for a break-down of the number of residential and commercial/industrial customer accounts served by the Enterprise in the City only in fiscal years 2005-06 through 2014-15.

TABLE 1
CITY OF SANTA ROSA WASTEWATER ENTERPRISE
CITY CUSTOMERS SERVED
(Fiscal Years 2003-04 through 2014-15)

Fiscal Year	Population (1)	City Customer Accounts
2003-04	156,245	45,818
2004-05	157,175	46,489
2005-06	158,365	47,052
2006-07	159,716	47,853
2007-08	162,657	48,226
2008-09	165,405	48,420
2009-10	167,302	48,327
2010-11	168,856	48,524
2011-12	169,070	48,713
2012-13	170,093	48,888
2013-14	172,317	49,118
2014-15	174,475	49,346

(1) As of January 1 in the fiscal year shown.
Source: California State Department of Finance, Demographic Research Unit; Census.gov, City of Santa Rosa.

[1] The tables in this Official Statement that identify customers of the City do not reflect the Member Agencies—because the Member Agencies are not customers of the Local Wastewater System but, rather, member agencies of the Subregional System—or the Member Agencies' customers.

Wastewater Flow – Laguna Facility

The following table shows the average treatment data (dry weather flow) for the service area of the Laguna Facility (which includes the City and the other Member Agencies). Table 5 below separately identifies the average dry weather flow into the Laguna Facility from the other Member Agencies in fiscal year 2014-15. The capacity of the Laguna Facility is 21.34 MGD.

TABLE 2
CITY OF SANTA ROSA WASTEWATER ENTERPRISE
LAGUNA FACILITY
AVERAGE ANNUAL SUBREGIONAL TREATMENT
(DRY WEATHER FLOW - MGD)
(Fiscal Years 2003-04 through 2014-15)

Fiscal Year	Total
2003-04	16.5
2004-05	16.5
2005-06	16.4
2006-07	15.3
2007-08	14.6
2008-09	14.5
2009-10	14.8
2010-11	15.4
2011-12	15.0
2012-13	15.1
2013-14	13.9
2014-15	13.3

(1) Reductions beginning in fiscal year 2013-14 are due to drought-related conservation and weather patterns.
Source: City of Santa Rosa.

Profile of Customers in the City

The following table sets forth the distribution of customers of the Enterprise in the City by water meter size as of June 30, 2015.

TABLE 3
CITY OF SANTA ROSA WASTEWATER ENTERPRISE
CITY CUSTOMER ACCOUNTS BY METER SIZE
(As of June 30, 2015)

	Residential		Non-Residential		Total	
Meter Size	#	% of Total	#	% of Total	#	%
5/8”	45,289	91.78%	1,278	2.59%	46,567	94.37%
1”	670	1.36	835	1.69	1,505	3.05
1.5”	104	0.21	147	0.30	251	0.51
2”	423	0.86	458	0.93	881	1.79
3,” 4,” 6” & 8”	64	0.13	78	0.16	142	0.29
Totals	46,550	94.33	2,796	5.67	49,346	100.00%

Source: City of Santa Rosa.

Approximately 96% of the customer accounts in the City are residential users (predominantly with a 5/8" meter size). The non-residential customer accounts are only 4% of the total number of customer accounts served by the Enterprise in the City.

Top 10 Customers in the City

The top 10 wastewater customers in the City served by the Enterprise for fiscal year 2014-15 are listed in the table below and identified by land-use category. The largest user in the City accounted for 0.69% of the Enterprise's gross revenues for fiscal year 2014-15. The 10 largest users in the City collectively accounted for 4.19% of the Enterprise's gross revenues.

TABLE 4
CITY OF SANTA ROSA WASTEWATER ENTERPRISE
TOP TEN WASTEWATER CUSTOMERS IN CITY
(Fiscal Year 2014-15)

Land-Use	Gallons Billed (In thousands)	Amount Billed	% of Total Gross Revenues (1)
Manufacturing	43,405	$581,248(2)	0.69%
Multifamily residential	41,753	653,868	0.77
Government	28,897	473,867	0.56
Government	21,010	348,623	0.41
Industrial	18,604	244,173	0.29
Hospital	17,064	257,313	0.30
Multifamily residential	16,923	314,988	0.37
Hospital	16,383	252,135	0.30
Industrial	14,965	211,447	0.25
Multifamily residential	14,650	205,340	0.24
Total	233,654	$3,543,002	4.19%

(1) Total gross revenues for fiscal year 2014-15 were $84,478,000.
(2) Even though Manufacturing generated more usage, Multifamily residential generated more revenue due to fixed fees.

Source: City of Santa Rosa.

Wastewater Flow – Other Member Agencies

Set forth in the following table is the average dry weather flow into the Laguna Facility from the other Member Agencies in fall 2015. See Table 2 above for a history of average dry weather flow from the entire service area of the Enterprise (including the City and the other Member Agencies).

TABLE 5
CITY OF SANTA ROSA WASTEWATER ENTERPRISE
LAGUNA FACILITY
MEMBER AGENCIES
AVERAGE DAILY DRY-WEATHER FLOW (MGD)
(Fall 2015)

	Dry-Weather
Santa Rosa/SPCSD[(1)]	9.96
Rohnert Park	2.60
Sebastopol	0.40
Cotati	0.33
Total	13.29

(1) The South Park County Sanitation District flow is approximately 3.4% of the total system flow.
Source: City of Santa Rosa.

Customer Accounts – Other Member Agencies

The approximate number of customer accounts for the other Member Agencies is set forth in the table below, together with the number of customer accounts for the City.

TABLE 6
CITY OF SANTA ROSA WASTEWATER ENTERPRISE
WATER AND SEWER CUSTOMER ACCOUNTS
(AS OF JANUARY 31, 2015)

Rohnert Park	8,619
Sebastopol	2,864
Cotati	2,444
South Park Sanitation	2,075
Subtotal	16,002
City of Santa Rosa	49,346
Total	65,348

Source: City of Santa Rosa.

Breakdown of Customer Account Types in the City

The following table is the summary, by customer type, of the historical accounts and a projection of wastewater customer accounts in the City based on estimates of the number of building permits expected to be issued in fiscal year 2015-16.

TABLE 7
CITY OF SANTA ROSA WASTEWATER ENTERPRISE
HISTORICAL AND PROJECTED WASTEWATER CUSTOMER ACCOUNTS
(Fiscal Years 2002-03 through 2015-16[1])

Fiscal Year	Residential	Commercial/Industrial	Total Accounts
2002-03	42,689	2,626	45,315
2003-04	43,161	2,657	45,818
2004-05	43,785	2,704	46,489
2005-06	44,308	2,728	47,052
2006-07	45,089	2,764	47,853
2007-08	45,443	2,783	48,226
2008-09	45,636	2,784	48,420
2009-10	45,567	2,760	48,327
2010-11	45,771	2,753	48,524
2011-12	45,872	2,752	48,624
2012-13	46,123	2,765	48,888
2013-14	46,166	2,746	48,912
2014-15	46,550	2,796	49,346
2015-16[1]	46,965	2,820	49,785

(1) Projected, as of May 1, 2016.
Source: City of Santa Rosa.

Rates and Charges

Approval Process. The BPU annually reviews and periodically makes recommendations for wastewater user rates for City customers. Rate changes are subject to approval by the City Council. The City's current rates and charges are based on a rate study completed by The Reed Group, Inc., dated September 9, 2015 (the "**Water and Wastewater Rate Study**"). The current wastewater rates were approved and adopted by Resolution No. 28718 of the City Council adopted on December 1, 2015, in accordance with the requirements of Articles XIIIC and XIIID of the California Constitution, and have been reflected on billings rendered as of January 5, 2016, as described below. See "RISK FACTORS – Articles XIIIC and XIIID of the California Constitution" for a discussion of provisions of the California Constitution that limit the City's ability to increase or tier rates. Resolution 28718 reflects the Water and Wastewater Rate Study's recommendations, among others, to adopt a five-year rate plan (rather than a two-year rate plan, which had been the City's historic practice) and consolidate the various commercial/industrial-type special wastewater categories used previously for calculating user charges (as discussed below into four general strength categories: low strength, standard strength, medium strength and high strength).

Historical Rates. Set forth below is a history of system-wide average rate increases by the City since January 1, 2010.

TABLE 8a
CITY OF SANTA ROSA WASTEWATER ENTERPRISE
HISTORY OF RATE INCREASES
(January 1, 2010 – July 1, 2016)

January 2010	7.0%
January 2011	7.0
January 2012	3.0
January 2013	3.0
March 2014	3.5
January 2015	3.5
January 2016	3.0
July 2016	[2.0](1)

(1) [Approved by City Council on June 14, 2016.] The rates approved pursuant to Resolution No. 28718, which was adopted by City Council on December 1, 2015, are maximum rates; the permitted maximum increase in July 2016 was 3.0%. See "– Current Rates."

Current Rates. The current wastewater rates are based on (i) water meter size or estimated size for wastewater-only customers and (ii) the average water consumption by the user during the winter billing periods between November and March (which is used to determine the number of sewer billing units). This period is typically the rainy season and consequently represents a fair estimate of the non-irrigation, internal water use of a customer, which in turn is a fair estimate of the wastewater discharge in terms of the number of sewer billing units. This estimate of sewer billing units is used throughout the year until July of the next year when each customer's sewer billing unit is again recalculated. The average wintertime indoor water usage is called the "**sewer cap**."

Each of the other Member Agencies sets its own user charges and demand fees.

The rates for the City consist of a fixed monthly charge, user charge and, for any commercial/industrial user whose wastewater strengths exceed the range for its category (as determined through sampling and analysis), an additional surcharge based on strength is imposed, calculated and billed. The current maximum approved rates are summarized in the tables below; as noted above, the BPU annually reviews and periodically makes recommendations for wastewater user rates for City customers, and rate changes are subject to approval by the City Council.

TABLE 8b
CITY OF SANTA ROSA WASTEWATER ENTERPRISE
MONTHLY USER CHARGES
Current and Future Rate Structures as of January 5, 2016[(1)]

Fixed Monthly Charges

Customer User Charge (By Meter Size)	Current Rates (As of January 5, 2016)	Future Rates (As of July 1, 2016)	Future Rates (As of July 1, 2017)	Future Rates (As of July 1, 2018)	Future Rates (As of July 1, 2019)	Future Rates (As of July 1, 2020)
Residential:	$22.74	$23.42	$24.12	$24.84	$25.46	$26.10
Commercial:						
5/8” & 3/4”	22.74	23.42	24.12	24.84	25.46	26.10
1”	54.75	56.39	58.08	59.82	61.32	62.85
1.5”	108.11	111.35	114.69	118.13	121.08	124.11
2”	172.15	177.31	182.63	188.11	192.81	197.63
3”	321.56	331.21	341.15	351.38	360.16	369.16
4”	535.00	551.05	567.58	584.61	599.23	614.21
6”	1,068.60	1,100.66	1,133.68	1,167.69	1,196.88	1,226.80

User Charges

Quantity Charge Per 1,000 Gallons	Current Rates (As of January 5, 2016)	Future Rates (As of July 1, 2016)	Future Rates (As of July 1, 2017)	Future Rates (As of July 1, 2018)	Future Rates (As of July 1, 2019)	Future Rates (As of July 1, 2020)
Residential:	$13.08	$13.47	$13.87	$14.29	$14.65	$15.02
Commercial:						
Low Strength	10.87	11.20	11.54	11.89	12.19	12.49
Standard Strength	13.08	13.47	13.87	14.29	14.65	15.02
Medium Strength	14.50	14.94	15.39	15.85	16.25	16.66
High Strength	17.91	18.45	19.00	19.57	20.06	20.56

Additional Surcharge per Pound (Commercial/Industrial Only)

Pollutant	Current Rates (As of January 5, 2016)	Future Rates (As of July 1, 2016)	Future Rates (As of July 1, 2017)	Future Rates (As of July 1, 2018)	Future Rates (As of July 1, 2019)	Future Rates (As of July 1, 2020)
BOD	$0.44	$0.45	$0.46	$0.47	$0.48	$0.49
TSS	0.51	0.53	0.55	0.57	0.58	0.59
Ammonia	1.12	1.15	1.18	1.22	1.25	1.28

(1) Approved and adopted by Resolution No. 28718 of the City Council adopted on December 1, 2015, as described under the heading “– Approval Process.”

Source: City of Santa Rosa.

The following table sets forth a history of the typical monthly wastewater residential bill and the yearly percentage change over this period, assuming a 5/8" meter size and 5,200 gallons of water usage (estimated typical use during the wet weather, non-irrigation period).

TABLE 9
CITY OF SANTA ROSA WASTEWATER ENTERPRISE
TYPICAL MONTHLY WASTEWATER CHARGES FOR SINGLE FAMILY USER

	2011-12	2012-13	2013-14	2014-15	Period from January 5, 2016, through June 30, 2016
$ Per Month	$81.97	$84.43	$87.38	$90.45	$90.76
% Change over previous Year	3%	3%	3.5%	3.5%	1.2%

Source: City of Santa Rosa.

The following table sets forth a comparison of the monthly residential wastewater bill of customers of the City and those existing in neighboring cities.

TABLE 10
SINGLE FAMILY RESIDENTIAL WASTEWATER BILL COMPARISONS WITH OTHER WASTEWATER DISTRICTS(1)

City	Monthly Wastewater Bill
Vallejo	$46.70
Rohnert Park(2)	66.29
Sebastopol(2)	83.19
San Francisco	72.82
Cotati(2)	65.72
South Park Sanitation(2)	72.67
Windsor	73.61
Petaluma	83.75
Healdsburg	108.32
Santa Rosa	90.76

(1) Current rates were obtained by reviewing other cities' most recent rate sheets, when available, or the latest Wastewater User Charge Survey Report from the California State Water Resources Control Board. Assumes a sewer cap (and sewer usage) of 5.2 billing units.
(2) Member Agency.
Source: City of Santa Rosa

Demand Fee. The latest demand fee ordinance follows a City-commissioned Santa Rosa 2014 Water and Wastewater Demand Fee Study. The current methodology computes demand fees based on a modified system buy-in approach, which resulted in a significant reduction from previous demand fees.

Pursuant to the City's latest wastewater demand fee ordinance (Ordinance No. 4034), effective on September 16, 2014, the residential Demand Fee rates are increased (or decreased) on January 1 of each calendar year by a percentage equal to the percentage change in the Engineering News Record 20 Cities Construction Cost Index (published by The McGraw-Hill

Companies, Inc.) for the 12-month period ending November 30 of the prior calendar year. The ordinance also provides that demand fees will be reviewed at least every 5 years and be increased or decreased to take actual changes in the City's General Plan or Department Master Plans into consideration. The table below sets forth the current schedule of residential Demand Fees, which became effective on January 1, 2016.

TABLE 11
CITY OF SANTA ROSA WASTEWATER ENTERPRISE
RESIDENTIAL DEMAND FEE SCHEDULE
(2016)

Type of Connection	Demand Fee Effective January 1, 2016
Single Family Residential	
Small lot(1)	$5,860
Large & Medium lot(2)	6,678
Very Large lot(3)	7,768
Condominiums, Apartments and Mobile Homes	6,542
Second Units or Senior Housing Units	4,906

(1) 6,000 square feet and under.
(2) Over 6,000 square feet up to one acre.
(3) Over one acre.
Source: City of Santa Rosa.

The current nonresidential wastewater Demand Fee is determined based on a rate of $1,301 per thousand gallons per month ("**TGM**") times an estimated monthly flow quantity. The estimated monthly wastewater flow quantity is determined by City ordinance and is based on the type of customer use (e.g. car wash, gas station, commercial laundry, bakery). The minimum flow quantity that must be purchased for nonresidential uses is 1 TGM, and purchases must be made in increments of 1 TGM. The Director of Utilities may periodically review the water/wastewater usage of nonresidential and industrial customers.

The City also currently charges a one-time processing fee of $510 per new residential connection to the wastewater system.

TABLE 12
CITY OF SANTA ROSA WASTEWATER ENTERPRISE
REGIONAL COMPARISON OF DEMAND FEES

	Residential		Commercial	
City	**Basis of Calculation**	**Fee**	**Basis of Calculation**	**Fee**
Santa Rosa	Large/Medium Lot (6,000 square feet to 1 acre)	$6,678	TGM (10,000 square feet office)	$1,363
Healdsburg	Residential Unit	$9,676	'Low Strength' (1" meter)	$16,159
Rohnert Park	Residential Unit	$325	Per Acre	$1,625
Cotati	3/4" Meter	$14,968	1" Meter	$24,997

Source: City of Santa Rosa.

The other Agencies are responsible for setting rates within their own jurisdictions. The Member Agencies make payments to the Enterprise based on the agreed upon formula and timetable within the Subregional Agreement.

Revenues from demand fees are related directly to development activity in the Enterprise service area. Demand fee revenues hit a low in fiscal year 2010-11. Demand fee revenue has quadrupled since that time and future projections for demand fee revenues over the next five years are being estimated at the fiscal year 2012-13 level. See “APPENDIX C – General Demographic Information About the City of Santa Rosa and County of Sonoma."

Billing and Collection Procedures

Bills for Enterprise customers within the City are computer-generated and included with the water billing. These bills are sent to customers on a monthly basis. The bills are collected by the Revenue Division of the Finance Department. Upon presentation of a bill, a customer is given 21 days to pay the bill and the account becomes delinquent at 45 days. Delinquent accounts are subject to disconnection of the customer’s water service.

There are three types of accounts: Water/Sewer, Water-only and Sewer-only. In fiscal year 2014-15, more than 87% of all bills were paid within 35 days of the billing date and therefore did not become delinquent. In fiscal year 2014-15, outstanding bills on closed accounts (574 accounts), and on approximately 3.5% (40 accounts) of the active Sewer-only accounts, were sent to a collection agency. In fiscal year 2014-15, the amount sent to a collection agency was approximately 0.4% of total utility (not Sewer-only) receivables of approximately $99 million. In fiscal year 2014-15, the collection agency recovered approximately 24% of the amount sent to a collection agency.

Outstanding Parity Revenue Obligations

The following table summarizes the aggregate principal amount of the obligations of the City that will be payable from Net Revenues on a parity with the Series 2016A Bonds, assuming issuance of the Series 2016A Bonds:

Obligation	Outstanding Principal Amount(3)
Revenue Bonds Series 1993A	$1,365,000(4)
Revenue Bonds Series 2002B (1)	39,878,380
Revenue Bonds Series 2007A	[_]
Revenue Bonds Series 2012A	53,240,000
Revenue Bonds Series 2014A	14,035,000
Subtotal	**[_]**
Revenue Bonds Series 2016A*	[_]
Subtotal*	**[_]**
Prior Loans(2)	55,865,000
Total*	**$[_]**

* Preliminary; subject to change.
(1) Estimated accreted value of $86,130,989.35 as of May 31, 2016.
(2) Excludes an outstanding $344,104.67 aggregate principal amount California Energy Commission loan as of June 22, 2016. Although this loan is not secured by Net Revenues, the City has historically made loan payments from Net Revenues.
(3) Reflects amounts outstanding as of May 31, 2016.
(4) Scheduled to mature on September 1, 2016.

Pursuant to the Master Indenture, the State Loans are treated as Parity Bonds, but the State is not entitled to be paid from any monies held in the Reserve Account created under the Master Indenture.

The annual payment schedule for the City's outstanding Bonds, the State Loans and the 2012 Revenue Bonds, for each fiscal year, is set forth in "APPENDIX F – Revenue Obligation Debt Service Schedule."

Financial Management and Policies

The City staff has implemented a policy of maintaining unrestricted fund balances (operating reserves), after providing for debt service on all Bonds and other outstanding debt of the Enterprise, equal to 15% of each fiscal year's Maintenance and Operation Costs. In addition, the Enterprise maintains a $3 million capital reserve (consisting of $2 million for the Local Wastewater System and $1 million for the Subregional System), an $8.5 million catastrophic reserve, and a $1.25 million geyser reserve per the City's Utilities Reserve Policy. These reserve requirements are reflected in the Net Revenue projections and further enhance the adequacy of Net Revenues to cover debt service of the Series 2016A Bonds. The City also maintains a designated reserve for the State Loans, which had a balance of $3.143 million as of June 30, 2015, and, as described under the heading "SECURITY FOR THE SERIES 2016A BONDS – Rate Stabilization Fund," the Rate Stabilization Fund.

In fiscal year 2012-13, the City amended its reserve policy and added a new Subregional User Agency Reserve. The Subregional User Agency Reserve is funded by all user agencies in proportion to flow into the plant and is intended to enhance the City's Subregional fund liquidity and provide a user agency funded security for debt service payments; although the reserve may be used for debt service payments on the Bonds, it is not pledged to the payment of interest on or principal of the Bonds. This reserve will be maintained at approximately 20% of annual debt service amounts and was fully funded at $5.395 million on June 20, 2015.

The City may amend or discontinue its reserve policy at any time.

Financial Statements

The following table sets forth certain information on the Enterprise compiled from the City's audited financial statement. Portions of the City's comprehensive annual financial report for the fiscal year ended June 30, 2015 are attached as Appendix B to this Official Statement. See "FINANCIAL STATEMENTS" below.

Service user charges received by the City from its own customers (as opposed to those served by the other Member Agencies) account for most of the "Operating Revenues" of the Enterprise as recorded in the audited financial statements; however, the term "Gross Revenues" as defined in the Indenture includes not only the amounts accounted for as "Operating Revenues" in the City's audited financial statements, but also (i) receipts from the Member Agencies pursuant to the Subregional Agreement (partially accounted for under "Intergovernmental/Contributions" in Table 13), (ii) demand fees received, and (iii) interest earned on funds held by the Chief Financial Officer or the Trustee. Demand fees were approximately 2% of the total Gross Revenues for the Enterprise in fiscal year 2014-15.

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TABLE 13
CITY OF SANTA ROSA – WASTEWATER ENTERPRISE
REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS,
FISCAL YEARS 2011-12 THROUGH 2014-15
($000)

	2011-12	2012-13	2013-14	2014-15
Operating Revenues:				
Charges for Services	$68,520[1]	$70,433[1]	$74,877[1][2]	$75,176
Sale of water	--	--	--	298[1]
Total Operating Revenues	68,520	70,433	74,877	75,474
Operating Expenses:				
Maintenance and Operation	31,041	29,492	27,966[3]	31,130
Administration	8,913	8,861	8,617	8,742
Depreciation	16,939	17,297	17,368	19,758
Total Operating Expenses	56,893	55,650	53,951	59,630
Operating Income (Loss)	11,627	14,783	20,926	15,844
Non-Operating Revenues (Expenses):				
Intergovernmental Revenue	552	472	485	500
Interest Revenue	693	622	--	--
Investment Earnings	--	--	400	697
Net change in fair value of investments	212	(210)	136	(30)
Interest Expense	(12,058)	(13,816)	(13,344)	(13,335)
Gain (loss) on disposal of capital assets	(74)	41	(67)	89
Other	233	687	1,569	534
Net Non-Operating Revenues (Expenses)	(10,442)	(12,204)	(10,821)	(11,545)
Income (Loss) Before Transfers and Capital Contributions	1,185	2,579	10,105	4,299
Net Operating Transfers In (Out)	(596)	(1,395)	5,950	(1,211)
Capital Contributions	6,831	7,678	(937)	7,463
Changes in Net Position	7,420	8,862	15,118	10,551
Net Position, beginning of year	199,051	206,471	212,485	227,603
Change in accounting principles[4]	--	--	--	(19,732)
Net Position, beginning of year, as restated[4]	--	--	--	207,871
Net Position, end of year	$206,471	$215,333	$227,603	$218,422

(1) Agricultural and urban reuse revenues were included in Charges for Services in fiscal years 2011-12, 2012-13 and 2013-14, and in Sale of water in fiscal year 2014-15. See "– Existing Facilities – Laguna Facility – Recycled Water System."

(2) Increase from fiscal year 2012-13 resulted from high water use in fiscal year 2013-14 and, consequently, an increased available fund balance.

(3) The City considers the decrease from fiscal year 2012-13 to be anomalous.

(4) Reflects City's adoption of Governmental Accounting Standards Board Statements No. 68 and 71 effective July 1, 2014. These statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources and pension plan expenses but do not change the pension funding obligations of the City.

Source: City of Santa Rosa; audited financial statements for fiscal years 2011-12 through 2014-15.

Historical Revenues, Expenses and Debt Service Coverage

The following table sets forth the Gross Revenues, Maintenance and Operation Costs, Net Revenues, annual debt service and debt service coverage ratios for fiscal years 2012-13 through 2014-15 for the Enterprise. The financial information provided in Table 14 conforms with the terms defined in the Indenture.

TABLE 14
CITY OF SANTA ROSA WASTEWATER ENTERPRISE
HISTORICAL REVENUES, EXPENSES AND DEBT SERVICE COVERAGE
($000)

	2012-13	2013-14	2014-15
Gross Revenues(1)	$77,831	$82,802	$84,478
Maintenance and Operation Costs	33,317	33,714	34,441
Net Revenues	$44,514	$49,088	$50,037
Debt Service subject to coverage ratio(2)	$24,917	$25,494	$26,594
Net Revenue/Debt Service (Requirement = 125%)	179%	193%	188%
Net Revenue-Demand Fee/Debt Service (Requirement = 100%)	170%	186%	176%

(1) The Demand Fee component of Gross Revenues (in $ thousands) was $2,211, $1,724, and $3,119, for fiscal years 2012-13, 2013-14 and 2014-15, respectively.
(2) Bond debt service on a fiscal year basis. Includes debt service on outstanding loan from the California Energy Commission, which was outstanding in the aggregate principal amount of $344,104.67 as of June 22, 2016, and is not secured by Net Revenues, but historically has been paid from Net Revenues.
Source: City of Santa Rosa.

Projected Revenues, Expenses and Debt Service Coverage

The following table sets forth the City's projected Gross Revenues, Maintenance and Operation Costs, Net Revenues, debt service and debt service coverage for the fiscal years 2015-16 through 2019-20. The projections are based on the assumptions described in the footnotes to the table.

The financial forecast represents the City's estimate of projected financial results based upon its judgment of the probable occurrence of future events. The assumptions set forth in the previous paragraphs and in the footnotes to Table 15 are material in the development of the City's financial projections, and variations in the assumptions may produce substantially different financial results. Actual operating results achieved during the projection period may vary from those presented in the forecast and such variations may be material.

TABLE 15
CITY OF SANTA ROSA WASTEWATER ENTERPRISE
PROJECTED REVENUES, EXPENSES AND DEBT SERVICE COVERAGE

	Projected Fiscal Year 2015-16	**Projected Fiscal Year 2016-17**	**Projected Fiscal Year 2017-18**	**Projected Fiscal Year 2018-19**	**Projected Fiscal Year 2019-20**
Enterprise Revenues					
User Charges [1]	$64,568,975	$66,054,453	$68,651,000	$70,369,000	$71,965,000
Other Revenues (Interest, Intgovt)[2]	3,660,817	3,667,617	3,190,345	3,293,828	3,488,310
Subregional Partners' Debt Service Related Payments [3]	5,940,815	4,765,404	5,633,170	5,675,572	5,513,732
Subregional Partners' Operations Payments [4]	7,857,233	8,689,349	8,950,029	9,218,530	9,495,086
Interest Earnings [5]	312,000	312,000	136,000	144,000	229,000
Subtotal	82,339,840	83,488,823	86,560,545	88,700,930	90,691,128
Demand Fees (local) [6]	2,300,000	2,300,000	2,300,000	2,300,000	2,300,000
Total Gross Revenues	$84,639,840	$85,788,823	$88,860,545	$91,000,930	$92,991,128
Total Maintenance and Operation Costs [7]	$33,608,581	$37,182,580	$36,566,737	$38,226,000	$39,992,000
Net Revenues	$51,031,259	$48,606,243	$52,293,808	$52,774,930	$52,999,128
Debt Service subject to coverage ratio [8]*	25,144,526	20,617,687	24,492,045	23,635,401	23,972,748
Net Revenue/Debt Service (Req. = 125%)*	203%	236%	214%	223%	221%
Net Revenue Less Demand Fee/Debt Service (Req.=100%)*	194%	225%	204%	214%	211%
Surplus	$25,886,733	$27,988,556	$27,801,763	$29,139,529	$29,026,380
Ongoing Capital Improvement Plan- Cash Funded [9]	15,214,672	16,080,000	17,080,000	18,080,000	19,440,000
Enterprise Fund Net Assets (ending balance)	10,672,061	11,908,556	10,721,763	11,059,529	9,586,380
Rate Stabilization Fund (ending balance)	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000

* Preliminary; subject to change.

(1) Assumes that City Council adopts a reduced pre-approved rate increases in 2017 through 2020, that customer growth is 0.25% and that use is flat in 2016, compared to 2015, and declines 1% per year thereafter. See "– Rates and Charges."

(2) Includes all revenues to the Local Wastewater System and Subregional System, including agricultural and urban reuse revenues (see "– Existing Facilities – Laguna Facility – Recycled Water System"), other than that listed separately.

(3) The debt-related payments from the other Member Agencies represent approximately 23% of the total annual debt service payments related to the subregional facilities.

(4) In fiscal year 2015-16, other Member Agencies' operating contributions make up 24% of the Subregional System's operating budget. In each projected fiscal year, other Member Agencies' operating contributions grow at 3% per annum.

(5) Assumes 0.5% earnings rate on reserves and carry-over capital improvement project amounts.

(6) Projections assume Demand Fee revenue for fiscal year 2015-16 based on the actual amount collected year-to-date, and thereafter remain flat year-to-year. In fiscal year 2015-16 (through May 24, 2016), the City has collected approximately $2,245,495 of Demand Fees.

(7) Total Local Wastewater Operating Fund and Subregional Operating Fund Costs less depreciation. Assumes expenses grow at 3% per year.

(8) Preliminary; subject to change. Bond debt service on a fiscal year basis (including Series 2016A Bonds, and excluding Refunded Bonds and, for purposes of this table only, all Prior Loans). Assumes no additional State Loans are executed and that Parity Bonds are issued in fiscal year 2017-18 in the principal amount of $57.9 million. See "– Capital Improvement Program – Special Initiative Projects – Subregional System Improvements" and Appendix F for additional information regarding debt service payments on the outstanding Bonds and the State Loans, respectively. Assumes the City's current capital improvement program costs. See "– Capital Improvement Program." Includes debt service on outstanding loan from the California Energy Commission, which was outstanding in the aggregate principal amount of $344,104.67 as of June 22, 2016, and is not secured by Net Revenues, but historically has been paid from Net Revenues. [**To be updated based on initial principal amount of Series 2016A Bonds.**]

(9) Assumes the City's current capital improvement program costs. See "THE ENTERPRISE - Capital Improvement Program."

Source: City of Santa Rosa.

RISK FACTORS

The following information should be considered by prospective investors in evaluating the Series 2016A Bonds. However, the following does not purport to be an exhaustive listing of risks and other considerations which may be relevant to investing in the Series 2016A Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks.

The purchase of the Series 2016A Bonds involves investment risk. If a risk factor materializes to a sufficient degree, it could delay or prevent payment of principal of and interest on the Series 2016A Bonds. Such risk factors include, but are not limited to, the following matters and should be considered, along with other information in this Official Statement, by potential investors.

Revenues; Rate Covenant

Revenues are dependent upon the demand for wastewater services, which can be affected by population factors, more stringent wastewater standards, wastewater regulations, water conservation, water shortages, or problems with the City's wastewater production, treatment and distribution facilities. There can be no assurance that wastewater service demand will be consistent with the levels contemplated in this Official Statement. A decrease in the demand for wastewater services could require an increase in rates or charges in order to comply with the rate covenant. The City's ability to meet its rate covenant is dependent upon its capacity to increase rates without driving down demand to a level insufficient to meet debt service on the Bonds (including the Series 2016A Bonds and any Parity Bonds) and any State Loans.

City Expenses

There can be no assurance that expenses of the City related to the Enterprise will be consistent with the levels contemplated in this Official Statement. Changes in technology, changes in quality standards, increases in the cost of operation or other expenses could require substantial increases in rates or charges in order to comply with the rate covenant in the Indenture. Such rate increases could drive down demand for wastewater and related services or otherwise increase the possibility of nonpayment of the Bonds (including the Series 2016A Bonds and any Parity Bonds) and any State Loans.

Environmental Regulation

The kind and degree of wastewater service which is effected through the Enterprise is regulated, to a large extent, by the federal government and the State of California. See "THE ENTERPRISE – Environmental Compliance" for a discussion of the status of existing permits. If the federal government or the State were to impose stricter wastewater treatment standards upon the Enterprise, the City's Maintenance and Operation Costs could increase accordingly and rates and charges may need to be increased to offset those expenses. In addition, increased regulation could result in the issuance of additional Parity Bonds or incurrence of additional State Loans. It is not possible to predict the direction that federal or State regulation will take with respect to wastewater treatment standards.

Insurance

The Indenture obligates the City to obtain and keep in force various forms of insurance or self-insurance, subject to deductibles, for repair or replacement of a portion of the Enterprise in the event of damage or destruction to such portion of the Enterprise. No assurance can be given as to the adequacy of any such self-insurance or any additional insurance to fund necessary repair or replacement of any other portion of the Enterprise. Significant damage to the Enterprise could cause the City to be unable to generate sufficient Net Revenues to pay principal of and interest on the Bonds (including the Series 2016A Bonds and any Parity Bonds) and any State Loans.

Limitations on Remedies Available to Bond Owners

The ability of the City to comply with its covenants under the Indenture and to generate Net Revenues sufficient to pay principal of and interest on the Series 2016A 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 payers of assessments, fees and charges. See "– Articles XIIIC and XIIID of the California Constitution" below. Furthermore, any remedies available to the owners of the Series 2016A 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. Such remedies include the right of the Owners of a majority in aggregate principal amount of the Bonds at the time Outstanding to compel the Trustee to accelerate the principal of and accrued interest on the Bonds then Outstanding.

In addition to the limitations on remedies contained in the Indenture, the rights and obligations under the Series 2016A Bonds and the Indenture may be subject to the following: the United States Bankruptcy Code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; usual equity principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State of California and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the owners of the Series 2016A Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation or modification of their rights.

Parity Bonds and State Loans

The Series 2016A Bonds are payable on a parity basis within certain outstanding Parity Bonds and State Loans. See "THE ENTERPRISE – Outstanding Parity Revenue Obligations" above.

In addition, the Indenture permits the City to issue additional obligations secured by a pledge of Net Revenues that is on a parity basis to the pledge of Net Revenues to the Series 2016A Bonds and any outstanding Parity Bonds and State Loans (see "SECURITY FOR THE SERIES 2016A BONDS – Parity Bonds and State Loans" above). See "THE ENTERPRISE – Capital Improvement Program" for information about the capital plans of the Enterprise and the need for additional funding to pay for those plans.

The coverage tests described in "SECURITY FOR THE SERIES 2016A BONDS – Parity Bonds and State Loans" involve, to some extent, projections of Net Revenues. If such indebtedness is issued, the debt service coverage for the Series 2016A Bonds could be diluted below what it otherwise would be. Moreover, there is no assurance that the assumptions that form the basis of such projections, if any, will be actually realized subsequent to the date of such projections. If such assumptions are not realized, the amount of future Net Revenues may be less than projected, and the actual amount of Net Revenues may be insufficient to provide for the payment of the Bonds (including the Series 2016A Bonds and any Parity Bonds) and any State Loans.

Natural Disasters

General. From time to time, the City is subject to natural calamities that may adversely affect economic activity in the City, which could have a negative impact on City finances. There can be no assurance that the occurrence of any natural calamity would not cause substantial damage to the Enterprise, or that the City would have insurance or other resources available to make repairs to the Enterprise in order to generate sufficient Net Revenues to pay debt service on the Series 2016A Bonds when due.

The casualty and liability insurance maintained by the City may not cover damage and losses to the Enterprise due to seismic damage or flood.

Seismic. The following information is excerpted from the City's General Plan. According to the General Plan, the City is within the natural region of California known as the Coast Ranges geomorphic province. The City currently insures the buildings and appurtenances of the Subregional System against earthquake damage as a requirement of its State Revolving Loan Agreement, but there can be no assurance that the City will maintain such insurance in the future.

According to the General Plan, earthquakes pose especially high risks to the City because of the City's proximity to active faults. The Rodgers Creek Fault Zone, approximately 8 miles southeast of the Maacama Fault Zone, and 20 miles northeast of the San Andreas Fault Zone runs through the central part of the City. The Rodgers Creek and San Andreas faults are the two principally active, Bay Area "strike-slip" faults and have experienced movement within the last 150 years. The San Andreas Fault Zone is a major structural feature in the region. Other principal faults capable of producing ground shaking in the City include the Hayward fault, San Gregorio-Hosgri Fault Zone, the Calaveras fault, and the Concord-Green Valley fault.

The City could experience a major Rodgers Creek Fault Zone earthquake or an earthquake on any one of the active or potentially active faults in the greater San Francisco Bay Area. General Plan policies seek to ensure that the new structures are built with consideration of the four major hazards associated with earthquakes.

> <u>Surface Fault Rupture</u>. Surface fault rupture, displacement at the earth's surface resulting from fault movement, is typically observed close to or on the active fault trace. The Rodgers Creek Fault Zone extends beneath downtown and has the highest potential for significant fault rupture.
>
> <u>Ground Shaking</u>. The City could be affected by strong ground shaking caused by a major earthquake during the next 30 years. Ground shaking can be described in terms of peak acceleration, peak velocity, and displacement of the ground. Areas that are

underlain by bedrock tend to experience less ground shaking than those underlain by unconsolidated sediments such as artificial fill. Ground shaking may affect areas hundreds of miles away from the earthquake's epicenter.

Liquefaction and Ground Failure. Liquefaction is the process by which water-saturated soil materials lose strength and fail during strong seismic ground shaking. The shaking causes the pore-water pressure in the soil to increase, thus transforming the soil from a solid to a liquid. Liquefaction has been responsible for ground failures during almost all of California's great earthquakes.

Earthquake-Induced Landslides. Seismically induced landsliding is typical of upland areas with slopes greater than 25%. Earthquake groundshaking can trigger slope movements such as earth flows and rotational landslides, or dislodge fractured bedrock material resulting in a rockfall.

Flood. Flooding hazards may be considered in two categories: natural flooding and dam inundation.

Natural Flooding. Natural flooding hazards are those associated with major rainfall events, which result in the flooding of developed areas due to overflows of nearby waterways, or inadequacies in local storm drain facilities. In the City, most of the annual precipitation falls between the months of November and April. The Federal Emergency Management Agency ("**FEMA**") has identified a 100-year flood zone, approximately 7 square blocks in area, at the confluence of Spring Creek and Matanzas Creek in Santa Rosa. Major creeks in the City have the potential to cause flooding during a large storm event. In the northern part of the City, the number and geographic distribution of creeks, combined with favorable topography creates a condition in which flooding risks are expected to be minimal. In the southern part of the City, drainage conditions are less favorable due to flat topography and the limited number of drainageways (creeks and conduits) that are available for storm water disposal. Currently, the majority of collected storm water in the southern part of the City is channeled into Colgan and Roseland creeks. Limited capacity and concentrated discharge place these creeks at the greatest risk of flooding during a 100-year storm event. Drainage improvements to both creeks will be necessary to minimize flooding risks in the future.

Dam inundation. Dam inundation hazards are those associated with the downstream inundation that would occur given a major structural failure in a nearby reservoir. A major earthquake could potentially cause damage or failure to a dam structure, and cause localized flooding. Although dam failure is unlikely due to current state regulations for design, maintenance, and monitoring of dams, the City is exposed to the hazard of inundation from failure of local dams such as Lake Ralphine and Spring Lake. Improvements to the storm drain system consistent with expansion or intensification of urban development is essential to protecting the City from flooding hazards.

Wildfire. Hillside residential neighborhoods located in the northern and eastern portions of the City are subject to risk of wildland fire. Open areas and slopes covered with tall grasses and/or chaparral provide fuels to feed wildfires, once started. Fire-resistant building materials and landscaping contribute to prevention of damage to residences in case of a wildfire. General Plan policies requiring adequate fire flows and community fire breaks in residential subdivisions also minimize potential for fire damage.

Drought

Much of the State is continuing to experience drought conditions. On January 17, 2014, Governor Brown declared a drought in the State and requested a 20% reduction in water use statewide. The City adopted a resolution on February 11, 2014, asking its customers for a 20% voluntary reduction in water use. On April 25, 2014, the Governor issued an Executive Order directing local water suppliers to redouble efforts to implement water conservation activities. On August 5, 2014, the City Council adopted Stage 1 – Mandatory of the City's Shortage Plan imposing mandatory restrictions on outdoor irrigation with potable water and requiring customers to reduce community-wide water use by 20%. On April 1, 2015, the Governor issued an Executive Order directing the State Water Board to impose restrictions to achieve an aggregate statewide 25% reduction in urban water use through February 28, 2016. On May 5, 2015, the State Water Resources Control Board ("**State Water Board**") adopted an emergency conservation regulation in accordance with the Governor's April 1, 2015, Executive Order. To reach the statewide 25% reduction, the emergency conservation regulation assigned each urban water supplier a conservation standard between 4% and 36%. Due to Santa Rosa's long-standing water conservation efforts, the City was assigned a conservation standard of 16% and through March 2016, Santa Rosa has achieved a 24% reduction in water use exceeding the conservation standard. The impact of the drought on the Enterprise's wastewater flow is also indicated in Table 2 under the heading "– Wastewater Flow – Laguna Facility."

Rainfall in the winter of fiscal year 2015-16 has provided relief from the drought in some parts of the State. In response, on May 9, 2016, Governor Brown issued a new executive order directing the State Water Board to update the Emergency Drought Regulations to consider local water supply availability and reliability and providing direction on long-term water use efficiency. On May 18, 2016, the State Water Board approved updated Emergency Drought Regulations that suspend the 25% statewide reduction mandate and take into account local water supply availability and reliability; the updated regulations remain in effect through the end of January 2017. Based on the updated Emergency Drought Regulations and City's water supply availability and reliability, it is anticipated that the City will no longer need to implement mandatory drought restrictions throughout the remainder of 2016.

Drought could potentially affect the Enterprise's user charge revenue if customers aggressively conserve during the winter months. Sewer rates for the City are composed of a fixed charge that contributes 25% of wastewater rate revenue and a usage charge that makes up the other 75%. Usage charges for most single-family residential customers are determined by an account's "sewer cap." To determine the sewer cap, water usage during the months of November through March is averaged to determine a base indoor water use, which becomes the "cap" on the monthly usage charge. Sewer caps are re-evaluated annually, based on the prior winter's water usage. If monthly water usage is ever less than the sewer cap, the sewer usage charge is based on water usage, not the sewer cap. Indoor winter water use is fairly inelastic and Santa Rosa's residents are already low water users. In response to the mandatory drought restrictions, winter water usage was reduced. As planned, the reduction is being offset by available fund balances held aside in higher water use years for this purpose. The Enterprise's long-term financial plan shows the use of this available balance to offset rate spikes over the next 10 years.

Additionally, the Enterprise receives revenues from GPC for recycled water pumped to its Geysers geothermal steamfields, from urban customers who are connected to the urban reuse systems in the City and Rohnert Park, and from many agricultural customers. During the drought, the City's available supply of recycled water could decline. The Enterprise, however, does have flexibility in its contracts for delivery of reclaimed water for agricultural reuse, for some urban reuse and to GPC's facilities at the Geysers. Potential contractual costs associated with not meeting annual deliveries to the Geysers, for example, can be avoided through deliberate operational changes that are accommodated by the contract with GPC. See "THE ENTERPRISE - Existing Facilities" for information about the contractual relationship with GPC and the consequences of failing to deliver/accept the agreed-upon levels of recycled water. Neither party has ever failed to deliver/accept the agreed-upon levels of recycled water.

Loss of Tax-Exemption and Other Tax-Related Matters

As discussed under the caption "TAX MATTERS," interest on the Series 2016A Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the Series 2016A Bonds were issued, as a result of future acts or omissions of the City in violation of its covenants in the Indenture. Should such an event of taxability occur, the Series 2016A Bonds are not subject to special redemption and will remain outstanding until maturity or until redeemed under other provisions set forth in the Indenture. In addition, no assurance can be given that the market price for the Series 2016A Bonds will not be affected by any action of the Internal Revenue Service, including but not limited to the publication of proposed or final regulations, the issuance of rulings, the selection of the Series 2016A Bonds for audit examination, or the course or result of any Internal Revenue Service audit or examination of the Series 2016A Bonds or obligations that present similar tax issues as the Series 2016A Bonds.

Changes in Law

No assurance can be given that the market price for the Series 2016A Bonds will not be affected by the introduction or enactment of any future legislation (including without limitation amendments to the Internal Revenue Code), or changes in interpretation of the Internal Revenue Code.

Articles XIIIC and XIIID of the California Constitution

General. On November 5, 1996, California voters approved Proposition 218, the so-called "Right to Vote on Taxes Act." Proposition 218 added Articles XIIIC and XIIID to the State Constitution, which affect the ability of local governments to levy and collect both existing and future taxes, assessments, and property-related fees and charges. Proposition 218, which generally became effective on November 6, 1996, changed, among other things, the procedure for the imposition of any new or increased property-related "fee" or "charge," which is defined as "any levy other than an ad valorem tax, a special tax or an assessment, imposed by a [local government] upon a parcel or upon a person as an incident of property ownership, including user fees or charges for a property related service" (and referred to in this section as a "property-related fee or charge").

On November 2, 2010, California voters approved Proposition 26, the so-called "Supermajority Vote to Pass New Taxes and Fees Act." Section 1 of Proposition 26 declares that Proposition 26 is intended to limit the ability of the State Legislature and local government to circumvent existing restrictions on increasing taxes by defining the new or expanded taxes as "fees." Proposition 26 amended Articles XIIIA and XIIIC of the State Constitution. The amendments to Article XIIIA limit the ability of the State Legislature to impose higher taxes (as defined in Proposition 26) without a two-thirds vote of the Legislature. Proposition 26's amendments to Article XIIIC broadly define "tax," but specifically exclude, among other things:

(1) A charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege.
(2) A charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product.
(3) A charge imposed as a condition of property development.
(4) Assessments and property-related fees imposed in accordance with the provisions of Article XIII D.

Property-Related Fees and Charges. Under Article XIIID, before a municipality may impose or increase any property-related fee or charge, the entity must give written notice to the record owner of each parcel of land affected by that fee or charge. The municipality must then hold a hearing upon the proposed imposition or increase at least 45 days after the written notice is mailed, and, if a majority of the property owners of the identified parcels present written protests against the proposal, the municipality may not impose or increase the property-related fee or charge.

Further, under Article XIIID, revenues derived from a property-related fee or charge may not exceed the funds required to provide the "property-related service" and the entity may not use such fee or charge for any purpose other than that for which it imposed the fee or charge. The amount of a property-related fee or charge may not exceed the proportional cost of the service attributable to the parcel, and no property-related fee or charge may be imposed for a service unless that service is actually used by, or is immediately available to, the owner of the property in question.

Initiative Power. In addition, Article XIIIC states that "the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge. The power of initiative to affect local taxes, assessments, fees and charges shall be applicable to all local governments and neither the Legislature nor any local government charter shall impose a signature requirement higher than that applicable to statewide statutory initiatives."

Judicial Interpretation of Articles XIIIC and XIIID. After Proposition 218 was enacted in 1996, appellate court cases and an Attorney General's opinion initially indicated that fees and charges levied for water and wastewater services would not be considered property-related fees and charges, and thus not subject to the requirements of Article XIIID regarding notice, hearing and protests in connection with any increase in the fees and charges being imposed. However, three subsequent court cases have held that certain types of water and wastewater charges could be subject to the requirements of Article XIIID under certain circumstances.

In *Richmond v. Shasta Community Services District* (2004) 32 Cal.4th 409, the California Supreme Court addressed the applicability of the notice, hearing and protest provisions of Article XIIID to certain charges related to water service. In *Richmond*, the Court held that capacity charges are not subject to Proposition 218. The Court also indicated in dictum that a fee for ongoing water service through an existing connection could, under certain circumstances, constitute a property-related fee and charge, with the result that a local government imposing such a fee and charge must comply with the notice, hearing and protest requirements of Article XIIID.

In *Howard Jarvis Taxpayers Association v. City of Fresno* (2005) 127 Cal.App.4th 914, the California Court of Appeal, Fifth District, concluded that water, sewer and trash fees are property-related fees subject to Proposition 218 and a municipality must comply with Article XIIID before imposing or increasing such fees. The California Supreme Court denied the City of Fresno's petition for review of the Court of Appeal's decision on June 15, 2005.

In July 2006 the California Supreme Court, in *Bighorn-Desert View Water Agency v. Verjil* (2006) 39 Cal.4th 205, addressed the validity of a local voter initiative measure that would have (a) reduced a water agency's rates for water consumption (and other water charges), and (b) required the water agency to obtain voter approval before increasing any existing water rate, fee, or charge, or imposing any new water rate, fee, or charge. The court adopted the position indicated by its statement in *Richmond* that a public water agency's charges for ongoing water delivery are "fees and charges" within the meaning of Article XIIID, and went on to hold that charges for ongoing water delivery are also "fees" within the meaning of Article XIIIC's mandate that the initiative power of the electorate cannot be prohibited or limited in matters of reducing or repealing any local tax, assessment, fee or charge. Therefore, the court held, Article XIIIC authorizes local voters to adopt an initiative measure that would reduce or repeal a public agency's water rates and other water delivery charges. (However, the court ultimately ruled in favor of the water agency and held that the entire initiative measure was invalid on the grounds that the second part of the initiative measure, which would have subjected future water rate increases to prior voter approval, was not supported by Article XIIIC and was therefore invalid.)

The court in *Bighorn* specifically noted that it was not holding that the initiative power is free of all limitations; the court stated that it was *not* determining whether the electorate's initiative power is subject to the statutory provision requiring that water service charges be set at a level that will pay for operating expenses, provide for repairs and depreciation of assets, provide a reasonable surplus for improvements, extensions, and enlargements, pay the interest on any bonded debt, and provide a sinking or other fund for the payment of the principal of such debt as it may become due.

In August 2013, an Orange County Superior Court judge ruled that the tiered pricing model of the City of San Juan Capistrano, which charges higher rates to customers who use more water, violates Proposition 218. The City of San Juan Capistrano appealed the decision, to the 4th District Court of Appeal, which published its decision on April 20, 2015. The court's decision found that the City of San Juan Capistrano's tiered rates were not sufficiently cost justified, but that the Constitution does allow for tiered rates. In July 2015, the California Supreme Court denied a request to depublish the case.

The City believes that its rate structure is distinguishable from the structure deemed unconstitutional in the San Juan Capistrano case and consistent with Proposition 218 and the Constitution because the City's tiered rates correlate with the actual costs for the various tiers. Following the San Juan Capistrano case, the City updated and slightly revised the structure of its water and sewer rates, which is based on the costs of service and thus consistent with the requirements addressed in the case.

Articles XIIIC and XIIID and the City's Wastewater Rates and Charges. The City's current wastewater rates (see "THE ENTERPRISE - Rates and Charges") were adopted by resolution of the City Council on December 1, 2015, following notice to property owners and a public hearing held at least 45 days after the notice had been mailed, in compliance with Articles XIIIC and XIIID.

Further, the City believes its wastewater rates and charges do not constitute “taxes” under Article XIIIC as revised by Proposition 26 because, as described in subsection 1(e)(7) of Article XIIIC, they are “property-related fees imposed in accordance with the provisions of Article XIIID” (and are also charges for a “property-related service” as defined in subsection 2(g) of Article XIIID) and because, as described in subsection 1(e)(2) of Article XIIIC, they are charged for water service, “a specific government service or product provided directly to the payor that is not provided to those not charged.”

Conclusion. It is not possible to predict how courts will further interpret Article XIIIC and Article XIIID in future judicial decisions, and what, if any, further implementing legislation will be enacted.

Under the *Bighorn* case, local voters could adopt an initiative measure that reduces or repeals the City’s rates and charges, though it is not clear whether (and California courts have not decided whether) any such reduction or repeal by initiative would be enforceable in a situation in which such rates and charges are pledged to the repayment of bonds or other indebtedness, as is the case with respect to the Bonds.

There can be no assurance that the courts will not further interpret, or the voters will not amend, Article XIIIC and Article XIIID to limit the ability of local agencies to impose, levy, charge and collect increased fees and charges for sewer services, or to call into question previously adopted sewer services rate increases.

Secondary Market for Bonds

There can be no guarantee that there will be a secondary market for the Series 2016A Bonds or, if a secondary market exists, that any Series 2016A 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 in connection with a particular issue 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.

CONTINUING DISCLOSURE

The City has covenanted for the benefit of owners of the Series 2016A Bonds to provide certain financial information and operating data relating to the City and the Enterprise by not later than nine months after the end of the City’s fiscal year, or March 31 each year based on the City’s current fiscal year-end of June 30, commencing March 31, 2017, with the report for fiscal year 2015-16 (the “**Annual Report**”), and to provide notices of the occurrence of certain enumerated events.

These covenants have been made in order to assist the Underwriter in complying with Securities Exchange Commission Rule 15c2-12(b)(5) (the “**Rule**”). The specific nature of the information to be contained in the Annual Report or the notices of listed events by the City is set forth in “APPENDIX E – Form of Continuing Disclosure Certificate.”

[**To be updated**] In the past 5 years, the City and its related entities failed to comply in all material respects with its continuing disclosure undertakings:

- On 14 occasions, the City and its related entities failed to file audited financial statements on a timely basis; and

- On 9 occasions, the City and its related entities failed to file all required financial and operating data on a timely basis; and

- For each of the issuances outstanding in the past 5 years, the City and its related entities failed to file notice of a handful of changes in underlying ratings and insured ratings on a timely basis.

The City has made all required remedial filings prior to issuance of the Bonds and believes it has established procedures to ensure material compliance with its continuing disclosure undertakings in the future. These procedures include maintaining a Master Schedule of Annual Continuing Disclosure due dates for each debt issuance and assigning additional trainings for staff and oversight responsibilities. In addition, the City Council "Statement of Debt Management and Disclosure Policy" was updated on February 10, 2015, to include a section on Initial and Continuing Disclosure Compliance.

LITIGATION

In connection with issuance of the Series 2016A Bonds, the City will certify that there is no litigation pending or, to the City's knowledge, threatened in any way to restrain or enjoin the issuance, execution or delivery of the Series 2016A Bonds, to contest the validity of the Series 2016A Bonds, the Indenture or any proceedings of the City with respect thereto.

Also in connection with issuance of the Series 2016A Bonds, the City will certify that there are no lawsuits or claims pending against the City that will materially affect the City's finances so as to impair the ability to pay principal of and interest on the Series 2016A Bonds when due.

See "RISK FACTORS – Articles XIIIC and XIIID of the California Constitution" for a summary of pending litigation relating to the City's wastewater rates, which the City believes will not materially adversely affect its revenues from the Enterprise.

A claim was filed against the City on October 10, 2014, alleging that the City's 2007 water and wastewater demand fees were "flawed, inaccurate, and out of date by 2012" and that the City should have reviewed its demand fees every five years. Plaintiffs seek a refund of all demand fees paid since January 1, 2012, or, in the alternative, a refund of the difference between demand fees paid since January 1, 2012, and what they would have paid under the revised, lower demand fees which went into effect in 2014. The court sustained the City's demurrer to the complaint finding that the case is barred by the statute of limitations. Plaintiffs filed a notice of appeal on August 13, 2015, and to date, have not filed their opening brief (which had been due on December 16, 2015).

A claim was also filed against the City on September 9, 2014, alleging that as a result of the City's revised, lower water and sewer demand fees (approved by City Council on August 26 and September 16, 2014), the City's 2007 demand fees charged to claimant pursuant to a fee deferral agreement entered into on October 1, 2013, must have been too high because the nexus for the 2007 fees must have become outdated and inaccurate by October 2013. The claimant and City entered into a tolling agreement pending the court's decision on the statute of limitations issue in the October 2014 claim discussed in the previous paragraph. The tolling agreement has since expired.

The City does not expect either claim discussed above to adversely impact the availability of Net Revenues to pay debt service on the 2016A Bonds. For more information about the City's demand fees, see "THE ENTERPRISE – Rates and Charges."

FINANCIAL STATEMENTS

Macias Gini & O'Connell LLP (the "**Auditor**"), audited the financial statements of the City for the fiscal year ended June 30, 2015. The Auditor's examination was made in accordance with generally accepted auditing standards and Governmental Auditing Standards, issued by the Comptroller General of the United States. See "APPENDIX A – Audited Financial Statements of the City for Fiscal Year Ended June 30, 2015."

The City has not requested nor did the City obtain permission from the Auditor to include the audited financial statements as an appendix to this Official Statement. Accordingly, the Auditor has not performed any post-audit review of the financial condition or operations of the City.

RATING

Standard & Poor's Financial Services LLC, a subsidiary of The McGraw Hill Companies, Inc. ("**S&P**") has assigned its municipal bond rating of "___" to the Series 2016A Bonds.

The rating reflects only the view of S&P, and an explanation of the significance of the rating, and any outlook assigned to or associated with the rating, should be obtained from S&P.

Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. The City has provided certain additional information and materials to S&P (some of which does not appear in this Official Statement).

There is no assurance that the rating will continue for any given period of time or that the rating will not be revised downward or withdrawn entirely by S&P, if in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of the rating on the Series 2016A Bonds may have an adverse effect on the market price or marketability of the Series 2016A Bonds.

VERIFICATION

__________________ (the "**Verification Agent**"), will examine the arithmetical accuracy of certain computations included in the schedules provided by the City relating to the refunding of the Refunded Bonds. See "REFINANCING PLAN" above.

The Verification Agent has restricted its procedures to examining the arithmetical accuracy of certain computations and has not made any study or evaluation of the assumptions and information upon which the computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions, or the achievability of the forecasted outcome.

TAX MATTERS

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the Series 2016A 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 imposed on individuals and corporations; provided, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings.

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 Series 2016A Bonds. The Issuer has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the Series 2016A Bonds.

If the initial offering price to the public (excluding bond houses and brokers) at which a Series 2016A 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 (excluding bond houses and brokers) at which a Series 2016A Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes "original issue premium" for purposes of federal income taxes and State of California personal income taxes. De minimis original issue discount and original issue premium is disregarded.

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 Series 2016A 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 Series 2016A Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such Series 2016A Bond. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Series 2016A Bonds who purchase the Series 2016A Bonds after the initial offering of a substantial amount of such maturity. Owners of such Series 2016A Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series 2016A Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering, the allowance of a deduction for any loss on a sale or other disposition, and the treatment of accrued original issue discount on such Series 2016A Bonds under federal individual and corporate alternative minimum taxes.

Under the Tax Code, original issue premium is amortized on an annual basis over the term of the Series 2016A Bond (said term being the shorter of the Series 2016A Bond's maturity date or its call date). The amount of original issue premium amortized each year reduces the adjusted basis of the owner of the Series 2016A Bond for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a Series 2016A Bond is amortized each year over the term to maturity of the Series 2016A 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 Series 2016A Bond premium is not deductible for federal income tax purposes. Owners of premium Series 2016A 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 Series 2016A Bonds.

Current and future legislative proposals, if enacted into law, clarification of the Tax Code or court decisions may cause interest on the Series 2016A 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 Series 2016A Bonds. Prospective purchasers of the Series 2016A Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

In the further opinion of Bond Counsel, interest on the Series 2016A Bonds is exempt from California personal income taxes.

Current and future legislative proposals, if enacted into law, clarification of the Tax Code or court decisions may cause interest on the Series 2016A 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 Series 2016A Bonds. Prospective purchasers of the Series 2016A Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Owners of the Series 2016A Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Series 2016A Bonds may have federal or state tax consequences other than as described above. Bond Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the Series 2016A Bonds other than as expressly described above.

The form of the proposed opinion of Bond Counsel is attached as Appendix D.

CERTAIN LEGAL MATTERS

Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, will render its opinion approving the validity of the Series 2016A Bonds, the form of which opinion is set forth in Appendix D hereto. Copies of such approving opinion will be provided to the original purchasers upon delivery of the Series 2016A Bonds. Jones Hall, A Professional Law Corporation, San Francisco, California is also acting as Disclosure Counsel to the City. *Payment of the fees and expenses of Bond Counsel, Disclosure Counsel and Underwriter's Counsel is contingent upon issuance of the Bonds*.

Certain matters will be passed upon for the City by the City Attorney.

UNDERWRITING

The Series 2016A Bonds are being purchased by Raymond James & Associates, Inc. (the "**Underwriter**").

The Underwriter has agreed to purchase the Series 2016A Bonds at a price equal to $_______________, which equals the par amount of the Series 2016A Bonds ($_______________*), less an Underwriter's discount of $_______________, plus a net original issue premium of $_______________. The bond purchase agreement between the City and the Underwriter provides that the Underwriter will purchase all of the Series 2016A Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in said agreement, the approval of certain legal matters by counsel and certain other conditions.

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MISCELLANEOUS

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

CITY OF SANTA ROSA

By:________________________________

Chief Financial Officer

APPENDIX A

AUDITED FINANCIAL STATEMENTS OF THE CITY FOR FISCAL YEAR ENDED JUNE 30, 2015

APPENDIX B

SUMMARY OF THE INDENTURE

APPENDIX C

GENERAL DEMOGRAPHIC INFORMATION ABOUT THE CITY OF SANTA ROSA AND SONOMA COUNTY

The following information concerning the City of Santa Rosa (the ***"City"****) and Sonoma County (the* ***"County"****) is included only for the purpose of supplying general information regarding the area of the* ***City****. The* ***2016*** *Bonds are not a debt of the City, the County, the State of California (the* ***"State"****) or any of its political subdivisions, and neither the City, the County, the State nor any of its political subdivisions is liable therefor.*

General

The City. The City is located in the central portion of the County, covers an area of about 35 square miles. The City is centered at the crossroads of U.S. Highway 101 and State Route 12.

Incorporated in 1868, the City became a charter city in 1872. The City operates under the council-manager form of government, with a City Council comprised of seven members elected at large to serve overlapping four-year terms. The City Council, which acts as the City's legislative and policy-making body, also selects the City Manager. As the City's chief administrator, the City Manager is responsible for implementing the policies established by the City Council.

The County. One of California's original 27 counties (incorporated in 1850), the County is the northernmost of the nine greater San Francisco Bay Area counties. Bordered on the north and east by Mendocino, Lake, and Napa counties and to the west and south by the Pacific Ocean, Marin County, and San Pablo Bay, its area encompasses 1,598 square miles. Varied terrain in the County includes Pacific coastline, the Russian River, vineyards, and old growth redwoods. The County is the original home of wine production in northern California and still the largest producer of quality wine.

Geographically, the 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 towns and cities that are in the County, as of January 1 of the past five years are shown in the following table.

SONOMA COUNTY
Population Estimates
Years 2012 through 2016, as of January 1

Area	2012	2013	2014	2015	2016
Cloverdale	8,641	8,636	8,641	8,708	8,825
Cotati	7,286	7,282	7,288	7,346	7,153
Healdsburg	11,458	11,465	11,541	11,687	11,699
Petaluma	58,245	58,581	59,000	59,540	60,375
Rohnert Park	40,725	40,700	40,722	41,077	42,003
Santa Rosa	**169,069**	**169,452**	**170,236**	**173,071**	**175,667**
Sebastopol	7,415	7,417	7,440	7,507	7,527
Sonoma	10,680	10,691	10,801	10,933	10,865
Windsor	27,041	27,028	27,104	27,335	27,031
Unincorporated	147,111	147,328	147,713	149,049	150,814
County Total	**487,671**	**488,580**	**490,486**	**496,253**	**351,145**

Source: California State Department of Finance, Demographic Research Unit.

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Employment and Industry

The City is included in the Santa Rosa Metropolitan Statistical Area ("**MSA**"), which consists of the County. The unemployment rate in Sonoma County was 4.1 percent in February 2016, down from a revised 4.3 percent in January 2016, and below the year-ago estimate of 5.0 percent. This compares with an unadjusted unemployment rate of 5.7 percent for California and 5.2 percent for the nation during the same period.

The following table shows the average annual estimated numbers by industry comprising the civilian labor force, as well as unemployment information for years 2011 through 2015.

SANTA ROSA MSA
(Sonoma County)
Annual Average Civilian Labor Force, Employment and Unemployment,
Employment by Industry
(March 2015 Benchmark)

	2011	2012	2013	2014	2015
Civilian Labor Force (1)	249,100	249,800	252,700	258,300	260,300
Employment	223,900	227,900	235,100	243,900	248,700
Unemployment	25,200	21,900	17,600	14,300	11,700
Unemployment Rate	10.1%	8.8%	7.0%	5.6%	4.5%
Wage and Salary Employment (2)					
Agriculture	5,800	6,000	6,300	6,200	6,000
Mining and Logging	200	200	200	300	200
Construction	8,600	8,800	9,900	10,500	11,500
Manufacturing	20,200	19,700	20,100	20,400	21,800
Wholesale Trade	6,600	6,900	7,400	7,700	7,500
Retail Trade	22,000	22,700	23,700	24,300	24,600
Transportation, Warehousing and Utilities	3,800	3,900	4,100	4,300	4,300
Information	2,500	2,600	2,600	2,700	2,700
Finance and Insurance	4,700	4,600	4,700	4,800	4,900
Professional and Business Services	18,100	18,200	19,300	20,200	20,700
Educational and Health Services	27,300	28,800	30,700	32,100	32,200
Leisure and Hospitality	20,500	21,800	22,800	24,000	24,600
Other Services	6,100	6,300	6,600	6,700	7,000
Federal Government	1,600	1,500	1,400	1,400	1,300
State Government	4,700	4,700	4,600	5,000	5,100
Local Government	22,100	21,900	22,900	24,900	25,400
Total, All Industries (3)	177,600	181,100	189,900	198,200	202,900

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(3) Totals may not add due to rounding.
Source: State of California Employment Development Department.

Largest Employers

The City's largest employers are set forth in the table below.

CITY OF SANTA ROSA
Largest Employers
(As of June 30, 2015)

Employer	Employees	Percentage of Total City Employment
County of Sonoma	4,058	4.57%
Kaiser Permanente	2,555	2.88
Sutter Medical Center of Santa Rosa	1,797	2.02
St. Joseph Health System	1,740	1.96
Santa Rosa Junior College	1,589	1.79
Santa Rosa School District	1,502	1.69
City of Santa Rosa	1,250	1.41
Keysight/Agilent Technologies	1,200	1.35
Amy's Kitchen	870	0.98
Medtronic/ Arterial Vascular Eng	840	0.95
Total	17,401	19.60%

Source: City of Santa Rosa, Comprehensive Annual Financial Report for Fiscal Year 2014-15.

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Major Employers

The County's major employers are set forth below, in alphabetical order.

SONOMA COUNTY
Major Employers
As of March 2015

Employer Name	Location	Industry
Aa Balat Fine & Rare Wines	Petaluma	Wines-Wholesale
Agilent Technologies Inc	Santa Rosa	Instruments-Measuring (mfrs)
Agilent Technologies Inc	Santa Rosa	Instruments-Measuring (mfrs)
Amica Mutual Insurance Co	Petaluma	Insurance
Amy's Kitchen Inc	Santa Rosa	Frozen Food Processors (mfrs)
Amy's Kitchen Inc	Santa Rosa	Frozen Food Processors (mfrs)
Army National Guard Recruiter	Santa Rosa	Government Offices-State
Enphase Energy Inc	Petaluma	Semiconductors & Related Devices (mfrs)
Fairmont-Sonoma Mission Inn	Sonoma	Hotels & Motels
Fairmont-Sonoma Msn Inn & Spa	Sonoma	Hotels & Motels
Friedman's Home Improvement	Santa Rosa	Hardware-Retail
Ghilotti Construction Co	Santa Rosa	Excavating Contractors
Keiser Medical Ctr	Santa Rosa	Hospitals
Korbel Champagne Cellars	Guerneville	Wineries (mfrs)
Medtronic Inc	Santa Rosa	Engineering
Petaluma Valley Hospital	Petaluma	Hospitals
Protransport-1	Cotati	Transportation Services
Santa Rosa Memorial Hospital	Santa Rosa	Hospitals
Sonoma County Fire & Emergency	Santa Rosa	Government Offices-County
Sonoma County Radio Mntnc Shop	Santa Rosa	Government Offices-County
Sonoma County Sheriff	Santa Rosa	Government Offices-County
State-Ca-Dept-Developmental	Eldridge	Cognitive Disability-Dev Disability Svcs
Sutter Santa Rosa Regl Hosp	Santa Rosa	Hospitals
US Coast Guard	Petaluma	Federal Government-National Security
Viavi Solutions Inc	Santa Rosa	Fiber Optics

Source: *California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database, 2016 1st Edition.*

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Effective Buying Income

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

The following table summarizes the total effective buying income for the City, the County, the State and the United States for the period 2010 through 2014.

CITY OF SANTA ROSA, SONOMA COUNTY,
STATE OF CALIFORNIA AND UNITED STATES
Effective Buying Income
2010 through 2014

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2010	City of Santa Rosa	$3,618,488	$47,768
	Sonoma County	11,482,273	50,323
	California	801,393,028	47,177
	United States	6,365,020,076	41,368
2011	City of Santa Rosa	$3,816,995	$47,817
	Sonoma County	12,044,560	50,113
	California	814,578,458	47,062
	United States	6,438,704,664	41,253
2012	City of Santa Rosa	$3,630,260	$42,715
	Sonoma County	11,312,430	45,164
	California	864,088,828	47,307
	United States	6,737,867,730	41,358
2013	City of Santa Rosa	$4,139,593	$49,267
	Sonoma County	12,795,860	51,899
	California	858,676,636	48,340
	United States	6,982,757,379	43,715
2014	City of Santa Rosa	$4,339,873	$50,465
	Sonoma County	13,365,133	53,069
	California	901,189,699	50,072
	United States	7,357,153,421	45,448

Source: The Nielsen Company (US), Inc.

Commercial Activity

Summaries of historic taxable sales within the City and the County during the past five years in which data is available are shown in the following tables. Annual figures are not yet available for calendar years 2014 or 2015.

Total taxable sales during the first three quarters of calendar year 2014 in the City were reported to be $2,244,191,000, a 6.70% increase over the total taxable sales of $2,103,000,000reported during the first three quarters of calendar year 2013.

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

	Retail Stores		**Total All Outlets**	
	Numbers of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2009	2,928	$1,944,429	4,596	$2,326,477
2010	2,975	2,024,801	4,614	2,414,078
2011	3,047	2,164,876	4,710	2,616,018
2012	3,152	2,274,177	4,837	2,744,427
2013	3,420	2,401,094	5,144	2,907,024

Source: State of California, Board of Equalization.

Total taxable sales during the first three quarters of calendar year 2014 in the County were reported to be $6,225,457,000, a 6.48% increase over the total taxable sales of $5,846,509,000 reported during the first three quarters of calendar year 2013.

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

	Retail Stores		**Total All Outlets**	
	Numbers of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2009	10,645	$4,413,001	16,810	$6,263,829
2010	10,997	4,583,801	17,303	6,485,950
2011	10,799	4,895,477	16,972	6,962,114
2012	11,105	5,228,062	17,311	7,382,997
2013	11,586	5,618,188	17,788	8,017,882

Source: State of California, Board of Equalization.

Construction Activity

The following tables show a five-year summary of the valuation of building permits issued in the City and the County. Annual figures are not yet available for calendar year 2015.

CITY OF SANTA ROSA
Total Building Permit Valuations
(Figures in Thousands)
2010 through 2014

	2010	2011	2012	2013	2014
Permit Valuation					
New Single-family	$16,842.8	$42,075.9	$23,963.3	$30,912.3	$38,616.3
New Multi-family	15,183.8	7,087.8	24,998.2	43,091.6	6,475.3
Res. Alterations/Additions	12,493.8	16,152.1	12,194.6	15,752.1	17,349.9
Total Residential	44,520.4	65,315.8	61,156.1	89,756.0	62,441.5
New Commercial	971.9	212.2	11,324.2	21,853.7	10,726.1
New Industrial	0.0	0.0	0.0	0.0	0.0
New Other	6,793.0	0.0	0.0	0.0	1,911.5
Com. Alterations/Additions	36,251.4	29,700.3	35,185.9	18,597.4	29,499.3
Total Nonresidential	44,016.3	29,912.5	46,510.1	40,451.1	42,136.9
New Dwelling Units					
Single Family	86	184	103	125	186
Multiple Family	138	71	136	359	64
TOTAL	224	255	239	484	250

Source: Construction Industry Research Board, Building Permit Summary.

SONOMA COUNTY
Total Building Permit Valuations
(Figures in Thousands)
2010 through 2014

	2010	2011	2012	2013	2014
Permit Valuation					
New Single-family	$68,353.1	$114,931.4	$81,742.3	$91,419.1	$69,788.4
New Multi-family	19,869.4	16,401.6	50,309.2	51,210.7	91,806.3
Res. Alterations/Additions	54,555.7	63,334.6	41,061.7	59,124.5	64,228.0
Total Residential	142,778.3	194,667.6	173,113.2	201,754.3	225,822.7
New Commercial	1,482.3	5,855.3	43,428.1	60,889.7	55,718.9
New Industrial	0.0	0.0	2,001.3	0.0	0.0
New Other	23,433.4	4,902.2	0.0	9,776.3	8,657.2
Com. Alterations/Additions	65,119.6	69,301.5	76,946.1	55,293.2	70,889.7
Total Nonresidential	90,035.2	80,059.0	122,375.5	125,959.2	135,265.8
New Dwelling Units					
Single Family	280	443	279	295	292
Multiple Family	190	184	318	732	214
TOTAL	470	627	597	1,027	506

Source: Construction Industry Research Board, Building Permit Summary.

Transportation

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

Education

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

Although many districts are small in size, 70,932 students attend the 181 public schools that are located in Sonoma County. There are 108 elementary, 23 middle/junior high, and 19 high schools, as well as 24 alternative schools and 7 independent study schools. Fifty-six of Sonoma County's public schools are charter schools. Seventy-nine schools have been named California Distinguished Schools and ten have been recognized as National Blue Ribbon Schools.

APPENDIX D

FORM OF OPINION OF BOND COUNSEL

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

$___________
CITY OF SANTA ROSA
WASTEWATER REVENUE REFUNDING BONDS
SERIES 2016A

This Continuing Disclosure Certificate (this "Disclosure Certificate") is executed and delivered by the City of Santa Rosa (the "City") in connection with the issuance of the $____________ aggregate principal amount of City of Santa Rosa Wastewater Revenue Refunding Bonds, Series 2016A (the "Bonds"). The Bonds are being issued under an Indenture of Trust dated as of February 1, 1988 (the "Master Indenture"), as amended by Supplemental Indentures of Trust, including the Nineteenth Supplemental Indenture of Trust dated as of _________ 1, 2016 (collectively, the "Indenture") between the City and U.S. Bank National Association, as trustee (the "Trustee"). The City covenants and agrees as follows:

Section 1. <u>Purpose of the Disclosure Certificate</u>. This Disclosure Certificate is being executed and delivered by the City for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriters in complying with Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

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

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

"*Annual Report Date*" means the date that is nine months after the end of the City's fiscal year (currently March 31 based on the City's fiscal year end of June 30).

"*Dissemination Agent*" means a Dissemination Agent designated in writing by the City and which has filed with the City and the Trustee a written acceptance of such designation.

"*Listed Events*" means any of the events listed in Section 5(a) of this Disclosure Certificate.

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

"*Official Statement*" means the final official statement executed by the City in connection with the issuance of the Bonds.

"*Participating Underwriter*" means the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

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

Section 3. <u>Provision of Annual Reports</u>.

(a) The City shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 31, 2017, with the report for fiscal year 2015-16, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 below. Not later than 15 Business Days prior to the Annual Report Date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the City) has not received a copy of the Annual Report, the Dissemination Agent shall contact the City to determine if the City is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the 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). The City shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the City hereunder.

(b) If the City does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the City shall provide (or cause the Dissemination Agent to provide) to the MSRB and the Participating Underwriter, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A.

(c) With respect to each Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) 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 Certificate, and stating the date it was provided.

Section 4. <u>Content of Annual Reports</u>. The City's Annual Report shall contain or incorporate by reference the following:

(a) The City's audited financial statements 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 Annual Report Date, 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.

(b) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, financial information and operating data with respect to the City for the preceding fiscal year, substantially similar to that provided in the corresponding tables in the Official Statement:

(i) Principal amount of Bonds, Parity Bonds and State Loans outstanding.

(ii) Balances in the Reserve Account and the Rate Stabilization Fund.

(iii) Total actual Maintenance and Operation Costs incurred by the City in connection with the Enterprise during the subject fiscal year.

(iv) Updated information set forth in the following tables of the Official Statement (in all cases, information for only the preceding fiscal year is required):

a. Table 3 (City Customer Accounts by Meter Size)

b. Table 4 (Top 10 Wastewater Customers in City). The City is not obligated to disclose the identity of the users.

c. Table 9 (Typical Monthly Wastewater Charges for Single Family User)

d. Table 14 (Historical Revenues, Expenses and Debt Service Coverage)

(v) Status of any significant legislative, administrative and judicial challenges to the construction and operation of the Enterprise known to the City.

(c) In addition to any of the information expressly required to be provided under paragraphs (a) and (b) of this Section, the City shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(d) 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 are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. The City shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) The City shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds:

(1) Principal and interest payment delinquencies.

(2) Non-payment related defaults, if material.

(3) Unscheduled draws on debt service reserves reflecting financial difficulties.

(4) Unscheduled draws on credit enhancements reflecting financial difficulties.

(5) Substitution of credit or liquidity providers, or their failure to perform.

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

(7) Modifications to rights of security holders, if material.

(8) Bond calls, if material, and tender offers.

(9) Defeasances.

(10) Release, substitution, or sale of property securing repayment of the securities, if material.

(11) Rating changes.

(12) Bankruptcy, insolvency, receivership or similar event of the obligated person.

(13) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

(14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) Whenever the City obtains knowledge of the occurrence of a Listed Event, and, if the Listed Event is described in subsections (a)(2), (a)(6), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13) or (a)(14) above, the City determines that knowledge of the occurrence of that Listed Event would be material under applicable Federal securities law, the City shall, or shall cause the Dissemination Agent (if not the City) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, and the Participating Underwriter in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds under the Indenture.

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

Section 7. Termination of Reporting Obligation. The City's obligations under this Disclosure Certificate 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 8. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign by providing thirty days written notice to the City and the Trustee. The City will initially act as the Dissemination Agent.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of holders, or (ii) does not, in the opinion of the Trustee or nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first Annual Report filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to this Disclosure Certificate modifying the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the City to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative.

A notice of any amendment made pursuant to this Section 9 shall be filed in the same manner as for a Listed Event under Section 5(c).

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

Section 11. Default. In the event of a failure of the City to comply with any provision of this Disclosure Certificate any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. Article VI of the Indenture is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Trust Agreement. The Dissemination Agent shall be entitled to the protections and limitations from liability afforded to the Trustee thereunder. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the 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 13. Notices. Any notice or communications to be given under this Disclosure Certificate may be given as follows:

To the Issuer:	City of Santa Rosa 90 Santa Rosa Avenue Santa Rosa, CA, 95404 Attention: Chief Financial Officer
To the Participating Underwriter:	Raymond James & Associates, Inc. One Embarcadero Center, Suite 650 San Francisco, CA 94111 Attn: Municipal Finance

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

Section 14. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriters and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: __________, 2016

CITY OF SANTA ROSA

By ________________________________
Chief Financial Officer

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Obligated Party: City of Santa Rosa

Name of Bond Issue: $___________ City of Santa Rosa Wastewater Revenue Refunding Bonds, Series 2016A

Date of Issuance: _________, 2016

NOTICE IS HEREBY GIVEN that the City has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate, dated _____________, 2016. The City anticipates that the Annual Report will be filed by _____________.

Dated:________________________

DISSEMINATION AGENT:

By: __________________________
Its: __________________________

cc: Trustee and Participating Underwriter

APPENDIX F

REVENUE OBLIGATION DEBT SERVICE SCHEDULE

Existing Debt Service Table
All Parity Obligations(1)

Fiscal Year Ended June 30	Series 1993A Refunding	Series 2002B (CABs)	Series 2007A	Series 2012A	Series 2014A	Series 2016A*	Total*
2017	$1,400,831	--	[ ]	$4,916,200	$2,700,400	[ ]	[ ]
2018	--	$4,785,000		2,522,500	1,025,300		
2019	--	4,770,000		2,522,500	1,025,000		
2020	--	4,750,000		2,522,500	1,026,375		
2021	--	4,730,000		2,522,500	1,021,625		
2022	--	4,700,000		2,522,500	1,025,625		
2023	--	5,825,000		2,522,500	1,452,250		
2024	--	11,250,000		3,668,125	1,519,250		
2025	--	11,225,000		6,140,250	527,250		
2026	--	11,185,000		6,221,125	509,500		
2027	--	11,165,000		6,268,500	482,500		
2028	--	11,125,000		6,322,625	427,250		
2029	--	11,095,000		6,377,625	428,125		
2030	--	13,465,000		4,209,750	6,990,500		
2031	--	13,440,000		4,246,625	--		
2032	--	13,420,000		4,279,125	--		
2033	--	16,480,000		2,020,625	--		
2034	--	--		18,414,125	--		
2035	--	--		--	--		
2036	--	--		--	--		
2037	--	--		--	--		
2038	--	--		--	--		
Total	$1,400,831	$153,410,000		$88,219,700	$20,160,950		

(1) Assumes issuance of Series 2016A Bonds. See “REFUNDING PLAN.”

* Preliminary; subject to change.

Existing Debt Service Table
State Loans[1]

Fiscal Year Ended June 30	State Loan Payable 4062-130	State Loan Payable 4062-140	State Loan Payable 4062-150	State Loan Payable 4062-160	State Loan Payable 4062-170	State Loan Payable 4062-210	State Loan Payable 4062-220	State Loan Payable 4062-230	State Loan Payable 4062-240	State Loan Payable 4062-250	Total
2017	$1,185,283	$847,325	$828,126	$284,450	$1,061,518	$30,094	$1,529,106	$1,100,970	$451,384	$1,325,890	$8,644,145
2018	1,185,283	847,325	828,126	284,450	1,061,518	30,094	1,529,106	1,100,970	451,384	1,325,890	8,644,145
2019	1,185,283	847,325	828,126	284,450	1,061,518	30,094	1,529,106	1,100,970	451,384	1,325,890	8,644,145
2020	1,185,283	847,325	828,126	284,450	1,061,518	30,094	1,529,106	1,100,970	451,384	1,325,890	8,644,145
2021	1,185,283	847,325	828,126	284,450	1,061,518	30,094	1,529,106	1,100,970	451,384	1,325,890	8,644,145
2022	1,185,283	847,325	828,126	284,450	1,061,518	30,094	1,529,106	1,100,970	451,384	1,325,890	8,644,146
2023	--	847,325	828,126	284,450	1,061,518	30,094	1,529,106	1,100,970	451,384	1,325,890	7,458,863
2024	--	--	828,127	284,451	--	30,094	--	--	--	1,325,890	2,468,562
2025	--	--	--	--	--	30,094	--	--	--	--	30,094
2026	--	--	--	--	--	--	--	--	--	--	--
2027	--	--	--	--	--	--	--	--	--	--	--
2028	--	--	--	--	--	--	--	--	--	--	--
2029	--	--	--	--	--	--	--	--	--	--	--
2030	--	--	--	--	--	--	--	--	--	--	--
2031	--	--	--	--	--	--	--	--	--	--	--
2032	--	--	--	--	--	--	--	--	--	--	--
2033	--	--	--	--	--	--	--	--	--	--	--
2034	--	--	--	--	--	--	--	--	--	--	--
2035	--	--	--	--	--	--	--	--	--	--	--
2036	--	--	--	--	--	--	--	--	--	--	--
2037	--	--	--	--	--	--	--	--	--	--	--
2038	--	--	--	--	--	--	--	--	--	--	--
Total	$7,111,697	$5,931,275	$6,625,009	$2,275,601	$7,430,626	$270,846	$10,703,739	$7,706,790	$3,159,688	$10,607,120	$61,822,391

(1) The City is evaluating whether to prepay all or a portion of the State Loans. See “REFUNDING PLAN.”

APPENDIX G

BOOK ENTRY ONLY SYSTEM

The following description of the Depository Trust Company ("DTC"), the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, interest and other payments on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

*Neither the issuer of the Bonds (the "**Issuer**") nor the trustee, fiscal agent or paying agent appointed with respect to the Bonds (the "**Agent**") take any responsibility for the information contained in this Appendix.*

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the "Securities"). The Securities 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 Security certificate will be issued for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. 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 has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org. *The information contained on this Internet site is not incorporated herein by reference.*

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("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 Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities 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 Securities 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 Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities 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.

5. 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 Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities 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.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as

possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities 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 Issuer or Agent, 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, Agent, or Issuer, 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 Issuer or Agent, 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.

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

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

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.