



## NOTICE OF SPECIAL MEETING

Pursuant to Section 54956 of the Government Code of the State of California, a Special meeting of the **Board of Directors of the Tracy Public Financing Authority** is hereby called for:

**Date/Time:** **Tuesday, April 21, 2026, 6:45 p.m.**  
(or as soon thereafter as possible)

**Location:** **Tracy City Hall, Council Chambers**  
**333 Civic Center Plaza, Tracy, CA 95376**

Government Code Section 54954.3 states that every public meeting shall provide an opportunity for the public to address the Board of Directors of the Tracy Public Financing Authority on any item, before or during consideration of the item, however no action shall be taken on any item not on the agenda.

***This meeting will be open to the public for in-person and remote participation.***

Pursuant to Government Code Section 54954.3(a), public comment is limited to only those items listed on this agenda.

### **If you wish to make a public comment:**

- 1. Comments via Email** – Submit written comments via email to [publiccomment@cityoftracy.org](mailto:publiccomment@cityoftracy.org), using “public comment” as the subject line. Your comment will be provided to the Board of Directors and appropriate staff member(s) and will become a permanent part of the official meeting record. Please submit your comments as far in advance as possible. Emailed comments must be received **before 12:00 p.m. (i.e., 11:59 a.m. or earlier) on April 21, 2026**, in order to be included in the record. See the “Public Comment Guidelines” section for more instructions about submissions, letters, notes, complaints, and/or comments.
- 2. In-Person Comments** – Complete a Speaker Card (available outside the entrance to the meeting room) and give it to the City Clerk before the Item is considered by the Board of Directors. A Speaker Card is requested but not required for in-person public comment.
- 3. Comments via Zoom** – Visit <https://cityoftracy-org.zoom.us/join>, enter **Meeting ID: 821 3935 9509** and **Passcode: 198084**, and use the “Raise Hand” icon to speak on an item; **or** Dial +1-669-900-6833, enter **82139359509#** when prompted, enter **# (pound)** when prompted, enter **198084#** when prompted, press \*9 to raise the Hand icon to speak on an item, and press \*6 to unmute when you are requested to speak. **If you would like to participate in public**

**comment anonymously**, you may submit your comment online via Zoom by typing “Anonymous” when prompted to provide a name.

**Public Comment Guidelines** – The City’s “Items from the Audience/Public Comment” policy is outlined in Section 5.8, as revised by Resolution No. 2026-053, of the Council Meeting Protocols and Rules of Procedure. Pursuant to the City’s policy, any public comment speaker on any item/segment (be it general public comment on an item not on the agenda; on a discussion/regular item; presentation; a public hearing; an appeal; an informational item; Consent Calendar; and/or an item pulled from the Consent Calendar), shall be limited to:

- Less than 5 requests (1-4 requests): Each speaker gets 4 minutes.
- 5-15 requests: Each speaker gets 3 minutes.
- 16 to 25 requests: Each speaker gets 2 minutes.
- More than 26 requests: Each speaker gets 90 seconds.
- For all requests submitted/hands raised after the first speaker is called (regardless of the number of speakers), the speakers shall receive 90 seconds.

Any submissions, letters, notes, complaints, and/or comments that an individual and/or entity wishes to be submitted and included in the official record for a meeting of the Board of Directors of the Tracy Public Financing Authority shall be due **before 12:00 p.m. on the day of the meeting** (i.e., 11:59 a.m. or earlier). Any submissions, letters, notes, complaints, and/or comments received timely as prescribed by this section will be transmitted to the Board of Directors and appropriate staff member(s), posted on the City’s website, provided for inspection at the relevant meeting of the Board of Directors of the Tracy Public Financing Authority, and included in the official meeting record. Any submissions, letters, notes, complaints, and/or comments that arrive 12:00 p.m. or later on the day of a meeting of the Board of Directors of the Tracy Public Financing Authority, while not part of the official meeting record, will be transmitted to the Board of Directors and appropriate staff member(s).

**AGENDA**

1. Call to Order
2. Disclosure of Participation by Teleconference Pursuant to Government Code Section 54953.8.3, If Applicable
3. Roll Call and Declaration of Conflicts
4. With respect to the proposed refinancing of an outstanding installment payment obligation of the City of Tracy and related 2004 certificates of participation (2004 wastewater plant treatment plant upgrade) staff recommends that the Tracy Public Financing Authority Board of Directors adopt a Resolution authorizing the issuance and sale of wastewater revenue refunding bonds, and approving related documents and actions.  
  
    4 - Staff Report - Waste Water Bond Refinancing.pdf  
    4 - Resolution - Waste Water Bond Refinancing.pdf
5. Adjournment

**Posting Date: April 20, 2026**

**Americans With Disabilities Act** – The City of Tracy complies with the Americans with Disabilities Act and makes all reasonable accommodations for persons with disabilities to participate in meetings of the Board of Directors of the Tracy Public Financing Authority. Persons requiring assistance or auxiliary aids should submit a request to the City Clerk’s Office by emailing [cityclerk@cityoftracy.org](mailto:cityclerk@cityoftracy.org) or calling (209) 831-6105 at least 24 hours prior to the meeting.

**Requests for Language Interpretation and Translation** – Requests for language interpretation and translation may be arranged by submitting a request to the City Clerk’s Office by emailing [cityclerk@cityoftracy.org](mailto:cityclerk@cityoftracy.org) or calling (209) 831-6105 at least 24 hours prior to the meeting.

Agenda Item 4

RECOMMENDATION

**With respect to the proposed refinancing of an outstanding installment payment obligation of the City of Tracy and related 2004 certificates of participation (2004 wastewater plant treatment plant upgrade) staff recommends that the Tracy Public Financing Authority Board of Directors adopt a Resolution authorizing the issuance and sale of wastewater revenue refunding bonds, and approving related documents and actions.**

EXECUTIVE SUMMARY

On April 22, 2004, the City of Tracy (the "City") caused to be executed and delivered Certificates of Participation (2004 Wastewater Treatment Plant Upgrade) in an aggregate principal amount of \$30,955,000 (the "2004 Certificates") for the purpose of financing improvements to the City's wastewater treatment plant (the "2004 Project"). The 2004 Certificates evidence installment payments (the "2004 Installment Payments") made by the City under an installment sale agreement (the "2004 Installment Sale Agreement") that are payable from net revenues of the City's wastewater system (the "Wastewater System").

Based on current market conditions, the 2004 Certificates may be refinanced to produce annual savings of benefit to the Wastewater System. Staff recommends that the City Council and the Board of Directors of the Tracy Public Financing Authority (the "Authority") take the steps required for the Authority to issue wastewater revenue refunding bonds (the "2026 Refunding Bonds") to refinance the 2004 Installment Payments and prepay the 2004 Certificates to achieve such savings. Debt service on the 2026 Refunding Bonds will be paid from installment payments made by the City to the Authority (the "2026 Installment Payments"), which, like the 2004 Installment Payments, will be payable from net revenues of the Wastewater System.

BACKGROUND AND LEGISLATIVE HISTORY

**THE 2004 PROJECT**

The City previously caused to be executed and delivered the 2004 Certificates pursuant to a Trust Agreement (the "2004 Trust Agreement"), by and among, the City the City of Tracy Public Facilities Corporation (the "Corporation") and The Bank of New York

Mellon Trust Company, N.A. (the “2004 Trustee”), for the purpose of financing the 2004 Project. The 2004 Certificates evidence the 2004 Installment Payments made by the City under the 2004 Installment Sale Agreement; the 2004 Installment Payments are payable from net revenues of the Wastewater System.

The 2004 Project consisted of an upgrade to the City’s Wastewater Treatment Plant (the “WWTP”) that enabled the WWTP to meet new regulatory and treatment requirements and expanded the WWTP’s capacity to 10.8mgd from 10 mgd. The total cost of the upgrade was approximately \$72,000,000 of which approximately \$30,000,000 was funded from the 2004 Certificates.

## ANALYSIS

### **STATE REVENUE REFUNDING BOND LAW**

The Authority proposes to issue the 2026 Refunding Bonds under provisions of the California Government Code that authorize the issuance of bonds to refund the 2004 Installment Sale Agreement. In order to provide revenues which are sufficient to pay debt service on the 2026 Refunding Bonds, the Authority proposes to sell the 2004 Project to the City under an Installment Sale Agreement for a purchase price to be paid by the City in semiannual installments during the term of the 2026 Refunding Bonds. The obligations of the City under the proposed Installment Sale Agreement will be secured by a pledge of and lien on the net revenues of the Wastewater System.

Neither the faith and credit nor the taxing power of the Authority, the City, the State of California or any political subdivision thereof is pledged to the payment of the Installment Payments or the principal or redemption price of or interest on the 2026 Bonds.

### **TRACY PUBLIC FINANCING AUTHORITY**

The City and the Tracy Industrial Development Authority (the “Industrial Development Authority”) are parties to a First Amended and Restated Joint Powers Agreement, dated as of October 17, 2018 (the “Joint Powers Agreement”), pursuant to which the Authority was established as a joint exercise of powers authority under the Joint Exercise of Powers Act (Government Code §6500 et seq.) (the “Joint Powers Law”) for the purpose of providing assistance to the City and the Industrial Development Authority with their financing programs.

### **PROPOSED WASTEWATER REVENUE REFUNDING BONDS**

Staff recommends the following actions:

City and Authority Approvals. Staff recommends that the City Council and the Board of Directors of the Authority adopt resolutions:

- (i) approving the issuance by the Authority of the 2026 Refunding Bonds,
- (ii) approving the sale of the 2026 Refunding Bonds to Piper Sandler & Co. (the “Underwriter”),
- (iii) approving the documents related to the 2026 Refunding Bonds, including the Installment Sale Agreement, an Indenture of Trust and a Preliminary Official Statement, and
- (iv) authorizing staff to take all necessary actions related to issuance of the 2026 Refunding Bonds.

### **TERMS OF THE 2026 REFUNDING BONDS**

Pursuant to the resolutions, the true interest cost of the 2026 Refunding Bonds cannot exceed 5.00% and the principal amount of the 2026 Refunding Bonds cannot exceed \$17,000,000.

Government Code Section 5852.1 requires the City to obtain and disclose a good faith estimate of certain information about the 2026 Refunding Bonds, including the true interest cost, the financing costs, the use of proceeds and the total payment amount, and this information is included in Appendix A of the proposed resolutions. Based upon current market conditions, the 2026 Refunding Bonds are estimated to be issued in the amount of \$14,965,000, which does not include approximately \$1,524,000 of net premium estimated to be generated, for total gross bond proceeds of \$16,489,183. Net premium is generated when, on a net aggregate basis for a single issuance of bonds, the price paid for such bonds is higher than the face value of such bonds. At market conditions as of March 27, 2026, the 2026 Refunding Bonds are expected to carry a true interest cost of approximately 3.20%. The final interest rate on the 2026 Refunding Bonds will not be determined until the 2026 Refunding Bonds price in late-April.

### **DOCUMENTS RELATED TO THE 2026 REFUNDING BONDS**

The proposed Bonds require the following documents:

- Installment Sale Agreement: Under the Installment Sale Agreement between the Authority and the City, the Authority agrees to sell the completed 2004 Project to the City in consideration of semiannual installment payments. Under the Installment Sale Agreement, Gross Revenues of the Wastewater System shall be deposited immediately upon receipt by the City in the Wastewater Fund and shall be used and applied by the City as provided the Installment Sale Agreement.

The City has covenanted, from the moneys in the Wastewater Fund, to pay all Operation and Maintenance Costs of the Wastewater System as they become due and payable. Thereafter, all remaining moneys in such

Wastewater Fund shall be used and applied to pay the Installment Payments and all payments of principal of and interest on any Parity Debt. Such Net Revenues of the Wastewater System are irrevocably pledged to the payment of the Installment Payments and any future Parity Debt. The pledge of Net Revenues constitutes a first lien on amounts on deposit in the Wastewater Fund subject to application as permitted in the Installment Sale Agreement, for the payment on the Installment Payments and any future Parity Debt.

Further, the City has covenanted in the Installment Sale Agreement to fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Wastewater System during each Fiscal Year which are sufficient to yield Net Revenues which are at least equal to 120% of the amount of Installment Payments and all payments of principal of and interest on any Parity Debt coming due and payable during such Fiscal Year. For purposes of this covenant, the amount of Net Revenues for a Fiscal Year will be computed by including in Gross Revenues all amounts transferred into the Wastewater Fund from the Rate Stabilization Fund during the Fiscal Year.

The City has the right at any time to establish a Rate Stabilization Fund to be held by it and administered in accordance with the Installment Sale Agreement, for the purpose of stabilizing the rates and charges imposed by the City with respect to the Wastewater System. From time to time the City may deposit amounts in the Rate Stabilization Fund, from any source of legally available funds, including but not limited to Net Revenues which are released from the pledge and lien which secures the Installment Payments and any Parity Debt, as the City may determine. The Rate Stabilization Fund shall be accounted for as a separate fund, although amounts credited to it may be commingled with other funds of the City.

- Indenture of Trust. Under the Indenture of Trust, between the Authority and U.S. Bank Trust Company, National Association, as Trustee, the Authority will assign to the Trustee its right to receive the Installment Payments that are payable by the City under the Installment Sale Agreement. Under the Indenture of Trust, the Authority will issue the 2026 Refunding Bonds; the Trustee will use the installment payments assigned to it to pay debt service on the 2026 Refunding Bonds.
- Preliminary Official Statement. The Official Statement is the primary disclosure document for investors in the 2026 Refunding Bonds. A Preliminary Official Statement will be circulated to potential investors prior to the pricing of the 2026 Refunding Bonds. After the 2026 Refunding Bonds have been priced, a final Official Statement will be circulated to investors; the final Official Statement should be identical to the Preliminary

Official Statement except for the addition of pricing information (principal amount, interest rates, redemption terms).

The Preliminary Official Statement is prepared by Jones Hall, serving the City as Bond Counsel and Disclosure Counsel for this transaction, with the assistance of the remainder of the financing team, including City staff; CSG Advisors Incorporated, the City's municipal advisor ("Municipal Advisor"); and the Underwriter.

The Preliminary Official Statement has been reviewed and approved for transmittal to the City Council by the City's financing team. The distribution of the Preliminary Official Statement by the City is subject to federal securities laws, including the Securities Act of 1933 and the Securities Exchange Act of 1934. These laws require the Preliminary Official Statement to include all facts that would be material to an investor in the 2026 Refunding Bonds. Material information is information that there is a substantial likelihood would have actual significance in the deliberations of the reasonable investor when deciding whether to buy or sell the 2026 Refunding Bonds. If the City Council concludes that the Preliminary Official Statement includes all facts that would be material to an investor in the 2026 Refunding Bonds, it must adopt a resolution that authorizes staff to execute a certificate to the effect that the Preliminary Official Statement has been "deemed final."

The Securities and Exchange Commission (the "SEC"), the agency with regulatory authority over the City's compliance with the federal securities laws, has issued guidance as to the duties of the City Council with respect to its approval of the Preliminary Official Statement. In its "Report of Investigation in the Matter of County of Orange, California as it Relates to the Conduct of the Members of the Board of Supervisors" (Release No. 36761 / January 24, 1996) (the "Release"), the SEC stated that, if a member of the City Council has knowledge of any facts or circumstances that an investor would want to know about prior to investing in the 2026 Refunding Bonds, whether relating to their repayment, tax-exempt status, undisclosed conflicts of interest with interested parties, or otherwise, he or she should endeavor to discover whether such facts are adequately disclosed in the Preliminary Official Statement. In the Release, the SEC stated that the steps that a member of the City Council could take include becoming familiar with the Preliminary Official Statement and questioning staff and consultants about the disclosure of such facts.

The key sections of the Preliminary Official Statement are summarized below:

- “THE 2026 BONDS”: This section summarizes the key terms of the 2026 Refunding Bonds, including payment dates and redemption provisions.
  - “SECURITY FOR THE 2026 BONDS”: This section summarizes key security terms, including the installment payments made by the City under the Installment Sale Agreement described above; the limited nature of the pledge of Net Revenues of the Wastewater System, the Rate Covenant, the Rate Stabilization Fund; and provisions for Parity Debt.
  - “THE CITY”: This section summarizes the governance and administrative structure, as well as the relevant portion of financial and operating data that is material to the Wastewater System’s ability to pay the installment payments.
  - “THE WASTEWATER SYSTEM” AND “WASTEWATER SYSTEM FINANCES”: These sections describe the Wastewater System, and provides financial and operating data that is material to the Wastewater System’s ability to pay the installment payments.
  - “BOND OWNERS’ RISKS”: This section highlights the primary risks associated with the 2026 Refunding Bonds, most of which relate to the financial health of the City’s Wastewater System.
  - “TAX MATTERS”: This section describes the tax-exempt nature of interest on the 2026 Refunding Bonds.
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- Continuing Disclosure Certificate. Under SEC Rule 15c2-12, the underwriter of the 2026 Refunding Bonds may only purchase the 2026 Refunding Bonds if it has determined that the City is obligated to provide continuing disclosure, including annual updates of the financial and operating data included in the Official Statement and notices of certain specified events. The City will execute a Continuing Disclosure Certificate to provide ongoing information consistent with SEC Rule 15c2-12, and a form of the Continuing Disclosure Certificate is attached to the Preliminary Official Statement.
  - Bond Purchase Agreement. At the time the 2026 Refunding Bonds are sold, the City and the Authority will enter into a Bond Purchase Agreement with the Underwriter, who will agree to underwrite the 2026 Refunding Bonds subject to satisfaction of the conditions described in the Bond Purchase Agreement. The resolutions provide the Underwriter’s discount on the purchase of the 2026 Refunding Bonds may not exceed 1.00% of the par amount of the 2026 Refunding Bonds.

## STRATEGIC PLAN

This item supports the Government Accountability strategic priority, goal two, maintain fiscal responsibility.

### FISCAL IMPACT

The installment payments to be made by the City under the Installment Sale Agreement are expected to be paid from Net Revenues of the Wastewater System. Under market conditions as of March 27, 2026, and certain assumptions regarding an underlying rating for the 2026 Refunding Bonds, and the ability to obtain cost effective bond insurance, the Underwriter and Municipal Advisor estimate net present value savings (taking into account the costs of issuing the 2026 Refunding Bonds) of \$1.05 million, or an average of \$113,000 per year through December 1, 2036.

The fees and expenses of the financing team, including Bond Counsel, Disclosure Counsel, Underwriter and Municipal Advisor are paid from proceeds of the 2026 Refunding Bonds.

### RECOMMENDATION

With respect to the proposed refinancing of an outstanding installment payment obligation of the City of Tracy and related 2004 certificates of participation (2004 wastewater plant treatment plant upgrade) staff recommends that the Tracy Public Financing Authority Board of Directors adopt a Resolution authorizing the issuance and sale of wastewater revenue refunding bonds, and approving related documents and actions.

Prepared by: Sara Castro, Finance Director

Reviewed by: L. David Nefouse, City Attorney  
Arturo M. Sanchez, Assistant City Manager

Approved by: Midori Lichtwardt, City Manager

### ATTACHMENTS:

Attachment A: Preliminary Official Statement (including Continuing Disclosure Certificate)

Attachment B: Installment Sale Agreement

Attachment C: Indenture of Trust

Attachment D: Bond Purchase Agreement

**PRELIMINARY OFFICIAL STATEMENT DATED APRIL 30, 2026**

**NEW ISSUE – BOOK ENTRY ONLY**

**RATINGS:**

**S&P's Insured Rating: "\_\_\_\_\_"**

**S&P's Underlying Rating: "\_\_\_\_\_"**

**(See "RATINGS" herein.)**

*In the opinion of Jones Hall LLP, San Mateo, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the 2026 Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. Interest on the 2026 Bonds may be subject to the corporate alternative minimum tax. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS" herein.*

**\$14,820,000\***

**TRACY PUBLIC FINANCING AUTHORITY  
WASTEWATER REVENUE REFUNDING BONDS,  
SERIES 2026**

**Dated: Date of Delivery**

**Due: As shown on inside front cover.**

The Tracy Public Financing Authority (the "Authority") is issuing the captioned bonds (the "2026 Bonds") to (i) provide funds to prepay an installment payment obligation of the City of Tracy (the "City") related to the City's system for the collection, treatment and disposal of wastewater within the service area of the City (the "Wastewater System") and cause the prepayment of the outstanding City of Tracy Certificates of Participation (2004 Wastewater Treatment Plan Upgrade) (the "2004 COPs") and (ii) to pay costs of issuance of the 2026 Bonds.

Interest due on the 2026 Bonds is payable semiannually on June 1 and December 1 in each year commencing December 1, 2026, by U.S. Bank Trust Company, National Association, San Francisco, California, as trustee (the "Trustee") for the 2026 Bonds under an Indenture of Trust (the "Indenture"). Payment of principal and redemption price of all 2026 Bonds will be payable in lawful money of the United States of America upon presentation and surrender thereof at the principal corporate trust office of the Trustee in San Francisco, California, or such other office as may be designated by the Trustee. The 2026 Bonds will be issued in fully registered form in the denomination of \$5,000 each or any integral multiple thereof.

Payment of the principal of and interest on the 2026 Bonds when due will be insured by a financial guaranty insurance policy to be issued by [ ] simultaneously with the delivery of the 2026 Bonds. See "BOND INSURANCE".\*

[INSURER'S LOGO]

**The 2026 Bonds are not subject to optional redemption. The 2026 Bonds are subject to mandatory sinking fund redemption as more fully described herein.\***

The 2026 Bonds are payable from Revenues consisting primarily of Installment Payments (the "Installment Payments") payable by the City to the Authority under an Installment Sale Agreement (the "Installment Sale Agreement") and amounts on deposit in certain funds and accounts established by the Installment Sale Agreement and the Indenture. The obligation of the City to make Installment Payments under the Installment Sale Agreement is a special obligation of the City payable solely from Net Revenues (as hereinafter defined) of the Wastewater System. Following the issuance of the 2026 Bonds and defeasance of the 2004 COPs, the City will not have any other outstanding obligations that are secured and payable from Net Revenues on a senior basis or parity basis with the Installment Payments securing the 2026 Bonds.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

The 2026 Bonds are being issued in fully registered form and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. Purchasers of the 2026 Bonds will not receive certificates representing their beneficial ownership in the 2026 Bonds but will receive credit balances on the books of their respective nominees.

**MATURITY SCHEDULE  
(See inside cover page)**

*The 2026 Bonds will be offered when, as and if issued and accepted by the Underwriter, subject to approval as to legality by Jones Hall LLP, San Mateo, California, Bond Counsel, and subject to certain other conditions. Jones Hall LLP is also acting as Disclosure Counsel. The Underwriter was represented by its counsel, Stradling Yocca Carlson & Rauth LLP, Newport Beach, California. It is anticipated that the 2026 Bonds, in book entry form, will be available for delivery through the facilities of DTC on or about June 4, 2026.*

**PIPER | SANDLER**

The date of this Official Statement is \_\_\_\_\_, 2026.

\*Preliminary; subject to change.

*This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.*

## MATURITY SCHEDULE\*

<b>Maturity Date (December 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Price or Yield</b>	<b>CUSIP†</b>
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*\*Preliminary; subject to change.*

† CUSIP Global Services (CGS) is managed on behalf of American Bankers Association by FactSet Research Systems Inc. Copyright 2026 CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP numbers are provided for convenience of reference only. Neither the City nor the Underwriter assumes any responsibility for the accuracy of the CUSIP data.

# **TRACY PUBLIC FINANCING AUTHORITY**

## **BOARD OF DIRECTORS OF THE AUTHORITY AND MEMBERS OF THE CITY COUNCIL**

Dan Arriola, *Chair and Mayor*  
Steve Abercrombie, *Vice-Chair and Mayor Pro Tempore*  
Mateo Bedolla, *Member and Council Member*  
Dan Evans, *Member and Council Member*  
Dotty Nygard, *Member and Council Member*

## **CITY STAFF**

Midori Lichtwardt, *City Manager*  
Arturo M. Sanchez, *Assistant City Manager*  
Sara Castro, *Director of Finance*  
Raymond McCray, *City Treasurer*  
David Nefouse, *City Attorney*  
Anush Nejad, P.E., *Director of Public Works*  
April B. A. Quintanilla, *City Clerk*

## **BOND COUNSEL AND DISCLOSURE COUNSEL**

Jones Hall LLP  
San Mateo, California

## **TRUSTEE**

U.S. Bank Trust Company, National Association  
San Francisco, California

## **VERIFICATION AGENT**

Causey Public Finance, LLC  
Denver, Colorado

## 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 2026 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 2026 Bonds will, under any circumstances, create any implication that there has been no change in the affairs of the City, 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 2026 Bonds referred to herein 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 2026 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 Sale 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 2026 Bonds have not been registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, in reliance upon exemptions for the issuance and sale of municipal securities provided under Section 3(a)(2) of the Securities Act of 1933 and Section 3(a)(12) of the Securities Exchange Act of 1934.

**Estimates and Projections.** Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words.

**Stabilization of Prices.** In connection with this offering, the Underwriter may overallocate or effect transactions which stabilize or maintain the market price of the 2026 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 2026 Bonds to certain dealers and others at prices lower than the public offering prices set forth on the inside cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

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

**Internet Website.** The City maintains an Internet website, but the information on the website is not incorporated in this Official Statement.

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**\$14,820,000\***  
**TRACY PUBLIC FINANCING AUTHORITY**  
**WASTEWATER REVENUE REFUNDING BONDS, SERIES 2026**

**INTRODUCTION**

*This Introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement and the documents summarized or described in this Official Statement. A full review should be made of the entire Official Statement. The offering of the captioned bonds (the “**2026 Bonds**”) to potential investors is made only by means of the entire Official Statement.*

This Official Statement, including the cover page and all appendices hereto, provides certain information concerning the sale and delivery of Tracy Public Financing Authority, Wastewater Revenue Refunding Bonds, Series 2026 (the “**2026 Bonds**”), in the aggregate principal amount of \$14,820,000.\* All descriptions and summaries of various documents hereinafter set forth 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 herein are qualified in their entirety by reference to each document. Certain capitalized terms used herein and not defined herein shall have the meaning given such terms in Appendix C hereto entitled “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS.”

The 2026 Bonds are being issued to (i) provide funds to prepay an installment payment obligation of the City of Tracy (the “**City**”) related to the City’s wastewater collection, treatment and disposal system (the “**Wastewater System**”) and thereby cause prepayment of the outstanding City of Tracy Certificates of Participation (2004 Wastewater Treatment Plan Upgrade) (the “**2004 COPs**”) and (ii) pay costs of issuing the 2026 Bonds.

The 2026 Bonds are being issued by the Tracy Public Financing Authority (the “**Authority**”) pursuant to Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California, commencing with sections 53580 and 53580 of said Code, and under an Indenture of Trust, dated as of May 1, 2026 (the “**Indenture**”), between the Authority and U.S. Bank Trust Company, National Association, San Francisco, California, as trustee (the “**Trustee**”). The 2026 Bonds are payable from revenues (as further described herein, the “**Revenues**”) consisting primarily of Installment Payments (“**Installment Payments**”) to be made by the City of Tracy (the “**City**”) to the Authority under an Installment Sale Agreement dated as of May 1, 2026 (the “**Installment Sale Agreement**”) between the City and the Authority, and amounts on deposit in certain funds and accounts established under the Indenture.

The City’s obligation to make Installment Payments under the Installment Sale Agreement is a special obligation of the City payable solely from Net Revenues (as defined below) of the Wastewater System. See “SECURITY FOR THE 2026 BONDS – Limited Liability.”

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\* Preliminary; subject to change.

The Installment Sale Agreement authorizes additional obligations of the City payable from and secured by a pledge of and lien upon any of the Net Revenues on a parity basis with the 2026 Bonds (“**Parity Debt**”). See “SECURITY FOR THE 2026 BONDS – Limitations on Superior and Parity Debt.”

Under the Indenture, the Authority has assigned to the Trustee for the benefit of the Owners of the 2026 Bonds substantially all its rights under the Installment Sale Agreement, including its right to receive Installment Payments and its rights to enforce payment by the City of such Installment Payments when due.

The Authority is a joint exercise of powers authority duly organized under the Joint Exercise of Powers Act, constituting Article 1 of Division 7 of Title 1 of the Government Code of the State of California (commencing with section 6500) (the “**JPA Law**”) and that certain First Amended and Restated Joint Powers Agreement dated as of October 17, 2018 (the “**JPA Agreement**”) by and between the City and the Tracy Industrial Development Authority (the “**Industrial Development Authority**”), to provide for the financing and refinancing of public capital improvements for the members of the Authority. See “THE AUTHORITY”

[[\_\_\_\_\_ (“\_\_\_\_\_”, or the “**Bond Insurer**”) has issued a commitment to issue, simultaneously with the issuance of the 2026 Bonds, a financial guaranty insurance policy (the “**Financial Guaranty Insurance Policy**”) guaranteeing the payment, when due, of the principal of and interest on the 2026 Bonds. See the caption “BOND INSURANCE” herein.]]

## THE REFUNDING PLAN

The City previously caused to be executed and delivered the 2004 COPs in the aggregate original principal amount of \$30,995,000 pursuant to a Trust Agreement dated as of April 1, 2004 ("**2004 Trust Agreement**"), among The Bank of New York Mellon Trust Company, N.A., as successor in interest to BNY Western Trust Company as trustee (the "**2004 Trustee**"), City of Tracy Public Facilities Corporation (the "**Corporation**") and the City, for the purpose of financing improvements to the City's WWTP.

The 2004 COPs evidence direct, undivided fractional interests in installment payments (the "**2004 Installment Payments**") payable by the City under an Installment Sale Agreement dated as of April 1, 2004 (the "**2004 Installment Sale Agreement**"), between the City and the Corporation.

Pursuant to the Indenture, the Authority will deliver a portion of the proceeds of the 2026 Bonds to the 2004 Trustee for deposit in the Installment Payment Fund established and held by the 2004 Trustee under the 2004 Trust Agreement (the "**2004 Installment Payment Fund**").

The 2004 Trustee will hold such amounts deposited in the 2004 Installment Payment Fund uninvested in cash, and will apply such funds on [\_\_\_\_], 2026 (the "**Prepayment Date**"), to prepay the 2004 Installment Payments and cause prepayment of the outstanding 2004 COPs (without premium).

Sufficiency of the deposits in the 2004 Installment Payment Fund for those purposes will be verified by Causey Public Finance, LLC (the "**Verification Agent**"). See "VERIFICATION OF MATHEMATICAL COMPUTATIONS." As a result of the deposit of funds with the 2004 Trustee on the date of issuance of the 2026 Bonds, (i) all obligations of the City under the 2004 Installment Sale Agreement, and the pledge of Net Revenues and all other security provided by the 2004 Installment Sale Agreement, shall cease and terminate, except only the obligation of the City to make, or cause to be made, the 2004 Installment Payments from amounts in the 2004 Installment Payment Fund and (ii) the 2004 COPs will be legally defeased and will be payable solely from amounts in the 2004 Instalment Payment Fund.

*The amounts held by the 2004 Trustee in the 2004 Installment Payment Fund are pledged solely to the prepayment of the 2004 Installment Payments and the 2004 COPs. The funds deposited in the 2004 Installment Payment Fund will not be available for the payment of debt service with respect to the 2026 Bonds.*

## THE 2026 BONDS

### General

The 2026 Bonds will be dated the initial date of delivery thereof, and interest will be payable from such date at the rates set forth on the inside cover page of this Official Statement, on June 1 and December 1 of each year (the “**Interest Payment Dates**”), commencing December 1, 2026. Interest on the 2026 Bonds will be calculated on the basis of a 360-day year consisting of twelve 30 day months. The 2026 Bonds will mature in the amounts and on the dates set forth on the inside cover page of this Official Statement. The 2026 Bonds will be issued in fully registered form, individual purchases being made in book-entry form only, in denominations of \$5,000 or any integral multiple thereof. Principal of and interest on the 2026 Bonds are payable by the Trustee to The Depository Trust Company, New York, New York (“**DTC**”), as the registered Owner of the 2026 Bonds, which will in turn remit such principal and interest to the DTC Participants for subsequent disbursement to the Beneficial Owners of the 2026 Bonds. See “APPENDIX F - INFORMATION CONCERNING DTC” attached hereto.

### Redemption\*

**No Optional Redemption.** The 2026 Bonds are not subject to optional redemption prior to their respective stated maturity dates.

**Mandatory Sinking Fund Redemption.** The 2026 Bonds with a stated maturity of June 1, 20\_\_ (the “**Term Bonds**”) are subject to mandatory redemption in part by lot, at a redemption price equal to 100% of the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts and on December 1 in the respective years as set forth in the following tables.

<u>\$ _____ Term Bonds Maturing December 1, 20__</u>	
<u>Redemption Date</u> <u>(December 1)</u>	<u>Amount</u>

**Selection of Bonds for Redemption.** Whenever provision is made in the Indenture for the redemption of less than all of the 2026 Bonds of a single maturity, the Trustee shall select the 2026 Bonds of that maturity to be redeemed by lot in any manner which the Trustee in its sole discretion deems appropriate. For purposes of such selection, the Trustee shall treat each 2026 Bond as consisting of separate \$5,000 portions and each such portion shall be subject to redemption as if such portion were a separate 2026 Bond.

**Notice of Redemption.** The Trustee shall mail notice of redemption of the 2026 Bonds by first class mail, postage prepaid, not less than 20 nor more than 60 days before any redemption date, to the respective Owners of any 2026 Bonds designated for redemption at their addresses appearing on the registration books and to one or more securities depositories and to the Municipal Securities Rulemaking Board. Each notice of redemption shall state the date of the notice, the redemption date, the place or places of redemption, whether less than all of the 2026 Bonds (or all 2026 Bonds of a single maturity) are to be redeemed, the CUSIP

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\* Preliminary; subject to change.

numbers and (in the event that not all 2026 Bonds within a maturity are called for redemption) 2026 Bond numbers of the 2026 Bonds to be redeemed and the maturity or maturities of the 2026 Bonds to be redeemed, and in the case of 2026 Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on the redemption date there will become due and payable on each of said 2026 Bonds the redemption price thereof, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such 2026 Bonds be then surrendered. Neither the failure to receive any notice nor any defect therein shall affect the sufficiency of the proceedings for such redemption or the cessation of accrual of interest from and after the redemption date. Notice of redemption of 2026 Bonds shall be given by the Trustee, at the expense of the Authority, for and on behalf of the Authority.

## **ESTIMATED SOURCES AND USES OF FUNDS**

The following table sets forth the estimated sources and uses of funds with respect to the 2026 Bonds.

Sources:

2026 Bond Proceeds

Plus/Less [Net] Original Issue Premium/Discount

Total Sources

Uses:

Deposit to 2004 Installment Payment Fund

Underwriter's Discount

Costs of Issuance<sup>(1)</sup>

Total Uses

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<sup>(1)</sup> Estimate includes legal and financing costs, bond insurance premium, printing costs, initial fees of the Trustee, advertising costs, Bond Counsel and Disclosure Counsel fees, and certain other costs.

## BOND DEBT SERVICE SCHEDULE

The following table presents the debt service schedule for the 2026 Bonds. Installment Payment Dates are the fifth (5<sup>th</sup>) Business Days immediately preceding each payment date shown below.

Fiscal Year Ending June 30	Principal	Interest	Total Payments
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## SECURITY FOR THE 2026 BONDS

### Revenues

The 2026 Bonds are special obligations of the Authority and will be payable from and secured by a charge and lien on Revenues, consisting primarily of Installment Payments to be made by the City under the Installment Sale Agreement.

### Installment Payments; Pledge of Net Revenues; Application of Gross Revenues

All Net Revenues of the Wastewater System are irrevocably pledged to the payment of the Installment Payments and any future Parity Debt. The pledge of Net Revenues constitutes a first lien on amounts on deposit in the Wastewater Fund subject to application as permitted in the Installment Sale Agreement, for the payment of the Installment Payments and any future Parity Debt in accordance with the terms of the Installment Sale Agreement.

Gross Revenues shall be deposited immediately upon receipt by the City in the Wastewater Fund and shall be used and applied by the City as provided the Installment Sale Agreement. The City has covenanted, from the moneys in the Wastewater Fund, to first pay all Operation and Maintenance Costs of the Wastewater System as they become due and payable. Thereafter, all remaining moneys in such Wastewater Fund shall be used and applied to pay the Installment Payments and all payments of principal of and interest on any Parity Debt, and then to replenish all reserve funds established for the Parity Debt, and thereafter as described in the Installment Sale Agreement.

For the definitions of the terms “**Gross Revenues**”, “**Net Revenues**” and “**Operation and Maintenance Costs**” see the definitions in Appendix C hereto.

### Limited Liability

**2026 Bonds; Revenues.** The Authority is not required to advance any moneys derived from any source other than the Revenues and other assets pledged under the Indenture, whether for the payment of the principal of or interest on the 2026 Bonds or for any other purpose of the Indenture.

**Installment Sale Agreement; Net Revenues.** The City's obligation to pay the Installment Payments and any other amounts coming due and payable under the Installment Sale Agreement is a special obligation of the City limited solely to the Net Revenues. The City is not required to advance any moneys derived from any source of income other than the Net Revenues of the Wastewater System and other sources specifically identified in the Installment Sale Agreement for the payment of amounts due thereunder or for the performance of any agreements or covenants required to be performed by it contained therein. The City may, however, advance moneys for any such purpose so long as such moneys are derived from a source legally available for such purpose and may be legally used by the City for such purpose.

The Installment Payments are not secured by, and the Bond Owners have no security interest in or mortgage on, the Wastewater System or any other assets of the City. Default by the City will not result in loss of the Wastewater System or any other assets of the City. Should the City default, the Trustee, as assignee of the Authority, may declare all principal components of the unpaid Installment Payments under the Installment Sale Agreement and the accrued

interest thereon at the Overdue Rate (as defined in the Installment Sale Agreement) to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable; and take whatever action at law or in equity may appear necessary or desirable to collect the Installment Payments then due or thereafter to become due during the term of the Installment Sale Agreement, or enforce performance and observance of any obligation, agreement or covenant of the City under the Installment Sale Agreement. See "APPENDIX C - SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – Installment Sale Agreement – Events of Default and Remedies on Default."

THE OBLIGATION OF THE CITY TO PAY INSTALLMENT PAYMENTS DOES NOT CONSTITUTE AN OBLIGATION OF THE CITY FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. THE OBLIGATION OF THE CITY TO PAY INSTALLMENT PAYMENTS UNDER THE INSTALLMENT SALE AGREEMENT DOES NOT CONSTITUTE A DEBT OR INDEBTEDNESS OF THE CITY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

### **Rate Covenant**

The City has covenanted in the Installment Sale Agreement to fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Wastewater System during each Fiscal Year which are sufficient to yield Net Revenues which are at least equal to 120% of the amount of Installment Payments and all payments of principal of and interest on any Parity Debt coming due and payable during such Fiscal Year. For purposes of this covenant, the amount of Net Revenues for a Fiscal Year will be computed by including in Gross Revenues all amounts transferred into the Wastewater Fund from the Rate Stabilization Fund during the Fiscal Year.

See "APPENDIX C - SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – Installment Sale Agreement – Rates and Charges."

### **Rate Stabilization Fund**

The City has the right at any time to establish a Rate Stabilization Fund to be held by it and administered in accordance with the Installment Sale Agreement, for the purpose of stabilizing the rates and charges imposed by the City with respect to the Wastewater System. From time to time the City may deposit amounts in the Rate Stabilization Fund, from any source of legally available funds, including but not limited to Net Revenues which are released from the pledge and lien which secures the Installment Payments and any Parity Debt, as the City may determine. The Rate Stabilization Fund shall be accounted for as a separate fund, although amounts credited to it may be commingled with other funds of the City.

The City may, but is not required to, withdraw amounts on deposit in the Rate Stabilization Fund and deposit such amounts in the Wastewater Fund in any Fiscal Year for the purpose of paying the Installment Payments or the principal of and interest on any Parity Debt coming due and payable in such Fiscal Year. Amounts so transferred from the Rate Stabilization Fund to the Wastewater Fund in any Fiscal Year constitute Gross Revenues for that Fiscal Year (except as otherwise provided in the Installment Sale Agreement), and will be applied for the purposes of the Wastewater Fund. **Amounts on deposit in the Rate Stabilization Fund may not be pledged to or otherwise secure the Installment Payments**

**or any Parity Debt.** All interest or other earnings on deposits in the Rate Stabilization Fund will be retained therein or, at the option of the City, be applied for any other lawful purpose. The City has the right at any time to withdraw any or all amounts on deposit in the Rate Stabilization Fund and apply such amounts for any other lawful purpose of the City.

As of December 31, 2025, the balance of the Rate Stabilization Fund was \$0.

### **Limitations on Superior and Parity Debt**

Set forth below is a summary of the provisions of the Installment Sale Agreement with respect to incurrence of superior obligations and issuance of any Parity Debt thereunder.

***Obligations Superior to Installment Payments.*** Currently, there are no existing bonds or other obligations that are secured by a senior lien on the Gross Revenues or the Net Revenues. The City has covenanted in the Installment Sale Agreement that it will not, so long as any 2026 Bonds are Outstanding, issue or incur any additional bonds or other obligations, secured by a pledge of revenues of the Wastewater System and payable from Gross Revenues or Net Revenues of the Wastewater System prior or superior to the Installment Payments due thereunder.

***No Existing Parity Obligations.*** Upon the issuance of the 2026 Bonds and the deposit of moneys into the 2004 Installment Payment Fund as described in “THE REFUNDING PLAN,” there will be no payments under any existing bonds or other obligations that are secured by or payable from Net Revenues on a parity with the Installment Payments.

***Issuance of Parity Debt.*** Except for obligations incurred to prepay or discharge the Installment Payments or any Parity Debt, the City may not issue or incur any Parity Debt during the Term of the Installment Sale Agreement unless all of the following conditions are satisfied:

- (a) No Event of Default has occurred and is continuing.
- (b) The Net Revenues, calculated in accordance with sound accounting principles, as shown by the books of the City for the latest Fiscal Year or as shown by the books of the City for any more recent 12 month period selected by the City, in either case verified by an Independent Accountant employed by the City, plus (at the option of the City) any or all of the Additional Revenues, are at least equal 120% of Maximum Annual Debt Service after the issuance of such Parity Debt; for purposes of computing such Net Revenues, the amount of Gross Revenues may not include any amounts transferred from a Rate Stabilization Fund to the Wastewater Fund.
- (c) The trustee or fiscal agent for such Parity Debt is the same entity performing the functions of Trustee under the Indenture.
- (d) The City must deliver to the Trustee and the Bond Insurer a Written Certificate of the City certifying that the conditions precedent to the issuance of such Parity Debt set forth here have been satisfied.

The Installment Sale Agreement defines the term “**Additional Revenues**” to mean, with respect to any Parity Debt:

- (i) An allowance for Net Revenues from any additions or improvements to or extensions of the Wastewater System to be constructed by the City from the proceeds of such Parity Debt, or which have been previously constructed by the City from any other source of funds but which were not in service during any part of the preceding Fiscal Year, in an amount equal to 100% of the estimated additional average annual Net Revenues to be derived from such additions, improvements and extensions for the first 36-month period following the issuance of the proposed Parity Debt, all as shown by the certificate or opinion of a qualified independent consultant employed by the City.
- (ii) An allowance for Net Revenues arising from any increase in the charges made for service from the Wastewater System which has been adopted prior to the incurring of such Parity Debt, in an amount equal to the total amount by which the Net Revenues would have been increased if such increase in charges had been in effect during the whole of the most recent completed Fiscal Year or during any more recent 12-month period selected by the City, all as shown by the certificate or opinion of a qualified independent consultant employed by the City.

### **Outstanding Obligations**

Following the issuance of the 2026 Bonds and the deposit of moneys into the 2004 Installment Payment Fund as described in "THE REFUNDING PLAN," the City will not have any other outstanding obligations that are secured by and payable from Net Revenues on a parity basis with the Installment Payments securing the 2026 Bonds.

### **BOND INSURANCE**

*The full text of a specimen financial guaranty insurance policy is set forth in Appendix G hereto. The information relating to the Bond Insurer contained below and in Appendix G have been furnished by the Bond Insurer. No representation is made herein by the Authority as to the accuracy or the adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.*

*[To be inserted]*

### **THE AUTHORITY**

The Authority exists pursuant to a First Amended and Restated Joint Powers Agreement dated as of October 17, 2018 (the "**JPA Agreement**") and the JPA Law. The Authority was created for the purpose of assisting the City and the Industrial Development Authority in connection with their financing programs and for any other purposes authorized under Article 4 of Division 7 of Title 1 of the Government Code of the State of California (commencing with section 6584). The Authority is governed by a five-member board whose members are the same as the City Council. The Authority has no employees and all staff work is done by City staff or by consultants to the Authority.

## THE CITY

### General

The City is located on the western edge of the Central Valley in San Joaquin County (the “County”). The City is 60 miles east of the City of San Francisco and 70 miles south of Sacramento. The City is situated within a triangle formed by three interstate freeways: I-5, I-205 and I-580.

The City was founded in 1878 and was incorporated in 1910. Situated as the first major city east of the Altamont Pass, the City is considered an outer suburb of the Bay Area. It is the second largest city in the County, and although the Stockton-Lodi Metropolitan Statistical Area does not directly border the City of San Francisco, it has now been added to the San Jose-San Francisco-Oakland Combined Statistical Area due to being economically connected to the other nine counties in the region. The population and size of the City have increased from 18,428 and 7.0 square miles in 1980 to over 99,000 and 29.1 square miles in 2025. The San Joaquin Council of Governments (“**SJCOG**”) forecasts that the City’s population is anticipated to grow to nearly 130,000-150,000 by 2040. The SJCOG population projections are based on the growth projections developed by the Eberhardt School of Business at University of the Pacific in collaboration with SJCOG.

### Governance and Management

The City operates under the council-manager form of government. Policymaking and legislative authority are vested in the City Council, which consists of a Mayor and a four-member Council. The City Council is responsible for, among other things, passing ordinances, adopting the budget, appointing committees, and hiring the City Manager and City Attorney. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the government, and for appointing the heads of the government’s departments. The City Council is elected on a non-partisan basis. City Council members are elected to four-year staggered terms, with two City Council members elected every two years. The Mayor is elected every two years.

### City Staff

**Midori Lichtwardt, City Manager.** Midori Lichtwardt was appointed as the City’s City Manager in December, 2023, after serving as interim City Manager since May, 2023. Ms. Lichtwardt began her career in local government at the City’s Public Works Department in 1998. She then transitioned to the Human Resources Department where she served in multiple roles, including as Director of the Department beginning in 2016. In May, 2018, Midori became an Interim Assistant City Manager and in November, 2018 was appointed as one of two Assistant City Managers for the City. In such role, she oversaw Business Services, which includes Finance, Human Resources, Economic Development, Information Technology, City Clerk’s Office, the Grand Theatre and Public Relations/Communications. She holds a Bachelor’s degree in Speech Communication from San Jose State University and is a member of the California Public Employee Labor Relations Association, the International Public Management Association for Human Resources and the International City/County Management Association (ICMA).

**Ray McCray, City Treasurer.** Ray McCray is a graduate of local schools in Tracy, Delta College in Stockton, Whittier College in Southern California and has completed certificate

courses at Wharton Business School, Kellogg Business School and Hass Business School. Ray McCray was appointed by the City Council to serve the remaining term of the City Treasurer in 1995 and continues in that role as their elected Treasurer. He is a member of the California Municipal Treasurers Association. Ray was appointed by the San Joaquin County Board of Supervisors to serve on the County Employees' Retirement Board, has served as its Chairman and was elected President of the State Association of County Retirement Systems (SACRS). Mr. McCray is a Director of the Merchant Services Credit Bureau, a founding board member of the Community Foundation of San Joaquin, and San Joaquin County Schools' Foundation Board. Mr. McCray has a Series 6 securities license and life and disability license.

**Sara Castro, Finance Director.** Sara Castro was appointed as the City's Director of Finance in November 2022, after previously serving as the City's Accounting Manager. Ms. Cowell began her career in municipal finance in 2004, with the City of Modesto, where she served in multiple roles within the Finance department including Payroll, Accounting, and budget. Sara holds a bachelor's degree in business administration from the University of Phoenix and is a member of California Society of Municipal Finance Officers, Government Finance Officers of America, and serves with the Fiscal Officers for the League of California Cities.

## **Employees**

The City currently employs approximately 536 full-time and 112 part-time and seasonal persons, of whom 14 full-time persons work in the Wastewater System. Certain employees of the City belong to several different labor unions. The City currently is subject to multi-year contracts with its labor unions. The City has not experienced any strike or other work stoppage actions in the past five years. The City adopted its current memoranda of understanding or compensation and benefits plan, as applicable, with its bargaining groups in 2025.

## **Budget Process**

Annual budgets are adopted for all governmental fund types, except capital projects funds, on a basis consistent with accounting principles generally accepted in the United States of America. The City's budget ordinance requires that in June of each fiscal year the City Manager submit a preliminary budget that includes projected expenditures and the means of financing them, to the City Council for the fiscal year commencing the following July 1. As modified during public study sessions, the preliminary budget becomes the proposed budget. Following public hearings on the proposed budget, the final annual budget is adopted by the City Council. After adoption of the final budget, transfers of appropriations within a general fund department, or within other funds, can be made by the City Manager. Budget modifications between funds; increases or decreases to a fund's overall budget; transfers between general fund departments; or transfers that affect capital projects, must be approved by the City Council. Numerous properly authorized amendments are made during the fiscal year.

The City does not adopt budgets for the Grow Tracy and the FEMA Grant Special Revenue Funds.

Budgetary control is enhanced by integrating the budget into the general ledger accounts. Encumbrance accounting (e.g., purchase orders) is employed by the City.

## Pension Obligations

*This caption contains certain information relating to California Public Employees' Retirement System ("PERS"). The information is primarily derived from information produced by PERS, its independent accountants and actuaries. The City has not independently verified the information provided by PERS and makes no representations and expresses no opinion as to the accuracy of the information provided by PERS. For more information regarding the District's Pension Obligations and assumptions used in its most recent actuarial study, see Note 14 of Appendix A to this Official Statement.*

*The annual comprehensive financial reports of PERS are available on its Internet website at [www.calpers.ca.gov](http://www.calpers.ca.gov). The PERS website also contains PERS' most recent actuarial valuation reports and other information concerning benefits and other matters. Such information is not incorporated by reference in this Official Statement. Neither the City nor the Underwriter can guarantee the accuracy of such information. Actuarial assessments are "forward-looking" statements that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or may be changed in the future. Actuarial assessments will change with the future experience of the pension plans.*

**Plan Description.** Substantially all City employees working the equivalent of 1,000 hours per fiscal year are eligible to participate in the Miscellaneous ("**Miscellaneous Plans**") or Safety Agent multiple-employer defined benefit plan (the "**Safety Plans**" and together with the Miscellaneous Plans, the "**Plans**") administered by PERS, which acts as a common investment and administrative agent for its participating member employers. Benefit Provisions under the Plans are established by State statutes within the Public Employee's Retirement Law. PERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the PERS website. Copies of the PERS annual financial report may be obtained from the PERS Executive Office – 400 P Street, Sacramento, CA 95814.

City employees assigned to the Wastewater System participate in the Miscellaneous Plan. Accordingly, the remainder of this section discusses the Miscellaneous Plan and not the Safety Plan.

**Employees Covered.** At the June 30, 2024 measurement date, the following employees were covered by the benefit terms for the Miscellaneous Plan:

### TOTAL EMPLOYEES COVERED City of Tracy

	Miscellaneous Plan
Active employees	385
Transferred and terminated employees	344
Retired employees and beneficiaries	406
Total	1,135

*Source: Annual Comprehensive Financial Report for Fiscal Year Ending June 30, 2025.*

**PERS Contributions and Funding Policy.** The City now has three tiers of retirement for Miscellaneous employees. The third tier resulted from the Public Employees' Pension Reform Act ("**PEPRA**") effective January 1, 2013 and apply to employees hired on or after

January 1, 2013 who are new to PERS. These employees are termed PEPRA members and employees that were enrolled in PERS (without significant separation) prior to January 1, 2013 are not referred to as classic members.

**BENEFIT PROVISIONS FOR PLANS  
City of Tracy**

	<b>Miscellaneous</b>		
	Classic Tier I	Classic Tier II	PEPRA
	Prior to April 8, 2012	After April 8, 2012 Prior to January 1, 2013	On or after January 1, 2013
Hire date			
Benefit formula	2.5% @ 55	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	55	55	62
Monthly benefits, as a % of eligible compensation	2.0-2.5%	1.426%-2.418%	1.0% - 2.5%
Required employee contribution rates	8%	7%	7.75%
Required employer contribution rates	10.030%	10.030%	10.030%
Required UAL contribution (Police and Fire)		\$5,033,717	

Source: Annual Comprehensive Financial Report for Fiscal Year Ending June 30, 2025.

Section 20814(C) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Miscellaneous Plan are determined annually on an actuarial basis as of June 30 by PERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year (normal cost), with additional amount to finance any unfunded accrued liability.

For the year ended June 30, 2025, the City contributed \$7,738,008 to the Miscellaneous Plans.

**Net Pension Liability.** The City’s net pension liability is measured as the total pension liability, less the pension plan’s fiduciary net position. The net pension liability of the Miscellaneous Plan is measured as of June 30, 2024, using an annual actuarial valuation as of June 30, 2023 rolled forward to June 30, 2024 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability can be found in the Annual Comprehensive Financial Report for Fiscal Year Ending June 30, 2025 attached hereto as Appendix A.

The following table shows the changes in net pension liability recognized over the measurement period:

**NET PENSION LIABILITY**  
**City of Tracy**

	<b>Miscellaneous Plan</b>		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at June 30, 2023 (Valuation Date)	\$214,405,084	\$158,479,669	\$55,925,415
Changes in the year:			
Service cost	5,591,864	-	5,591,864
Interest on the total pension liabilities	14,817,080	-	14,817,080
Changes in benefit terms	-	-	-
Differences between expected and actual experience	2,740,826	-	2,740,826
Benefit payments, including refunds of members contributions	(10,403,091)	(10,403,091)	-
Contributions - employer	-	8,188,403	(8,188,403)
Contributions - employee	-	2,857,169	(2,857,169)
Net investment income	-	15,405,279	(15,405,279)
Administrative expenses	-	(128,955)	128,955
Net changes	12,746,679	15,918,805	(3,172,126)
Balance at June 30, 2024 (Measurement Date)	<u>\$227,151,763</u>	<u>\$174,398,474</u>	<u>\$52,753,289</u>

Source: Annual Comprehensive Financial Report for Fiscal Year Ending June 30, 2025.

**Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions.** For the year ended June 30, 2025, the City recognized pension expense in the amount of \$10,108,453 for the Miscellaneous Plan. On June 30, 2025 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

**DEFERRED OUTFLOWS/INFLOWS OF  
RESOURCES RELATED TO MISCELLANEOUS PLAN PENSIONS**  
**City of Tracy**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions made subsequent to measurement date	\$7,738,008	\$--
Difference between projected and actual earning on pension plan investments	2,220,300	--
Changes in assumptions	1,556,327	--
Differences between expected and actual experience	3,276,264	--
Total	<u>\$14,790,899</u>	<u>\$--</u>

Source: Annual Comprehensive Financial Report for Fiscal Year Ending June 30, 2025.

For the Miscellaneous Plan, \$7,738,008 was reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**DEFERRED OUTFLOWS/INFLOWS OF  
RESOURCES RELATED TO PENSIONS  
City of Tracy**

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2026	\$2,849,183
2027	5,169,702
2028	(74,264)
2029	(891,730)
2030	--
Thereafter	--
	\$7,052,891

*Source: Annual Comprehensive Financial Report for Fiscal Year Ending June 30, 2025.*

**Costs Allocable to the Wastewater System.** The net pension liability attributable to the Wastewater System is approximately 10% of the City’s estimated Fiscal Year 2025 net pension liability as a whole. In Fiscal Year 2025, the Wastewater Fund’s contributions to PERS constituted approximately 4.5% of total Operation and Maintenance Costs of the Wastewater System.

For Fiscal Years 2026 through 2030, the City estimates that its contributions to PERS will constitute an average of approximately 12.7% of total Operation and Maintenance Costs of the Wastewater System. There can be no assurance that City contributions to PERS will not increase significantly in excess of such projected amounts in the future.

**Other Post-Employment Benefits**

*For more information regarding the District’s Other Post-Employment Benefits (“OPEB”) and assumptions used in its most recent actuarial study, see Note 15 of Appendix A to this Official Statement.*

**Plan Description.** The City administers a single employer defined benefit (implicit subsidy) healthcare plan. No assets have been accumulated in a trust for the payment of benefits that meets the criteria in paragraph 4 of Governmental Accounting Standards Board Statement No. 75.

The cost of retiree health care benefits is recognized as an expenditure as health care premiums are paid. For the fiscal year ending June 30, 2025, those costs for 139 retirees totaled \$914,183 and the total liability amount in the medical leave bank is \$7,109,293.

**Eligibility.** Employees become eligible to receive City-paid healthcare benefits upon attainment of age 50 and 5 years of covered PERS service, or by attaining qualifying disability retirement status. The City has selected the unequal contribution method, where it contributes a percent of the amount paid for actives to its eligible retirees. The percent increases each year until the City's contribution for retirees eventually equals that for similarly stated active employees. The City currently covers 100% of the cost of medical coverage for active employees and their dependents up to, but not exceeding, the dollar amount of the family premium for the lowest cost HMO.

Membership in the plan consisted of the following on June 30, 2024, the date of the latest actuarial valuation:

**OPEB MEMBERSHIP  
City of Tracy**

Active employees	361
Inactive plan members entitled to but not receiving benefits	18
Inactive plan members currently receiving benefits	29
Total	408

*Source: Annual Comprehensive Financial Report for Fiscal Year Ending June 30, 2025.*

**Total OPEB Liability.** The City’s total OPEB liability was measured as of June 30, 2024. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2024. The total OPEB liability on June 30, 2025 was \$6,698,453.

**Changes in Total OPEB Liability.** The changes in OPEB liability of the City as of June 30, 2024, is shown in the following table:

**CHANGES IN TOTAL OPEB LIABILITY  
City of Tracy**

	Total OPEB Liability
Balance at June 30, 2023	\$ 7,235,401
Changes recognized for the measurement period:	
Service cost	483,884
Interest on the total OPEB liability	312,252
Employer contributions	-
Changes of benefit terms	-
Difference between expected and actual experience	(1,139,157)
Changes of assumptions	123,449
Benefit payments	(317,376)
Net changes during July 1, 2023 to June 30, 2024	(536,948)
Balance at June 30, 2024 (measurement date)	\$ 6,698,453

*Source: Annual Comprehensive Financial Report for Fiscal Year Ending June 30, 2025.*

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB.** For the fiscal year ended June 30, 2025, the City recognized OPEB expense of \$575,116. On June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

**DEFERRED OUTFLOWS/INFLOWS OF  
RESOURCES RELATED TO OPEB  
City of Tracy**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Employer contributions made subsequent to the measurement date	\$283,556	\$--
Difference between expected and actual experience	384,280	(1,411,335)
Changes in assumptions	1,342,821	(1,971,044)
Total	\$2,010,657	\$(3,382,379)

Source: Annual Comprehensive Financial Report for Fiscal Year Ending June 30, 2025.

The difference between projected OPEB plan investment earnings and actual earnings is amortized over a five-year period. The remaining gains and losses are amortized over the expected average remaining service life. The expected average remaining service life is 13.77 years, which was determined as of June 30, 2022, the beginning of the measurement period, for employees covered by the OPEB plan benefit terms as of the valuation date.

For the fiscal year ended June 30, 2025, \$283,556 was reported as deferred outflows of resources related to OPEB resulting from the City's contributions subsequent to the measurement date and will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

**DEFERRED OUTFLOWS/INFLOWS OF  
RESOURCES RELATED TO OPEB  
City of Tracy**

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2026	\$(221,020)
2027	(221,020)
2028	(192,612)
2029	(185,469)
2030	(179,234)
Thereafter	(655,923)
	\$(1,655,278)

Source: Annual Comprehensive Financial Report for Fiscal Year Ending June 30, 2025.

**Costs Allocable to the Wastewater System.** The total OPEB liability attributable to the Wastewater System is approximately 8% of the City's estimated Fiscal Year 2025 total OPEB liability as a whole. In Fiscal Year 2025, the Wastewater Fund's OPEB expenses constituted an average of approximately 2.7% of total Operation and Maintenance Costs of the Wastewater System.

For Fiscal Years 2026 through 2030, the City estimates that its OPEB expenses will constitute an average of approximately 3% of total Operation and Maintenance Costs of the Wastewater System. There can be no assurance that City's OPEB expenses will not increase significantly in excess of such projected amounts in the future.

## City Investments

The investment of the City's funds is performed in accordance with the adopted Investment Policy. Funds are invested with the following objectives in mind:

1. **Safety:** Safety of principal is the foremost objective of the investment program. Investments will be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, the City will diversify its investments by investing funds among a variety of securities with independent returns.
2. **Liquidity:** The investment portfolio will remain sufficient liquid to meet all operating requirements that may be reasonably anticipated.
3. **Return on Investments:** The investment portfolio will be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints for safety and liquidity needs.

## Insurance Coverage

The City participates in the Central San Joaquin Valley Risk Management Authority ("CSJVRMA"), a public entity risk pool currently operating as a common risk management and insurance program for 53 cities. The purpose of CSJVRMA is to spread the adverse effect of losses among the members and to purchase excess insurance as a group, thereby reducing its expense. The CSJVRMA is governed by a Board of Directors elected by the member agencies; it is not a component unit of the City. Audited financial statements are available from the Central San Joaquin Risk Management Authority at 1750 Creekside Oaks Drive, Suite 200, Sacramento, CA 95833.

The City participates in the following pooled coverages through CSJVRMA:

### INSURANCE COVERAGE City of Tracy

Type of Coverage (Deductible)	Coverage Limits
Liability (\$100,000)	\$54,000,000
Property (\$5,000 to \$10,000)	1,000,000
Workers' Compensation (\$200,000)	Statutory Limit
Boiler and Machinery (\$1,000 to \$10,000)	100,000,000
Automobile – for vehicles with values more than \$25,000 (\$500)	1,000,000,000

## THE WASTEWATER SYSTEM

### Existing Collection System

The Wastewater System serves the residents of the existing City limits. As of April 2026, the City manages and maintains approximately 555 miles of gravity sewer pipelines ranging from 4-inches to 48-inches in diameter, nine sanitary sewer pump stations and lift stations, and force mains ranging from 12-inches to 24-inches in diameter. The City has relatively flat terrain, and the groundwater lies 4 to 15 feet below the ground surface. The Wastewater System was installed in stages as the City grew, with the major trunk systems including the North-South Industrial sewer, the West Side sewer, the East Trunk sewer, the Grantline sewer, the Tracy Boulevard Assessment District sewer, the Corral Hollow sewer, and the Hansen sewer. The Corral Hollow, Tracy Boulevard and Hansen sewer trunks convey wastewater to the Larch Road Pump Station, which is then pumped to the wastewater treatment plant via 2 force mains. Wastewater flows toward the northern part of the City where it is treated at the Wastewater Treatment Plant (“**WWTP**”) and then discharged into the Old River in the southern Sacramento-San Joaquin Delta. There are no structures diverting stormwater to the sewer system. The WWTP is not subject to industrial stormwater discharges regulations under the Municipal Separate Storm Sewer System, because all stormwater runoff from the WWTP site is collected and routed to the primary clarifier for further treatment.

### Wastewater Treatment Plant

The City’s WWTP is located at the northern end of the City’s existing limits, north of Interstate 205 and between MacArthur Drive and Holly Road. The WWTP has a permitted dry-weather capacity of 10.8 million gallons per day (“**mgd**”), subject to increase to 12.5 mgd upon completion of the Phase 2 Improvements (as defined below); current dry-weather influent, residential flows are approximately 8.3 mgd. The WWTP currently provides tertiary-level treatment followed by disinfection. The WWTP has a system of primary clarifiers, trickling filters, and trickling filters, coupled with an activated sludge process, which treats the wastewater. Treated effluent from the WWTP is conveyed by a 3.5-mile outfall pipeline to a submerged diffuser into Old River. The outfall pipeline is designed to carry a peak flow of about 22.0 mgd. The WWTP’s existing National Pollutant Discharge Elimination System permit allows the City to discharge up to 10.8 mgd of secondary treated effluent to Old River. In 2025, the City completed an expansion of its effluent outfall pipeline which makes a future discharge capacity of 16 mgd possible.

One of the city’s major industrial wastewater producer, Leprino Foods (“**Leprino**”) cheese factory, conveys its wastewater through a separate force main to a pre-treatment pond that is operated by Leprino, but located on WWTP property. Leprino is solely responsible for discharges from its segregated industrial pipeline and the treatment units it operates at the WWTP. Due to the close proximity of the City’s and Leprino’s waste units, the Regional Board determined that the City is responsible for all discharges from the WWTP, including the discharges from the Leprino-operated treatment units. Because the discharge of waste may impact groundwater at the site, the Facility is regulated by separate Waste Discharge Requirements (the “**WDRs**”) in addition to the permit governing the discharge of secondary treated effluent. The WDRs regulate the industrial pretreatment ponds, industrial holding ponds, sludge drying beds, and biosolids storage areas of the WWTP.

Table 1 shows the average daily flow of wastewater into the City’s treatment plants for each of the past four calendar years. As shown in the table, last year approximately 93.0% of

average daily flow has come from domestic sources and 7.0% has come from industrial sources.

**Table 1  
HISTORICAL WASTEWATER FLOW  
City of Tracy Wastewater System**

	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Flow, mgd				
Average domestic	8.21	9.00	8.57	8.65
Average Industrial	0.73	0.77	0.72	0.62
Total average	9.69	10.38	0.72	9.37
Treatment Plant Capacity:	10.8	10.8	10.8	10.8

*Source: City of Tracy.*

### Regulatory Requirements

**General.** In order to operate the WWTP, the City must comply with applicable regulatory requirements. Regulatory requirements applicable to the collection and treatment of wastewater are contained in or imposed by regulation pursuant to the Federal Water Pollution Control Act, as amended, and the State of California Porter Cologne Water Quality Control Act of 1969, as amended. Both federal and State regulations are administered through the California Regional Water Quality Control Board, Central Valley Region (the “**Regional Board**”).

The City’s recycled water operations are subject to regulation under Section 402 of the federal Clean Water Act, implementing regulations adopted by the United States Environmental Protection Act, the California Water Code and regulations promulgated by the State Water Resources Control Board Division of Drinking Water, including the Water Quality Order WQ 2016-0068-DDW, Water Reclamation Requirement for Recycled Water Use. The operation of recycled water operations also must comply with the Water Quality Control Plan for the Sacramento River and the San Joaquin River Basin.

**WWTP Discharge Requirements.** The waste discharge requirements applicable to the WWTP are a product of Order No. R5-2022-0073, as adopted by the Regional Board on December 9, 2022. The current order expires on January 31, 2028. Orders from the Regional Board are granted for a five-year period pursuant to an application submitted by the City, and the City anticipates applying for a new order during 2027, which is expected to result in a new order which will become effective upon the expiration of the current order.

The permit authorizes discharge up to 10.8 mgd of tertiary treated wastewater from the WWTP prior to the completion of Phase 2 improvements, which include construction of a second outfall pipeline and diffuser and second primary clarifier (“**Phase 2 Improvements**”). Once the City has provided a certificate of completion for the Phase 2 Improvements, the permit authorizes discharge up to 12.5 mgd of tertiary treated wastewater from the WWTP. As of April 1, 2026, the Phase 2 Improvements are complete and are scheduled for acceptance by the City Council at a regular council meeting on May 19, 2026. The City is permitted to discharge tertiary treated wastewater in two locations in the Old River.

Land discharge specifications for the Facility are separately regulated in WDR Order R5-2007-0038.

**History of Compliance.** Over the past five years, there has been approximately 39 violations of applicable regulations. The City does not expect these violations, either individually or in the aggregate, to materially increase the Operation and Maintenance Costs of the Wastewater System.

### **Capital Improvement Program**

Based on the City's General Plan (the "**General Plan**") adopted on February 1, 2011, which outlines the planned development for the City through the year 2025, the City projects an increase in residential and industrial developments within its sphere of influence requiring expansion of the existing Wastewater System. Based on the City's growth projections, the City is anticipating an increase in dry weather wastewater flow in the magnitude of 21.1 mgd, which is almost twice the currently permitted capacity of the existing WWTP. Utilizing the planning information provided in the General Plan, the City had a Wastewater Master Plan, dated December 2012, prepared by CH2MHILL (the "**2012 Master Plan**"), to evaluate the City's existing sewer collection system and wastewater treatment facilities and provide recommendations to serve potential customers.

Subsequently, the City had a Wastewater Treatment Plant 2019 Facilities Plan, dated September, 2019, prepared by CH2MHILL (the "**Facilities Plan**") to evaluate existing and future treatment facilities discussed in the 2012 Master Plan. As of April 1, 2026, the Phase 2 Improvements, which expand the WWTP's wastewater treatment capacity to 12.5 mgd, are complete and are scheduled for acceptance by the City Council at a regular council meeting on May 19, 2026. The City expects approximately \$3 million in unspent funds, which will be returned to the Wastewater Fund upon acceptance of completion. The Facilities Plan focuses on identifying facilities within the Wastewater System needed to expand the WWTP's wastewater treatment capacity from 12.5 mgd to 21.1 mgd ("**Phases 3, 4 and 5 Expansion**"). The recommendations set forth in that report are reflected in the City's Capital Improvement Five Year Plan, as approved by the City Council with the City's Operating and Capital Budget for Fiscal Year 2021-2022. The City's capital improvement plan for the WWTP operations for the next five fiscal years is set forth in Table 2 below.

As shown below in Table 2, the City's capital improvement plan includes a number of improvements to the Wastewater System planned for the five-year period between fiscal year 2025-26 through 2029-30. The City anticipates that funding sources will include rate payer fees, impact fees, and possible grants; and the City does not expect to issue additional debt for this purpose.

**Table 2**

**CAPITAL IMPROVEMENT PROGRAM  
ESTIMATED EXPENDITURES  
FISCAL YEARS 2025-26 THROUGH 2029-30  
City of Tracy Wastewater System**

<u>Project</u>	<u>2025-26</u>	<u>2026-27</u>	<u>2027-28</u>	<u>2028-29</u>	<u>2029-30</u>	<u>Totals</u>
Programmable Logic Controller Replacement Plan	\$800,000	\$1,442,600	\$800,000	\$800,000	--	\$3,842,600
Primary Clarifier Sludge Pump System	320,000	320,000	--	--	--	640,000
Anaerobic Digesters (1 & 2) Cleaning	450,000	450,000	--	--	--	900,000
Drying Beds' Structures	330,000	404,285	--	--	200,000	934,285
Modifying the feed to the new centrifuge	350,000	350,000	--	--	--	700,000
Wheel Loader Purchase	525,000	--	--	--	--	525,000
Headworks Screen No. 2	--	--	--	650,000	--	650,000
Headworks Screen No. 3	450,000	--	--	--	--	450,000
Ponds - Arbor Road	300,000	425,000	50,000	50,000	50,000	875,000
Filter Valves Replacement	--	--	250,000	250,000	250,000	750,000
Up Flow Clarifier Rehab	--	--	1,500,000	2,000,000	2,000,000	5,500,000
Filter Wiring at the Pipe Gallery	1,000,000	--	--	--	--	1,000,000
Grit Chamber and Grease Handling	--	--	--	1,000,000	1,000,000	2,000,000
<b>Annual Totals:</b>	<b>\$4,525,000</b>	<b>\$3,391,885</b>	<b>\$2,600,000</b>	<b>\$4,750,000</b>	<b>\$3,500,000</b>	<b>\$18,766,885</b>

Source: City of Tracy.

**WASTEWATER SYSTEM FINANCES**

**Accounting**

The Wastewater Fund is accounted for as an enterprise fund (proprietary fund type). Enterprise funds are used to account for operations which are financed and operated in a manner similar to private business enterprises. The intent of the City Council is that the costs of providing goods or services be financed primarily through user charges. As an enterprise fund, the Wastewater Fund uses the accrual basis of accounting, in which revenues are recognized when earned and expenses are recognized as they are incurred.

**Financial Statements**

Table 3 presents the Wastewater Fund's statement of net position for the past five fiscal years.

**Table 3**  
**STATEMENT OF NET POSITION**  
**City of Tracy Wastewater System**

	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>
<b>Assets:</b>					
Current assets:					
Cash and investments	\$26,739,391	\$37,490,846	\$21,169,932	\$18,299,543	\$24,333,740
Cash and investments with fiscal agents	8	206	1,891	570	614
Accounts receivables, net	3,382,796	3,124,508	2,974,264	3,834,406	5,187,325
Intergovernmental receivable	--	--	--	148,596	45,004
Interest receivable	66,012	110,579	155,651	47,917	35,902
Lease receivable-due within one year	--	162,567	163,727	98,407	195,085
Total current assets	<u>30,188,207</u>	<u>40,888,706</u>	<u>24,465,465</u>	<u>22,429,439</u>	<u>29,797,670</u>
Noncurrent assets:					
Lease receivable-due in more than one year	--	1,625,899	1,462,169	1,363,765	3,748,042
Advances from other funds	2,006,600	1,500,000	1,000,000	500,000	--
Capital assets:					
Non-depreciable	41,953,039	51,029,386	62,440,659	35,775,466	37,443,455
Depreciable, net	122,278,057	124,841,259	121,007,983	149,404,711	145,968,041
Total capital assets, net	<u>164,231,096</u>	<u>175,870,645</u>	<u>183,448,642</u>	<u>185,180,177</u>	<u>183,411,496</u>
Total noncurrent assets	<u>166,237,696</u>	<u>178,996,544</u>	<u>185,910,811</u>	<u>187,043,942</u>	<u>187,159,538</u>
<b>Total assets</b>	<b><u>\$196,425,903</u></b>	<b><u>\$219,885,250</u></b>	<b><u>\$210,376,276</u></b>	<b><u>\$209,473,381</u></b>	<b><u>\$216,957,208</u></b>
<b>Deferred outflow of resources:</b>					
Related to OPEB	\$8,852	\$55,998	\$66,890	\$112,754	\$153,212
Related to pensions	1,254,710	1,014,278	2,206,495	2,037,039	1,490,923
<b>Total deferred outflow of resources</b>	<b><u>\$1,263,562</u></b>	<b><u>\$1,070,276</u></b>	<b><u>\$2,273,385</u></b>	<b><u>\$2,149,793</u></b>	<b><u>\$1,644,135</u></b>
<b>Liabilities:</b>					
Current liabilities:					
Accounts payable	\$754,972	\$3,130,041	\$1,336,576	\$1,135,303	\$594,947
Accrued payroll	199,591	261,152	253,027	--	32,711
Interest payable	83,000	83,000	75,908	72,075	68,050
Deposits payable	500	500	1,000	2,000	2,500
Total OPEB liability-due within one year	--	--	--	--	22,255
Compensated absences-due within one year	128,613	128,417	124,321	119,781	474,944
Long-term debt-due within one year	915,000	955,000	1,000,000	1,050,000	1,095,000
Total current liabilities	<u>2,081,676</u>	<u>4,558,110</u>	<u>2,790,832</u>	<u>2,379,159</u>	<u>2,290,407</u>
Noncurrent liabilities:					
Total OPEB liability-due in more than one year	--	--	--	--	488,167
Net OPEB liability	114,551	524,223	459,520	530,355	--
Net pension liability	5,392,327	2,764,887	5,560,025	5,547,801	5,317,532
Compensated absences-due in more than one year	335,700	243,916	217,840	187,501	247,196
Long-term debt-due within one year	20,260,000	19,305,000	18,305,000	17,255,000	16,160,000
Total noncurrent liabilities	<u>26,102,578</u>	<u>22,838,026</u>	<u>24,542,385</u>	<u>23,520,657</u>	<u>22,212,895</u>
<b>Total liabilities</b>	<b><u>\$28,184,254</u></b>	<b><u>\$27,396,136</u></b>	<b><u>\$27,333,217</u></b>	<b><u>\$25,899,816</u></b>	<b><u>\$24,503,302</u></b>
<b>Deferred inflows of resources:</b>					
Related to leases	--	\$1,763,466	\$1,575,359	\$1,387,250	\$3,814,441
Related to OPEB	\$20,977	76,240	178,592	154,248	257,737
Related to pensions	19,902	1,780,684	41,456	18,623	--
<b>Total deferred inflow of resources</b>	<b><u>\$40,879</u></b>	<b><u>\$3,620,390</u></b>	<b><u>\$1,795,407</u></b>	<b><u>\$1,560,121</u></b>	<b><u>\$4,072,178</u></b>
<b>Net Position:</b>					
Net investment in capital assets	\$143,056,096	\$155,610,645	\$164,143,642	\$166,875,177	\$166,156,496
Restricted	8	206	1,891	570	614*
Unrestricted (deficit)	<u>26,408,228</u>	<u>34,328,149</u>	<u>19,375,504</u>	<u>17,287,490</u>	<u>23,868,753</u>
<b>Total net position</b>	<b><u>\$169,464,332</u></b>	<b><u>\$189,939,000</u></b>	<b><u>\$183,521,037</u></b>	<b><u>\$184,163,237</u></b>	<b><u>\$190,025,863</u></b>

\*Debt service.

Source: City of Tracy Comprehensive Financial Reports, Fiscal Years 2021-22 through 2024-25.

As of June 30, 2025, the unrestricted funds related to the Wastewater System were \$23,868,753, which was approximately 177% of the 2024-25 Operation and Maintenance Costs.

Table 4 presents the Wastewater Fund's statement of revenues, expenses and changes in fund net assets for the past five fiscal years.

**Table 4**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**City of Tracy Wastewater System**

<u>Description</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>
<b>Operating Revenues</b>					
Sales and charges for service <sup>(1)</sup>	\$15,051,361	\$14,973,113	\$15,648,720	\$21,145,969	\$26,938,742
Other operating revenue	--	<u>188,108</u>	<u>188,104</u>	<u>200,182</u>	<u>213,361</u>
Total operating revenues	15,051,361	15,161,221	15,836,824	21,346,151	27,152,103
<b>Operating Expenses</b>					
Maintenance and operation	11,497,160	13,381,342	13,907,750	15,165,241 <sup>(2)</sup>	13,475,831
Administration	2,987,962	1,955,795	2,471,530	3,511,255	4,154,123
Insurance costs and claims	--	--	--	--	--
Depreciation and amortization	<u>5,735,509</u>	<u>5,888,177</u>	<u>5,949,330</u>	<u>6,313,059</u>	<u>6,622,748</u>
Total operating expenses	20,220,631	21,225,314	22,328,610	24,989,555	24,252,702
Operating income (loss) <sup>(3)</sup>	(5,169,270)	(6,064,093)	(6,491,786)	(3,643,404)	2,899,401
<b>Nonoperating Revenue (Expenses)</b>					
Operating grants	--	495,735	--	168,314	--
Investment income	150,155	(1,088,780)	759,993	886,117	1,086,083
Interest (expense)	(1,016,951)	(979,083)	(929,439)	(884,067)	(836,725)
Gain (loss) on sale of capital assets	--	(1,230,588)	--	--	--
Other nonoperating revenues	--	--	--	--	--
Total nonoperating revenues (expenses)	(866,796)	(2,802,716)	(169,446)	170,364	249,358
Income (Loss) Before Contributions and Transfers	(6,036,066)	(8,866,809)	(6,661,232)	(3,473,040)	3,148,759
<b>Operating Transfers</b>					
Depreciation of fixed assets acq'd with Grants	--	--	--	--	--
Contributions	1,853,262	4,813,415	243,269	2,502,242	3,027,171
Transfers in <sup>(4)</sup>	276,145	24,528,062 <sup>(5)</sup>	--	1,612,998	--
Transfers out <sup>(4)</sup>	--	--	--	--	--
Change in net assets	(3,906,659)	20,474,668	(6,417,963)	642,200	6,175,930
<b>Total Net Assets-beginning of year</b>	173,370,991	169,464,332	189,939,000	183,521,037	183,849,933 <sup>(6)</sup>
<b>Total Net Assets-end of year</b>	\$169,464,332	\$189,939,000	\$183,521,037	\$184,163,237	\$190,025,863

(1) Total operating revenues has increased over the five-year period beginning Fiscal Years 2021-22 through 2024-25 due to increase in wastewater rates. See "WASTEWATER SYSTEM FINANCES – Wastewater Rates" below.

(2) The increase in maintenance and operation expenses during fiscal year 2023-24 was due to \$2.5 million in impact fee funds being transferred back to the impact fee fund. The funds were originally intended for use on the outfall project, but were returned when it was determined that the funds were no longer needed for the outfall project.

(3) Includes depreciation which is a non-cash expense.

(4) Transfers from one City fund to another to reimburse a fund which has made an expenditure on behalf of another fund.

(5) [City to provide]

(6) As restated due to the City's implementation of GASB Statement No. 101, *Compensated Absences*, and a new capital asset module within its enterprise resource planning system, which helped the City identify an error in previously issued financial statements related to miscalculation of depreciation of certain assets. See Note 22 of Appendix A attached hereto.

Source: City of Tracy Comprehensive Financial Reports, Fiscal Years 2021-22 through 2024-25.

Table 5 presents the Wastewater Fund's historical debt service coverage for the past five fiscal years, excluding depreciation and transfers to and from other funds.

**Table 5**  
**HISTORICAL DEBT SERVICE COVERAGE**  
**City of Tracy Wastewater System**

	Fiscal Year Ended June 30				
	2021	2022	2023	2024	2025
<b>Revenues</b>					
Sales and charges for services <sup>(1)</sup>	\$14,829,377	\$14,652,700	\$15,058,098	\$20,367,146	\$25,907,076
Fines and Penalties	(768)	32,528	289,719	378,241	467,997
Connection Fees <sup>(2)</sup>	178,221	247,778	183,294	400,941	556,059
Operating Grants	--	495,735	--	168,314	--
Investment Earnings	245,090	196,038	336,084	348,911	787,266
Other revenues <sup>(3)</sup>	350,632	(153,630) <sup>(6)</sup>	1,813 <sup>(7)</sup>	222,775	219,461
Transfer from Rate Stabilization Fund <sup>(4)</sup>	--	2,229,011	2,869,701	--	--
<b>Total Gross Revenues</b>	<b>\$15,602,552</b>	<b>\$17,700,160</b>	<b>\$18,738,709</b>	<b>\$21,886,328</b>	<b>\$27,937,859</b>
<b>Expenses</b>					
Maintenance and operation	\$12,195,548	\$14,021,671	\$14,936,487	\$15,286,525	\$16,737,422
Administration	1,031,992	1,315,466	1,442,792	1,390,516	1,583,153
<b>Total Operating Expenses<sup>(5)</sup></b>	<b>\$13,227,540</b>	<b>\$15,337,137</b>	<b>\$16,379,279</b>	<b>\$16,677,041</b>	<b>\$18,320,575</b>
<b>Funds Available for Debt Service</b>	<b>\$2,375,012</b>	<b>\$2,363,023</b>	<b>\$2,359,430</b>	<b>\$5,209,287</b>	<b>\$9,617,284</b>
<b>Debt Service</b>					
2004 COPs	\$1,889,818	\$1,890,418	\$1,887,865	\$1,889,107	\$1,892,015
<b>Debt Service Coverage</b>	<b>1.26</b>	<b>1.25</b>	<b>1.25</b>	<b>2.76</b>	<b>5.08</b>

(1) Based on a Wastewater Cost of Service and Rate Design Study dated May 12, 2023, prepared by Raftelis, the City approved a rate increase for wastewater services starting fiscal year 2023-24.

(2) The connection fees provided herein are limited to fees related to discharge connections which are deposited in the Wastewater Fund, and do not include those connection fees held in the impact fee fund. The fees within the impact fee fund (see Table 12 below) are paid by developers in connection with new projects and can only be used on projects to support new developments within the City.

(3) Includes capital contributions, rental/lease income and administrative citation receipts.

(4) A transfer from the Rate Stabilization Fund occurred in fiscal years 2021-22 and 2022-23, allowing the City to meet its debt obligations and achieve 1.25x coverage. The rate covenant for the 2004 COPs is 1.25x. The rate covenant for the 2026 Bonds is 1.20x.

(5) Excludes depreciation.

(6) As part of the City's implementation of GASB Statement No. 87, *Leases*, during fiscal year 2021-22, certain lease assets and liabilities for leases were reclassified resulting in negative revenue for fiscal year 2021-21.

(7) Decrease in fiscal year 2022-23 is primarily due to a reduction in capital contributions received, specifically Developer Contributed Capital, as several large developer-contributed assets were completed in fiscal year 2022-23.

Source: *City of Tracy*.

## Wastewater Customers

The Wastewater System serves about 27,141 users, as shown in Table 6 below. Over 94.5% of the users are single family dwellings.

For billing purposes, the City currently has 5 user classes (2 residential and 3 commercial). The commercial classes are divided into 3 classes based on the similarity between users of biochemical oxygen demand and suspended solids concentrations. In addition, the City has separate billing accounts for large industrial dischargers, of which there is only one at this time, Lepirino.

**Table 6**  
**WASTEWATER CUSTOMER CATEGORIES**  
**AS OF JUNE, 2025**  
**City of Tracy Wastewater System**

<u>Category</u>	<u>Users</u>
Single family Residential:	25,647
Multifamily dwellings:	617
Commercial I	462
Commercial II	346
Commercial III	68
Industrial (Leprino)	<u>1</u>
Total	27,141

Source: City of Tracy.

**Largest Wastewater Customers**

Table 7 shows the fifteen largest ratepayers of the Wastewater System for the fiscal year ending June 30, 2025.

**Table 7**  
**15 LARGEST RATEPAYERS, FISCAL YEAR 2024-25**  
**City of Tracy Wastewater System**

<u>Ratepayer</u>	<u>Type of User/ Business</u>	<u>Revenues</u>	<u>% of Total Charges for Services</u>	<u>% of Gross Revenue</u>
Taylor Farms Pacific Inc.	Commercial	\$797,123	2.96%	2.94%
Costco Meat Plant	Industrial/Commercial	789,109	2.93	2.91
Leprino Foods	Commercial	465,987	1.73	1.72
West Valley Realty LLC	Realty	258,394	0.96	0.95
American Custom Meats	Commercial	193,500	0.72	0.71
Lennar Homes	Residential	183,152	0.68	0.67
Safeway #6560	Commercial	176,352	0.65	0.65
Costco Wholesale #179	Commercial	148,362	0.55	0.55
Aspire Apartment Homes	Residential	113,948	0.42	0.42
International Paper MS#2	Commercial	110,174	0.41	0.41
Gateway Crossing Apartments	Residential	109,071	0.40	0.40
Gateway Station Tracy LLC	Residential	79,183	0.29	0.29
Sycamore Village Inv.	Residential	77,879	0.29	0.29
Tracy Pavilion GRF2 LLC	Commercial	77,380	0.29	0.28
Earl Williams Middle School	Commercial	75,270	0.28	0.28
Total		\$3,654,883	13.57%	13.46%

(1) Total charges for services for fiscal year 2023-24: \$21,145,969.

(2) Total gross revenues for fiscal year 2023-24: \$21,346,151.

Source: City of Tracy.

Leprino is currently the single industrial user in the City operating under a separate wastewater contract with the City. Under its contract, Leprino has a contracted amount of wastewater capacity in the WWTP. Leprino is a producer of mozzarella cheese and a U.S. exporter of whey products. In 2001, Leprino completed an \$80 million plant expansion in the City.

**Wastewater Rates**

The City establishes rates by ordinance. It has the authority to establish charges for

wastewater service without the approval of any other governmental agency. It can terminate service to delinquent customers, require full payment of delinquent accounts, and impose reconnection fees to resume service.

User charges are currently based on a flat charge for residential users, and actual metered water loadings for commercial and industrial users (with the exception of Leprino, as described in the preceding section). Table 8 shows the City's average wastewater rates for Fiscal Years 2020-21 and 2024-25. The City will modify or increase rates as needed and based on future rate studies.

**Table 8  
WASTEWATER RATES  
AVERAGE RATES FOR FISCAL YEAR<sup>(1)</sup> 2020-21 AND 2024-25  
City of Tracy Wastewater System**

Description	2020/21	2021/22	2022/23	2023/24	2024/25
<b>Residential: (Monthly Charge)</b>					
Single Family residential	\$34.00	\$34.00	\$34.00	\$48.05	\$53.34
Multi-Family residential	28.75	28.75	28.75	4.05 <sup>(2)</sup>	4.49 <sup>(2)</sup>
Septage (per 1,000 gallons)	66.90	66.90	66.90	75.89	122.15
<b>Commercial: (metered)<sup>(3)</sup> (Monthly Charge)</b>					
<u>Class I:</u> Retail Stores, Banks, Laundries, Bars, Churches, Organizations, Institutions, Professional Offices, Services, Hospitals, Mortuaries	1.98	1.98	1.98	3.52	3.52
<u>Class II:</u> Service Stations, Repair Shops, Hotels, Motels, Light Industry, Warehousing, Shopping Centers (multiple tenants)	2.91	2.91	2.91	6.26	6.26
<u>Class III:</u> Restaurants and Bakeries, (where independently metered)	4.89	4.89	4.89	10.21	10.21
<b>Industrial: (Leprino Foods)</b>					
<b><u>Capacity Charges (per year)</u></b>					
Flow (\$ per mgd)	258,289.00	258,289.00	258,289.00	258,289.00	258,289.00
BOD (\$ per lb)	28.23	28.23	28.23	28.23	28.23
SS (\$ per 1,000 lb)	43.13	43.13	43.13	43.13	43.13
<b><u>Use Charges (per year)</u></b>					
Flow (\$ per mgd)	334.00	334.00	334.00	334.00	334.00
BOD (\$ per 1,000 lb)	489.19	489.19	489.19	489.19	489.19
TSS (\$ per 1,000 lb)	232.35	232.35	232.35	232.35	232.25
<b>Industrial: (Costco Wholesale Meats)<sup>(4)</sup></b>					
<b><u>Capacity Charges (per year)</u></b>					
Flow (\$ per mgd)	285,430.00	285,430.00	285,430.00	285,430.00	N/A
BOD (\$ per lb)	31.07	31.07	31.07	31.07	N/A
TSS (\$ per 1,000 lb)	47.47	47.47	47.47	47.47	N/A
<b><u>Use Charges (per year)</u></b>					
Flow (\$ per mgd)	767.00	767.00	767.00	767.00	N/A
BOD (\$ per 1,000 lb)	521.19	521.19	521.19	521.19	N/A
TSS (\$ per 1,000 lb)	249.83	249.83	249.83	249.83	N/A

(1) Rates effective September 20 for each respective fiscal year.

(2) Per dwelling unit.

(3) Per 100 cubic feet of water used, as well as a minimum charge of \$28.75.

(4) As of April 30, 2024, reclassified as commercial sewer Class II.

Source: City of Tracy.

Table 9 shows the City’s average residential wastewater rates for 2024-25, in comparison to those of neighboring localities. **[[SUBJECT TO CITY REVIEW]]**

**Table 9  
COMPARATIVE RESIDENTIAL RATES  
City of Tracy Wastewater System**

<u>City</u>	<u>Treatment</u>	<u>Monthly Rate</u>
Modesto	City	42.48
Merced	City	40.29
Stockton	City	46.75
<b>Tracy</b>	<b>City</b>	<b>34.00</b>
Turlock	City	44.16
Dublin/San Ramon	DSRSD	44.17
Pleasanton	DSRSD	44.17
Sacramento	Regional	31.56
Livermore	City	44.17

*Source: City of Tracy.*

### **Connection Fees**

The City requires every building or structure in which plumbing fixtures are installed and all premises having drainage piping that conveys sewage or other liquid waters to a legal point of disposal to be connected to the WWTP system, including buildings or structures connected to septic tanks or cesspools at the time a public sewer becomes available. No person may connect any lot to the WWTP system without a permit, which requires the payment of a variety of charges, based on the location of the lot. Owners pay either Master Plan Fees or Core Fees depending on where they are located in the City, including a wastewater treatment plant fee and conveyance fee. The major facilities sewer charge is collected to pay for the cost of treatment and trunk line capacity or construction for new connections and any associated debt service. The definition of Gross Revenues established by the Indentures includes connection fees. The schedules of connection fees for the Master Plan Fees and Core Fees are provided below.

**Table 10**  
**CONNECTION FEE RATES (MASTER PLAN)**  
**City of Tracy Wastewater System**  
**As of July 1, 2025**

<u>Land Use</u>	<u>Wastewater Treatment Plant</u>	<u>East Conveyance</u>	<u>West Conveyance</u>
Residential-Very low Density	\$9,430.00	\$3,371.00	\$2,256.00
Residential-Low Density	9,430.00	3,371.00	2,256.00
Residential-Medium Density (attached 2-4)	7,716.00	2,760.00	1,847.00
Residential-High Density (attached 4+)	6,288.00	2,247.00	1,505.00
Commercial/Retail	\$40,723.00	\$14,560.00	\$9,747.00
Office	40,723.00	14,560.00	9,747.00
Industrial	37,721.00	13,487.00	9,029.00

**Table 11**  
**CONNECTION FEE RATES (CORE)**  
**City of Tracy Wastewater System**  
**As of July 1, 2025**

<u>Land Use Type</u> <sup>(1)(2)</sup>	<u>Wastewater Treatment Plants</u>		<u>Wastewater Conveyance Fee</u>		
	<u>Core Fees</u> <i>(Per DU)</i>	<u>ISP South</u> <i>(Per DU)</i>	<u>Core Fees</u> <i>(Per DU)</i>	<u>ISP South</u> <i>(Per DU)</i>	<u>NELI</u> <i>(Per DU)</i>
<b>Residential</b>					
SFR	\$4,452	N/A	\$4,417	N/A	N/A
MFR (attached 2-4)	3,651	N/A	3,624	N/A	N/A
HDR (attached 4+)	2,982	\$1,955	2,959	\$2,516	N/A
<b>Non-Residential</b>	<i>(Per Ac)</i>	<i>(Per Ac)</i>	<i>(Per Ac)</i>	<i>(Per Ac)</i>	<i>(Per Ac)</i>
Office	\$22,616	\$13,500	\$22,447	\$3,366	N/A
Commercial / Retail	22,616	13,500	22,447	3,366	N/A
Industrial	20,968	15,640	20,812	3,121	\$15,817

(1) Accessory dwelling unit's ("ADU") larger than 750 square feet pay a fee proportional to the primary dwelling unit (calculated by multiplying the SFR fee by the ADU square footage divided by the primary dwelling unit ("DU") square footage). ADU's smaller than 750 square feet are exempt from paying impact fees.

(2) N/A means there are no land use remaining for that fee program area.

Source: City of Tracy.

The table below shows a history of new connection equivalent development units and connection fee revenue generated by these connections.

**Table 12  
NEW CONNECTIONS (EDUS)  
City of Tracy Wastewater System**

<b>Fiscal Year</b>	<b>Number of Units Connected</b>	<b>Total Connection Fees (\$ millions)</b>
2015-16	227	\$2.3
2016-17	650	7.9
2017-18	256	11.3
2018-19	285	4.8
2019-20	373	6.5
2020-21	644	9.3
2021-22	858	13.3
2022-23	286	10.6
2023-24	359	9.7
2024-25	400	6.5

*Source: City of Tracy.*

### **Billing and Collection**

The City bills each customer for water, wastewater and solid waste disposal together on a monthly basis. Current charges are payable upon presentation and due three weeks after the billing date. A delinquency charge of 10 percent of the outstanding bill or \$6, whichever is great, is charged as a penalty. If the bill remains unpaid 60 days after it becomes delinquent, the user may be disconnected. A five-year history of billings and collections by the City for wastewater service is set forth in the following table.

**Table 13  
HISTORY OF BILLINGS AND COLLECTIONS  
FISCAL YEARS 2020-21 THROUGH 2024-25  
City of Tracy Wastewater System**

<b>June 30</b>	<b>Amount Billed</b>	<b>Amount Collected</b>	<b>Amount Delinquent</b>	<b>% Delinquent</b>
2021	\$14,645,012.83	\$12,969,583.95	\$1,675,428.88	13%
2022	14,592,390.38	12,936,614.81	1,655,775.57	13
2023	15,082,317.89	13,648,485.82	1,433,832.07	11
2024	20,804,866.19	18,123,842.65	2,681,023.54	15
2025	24,811,221.50	22,047,730.61	2,763,490.89	13

*Source: City of Tracy.*

### **Projected Operating Results and Debt Service Coverage**

Table 14 shows projected Wastewater Fund revenues, expenses, and debt service coverage for the current fiscal year and four additional years. The projections are based on certain information relating to fiscal years 2025-26 and 2029-30 provided by the City to the

City's Municipal Advisor, CSG Advisors Incorporated. The 2025-26 projections are based on actual results through December 31, 2025 and projected revenues and expenses for the remainder of that fiscal year.

**Table 14**  
**PROJECTED REVENUES, EXPENSES, AND DEBT SERVICE COVERAGE**  
**(\$ IN \$000S)**  
**City of Tracy Wastewater Fund**

	Fiscal Year Ended June 30				
	2026	2027	2028	2029	2030
<b>Revenues</b>					
Sales and charges for services	\$26,662,800	\$29,126,800	\$31,457,100	\$33,973,800	\$34,313,538
Fines and Penalties	400,000	400,000	400,000	400,000	404,000
Connection Fees <sup>(1)</sup>	474,900	372,594	372,594	372,594	372,594
Operating Grants	--	--	--	--	--
Investment Earnings	790,000	750,000	700,000	685,000	650,000
Other revenues <sup>(2)</sup>	150,000	150,000	150,000	150,000	151,500
Transfer from Rate Stabilization Fund	--	--	--	--	--
<b>Total Gross Revenues</b>	<b>\$28,477,700</b>	<b>\$30,799,394</b>	<b>\$33,079,694</b>	<b>\$35,581,394</b>	<b>\$35,891,632</b>
<b>Expenses</b>					
Maintenance and operation <sup>(3)</sup>	\$19,038,110	\$17,469,700	\$17,609,300	\$17,753,500	\$17,931,035
Administration <sup>(4)</sup>	1,968,764	1,950,800	1,983,000	2,016,300	2,036,463
<b>Total Operating Expenses<sup>(5)</sup></b>	<b>\$21,006,874</b>	<b>\$19,420,500</b>	<b>\$19,592,300</b>	<b>\$19,769,800</b>	<b>\$19,967,498</b>
<b>Funds Available for Debt Service</b>	<b>\$7,470,826</b>	<b>\$11,378,894</b>	<b>\$13,487,394</b>	<b>\$15,811,594</b>	<b>\$15,924,134</b>
<b>Debt Service</b>					
2004 COPs	\$1,885,868	--	--	--	--
2026 Bonds*	--	\$1,768,334	\$1,770,250	\$1,773,750	\$1,774,250
<b>Debt Service Coverage</b>	<b>3.96</b>	<b>6.43</b>	<b>7.62</b>	<b>8.91</b>	<b>8.98</b>

(1) Connections fees for fiscal years 2026-27 through 2029-30 based on the average from fiscal years 2022-23 through 2025-26. The connection fees provided herein are limited to fees related to discharge connections which are deposited in the Wastewater Fund, and do not include those connection fees held in the impact fee funds. The fees within the impact fee funds (see Table 12 herein) are paid by developers in connection with new projects and can only be used on projects to support new developments within the City.

(2) Includes capital contributions, rental/lease income and administrative citation receipts.

(3) The increase in maintenance and operation during fiscal year 2025-26 is due to one-time contracts and costs associated with testing and regulatory compliance. Any unspent balance within the not-to-exceed contract amounts will be carried forward into the fiscal year 2026-27 budget.

(4) The increase in administration costs starting fiscal year 2025-26 is largely due to an increase in the Wastewater department's general liability insurance costs, CPI increases and the addition of a currently vacant position within the department.

(5) Excludes depreciation.

\*For purpose of this Preliminary Official Statement, debt service for the 2004 COPs are not included for fiscal years 2026-27 through 2029-30. Preliminary; subject to change.

Source: City of Tracy and the Underwriter.

In August 2023, a five-year Wastewater rate plan to align cost of service with rates went into effect. The rate plan was approved through the Proposition 218 process in June 2023. See "CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS – Articles XIIC and XIID of the California Constitution."

## CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS

### Article XIII B Gann Limit

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

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

### Articles XIII C and XIII D of the California Constitution

**General.** On November 5, 1996, State voters approved Proposition 218, the so-called “Right to Vote on Taxes Act.” Proposition 218 added Articles XIII C and XIII D 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, State 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 XIII A and XIII C of the State Constitution. The amendments to Article XIII A 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 XIII C 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.
- ...
- (6) A charge imposed as a condition of property development.
- (7) Assessments and property-related fees imposed in accordance with the provisions of Article XIII D.”

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

In *Richmond v. Shasta Community Services District* (2004) 32 Cal.4th 409, the State Supreme Court addressed the applicability of the notice, hearing and protest provisions of Article XIID 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 XIID.

In *Howard Jarvis Taxpayers Association v. City of Fresno* (2005) 127 Cal.App.4th 914, the State 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 State 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 State 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 XIIC'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 XIIC 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 XIIC 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 works, 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.

**Articles XIIC and XIIID and the City's Wastewater Rates and Charges.** The City's current wastewater rates (see "WASTEWATER SYSTEM FINANCES") were adopted by ordinance of the City Council following notice to property owners and a public hearing held at least 45 days after the notice had been mailed, in compliance with Articles XIIC and XIIID.

The City believes its wastewater rates and charges do not constitute "taxes" under Article XIIC as revised by Proposition 26 because, as described in subsection 1(e)(7) of Article XIIC, 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 XIIC, they are charged for wastewater 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 XIIC 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 State 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 2026 Bonds.

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

### **Future Initiatives**

Article XIII A, Article XIII B, XIII C and XIII D of the California Constitution were each adopted as measures that qualified for the ballot through the State's initiative process. From time to time other initiative measures could be adopted, further affecting the City's revenues.

### **BOND OWNERS' RISKS**

*The following factors, along with the other information in this Official Statement, should be considered by potential investors in evaluating purchase of the 2026 Bonds. However, they do not purport to be an exhaustive listing of risks and other considerations which may be relevant to an investment in the 2026 Bonds. In addition, the order in which the following factors are presented is not intended to reflect the relative importance of any such risks.*

### **Limited Obligations**

NEITHER THE 2026 BONDS NOR THE OBLIGATION TO PAY PRINCIPAL OF OR INTEREST THEREON CONSTITUTES A DEBT OR A LIABILITY OF THE CITY, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL LIMITATION ON INDEBTEDNESS, OR A PLEDGE OF THE FULL FAITH AND CREDIT OF THE CITY. Principal and interest on the 2026 Bonds is payable solely from Net Revenues and from amounts in the Installment Payment Fund.

### **Revenues; Rate Covenant**

Gross Revenues of the Wastewater System 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.

The City covenants to increase the fees and/or rates established for wastewater services in the event of deficiencies of Net Revenues. However, because of procedural requirements imposed by Articles XIII C and XIII D of the California Constitution, the City Council may not be able increase wastewater fees by Council action alone. Fee increases for wastewater services may be subject to public hearings and majority protest provisions, and could drive down demand for wastewater and related services or otherwise increase the possibility of nonpayment of the 2026 Bonds. See "THE WASTEWATER FINANCES" and "CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS - Articles XIII C and XIII D of the California Constitution" herein.

### **Wastewater System Expenses**

There can be no assurance that expenses of the City related to the Wastewater System

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 and changes in regulations 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 2026 Bonds.

The City has limited ability to control increases in operating and maintenance costs and capital-related expenses at the Wastewater System.

### **No Mortgage**

The obligation of the City to make payments on the 2026 Bonds is not secured by a mortgage or deed of trust on the Wastewater System or on any other property, real or personal, of the City.

### **Enterprise Demand**

There can be no assurance that the demand for wastewater services will occur as described in this Official Statement. Reduction in levels of demand could require an increase in rates or charges in order to comply with the covenants to fix rates and charges so as to produce Net Revenues equal to 120% of the sum of (i) Installment Payments and (ii) the principal of and interest on any Parity Debt.

### **Environmental Regulation**

The kind and degree of water treatment effected through the Wastewater System is regulated, to a large extent, by the federal government and the State. Treatment standards set forth in federal and state law control the operations of the Wastewater System and mandate the use of water treatment technology. In the event that the federal government, acting through the Environmental Protection Agency or additional legislation, or the State, acting through the Department of Health Services or additional legislation, or additional federal or state agencies, should impose stricter water quality standards upon the Wastewater System, the City's expenses could increase accordingly and rates and charges would have to be increased to offset those expenses. It is not possible to predict the direction federal or state regulation will take with respect to water quality standards, although it is likely that, over time, both will impose more stringent standards with attendant higher costs.

### **Loss of Tax Exemption**

As discussed under the caption "TAX MATTERS," interest on the 2026 Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the 2026 Bonds were issued, as a result of future acts or omissions of the City in violation of its covenants in the Indenture.

In addition, current and future legislative proposals, if enacted into law, may cause interest on the 2026 Bonds to be subject, directly or indirectly, to federal income taxation by, for example, changing the current exclusion or deduction rules to limit the aggregate amount of interest on state and local government bonds that may be treated as tax exempt by individuals.

Should such an event of taxability occur, the 2026 Bonds are not subject to special redemption and will remain Outstanding until maturity or until redeemed under other provisions set forth in the Indenture.

### **Limitations on Remedies and Limited Recourse on Default**

The ability of the City to comply with its covenants under the Installment Sale Agreement and to generate Net Revenues sufficient to make the Installment Payments and the payments due under any Parity Debt may be adversely affected by actions and events outside of the control of the City and may be adversely affected by actions taken (or not taken) by voters, property owners, taxpayers or persons obligated to pay assessments, fees and charges. See “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS – Articles XIII C and XIII D of the California Constitution” below. Failure by the City to pay the Installment Payments required to be made under the Installment Sale Agreement constitutes an event of default under the Installment Sale Agreement and the Trustee is permitted to pursue remedies at law or in equity to enforce the City’s obligation to make such Installment Payments. Although the Trustee has the right to accelerate the total unpaid principal amount of the Installment Payments, there is no assurance that the City would have sufficient funds to pay the accelerated Installment Payments.

Furthermore, the remedies available to the owners of the 2026 Bonds upon the occurrence of an event of default under the Installment Sale Agreement are in many respects dependent upon judicial actions which are often subject to discretion and delay and could prove both expensive and time consuming to obtain.

In addition to the limitations on remedies contained in the Installment Sale Agreement and the Indenture, the rights and obligations under the 2026 Bonds and the Installment Sale Agreement 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 2026 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. The opinion to be delivered by Bond Counsel concurrently with the issuance of the 2026 Bonds will be subject to such limitations and the various other legal opinions to be delivered concurrently with the issuance of the 2026 Bonds will be similarly qualified. See “APPENDIX D - FORM OF BOND COUNSEL OPINION.”

If the City fails to comply with its covenants under the Installment Sale Agreement or fails to make the Installment Payments, there can be no assurance of the availability of remedies adequate to protect the interest of the holders of the 2026 Bonds.

### **Natural Disasters**

The City, like all California communities, is subject to unpredictable seismic activity, fires or floods. If there were a severe seismic, flood or fire event in the City, there could be

substantial damage to and interference with the City, including the Wastewater System, which could impact the receipt of Gross Revenues, increase Maintenance and Operation Costs and adversely affect the City's ability to pay debt service on the 2026 Bonds.

**Earthquake.** The City, like much of the State, is located in an area which has experienced earthquake activity. If there were to be an occurrence of severe seismic activity in the City there could be substantial damage to and interference with the operations of the Wastewater System which could result in a reduction of Net Revenues. The City is not required to maintain earthquake insurance for facilities of the Wastewater System. Damage to the Wastewater System has the potential to adversely affect the payment of the 2026 Bonds.

**Wildfire.** In recent years, wildfires have caused extensive damage throughout the State. Certain of these fires have burned thousands of acres and destroyed hundreds and in some cases thousands of homes. In some instances, entire neighborhoods have been destroyed. Several fires which occurred in 2017 damaged or destroyed property in areas that were not previously considered to be at risk from such events. In November 2018, the Camp Fire occurred in Butte County, California. The Camp Fire is the deadliest and most destructive wildfire in the recorded history of the State burning more than 150,000 acres and destroying more than 11,500 structures, including most of the structures in the City of Paradise, California. Starting in September 2020, the Creek Fire burned almost 380,000 acres in the County and neighboring Madera County and destroyed more than 850 structures before it was fully contained in December 2020. Some commentators believe that climate change will lead to even more frequent and damaging wildfires in the future.

To quantify this potential hazard, the California Department of Forestry and Fire Protection ("**Cal Fire**") has developed a fire modeling and mapping process that utilizes three main criteria in order to evaluate and recommend potential fire hazards in wildland areas. The criteria are type of vegetation, fire weather, and topography. The maps developed by Cal Fire identify areas as Fire Hazard Severity Zones and include three severity classifications: moderate, high, and very high. Portions of the City, specifically on the western boundary and southwest portion of the City along the I-580, are classified as moderate and high fire hazard severity areas.

**Flooding Hazards.** In addition to the events described above, climate change caused by human activities may have adverse effects on the City and the Wastewater System. As greenhouse gas emissions continue to accumulate in the atmosphere as a result of economic activity, many scientists expect that climate change will intensify, increasing the frequency, severity and timing of extreme weather events such as coastal storm surges, drought, wildfires, floods, heat waves, and rising sea levels. The Federal Emergency Management Agency has designated small portions of the northernmost boundary of the City to have a high-risk of flooding. Projections of the impact of global climate change are complex and depend on a variety of factors outside of the City's control. The various scientific studies that forecast the amount and timing of adverse impacts of climate change are based on assumptions contained in such studies, but actual events may vary materially. In addition, the scientific understanding of climate change and its effects continues to evolve. Accordingly, the City is unable to forecast with certainty when or if adverse impacts of climate change will occur or the extent of such impacts.

## **Drought**

The Central Valley, like the rest of the State of California, experiences recurring drought

as a result of its climate conditions. Droughts impact public health and safety related to both water supply and wildfire risk. On October 19, 2021, the Governor declared a Statewide drought state of emergency and requested that all water users voluntarily reduce water use by 15%. On March 24, 2023, the Governor eased the emergency drought restrictions imposed as a result of the Governor's 2021 declaration.

The City cannot predict whether drought conditions will return. Drought conditions can be expected to cause significant water use changes which could reduce wastewater flows and consequently increase sewage strength. The effect on sewer revenues would likely be minimal; although existing facilities might reach their volume capacity later as flows reduce, solids loading capacity is typically the limiting factor for these types of facilities, and solids volume will not change as a result of reductions in water use.

### **Cybersecurity**

The City (including its Wastewater System), like many other public and private entities, relies on computer and other digital networks and systems to conduct its operations. As a recipient and provider of personal, private or other sensitive electronic information, the City is potentially subject to multiple cyber threats, including without limitation hacking, viruses, ransomware, malware and other attacks. The City maintains cybersecurity policies, provides training to staff, and has a policy of cybersecurity insurance. However, no assurance can be given that the City's efforts to manage cyber threats and attacks will be successful in all cases, or that any such attack will not materially impact the operations or finances of the City or the Wastewater System, or the administration of the 2026 Bonds. The City is also reliant on other entities and service providers in connection with the administration of the 2026 Bonds, including without limitation the Trustee. No assurance can be given that the City, the Wastewater System, and these other entities will not be affected by cyber threats and attacks in a manner that may affect the owners of the Wastewater System.

### **Secondary Market for Bonds**

There can be no guarantee that there will be a secondary market for the 2026 Bonds or, if a secondary market exists, that any Certificate 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.

### **Insurance**

The Installment Sale Agreement obligates the City to obtain and keep in force various forms of insurance or self-insurance for repair or replacement of a portion of the Wastewater System in the event of damage or destruction to such portion of the Wastewater System. No assurance can be given as to the adequacy of any such insurance or self-insurance to fund necessary repair or replacement of any portion of the Wastewater System. Significant damage to the Wastewater System could cause the City to be unable to generate sufficient Net Revenues to pay debt service on the 2026 Bonds. See "THE CITY – Insurance Coverage" above.

## **Future Parity Debt**

As described in “SECURITY FOR THE 2026 BONDS” above, the Installment Sale Agreement permit the City to incur additional Parity Debt, which would be payable on a parity with the payment of debt service of the Installment Payments. In the event of a decline in Net Revenues available to pay debt service on the 2026 Bonds, the existence of Parity Debt could adversely affect the City’s ability to pay debt service on the 2026 Bonds. See “THE WASTEWATER SYSTEM – Capital Improvement Program.”

## **Initiatives**

In recent years several initiative measures have been proposed or adopted which affect the ability of local governments to increase taxes and rates. There is no assurance that the electorate or the State Legislature will not at some future time approve additional limitations which could affect the ability of the City to implement rate increases which could reduce Net Revenues and adversely affect the security for the 2026 Bonds. See “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS – Articles XIIC and XIID of the California Constitution” above.

## CONTINUING DISCLOSURE

**[[SUBJECT TO FURTHER DUE DILIGENCE]]** The City has covenanted for the benefit of the Underwriter and the beneficial owners of the 2026 Bonds to provide certain financial information and operating data relating to the City no later than nine months after the end of the City's fiscal year (presently June 30) (the "**Annual Report**"), commencing with the report for the Fiscal Year ending June 30, 2026, and to provide notices of the occurrence of certain enumerated events, if deemed by the City to be material under federal securities laws. The Annual Report and notices of material events will be filed by the City with each Nationally Recognized Municipal Securities Information Repository or the Municipal Securities Rule Making Board, as applicable. The specific nature of the information to be contained in the Annual Report or the notices of material events is set forth below in "APPENDIX E - FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5). As of the date hereof, the City has timely filed all Annual Reports required under previous undertakings.

## APPROVAL OF LEGAL PROCEEDINGS

The legal opinion of Bond Counsel, approving the validity of the 2026 Bonds, in substantially the form attached hereto as Appendix D, will be made available to purchasers at the time of original delivery of the 2026 Bonds, and a copy thereof will accompany each 2026 bond. Certain matters with respect to this Official Statement will be considered on behalf of the Authority and the City by Jones Hall LLP ("**Disclosure Counsel**"). Certain matters will be passed upon for the City by the City Attorney and for the Authority by the City Attorney, serving as Authority Counsel.

Payment of the fees of Bond Counsel and Disclosure Counsel are contingent upon issuance of the 2026 Bonds.

## TAX MATTERS

**Federal Tax Status.** In the opinion of Jones Hall LLP, San Mateo, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the 2026 Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. Interest on the 2026 Bonds may be subject to the corporate alternative minimum tax

The opinions set forth in the preceding paragraph are subject to the condition that the City and the Authority comply with all requirements of the Internal Revenue Code of 1986, as amended (the "**Tax Code**") that must be satisfied subsequent to the issuance of the 2026 Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The City and the Authority have each made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of issuance of the 2026 Bonds.

***Tax Treatment of Original Issue Discount and Premium.*** If the initial offering price to the public at which a 2026 Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public at which a 2026 Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes "bond premium" for purposes of federal income taxes and State of California personal income taxes.

Under the Tax Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the 2026 Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such 2026 Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such 2026 Bond. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the 2026 Bonds who purchase the 2026 Bonds after the initial offering of a substantial amount of such maturity. Owners of such 2026 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 2026 Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering to the public at the first price at which a substantial amount of such 2026 Bonds is sold to the public.

Under the Tax Code, bond premium is amortized on an annual basis over the term of the 2026 Bond (said term being the shorter of the 2026 Bond's maturity date or its call date). The amount of bond premium amortized each year reduces the adjusted basis of the owner of the 2026 Bond for purposes of determining taxable gain or loss upon disposition. The amount of bond premium on a 2026 Bond is amortized each year over the term to maturity of the 2026 Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized 2026 Bond premium is not deductible for federal income tax purposes. Owners of premium 2026 Bonds, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such 2026 Bonds.

***California Tax Status.*** In the further opinion of Bond Counsel, interest on the 2026 Bonds is exempt from California personal income taxes.

***Other Tax Considerations.*** Current and future legislative proposals, if enacted into law, clarification of the Tax Code or court decisions may cause interest on the 2026 Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals, clarification of the Tax Code or court decisions may also affect the market price for, or marketability of, the 2026 Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, such legislation would apply to bonds issued prior to enactment.

The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of such

opinion, and Bond Counsel has expressed no opinion with respect to any proposed legislation or as to the tax treatment of interest on the 2026 Bonds, or as to the consequences of owning or receiving interest on the 2026 Bonds, as of any future date. Prospective purchasers of the 2026 Bonds should consult their 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 2026 Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the 2026 Bonds may have federal or state tax consequences other than as described above. Other than as expressly described above, Bond Counsel expresses no opinion regarding other federal or state tax consequences arising with respect to the 2026 Bonds, the ownership, sale or disposition of the 2026 Bonds, or the amount, accrual or receipt of interest on the 2026 Bonds.

## **LITIGATION**

To the best knowledge of the City, there is no action, suit or proceeding pending or, to the knowledge of the Authority or the City, threatened at the present time seeking to restrain or to enjoin the sale or delivery of the 2026 Bonds or in any way contesting or affecting the validity or enforceability of the 2026 Bonds, the Indenture or the Installment Sale Agreement or any action of the Authority or the City contemplated by any of said documents.

There are no pending suits contesting or affecting the collection of Gross Revenues or which would have a material adverse effect on the Wastewater System, the financial condition of the City, including the City's ability to make Installment Payments, or the receipt of Gross Revenues by the City.

## **FINANCIAL STATEMENTS**

The Pun Group, Accountants & Advisors, Walnut Creek, California, audited the financial statements of the City for the Fiscal Year ended June 30, 2025. The firm's examination was made in accordance with generally accepted auditing standards. See "APPENDIX A – ANNUAL COMPREHENSIVE FINANCIAL REPORT, JUNE 30, 2025." The complete audited financial statements of the City for the Fiscal Year ended June 30, 2025, may be obtained from the Finance Director of the City, upon request.

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

## **RATINGS**

Upon issuance of the 2026 Bonds, S&P Global Ratings ("**S&P**") will assign the 2026 Bonds ratings of "\_\_\_\_" and "\_\_\_\_", respectively, with the understanding that, upon delivery of the 2026 Bonds, the Policy will be issued by the Bond Insurer. The City has furnished S&P information and material which have not been included in this Official Statement. Generally, rating agencies base their ratings on information and material so furnished and on investigations, studies and assumptions made by the rating agencies. The ratings reflect only

the view of S&P and an explanation of the significance of such rating may be obtained from S&P. There is no assurance that the ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such rating agency, if, in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the 2026 Bonds.

### **UNDERWRITING**

The 2026 Bonds are being purchased by Piper Sandler & Co. as underwriter (the "**Underwriter**"). The Underwriter has agreed, subject to certain conditions, to purchase all of the 2026 Bonds described on the inside cover page of this Official Statement at an aggregate purchase price of \$\_\_\_\_\_ (which is equal to the par amount of the 2026 Bonds, plus net original premium of \$\_\_\_\_\_ and less underwriter's discount of \$\_\_\_\_\_).

The initial public offering prices stated on the cover of this Official Statement may be changed from time to time by the Underwriter. The Underwriter may offer and sell the 2026 Bonds to certain dealers (including dealers depositing 2026 Bonds into investment trusts), dealer banks, banks acting as agent and others at prices lower than such public offering prices.

### **MISCELLANEOUS**

References made herein to certain documents and reports are brief summaries thereof and do not purport to be complete or definitive, and reference is hereby made to such documents and reports for a full and complete statement of the contents thereof.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Authority or the City and the purchasers or registered owners of any of the 2026 Bonds. The delivery and distribution of this Official Statement have been duly authorized by the Authority or the City.

CITY OF TRACY PUBLIC FINANCING  
AUTHORITY

By: \_\_\_\_\_  
Treasurer

CITY OF TRACY

By: \_\_\_\_\_  
Finance Director

**APPENDIX A**  
**ANNUAL COMPREHENSIVE FINANCIAL REPORT,**  
**JUNE 30, 2025**

## APPENDIX B

### GENERAL INFORMATION ABOUT THE CITY OF TRACY AND SAN JOAQUIN COUNTY

*The following information concerning the City of Tracy (the “City”) and San Joaquin County (the “County”) is included only for the purpose of supplying general information regarding the area of the District. The 2026 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 on the western edge of the Central Valley in the County and situated within a triangle formed by three interstate freeways: I-5, I-205 and I-580. The City is 60 miles east of San Francisco and 70 miles south of Sacramento, covering approximately 14.3 square miles. City services include public safety (police and fire protection), highways and streets, sanitation, culture-recreation, public improvements, planning and zoning, general administration services, and redevelopment.

The City was incorporated as a general law city in 1910 and operates under the council-manager form of government. Policy-making and legislative authority are vested in the City Council, which consists of a mayor and a four-member Council. The City Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees and hiring the City Manager and the City Attorney. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the government, and for appointing the heads of the government’s departments. Council members are elected to four-year staggered terms, with two Council members elected every two years. The mayor is elected every two years.

**The County.** The County is one of the State’s original counties and was created at the time of statehood in 1850. The County covers an area of approximately 1,436 square miles, consisting of 1,399 square miles of land and 27 square miles of water. Captain Charles M. Weber was instrumental in developing the City of Stockton as the County Seat and as a Port of Entry. Today, ships still deliver cargo to the Port of Stockton by the channel Captain Weber had dug in the 1800s.

The County is adjacent to Stanislaus County to the south and southeast, Alameda and Contra Costa Counties to the west, Sacramento County to the north, Amador County to the northeast, Calaveras County to the east and a corner of Santa Clara County to the southwest.

## Population

The most recent estimate of the County's population at January 1, 2025 was 805,856 persons, according to the State Department of Finance. The City has an estimated population of 98,215 persons at January 1, 2025. The table below shows population estimates for the cities in the County for the last five years, as of January 1.

**SAN JOAQUIN COUNTY**  
**Population Estimates**  
**Calendar Years 2021 through 2025**  
**(As of January 1<sup>st</sup>)**

<b><u>Area</u></b>	<b><u>2021</u></b>	<b><u>2022</u></b>	<b><u>2023</u></b>	<b><u>2024</u></b>	<b><u>2025</u></b>
Escalon	7,429	7,351	7,273	7,337	7,232
Lathrop	29,565	31,390	34,877	37,102	38,596
Lodi	66,061	66,309	66,314	67,262	67,093
Manteca	84,800	86,836	88,882	92,116	93,733
Mountain House	-	-	-	-	28,795
Ripon	16,126	15,940	15,796	15,966	15,753
Stockton	320,574	321,000	318,906	323,355	320,877
<b>Tracy</b>	<b>93,773</b>	<b>94,789</b>	<b>95,507</b>	<b>97,501</b>	<b>98,215</b>
Balance of County	162,892	160,674	160,141	161,689	135,562
<b>County Total</b>	<b>781,220</b>	<b>784,289</b>	<b>787,696</b>	<b>802,328</b>	<b>805,856</b>

Source: State Department of Finance estimates (as of January 1).

*Remainder of page intentionally left blank.*

## Employment and Industry

The District is included in the Stockton-Lodi Metropolitan Statistical Area (“MSA”), which includes all of the County. The unemployment rate in the County was 6.4% in December 2025, unchanged from a revised 6.4% in November 2025, and unchanged the year-ago estimate of 6.4%. This compares with an unadjusted unemployment rate of 5.1% for the State and 4.1% for the nation during the same period.

Set forth below is data from 2020 through 2024, reflecting the County's civilian labor force, employment and unemployment.

**STOCKTON-LODI MSA  
(San Joaquin County)  
Annual Average Civilian Labor Force, Employment and Unemployment,  
Employment by Industry  
(March 2024 Benchmark)**

	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
Civilian Labor Force <sup>(1)</sup>	347,200	349,400	356,700	363,400	368,500
Employment	308,800	320,300	338,200	341,600	344,700
Unemployment	38,400	29,100	18,500	21,700	23,800
Unemployment Rate	11.1%	8.3%	5.2%	6.0%	6.5%
<u>Wage and Salary Employment: <sup>(2)</sup></u>					
Agriculture	14,600	14,200	13,800	14,500	14,300
Mining and Logging	100	100	0	0	0
Construction	13,000	13,900	14,900	14,000	14,700
Manufacturing	20,100	21,300	23,000	23,500	23,500
Wholesale Trade	10,600	10,800	11,600	12,300	12,400
Retail Trade	24,600	26,200	27,000	27,100	27,000
Transportation, Warehousing and Utilities	38,800	43,000	48,100	47,300	47,600
Information	1,200	1,200	1,200	1,100	1,000
Financial Activities	7,800	8,000	8,200	7,900	7,700
Professional and Business Services	21,300	22,500	24,100	23,100	22,900
Educational and Health Services	37,300	38,000	39,700	42,000	44,800
Leisure and Hospitality	18,500	21,300	24,300	24,500	24,400
Other Services	6,800	7,300	7,900	8,100	8,200
Federal Government	3,300	3,100	3,100	3,000	3,000
State Government	6,800	6,000	5,500	5,100	4,800
Local Government	33,000	32,900	34,000	35,100	37,000
<b>Total all Industries</b>	<b>257,700</b>	<b>269,800</b>	<b>286,200</b>	<b>288,500</b>	<b>293,000</b>

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

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

(3) Totals may not add due to rounding.

Source: State of California Employment Development Department.

## Major Employers

The following table shows the major employers in the County as of February 2026, in alphabetical order without regard to the number of employees.

### SAN JOAQUIN COUNTY Major Employers (Listed Alphabetically)

<b>Employer Name</b>	<b>Location</b>	<b>Industry</b>
Amazon Fulfillment Ctr	Stockton	Mail Order Fulfillment Service
Ashley Lane LP	Stockton	Real Estate
Blue Shield of California	Lodi	Insurance
Chevron	Lodi	Service Stations-Gasoline & Oil
Dameron Hospital	Stockton	Hospitals
Foster Care Svc	Stockton	Foster Care
Leprino Foods Co	Tracy	Cheese Processors (mfrs)
Lodi Health Home Health Agency	Lodi	Home Health Service
Medline	Tracy	Physicians & Surgeons Equip & Supls-Whls
NA Chaderjian Youth	Stockton	State Govt-Correctional Institutions
O-G Packing & Cold Storage Co	Stockton	Fruits & Vegetables-Growers & Shippers
Prima Frutta Packing Inc	Linden	Fruit & Produce Packers
Safeway Distribution Ctr	Tracy	Distribution Centers (whls)
San Joaquin County CA Pubc	Stockton	Government Offices-County
San Joaquin County Human Svc	Stockton	Government Offices-County
San Joaquin County Sch	Stockton	School Districts
San Joaquin General Hospital	French Camp	Hospitals
San Joaquin Sheriff's Office	French Camp	Government Offices-County
Sjgov	Stockton	Government Offices-County
St Joseph's Regional Health	Stockton	Health Services
Stockton Police Dept	Stockton	Non-Profit Organizations
Stockton Unified Sch Dist	Stockton	Facilities Management
Stockton Unified School Dist	Stockton	Schools
Walmart Supercenter	Stockton	Department Stores
Waste Management-Lodi Transfer	Lodi	Solid Waste Collection

*Source: State of California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database, 2026 1<sup>st</sup> Edition.*

## Effective Buying Income

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

The following table summarizes the total effective buying income and median household effective buying income for the City, the County, the State, and the United States for the years 2022 through 2026.

**CITY OF TRACY, SAN JOAQUIN COUNTY,  
STATE OF CALIFORNIA & UNITED STATES  
Effective Buying Income  
2022 through 2026**

<b>Year</b>	<b>Area</b>	<b>Total Effective Buying Income (000's Omitted)</b>	<b>Median Household Effective Buying Income</b>
2022	City of Tracy	\$3,080,131	\$89,938
	San Joaquin County	21,672,926	68,971
	California	1,452,426,153	77,058
	United States	11,208,582,541	64,448
2023	City of Tracy	\$3,127,380	\$90,240
	San Joaquin County	22,168,255	68,912
	California	1,461,799,662	77,175
	United States	11,454,846,397	65,326
2024	City of Tracy	\$3,503,173	\$98,733
	San Joaquin County	24,445,200	76,847
	California	1,510,708,521	80,973
	United States	11,987,185,826	67,876
2025	City of Tracy	\$3,619,694	\$102,190
	San Joaquin County	24,833,658	77,622
	California	1,557,429,767	82,725
	United States	12,525,577,707	69,687
2026	City of Tracy	\$4,183,317	\$111,222
	San Joaquin County	28,892,491	85,982
	California	1,730,654,738	90,403
	United States	13,932,177,817	75,433

*Source: Claritas, LLC.*

## Commercial Activity

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

Total taxable sales during the first three quarters of calendar year 2025 in the City were reported to be \$5,904,758,215, a 3.03% increase over the total taxable sales of \$5,731,179,748 reported during the comparable quarters of calendar year 2024.

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

	<u>Retail Stores</u>		<u>Total All Outlets</u>	
	<u>Number of Permits</u>	<u>Taxable Transactions</u>	<u>Number of Permits</u>	<u>Taxable Transactions</u>
2020	1,395	\$1,479,810	2,284	\$2,854,012
2021	1,238	4,160,817	2,082	5,868,567
2022	1,251	4,259,440	2,128	6,066,970
2023	1,262	4,890,750	2,124	6,595,746
2024	1,293	6,100,146	2,190	7,855,056

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

Total taxable sales during the first three quarters of calendar year 2025 in the County were \$18,541,920,605, a 2.72% increase over the total taxable sales of \$18,050,158,443 reported during the comparable quarters of calendar year 2024.

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

	<u>Retail Stores</u>		<u>Total All Outlets</u>	
	<u>Number of Permits</u>	<u>Taxable Transactions</u>	<u>Number of Permits</u>	<u>Taxable Transactions</u>
2020	11,188	\$10,215,896	18,358	\$15,752,225
2021	10,642	15,153,915	17,665	22,306,576
2022	10,884	15,342,203	18,100	23,625,470
2023	10,632	15,584,742	17,666	23,507,449
2024	10,831	16,862,302	18,099	24,682,773

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

## Transportation

**The City.** The City is served by several bus services. Locally, the TRACER bus system runs four lines that serve as circulators between major transit hubs, shopping, school, residential and downtown areas. San Joaquin Regional Transit District (SMART) runs two local routes that connect the city with other communities in the County and six commuter services that run to Dublin/Pleasanton BART station and job centers in the South Bay and Livermore. Naglee Park and Ride Lot by the West Valley Mall serve as major commuter hubs to BART and jobs in the South Bay. Greyhound, Tracer, and SMART all connect with taxis, bike stations, and parking at the Tracy Transit Center, a transit station built in 2010.

Amtrak Buses serve the City's Amtrak Bus Station with six daily trips to the South Bay and two to San Francisco, all of which stop at BART and job centers in Livermore.

**The County.** Major highways in the County include: Interstate 5, Interstate 205, Interstate 580, State Route 99, State Route 4 (Crosstown Freeway/California Delta Highway) and State Route 120. The San Joaquin Regional Transit District provides bus service within the City of Stockton in addition to routes throughout the County and commuter routes to Livermore, Pleasanton, Sacramento and Santa Clara County. Greyhound and Amtrak also provide service. The Stockton Metropolitan Airport serves the San Joaquin Valley with passenger and air freight facilities.

## **APPENDIX C**

### **SUMMARY OF PRINCIPAL LEGAL DOCUMENTS**

*The following is a summary of certain provisions of the Installment Sale Agreement and the Indenture which are not described elsewhere. This summary does not purport to be comprehensive and reference should be made to the respective agreement for a full and complete statement of the provisions thereof.*

**[To Come]**

**APPENDIX D**

**FORM OF BOND COUNSEL OPINION**

*Upon delivery of the 2026 Bonds, Jones Hall LLP, Bond Counsel, proposes to render its final approving opinion in substantially the following form.*

## APPENDIX E

### FORM OF CONTINUING DISCLOSURE CERTIFICATE

\$ \_\_\_\_\_  
**TRACY PUBLIC FINANCING AUTHORITY  
WASTEWATER REVENUE REFUNDING BONDS,  
SERIES 2026**

This CONTINUING DISCLOSURE CERTIFICATE (this “Disclosure Certificate”) is executed and delivered by the CITY OF TRACY (the “City”) in connection with the execution and delivery of the bonds captioned above (the “Bonds”). The Bonds are being executed and delivered pursuant to an Indenture of Trust, dated as of May 1, 2026 (the “Indenture”), between the City and U.S. Bank Trust Company, National Association, as trustee.

The City covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. 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 Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth above and in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 2, the following capitalized terms shall 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 [\_\_\_\_], or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

“*Listed Events*” means any of the events listed in Section 5(a).

“*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 Piper Sandler & Co., 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. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 31, 2027, with the report for the 2025-26 Fiscal Year, 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 of this Disclosure Certificate. 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 of this Disclosure Certificate; 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(b). 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) a notice to the MSRB, in a timely manner, in an electronic format as prescribed by the MSRB.

(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. Content of Annual Reports. 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) The following information with respect to the City for the Fiscal Year to which the Annual Report relates, which information may be provided by its inclusion in the audited financial statements of the City for the prior Fiscal Year described in subsection (a) above:

1. Information in the form of Tables 3 and 4 of the Official Statement concerning operating revenues and expenses of the City's Wastewater System (the "Wastewater System") for the then-preceding fiscal year, including Net Assets of the Wastewater System, the bond charge, connection fees, any prior year rebates credited back to rate payers, and debt service coverage.
2. The outstanding principal amount of the Bonds and any Parity Debt as of June 30 of the most recently completed fiscal year.
3. A description of any Parity Debt issued during the most recently completed fiscal year.
4. A description of any changes in Wastewater System rates and charges (but only if changed from the prior fiscal year).
5. Information for the most recently-completed fiscal year in the form of Table 1 (Historical Wastewater Flow), Table 5 (Wastewater Customer Categories), Table 6 (15 Largest Ratepayers), Table 11 (New Connections (EDU)), Table 12 (History of Billings and Collections) of the Official Statement.

(c) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the City shall provide such further material 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 Bonds, or other material events affecting the tax status of the Bonds.
- (7) Modifications to rights of security holders, if material.
- (8) Bond calls, if material, and tender offers.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities, if material.
- (11) Rating changes.
- (12) Bankruptcy, insolvency, receivership or similar event of the City.
- (13) The consummation of a merger, consolidation, or acquisition involving the City, or the sale of all or substantially all of the assets of the City (other than in the ordinary course of business), the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.
- (15) Incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect security holders, if material.
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties.

(b) Upon the occurrence of a Listed Event, 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, 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 subsection (a)(8) 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.

(c) The City acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), (a)(14), and (a)(15) of this Section 5 contain the qualifier "if material" and that subparagraph (a)(6) also contains the qualifier "material" with respect to certain notices, determinations or other events affecting the tax status of the Bonds. The City shall cause a notice to be filed as set forth in paragraph (b) above with respect to any

such event only to the extent that it determines the event's occurrence is material for purposes of U.S. federal securities law. Upon occurrence of any of these Listed Events, the City will as soon as possible determine if such event would be material under applicable federal securities law. If such event is determined to be material, the City will cause a notice to be filed as set forth in paragraph (b) above.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

(e) For purposes of Section 5(a)(15) and (16), "financial obligation" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

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(b).

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 Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be the City. Any Dissemination Agent may resign by providing 30 days' written notice to the City.

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 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(b).

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. If the City fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter or 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. (a) 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 they 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 Dissemination Agent shall have no duty or obligation to review any information provided to it by the City hereunder, and shall not be deemed to be acting in any fiduciary capacity for the City, the Bond holders or any other party. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

(b) The Dissemination Agent shall be paid compensation by the City for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 13. Notices. Any notice or communications to be among any of the parties to this Disclosure Certificate may be given as follows:

To the Issuer: City of Tracy  
333 Civic Center Plaza  
Tracy, California 95376

To the Dissemination Agent [ ]  
[ ]  
[ ]

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 Underwriter and the holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 15. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Date: \_\_\_\_\_, 2026

CITY OF TRACY

By: \_\_\_\_\_  
[[ ]]

AGREED AND ACCEPTED:  
[[ ]],  
as Dissemination Agent

By: \_\_\_\_\_  
Title: \_\_\_\_\_

## APPENDIX F

### INFORMATION CONCERNING DTC

*The following description of the Depository Trust Company (“DTC”), the procedures and record keeping with respect to beneficial ownership interests in the 2026 Bonds, payment of principal, interest and other payments on the 2026 Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the 2026 Bonds and other related transactions 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 2026 Bonds (the “Issuer”) nor the trustee, fiscal agent or paying agent appointed with respect to the 2026 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 2026 Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the 2026 Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the 2026 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](http://www.dtcc.com) and [www.dtc.org](http://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.

**APPENDIX G**  
**FORM OF FINANCIAL GUARANTY INSURANCE POLICY**

# INSTALLMENT SALE AGREEMENT

Dated as of May 1, 2026

between the

**TRACY PUBLIC FINANCING AUTHORITY,**  
*as Seller*

and the

**CITY OF TRACY,**  
*as Purchaser*

**Relating to**  
**[\$Principal Amount]**  
**Tracy Public Financing Authority**  
**Wastewater Revenue Refunding Bonds, Series 2026**

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# INSTALLMENT SALE AGREEMENT

This INSTALLMENT SALE AGREEMENT (this “Agreement”), dated as of May 1, 2026, is between the TRACY PUBLIC FINANCING AUTHORITY, a joint exercise of powers authority duly organized and existing under the laws of the State of California (the “Authority”), as seller, and the CITY OF TRACY, a municipal corporation duly organized and existing under the laws of the State of California (the “City”), as purchaser.

## *B A C K G R O U N D :*

1. The City owns and operates facilities and property for the collection, treatment and disposal of wastewater within the service area of the City (the “Wastewater System”).

2. The Authority has been formed for the purpose of assisting the City with its financing programs.

3. The City previously caused to be executed and delivered Certificates of Participation (2004 Wastewater Treatment Plant Upgrade) in an aggregate principal amount of \$30,955,000 (the “2004 Certificates”) pursuant to a Trust Agreement, dated as of April 1, 2004 (the “2004 Trust Agreement”), by and among, the City the City of Tracy Public Facilities Corporation and The Bank of New York Mellon Trust Company, N.A. (the “2004 Trustee”), for the purpose of financing improvements to the City’s wastewater treatment plant (the “Project”).

The 2004 Certificates evidence direct, undivided fractional interests in installment payments (the “2004 Installment Payments”) payable by the City under an Installment Sale Agreement, dated as of April 1, 2004, between the City of Tracy Public Facilities Corporation (the “Corporation”) and the City (the “2004 Installment Sale Agreement”).

The City has determined that it will receive economic benefit by refinancing the 2004 Installment Sale Agreement and causing prepayment of the 2004 Certificates.

4. In order to provide revenues which are sufficient to refinance the 2004 Installment Sale Agreement, the Authority proposes to sell the Project to the City under this Agreement for a purchase price to be paid by the City in semiannual installments (the “Installment Payments”).

5. The Authority will raise funds to refinance the 2004 Installment Sale Agreement by issuing its Tracy Public Financing Authority Wastewater Revenue Refunding Bonds, Series 2026 in the aggregate principal amount of \$[Principal Amount] (the “Bonds”) that are payable from revenues consisting primarily of the Installment Payments payable by the City under (i) an Indenture of Trust dated as of May 1, 2026 (the “Indenture”), between the Authority and U.S. Bank Trust Company, National Association, as trustee (the “Trustee”), and (ii) Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (the “Bond Law”).

6. The obligations of the City hereunder are secured by a pledge of and lien on the net revenues of the Wastewater System.

7. The payment of principal of and interest on the Bonds will be insured by a policy of municipal bond insurance issued by \_\_\_\_\_ (the “Bond Insurer”).

## A G R E E M E N T :

In consideration of the foregoing and the material covenants hereinafter contained, the City and the Authority formally agree as follows:

## ARTICLE I

### DEFINITIONS; RULES OF INTERPRETATION

SECTION 1.1. *Definitions.* Unless the context clearly otherwise requires or unless otherwise defined herein, the capitalized terms in this Agreement have the respective meanings given such terms in this Section 1.1. Capitalized terms in this Agreement and not otherwise defined in this Section 1.1 have the respective meanings given them in Appendix A to the Indenture.

“Additional Payments” means the amounts payable by the City under Section 4.8.

“Additional Revenues” means, with respect to the issuance of any Parity Debt, any or all of the following amounts:

- (a) An allowance for Net Revenues from any additions or improvements to or extensions of the Wastewater System to be constructed by the City from the proceeds of such Parity Debt, or which have been previously constructed by the City from any other source of funds but which were not in service during any part of the preceding Fiscal Year, in an amount equal to 100% of the estimated additional average annual Net Revenues to be derived from such additions, improvements and extensions for the first 36-month period following the issuance of the proposed Parity Debt, all as shown by the certificate or opinion of a qualified independent consultant employed by the City.
- (b) An allowance for Net Revenues arising from any increase in the charges made for service from the Wastewater System which has been adopted prior to the incurring of such Parity Debt, in an amount equal to the total amount by which the Net Revenues would have been increased if such increase in charges had been in effect during the whole of the most recent completed Fiscal Year or during any more recent 12-month period selected by the City, all as shown by the certificate or opinion of a qualified independent consultant employed by the City.

“Balloon Indebtedness” means with respect to any Parity Debt, twenty-five percent (25%) or more of the principal of which matures on the same date or within a 12-month period (with sinking fund installments on term bonds (or other similar obligations) deemed

to be payments of matured principal), that portion of such Parity Debt which matures on such date or within such 12-month period. For purposes of this definition, the principal amount maturing on any date shall be reduced by the amount of such indebtedness which is required by the Parity Debt Documents to be amortized by prepayment or redemption prior to its stated maturity date.

“Connection Charges” means all amounts levied by the City as a fee for connecting to the Wastewater System, as such fee is established from time to time under the applicable laws of the State of California.

“Continuing Disclosure Certificate” means the Continuing Disclosure Certificate which is executed and delivered by the City on the Closing Date.

“Event of Default” means any of the events specified in Section 6.1.

“Fiscal Consultant” means any consultant or firm of such consultants appointed by the City and who, or each of whom: (a) is judged by the City to have experience in matters relating to the financing of wastewater enterprises; (b) is in fact independent and not under domination of the City; (c) does not have any substantial interest, direct or indirect, with the City other than as purchaser of the Bonds or any Parity Debt; and (d) is not connected with the City as an officer or employee of the City, but who may be regularly retained to make reports to the City.

“Gross Revenues” means all gross income and revenue received by the City from the ownership and operation of the Wastewater System, including, without limiting the generality of the foregoing:

- (a) all amounts levied by the City as a Connection Charge;
- (b) all income, rents, rates, fees, capital improvement fees (including facilities capacity and pump zone fees), charges or other moneys derived from the services, facilities and commodities sold (including recycled water), furnished or supplied through the facilities of the Wastewater System;
- (c) the earnings on and income derived from the investment of such income, rents, rates, fees, charges or other moneys to the extent that the use of such earnings and income is limited by or under applicable law to the Wastewater System;
- (d) the proceeds derived by the City directly or indirectly from the sale, lease or other disposition of a part of the Wastewater System as permitted in this Agreement;
- (e) grants received by the City to the extent available to pay the costs related to the Wastewater System; and
- (r) amounts transferred from the Rate Stabilization Fund to the Wastewater Fund during such Fiscal Year.

Notwithstanding the foregoing, the term “Gross Revenues” does not include (i) customers’ deposits or any other deposits subject to refund until such deposits have become the property of the City, (ii) for any Fiscal Year, any income or revenue received by the City in such Fiscal Year that is deposited into the Rate Stabilization Fund and (iii) the proceeds of any special assessments or special taxes levied upon real property within any improvement district for the purpose of paying special assessment bonds or special tax obligations of the City relating to the Wastewater System.

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

“Installment Payment Date” means, with respect to any Interest Payment Date, the 5<sup>th</sup> Business Day immediately preceding such Interest Payment Date.

“Joint Powers Agreement” means the First Amended and Restated Joint Powers Agreement, dated as of October 17, 2018 (the “Joint Powers Agreement”), by and between the City and the Tracy Industrial Development Authority pursuant to which the Authority was established as a joint exercise of powers authority under the Joint Exercise of Powers Act (Government Code §6500 et seq.), including all amendments and supplements thereto heretofore or hereafter executed and delivered by the City and the Tracy Industrial Development Authority.

“Maximum Annual Debt Service” means, as of the date of any calculation, the maximum sum obtained by totaling the following amounts for a Fiscal Year during the period commencing with the Fiscal Year during which such calculation is made and continuing for the next five Fiscal Years:

- (a) the aggregate amount of the Installment Payments coming due and payable in such Fiscal Year, except to the extent payable from any security deposit under Section 7.1 of this Agreement; and
- (b) the amount of principal of and interest on all outstanding Parity Debt coming due and payable in such Fiscal Year.

With respect to any Parity Debt the interest on which is computed at a variable rate, such Parity Debt shall be assumed to bear interest at the highest of: (i) the actual rate on the date of calculation, or if the indebtedness is not yet outstanding, the initial rate (if established and binding), (ii) if the indebtedness has been outstanding for at least 12 months, the average rate over the 12 months immediately preceding the date of calculation, or if no debt is outstanding for the 12 months under the authorizing document, the average rate borne by reference to an index comparable to that to be utilized in determining the interest rate for the debt to be issued, and (iii) (A) if interest on the indebtedness is excludable from gross income under the applicable provisions of the Tax Code, the most recently published Bond Buyer “Revenue Bond Index” (or comparable index if no longer published), or (B) if interest is not so excludable, the interest rate on direct U.S. Treasury obligations having comparable maturities.

If all or any portion or portions of the Parity Debt constitute, or upon issuance would constitute, Balloon Indebtedness, then, for purposes of determining debt service of such Parity Debt, each maturity which constitutes, or upon issuance would constitute, Balloon Indebtedness shall be treated as if it were to be amortized with substantially level annual debt service payments over a term of 40 years commencing on the date which is the first anniversary of the initial issuance of such Parity Debt, calculated based on a fixed rate equal to the rate at which the City could borrow for such 40-year period, as certified by an independent municipal advisor engaged by the City.

“Net Revenues” means, for any period, an amount equal to all of the Gross Revenues received during such period minus the amount required to pay all Operation and Maintenance Costs becoming payable during such period.

“Operation and Maintenance Costs” means the reasonable and necessary costs paid or incurred by the City for maintaining and operating the Wastewater System, determined in accordance with generally accepted accounting principles, including but not limited to (a) all reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Wastewater System in good repair and working order and (b) all administrative costs of the City that are charged directly or apportioned to the operation of the Wastewater System, such as salaries and wages of employees, overhead, taxes (if any) and insurance. “Operating and Maintenance Costs” do not include (i) payments of debt service on bonds, notes or other obligations issued by the City with respect to the Wastewater System, (ii) depreciation, replacement and obsolescence charges or reserves therefor, and (iii) amortization of intangibles or other bookkeeping entries of a similar nature.

“Overdue Rate” means the highest rate of interest on any of the Outstanding Bonds.

“Parity Debt Documents” means, collectively, the indenture of trust, trust agreement or other document authorizing the issuance of any Parity Debt or any securities which evidence Parity Debt.

“Parity Debt” means any bonds, notes, leases, installment sale agreements or other obligations of the City payable from and secured by a pledge of and lien upon any of the Net Revenues on a parity with the Installment Payments, entered into or issued under and in accordance with Section 5.8.

“Project” means the facilities, improvements and other property described more fully in Appendix B attached to this Agreement.

“Rate Stabilization Fund” means any fund established and held by the City as a fund for the stabilization of rates and charges imposed by the City with respect to the Wastewater System, which fund is established, held and maintained in accordance with Section 4.6.

“Wastewater System” means the entire system of the City for the collection, treatment and disposal of wastewater, including but not limited to all facilities, properties and improvements at any time owned, controlled or operated by the City for the collection, treatment and disposal of wastewater within the service area of the City, and any

necessary lands, rights, entitlements and other property useful in connection therewith, together with all extensions thereof and improvements thereto at any time acquired, constructed or installed by the City.

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

SECTION 1.2. *Interpretation.*

(a) Unless the context otherwise indicates, words expressed in the singular include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and include the neuter, masculine or feminine gender, as appropriate.

(b) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and do not affect the meaning, construction or effect hereof.

(c) All references herein to “Articles,” “Sections” and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Agreement; the words “herein,” “hereof,” “hereby,” “hereunder” and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section or subdivision hereof.

## ARTICLE II

### REPRESENTATIONS, COVENANTS AND WARRANTIES

SECTION 2.1. *Representations, Covenants and Warranties of the City.* The City represents, covenants and warrants to the Authority and the Bond Insurer as follows:

- (a) Due Organization and Existence. The City is a municipal corporation duly organized and validly existing under the laws of the State of California, has full legal right, power and authority under said laws to enter into this Agreement and to carry out and consummate all transactions contemplated hereby and thereby, and by proper action the City Council of the City has duly authorized the execution and delivery of this Agreement.
- (b) Due Execution. The representatives of the City executing this Agreement are fully authorized to execute the same.
- (c) Valid, Binding and Enforceable Obligations. This Agreement has been duly authorized, executed and delivered by the City and constitutes the legal, valid and binding agreement of the City enforceable against the City in accordance with its terms; except as the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’

rights heretofore or hereafter enacted and except as such enforceability may be subject to the exercise of judicial discretion in accordance with principles of equity.

- (d) No Conflicts. The execution and delivery of this Agreement, the consummation of the transactions herein contemplated and the fulfillment of or compliance with the terms and conditions hereof, do not and will not conflict with or constitute a violation or breach of or default (with due notice or the passage of time or both) under any applicable law or administrative rule or regulation, or any applicable court or administrative decree or order, or any indenture, mortgage, deed of trust, lease, contract or other agreement or instrument to which the City is a party or by which it or its properties are otherwise subject or bound, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the City, which conflict, violation, breach, default, lien, charge or encumbrance would have consequences that would materially adversely affect the consummation of the transactions contemplated by this Agreement or the financial condition, assets, properties or operations of the City, including but not limited to the performance of the City's obligations under this Agreement.
- (e) Consents and Approvals. No consent or approval of any trustee or holder of any indebtedness of the City or of the voters of the City, and no consent, permission, authorization, order or license of, or filing or registration with, any governmental authority is necessary in connection with the execution and delivery of this Agreement, or the consummation of any transaction herein contemplated, except as have been obtained or made and as are in full force and effect.
- (f) No Litigation. There is no action, suit, proceeding, inquiry or investigation before or by any court or federal, state, municipal or other governmental authority pending or, to the knowledge of the City after reasonable investigation, threatened against or affecting the City or the assets, properties or operations of the City which, if determined adversely to the City or its interests, would have a material and adverse effect upon the consummation of the transactions contemplated by or the validity of this Agreement, or upon the financial condition, assets, properties or operations of the City, and the City is not in default with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default might have consequences that would materially adversely affect the consummation of the transactions contemplated by this Agreement, or the financial conditions, assets, properties or operations of the City, including but not limited to the payment and performance of the City's obligations under this Agreement.
- (g) Prior Indebtedness. The City has not issued or incurred any obligations which are currently outstanding having any priority in

payment out of the Gross Revenues or the Net Revenues over the payment of the Installment Payments as provided herein.

SECTION 2.2. *Representations, Covenants and Warranties of Authority.* The Authority represents, covenants and warrants to the City and the Bond Insurer as follows:

- (a) Due Organization and Existence. The Authority is a joint exercise of powers authority organized and existing under the laws of the State of California, and has power to enter into this Agreement and the Indenture and to perform the duties and obligations imposed on it hereunder and thereunder. The Board of Directors of the Authority has duly authorized the execution and delivery of this Agreement and the Indenture.
- (b) Due Execution. The representatives of the Authority executing this Agreement and the Indenture are fully authorized to execute the same.
- (c) Valid, Binding and Enforceable Obligations. This Agreement and the Indenture have been duly authorized, executed and delivered by the Authority and constitute the legal, valid and binding agreements of the Authority with the Authority, enforceable against the Authority in accordance with their respective terms; except as the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and except as such enforceability may be subject to the exercise of judicial discretion in accordance with principles of equity.
- (d) No Conflicts. The execution and delivery hereof and of the Indenture, the consummation of the transactions herein and therein contemplated and the fulfillment of or compliance with the terms and conditions hereof and thereof, do not and will not conflict with or constitute a violation or breach of or default (with due notice or the passage of time or both) under any applicable law or administrative rule or regulation, or any applicable court or administrative decree or order, or any indenture, mortgage, deed of trust, lease, contract or other agreement or instrument to which the Authority is a party or by which it or its properties are otherwise subject or bound, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the Authority, which conflict, violation, breach, default, lien, charge or encumbrance would have consequences that would materially adversely affect the consummation of the transactions contemplated hereby and by the Indenture or the financial condition, assets, properties or operations of the Authority, including but not limited to the performance of the Authority's obligations under this Agreement and the Indenture.
- (e) Consents and Approvals. No consent or approval of any trustee or holder of any indebtedness of the Authority, and no consent,

permission, authorization, order or license of, or filing or registration with, any governmental authority is necessary in connection with the execution and delivery hereof or of the Indenture, or the consummation of any transaction herein or therein contemplated, except as have been obtained or made and as are in full force and effect.

- (f) No Litigation. There is no action, suit, proceeding, inquiry or investigation before or by any court or federal, state, municipal or other governmental authority pending or, to the knowledge of the Authority after reasonable investigation, threatened against or affecting the Authority or the assets, properties or operations of the Authority which, if determined adversely to the Authority or its interests, would have a material and adverse effect upon the consummation of the transactions contemplated by or the validity of this Agreement or the Indenture, or upon the financial condition, assets, properties or operations of the Authority, and the Authority is not in default with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default might have consequences that would materially adversely affect the consummation of the transactions contemplated by this Agreement or the Indenture or the financial conditions, assets, properties or operations of the Authority, including but not limited to the performance of the Authority's obligations hereunder and under the Indenture.

## **ARTICLE III**

### **ISSUANCE OF BONDS;**

SECTION 3.1. *The Bonds.* The Authority shall cause the Bonds to be issued under the Indenture in the aggregate principal amount of \$[Principal Amount]. The Trustee shall deposit the proceeds of sale of the Bonds received by it on the Closing Date in accordance with the Indenture. The City hereby approves the Indenture, the assignment thereunder to the Trustee of certain rights of the Authority, and the issuance of the Bonds.

SECTION 3.2. *Deposit and Application of Funds.* The proceeds received by the Trustee from the sale of the Bonds to the Original Purchaser will be deposited in the respective funds and accounts, and in the respective amounts, as set forth in Section 3.01 of the Indenture.

## ARTICLE IV

### SALE OF PROJECT; INSTALLMENT PAYMENTS

SECTION 4.1. *Sale of Project.* The Authority hereby sells the Project to the City, and the City hereby purchases the Project from the Authority, upon the terms and conditions set forth in this Agreement.

SECTION 4.2. *Term.* The Term of this Agreement commences on the Closing Date, and ends on December 1, 2036, or such later or earlier date on which the Bonds cease to be Outstanding under and within the meaning of the Indenture. Notwithstanding the foregoing provisions of this Section 4.2, the Term of this Agreement will not end so long as any amounts are owed to the Bond Insurer with respect to the Bond Insurance Policy.

SECTION 4.3. *Title.* Title to the Project, and each component thereof, will be deemed conveyed by the Authority to and vested in the City upon the completion of the acquisition, construction and installation thereof. The Authority and the City will execute, deliver and cause to be recorded any and all documents reasonably required by the City to consummate the transfer of title to the Project.

#### SECTION 4.4. *Installment Payments.*

(a) Obligation to Pay. The City hereby agrees to pay to the Authority, as the purchase price of the Project hereunder, the aggregate principal amount of \$[Principal Amount] together with interest (calculated on the basis of a 360-day year of twelve 30-day months) on the unpaid principal balance thereof, payable in semiannual Installment Payments in the respective amounts and on the respective Interest Payment Dates specified in Appendix A.

The City shall deposit the Installment Payment coming due and payable on any Interest Payment Date with the Trustee, as assignee of the Authority under the Indenture, on the related Installment Payment Date in an amount which, together with amounts then held by the Trustee in the Installment Payment Fund, is equal to the full amount of such Installment Payment. The Installment Payments are secured by and payable solely from the sources specified in Section 4.5.

Notwithstanding anything herein or in the Indenture to the contrary, amounts paid by the Bond Insurer under the Bond Insurance Policy do not relieve the City from its obligations hereunder to pay the Installment Payments when due.

(b) Effect of Prepayment. If the City prepays all remaining Installment Payments in full under Section 7.2 or Section 7.3, if applicable, the City's obligations under this Agreement will thereupon cease and terminate, including but not limited to the City's obligation to pay Installment Payments therefor under this Section 4.4; *provided, however*, that the City's obligations to compensate and indemnify the Trustee under Sections 4.8 and 5.2 will survive such prepayment. If the City prepays the Installment Payments in part but not in whole under Section 7.2 or Section 7.3, if applicable, the principal component of each succeeding Installment Payment will be reduced as provided in such Sections,

and the interest component of each remaining Installment Payment will be reduced by the aggregate corresponding amount of interest which would otherwise be payable with respect to the Bonds thereby redeemed under the applicable provisions of Section 4.01 of the Indenture.

(c) Rate on Overdue Payments. If the City fails to make any of the payments required under this Section 4.4 and Section 4.8, the payment in default will continue as an obligation of the City until fully paid, and the City agrees to pay the same with interest thereon, from the date of default to the date of payment, at the Overdue Rate.

(d) Assignment. Certain rights of the Authority, including but not limited to the right of the Authority to receive payment of the Installment Payments, have been assigned by the Authority to the Trustee in trust under the Indenture, for the benefit of the Bond Insurer and the Owners of the Bonds, and the City hereby consents to such assignment. The Authority hereby directs the City, and the City hereby agrees, to pay to the Trustee at its Trust Office, all payments payable by the City under this Section 4.4 and all amounts payable by the City under Article VII.

#### SECTION 4.5. *Pledge and Application of Net Revenues.*

(a) Pledge. The City hereby establishes a pledge of, lien on and security interest in all of the Net Revenues and all moneys on deposit in any of the funds and accounts established and held by the Trustee under the Indenture to secure the Installment Payments and any Parity Debt.

(b) Deposit of Net Revenues Into Wastewater Fund; Transfers to Make Payments. The City has previously established the Wastewater Fund, which the City will continue to hold and maintain for the purposes and uses set forth herein. The City shall deposit all of the Gross Revenues in the Wastewater Fund immediately upon receipt. Amounts on deposit in the Wastewater Fund will be applied by the City to pay when due the following amounts in the following order of priority:

- (i) all Operation and Maintenance Costs;
- (iii) the Installment Payments and all payments of principal of and interest on any Parity Debt;
- (v) to the Trustee the amount of any deficiency in any reserve fund established for Parity Debt, the notice of which deficiency has been to the City in accordance with the related Parity Debt Documents;
- (vi) any other payments required to comply with the provisions of this Agreement and any Parity Debt Documents; and
- (vii) any other purposes authorized under subsection (d) of this Section 4.5.

(c) No Preference or Priority. Payment of the Installment Payments and the principal of and interest on any Parity Debt will be made without preference or priority among the Installment Payments and such Parity Debt. If the amount of Net Revenues on deposit in the Wastewater Fund is any time insufficient to enable the City to pay when

due the Installment Payments and the principal of and interest on any Parity Debt, such payments will be made on a pro rata basis.

(d) Other Uses of Net Revenues Permitted. The City shall manage, conserve and apply the Net Revenues on deposit in the Wastewater Fund in such a manner that all deposits required to be made under the preceding subsection (b) will be made at the times and in the amounts so required. Subject to the foregoing sentence, so long as no Event of Default has occurred and is continuing, the City may use and apply moneys in the Wastewater Fund for (i) the payment of any subordinate obligations or any unsecured obligations, (ii) the acquisition and construction of improvements to the Wastewater System, (iii) the prepayment of any other obligations of the City relating to the Wastewater System, or (iv) any other lawful purposes of the City.

(e) Budget and Appropriation of Installment Payments. During the Term of this Agreement, the City shall adopt all necessary budgets and make all necessary appropriations of the Installment Payments from the Net Revenues. If any Installment Payment requires the adoption by the City of any supplemental budget or appropriation, the City shall promptly adopt the same. The covenants on the part of the City contained in this subsection (e) constitute duties imposed by law and it is the duty of each and every public official of the City to take such actions and do such things as are required by law in the performance of the official duty of such officials to enable the City to carry out and perform the covenants and agreements in this subsection (e).

SECTION 4.6. *Establishment of Rate Stabilization Fund.* The City has the right at any time to establish a fund to be held by it and administered in accordance with this Section 4.6, for the purpose of stabilizing the rates and charges imposed by the City with respect to the Wastewater System. From time to time the City may deposit amounts in the Rate Stabilization Fund, from any source of legally available funds, including but not limited to Net Revenues which are released from the pledge and lien which secures the Installment Payments and any Parity Debt, as the City may determine. The Rate Stabilization Fund shall be accounted for as a separate fund, although amounts credited to it may be commingled with other funds of the City.

The City may, but is not be required to, withdraw amounts on deposit in the Rate Stabilization Fund and deposit such amounts in the Wastewater Fund in any Fiscal Year for the purpose of paying the Installment Payments or the principal of and interest on any Parity Debt coming due and payable in such Fiscal Year. Amounts so transferred from the Rate Stabilization Fund to the Wastewater Fund in any Fiscal Year constitute Gross Revenues for that Fiscal Year (except as otherwise provided herein), and will be applied for the purposes of the Wastewater Fund. Amounts on deposit in the Rate Stabilization Fund are not pledged to and do not otherwise secure the Installment Payments or any Parity Debt. All interest or other earnings on deposits in the Rate Stabilization Fund will be retained therein or, at the option of the City, be applied for any other lawful purposes. The City has the right at any time to withdraw any or all amounts on deposit in the Rate Stabilization Fund and apply such amounts for any other lawful purposes of the City.

SECTION 4.7. *Special Obligation of the City; Obligations Absolute.* The City's obligation to pay the Installment Payments and any other amounts coming due and payable hereunder is a special obligation of the City limited solely to the Net Revenues. Under no circumstances is the City required to advance moneys derived from any source of income other than the Net Revenues and other sources specifically identified herein for

the payment of the Installment Payments and such other amounts. No other funds or property of the City are liable for the payment of the Installment Payments and any other amounts coming due and payable hereunder.

The obligations of the City to pay the Installment Payments from the Net Revenues and to perform and observe the other agreements contained herein are absolute and unconditional and are not subject to any defense or any right of set-off, counterclaim or recoupment arising out of any breach by the Authority or the Trustee of any obligation to the City or otherwise with respect to the Wastewater System, whether hereunder or otherwise, or out of indebtedness or liability at any time owing to the City by the Authority or the Trustee. Until all of the Installment Payments, all of the Additional Payments and all other amounts coming due and payable hereunder are fully paid or prepaid, the City (a) will not suspend or discontinue payment of any Installment Payments, Additional Payments or such other amounts, (b) will perform and observe all other agreements contained in this Agreement, and (c) will not terminate this Agreement for any cause, including, without limiting the generality of the foregoing, the occurrence of any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, destruction of or damage to the Wastewater System, failure to complete the acquisition and construction of the Project by the estimated completion date thereof, sale of the Wastewater System, the taking by eminent domain of title to or temporary use of any component of the Wastewater System, commercial frustration of purpose, any change in the tax or law other laws of the United States of America or the State of California or any political subdivision of either thereof or any failure of the Authority or the Trustee to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with the Indenture or this Agreement.

The foregoing provisions of this Section 4.7 do not release the Authority from the performance of any of the agreements on its part contained herein or in the Indenture, and if the Authority fails to perform any such agreements, the City may institute such action against the Authority as the City deems necessary to compel performance, so long as such action does not abrogate the obligations of the City contained in the preceding paragraph. The City may, however, at its cost and expense and in its name or in the name of the Authority, prosecute or defend any action or proceeding or take any other action involving third persons which the City deems reasonably necessary in order to secure or protect the City's rights hereunder, and in such event the Authority shall cooperate fully with the City and shall take such action necessary to effect the substitution of the City for the Authority in such action or proceeding if the City may request.

SECTION 4.8. *Additional Payments.* In addition to the Installment Payments, the City shall pay when due the following amounts to the following parties:

- (a) to the Authority, all costs and expenses incurred by the Authority to comply with the provisions of this Agreement and the Indenture; and
- (b) to the Trustee upon request therefor, all of its costs and expenses payable as a result of the performance of and compliance with its duties hereunder or under the Indenture or any related documents;
- (c) to the Authority and the Trustee, all amounts required to indemnify the Authority and the Trustee under Section 5.2 hereof and Section 8.07 of the Indenture;

- (d) all costs and expenses of auditors, engineers and accountants for professional relating to the Wastewater System or the Bonds; and
- (e) all Excess Investment Earnings payable under Section 5.12(e).

The Additional Payments are payable from, but are not secured by a pledge or lien upon, the Net Revenues. The rights of the Trustee and the Authority under this Section 4.8, and the obligations of the City under this Section 4.8, shall survive the termination of this Agreement.

## **ARTICLE V**

### **COVENANTS OF THE CITY**

SECTION 5.1. *Disclaimer of Warranties.* The Trustee makes no warranty or representation, either express or implied, as to the value, design, condition, merchantability or fitness for any particular purpose or fitness for the use contemplated by the City of the Project or any component thereof, or any other representation or warranty with respect to the Project or any component thereof. In no event is the Authority liable for incidental, indirect, special or consequential damages, in connection with or arising out of this Agreement or the Indenture for the existence, furnishing, functioning or use of the Project.

SECTION 5.2. *Release and Indemnification Covenants.* The City agrees to indemnify the Authority, the Trustee and the Bond Insurer, and their respective officers, agents, successors and assigns, against all claims, losses and damages, including legal fees and expenses, arising out of (a) the use, maintenance, condition or management of, or from any work or thing done on or about the Wastewater System by the City, (b) any breach or default on the part of the City in the performance of any of its obligations under this Agreement or the Indenture, (c) any act or omission of the City or of any of its agents, contractors, servants, employees or licensees with respect to the Wastewater System, and (d) any act or omission of any lessee of the City with respect to the Wastewater System. No indemnification is made under this Section 5.2 or elsewhere in this Agreement for willful misconduct or negligence under this Agreement by the Authority, the Trustee or the Bond Insurer, or their respective officers, agents, employees, successors or assigns. The provisions of this Section 5.2 shall survive the expiration of the Term of this Agreement.

SECTION 5.3. *Sale or Eminent Domain of Wastewater System.*

(a) Except as provided herein, the City covenants that the Wastewater System will not be encumbered, sold, leased, pledged, any charge placed thereon, or otherwise disposed of, as a whole or substantially as a whole if such encumbrance, sale, lease, pledge, charge or other disposition would materially impair the ability of the City to pay the Installment Payments or the principal of or interest on any Parity Debt, or would materially adversely affect its ability to comply with the terms of this Agreement or any Parity Debt Documents. The City may not enter into any agreement which impairs the operation of the Wastewater System or any part of it necessary to secure adequate Net Revenues to

pay the Installment Payments or any Parity Debt, or which otherwise would impair the rights of the Owners of the Bonds or the Trustee with respect to the Net Revenues. If any substantial part of the Wastewater System is sold, the payment therefor must either be applied by the City in a manner that, in the opinion of Bond Counsel, will not adversely impact the tax-exempt status of the interest on the Bonds.

(b) If all or any part of the Wastewater System shall be taken by eminent domain proceedings, any amounts received as awards shall be deposited in an Insurance and Condemnation Fund established and held by the City and applied as follows:

(i) If the City has determined that it needs to use the award to make additions, betterments, extensions or improvements to the Wastewater System in order for the City to comply with Section 5.12, the City shall use such award to make such additions, betterments, extensions or improvements. If the amount of such award shall exceed the costs of such additions, betterments, extensions or improvements that are required for the City to comply with Section 5.12, the excess shall be applied to any lawful purpose of the Wastewater System, including (i) the payment of Installment Payments and payments on any Parity Debt, (ii) the prepayment or discharge of Installment Payments and payments on any Parity Debt as provided in Article VII and similar provisions of Parity Debt Documents and (iii) the payment of capital costs of improvements to the Wastewater System.

(ii) If the City has determined that it does not need to use the award to make additions, betterments, extensions or improvements to the Wastewater System in order for the City to comply with Section 5.12, the City shall use such award for any lawful purpose of the Wastewater System, including (i) the payment of Installment Payments and payments on any Parity Debt, (ii) the prepayment or discharge of Installment Payments and payments on any Parity Debt as provided in Article VII and similar provisions of Parity Debt Documents and (iii) the payment of capital costs of improvements to the Wastewater System.

(iii) Notwithstanding the foregoing, to the extent the award relates to improvements financed by the Bonds, until such time as the Bonds have been redeemed or paid at maturity, (i) any use of such related award shall comply with Section 5.12, (ii) such related award may not pay debt service on or prepay, discharge or redeem any Parity Debt, (iii) if such related award will be used to pay debt service on or prepay, discharge or redeem the Installment Payments and the Bonds, they cannot be invested at a yield that is greater than the arbitrage yield of the Bonds and (iv) if the Bonds are refunded by tax-exempt refunding bonds ("Refunding Bonds"), such related award in the Insurance and Condemnation Fund shall be transferred to an insurance and condemnation fund established for the Refunding Bonds and used for purposes not inconsistent with Section 5.12.

#### SECTION 5.4. *Insurance.*

(a) The City will at all times maintain with responsible insurers all such insurance on the Wastewater System as is customarily maintained with respect to works and properties of like character against accident to, loss of or damage to the Wastewater System. All amounts collected from insurance against accident to or destruction of any portion of the Wastewater System shall be deposited in an Insurance and Condemnation Fund established and held by the City and applied as follows:

(i) If the City has determined that it needs to use the insurance proceeds to make additions, betterments, extensions or improvements to the Wastewater System in order for the City to comply with Section 5.12, the City shall use such insurance proceeds to make such additions, betterments, extensions or improvements. If the amount of such insurance proceeds shall exceed the costs of such additions, betterments, extensions or improvements that are required for the City to comply with Section 5.12, the excess shall be applied to any lawful purpose of the Wastewater System, including (i) the payment of Installment Payments and payments on any Parity Debt, (ii) the prepayment or discharge of Installment Payments and payments on any Parity Debt as provided in Article VII and similar provisions of Parity Debt Documents and (iii) the payment of capital costs of improvements to the Wastewater System.

(ii) If the City has determined that it does not need to use the insurance proceeds to make additions, betterments, extensions or improvements to the Wastewater System in order for the City to comply with Section 5.12, the City shall use such award for any lawful purpose of the Wastewater System, including (i) the payment of Installment Payments and payments on any Parity Debt, (ii) the prepayment or discharge of Installment Payments and payments on any Parity Debt as provided in Article VII and similar provisions of Parity Debt Documents and (iii) the payment of capital costs of improvements to the Wastewater System.

(iii) Notwithstanding the foregoing, to the extent the insurance proceeds relate to improvements financed by the Bonds, until such time as the Bonds have been redeemed or paid at maturity, (i) any use of such related insurance proceeds shall comply with Section 5.12, (ii) such related insurance proceeds may not pay debt service on or prepay, discharge or redeem any Parity Debt, (iii) if such related insurance proceeds will be used to pay debt service on or prepay, discharge or redeem the Installment Payments and the Bonds, they cannot be invested at a yield that is greater than the arbitrage yield of the Bonds and (iv) if the Bonds are refunded by tax-exempt refunding bonds ("Refunding Bonds"), such related insurance proceeds in the Insurance and Condemnation Fund shall be transferred to an insurance and condemnation fund established for the Refunding Bonds and used for purposes not inconsistent with Section 5.12 of the Trust Agreement.

(b) The City will also maintain, with responsible insurers, worker's compensation insurance and insurance against public liability and property damage to the extent reasonably necessary to protect the City, the Corporation, the Trustee and the Owners of the Bonds.

(c) Any policy of insurance required under this Section 5.4 may be maintained as part of or in conjunction with any other insurance coverage carried by the City, and may be maintained in whole or in part in the form of self-insurance by the City or in the form of the participation by the City in a joint powers agency or other program providing pooled insurance.

SECTION 5.5. *Records and Accounts.* The City shall keep proper books of record and accounts of the Wastewater System in which complete and correct entries are made of all transactions relating to the Wastewater System. Said books shall, upon prior request, be subject to the reasonable inspection of the Owners of not less than 10% of

the Outstanding Bonds, or their representatives authorized in writing, upon not less than 2 Business Days' prior notice to the City.

The City shall cause the books and accounts of the Wastewater System to be audited annually by an Independent Accountant not more than nine months after the close of each Fiscal Year, and shall make a copy of such report available for inspection by the Bond Owners at the office of the City and at the Trust Office of the Trustee. Such report may be part of a combined financial audit or report covering all or part of the City's finances.

SECTION 5.6. *Rates and Charges.* The City shall fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Wastewater System during each Fiscal Year which are sufficient to yield Net Revenues which are at least equal to 120% of the amount of Installment Payments and all payments of principal of and interest on any Parity Debt coming due and payable during the Fiscal Year. For purposes of this Section, the amount of Net Revenues for a Fiscal Year will be computed by including in Gross Revenues all Connection Charges received in the Fiscal Year and all amounts transferred into the Wastewater Fund from the Rate Stabilization Fund during the Fiscal Year.

SECTION 5.7. *Superior and Subordinate Obligations.* The City may not issue or incur any additional bonds or other obligations during the Term of this Agreement having any priority in payment of principal or interest out of the Gross Revenues or the Net Revenues over the Installment Payments. Nothing herein limits or affects the ability of the City to issue or incur (a) Parity Debt under Section 5.8, or (b) obligations which are either unsecured or which are secured by an interest in the Net Revenues which is junior and subordinate to the pledge of and lien upon the Net Revenues established hereunder.

SECTION 5.8. *Issuance of Parity Debt.* Except for obligations incurred to prepay or discharge the Installment Payments or any Parity Debt, the City may not issue or incur any Parity Debt during the Term hereof unless all of the following conditions are satisfied:

- (a) No Event of Default has occurred and is continuing.
- (b) The Net Revenues, calculated in accordance with sound accounting principles, as shown by the books of the City for the latest Fiscal Year or as shown by the books of the City for any more recent 12 month period selected by the City, in either case verified by a certificate or opinion of an Independent Accountant employed by the City, plus (at the option of the City) any or all of the Additional Revenues, are at least equal to 120% of the amount of Maximum Annual Debt Service after the issuance of such Parity Debt. For purposes of computing such Net Revenues, the amount of Gross Revenues may not include any amounts transferred from a Rate Stabilization Fund to the Wastewater Fund.
- (c) The trustee or fiscal agent for such Parity Debt is the same entity performing the functions of Trustee under the Indenture.
- (d) The City must deliver to the Trustee and the Bond Insurer a Written Certificate of the City certifying that the conditions precedent to the

issuance of such Parity Debt set forth in this Section 5.8 have been satisfied.

SECTION 5.9. *Operation of Wastewater System in Efficient and Economical Manner.* The City covenants and agrees to operate the Wastewater System in an efficient and economical manner and to operate, maintain and preserve the Wastewater System in good repair and working order.

SECTION 5.13. *Continuing Disclosure.* The City hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of this Agreement, failure of the City to comply with the Continuing Disclosure Certificate does not constitute an Event of Default. However, any Participating Underwriter (as that term is defined in the Continuing Disclosure Certificate) or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate to compel the City to perform its obligations under the Continuing Disclosure Certificate, including seeking mandate or specific performance by court order.

SECTION 5.11. *Assignment and Amendment Hereof.* The Authority and the City may at any time amend or modify any of the provisions of this Agreement, but only: (a) with the prior written consents of the Bond Insurer and the Owners of a majority in aggregate principal amount of the Outstanding Bonds; or (b) with the prior written consent of the Bond Insurer but without the consent of the Trustee or any of the Bond Owners, but only if such amendment or modification is for any one or more of the following purposes:

- (i) to add to the covenants and agreements of the City contained in this Agreement, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power herein reserved to or conferred upon the City;
- (ii) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained herein, to conform to the original intention of the City and the Authority;
- (iii) to modify, amend or supplement this Agreement in such manner as to assure that the interest on the Bonds remains excluded from gross income under the Tax Code;
- (iv) in any other respect whatsoever as the Authority and the City deem necessary or desirable, if in the opinion of Bond Counsel such modifications or amendments do not materially adversely affect the interests of the Owners of the Bonds.

No such modification or amendment may (a) extend or have the effect of extending any Installment Payment Date or reducing any Installment Payment or any premium payable upon the prepayment thereof, without the express consent of the Owners of the affected Bonds, or (b) modify any of the rights or obligations of the Trustee without its written assent thereto.

SECTION 5.12. *Tax Covenants.*

(a) Private Business Use Limitation. The City shall assure that the proceeds of the Bonds are not used in a manner which would cause the Bonds to satisfy the private business tests of Section 141(b) of the Tax Code or the private loan financing test of Section 141(c) of the Tax Code.

(b) Federal Guarantee Prohibition. The City may not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Tax Code.

(c) No Arbitrage. The City may not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the proceeds of the Bonds or of any other obligations which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date, would have caused the Bonds to be “arbitrage bonds” within the meaning of Section 148(a) of the Tax Code.

(d) Maintenance of Tax Exemption. The City shall take all actions necessary to assure the exclusion of interest on the Bonds from the gross income of the Owners of the Bonds to the same extent as such interest is permitted to be excluded from gross income under the Tax Code as in effect on the Closing Date.

(e) Rebate of Excess Investment Earnings to United States. The City shall calculate or cause to be calculated the Excess Investment Earnings in all respects at the times and in the manner required under the Tax Code. The City shall pay the full amount of Excess Investment Earnings to the United States of America in such amounts, at such times and in such manner as may be required under the Tax Code. Such payments shall be made by the City from any source of legally available funds of the City, and shall constitute Additional Rental Payments hereunder.

The City shall keep or cause to be kept, and retain or cause to be retained for a period of six years following the retirement of the Bonds, records of the determinations made under this subsection (e). In order to provide for the administration of this subsection (e), the City may provide for the employment of independent attorneys, accountants and consultants compensated on such reasonable basis as the City may deem appropriate. The Trustee has no duty or obligation to monitor or enforce compliance by the City of any of the requirements under this subsection (e).

(f) Record-Keeping. The City will retain its records of all accounting and monitoring it carries out with respect to the Bonds for at least 3 years after the Bonds mature or are redeemed (whichever is earlier); however, if the Bonds are redeemed and refunded, the City will retain its records of accounting and monitoring at least 3 years after the earlier of the maturity or redemption of the obligations that refunded the Bonds.

(g) Compliance with Tax Certificate. The City will comply with the provisions of the Certificate as to Arbitrage and the Certificate Regarding Use of Proceeds with respect to the Bonds, which are incorporated herein as if fully set forth herein. The covenants of this subsection will survive payment in full or defeasance of the Bonds.

## ARTICLE VI

### EVENTS OF DEFAULT

SECTION 6.1. *Events of Default Defined.* The following events constitute Events of Default hereunder:

- (a) Failure by the City to pay any Installment Payment when due and payable hereunder.
- (b) Failure by the City to pay any Additional Payment when due and payable hereunder, and the continuation of such failure for a period of 30 days.
- (c) Failure by the City to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in the preceding clauses (a) or (b), for a period of 30 days after written notice specifying such failure and requesting that it be remedied has been given to the City by the Authority, the Bond Insurer or the Trustee; *provided, however*, that if the City notifies the Authority and the Trustee that in its reasonable opinion the failure stated in the notice can be corrected, but not within such 30-day period, such failure will not constitute an event of default hereunder if the City commences to cure such failure within such 30 day period and thereafter diligently and in good faith cures the failure in a reasonable period of time.
- (d) The filing by the City of a voluntary petition in bankruptcy, or failure by the City promptly to lift any execution, garnishment or attachment, or adjudication of the City as a bankrupt, or assignment by the City for the benefit of creditors, or the entry by the City into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the City in any proceedings instituted under the provisions of the Federal Bankruptcy Code, as amended, or under any similar acts which may hereafter be enacted.

For purposes of determining whether any Event of Default has occurred under and as described in the preceding clause (a), no effect will be given to payments made by the Bond Insurer under the Bond Insurance Policy.

SECTION 6.2. *Remedies on Default.* If an Event of Default occurs and is continuing, the Trustee as assignee of the Authority has the right, at its option and without any further demand or notice, to take any one or more of the following actions:

- (a) Declare all principal components of the unpaid Installment Payments, together with accrued interest thereon at the Overdue Rate from the immediately preceding Interest Payment Date on which payment was made, to be immediately due and payable, whereupon the same shall immediately become due and payable.

The Trustee shall rescind and annul such declaration and its consequences if, before any judgment or decree for the payment of the moneys due has been obtained or entered, (i) the City deposits with the Trustee a sum sufficient to pay all principal components of the Installment Payments coming due prior to such declaration and all matured interest components (if any) of the Installment Payments, with interest on such overdue principal and interest components calculated at the Overdue Rate, and (ii) the City pays the reasonable expenses of the Trustee (including any fees and expenses of its attorneys), and (iii) any and all other defaults known to the Trustee (other than in the payment of the principal and interest components of the Installment Payments due and payable solely by reason of such declaration) have been made good. No such rescission and annulment will extend to or shall affect any subsequent default, or impair or exhaust any right or power consequent thereon.

- (b) Take whatever action at law or in equity may appear necessary or desirable to collect the Installment Payments then due or thereafter to become due during the Term of this Agreement, or enforce performance and observance of any obligation, agreement or covenant of the City under this Agreement.
- (c) As a matter of right, in connection with the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and the Bond Owners hereunder, cause the appointment of a receiver or receivers of the Gross Revenues and other amounts pledged hereunder, with such powers as the court making such appointment may confer.

SECTION 6.3. *No Remedy Exclusive.* No remedy herein conferred upon or reserved to the Authority is intended to be exclusive. Every such remedy is cumulative and in addition to every other remedy given under this Agreement or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default impairs any such right or power or operates as a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Authority to exercise any remedy reserved to it in this Article VI, it is not necessary to give any notice, other than such notice as may be required in this Article VI or by law.

SECTION 6.4. *Agreement to Pay Attorneys' Fees and Expenses.* If either party to this Agreement defaults under any of the provisions hereof and the nondefaulting party, the Trustee or the Owner of any Bonds employs attorneys or incurs other expenses for the collection of moneys or the enforcement or performance or observance of any obligation or agreement on the part of the defaulting party herein contained, the defaulting party agrees that it will on demand therefor pay to the nondefaulting party, the Trustee or such Owner, as the case may be, the reasonable fees of such attorneys and such other expenses so incurred. The provisions of this Section 6.4 survive the expiration of the Term of this Agreement.

SECTION 6.5. *No Additional Waiver Implied by One Waiver.* If any agreement contained in this Agreement is breached by either party and thereafter waived by the other party, such waiver is limited to the particular breach so waived and does not waive any other breach hereunder.

SECTION 6.6. *Trustee, Bond Insurer and Bond Owners to Exercise Rights.* Such rights and remedies as are given to the Authority under this Article VI have been assigned by the Authority to the Trustee under the Indenture, to which assignment the City hereby consents. Such rights and remedies will be exercised by the Trustee, the Bond Insurer and the Owners of the Bonds as provided in the Indenture.

## ARTICLE VII

### PREPAYMENT OF INSTALLMENT PAYMENTS

SECTION 7.1. *Security Deposit.* Notwithstanding any other provision hereof, the City may on any date secure the payment of Installment Payments, in whole or in part, by irrevocably depositing with the Trustee an amount of cash which, together with other available amounts, is either:

- (a) sufficient to pay all such Installment Payments, including the principal and interest components thereof, when due under Section 4.4(a), or
- (b) invested in whole or in part in non-callable Federal Securities in such amount as will, in the opinion of an Independent Accountant (which opinion is addressed and delivered to the Trustee and the Bond Insurer), together with interest to accrue thereon and together with any cash which is so deposited, be fully sufficient to pay all such Installment Payments when due under Section 4.4(a) or when due on an optional prepayment date under Section 7.2 (if any), as the City instructs at the time of said deposit.

If the City makes a security deposit under this Section for the payment of all remaining Installment Payments, all obligations of the City hereunder, and the pledge of Net Revenues and all other security provided by this Agreement for said obligations, will thereupon cease and terminate, excepting only the obligation of the City to make, or cause to be made, all Installment Payments from the security deposit. The security deposit will be deemed to be and will constitute a special fund for the payment of the Installment Payments in accordance with the provisions hereof.

Payments made by the Bond Insurer under the Bond Insurance Policy will not be considered in determining whether the City has paid and discharged any or all of the Installment Payments under the preceding provisions of this Section 7.1.

SECTION 7.2. *No Optional Prepayment.* The City has no right to prepay the Installment Payments so as to cause a redemption of the Bonds. Nothing in this Section 7.2 shall limit the City's rights under Section 7.1.

SECTION 7.3. *Credit for Amounts on Deposit.* If the City prepays the Installment Payments in full under this Article VII, such that the Indenture is discharged by its terms as a result of the prepayment, and upon payment in full of all Additional Payments and other amounts then due and payable hereunder, all available amounts then on deposit in the funds and accounts established under the Indenture will be credited towards the amounts then required to be so prepaid.

## ARTICLE VIII

### MISCELLANEOUS

SECTION 8.1. *Further Assurances.* The City agrees that it will execute and deliver any and all such further agreements, instruments, financing statements or other assurances as may be reasonably necessary or requested by the Authority, the Bond Insurer or the Trustee to carry out the intention or to facilitate the performance of this Agreement, including, without limitation, to perfect and continue the security interests herein intended to be created.

SECTION 8.2. . Any notice, request, complaint, demand or other communication under this Agreement must be given by first class mail or personal delivery to the party entitled thereto at its address set forth below, or by telecopier or other form of telecommunication, at its number set forth below. Notice is effective either (a) upon transmission by fax or other form of telecommunication, (b) upon actual receipt after deposit in the United States of America mail, postage prepaid, or (c) in the case of personal delivery to any person, upon actual receipt. The Authority, the City, the Trustee or the Bond Insurer may, by written notice to the other parties, from time to time modify the address or number to which communications are to be given hereunder.

*If to the City  
or the Authority:*

City of Tracy  
333 Civic Center Plaza  
Tracy, California 95376  
Attention: Finance Director  
Fax: 209-831-6439

*If to the Trustee:*

U.S. Bank Trust Company, National Association  
Attn.: Global Corporate Trust Services  
One California Street, Suite 1000  
San Francisco, CA 94111  
Fax: 415-677-3768

*If to the Bond Insurer:*

[to come]

The City shall give the Bond Insurer a copy of any notice required to be delivered hereunder to Bond Owners at the address set forth in this Section 8.2.

SECTION 8.3. *Governing Law.* This Agreement will be construed in accordance with and governed by the laws of the State of California.

SECTION 8.4. *Binding Effect.* This Agreement inures to the benefit of and is binding upon the Authority, the City, the Bond Insurer and their respective successors and assigns, subject, however, to the limitations contained herein.

SECTION 8.5. *Severability of Invalid Provisions.* If any one or more of the provisions contained in this Agreement are for any reason held to be invalid, illegal or unenforceable in any respect, then such provision or provisions will be deemed severable from the remaining provisions contained in this Agreement and such invalidity, illegality or unenforceability will not affect any other provision of this Agreement, and this Agreement will be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The Authority and the City each hereby declares that it would have entered into this Agreement and each and every other Section, paragraph, sentence, clause or phrase hereof irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses or phrases of this Agreement may be held illegal, invalid or unenforceable.

SECTION 8.6. *Article and Section Headings and References.* The headings or titles of the several Articles and Sections hereof, and any table of contents appended to copies hereof, are solely for convenience of reference and do not affect the meaning, construction or effect of this Agreement. All references herein to "Articles," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Agreement; the words "herein," "hereof," "hereby," "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section or subdivision hereof; and words of the masculine gender mean and include words of the feminine and neuter genders.

SECTION 8.7. *Payment on Non-Business Days.* Whenever any payment is required to be made hereunder on a day which is not a Business Day, such payment will be made on the immediate preceding Business Day.

SECTION 8.8. *Execution of Counterparts.* This Agreement may be executed in any number of counterparts, each of which will for all purposes be deemed to be an original and all of which together constitute but one and the same instrument.

SECTION 8.9. *Waiver of Personal Liability.* No member of the City Council, officer, agent or employee of the City has any individual or personal liability for the payment of Installment Payments or Additional Payments or be subject to any personal liability or accountability by reason of this Agreement; but nothing herein contained relieves any such member of the City Council, officer, agent or employee from the performance of any official duty provided by law or by this Agreement.

SECTION 8.10. *Trustee and Bond Insurer as Third Party Beneficiaries.* The Trustee and the Bond Insurer are hereby made a third party beneficiaries hereof and are entitled to the benefits of this Agreement with the same force and effect as if the Trustee and Bond Insurer were a party hereto.

IN WITNESS WHEREOF, the Authority and the City have caused this Agreement to be executed in their respective names by their duly authorized officers, all as of the date first above written.

**TRACY PUBLIC FINANCING  
AUTHORITY, as Seller**

By \_\_\_\_\_  
Treasurer

ATTEST:

By \_\_\_\_\_  
Secretary

**CITY OF TRACY, as Purchaser**

By \_\_\_\_\_  
City Manager

ATTEST:

By \_\_\_\_\_  
City Clerk

## APPENDIX A

### SCHEDULE OF INSTALLMENT PAYMENTS

<u>Installment Payment Date<sup>(1)</sup></u>	<u>Principal Component</u>	<u>Interest Component</u>	<u>Total Payment</u>
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- (1) Installment Payment Dates are the fifth (5<sup>th</sup>) Business Day immediately preceding each Interest Payment Date shown in the table.

## **APPENDIX B**

### **DESCRIPTION OF PROJECT**

The Project consists of an upgrade of the City's Wastewater Treatment Plant (the "WWTP") that enabled the WWTP to meet new regulatory and treatment requirements, and expanded the WWTP's capacity to 10.8 mgd from 10 mgd.

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# INDENTURE OF TRUST

Dated as of May 1, 2026

between

**U.S. BANK TRUST COMPANY, N.A.,**  
*as Trustee*

and the

**TRACY PUBLIC FINANCING AUTHORITY**

Authorizing the Issuance of

**[\$[Principal Amount]**  
**Tracy Public Financing Authority**  
**Wastewater Revenue Refunding Bonds, Series 2026**

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## INDENTURE OF TRUST

This INDENTURE OF TRUST (this “Indenture”), dated for convenience as of May 1, 2026, is between the TRACY PUBLIC FINANCING AUTHORITY, a joint exercise of powers authority organized and existing under the laws of the State of California (the “Authority”), and U.S. BANK TRUST COMPANY, N.A., a national banking association organized and existing under the laws of the United States of America, with a corporate trust office in San Francisco, California, being qualified to accept and administer the trusts hereby created (the “Trustee”).

### *BACKGROUND:*

1. The City owns and operates facilities and property for the collection, treatment and disposal of wastewater within the service area of the City (the “Wastewater System”).

2. The Authority has been formed for the purpose of assisting the City with its financing programs.

3. The City previously caused to be executed and delivered Certificates of Participation (2004 Wastewater Treatment Plant Upgrade) in an aggregate principal amount of \$30,955,000 (the “2004 Certificates”) pursuant to a Trust Agreement, dated as of April 1, 2004 (the “2004 Trust Agreement”), by and among, the City the City of Tracy Public Facilities Corporation (the “Corporation”) and The Bank of New York Mellon Trust Company, N.A. (the “2004 Trustee”), for the purpose of financing improvements to the City’s wastewater treatment plant (the “Project”).

The 2004 Certificates evidence direct, undivided fractional interests in installment payments (the “2004 Installment Payments”) payable by the City under an Installment Sale Agreement, dated as of April 1, 2004, between the Corporation and the City (the “2004 Installment Sale Agreement”).

The City has determined that it will receive economic benefit by refinancing the 2004 Installment Sale Agreement and causing prepayment of the 2004 Certificates.

4. In order to provide revenues which are sufficient to refinance the 2004 Installment Sale Agreement, the Authority proposes to sell the Project to the City under an Installment Sale Agreement, dated as of May 1, 2026 (the “Installment Sale Agreement”), for a purchase price to be paid by the City in semiannual installments (the “Installment Payments”).

5. The Authority will raise funds to refinance the 2004 Installment Sale Agreement by issuing its Tracy Public Financing Authority Wastewater Revenue Refunding Bonds, Series 2026 in the aggregate principal amount of \$[Principal Amount] (the “Bonds”) that are payable from revenues consisting primarily of the Installment Payments payable by the City under (i) this Indenture and (ii) Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Division 5 of the California Government Code (the “Bond Law”).

6. The obligations of the City under the Installment Sale Agreement are secured by a pledge of and lien on the net revenues of the Wastewater System.

7. The payment of principal of and interest on the Bonds will be insured by a policy of municipal bond insurance issued by \_\_\_\_\_ (the "Bond Insurer").

8. In order to provide for the authentication and delivery of the Bonds, to establish and declare the terms and conditions upon which the Bonds are to be issued and to secure the payment of the principal thereof, premium (if any) and interest thereon, the Authority has authorized the execution and delivery of this Indenture.

9. The Authority has found and determines, and hereby affirms, that all acts and proceedings required by law necessary to make the Bonds, when executed by the Authority, authenticated and delivered by the Trustee and duly issued, the valid, binding and legal special obligations of the Authority, and to constitute this Indenture a valid and binding agreement for the uses and purposes herein set forth in accordance with its terms, have been done and taken, and the execution and delivery of this Indenture have been in all respects duly authorized.

#### A G R E E M E N T :

In order to secure the payment of the principal of and the interest and redemption premium (if any) on all the Outstanding Bonds under this Indenture according to their tenor, and to secure the performance and observance of all the covenants and conditions therein and herein set forth, and to declare the terms and conditions upon and subject to which the Bonds are to be issued and received, and in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the Bonds by the Owners thereof, and for other valuable considerations, the receipt of which is hereby acknowledged, the Authority and the Trustee do hereby covenant and agree with one another, for the benefit of the respective Owners from time to time of the Bonds, as follows:

## ARTICLE I

### DEFINITIONS; RULES OF CONSTRUCTION

SECTION 1.01. *Definitions.* Unless the context clearly otherwise requires or unless otherwise defined herein, the capitalized terms defined in Appendix A attached to this Indenture have the respective meanings specified in that Appendix when used in this Indenture. Capitalized terms in this Indenture and not otherwise defined in this Section 1.1 have the respective meanings given them in Section 1.1 of the Installment Sale Agreement.

SECTION 1.02. *Authorization.* Each of the parties hereby represents and warrants that it has full legal authority and is duly empowered to enter into this Indenture, and has taken all actions necessary to authorize the execution hereof by the officers and persons signing it.

SECTION 1.03. *Interpretation.*

(a) Unless the context otherwise indicates, words expressed in the singular shall include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and shall be deemed to include the neuter, masculine or feminine gender, as appropriate.

(b) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof.

(c) All references herein to "Articles," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Indenture; the words "herein," "hereof," "hereby," "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or subdivision hereof.

## **ARTICLE II**

### **THE BONDS**

SECTION 2.01. *Authorization of Bonds.* The Authority has reviewed all proceedings heretofore taken and has found, as a result of such review, and hereby finds and determines that all things, conditions and acts required by law to exist, happen or be performed precedent to and in connection with the issuance of the Bonds do exist, have happened and have been performed in due time, form and manner as required by law, and the Authority is now duly empowered, under each and every requirement of law, to issue the Bonds in the manner and form provided in this Indenture.

The Authority hereby authorizes the issuance of Bonds in the aggregate principal amount of \$[Principal Amount] under the Bond Law for the purposes of providing funds to refinance the 2004 Installment Sale Agreement and cause prepayment of the 2004 Certificates. The Bonds are authorized and issued under, and are subject to the terms of, this Indenture and the Bond Law. The Bonds are designated the "Tracy Public Financing Authority Wastewater Revenue Refunding Bonds, Series 2026".

SECTION 2.02. *Terms of the Bonds.*

(a) Payment Provisions. The Bonds shall be issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof, so long as no Bond has more than one maturity date. The Bonds shall mature on December 1 in each of the years and in the amounts, and bear interest (calculated on the basis of a 360-day year of twelve 30-day months) at the rates, as follows:

<u>Maturity Date</u> (December 1)	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
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Interest on the Bonds is payable from the Interest Payment Date next preceding the date of authentication thereof unless:

- (a) a Bond is authenticated on or before an Interest Payment Date and after the close of business on the preceding Record Date, in which event it will bear interest from such Interest Payment Date,
- (b) a Bond is authenticated on or before the first Record Date, in which event interest thereon will be payable from the Closing Date, or
- (c) interest on any Bond is in default as of the date of authentication thereof, in which event interest thereon will be payable from the date to which interest has been paid in full, payable on each Interest Payment Date.

Interest is payable on each Interest Payment Date to the persons in whose names the ownership of the Bonds is registered on the Registration Books at the close of business on the immediately preceding Record Date, except as provided below. Interest on any Bond which is not punctually paid or duly provided for on any Interest Payment Date is payable to the person in whose name the ownership of such Bond is registered on the Registration Books at the close of business on a special record date for the payment of such defaulted interest to be fixed by the Trustee, notice of which is given to such Owner by first-class mail not less than 10 days prior to such special record date.

The Trustee will pay interest on the Bonds by check of the Trustee mailed by first class mail, postage prepaid, on each Interest Payment Date to the Owners of the Bonds at their respective addresses shown on the Registration Books as of the close of business on the preceding Record Date. At the written request of the Owner of Bonds in an aggregate principal amount of at least \$1,000,000, which written request is on file with the Trustee as of any Record Date, the Trustee will pay interest on such Bonds on each succeeding Interest Payment Date by wire transfer in immediately available funds to such account of a financial institution within the United States of America as specified in such written request, which written request will remain in effect until rescinded in writing by the Owner. The Trustee will pay principal of the Bonds in lawful money of the United States of America by check of the Trustee upon presentation and surrender thereof at the Office of the Trustee.

SECTION 2.03. *Transfer and Exchange of Bonds.*

(a) Transfer. Any Bond may, in accordance with its terms, be transferred, upon the Registration Books, by the person in whose name it is registered, in person or by a duly authorized attorney of such person, upon surrender of such Bond to the Trustee at its Office for cancellation, accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee, duly executed. The Trustee shall collect any tax or other

governmental charge on the transfer of any Bonds under this Section 2.03. Whenever any Bond or Bonds shall be surrendered for transfer, the Authority shall execute and the Trustee shall authenticate and deliver to the transferee a new Bond or Bonds of like series, interest rate, maturity and aggregate principal amount. The Authority shall pay the cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any transfer of Bonds.

(b) Exchange. The Bonds may be exchanged at the Office of the Trustee for a like aggregate principal amount of Bonds of other authorized denominations and of the same series, interest rate and maturity. The Trustee shall collect any tax or other governmental charge on the exchange of any Bonds under this subsection (b). The Authority shall pay the cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any exchange of Bonds.

(c) Limitations. The Trustee may refuse to transfer or exchange, under the provisions of this Section 2.03, any Bonds selected by the Trustee for redemption under Article IV, or any Bonds during the period established by the Trustee for the selection of Bonds for redemption.

#### SECTION 2.04. *Book-Entry System*.

(a) Original Delivery. The Bonds will be initially delivered in the form of a separate single fully registered bond (which may be typewritten) for each maturity of the Bonds. Upon initial delivery, the Trustee shall register the ownership of each Bond on the Registration Books in the name of the Nominee. Except as provided in subsection (c), the ownership of all of the Outstanding Bonds shall be registered in the name of the Nominee on the Registration Books.

With respect to Bonds the ownership of which shall be registered in the name of the Nominee, the Authority and the Trustee has no responsibility or obligation to any Depository System Participant or to any person on behalf of which the Nominee holds an interest in the Bonds. Without limiting the generality of the immediately preceding sentence, the Authority and the Trustee has no responsibility or obligation with respect to (i) the accuracy of the records of the Depository, the Nominee or any Depository System Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any Depository System Participant or any other person, other than a Bond Owner as shown in the Registration Books, of any notice with respect to the Bonds, including any notice of redemption, (iii) the selection by the Depository of the beneficial interests in the Bonds to be redeemed if the Authority elects to redeem the Bonds in part, (iv) the payment to any Depository System Participant or any other person, other than a Bond Owner as shown in the Registration Books, of any amount with respect to principal, premium, if any, or interest on the Bonds or (v) any consent given or other action taken by the Depository as Owner of the Bonds. The Authority and the Trustee may treat and consider the person in whose name each Bond is registered as the absolute owner of such Bond for the purpose of payment of principal of and premium, if any, and interest on such Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfers of ownership of such Bond, and for all other purposes whatsoever. The Trustee shall pay the principal of and the interest and premium, if any, on the Bonds only to the respective Owners or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge all obligations with respect to payment of principal of and interest and premium, if any, on

the Bonds to the extent of the sum or sums so paid. No person other than a Bond Owner shall receive a Bond evidencing the obligation of the Authority to make payments of principal, interest and premium, if any, under this Indenture. Upon delivery by the Depository to the Authority of written notice to the effect that the Depository has determined to substitute a new Nominee in its place, and subject to the provisions herein with respect to Record Dates, such new nominee shall become the Nominee hereunder for all purposes; and upon receipt of such a notice the Authority shall promptly deliver a copy of the same to the Trustee.

(b) Representation Letter. In order to qualify the Bonds for the Depository's book-entry system, the Authority shall execute and deliver to such Depository a letter representing such matters as shall be necessary to so qualify the Bonds. The execution and delivery of such letter shall not in any way limit the provisions of subsection (a) above or in any other way impose upon the Authority or the Trustee any obligation whatsoever with respect to persons having interests in the Bonds other than the Bond Owners. Upon the written acceptance by the Trustee, the Trustee shall agree to take all action reasonably necessary for all representations of the Trustee in such letter with respect to the Trustee to at all times be complied with. In addition to the execution and delivery of such letter, the Authority may take any other actions, not inconsistent with this Indenture, to qualify the Bonds for the Depository's book-entry program.

(c) Transfers Outside Book-Entry System. If either (i) the Depository determines not to continue to act as Depository for the Bonds, or (ii) the Authority determines to terminate the Depository as such, then the Authority shall thereupon discontinue the book-entry system with such Depository. In such event, the Depository shall cooperate with the Authority and the Trustee in the issuance of replacement Bonds by providing the Trustee with a list showing the interests of the Depository System Participants in the Bonds, and by surrendering the Bonds, registered in the name of the Nominee, to the Trustee on or before the date such replacement Bonds are to be issued. The Depository, by accepting delivery of the Bonds, agrees to be bound by the provisions of this subsection (c). If, prior to the termination of the Depository acting as such, the Authority fails to identify another Securities Depository to replace the Depository, then the Bonds shall no longer be required to be registered in the Registration Books in the name of the Nominee, but shall be registered in whatever name or names the Owners transferring or exchanging Bonds shall designate, in accordance with the provisions hereof.

If the Authority determines that it is in the best interests of the beneficial owners of the Bonds that they be able to obtain certificated Bonds, the Authority may notify the Depository System Participants of the availability of such certificated Bonds through the Depository. In such event, the Trustee will issue, transfer and exchange Bonds as required by the Depository and others in appropriate amounts; and whenever the Depository requests, the Trustee and the Authority shall cooperate with the Depository in taking appropriate action (y) to make available one or more separate certificates evidencing the Bonds to any Depository System Participant having Bonds credited to its account with the Depository, or (z) to arrange for another Securities Depository to maintain custody of a single certificate evidencing such Bonds, all at the Authority's expense.

(d) Payments to the Nominee. Notwithstanding any other provision of this Indenture to the contrary, so long as any Bond is registered in the name of the Nominee, all payments with respect to principal of and interest and premium, if any, on such Bond and all notices with respect to such Bond shall be made and given, respectively, as

provided in the letter described in subsection (b) of this Section or as otherwise instructed by the Depository.

SECTION 2.05. *Registration Books.* The Trustee will keep or cause to be kept, at the Office of the Trustee, sufficient records for the registration and transfer of ownership of the Bonds, which shall upon reasonable notice as agreed to by the Trustee, be open to inspection during regular business hours by the Authority and by the Bond Insurer; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such records, the ownership of the Bonds as hereinbefore provided. Upon the occurrence of an Event of Default which requires the Bond Insurer to make payments under the Bond Insurance Policy, the Bond Insurer and any designated agent thereof shall have access to the Registration Books upon reasonable prior notice to the Trustee.

SECTION 2.06. *Form and Execution of Bonds.* The Bonds, the form of Trustee's certificate of authentication, and the form of assignment to appear thereon, are set forth in Appendix B attached hereto and by this reference incorporated herein, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Indenture.

The Executive Director of the Authority shall execute, and the Secretary of the Authority shall attest each Bond. Either or both of such signatures may be made manually or may be affixed by facsimile thereof. If any officer whose signature appears on any Bond ceases to be such officer before the Closing Date, such signature will nevertheless be as effective as if the officer had remained in office until the Closing Date. Any Bond may be signed and attested on behalf of the Authority by such persons as at the actual date of the execution of such Bond are the proper officers of the Authority, duly authorized to execute debt instruments on behalf of the Authority, although on the date of such Bond any such person was not an officer of the Authority.

Only those Bonds bearing a certificate of authentication in the form set forth in Appendix B, manually executed and dated by the Trustee, are valid or obligatory for any purpose or entitled to the benefits of this Indenture, and such certificate of the Trustee is conclusive evidence that such Bonds have been duly authenticated and delivered hereunder and are entitled to the benefits of this Indenture.

SECTION 2.07. *Bonds Mutilated, Lost, Destroyed or Stolen.* If any Bond is mutilated, the Authority, at the expense of the Owner of such Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated. The Trustee shall cancel every mutilated Bond surrendered to it and deliver such mutilated Bond to, or upon the order of, the Authority. If any Bond is lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence is satisfactory and if indemnity satisfactory to the Trustee is given, the Authority, at the expense of the Owner, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor in lieu of and in substitution for the Bond so lost, destroyed or stolen. The Trustee may require payment of a sum not exceeding the actual cost of preparing each new Bond issued under this Section and of the expenses which may be incurred by the Trustee in connection therewith. Any Bond issued under the provisions of this Section in lieu of any Bond alleged to be lost, destroyed or stolen will constitute an original additional contractual obligation on the part of the

Authority whether or not the Bond so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be equally and proportionately entitled to the benefits of this Indenture with all other Bonds issued under this Indenture.

Notwithstanding any other provision of this Section 2.07, in lieu of delivering a new Bond for which principal has become due for a Bond which has been mutilated, lost, destroyed or stolen, the Trustee may make payment of such Bond in accordance with its terms upon receipt of indemnity satisfactory to the Trustee.

### **ARTICLE III**

#### **ISSUANCE OF BONDS; APPLICATION OF PROCEEDS**

SECTION 3.01. *Issuance of the Bonds.* At any time after the execution of this Indenture, the Authority may execute and the Trustee shall authenticate and, upon the Written Request of the Authority, deliver the Bonds to the Original Purchaser.

SECTION 3.02. *Application of Proceeds of Sale of Bonds.* Upon the receipt of payment for the Bonds on the Closing Date in the amount of \$\_\_\_\_\_ (which is equal to the principal amount of the Bonds ([Principal Amount]), *plus* net original issue premium (\$\_\_\_\_\_), *less* the Original Purchaser's discount (\$\_\_\_\_\_)), the Trustee shall apply the proceeds of sale thereof as follows:

- (a) The Trustee will deposit the amount of \$\_\_\_\_\_ in the Costs of Issuance Fund.
- (b) The Trustee will transfer the amount of \$\_\_\_\_\_, constituting the remainder of such proceeds, to the 2004 Trustee pursuant to wire instructions given to the Trustee by the 2004 Trustee.

The Trustee may establish and maintain a temporary account to facilitate and record such deposits and transfers.

SECTION 3.03. *Establishment and Application of Costs of Issuance Fund.* The Trustee shall establish, maintain and hold in trust a separate fund designated as the "Costs of Issuance Fund" into which the Trustee shall deposit a portion of the proceeds of sale of the Bonds under Section 3.02(a). The Trustee shall disburse amounts in the Costs of Issuance Fund from time to time to pay the Costs of Issuance upon submission of a Written Requisition of the Authority stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against said fund. The Trustee may conclusively rely on such Written Requisitions and shall be fully protected in relying thereon. All such payments shall be made by check or wire transfer in accordance with payment instructions contained in the Written Requisition or in any invoice attached thereto, and the Trustee has no duty or obligation to authenticate such payment instructions or the authorization thereof. On December 1, 2026, or upon the earlier Written Request of the Authority, the Trustee shall transfer all amounts remaining in the Costs of Issuance Fund to the Project Fund, and shall thereupon close the Costs of Issuance Fund.

SECTION 3.04. *Validity of Bonds.* The recital contained in the Bonds that the same are issued under the Constitution and laws of the State of California shall be conclusive evidence of their validity and of compliance with the provisions of law in their issuance.

## ARTICLE IV

### REDEMPTION OF BONDS

SECTION 4.01. *Terms of Redemption.*

(a) Optional Redemption from any Source of Available Funds. The Bonds are not subject to optional redemption prior to their respective stated maturity dates.

(b) Mandatory Sinking Fund Redemption. The Term Bonds are subject to mandatory redemption in part by lot, at a redemption price equal to 100% of the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts and on December 1 in the respective years as set forth in the following tables; *provided, however,* that if some but not all of the Term Bonds have been redeemed under subsection (a) of this Section, the total amount of all future sinking fund payments shall be reduced by the aggregate principal amount of the Term Bonds so redeemed, to be allocated among such sinking fund payments on a pro rata basis in integral multiples of \$5,000 (as set forth in a schedule provided by the Authority to the Trustee).

<b>Term Bonds Maturing December 1, _____</b>	
<b>Sinking Fund Redemption Date (December 1)</b>	<b>Principal Amount To Be Redeemed</b>

SECTION 4.02. *Selection of Bonds for Redemption.* Whenever provision is made in this Indenture for the redemption of less than all of the Bonds of a single maturity, the Trustee shall select the Bonds of that maturity to be redeemed by lot in any manner which the Trustee in its sole discretion deems appropriate. For purposes of such selection, the Trustee shall treat each Bond as consisting of separate \$5,000 portions and each such portion shall be subject to redemption as if such portion were a separate Bond.

SECTION 4.03. *Notice of Redemption; Rescission.* The Trustee shall mail notice of redemption of the Bonds by first class mail, postage prepaid, not less than 20 nor more than 60 days before any redemption date, to the respective Owners of any Bonds designated for redemption at their addresses appearing on the Registration Books and to one or more Securities Depositories and to the Municipal Securities Rulemaking Board. Each notice of redemption shall state the date of the notice, the redemption date, the place or places of redemption, whether less than all of the Bonds (or all Bonds of a single maturity) are to be redeemed, the CUSIP numbers and (in the event that not all Bonds within a maturity are called for redemption) Bond numbers of the Bonds to be redeemed

and the maturity or maturities of the Bonds to be redeemed, and in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on the redemption date there will become due and payable on each of said Bonds the redemption price thereof, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Bonds be then surrendered. Neither the failure to receive any notice nor any defect therein shall affect the sufficiency of the proceedings for such redemption or the cessation of accrual of interest from and after the redemption date. Notice of redemption of Bonds shall be given by the Trustee, at the expense of the Authority, for and on behalf of the Authority.

SECTION 4.04. *Partial Redemption of Bonds.* Upon surrender of any Bonds redeemed in part only, the Authority shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Authority, a new Bond or Bonds of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Bonds surrendered. No such surrender and replacement shall be required in connection with a redemption pursuant to Section 4.01(b).

SECTION 4.05. *Effect of Redemption.* Notice of redemption having been duly given as aforesaid, and moneys for payment of the redemption price of, together with interest accrued to the date fixed for redemption on, including any applicable premium, the Bonds (or portions thereof) so called for redemption being held by the Trustee, on the redemption date designated in such notice, the Bonds (or portions thereof) so called for redemption shall become due and payable, interest on the Bonds so called for redemption shall cease to accrue, said Bonds (or portions thereof) shall cease to be entitled to any benefit or security under this Indenture, and the Owners of said Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof.

All Bonds redeemed under the provisions of this Article shall be canceled by the Trustee upon surrender thereof and destroyed in accordance with the retention policy of the Trustee then in effect.

## ARTICLE V

### REVENUES; FUNDS AND ACCOUNTS; PAYMENT OF PRINCIPAL AND INTEREST

#### SECTION 5.01. *Security for the Bonds; Bond Fund.*

(a) Pledge of Revenues and Other Amounts. Subject only to the provisions of this Indenture permitting the application thereof for the purposes and on the terms and conditions set forth herein, all of the Revenues and all amounts (including proceeds of the sale of the Bonds) held in any fund or account established under this Indenture are hereby pledged to secure the payment of the principal of and interest and premium (if any) on the Bonds in accordance with their terms and the provisions of this Indenture. Said pledge constitutes a lien on and security interest in the Revenues and such amounts and shall attach, be perfected and be valid and binding from and after the Closing Date, without the need for any physical delivery thereof or further act.

(b) Assignment to Trustee. The Authority hereby irrevocably transfers, assigns and sets over to the Trustee, without recourse to the Authority, all of its rights in the Installment Sale Agreement (excepting only the Authority's rights under Sections 4.8, 5.2 and 6.4 thereof), including but not limited to all of the Authority's rights to receive and collect all of the Installment Payments. The Trustee is entitled to collect and receive all of the Installment Payments, and any Installment Payments collected or received by the Authority shall be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and shall forthwith be paid by the Authority to the Trustee. The Trustee is also entitled to and shall, subject to the provisions of Article VIII, take all steps, actions and proceedings which the Trustee determines to be reasonably necessary in its judgment to enforce, either jointly with the Authority or separately, all of the rights of the Authority and all of the obligations of the City under the Installment Sale Agreement.

(c) Deposit of Revenues in Bond Fund. All Revenues shall be promptly deposited by the Trustee upon receipt thereof in a special fund designated as the "Bond Fund" which the Trustee shall establish, maintain and hold in trust; except that all moneys received by the Trustee and required hereunder or under the Installment Sale Agreement to be deposited in the Redemption Fund shall be promptly deposited in such funds. All Revenues deposited with the Trustee shall be held, disbursed, allocated and applied by the Trustee only as provided in this Indenture. Any surplus remaining in the Bond Fund, after payment in full of (i) the principal of and interest on the Bonds or provision therefore under Article X, (ii) any applicable fees and expenses to the Trustee and (iii) any amounts then due and payable to the Bond Insurer, shall be withdrawn by the Trustee and remitted to the City.

SECTION 5.02. *Allocation of Revenues.* On or before each Interest Payment Date, the Trustee shall transfer from the Bond Fund and deposit into the following respective accounts (each of which the Trustee shall establish and maintain within the Bond Fund), the following amounts in the following order of priority:

(a) *Deposit to Interest Account.* The Trustee shall deposit in the Interest Account an amount required to cause the aggregate amount on

deposit in the Interest Account to be at least equal to the amount of interest becoming due and payable on such Interest Payment Date on all Bonds then Outstanding.

- (b) *Deposit to Principal Account.* The Trustee shall deposit in the Principal Account an amount required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of the Bonds coming due and payable on such Interest Payment Date, including the principal amount of Term Bonds which are subject to mandatory sinking fund redemption on such Interest Payment Date under Section 4.01(b).

SECTION 5.03. *Application of Interest Account.* All amounts in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying interest on the Bonds as it comes due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity).

SECTION 5.04. *Application of Principal Account.* All amounts in the Principal Account shall be used and withdrawn by the Trustee solely to pay the principal amount of the Bonds at their respective maturity dates, and the principal amount of Term Bonds which are subject to mandatory sinking fund redemption on such Interest Payment Date under Section 4.01(b).

SECTION 5.05. *Reserved.*

SECTION 5.06. *Application of Redemption Fund.* The Trustee shall establish and maintain the Redemption Fund, into which the Trustee shall deposit a portion of the Revenues received, in accordance with a Written Request of the Authority, amounts in which shall be used and withdrawn by the Trustee solely for the purpose of paying the principal and premium (if any) of the Bonds to be redeemed under Section 4.01(a); *provided, however,* that at any time prior to the selection of Bonds for redemption, the Trustee may apply such amounts to the purchase of Bonds at public or private sale, when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as shall be directed under a Written Request of the Authority, except that the purchase price (exclusive of accrued interest) may not exceed the redemption price then applicable to the Bonds. The Trustee shall be entitled to conclusively rely on any Written Request of the Authority received under this Section 5.06, and shall be fully protected in relying thereon.

SECTION 5.07. *Investments.* All moneys in any of the funds or accounts established with the Trustee under this Indenture shall be invested by the Trustee solely in Permitted Investments. Such investments shall be directed by the Authority under a Written Request of the Authority filed with the Trustee at least two Business Days in advance of the making of such investments. In the absence of any such directions from the Authority, the Trustee shall invest any such moneys in Permitted Investments described in clause (f) of the definition thereof. Permitted Investments purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account. To the extent Permitted Investments are registrable, such Permitted Investments must be registered in the name of the Trustee.

All interest or gain derived from the investment of amounts in any of the funds or accounts established hereunder shall be deposited in the Bond Fund, *provided, however*, that earnings on the investment of the amount in the Reserve Account shall be retained therein to the extent required to maintain the Reserve Requirement, and otherwise shall be transferred to the Bond Fund. For purposes of acquiring any investments hereunder, the Trustee may commingle funds held by it hereunder. The Trustee or any of its affiliates may act as principal or agent in the acquisition or disposition of any investment and may impose its customary charges therefor. The Trustee shall incur no liability for losses arising from any investments made under this Section 5.07.

The Trustee may make any investments hereunder through its own bond or investment department or trust investment department, or those of its parent or any affiliate. The Trustee or any of its affiliates may act as sponsor, advisor or manager in connection with any investments made by the Trustee hereunder. The Trustee is hereby authorized, in making or disposing of any investment permitted by this Section, to deal with itself (in its individual capacity) or with any one or more of its affiliates, whether it or such affiliate is acting as an agent of the Trustee or for any third person or is dealing as a principal for its own account.

The Authority acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Authority the right to receive brokerage confirmations of security transactions as they occur, the Authority will not receive such confirmations to the extent permitted by law. The Trustee will furnish the Authority a periodic cash transaction statements which include detail for all investment transactions made by the Trustee hereunder.

#### SECTION 5.08. *Valuation and Disposition of Investments.*

(a) Except as otherwise provided in subsection (b) of this Section, the Authority covenants that all investments of amounts deposited in any fund or account created by or under this Indenture, or otherwise containing gross proceeds of the Bonds (within the meaning of Section 148 of the Tax Code) shall be acquired, disposed of and valued at the Fair Market Value thereof. The Trustee shall have no duty in connection with the determination of Fair Market Value other than to follow the investment directions of the Authority in any Written Request of the Authority.

(b) Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under applicable provisions of the Tax Code and investments in the Reserve Account shall be valued at cost thereof, (consisting of present value thereof within the meaning of Section 148 of the Tax Code); provided that the Authority shall inform the Trustee which funds (other than the Reserve Account) are subject to a yield restriction.

(c) Except as provided in the preceding subsection (b), for the purpose of determining the amount in any fund or account established hereunder, the value of Permitted Investments credited to such fund shall be valued by the Trustee at least annually on or before November 15. The Trustee may sell or present for redemption, any Permitted Investment so purchased by the Trustee whenever it shall be necessary in order to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund to which such Permitted Investment is credited, and the Trustee shall not be liable or responsible for any loss resulting from any such Permitted Investment.

(d) To the extent of any valuations made by the Trustee hereunder, the Trustee may utilize and rely upon computerized securities pricing services that may be available to it, including those available through its regular accounting system.

## ARTICLE VI

### COVENANTS OF THE AUTHORITY

SECTION 6.01. *Punctual Payment.* The Authority shall punctually pay or cause to be paid the principal of and interest and premium (if any) on all the Bonds in strict conformity with the terms of the Bonds and of this Indenture, according to the true intent and meaning thereof, but only out of the Revenues and other amounts pledged for such payment as provided in this Indenture.

SECTION 6.02. *Extension of Payment of Bonds.* The Authority shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase of such Bonds or by any other arrangement, and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default hereunder, to the benefits of this Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest thereon which have not been so extended. Nothing in this Section 6.02 limits the right of the Authority to issue Bonds for the purpose of refunding any Outstanding Bonds, and such issuance does not constitute an extension of maturity of the Bonds.

SECTION 6.03. *Against Encumbrances.* The Authority shall not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Revenues and other assets pledged or assigned under this Indenture while any of the Bonds are Outstanding, except the pledge and assignment created by this Indenture. Subject to this limitation, the Authority expressly reserves the right to enter into one or more other indentures for any of its corporate purposes, and reserves the right to issue other obligations for such purposes.

SECTION 6.04. *Power to Issue Bonds and Make Pledge and Assignment.* The Authority is duly authorized under law to issue the Bonds and to enter into this Indenture and to pledge and assign the Revenues and other amounts purported to be pledged and assigned, respectively, under this Indenture in the manner and to the extent provided in this Indenture. The Bonds and the provisions of this Indenture are and will be the legal, valid and binding special obligations of the Authority in accordance with their terms, and the Authority and the Trustee shall at all times, subject to the provisions of Article VIII and to the extent permitted by law, defend, preserve and protect said pledge and assignment of Revenues and other assets and all the rights of the Bond Insurer and the Bond Owners under this Indenture against all claims and demands of all persons whomsoever.

SECTION 6.05. *Accounting Records.* The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with industry standards, in which complete and accurate entries shall be made of all transactions made by it relating to the proceeds of Bonds and all funds and accounts established under this Indenture. The Trustee shall make such books of record and account available for

inspection by the Authority, the City and the Bond Insurer, during business hours, upon reasonable notice, and under reasonable circumstances.

SECTION 6.06. *Limitation on Additional Obligations.* The Authority covenants that no additional bonds, notes or other indebtedness shall be issued or incurred which are payable out of the Revenues in whole or in part.

SECTION 6.07. *Tax Covenants.*

(a) Private Business Use Limitation. The Authority shall assure that the proceeds of the Bonds are not used in a manner which would cause the Bonds to satisfy the private business tests of Section 141(b) of the Tax Code or the private loan financing test of Section 141(c) of the Tax Code.

(b) Federal Guarantee Prohibition. The Authority may not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Tax Code.

(c) No Arbitrage. The Authority may not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the proceeds of the Bonds or of any other obligations which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date, would have caused the Bonds to be “arbitrage bonds” within the meaning of Section 148(a) of the Tax Code.

(d) Maintenance of Tax Exemption. The Authority shall take all actions necessary to assure the exclusion of interest on the Bonds from the gross income of the Owners of the Bonds to the same extent as such interest is permitted to be excluded from gross income under the Tax Code as in effect on the Closing Date.

(e) Rebate of Excess Investment Earnings to United States. The Authority will take any and all actions necessary to assure compliance with section 148(f) of the Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the Bonds.

(f) Record Retention. The Authority will retain its records of all accounting and monitoring it carries out with respect to the Bonds for at least 3 years after the Bonds mature or are redeemed (whichever is earlier); however, if the Bonds are redeemed and refunded, the Authority will retain its records of accounting and monitoring at least 3 years after the earlier of the maturity or redemption of the obligations that refunded the Bonds.

(g) Compliance with Tax Certificate. The Authority will comply with the provisions of the Certificate as to Arbitrage and the Certificate Regarding Use of Proceeds with respect to the Bonds, which are incorporated herein as if fully set forth herein. The covenants of this Section will survive payment in full or defeasance of the Bonds.

SECTION 6.08. *Enforcement of Installment Sale Agreement.* The Trustee shall promptly collect all amounts (to the extent any such amounts are available for collection) due from the City under the Installment Sale Agreement. Subject to the provisions of Article VIII, the Trustee shall enforce, and take all steps, actions and proceedings which the Trustee determines to be reasonably necessary for the enforcement of all of its rights

thereunder as assignee of the Authority and for the enforcement of all of the obligations of the City under the Installment Sale Agreement.

SECTION 6.09. *Waiver of Laws.* The Authority shall not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of, any stay or extension law now or at any time hereafter in force that may affect the covenants and agreements contained in this Indenture or in the Bonds, and all benefit or advantage of any such law or laws is hereby expressly waived by the Authority to the extent permitted by law.

SECTION 6.10. *Further Assurances.* The Authority will make, execute and deliver any and all such further indentures, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Indenture and for the better assuring and confirming unto the Bond Insurer and the Owners of the Bonds of the rights and benefits provided in this Indenture.

## ARTICLE VII

### EVENTS OF DEFAULT AND REMEDIES

SECTION 7.01. *Events of Default.* The following events constitute Events of Default hereunder:

- (a) Failure to pay any installment of the principal of any Bonds when due, whether at maturity as therein expressed, by proceedings for redemption, by acceleration, or otherwise.
- (b) Failure to pay any installment of interest on the Bonds when due.
- (c) Failure by the Authority to observe and perform any of the other covenants, agreements or conditions on its part contained in this Indenture or in the Bonds, if such failure has continued for a period of 30 days after written notice thereof, specifying such failure and requiring the same to be remedied, has been given to the Authority by the Trustee or the Bond Insurer; *provided, however*, if in the reasonable opinion of the Authority the failure stated in the notice can be corrected, but not within such 30-day period, such failure shall not constitute an Event of Default if the Authority institutes corrective action within such 30-day period and thereafter diligently and in good faith cures the failure in a reasonable period of time.
- (d) The commencement by the Authority of a voluntary case under Title 11 of the United States Code or any substitute or successor statute.
- (e) The occurrence and continuation of an event of default under and as defined in the Installment Sale Agreement.

For purposes of determining whether any Event of Default has occurred under and as described in the preceding clauses (a) or (b), no effect shall be given to payments made by the Bond Insurer under the Bond Insurance Policy.

SECTION 7.02. *Remedies Upon Event of Default.* If any Event of Default occurs, then, and in each and every such case during the continuance of such Event of Default, with the prior written consent of the Bond Insurer the Trustee may, and at the written direction of the Bond Insurer or (with the prior written consent of the Bond Insurer) at the written direction of the Owners of a majority in aggregate principal amount of the Bonds at the time Outstanding shall, in each case, upon receipt of indemnification satisfactory to Trustee against the costs, expenses and liabilities to be incurred in connection with such action, upon notice in writing to the Authority, declare the principal of all of the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in this Indenture or in the Bonds contained to the contrary notwithstanding.

Any such declaration is subject to the condition that if, at any time after such declaration and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the Authority deposits with the Trustee a sum sufficient to pay all the principal of and installments of interest on the Bonds payment of which is overdue, with interest on such overdue principal at the rate borne by the respective Bonds to the extent permitted by law, and the reasonable fees, charges and expenses (including those of its legal counsel, including the allocated costs of internal attorneys) of the Trustee, and any and all other Events of Default known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate has been made therefor, then, and in every such case, the Bond Insurer or (with the prior written consent of the Bond Insurer) the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, by written notice to the Authority, the City and the Trustee, may, on behalf of the Owners of all of the Bonds, rescind and annul such declaration and its consequences and waive such Event of Default; but no such rescission and annulment shall extend to or shall affect any subsequent Event of Default, or shall impair or exhaust any right or power consequent thereon.

SECTION 7.03. *Application of Revenues and Other Funds After Default.* If an Event of Default occurs and is continuing, all Revenues and any other funds then held or thereafter received by the Trustee under any of the provisions of this Indenture shall be applied by the Trustee in the following order of priority:

- (a) To the payment of reasonable fees, charges and expenses of the Trustee (including reasonable fees and disbursements of its legal counsel including outside counsel and the allocated costs of internal attorneys) incurred in and about the performance of its powers and duties under this Indenture;
- (b) To the payment of the principal of and interest then due on the Bonds (upon presentation of the Bonds to be paid, and stamping or otherwise noting thereon of the payment if only partially paid, or

surrender thereof if fully paid) in accordance with the provisions of this Indenture, as follows:

*First:* To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference;

*Second:* To the payment to the persons entitled thereto of the unpaid principal of any Bonds which shall have become due, whether at maturity or by acceleration or redemption, with interest on the overdue principal at the rate borne by the respective Bonds (to the extent permitted by law), and, if the amount available shall not be sufficient to pay in full all the Bonds, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the persons entitled thereto, without any discrimination or preference; and

*Third:* to the Bond Insurer for any amounts due and owing to the Bond Insurer under the Bond Insurance Policy.

SECTION 7.04. *Trustee to Represent Bond Owners.* The Trustee is hereby irrevocably appointed (and the successive respective Owners of the Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Owners of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Owners under the provisions of the Bonds, this Indenture and applicable provisions of any law. All rights of action under this Indenture or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of all the Owners of such Bonds, subject to the provisions of this Indenture.

SECTION 7.05. *Limitation on Bond Owners' Right to Sue.* Notwithstanding any other provision hereof, no Owner of any Bonds has the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under this Indenture, the Installment Sale Agreement or any other applicable law with respect to such Bonds, unless (a) such Owner has given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of a majority in aggregate principal amount of the Bonds then Outstanding have requested the Trustee in writing to exercise the powers hereinbefore granted or to institute such suit, action or proceeding in its own name; (c) such Owner or Owners have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; (d) the Trustee has failed to comply with such request for a period of 60 days after such written request has been received by, and said tender of indemnity has been made to, the Trustee; and (e) no direction inconsistent with such written request has been given to the

Trustee during such 60 day period by the Owners of a majority in aggregate principal amount of the Bonds then Outstanding.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of Bonds of any remedy hereunder or under law; it being understood and intended that no one or more Owners of Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of this Indenture or the rights of any other Owners of Bonds, or to enforce any right under the Bonds, this Indenture, the Installment Sale Agreement or other applicable law with respect to the Bonds, except in the manner herein provided, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner herein provided and for the benefit and protection of all Owners of the Outstanding Bonds, subject to the provisions of this Indenture.

SECTION 7.06. *Absolute Obligation of Authority.* Nothing in Section 7.06 or in any other provision of this Indenture or in the Bonds contained affects or impairs the obligation of the Authority, which is absolute and unconditional, to pay the principal of and interest and premium (if any) on the Bonds to the respective Owners of the Bonds at their respective dates of maturity, or upon acceleration or call for redemption, as herein provided, but only out of the Revenues and other assets herein pledged therefor, or affect or impair the right of such Owners, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the Bonds.

SECTION 7.07. *Termination of Proceedings.* In case any proceedings taken by the Trustee or by any one or more Bond Owners on account of any Event of Default have been discontinued or abandoned for any reason or have been determined adversely to the Trustee, the Bond Insurer or the Bond Owners, then in every such case the Authority, the Trustee, the Bond Insurer and the Bond Owners, subject to any determination in such proceedings, shall be restored to their former positions and rights hereunder, severally and respectively, and all rights, remedies, powers and duties of the Authority, the Trustee, the Bond Insurer and the Bond Owners shall continue as though no such proceedings had been taken.

SECTION 7.08. *Remedies Not Exclusive.* No remedy herein conferred upon or reserved to the Trustee, to the Bond Insurer or to the Owners of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or otherwise.

SECTION 7.09. *No Waiver of Default.* No delay or omission of the Trustee or of the Bond Insurer or any Owner of the Bonds to exercise any right or power arising upon the occurrence of any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or Event of Default or an acquiescence therein; and every power and remedy given by this Indenture to the Trustee or to the Bond Insurer or the Owners of the Bonds may be exercised from time to time and as often as may be deemed expedient by the Trustee, the Bond Insurer or the Bond Owners.

SECTION 7.10. *Notice to the Bond Insurer and Bond Owners of Default.* Immediately upon becoming aware of the occurrence of an Event of Default, but in no

event later than five Business Days following becoming aware of such occurrence, the Trustee shall promptly give written notice thereof (a) to the Bond Insurer by telephone confirmed in writing, and (b) by first class mail, postage prepaid, to the Owner of each Outstanding Bond, unless such Event of Default has been cured before the giving of such notice; *provided, however* that except in the case of an Event of Default described in Sections 7.01(a) or 7.01(b), the Trustee may elect not to give such notice to the Bond Owners if and so long as the Trustee in good faith determines that it is in the best interests of the Bond Owners not to give such notice.

SECTION 7.11. *Rights of the Bond Insurer.* Anything in this Indenture to the contrary notwithstanding, upon the occurrence and continuation of an Event of Default, the Bond Insurer is entitled to control and direct the enforcement of all rights and remedies granted hereunder to the Bond Owners, or to the Trustee for the benefit of the Bond Owners, including but not limited to rights and remedies granted under Section 7.01 and including but not limited to the right to approve all waivers of any Events of Default. The rights granted to the Bond Insurer hereunder shall be deemed terminated and may not be exercisable by the Bond Insurer during any period during which the Bond Insurer is in default under the Bond Insurance Policy.

## **ARTICLE VIII**

### **THE TRUSTEE**

SECTION 8.01. *Appointment of Trustee.* U.S. Bank Trust Company, N.A. is hereby appointed Trustee by the Authority for the purpose of receiving all moneys required to be deposited with the Trustee hereunder and to allocate, use and apply the same as provided in this Indenture. The Authority will maintain a Trustee which is qualified under the provisions of the foregoing provisions of this Article VIII and which is acceptable to the Bond Insurer, so long as any Bonds are Outstanding.

SECTION 8.02. *Acceptance of Trusts; Removal and Resignation of Trustee.* The Trustee hereby accepts the express trusts imposed upon it by this Indenture, and agrees to perform said trusts, but only upon and subject to the following express terms and conditions:

- (a) The Trustee shall, prior to an Event of Default, and after the curing or waiver of all Events of Default which may have occurred, perform such duties and only such duties as are expressly and specifically set forth in this Indenture and no implied duties or covenants shall be read into this Indenture against the Trustee.
- (b) The Authority may remove the Trustee at any time, unless an Event of Default has occurred and is then continuing, and shall remove the Trustee (a) if at any time requested to do so by the Bond Insurer or (with the prior written consent of the Bond Insurer) by the Owners of a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing) or (b) if at any time the Trustee ceases to be eligible in accordance with Section 8.02, or becomes incapable of acting, or is adjudged a bankrupt or

insolvent, or a receiver of the Trustee or its property is appointed, or any public officer takes control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation. Any such removal shall be made upon at least 30 days' prior written notice to the Trustee and the Bond Insurer.

- (c) The Trustee may at any time resign by giving written notice of such resignation to the Authority, the City and the Bond Insurer, and by giving the Bond Owners notice of such resignation by mail at the addresses shown on the Registration Books.
- (d) Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. In the event of the removal or resignation of the Trustee under subsections (b) or (d), respectively, with the prior written consent of the Bond Insurer the Authority shall promptly appoint a successor Trustee.

If no successor Trustee has been appointed and accepted appointment within 45 days of giving notice of removal or notice of resignation as aforesaid, the Bond Insurer or the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under this Indenture, must signify its acceptance of such appointment by executing and delivering to the Authority, to the Bond Insurer and to its predecessor Trustee a written acceptance thereof, and after payment by the Authority of all unpaid fees and expenses of the predecessor Trustee, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee herein. At the Written Request of the Authority or the request of the successor Trustee, such predecessor Trustee shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Upon request of the successor Trustee, the Authority shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this subsection, the Authority shall promptly mail or cause the successor trustee to mail a notice of the succession of such Trustee to the trusts hereunder to the Bond Insurer and to each rating agency which is then rating the Bonds and to the Bond Owners at the addresses shown on the Registration Books. If the Authority fails to mail such notice within 15 days after acceptance of appointment by the successor Trustee, the successor Trustee shall cause such notice to be mailed at the expense of the Authority.

- (e) Any Trustee appointed under this Indenture shall be a corporation or association organized and doing business under the laws of any state or the United States of America or the District of Columbia, shall be authorized under such laws to exercise corporate trust powers, shall have (or, in the case of a corporation or association that is a member of a bank holding company system, the related bank holding company has) a combined capital and surplus of at least \$50,000,000, and shall be subject to supervision or examination by a federal or state agency, so long as any Bonds are Outstanding. If such corporation or association publishes a report of condition at least annually under law or to the requirements of any supervising or examining agency above referred to, then for the purpose of this subsection (e), the combined capital and surplus of such corporation or association shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If the Trustee at any time ceases to be eligible in accordance with the provisions of this subsection (e), the Trustee shall resign immediately in the manner and with the effect specified in this Section.
- (f) Notwithstanding any other provision of this Indenture, the Trustee may be removed at any time, at the request of the Bond Insurer, for any breach of the trust set forth herein.

SECTION 8.03. *Merger or Consolidation.* Any bank, federal savings association, or trust company into which the Trustee may be merged or converted or with which it may be consolidated or any bank, federal savings association, or trust company resulting from any merger, conversion or consolidation to which it shall be a party or any bank, federal savings association, or trust company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such bank, federal savings association, or trust company shall be eligible under subsection (e) of Section 8.02 shall be the successor to such Trustee, without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

SECTION 8.04. *Liability of Trustee.*

(a) The recitals of facts herein and in the Bonds contained shall be taken as statements of the Authority, and the Trustee shall not assume responsibility for the correctness of the same, or make any representations as to the validity or sufficiency of this Indenture, the Bonds or the Installment Sale Agreement, nor shall the Trustee incur any responsibility in respect thereof, other than as expressly stated herein in connection with the respective duties or obligations of Trustee herein or in the Bonds assigned to or imposed upon it. The Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the Bonds. The Trustee shall not be liable in connection with the performance of its duties hereunder, except for its own negligence. The Trustee may become the Owner of Bonds with the same rights it would have if it were not Trustee, and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bond Owners, whether or not such committee shall represent the Owners of a majority in principal amount of the Bonds then Outstanding.

(b) The Trustee is not liable for any error of judgment made by a responsible officer, unless it is proved that the Trustee was grossly negligent in ascertaining the pertinent facts.

(c) The Trustee is not liable with respect to any action taken or omitted to be taken by it in accordance with the direction of the Bond Insurer or the Owners of a majority in aggregate principal amount of the Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under this Indenture or assigned to it hereunder.

(d) The Trustee is not liable for any action taken by it and believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Indenture.

(e) The Trustee shall not be deemed to have knowledge of any Event of Default hereunder, or any other event which, with the passage of time, the giving of notice, or both, would constitute an Event of Default hereunder unless and until it shall have actual knowledge thereof, or a corporate trust officer shall have received written notice thereof at its Office from the City, the Authority, the Bond Insurer or the Owners of at least 25% in aggregate principal amount of the Outstanding Bonds. Except as otherwise expressly provided herein, the Trustee shall not be bound to ascertain or inquire as to the performance or observance by the Authority or the City of any of the terms, conditions, covenants or agreements herein, under the Installment Sale Agreement or the Bonds or of any of the documents executed in connection with the Bonds, or as to the existence of a default or an Event of Default or an event which would, with the giving of notice, the passage of time, or both, constitute an Event of Default. The Trustee is not responsible for the validity, effectiveness or priority of any collateral given to or held by it. Without limiting the generality of the foregoing, the Trustee shall not be required to ascertain or inquire as to the performance or observance by the City or the Authority of the terms, conditions, covenants or agreements set forth in the Installment Sale Agreement, other than the covenants of the City to make Installment Payments to the Trustee when due and to file with the Trustee when due, such reports and certifications as the City is required to file with the Trustee thereunder.

(f) No provision of this Indenture requires the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers.

(g) The Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or through agents, receivers or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent, receiver or attorney appointed with due care by it hereunder.

(h) The Trustee has no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of the Bond Insurer or the Bond Owners under this Indenture, unless the Bond Insurer or such Owners have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities (including but not limited to fees and expenses of its attorneys) which might be incurred by it in compliance with such request or direction. No permissive power, right or remedy

conferred upon the Trustee hereunder shall be construed to impose a duty to exercise such power, right or remedy.

(i) Whether or not therein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee is subject to the provisions of Section 8.02(a), this Section 8.04 and Section 8.05, and shall be applicable to the assignment of any rights to the Trustee hereunder.

(j) The Trustee is not accountable to anyone for the subsequent use or application of any moneys which are released or withdrawn in accordance with the provisions hereof.

(k) The Trustee makes no representation or warranty, expressed or implied as to the title, value, design, compliance with specifications or legal requirements, quality, durability, operation, condition, merchantability or fitness for any particular purpose for the use contemplated by the Authority or the City of the Project. In no event shall the Trustee be liable for incidental, indirect, special or consequential damages in connection with or arising from the Installment Sale Agreement or this Indenture for the existence, furnishing or use of the Project.

(l) The Trustee has no responsibility with respect to any information, statement, or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds.

SECTION 8.05. *Right to Rely on Documents.* The Trustee shall be protected and shall incur no liability in acting or refraining from acting in reliance upon any notice, resolution, request, consent, order, certificate, report, opinion, bonds or other paper or document believed by them to be genuine and to have been signed or presented by the proper party or parties. The Trustee is under no duty to make any investigation or inquiry as to any statements contained or matter referred to in any paper or document but may accept and conclusively rely upon the same as conclusive evidence of the truth and accuracy of any such statement or matter and shall be fully protected in relying thereon. The Trustee may consult with counsel, who may be counsel of or to the Authority, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

The Trustee may treat the Owners of the Bonds appearing in the Registration Books as the absolute owners of the Bonds for all purposes and the Trustee shall not be affected by any notice to the contrary.

Whenever in the administration of the trusts imposed upon it by this Indenture the Trustee deems it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Written Certificate, Written Request or Written Requisition of the Authority or the City, and such Written Certificate, Written Request or Written Requisition shall be full warrant to the Trustee for any action taken or suffered under the provisions of this Indenture in reliance upon such Written Certificate, Written Request or Written Requisition, and the Trustee shall be fully protected in relying thereon, but in its discretion the Trustee

may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may deem reasonable.

SECTION 8.06. *Preservation and Inspection of Documents.* All documents received by the Trustee under the provisions of this Indenture shall be retained in its respective possession and in accordance with its retention policy then in effect and shall, upon reasonable notice to Trustee, be subject to the inspection of the Authority, the City, the Bond Insurer and any Bond Owner, and their agents and representatives duly authorized in writing, during business hours and under reasonable conditions as agreed to by the Trustee.

SECTION 8.07. *Compensation and Indemnification.* The Authority shall pay to the Trustee from time to time, on demand, the compensation for all services rendered under this Indenture and also all reasonable expenses, advances (including any interest on advances), charges, legal (including outside counsel and the allocated costs of internal attorneys) and consulting fees and other disbursements, incurred in and about the performance of its powers and duties under this Indenture.

The Authority shall indemnify the Trustee, its officers, directors, employees and agents against any cost, loss, liability or expense whatsoever (including but not limited to fees and expenses of its attorneys) incurred without negligence or willful misconduct on its part, arising out of or in connection with the acceptance or administration of this trust and this Indenture, including costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers hereunder or under the Installment Sale Agreement. As security for the performance of the obligations of the Authority under this Section 8.07, the Trustee shall have a lien prior to the lien of the Bonds upon all property and funds held or collected by the Trustee as such. The rights of the Trustee and the obligations of the Authority under this Section 8.07 shall survive the resignation or removal of the Trustee or the discharge of the Bonds and this Indenture and the Installment Sale Agreement.

SECTION 8.08. *Rights Under Bond Insurance Policy.* [to come]

## ARTICLE IX

### MODIFICATION OR AMENDMENT HEREOF

#### SECTION 9.01. *Amendments Permitted.*

(a) Amendments With the Bond Insurer and Owner Consent. This Indenture and the rights and obligations of the Authority and of the Owners of the Bonds and of the Trustee may be modified or amended from time to time and at any time by Supplemental Indenture, which the Authority and the Trustee may enter into when the written consents of the Bond Insurer and the Owners of a majority in aggregate principal amount of all Bonds then Outstanding are filed with the Trustee. No such modification or amendment may (i) extend the fixed maturity of any Bonds, or reduce the amount of principal thereof or extend the time of payment, or change the method of computing the rate of interest thereon, or extend the time of payment of interest thereon, without the consent of the Bond Insurer and the Owner of each Bond so affected, or (ii) reduce the aforesaid percentage of Bonds the consent of the Owners of which is required to effect any such modification or amendment, or permit the creation of any lien on the Revenues and other assets pledged under this Indenture prior to or on a parity with the lien created by this Indenture except as permitted herein, or deprive the Owners of the Bonds of the lien created by this Indenture on such Revenues and other assets (except as expressly provided in this Indenture), without the consent of the Owners of all of the Bonds then Outstanding. It is not necessary for the consent of the Bond Owners to approve the particular form of any Supplemental Indenture, but it is sufficient if such consent approves the substance thereof.

(b) Amendments Without Owner Consent. This Indenture and the rights and obligations of the Authority, of the Trustee and the Owners of the Bonds may also be modified or amended from time to time and at any time by a Supplemental Indenture, which the Authority and the Trustee may enter into with the prior written consent of the Bond Insurer, but without the consent of any Bond Owners, if the Trustee has been furnished an opinion of counsel that the provisions of such Supplemental Indenture shall not materially adversely affect the interests of the Owners of the Bonds, including, without limitation, for any one or more of the following purposes:

- (i) to add to the covenants and agreements of the Authority in this Indenture contained, other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power herein reserved to or conferred upon the Authority;
- (ii) to cure any ambiguity, inconsistency or omission, or to cure or correct any defective provision, contained in this Indenture, or in regard to matters or questions arising under this Indenture, as the Authority deems necessary or desirable, provided that such modification or amendment does not materially adversely affect the interests of the Bond Owners, in the opinion of Bond Counsel filed with the Trustee;
- (iii) to modify, amend or supplement this Indenture in such manner as to permit the qualification hereof under the Trust Indenture Act of 1939,

as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute; or

- (iv) to modify, amend or supplement this Indenture in such manner as to assure that the interest on the Bonds remains excluded from gross income under the Tax Code.

(c) Limitation. The Trustee is not obligated to enter into any Supplemental Indenture authorized by subsections (a) or (b) of this Section 9.01 which materially adversely affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

(d) Bond Counsel Opinion Requirement. Prior to the Trustee entering into any Supplemental Indenture hereunder, the Authority shall deliver to the Trustee an opinion of Bond Counsel stating, in substance, that such Supplemental Indenture has been adopted in compliance with the requirements of this Indenture and that the adoption of such Supplemental Indenture will not, in and of itself, adversely affect the exclusion from gross income for purposes of federal income taxes of interest on the Bonds.

(e) Notice of Amendments. The Authority shall deliver or cause to be delivered a draft of any Supplemental Indenture to each rating agency which then maintains a rating on the Bonds, at least 10 days prior to the effective date of such Supplemental Indenture under this Section 9.01. In addition, the Authority shall deliver or cause to be delivered to the Bond Insurer a copy of each Supplemental Indenture executed and delivered under this Section 9.01, and any related transcript documents requested by the Bond Insurer.

SECTION 9.02. *Effect of Supplemental Indenture*. Upon the execution of any Supplemental Indenture under this Article IX, this Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under this Indenture of the Authority, the Trustee, the Bond Insurer and all Owners of Bonds Outstanding shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Indenture shall be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

SECTION 9.03. *Endorsement of Bonds; Preparation of New Bonds*. Bonds delivered after the execution of any Supplemental Indenture under this Article may, and if the Authority so determines shall, bear a notation by endorsement or otherwise in form approved by the Authority as to any modification or amendment provided for in such Supplemental Indenture, and, in that case, upon demand on the Owner of any Bonds Outstanding at the time of such execution and presentation of his Bonds for the purpose at the Office of the Trustee or at such additional offices as the Trustee may select and designate for that purpose, a suitable notation shall be made on such Bonds. If the Supplemental Indenture shall so provide, new Bonds so modified as to conform, in the opinion of the Authority, to any modification or amendment contained in such Supplemental Indenture, shall be prepared and executed by the Authority and authenticated by the Trustee, and upon demand on the Owners of any Bonds then Outstanding shall be exchanged at the Office of the Trustee, without cost to any Bond Owner, for Bonds then Outstanding, upon surrender for cancellation of such Bonds, in equal aggregate principal amount of the same maturity.

SECTION 9.04. *Amendment of Particular Bonds.* The provisions of this Article IX do not prevent any Bond Owner from accepting any amendment as to the particular Bonds held by such Owner.

## ARTICLE X

### DEFEASANCE

SECTION 10.01. *Discharge of Indenture.* Any or all of the Outstanding Bonds may be paid by the Authority in any of the following ways, provided that the Authority also pays or causes to be paid any other sums payable hereunder by the Authority:

- (a) by paying or causing to be paid the principal of and interest and premium (if any) on such Bonds, as and when the same become due and payable;
- (b) by depositing with the Trustee, in trust, at or before maturity, money or securities in the necessary amount (as provided in Section 10.03) to pay or redeem such Bonds; or
- (c) by delivering all of such Bonds to the Trustee for cancellation.

If the Authority also pays or causes to be paid all other sums payable hereunder by the Authority, then and in that case, at the election of the Authority (evidenced by a Written Certificate of the Authority, filed with the Trustee, signifying the intention of the Authority to discharge all such indebtedness and this Indenture), and notwithstanding that any of such Bonds shall not have been surrendered for payment, this Indenture and the pledge of Revenues and other assets made under this Indenture with respect to such Bonds and all covenants, agreements and other obligations of the Authority under this Indenture with respect to such Bonds shall cease, terminate, become void and be completely discharged and satisfied, subject to Section 10.02. In such event, upon the Written Request of the Authority, the Trustee shall execute and deliver to the Authority all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over, transfer, assign or deliver to the Authority all moneys or securities or other property held by it under this Indenture which are not required for the payment or redemption of any of such Bonds not theretofore surrendered for such payment or redemption. The Trustee is entitled to conclusively rely on any such Written Certificate or Written Request and, in each case, is fully protected in relying thereon.

Notwithstanding anything in this Article X to the contrary, if the principal, interest and premium (if any) on the Bonds are paid by the Bond Insurer under the Bond Insurance Policy, the obligations of the Trustee and the Authority will continue in full force and effect and the Bond Insurer shall be fully subrogated to the rights of all Owners of the Bonds so paid. In addition, the obligations of the Trustee and the Authority hereunder shall continue in full force and effect, and will not be terminated, until such time as the Authority has paid all amounts (if any) as shall be due and owing to the Bond Insurer under the Bond Insurance Policy; and the Trustee may not distribute any funds to the Authority under the

preceding paragraph unless the Authority has certified to the Trustee that there are no obligations then due and owing by the Authority to the Bond Insurer under the Bond Insurance Policy.

Prior to the discharge of Bonds under this Article X, the Authority shall notify the Bond Insurer and provide it with a draft copy of any proposed escrow agreement or refunding instructions providing for the required deposit of cash and/or securities in trust, the Independent Accountant's certification, the Preliminary Official Statement relating to the refunding issue (if applicable) and the defeasance opinion of Bond Counsel.

SECTION 10.02. *Discharge of Liability on Bonds.* Upon the deposit with the Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as provided in Section 10.03) to pay or redeem any Outstanding Bonds (whether upon or prior to the maturity or the redemption date of such Bonds), provided that, if such Bonds are to be redeemed prior to maturity, notice of such redemption shall have been given as provided in Article IV or provision satisfactory to the Trustee shall have been made for the giving of such notice, then all liability of the Authority in respect of such Bonds shall cease, terminate and be completely discharged, and the Owners thereof shall thereafter be entitled only to payment out of such money or securities deposited with the Trustee as aforesaid for their payment, subject, however, to the provisions of Section 10.04.

Notwithstanding anything to the contrary in this Article X, in the event of defeasance of all Outstanding Bonds, such defeasance will not operate to discharge any of the following:

- (a) the obligation of the Trustee to transfer and exchange Bonds hereunder,
- (b) the obligation of the Authority to pay or cause to be paid to the Owners of such Bonds, from the amounts so deposited with the Trustee, all sums due thereon, and
- (c) the obligations of the Authority to compensate and indemnify the Trustee under Section 8.07.

The Authority may at any time surrender to the Trustee, for cancellation by Trustee, any Bonds previously issued and delivered, which the Authority may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

SECTION 10.03. *Deposit of Money or Securities with Trustee.* Whenever in this Indenture it is provided or permitted that there be deposited with or held in trust by the Trustee money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may include money or securities held by the Trustee in the funds and accounts established under this Indenture and shall be:

- (a) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given as provided in Article IV or provision

satisfactory to the Trustee shall have been made for the giving of such notice, the amount to be deposited or held shall be the principal amount of such Bonds, premium, if any, and all unpaid interest thereon to the redemption date; or

- (b) non-callable Federal Securities, the principal of and interest on which when due will, in the written opinion of an Independent Accountant filed with the City, the Authority and the Trustee, provide money sufficient to pay the principal of and interest and premium (if any) on the Bonds to be paid or redeemed, as such principal, interest and premium become due, provided that in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in Article IV or provision satisfactory to the Trustee has been made for the giving of such notice;

provided, in each case, that (i) the Trustee shall have been irrevocably instructed (by the terms of this Indenture or by Written Request of the Authority) to apply such money to the payment of such principal, interest and premium (if any) with respect to such Bonds, and (ii) the Authority shall have delivered to the Trustee an opinion of Bond Counsel to the effect that such Bonds have been discharged in accordance with this Indenture (which opinion may rely upon and assume the accuracy of the Independent Accountant's opinion referred to above). The Trustee shall be entitled to conclusively rely on such Written Request or opinion and shall be fully protected, in each case, in relying thereon.

SECTION 10.04. *Unclaimed Funds.* Notwithstanding any provisions of this Indenture, any moneys held by the Trustee in trust for the payment of the principal of, or interest on, any Bonds and remaining unclaimed for 2 years after the principal of all of the Bonds has become due and payable (whether at maturity or upon call for redemption or by acceleration as provided in this Indenture), if such moneys were so held at such date, or 2 years after the date of deposit of such moneys if deposited after said date when all of the Bonds became due and payable, shall be repaid to the Authority free from the trusts created by this Indenture, and all liability of the Trustee with respect to such moneys shall thereupon cease; *provided, however,* that before the repayment of such moneys to the Authority as aforesaid, the Trustee shall (at the cost of the Authority) first mail to the Owners of Bonds which have not yet been paid, at the addresses shown on the Registration Books, a notice, in such form as may be deemed appropriate by the Trustee with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the Authority of the moneys held for the payment thereof.

## ARTICLE XI

### MISCELLANEOUS

SECTION 11.01. *Liability of Authority Limited to Revenues.* Notwithstanding anything in this Indenture or in the Bonds contained, the Authority is not required to advance any moneys derived from any source other than the Revenues and other assets pledged under this Indenture for any of the purposes in this Indenture mentioned, whether for the payment of the principal of or interest on the Bonds or for any other purpose of this Indenture. Nevertheless, the Authority may, but is not required to, advance for any of the purposes hereof any funds of the Authority which may be made available to it for such purposes.

SECTION 11.02. *Limitation of Rights to Parties and Bond Owners.* Nothing in this Indenture or in the Bonds expressed or implied is intended or shall be construed to give to any person other than the Authority, the Trustee, the City, the Bond Insurer and the Owners of the Bonds, any legal or equitable right, remedy or claim under or in respect of this Indenture or any covenant, condition or provision therein or herein contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the Authority, the Trustee, the City, the Bond Insurer and the Owners of the Bonds.

SECTION 11.03. *Funds and Accounts.* Any fund or account required by this Indenture to be established and maintained by the Trustee may be established and maintained in the accounting records of the Trustee, either as a fund or an account, and may, for the purposes of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account; but all such records with respect to all such funds and accounts shall at all times be maintained in accordance with industry standards to the extent practicable, and with due regard for the requirements of Section 6.05 and for the protection of the security of the Bonds and the rights of every Owner thereof. The Trustee may establish such funds and accounts as it deems necessary or appropriate to perform its obligations under this Indenture.

SECTION 11.04. *Waiver of Notice; Requirement of Mailed Notice.* Whenever in this Indenture the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any such case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver. Whenever in this Indenture any notice is required to be given by mail, such requirement may be satisfied by the deposit of such notice in the United States mail, postage prepaid, by first class mail.

SECTION 11.05. *Destruction of Bonds.* Whenever in this Indenture provision is made for the cancellation by the Trustee, and the delivery to the Authority, of any Bonds, the Trustee may, in lieu of such cancellation and delivery, destroy such Bonds as may be allowed by law, and at the written request of the Authority the Trustee shall deliver a certificate of such destruction to the Authority.

SECTION 11.06. *Severability of Invalid Provisions.* If any one or more of the provisions contained in this Indenture or in the Bonds shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be

deemed severable from the remaining provisions contained in this Indenture and such invalidity, illegality or unenforceability shall not affect any other provision of this Indenture, and this Indenture shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The Authority hereby declares that it would have entered into this Indenture and each and every other Section, paragraph, sentence, clause or phrase hereof and authorized the issuance of the Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses or phrases of this Indenture may be held illegal, invalid or unenforceable.

SECTION 11.07. *Notices.* All notices or communications to be given under this Indenture shall be given by first class mail or personal delivery to the party entitled thereto at its address set forth below, or at such address as the party may provide to the other party in writing from time to time. Notice shall be effective either (a) upon transmission by facsimile transmission or other form of telecommunication, confirmed by telephone, (b) 48 hours after deposit in the United States mail, postage prepaid, or (c) in the case of personal delivery to any person, upon actual receipt. The Authority, the City or the Trustee may, by written notice to the other parties, from time to time modify the address or number to which communications are to be given hereunder.

*If to the City  
or the Authority:*

City of Tracy  
333 Civic Center Plaza  
Tracy, California 95376  
Attention: Finance Director  
Fax: 209-831-6439

*If to the Trustee:*

U.S. Bank Trust Company, National Association  
Attn.: Global Corporate Trust Services  
One California Street, Suite 1000  
San Francisco, CA 94111  
Fax: 415-677-3768

*If to the Bond Insurer:*

[to come]

The Authority and the Trustee shall give the Bond Insurer a copy of any notice required to be delivered hereunder to Bond Owners at the address set forth in this Section 11.07.

SECTION 11.08. *Evidence of Rights of Bond Owners.* Any request, consent or other instrument required or permitted by this Indenture to be signed and executed by Bond Owners may be in any number of concurrent instruments of substantially similar tenor and shall be signed or executed by such Bond Owners in person or by an agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent, or of the holding by any person of Bonds transferable by delivery, shall be sufficient for any purpose of this Indenture and shall be conclusive in favor of the Trustee and the Authority if made in the manner provided in this Section 11.08.

The fact and date of the execution by any person of any such request, consent or other instrument or writing may be proved by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the person signing such request, consent or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer.

The ownership of Bonds shall be proved by the Registration Books.

Any request, consent, or other instrument or writing of the Owner of any Bond shall bind every future Owner of the same Bond and the Owner of every Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the Authority in accordance therewith or reliance thereon.

SECTION 11.09. *Disqualified Bonds.* In determining whether the Owners of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under this Indenture, Bonds which are known by the Trustee to be owned or held by or for the account of the Authority or the City, or by any other obligor on the Bonds, or by any person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority or the City or any other obligor on the Bonds, shall be disregarded and deemed not to be Outstanding for the purpose of any such determination. Bonds so owned which have been pledged in good faith may be regarded as Outstanding for the purposes of this Section if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such Bonds and that the pledgee is not a person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority or the City or any other obligor on the Bonds. In case of a dispute as to such right, the Trustee shall be entitled to rely upon the advice of counsel in any decision by Trustee and shall be fully protected in relying thereon.

Upon request, the Authority shall specify to the Trustee those Bonds disqualified under this Section 11.09.

SECTION 11.10. *Money Held for Particular Bonds.* The money held by the Trustee for the payment of the interest, premium, if any, or principal due on any date with respect to particular Bonds (or portions of Bonds in the case of Bonds redeemed in part only) shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Owners of the Bonds entitled thereto, *subject, however,* to the provisions of Section 10.04 but without any liability for interest thereon.

SECTION 11.11. *Waiver of Personal Liability.* No member, officer, agent or employee of the Authority shall be individually or personally liable for the payment of the principal of or interest or premium (if any) on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof; but nothing herein contained shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law or by this Indenture.

SECTION 11.12. *Successor Is Deemed Included in All References to Predecessor.* Whenever in this Indenture either the Authority, the City or the Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Indenture contained by or on behalf of the

Authority, the City or the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

SECTION 11.13. *Execution in Several Counterparts.* This Indenture may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, or as many of them as the Authority and the Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

SECTION 11.14. *Payment on Non-Business Day.* In the event any payment is required to be made hereunder on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day and with the same effect as if made on such preceding non-Business Day.

SECTION 11.15. *Governing Law.* This Indenture shall be governed by and construed in accordance with the laws of the State of California.

**IN WITNESS WHEREOF**, the TRACY PUBLIC FINANCING AUTHORITY has caused this Indenture to be signed in its name by its Executive Director and attested to by its Secretary, and U.S. BANK TRUST COMPANY, N.A., in token of its acceptance of the trusts created hereunder, has caused this Indenture to be signed in its corporate name by its officer thereunto duly authorized, all as of the day and year first above written.

**TRACY PUBLIC FINANCING  
AUTHORITY, as Lessor**

By \_\_\_\_\_  
Treasurer

Attest:

\_\_\_\_\_  
Secretary

**U.S. BANK TRUST COMPANY, N.A., as  
Trustee**

By \_\_\_\_\_  
Authorized Officer

## APPENDIX A

### DEFINITIONS

“Authority” means the Tracy Public Financing Authority, a joint exercise of powers authority duly organized and existing under the laws of the State of California.

“Authorized Representative” means: (a) with respect to the Authority, its Chair, Vice-Chair, Executive Director, Treasurer, Auditor, Secretary, General Counsel or any other person designated as an Authorized Representative of the Authority by a Written Certificate of the Authority signed by its Executive Director and filed with the City and the Trustee; and (b) with respect to the City, its City Manager, Finance Director or any other person designated as an Authorized Representative of the City by a Written Certificate of the City signed by its City Manager and filed with the Authority and the Trustee.

“Bond Counsel” means (a) Jones Hall LLP, or (b) any other attorney or firm of attorneys appointed by or acceptable to the City or the Authority of nationally-recognized experience in the issuance of obligations the interest on which is excludable from gross income for federal income tax purposes under the Tax Code.

“Bond Fund” means the fund by that name established and held by the Trustee under Section 5.01.

“Bond Insurance Policy” means the policy of municipal bond insurance issued by the Bond Insurer which insures the payment when due of principal of and interest on the Bonds.

“Bond Insurer” means \_\_\_\_\_, its successors and assigns, as issuer of the Bond Insurance Policy.

“Bond Law” means the provisions of Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, as in effect on the Closing Date or as thereafter amended in accordance with its terms.

“Bond Year” means each twelve-month period extending from December 2 in one calendar year to December 1 of the succeeding calendar year, both dates inclusive; except that the first Bond Year commences on the Closing Date and extends to and including December 1, 2026.

“Bonds” means the \$[Principal Amount] aggregate principal amount of Tracy Public Financing Authority Wastewater Revenue Refunding Bonds, Series 2026 authorized by and at any time Outstanding under this Indenture.

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

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

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the City relating to the authorization, issuance, sale and delivery of the Bonds, including but not limited to: printing expenses; rating agency fees; filing and recording fees; initial fees, expenses and charges of the Trustee and its counsel, including the Trustee’s first annual administrative fee; fees, charges and disbursements of attorneys, financial advisors, accounting firms, consultants and other professionals; Bond Insurance premium; fees and charges for preparation, execution and safekeeping of the Bonds; and any other cost, charge or fee in connection with the original issuance of the Bonds.

“Costs of Issuance Fund” means the fund by that name established and held by the Trustee under Section 3.03.

“Depository” means (a) initially, DTC, and (b) any other Securities Depositories acting as Depository under Section 2.04.

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

“City” means the City of Tracy, a municipal corporation organized and existing under the laws of the State of California.

“DTC” means The Depository Trust Company, New York, New York, and its successors and assigns.

“Event of Default” means any of the events specified in Section 7.01.

“Excess Investment Earnings” means an amount required to be rebated to the United States of America under Section 148(f) of the Tax Code due to investment of gross proceeds of the Bonds at a yield in excess of the yield on the Bonds.

“Fair Market Value” means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm’s length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of section 1273 of the Code) and, otherwise, the term “Fair Market Value” means the acquisition price in a bona fide arm’s length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Code, (iii) the investment is a United States Treasury Security--State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) any commingled investment fund in which the Authority and related parties do not own more than a 10% beneficial interest therein if the return paid by the fund is without regard to the source of the investment. To the extent required by the applicable regulations under the Code, the term “investment” will include a hedge.

“Federal Securities” means: (a) any direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the

Department of the Treasury of the United States of America), the payment of principal of and interest on which are unconditionally and fully guaranteed by the United States of America; and (b) any obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.

“Fiscal Year” means any twelve-month period extending from July 1 in one calendar year to June 30 of the succeeding calendar year, both dates inclusive, or any other twelve-month period selected and designated by the City as its official fiscal year period.

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

“Interest Account” means the account by that name established and held by the Trustee in the Bond Fund under Section 5.02.

“Installment Sale Agreement” means the Installment Sale Agreement dated as of May 1, 2026, between the City and the Authority, together with any duly authorized and executed amendments thereto.

“Installment Payments” means all payments required to be paid by the City on any date under Section 4.4 of the Installment Sale Agreement, including any amounts payable upon delinquent installments and including prepayment thereof under Section 7.2 or 7.3 of the Installment Sale Agreement, if any.

“Interest Payment Date” means each June 1 and December 1, commencing December 1, 2026, so long as any Bonds remain unpaid.

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

“Nominee” means (a) initially, Cede & Co. as nominee of DTC, and (b) any other nominee of the Depository designated under Section 2.04(a).

“Office” means the corporate trust office of the Trustee in San Francisco, California, or such other or additional offices as the Trustee may designate in writing to the Corporation from time to time as the corporate trust office for purposes of this Indenture; except that with respect to presentation of Bonds for payment or for registration of transfer and exchange such term means the office or agency of the Trustee at which, at any particular time, its corporation trust business is conducted.

“Original Purchaser” means Piper Sandler & Co., as original purchaser of the Bonds at the negotiated sale thereof.

“Outstanding”, when used as of any particular time with reference to Bonds, means all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under this Indenture except: (a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (b) Bonds with respect to which all liability of the Authority shall have been discharged in accordance with Section 10.02, including Bonds (or portions thereof) described in Section 11.09; and (c) Bonds for the transfer or exchange of or in

lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee under this Indenture.

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

“Permitted Investments” means any of the following which at the time of investment are determined by the Authority to be legal investments under the laws of the State of California for the moneys proposed to be invested therein (provided that the Trustee shall be entitled to rely conclusively upon any such determination by the Authority), but only to the extent that the same are acquired at Fair Market Value:

- (a) Federal Securities.
- (b) obligations of any of the following federal agencies which obligations represent full faith and credit of the United States of America, including: Export-Import Bank, Farmers Home Administration, General Services Administration, U.S. Maritime Administration, Small Business Administration, Government National Mortgage Association, U.S. Department of Housing & Urban Development, and Federal Housing Administration;
- (c) bonds, notes or other evidences of indebtedness rated AAA by S&P and Aaa by Moody’s issued by Fannie Mae or Freddie Mac with remaining maturities not exceeding three years;
- (d) U.S. dollar denominated deposit accounts (including those with the Trustee or with any affiliate of the Trustee), federal funds and banker’s acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of A-1 or A-1+ by S&P and P-1 by Moody’s, and maturing no more than 360 days after the date of purchase;
- (e) commercial paper which is rated at the time of purchase in the single highest classification, A-1+ by S&P and P-1 by Moody’s and which matures not more than 270 days after the date of purchase;
- (f) investments in a money market fund rated AAAm or AAAm-G or better by S&P, which may include funds for which the Trustee or its affiliates provide investment advisory or other management services;
- (g) any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and (i) which are rated, based on the escrow, in the highest rating category of S&P and Moody’s or (ii)(A) which are fully secured as to principal and interest and redemption premium (if any) by a fund consisting only of cash or Federal Securities, which fund may be applied only to the payment of such principal of and interest and redemption

premium (if any) in such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates under such irrevocable instructions, as appropriate, and (B) which fund is sufficient, as verified by an independent accountant, to pay principal of and interest and redemption premium (if any) on the bonds or other obligations described in this paragraph on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to above, as appropriate;

- (h) investment agreements approved in writing by the Bond Insurer;
- (i) the Local Agency Investment Fund which is administered by the California Treasurer for the investment of funds belonging to local agencies within the State of California, provided for investment of funds held by the Trustee, the Trustee is entitled to make investments and withdrawals in its own name as Trustee;
- (j) shares in a California common law trust established pursuant to Title 1, Division 7, Chapter 5 of the California Government Code which invests exclusively in investments permitted by Section 53635 of Title 5, Division 2, Chapter 4 of the California Government Code, as it may be amended, including but not limited to the California Asset Management Program (CAMP); and
- (k) any other investments permitted in writing by the Bond Insurer.

“Principal Account” means the account by that name established and held by the Trustee in the Bond Fund under Section 5.02.

“Project” has the meaning given that term in the Installment Sale Agreement.

“Record Date” means, with respect to any Interest Payment Date, the 15<sup>th</sup> calendar day of the month preceding such Interest Payment Date, whether or not such day is a Business Day.

“Redemption Fund” means the fund by that name established and held by the Trustee under Section 5.06.

“Registration Books” means the records maintained by the Trustee under Section 2.05 for the registration and transfer of ownership of the Bonds.

“Revenues” means: (a) all of the Installment Payments, and (b) all interest, profits or other income derived from the investment of amounts in any fund or account established under this Indenture.

“Securities Depositories” means DTC; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the Authority designates in written notice filed with the Trustee.

“S&P” means Standard & Poor’s, a division of the McGraw Hill Companies, of New York, New York, its successors and assigns.

“Supplemental Indenture” means any indenture hereafter duly authorized and entered into between the Authority and the Trustee, supplementing, modifying or amending this Indenture; but only if and to the extent that such Supplemental Indenture is specifically authorized hereunder.

“Tax Code” means the Internal Revenue Code of 1986 as in effect on the Closing Date or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the Closing Date, together with applicable proposed, temporary and final regulations promulgated, and applicable official public guidance published, under said Code.

“Term” means, when used with respect to the Installment Sale Agreement, the time during which the Installment Sale Agreement is in effect, as provided in Section 4.2 thereof.

“Term Bonds” means the Bonds maturing on December 1 in each of the years \_\_\_\_ and \_\_\_\_.

“Trustee” means U.S. Bank Trust Company, N.A., a national banking association organized and existing under the laws of the United States of America, or its successor or successors, as Trustee hereunder as provided in Article VIII.

“2004 Certificates” has the meaning given to that term in the Background section of this Indenture.

“2004 Installment Payment Agreement” has the meaning given to that term in the Background section of this Indenture.

“2004 Installment Payments” has the meaning given to that term in the Background section of this Indenture.

“2004 Trustee” has the meaning given to that term in the Background section of this Indenture.

“Written Certificate,” “Written Request” and “Written Requisition” of the Authority or the City mean, respectively, a written certificate, request or requisition signed in the name of the Authority or the City by its Authorized Representative. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

**APPENDIX B**

**BOND FORM**

NO. R- \_\_\_\_\_

\*\*\*\$ \_\_\_\_\_ \*\*\*

UNITED STATES OF AMERICA  
STATE OF CALIFORNIA

**TRACY PUBLIC FINANCING AUTHORITY**

**WASTEWATER REVENUE REFUNDING BONDS, SERIES 2026**

INTEREST RATE: \_\_\_\_\_%      MATURITY DATE: December 1, \_\_\_\_\_      ORIGINAL ISSUE DATE: \_\_\_\_\_      CUSIP: \_\_\_\_\_

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: \*\*\* \_\_\_\_\_ \*\*\*

The TRACY PUBLIC FINANCING AUTHORITY, a joint exercise of powers authority duly organized and existing under the laws of the State of California (the "Authority"), for value received, hereby promises to pay to the Registered Owner specified above or registered assigns (the "Registered Owner"), on the Maturity Date specified above (subject to any right of prior redemption hereinafter provided for), the Principal Amount specified above, in lawful money of the United States of America, and to pay interest thereon in like lawful money from the Interest Payment Date (as hereinafter defined) next preceding the date of authentication of this Bond unless (i) this Bond is authenticated on or before an Interest Payment Date and after the close of business on the 15<sup>th</sup> day of the month preceding such interest payment date, in which event it shall bear interest from such Interest Payment Date, or (ii) this Bond is authenticated on or before November 15, 2026, in which event it shall bear interest from the Original Issue Date specified above; *provided, however*, that if at the time of authentication of this Bond, interest is in default on this Bond, this Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment on this Bond, at the Interest Rate per annum specified above, payable semiannually on June 1 and December 1 in each year, commencing December 1, 2026 (the "Interest Payment Dates"), calculated on the basis of a 360-day year composed of twelve 30-day months.

Principal hereof and premium, if any, upon early redemption hereof are payable upon presentation and surrender hereof at the corporate trust office of U.S. Bank Trust Company, N.A., in San Francisco, California (the "Trust Office"), as trustee (the "Trustee"). Interest hereon is payable by check of the Trustee mailed to the Registered Owner hereof

at the Registered Owner's address as it appears on the registration books of the Trustee as of the close of business on the fifteenth day of the month preceding each Interest Payment Date (a "Record Date"), or, upon written request filed with the Trustee as of such Record Date by a registered owner of at least \$1,000,000 in aggregate principal amount of Bonds, by wire transfer in immediately available funds to an account in the United States designated by such registered owner in such written request.

This Bond is not a debt of the City of Tracy (the "City"), the County of San Joaquin, the State of California, or any of its political subdivisions, and neither the City, said County, said State, nor any of its political subdivisions, is liable hereon nor in any event shall this Bond be payable out of any funds or properties of the Authority other than the Revenues.

This Bond is one of a duly authorized issue of bonds of the Authority designated as the "Tracy Public Financing Authority Wastewater Revenue Refunding Bonds, Series 2026 (the "Bonds"), in an aggregate principal amount of \$\_\_\_\_\_, all of like tenor and date (except for such variation, if any, as may be required to designate varying numbers, maturities, interest rates or redemption provisions) and all issued under the provisions of Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (the "Bond Law"), and under an Indenture of Trust dated as of May 1, 2026, between the Authority and the Trustee (the "Indenture") and a resolution of the Authority adopted on \_\_\_\_\_, 2026, authorizing the issuance of the Bonds. Reference is hereby made to the Indenture (copies of which are on file at the office of the Authority) and all supplements thereto for a description of the terms on which the Bonds are issued, the provisions with regard to the nature and extent of the Revenues, and the rights thereunder of the owners of the Bonds and the rights, duties and immunities of the Trustee and the rights and obligations of the Authority thereunder, to all of the provisions of which the Registered Owner of this Bond, by acceptance hereof, assents and agrees.

The Bonds have been issued by the Authority to refinance an outstanding installment payment obligation of the City that financed improvements to the wastewater collection, treatment and disposal system of the City (the "Wastewater System"). This Bond and the interest and premium, if any, hereon are special obligations of the Authority, payable from the Revenues, and secured by a charge and lien on the Revenues as defined in the Indenture, consisting principally of installment payments made by the City under an Installment Sale Agreement dated as of May 1, 2026, between the Authority and the City (the "Installment Sale Agreement"). As and to the extent set forth in the Indenture, all of the Revenues are exclusively and irrevocably pledged in accordance with the terms hereof and the provisions of the Indenture, to the payment of the principal of and interest and premium (if any) on the Bonds.

The rights and obligations of the Authority and the owners of the Bonds may be modified or amended at any time in the manner, to the extent and upon the terms provided in the Indenture, but no such modification or amendment shall extend the fixed maturity of any Bonds, or reduce the amount of principal thereof or premium (if any) thereon, or extend the time of payment, or change the method of computing the rate of interest thereon, or extend the time of payment of interest thereon, without the consent of the owner of each Bond so affected.

The Bonds are not subject to optional redemption prior to their respective stated maturities.

The Bonds maturing on December 1 in each of the years set forth below are subject to mandatory redemption in part by lot, at a redemption price equal to 100% of the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts and on December 1 in the respective years as set forth in the following tables; *provided, however*, that if some but not all of the Term Bonds have been redeemed under the redemption provision described in the preceding paragraph, the total amount of all future sinking fund payments shall be reduced by the aggregate principal amount of the Term Bonds so redeemed, to be allocated among such sinking fund payments on a pro rata basis in integral multiples of \$5,000 (as set forth in a schedule provided by the Authority to the Trustee).

<b>Term Bonds Maturing December 1, ____</b>	
Sinking Fund Redemption Date (December 1)	Principal Amount <u>To Be Redeemed</u>

As provided in the Indenture, notice of redemption will be mailed by the Trustee by first class mail not less than 20 nor more than 60 days prior to the redemption date to the respective owners of any Bonds designated for redemption at their addresses appearing on the registration books of the Trustee, but neither failure to receive such notice nor any defect in the notice so mailed shall affect the sufficiency of the proceedings for redemption or the cessation of accrual of interest thereon from and after the date fixed for redemption.

If this Bond is called for redemption and payment is duly provided therefor as specified in the Indenture, interest shall cease to accrue hereon from and after the date fixed for redemption.

This Bond is transferable by the Registered Owner hereof, in person or by his attorney duly authorized in writing, at the Trust Office, but only in the manner, subject to the limitations and upon payment of the charges provided in the Indenture, and upon surrender and cancellation of this Bond. Upon registration of such transfer, a new Bond or Bonds, of authorized denomination or denominations, for the same aggregate principal amount and of the same maturity will be issued to the transferee in exchange herefor. This Bond may be exchanged at the Trust Office for Bonds of the same tenor, aggregate principal amount, interest rate and maturity, of other authorized denominations.

The Authority and the Trustee may treat the Registered Owner hereof as the absolute owner hereof for all purposes, and the Authority and the Trustee shall not be affected by any notice to the contrary.

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

It is hereby certified by the Authority that all of the things, conditions and acts required to exist, to have happened or to have been performed precedent to and in the issuance of this Bond do exist, have happened or have been performed in due and regular time, form and manner as required by the Bond Law and the laws of the State of California and that the amount of this Bond, together with all other indebtedness of the Authority, does not exceed any limit prescribed by the Ordinance or any laws of the State of California, and is not in excess of the amount of Bonds permitted to be issued under the Indenture.

This Bond is not entitled to any benefit under the Indenture or valid or obligatory for any purpose until the certificate of authentication hereon endorsed has been manually signed by the Trustee.

IN WITNESS WHEREOF, the Tracy Public Financing Authority has caused this Bond to be executed in its name and on its behalf with the facsimile signature of its Executive Director and attested to by the facsimile signature of its Secretary, all as of the Original Issue Date specified above.

**TRACY PUBLIC FINANCING AUTHORITY**

By: \_\_\_\_\_  
Executive Director

Attest:

\_\_\_\_\_  
Secretary

**CERTIFICATE OF AUTHENTICATION**

This is one of the Bonds described in the within-mentioned Indenture.

Dated:

**U.S. BANK TRUST COMPANY, N.A., as  
Trustee**

By: \_\_\_\_\_  
Authorized Signatory

## ASSIGNMENT

For value received the undersigned hereby sells, assigns and transfers unto \_\_\_\_\_ whose address and social security or other tax identifying number is \_\_\_\_\_, the within-mentioned Bond and hereby irrevocably \_\_\_\_\_ constitute(s) \_\_\_\_\_ and \_\_\_\_\_ appoint(s) \_\_\_\_\_ attorney, to transfer the same on the registration books of the Trustee with full power of substitution in the premises.

Dated: \_\_\_\_\_

Signature Guaranteed: \_\_\_\_\_

\_\_\_\_\_  
Note: Signature(s) must be guaranteed by an eligible guarantor institution.

\_\_\_\_\_  
Note: The signature(s) on this Assignment must correspond with the name(s) as written on the face of the within Bond in every particular without alteration or enlargement or any change whatsoever.

## STATEMENT OF INSURANCE

[to come]

§ \_\_\_\_\_  
**TRACY PUBLIC FINANCING AUTHORITY  
WASTEWATER REVENUE REFUNDING BONDS, SERIES 2026**

**BOND PURCHASE AGREEMENT**

\_\_\_\_\_, 2026

Tracy Public Financing Authority  
c/of City of Tracy  
333 Civic Center Plaza  
Tracy, California 95376

City of Tracy  
333 Civic Center Plaza  
Tracy, California 95376

Ladies and Gentlemen:

Piper Sandler & Co. (the “**Underwriter**”), acting on behalf of itself and not as an agent or fiduciary for you, offers to enter into this Bond Purchase Agreement (this “**Purchase Agreement**”) with the Tracy Public Financing Authority (the “**Authority**”) and the City of Tracy (the “**City**”) with regard to the Bonds described below, which Purchase Agreement, upon the acceptance hereof by the Authority and the City, will be binding upon the Authority, the City and the Underwriter. This offer is made subject to the written acceptance of this Purchase Agreement by the Authority and the City and the delivery of such acceptance to the Underwriter at or prior to 11:59 p.m., Pacific time, on the date hereof, and, if it is not so accepted, such offer may be withdrawn by the Underwriter upon written notice to the Authority and the City by the Underwriter at any time before its acceptance.

Each of the Authority and the City acknowledges and agrees that (i) the purchase and sale of the Bonds (as defined below) pursuant to this Purchase Agreement is an arm’s-length commercial transaction among the Authority, the City and the Underwriter, (ii) in connection therewith and with the discussions, undertakings, and procedures leading up to the consummation of such transaction, the Underwriter is acting solely as a principal and not as an agent or fiduciary of the Authority or the City, (iii) the Underwriter has not assumed an advisory or a fiduciary responsibility in favor of the Authority or the City with respect to the offering contemplated hereby or the discussions, undertakings, and procedures leading thereto (irrespective of whether the Underwriter has provided other services or is currently providing other services to the Authority or the City on other matters) and the Underwriter has no obligation to the Authority or the City with respect to the offering contemplated hereby except the obligations expressly set forth in this Purchase Agreement, and (iv) the Authority and the City have consulted their own legal, financial, and other advisors to the extent they have deemed appropriate.

1. Upon the terms and conditions and upon the basis of the representations, warranties, and agreements hereinafter set forth, the Underwriter hereby agrees to purchase from the Authority for reoffering to the public, and the Authority hereby agrees to sell to the Underwriter for such purpose, all (but not less than all) of the \$\_\_\_\_\_ aggregate principal amount of the Tracy Public Financing Authority Wastewater Revenue Refunding Bonds, Series 2026 (the “**Bonds**”). The purchase price of

the Bonds shall be \$ \_\_\_\_\_ (representing the par amount of the Bonds, [plus/less] [net] original issue [premium/discount] of \$ \_\_\_\_\_, and less an Underwriter’s discount of \$ \_\_\_\_\_). [In addition, on behalf of the Authority and the City and from the purchase price of the Bonds, the Underwriter shall wire the amount of \$ \_\_\_\_\_ directly to the Insurer as (defined below) to pay the costs of the premium for the Insurance Policy (as defined below).]

The Preliminary Official Statement with respect to the Bonds, dated \_\_\_\_\_, 2026 (the “**Preliminary Official Statement**”), as amended to conform to the terms of this Purchase Agreement, and dated the date hereof, and with such changes and amendments as are mutually agreed to by the Authority, the City and the Underwriter, including the cover page, the appendices, and all information incorporated therein by reference, is herein collectively referred to as the “**Official Statement**.” The Authority and the City represent that they have deemed the Preliminary Official Statement to be final as of its date, except for either revision or addition of the offering price(s), yield(s) to maturity, selling compensation, aggregate denominational amount and maturity value, denominational amount and maturity value per maturity, delivery date, rating(s), and other terms of the Bonds that depend upon the foregoing as provided in and pursuant to Rule 15c2-12 of the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the “**Rule**”), by delivering a certificate to the Underwriter substantially in the form of Exhibit B attached hereto.

2. The Bonds shall mature on the dates and in the amounts, and will bear interest at the rates, set forth in Exhibit A attached hereto and as further described in the Official Statement. The Bonds shall be issued under and pursuant to the Indenture of Trust, dated as of May 1, 2026 (the “**Indenture**”), between the Authority and U.S. Bank Trust Company, National Association (“**U.S. Bank**”), as trustee. Capitalized terms used herein without definition shall have the meanings given to such terms in the Indenture.

The Bonds are being issued to provide funds (i) to prepay in full the outstanding City of Tracy Certificates of Participation (2004 Wastewater Treatment Plant Upgrade) (the “**2004 Certificates**”) and a related installment payment obligation of the City, and (ii) to pay certain costs of issuance of the Bonds.

[The Bonds maturing on December 1 in the years 20\_\_ through 20\_\_, inclusive (collectively, the “**Insured Bonds**”) shall be insured under a municipal bond insurance policy (the “**Insurance Policy**”) from \_\_\_\_\_ (the “**Insurer**”).]

3. Public Offering and Establishment of Issue Price.

(a) The Underwriter agrees to make a bona fide public offering of the Bonds at the initial public offering price or prices set forth on the inside cover page of the Official Statement and in Exhibit A attached hereto and subject to Sections 3(c) and 3(d) hereof, the Underwriter reserves the right to change such initial public offering prices as the Underwriter deems necessary or desirable, in its sole discretion, in connection with the marketing of the Bonds, and to sell the Bonds to certain dealers (including dealers depositing the Bonds into investment trusts) and others at prices lower than the initial offering prices set forth in the Official Statement. A “**bona fide public offering**” shall include an offering to institutional investors or registered investment companies, regardless of the number of such investors to which the Bonds are sold.

(b) The Underwriter agrees to assist the Authority in establishing the issue price of the Bonds and shall execute and deliver to the Authority at Closing (defined below) an “issue price”

or similar certificate, together with copies of supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit C, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Underwriter, the Authority and Bond Counsel (as defined herein) to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the Bonds. All actions to be taken by the Authority under this section to establish the issue price of the Bonds may be taken on behalf of the Authority by the Authority's municipal advisor, CSG Advisors Incorporated (the "**Municipal Advisor**") and any notice or report to be provided to the Authority may be provided to the Municipal Advisor.

(c) Except as otherwise set forth in Exhibit A attached hereto, the Authority will treat the first price at which 10% of each maturity of the Bonds (the "**10% test**"), identified under the column "10% Test Used" in Exhibit A, is sold to the public as the issue price of that maturity. At or promptly after the execution of this Purchase Agreement, the Underwriter shall report to the Authority the price or prices at which it has sold to the public each maturity of Bonds. If at that time the 10% test has not been satisfied as to any maturity of the Bonds, the Underwriter agrees to promptly report to the Authority the prices at which it sells the unsold Bonds of that maturity to the public. That reporting obligation shall continue, whether or not the Closing Date has occurred, until either (i) the Underwriter has sold all Bonds of that maturity or (ii) the 10% test has been satisfied as to the Bonds of that maturity, provided that, the Underwriter's reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Authority or Bond Counsel. For purposes of this section, if Bonds mature on the same date but have different interest rates, each separate CUSIP number within that maturity will be treated as a separate maturity of the Bonds.

(d) The Underwriter confirms that it has offered the Bonds to the public on or before the date of this Purchase Agreement at the offering price or prices (the "**initial offering price**"), or at the corresponding yield or yields, set forth in Exhibit A attached hereto, except as otherwise set forth therein. Exhibit A also sets forth, identified under the column "Hold the Offering Price Rule Used," as of the date of this Purchase Agreement, the maturities, if any, of the Bonds for which the 10% test has not been satisfied and for which the Authority and the Underwriter agree that the restrictions set forth in the next sentence shall apply, which will allow the Authority to treat the initial offering price to the public of each such maturity as of the sale date as the issue price of that maturity (the "**hold-the-offering-price rule**"). So long as the hold-the-offering-price rule remains applicable to any maturity of the Bonds, the Underwriter will neither offer nor sell unsold Bonds of that maturity to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following.

(1) the close of the fifth (5th) business day after the sale date; or

(2) the date on which the Underwriter has sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The Underwriter will advise the Authority promptly after the close of the fifth (5th) business day after the sale date whether it has sold 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

(e) The Underwriter confirms that:

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

(i) (1) to report the prices at which it sells to the public the unsold Bonds of each maturity allocated to it, whether or not the Closing Date has occurred, until either all Bonds of that maturity allocated to it have been sold or it is notified by the Underwriter that the 10% test has been satisfied as to the Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Underwriter, and (2) to comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Underwriter,

(ii) to promptly notify the Underwriter of any sales of Bonds that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below), and

(iii) to acknowledge that, unless otherwise advised by the dealer or broker-dealer, the Underwriter shall assume that each order submitted by the dealer or broker-dealer is a sale to the public.

(2) any selling group agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such third-party distribution agreement to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allocated to it, whether or not the Closing Date has occurred, until either all Bonds of that maturity allocated to it have been sold or it is notified by the Underwriter or the dealer that the 10% test has been satisfied as to the Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Underwriter or the dealer, and (B) comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Underwriter or the dealer and as set forth in the related pricing wires.

(f) The Authority acknowledges that, in making the representations set forth in this section, the Underwriter will rely on (1) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in a selling group agreement and the related pricing wires, and (2) in the event that a third-party distribution agreement was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in the third-party distribution agreement and the related pricing wires. The Authority further acknowledges that the Underwriter shall not be liable for the failure of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement, to comply with its

corresponding agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds.

(g) The Underwriter acknowledges that sales of any Bonds to any person that is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below) shall not constitute sales to the public for purposes of this section. Further, for purposes of this section:

(1) “**public**” means any person other than an underwriter or a related party;

(2) “**underwriter**” means (A) any person that agrees pursuant to a written contract with the Authority (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the public);

(3) a purchaser of any of the Bonds is a “**related party**” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other); and

(4) “**sale date**” means the date of execution of this Purchase Agreement by the Authority and the Underwriter.

4. The Authority and the City hereby authorize the use by the Underwriter of (i) the Indenture, (ii) the Installment Sale Agreement, dated as of May 1, 2026 (the “**Installment Sale Agreement**”, between the City and the Authority, (ii) the Continuing Disclosure Certificate, dated as of \_\_\_\_, 2026 (the “**Continuing Disclosure Certificate**”) executed and delivered by the City and accepted by \_\_\_\_\_, as dissemination Agent, and (iii) the Official Statement, and any supplements or amendments thereto, and the information contained in each of such documents, in connection with the public offering and sale of the Bonds. The Authority and the City consent to the use by the Underwriter prior to the date hereof of the Preliminary Official Statement in connection with the public offering of the Bonds.

The Authority will deliver to the Underwriter, within seven (7) business days after the date of this Purchase Agreement and in sufficient time to accompany any confirmation requesting payment from any customers of the Underwriter, copies of the Official Statement in final form (including all documents incorporated by reference therein) and any amendment or supplement thereto in such quantities as the Underwriter may reasonably request in order to comply with the obligations of the Underwriter pursuant to the Rule and the rules of the Municipal Securities Rulemaking Board. As

soon as practicable following receipt thereof from the Authority, the Underwriter shall deliver the Official Statement to the Municipal Securities Rulemaking Board.

5. At 8:00 a.m., Pacific Time, on \_\_\_\_\_, 2026, or at such other time or on such other business day as shall have been mutually agreed upon by the Authority and the Underwriter (the “**Closing Date**”), the Authority will cause U.S. Bank to authenticate and deliver to the Underwriter at the office of The Depository Trust Company (“**DTC**”) in New York, New York, or at such other place as the Authority and the Underwriter may mutually agree upon, the Bonds in fully-registered book-entry form, duly executed and registered in the name of Cede & Co., as nominee of DTC, and, subject to the terms and conditions hereof, the Underwriter will accept such delivery and pay the purchase price of the Bonds by wire transfer payable in immediately available funds to or upon the order of the City at such place in San Francisco, California, or New York, New York, as shall have been mutually agreed upon by the Authority and the Underwriter. Such delivery of and payment for the Bonds is referred to herein as the “**Closing**.” The Bonds shall be made available for inspection by DTC at least one business day before the Closing.

6. The Authority represents, warrants, and covenants to the Underwriter that:

(a) The Authority is a joint powers authority under Article 1 of Chapter 5 of Division 7 of Title 1 of the California Government Code duly organized and validly existing under and by virtue of the laws of the State of California (the “**State**”).

(b) The Authority has the legal right and power to issue and deliver the Bonds and to execute and deliver, and to perform its obligations under, the Indenture, the Installment Sale Agreement and this Purchase Agreement (collectively, the “**Authority Documents**”). The Authority has duly authorized the issuance and delivery of the Bonds and the execution and delivery of, and performance of its obligations under, the Authority Documents and, as of the date hereof, such authorizations are in full force and effect and have not been amended, modified, or rescinded. When executed and delivered by the respective parties thereto, the Authority Documents will constitute legal, valid, and binding obligations of the Authority in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium, or similar laws, the application of equitable principles relating to or affecting creditors’ rights generally, the exercise of judicial discretion in appropriate cases, and the limitations on legal remedies against joint powers authorities in the State. The Authority has complied, and will at the Closing be in compliance in all respects, with its obligations under the Authority Documents.

(c) The Bonds will be issued in accordance with the Indenture and will conform in all material respects to the descriptions thereof contained in the Official Statement. The Indenture creates a valid pledge of, first lien upon, and security interest in, the Revenues.

(d) The information in the Official Statement (excluding any information with respect to DTC and the book-entry only system) is true and correct in all material respects, and the information in the Official Statement does not contain any misstatement of any material fact and does not omit any statement necessary to make the statements, in the light of the circumstances in which such statements were made, not misleading.

(e) The Authority covenants with the Underwriter that for twenty-five days after the Closing Date (the “**Delivery Period**”), if any event occurs that might or would cause the Official Statement, as then supplemented or amended, to contain an untrue statement of a material fact or to

omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the Authority shall notify the Underwriter thereof, and if in the opinion of the Underwriter such event requires the preparation and publication of a supplement or amendment to the Official Statement, the Authority will cooperate with the Underwriter and the City in the preparation of an amendment or supplement to the Official Statement, at the expense of the Authority and the City, in a form and in a manner approved by the Underwriter.

(f) The Authority will advise the Underwriter promptly of any proposal to amend or supplement the Official Statement and will not effect or consent to any such amendment or supplement without the consent of the Underwriter. The Authority will advise the Underwriter promptly of the institution of any proceedings known to it by any governmental agency prohibiting or otherwise affecting the use of the Official Statement in connection with the offering, sale, or distribution of the Bonds.

(g) If the Official Statement is supplemented or amended, the Official Statement, as so supplemented or amended, as of the date of such supplement or amendment, will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(h) The Authority is not in breach of or in default under any applicable constitutional provision, law, or administrative rule or regulation of the State or the United States, or any applicable judgment, decree, consent, or other agreement to which the Authority is a party, and no event has occurred and is continuing that, with the passage of time or the giving of notice, or both, would constitute such a default or event of default under any of the foregoing.

(i) The authorization, execution, and delivery by the Authority of the Authority Documents, and compliance by the Authority with the provisions thereof, do not and will not conflict with or constitute a breach of or default by the Authority under any applicable constitutional provision, law, or administrative rule or regulation of the State or the United States, or any applicable judgment, decree, consent, or other agreement to which it is bound or by which its properties may be affected.

(j) No authorization, consent, or approval of, or filing or registration with, any Governmental Authority (as defined below) or court is, or under existing requirements of law will be, necessary for the valid execution and delivery of, or performance by the Authority of its obligations under, the Authority Documents, other than any authorization, consent, approval, filing, or registration as may be required under the Blue Sky or securities laws of any state in connection with the offering, sale, or issuance of the Bonds. All authorizations, consents, or approvals of, or filings or registrations with, any Governmental Authority or court necessary for the valid issuance of, and performance by the Authority of its obligations under, the Bonds will have been duly obtained or made prior to the issuance of the Bonds (and disclosed to the Underwriter). As used herein, the term “**Governmental Authority**” refers to any legislative body or governmental official, department, commission, board, bureau, agency, instrumentality, body, or public benefit corporation.

(k) The Authority shall furnish such information, execute such instruments, and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request in order (i) to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate and (ii) to determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions, and shall use its best efforts to continue such qualifications in effect so long as required

for the distribution of the Bonds; provided, however, that the Authority shall not be required to execute a general consent to service of process or qualify to do business in connection with any such qualification or determination in any jurisdiction.

(l) There is no action, suit, proceeding, inquiry, or investigation, at law or in equity, before or by any court, regulatory agency, or public board or body, pending or, to the best knowledge of the Authority, threatened (i) in any way questioning the existence of the Authority or the titles of the officers of the Authority to their respective offices; (ii) affecting, contesting, or seeking to prohibit, restrain, or enjoin the issuance of the Bonds or the execution or delivery of any of the Authority Documents, or the payment or collection of any amounts pledged or to be pledged to pay the principal of and interest on the Bonds, or in any way contesting or affecting the validity of the Bonds or the Authority Documents or the consummation of the transactions contemplated thereby or any proceeding of the Authority taken with respect to any of the foregoing, or contesting the exclusion of the interest on the Bonds from taxation or contesting the powers of the Authority and its authority to pledge the Revenues; (iii) that may result in any material adverse change relating to the Authority that will materially adversely affect the Authority's ability to apply Revenues to pay the Bonds when due; or (iv) contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto or asserting that the Preliminary Official Statement or the Official Statement contained any untrue statement of a material fact or omitted to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(m) Other than in the ordinary course of its business or as contemplated by the Official Statement, between the date of this Purchase Agreement and the Closing Date the Authority will not, without the prior written consent of the Underwriter, offer or issue any certificates, bonds, notes, or other obligations for borrowed money or incur any material liabilities, direct or contingent, payable from or secured by a pledge of the Revenues.

(n) Any certificate signed by any official or other representative of the Authority and delivered to the Underwriter pursuant to this Purchase Agreement shall be deemed a representation and warranty by the Authority to the Underwriter as to the truth of the statements therein made.

7. The City represents, warrants, and covenants to the Underwriter that:

(a) The City is duly organized and validly existing as a municipal corporation and general law city under the Constitution and laws of the State.

(b) The City has the legal right and power to execute and deliver, and to perform its obligations under, the Indenture, the Installment Sale Agreement, the Continuing Disclosure Certificate and this Purchase Agreement (together, the "**City Documents**"). The City has duly authorized the execution and delivery of, and performance of its obligations under, the City Documents and, as of the date hereof, such authorizations are in full force and effect and have not been amended, modified, or rescinded. When executed and delivered by the respective parties thereto, the City Documents will constitute legal, valid, and binding obligations of the City in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium, or similar laws, the application of equitable principles relating to or affecting creditors' rights generally, the exercise of judicial discretion in appropriate cases, and the limitations on legal remedies against cities in the State. The City has complied, and will at the Closing be in compliance in all respects, with its obligations under the City Documents.

(c) The Bonds will be issued in accordance with the Indenture and will conform in all material respects to the descriptions thereof contained in the Official Statement. The Bonds will be paid from Installment Payments (as such term is defined in the Indenture), which payments have been duly and validly authorized pursuant to applicable law.

(d) The Installment Sale Agreement creates a valid pledge of, and first lien upon, Net Revenues (as such term is defined in the Installment Sale Agreement), on a parity with the lien in favor of any Parity Debt (as such term is defined in the Installment Sale Agreement).

(e) The information in the Official Statement (excluding any information with respect to DTC and the book-entry only system) is true and correct in all material respects, and the information in the Official Statement does not contain any misstatement of any material fact and does not omit any statement necessary to make the statements, in the light of the circumstances in which such statements were made, not misleading.

(f) To assist the Underwriter in complying with the Rule, the City will undertake, pursuant to the Continuing Disclosure Certificate, to provide annual reports and notices of certain events. A description of this undertaking is set forth in the Preliminary Official Statement and will also be set forth in the Official Statement. The Official Statement describes the incidences during the last five years in which the City has failed to comply with previous undertakings to provide annual continuing disclosure reports and notices of material events.

(g) The City covenants with the Underwriter that during the Delivery Period, if any event occurs that might or would cause the Official Statement, as then supplemented or amended, to contain an untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the City shall notify the Underwriter thereof, and if in the opinion of the Underwriter such event requires the preparation and publication of a supplement or amendment to the Official Statement, the City will cooperate with the Authority and the Underwriter in the preparation of an amendment or supplement to the Official Statement, at the expense of the City and the Authority, in a form and in a manner approved by the Underwriter.

(h) The City will advise the Underwriter promptly of any proposal to amend or supplement the Official Statement and will not effect or consent to any such amendment or supplement without the consent of the Underwriter. The City will advise the Underwriter promptly of the institution of any proceedings known to it by any governmental agency prohibiting or otherwise affecting the use of the Official Statement in connection with the offering, sale, or distribution of the Bonds.

(i) If the Official Statement is supplemented or amended, the Official Statement, as so supplemented or amended, as of the date of such supplement or amendment, will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(j) The City is not in breach of or in default under any applicable constitutional provision, law, or administrative rule or regulation of the State or the United States, or any applicable judgment, decree, consent, or other agreement to which the City is a party, and no event has occurred and is continuing that, with the passage of time or the giving of notice, or both, would constitute such a default or event of default under any of the foregoing.

(k) The authorization, execution, and delivery by the City of the City Documents, and compliance by the City with the provisions thereof, do not and will not conflict with or constitute a breach of or default by the City under any applicable constitutional provision, law, or administrative rule or regulation of the State or the United States, or any applicable judgment, decree, consent, or other agreement to which it is bound or by which its properties may be affected.

(l) No authorization, consent, or approval of, or filing or registration with, any Governmental Authority (as defined above) or court is, or under existing requirements of law will be, necessary for the valid execution and delivery of, or performance by the City of its obligations under, the City Documents, other than any authorization, consent, approval, filing, or registration as may be required under the Blue Sky or securities laws of any state in connection with the offering, sale, or issuance of the Bonds. All authorizations, consents, or approvals of, or filings or registrations with, any Governmental Authority or court necessary for the valid issuance of, and performance by the City of its obligations under, the Bonds will have been duly obtained or made prior to the issuance of the Bonds (and disclosed to the Underwriter).

(m) The City shall furnish such information, execute such instruments, and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request in order (i) to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate and (ii) to determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions, and shall use its best efforts to continue such qualifications in effect so long as required for the distribution of the Bonds; provided, however, that the City shall not be required to execute a general consent to service of process or qualify to do business in connection with any such qualification or determination in any jurisdiction.

(n) There is no action, suit, proceeding, inquiry, or investigation, at law or in equity, before or by any court, regulatory agency, or public board or body, pending or, to the best knowledge of the City, threatened (i) in any way questioning the existence of the City or the titles of the officers of the City to their respective offices; (ii) affecting, contesting, or seeking to prohibit, restrain, or enjoin the issuance of the Bonds or the execution or delivery of any of the City Documents, or the payment or collection of any amounts pledged or to be pledged to pay the principal of and interest on the Bonds, or in any way contesting or affecting the validity of the Bonds or the City Documents or the consummation of the transactions contemplated thereby or any proceeding of the City taken with respect to any of the foregoing, or contesting the exclusion of the interest on the Bonds from taxation or under which a determination adverse to the City would have a material adverse effect upon the financial condition of the Enterprise (as such term is defined in the Installment Sale Agreement), or which, in any manner, questions or affects the right or ability of the City to use the Net Revenues for the Installment Payments or in any manner affects the right or ability of the City to collect or pledge the Net Revenues; (iii) which, except as described in the Official Statement, may result in any material adverse change to the financial condition of the Enterprise or to the sufficiency of Net Revenues to pay the Installment Payments when due; or (iv) contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto or asserting that the Preliminary Official Statement or the Official Statement contained any untrue statement of a material fact or omitted to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(o) Other than in the ordinary course of its business or as contemplated by the Official Statement, between the date of this Purchase Agreement and the Closing Date the City will

not, without the prior written consent of the Underwriter, offer or issue any certificates, bonds, notes, or other obligations for borrowed money or incur any material liabilities, direct or contingent, payable from or secured by a lien on the Net Revenues superior to or equal to the lien of the Installment Payments on the Net Revenues.

(p) The financial statements of, and other financial information regarding, the City contained in the Official Statement fairly present the financial position and results of the operations of the City as of the dates and for the periods therein set forth, and, to the best of the City's knowledge, (i) the audited financial statements have been prepared in accordance with generally accepted accounting principles consistently applied, (ii) the unaudited financial statements have been prepared on a basis substantially consistent with the audited financial statements included in the Official Statement and reflect all adjustments necessary to that effect, and (iii) the other financial information has been determined on a basis substantially consistent with that of the City's audited financial statements included in the Official Statement.

(q) Except as otherwise described in the Official Statement, there shall not have been any material adverse changes in the financial condition of the Enterprise since June 30, 2023.

(r) Any certificate signed by any official or other representative of the City and delivered to the Underwriter pursuant to this Purchase Agreement shall be deemed a representation and warranty by the City to the Underwriter as to the truth of the statements therein made.

8. The Underwriter has entered into this Purchase Agreement in reliance upon the representations, warranties, and covenants of the Authority and the City contained herein and in the Authority Documents and City Documents to which each of the Authority or the City, as applicable, is a party, and the performance by the Authority and the City of their respective obligations hereunder, both as of the date hereof and as of the Closing Date. The Underwriter's obligations under this Purchase Agreement are and shall be subject to the following further conditions:

(a) The representations and warranties of the Authority and the City contained herein shall be true, complete, and correct in all material respects on the date hereof and at and as of the Closing, as if made at and as of the Closing, and the statements made in all certificates and other documents delivered to the Underwriter at the Closing pursuant hereto shall be true, complete, and correct in all material respects at the Closing; the Authority and the City shall be in compliance with each of the agreements made by it in this Purchase Agreement (unless such agreements are waived by the Underwriter) and there shall not have occurred an adverse change in the financial position of the City or the Enterprise that materially adversely affects the ability of the City to make the Installment Payments when due or otherwise perform any of its obligations under the City Documents, and there shall not have occurred an adverse change in the financial position of the Authority that materially adversely affects the ability of the Authority to make payments of principal of and interest on the Bonds when due or otherwise perform any of its obligations under the Authority Documents.

(b) At the time of the Closing, the Authority Documents and the City Documents shall be in full force and effect, and shall not have been amended, modified, or supplemented (except as may be agreed to in writing by the Underwriter); all actions that, in the opinion of Jones Hall LLP, San Francisco, California, Bond Counsel ("**Bond Counsel**"), shall be necessary in connection with the transactions contemplated hereby shall have been duly taken and shall be in full force and effect; the Authority shall perform or shall have performed its obligations required under or specified in the Authority Documents to be performed at or prior to the Closing; and the City shall perform or shall

have performed its obligations required under or specified in the City Documents to be performed at or prior to the Closing.

(c) At the time of the Closing, the Official Statement (as amended and supplemented) shall be true and correct in all material respects, and shall not omit any statement or information necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(d) Except as disclosed in the Official Statement or in a schedule delivered to the Underwriter at the Closing, no decision, ruling, or finding shall have been entered by any court or Governmental Authority since the date of this Purchase Agreement (and not reversed on appeal or otherwise set aside) that has any of the effects described in Section 8(f) hereof.

(e) (i) No default by the Authority or the City shall have occurred and be continuing in the payment of the principal of or premium, if any, or interest on any bond, note, or other evidence of indebtedness issued by the Authority or the City, and (ii) no bankruptcy, insolvency, or other similar proceeding in respect of the Authority or the City shall be pending or, to the knowledge of the Authority or the City, contemplated.

(f) The Underwriter may terminate this Purchase Agreement by written notification to the Authority and the City if at any time after the date hereof and prior to the Closing:

(1) legislation shall have been enacted by the United States or the State or shall have been reported out of committee or be pending in committee, or a decision shall have been rendered by a court of the United States or the Tax Court of the United States, or a ruling shall have been made or a regulation, proposed regulation, or a temporary regulation shall have been published in the Federal Register or any other release or announcement shall have been made by the Treasury Department of the United States or the Internal Revenue Service, with respect to Federal or State taxation upon revenues or other income or payments of the general character to be derived by the City or upon interest received on obligations of the general character of the Bonds, which, in the reasonable opinion of the Underwriter (after consultation with, and receipt of advice from, the City), materially adversely affects the market for the Bonds; or

(2) in the reasonable opinion of the Underwriter (after consultation with, and receipt of advice from, the City or its municipal advisor), any of the following events materially adversely affects the market for the Bonds: (a) the United States shall have become engaged in hostilities that have resulted in a declaration of war or a national emergency or the President of the United States of America shall have committed the armed forces of the United States of America to combat so as to adversely affect the financial markets in the United States of America, (b) any other calamity or crisis in the financial markets of the United States or elsewhere, (c) the sovereign debt rating of the United States is downgraded by any major credit rating agency or a payment default occurs on United States Treasury obligations, or (d) a default with respect to the debt obligations of, or the institution of proceedings under any federal bankruptcy laws by or against, any state of the United States or any city, county, or other political subdivision located in the United States having a population of over 500,000; or

(3) there shall have occurred a general suspension of trading on the New York Stock Exchange or other major exchange, or minimum or maximum prices for trading shall have been fixed and be in force, or maximum ranges for prices for securities shall have been required and be in force on any such exchange, whether by virtue of determination by that exchange or by order of the Securities and Exchange Commission or any other Governmental Authority having jurisdiction, or a general banking moratorium shall have been declared by Federal, California, or New York authorities having jurisdiction and being in force; or

(4) there shall have occurred an adverse change in the financial position, results of operations, or financial condition of the City that, in the reasonable opinion of the Underwriter (after consultation with, and receipt of advice from, the City), materially adversely affects the market for the Bonds; or

(5) any legislation, ordinance, rule, or regulation shall be introduced in, or be enacted by, any governmental body, department, or agency of the State, or a decision by any court of competent jurisdiction within the State or any court of the United States shall be rendered that, in the reasonable opinion of the Underwriter, materially adversely affects the market price of the Bonds; or

(6) legislation shall be enacted by the Congress of the United States, or a decision by a court of the United States shall be rendered, or a stop order, ruling, regulation, or official statement by, or on behalf of, the Securities and Exchange Commission or any other governmental agency having jurisdiction of the subject matter shall be issued or made to the effect that the issuance, offering, or sale of obligations of the general character of the Bonds, or the issuance, offering, or sale of the Bonds, including all underlying obligations, as contemplated hereby or by the Official Statement, is in violation or would be in violation of, or that obligations of the general character of the Bonds, or the Bonds, are not exempt from registration under, any provision of the federal securities laws, including the Securities Act of 1933, as amended and as then in effect, or that the Indenture needs to be qualified under the Trust Indenture Act of 1939, as amended and as then in effect; or

(7) additional material restrictions not in force as of the date hereof shall have been imposed upon trading in securities generally by any governmental authority or by any national securities exchange, which restrictions materially adversely affect the ability of Underwriter to trade obligations of the general character of the Bonds; or

(8) there shall have occurred or any notice shall have been given of any intended review, downgrading, suspension, withdrawal, or negative change in credit watch status by any national rating service to any of the Authority's or the City's obligations secured in a like manner, which, in the Underwriter's reasonable opinion, materially adversely affects the marketability or market price of the Bonds; or

(9) the commencement of any action, suit, or proceeding described in Section 6(1) or 7(n) that, in the judgment of the Underwriter, materially adversely affects the market price of the Bonds; or

(10) any event occurring, or information becoming known that, in the reasonable judgment of the Underwriter, makes any statement or information contained in the Official Statement, as of its date, untrue in any material adverse respect, or has the effect that the Official Statement, as of its date, contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

documents: (g) At or prior to the Closing, the Underwriter shall receive the following

(1) the opinion of Bond Counsel, dated the Closing Date, in substantially the form included in the Official Statement as Appendix D, addressed to the Authority (and accompanied by a reliance letter to the Underwriter);

(2) a supplemental opinion of Bond Counsel, in form and substance satisfactory to the Underwriter, dated the Closing Date, addressed to the Underwriter, to the effect that:

(i) the Purchase Agreement has been duly executed and delivered by the Authority and the City and (assuming due authorization, execution and delivery by and enforceability against the Underwriter) is valid and binding upon the City, subject to laws relating to bankruptcy, insolvency, reorganization or creditors' rights generally and to the application of equitable principles;

(ii) the Bonds are exempt from registration requirements of the Securities Act of 1933, as amended, and the Indenture is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended; and

(iii) the statements contained in the Official Statement under the captions "INTRODUCTION," "THE REFUNDING PLAN," "THE 2026 BONDS," "SECURITY FOR THE 2026 BONDS," "TAX MATTERS," "APPENDIX C—SUMMARY OF PRINCIPAL LEGAL DOCUMENTS" and "APPENDIX D—FORM OF BOND COUNSEL OPINION," insofar as such information purports to describe certain provisions of the Indenture, the Installment Sale Agreement, the Bonds, or to state legal conclusions and the opinion of Bond Counsel regarding the tax-exempt nature of the Bonds, present a fair and accurate summary of the provisions thereof; and

(3) an opinion of the City Attorney of the City, in form and substance satisfactory to the Underwriter, dated the Closing Date, addressed to the Underwriter, to the effect that:

(i) The City is duly organized and validly existing as a municipal corporation and general law city under the Constitution and laws of the State;

(ii) the City has full legal power and lawful authority to enter into the City Documents and to perform its obligations thereunder;

(iii) the resolution of the City approving and authorizing the execution and delivery of the City Documents (the “**City Resolution**”) was duly adopted at a meeting of the City Council of the City that was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout, and the City Resolution is in full force and effect and has not been modified, amended, or rescinded as of the Closing Date;

(iv) the City Documents have been duly authorized, executed, and delivered by the City and, assuming due authorization, execution, and delivery by the other parties thereto, such documents constitute the legal, valid, and binding agreements of the City enforceable in accordance with their terms, subject to laws relating to bankruptcy, insolvency, or other laws affecting the enforcement of creditors’ rights generally, the application of equitable principles if equitable remedies are sought, the exercise of judicial discretion in appropriate cases, and the limitations on legal remedies against cities in the State;

(v) the execution and delivery by the City of the City Documents, and compliance by the City with the provisions thereof, under the circumstances contemplated thereby, do not and will not in any material respect conflict with or constitute a breach of or default under any law, administrative regulation, court decree, resolution, or agreement to which the City is subject to or by which it is bound;

(vi) the Official Statement (excluding therefrom financial statements and other statistical data included in the Official Statement, and any information with respect to DTC and the book-entry only system, as to which no view need be expressed) does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(vii) except as otherwise disclosed in the Official Statement, there is no action, suit, proceeding, inquiry, or investigation, at law or in equity, before or by any court, regulatory agency, or public board or body, pending for which the City has been served or, to the best knowledge of such counsel, threatened (a) in any way questioning the existence of the City or the titles of the officers of the City to their respective offices; (b) affecting, contesting, or seeking to prohibit, restrain, or enjoin the issuance of the Bonds or the execution or delivery of any of the City Documents, or the payment or collection of any amounts pledged or to be pledged to pay Installment Payments or the principal of and interest on the Bonds, or in any way contesting or affecting the validity of the Bonds or the City Documents or the consummation of the transactions contemplated thereby or any proceeding of the City taken with respect to any of the foregoing, or contesting the exclusion of the interest on the Bonds from taxation or under which a determination adverse to the City would have a material adverse effect upon the financial condition of the Enterprise, or which, in any manner, questions or affects the right or ability of the City to use the Net Revenues for the Installment Payments or in any manner affects the right or ability of the City to collect or pledge the Net Revenues; (c) that may result in any material adverse change relating to the City that will materially adversely affect the City’s ability to perform its obligations under the City Documents; or (d) contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or

amendment thereto or asserting that the Preliminary Official Statement or the Official Statement contained any untrue statement of a material fact or omitted to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; and

(viii) no authorization, approval, consent, or other order of the State or any other governmental authority or agency within the State having jurisdiction over the City is required for the valid authorization, execution, and delivery by the City of the City Documents;

(4) an opinion of the City Attorney of the City, serving as General Counsel to the Authority, in form and substance satisfactory to the Underwriter, dated the Closing Date, addressed to the Underwriter, to the effect that:

(i) the Authority is a joint powers authority under Article 1 of Chapter 5 of Division 7 of Title 1 of the California Government Code duly organized and validly existing under and by virtue of the laws of the State;

(ii) the Authority has full legal power and lawful authority to enter into the Authority Documents and to perform its obligations thereunder;

(iii) the resolution of the Authority approving and authorizing the execution and delivery of the Authority Documents and approving the Official Statement (the “**Authority Resolution**”) was duly adopted at a regular meeting of the governing board of the Authority that was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout, and the Authority Resolution is in full force and effect and has not been modified, amended, or rescinded as of the Closing Date;

(iv) the Authority Documents have been duly authorized, executed, and delivered by the Authority and, assuming due authorization, execution, and delivery by the other parties thereto, such documents constitute the legal, valid, and binding agreements of the Authority enforceable in accordance with their terms, subject to laws relating to bankruptcy, insolvency, or other laws affecting the enforcement of creditors’ rights generally, the application of equitable principles if equitable remedies are sought, the exercise of judicial discretion in appropriate cases, and the limitations on legal remedies against joint powers authorities in the State;

(v) the execution and delivery by the Authority of the Authority Documents, and compliance by the Authority with the provisions thereof, under the circumstances contemplated thereby, do not and will not in any material respect conflict with or constitute a breach of or default under any law, administrative regulation, court decree, resolution, or agreement to which the Authority is subject to or by which it is bound;

(vi) except as otherwise disclosed in the Official Statement, there is no action, suit, proceeding, inquiry, or investigation at law or in equity, before or by any court, regulatory agency, or public board or body, pending for which the Authority has been served or, to the best knowledge of such counsel, threatened (a) in any way

questioning the existence of the Authority or the titles of the officers of the Authority to their respective offices, (b) affecting, contesting, or seeking to prohibit, restrain, or enjoin the issuance of the Bonds or the execution or delivery of any of the Authority Documents, or the payment or collection of any amounts pledged or to be pledged to pay the Installment Payments or the principal of and interest on the Bonds, or in any way contesting or affecting the validity of the Bonds or the Authority Documents or the consummation of the transactions contemplated thereby or any proceeding of the Authority taken with respect to any of the foregoing, or contesting the exclusion of the interest on the Bonds from taxation or contesting the powers of the Authority and its authority to make the pledges set forth in the Indenture, (c) that may result in any material adverse change relating to the Authority that will materially adversely affect the Authority's ability to perform its obligations under the Authority Documents, or (d) contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto or asserting that the Preliminary Official Statement or the Official Statement contained any untrue statement of a material fact or omitted to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; and

(vii) no authorization, approval, consent, or other order of the State or any other governmental authority or agency within the State having jurisdiction over the Authority is required for the valid authorization, execution, and delivery by the Authority of the Authority Documents.

(5) a letter from Jones Hall LLP, San Francisco, California, disclosure counsel to the Authority and the City ("**Disclosure Counsel**"), dated the Closing Date, addressed to the Underwriter, to the effect that, based upon its participation in the preparation of the Preliminary Official Statement and Official Statement as counsel to the Authority and the City and without having undertaken to determine independently the fairness, accuracy, or completeness of the statements contained in the Preliminary Official Statement and the Official Statement, such counsel has no reason to believe that the Preliminary Official Statement, as of its date, and the Official Statement, as of its date and as of the Closing Date (excluding therefrom the reports, financial and statistical data and forecasts therein, the information with respect to DTC and the book-entry system, as to which no view need be expressed), contained or contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(6) a certificate of the City, in form and substance satisfactory to the Underwriter, dated the Closing Date, to the effect that;

(i) the representations and warranties of the City contained in this Purchase Contract are true and correct in all material respects on and as of the Closing Date with the same effect as if made on the Closing Date; and

(ii) there has been no material adverse change in the financial condition or results of operations of the City or the Enterprise from the date of the Official Statement to the Closing Date;

(7) a certificate of the Authority, in form and substance satisfactory to the Underwriter, dated the Closing Date, to the effect that the representations and warranties of the Authority contained in this Purchase Agreement are true and correct in all material respects on and as of the Closing Date with the same effect as if made on the Closing Date;

(8) a certificate, dated the date of the Preliminary Official Statement, from the Authority and the City, in the form attached hereto as Exhibit B;

(9) an opinion of counsel to U.S. Bank, dated the Closing Date, addressed to the Underwriter, to the effect that:

(i) U.S. Bank is a national banking association duly organized and validly existing under the laws of the United States;

(ii) U.S. Bank has duly authorized the execution and delivery of the Indenture;

(iii) the Indenture has been duly entered into and delivered by U.S. Bank and assuming due, valid and binding authorization, execution and delivery by the Authority, constitutes the legal, valid and binding obligation of U.S. Bank enforceable against U.S. Bank in accordance with its terms, except as the enforceability thereof may be limited by applicable bankruptcy, insolvency or other similar laws affecting the enforcement of creditors' rights generally, or by general principles of equity;

(iv) U.S. Bank has duly authenticated and delivered the Bonds in its capacity as trustee under the Indenture;

(v) acceptance by U.S. Bank of the duties and obligations under the Indenture and compliance with provisions thereof will not conflict with or constitute a breach of or default under any law or administrative regulation to which U.S. Bank is subject; and

(vi) all approvals, consents and orders of any governmental authority or agency having jurisdiction in the matter which would constitute a condition precedent to the performance by U.S. Bank of its duties and obligations under the Indenture have been obtained and are in full force and effect;

(10) a certificate, dated the Closing Date, signed by a duly authorized officer of U.S. Bank, to the effect that;

(i) U.S. Bank is a national banking association organized and existing under and by virtue of the laws of the United States of America, having the necessary power to enter into, accept, and administer the trusts created under the Indenture and to authenticate the Bonds;

(ii) The Indenture has been duly authorized, executed, and delivered by a duly authorized officer of U.S. Bank, and the execution, delivery, and performance of the Indenture have been duly authorized by all necessary action of U.S. Bank;

(iii) The Indenture constitutes the legal, valid, and binding obligation of U.S. Bank enforceable in accordance with its terms, except as enforcement thereof may be limited by bankruptcy, insolvency, or other laws affecting the enforcement of creditors' rights generally and by the application of equitable principles, if equitable remedies are sought;

(iv) the Bonds have been duly authenticated by a duly authorized officer of U.S. Bank;

(v) no consent, approval, authorization, or other action by any governmental or regulatory authority having jurisdiction over U.S. Bank that has not been obtained is or will be required for the execution and delivery of the Indenture or the performance by U.S. Bank of its duties and obligations under the Indenture;

(vi) the execution and delivery by U.S. Bank of the Indenture and compliance with the terms thereof will not conflict with, or result in a violation or breach of, or constitute a default under, any loan agreement, indenture, bond, note, resolution, or any other agreement or instrument to which U.S. Bank is a party or by which it is bound, or any law or any rule, regulation, order, or decree of any court or governmental agency or body having jurisdiction over U.S. Bank or any of its activities or properties (except that no representation, warranty, or agreement need be made with respect to any federal or State securities or blue sky laws or regulations);

(vii) U.S. Bank's action in executing and delivering the Indenture will not contravene the articles or bylaws of U.S. Bank and is in full compliance with, and does not conflict with, any applicable law or governmental regulation currently in effect, and such action does not conflict with or violate any contract to which U.S. Bank is a party or any administrative or judicial decision by which U.S. Bank is bound; and

(viii) there is no action, suit, proceeding, or investigation, at law or in equity, before or by any court or governmental agency, public board, or body that has been served on U.S. Bank, or to the best knowledge of U.S. Bank, threatened against U.S. Bank which in the reasonable judgment of U.S. Bank would affect the existence of U.S. Bank or in any way contesting or affecting the validity or enforceability of the Indenture or contesting the powers of U.S. Bank or its authority to enter into and perform its obligations thereunder;

(11) a letter from Stradling Yocca Carlson & Rauth LLP, Newport Beach, California, counsel to the Underwriter ("**Underwriter's Counsel**"), dated the Closing Date, addressed to the Underwriter, in form and substance acceptable to the Underwriter;

(12) certified copies of the City Resolution, the Authority Resolution, and an incumbency resolution of U.S. Bank;

(13) copies each of the Authority Documents, the City Documents, and the Official Statement, duly executed and delivered by the respective parties thereto;

(14) the Irrevocable Refunding Instructions of the City relating to the prepayment of the 2004 Certificates, duly executed and delivered by the City and accepted by The Bank of New York Mellon Trust Company, N.A., as the trustee for the 2004 Certificates;

(15) a tax certificate with respect to the Bonds of the Authority and the City, in form satisfactory to Bond Counsel, signed by appropriate officers of the Authority and the City;

(16) evidence that the rating on the Bonds of “\_\_” by S&P is in full force and effect on the Closing Date;

(17) copies of the statements with respect to the sale of the Bonds required to be delivered to the California Debt and Investment Advisory Commission;

(18) evidence that a debt management policy which complies Sections 8855 of the California Government Code has been adopted by the City;

(19) a copy of the Blanket Letter of Representations to DTC relating to the Bonds signed by the City;

(20) evidence that the federal tax information form 8038-G has been prepared by Bond Counsel for filing;

(21) a verification report related to the refunding of the 2004 Certificates;

(22) an opinion of Bond Counsel addressed to the Underwriter to the effect that the 2004 Certificates have been legally defeased;

(23) [The executed Insurance Policy of the Insurer insuring the scheduled payment of principal of and interest on the Insured Bonds, substantially in the form attached as an appendix to the Official Statement;]

(24) [An opinion of counsel to the Insurer, dated the Closing, Date addressed to the Underwriter, in form and substance acceptable to the Underwriter, substantially to the effect that: (i) the Insurer has been duly incorporated and is validly existing and in good standing under the laws of the State of its incorporation; (ii) the Insurance Policy constitutes the legal, valid and binding obligation of the Insurer enforceable in accordance with its terms, subject, as to enforcement, to bankruptcy, insolvency, reorganization, rehabilitation and other similar laws of general applicability relating to or affecting creditors’ and/or claimants’ rights against insurance companies and to general equity principles; and (iii) the information contained in the Official Statement with respect to the Insurer and the Insurance Policy does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; and]

(25) such additional legal opinions, certificates, proceedings, instruments, and other documents as the Underwriter, Underwriter's Counsel, or Bond Counsel may reasonably request to evidence compliance by the City with legal requirements, the accuracy, as of the time of Closing, of the City's representations herein contained, and the due performance or satisfaction by the City at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by the City.

If the City shall be unable to satisfy the conditions to the Underwriter's obligations contained in this Purchase Agreement or if the Underwriter's obligations shall be terminated for any reason permitted by this Purchase Agreement, this Purchase Agreement shall terminate and neither the City nor the Underwriter shall have any further obligation hereunder.

9. The performance by each of the Authority and the City of its obligations is conditioned upon (i) the performance by the Underwriter of its obligations hereunder and (ii) receipt by the Authority, the City, and the Underwriter of opinions and certificates being delivered at the Closing by persons and entities other than Authority and the City.

10. No expenses and costs of the City or the Authority incident to the performance of the Authority's or the City's obligations in connection with the authorization, issuance, and sale of the Bonds to the Underwriter, such as the costs of preparation (including word processing, printing, and reproduction), distribution and delivery of the Preliminary Official Statement, the Official Statement, and this Purchase Agreement, in reasonable quantities, fees of rating agencies, fees and expenses of any municipal advisor to the City and fees and expenses of Bond Counsel or Disclosure Counsel for the City, shall be paid by the Underwriter. Except as indicated above, all out-of-pocket expenses of the Underwriter, including the California Debt and Investment Advisory Commission fee, traveling, and other expenses and the fees and expenses of the Underwriter including but not limited to and fees and expenses of Underwriter's Counsel, shall be paid by the Underwriter.

11. Any notice or other communication to be given to the Authority under this Purchase Agreement may be given by delivering the same in writing to the Tracy Public Financing Authority, c/o City of Tracy, 333 Civic Center Plaza, Tracy, California 95376, Attention: Finance Director. Any notice or other communication to be given to the City under this Purchase Agreement may be given by delivering the same in writing to the City of Tracy, 333 Civic Center Plaza, Tracy, California 95376, Attention: Finance Director. Any notice or other communication to be given to the Underwriter under this Purchase Agreement may be given by delivering the same in writing to Piper Sandler & Co., 3626 Fair Oaks Blvd., Suite 100, Sacramento, CA 95864, Attention: Dennis McGuire. The approval of the Underwriter when required hereunder or the determination of its satisfaction as to any document referred to herein shall be in writing signed by the Underwriter and delivered to the Authority and the City.

12. For all purposes of this Purchase Agreement, a default shall not be deemed to be continuing if it has been cured, waived, or otherwise remedied. This Purchase Agreement shall be governed by and construed in accordance with the laws of the State applicable to contracts made and performed within the State.

13. This Purchase Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

14. This Purchase Agreement when accepted by the Authority and the City in writing shall constitute the entire agreement among the City, the Authority, and the Underwriter and is made solely for the benefit of the City, the Authority, and the Underwriter (including the successors or assigns of the Underwriter approved by the City and the Authority). No other person shall acquire or have any right hereunder or by virtue hereof. All of the representations, warranties, and agreements of the City and the Authority contained in this Purchase Agreement shall remain operative and in full force and effect regardless of (a) any investigation made by or on behalf of the Underwriter (but, if the Underwriter does discover by its investigation that the Official Statement contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, the Underwriter shall so notify the City and the Authority); (b) the delivery of and payment for the Bonds; and (c) any termination of this Purchase Agreement.

15. This Purchase Agreement shall not be modified or amended without the prior written consent of the Underwriter, the Authority and the City.

Very truly yours,

PIPER SANDLER & CO.

By: \_\_\_\_\_  
Managing Director

Accepted as of the date first stated above:

CITY OF TRACY

By: \_\_\_\_\_  
Its: Finance Director

Time of Execution: \_\_\_\_\_ p.m. Pacific Time

TRACY PUBLIC FINANCING AUTHORITY

By: \_\_\_\_\_  
Its: Treasurer

Time of Execution: \_\_\_\_\_ p.m. Pacific Time

**EXHIBIT A**

**\$ \_\_\_\_\_**  
**TRACY PUBLIC FINANCING AUTHORITY**  
**WASTEWATER REVENUE REFUNDING BONDS, SERIES 2026**

<i>Maturity Date (December 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>	<i>Price</i>	<i>10% Test Used</i>	<i>Hold the Offering Price Rule Used</i>
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**EXHIBIT B**

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**TRACY PUBLIC FINANCING AUTHORITY  
WASTEWATER REVENUE REFUNDING BONDS, SERIES 2026**

**RULE 15c2-12 CERTIFICATE**

The undersigned hereby certifies and represents that the undersigned is the duly appointed and acting representative of the Tracy Public Financing Authority (the “**Authority**”) and the City of Tracy (the “**City**”), and as such is duly authorized to execute and deliver this Certificate on behalf of the Authority and the City, and further hereby certifies and reconfirms on behalf of the Authority and the City as follows:

(1) This Certificate is delivered in connection with the offering and sale of the above captioned bonds (the “**Bonds**”) in order to enable the Underwriter of the Bonds to comply with Securities and Exchange Commission Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 (the “**Rule**”).

(2) In connection with the offering and sale of the Bonds, there has been prepared a Preliminary Official Statement, dated the date hereof, setting forth information concerning the Bonds, the Authority and the City (the “**Preliminary Official Statement**”).

(3) As used herein, “**Permitted Omissions**” means the offering price(s), interest rate(s), selling compensation, aggregate principal amount, principal amount per maturity, delivery dates, ratings and other terms of the Bonds depending on such matters, all with respect to the Bonds.

(4) The Preliminary Official Statement is, except for the Permitted Omissions, deemed final within the meaning of the Rule, and the information therein is accurate and complete except for the Permitted Omissions.

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

TRACY PUBLIC FINANCING AUTHORITY

By: \_\_\_\_\_  
Treasurer

CITY OF TRACY

By: \_\_\_\_\_  
Finance Director

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\* Preliminary, subject to change.

## EXHIBIT C

### FORM OF ISSUE PRICE CERTIFICATE

\$ \_\_\_\_\_  
**TRACY PUBLIC FINANCING AUTHORITY  
WASTEWATER REVENUE REFUNDING BONDS, SERIES 2026**

The undersigned, on behalf of Piper Sandler & Co. (“**Piper**”) hereby certifies as set forth below with respect to the sale and issuance of the above-captioned bonds (the “**Bonds**”).

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

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

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

(b) As set forth in the Bond Purchase Agreement, dated \_\_\_\_\_, 2026, by and among Piper, the City of Tracy and the Issuer, Piper has agreed in writing that, (i) for each Maturity of the Hold-the-Offering-Price Maturities, it would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “**hold-the-offering-price rule**”), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter (as defined below) has offered or sold any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.

3. ***Defined Terms.***

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

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

(c) ***Holding Period*** means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date (\_\_\_\_\_, 2026), or (ii) the date on which Piper has sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.

(d) ***Issuer*** means the Tracy Public Financing Authority.

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

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

(g) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is \_\_\_\_\_, 2026.

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

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

PIPER SANDLER & CO.

By: \_\_\_\_\_

Name: \_\_\_\_\_

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

**SCHEDULE A**

**SALE PRICES OF THE GENERAL RULE MATURITIES AND INITIAL OFFERING  
PRICES OF THE HOLD-THE-OFFERING-PRICE MATURITIES**

*(Attached)*

**SCHEDULE B**

**PRICING WIRE OR EQUIVALENT COMMUNICATION**

*(Attached)*

APPROVED AS TO FORM AND LEGALITY

\_\_\_\_\_  
CITY ATTORNEY'S OFFICE

**TRACY PUBLIC FINANCING AUTHORITY**

**RESOLUTION NO. \_\_\_\_**

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**AUTHORIZING THE ISSUANCE AND SALE OF WASTEWATER REVENUE REFUNDING BONDS IN THE MAXIMUM PRINCIPAL AMOUNT OF \$\_\_\_\_\_ TO REFINANCE AN OUTSTANDING INSTALLMENT PAYMENT OBLIGATION OF THE CITY OF TRACY AND THE RELATED CERTIFICATES OF PARTICIPATION (2004 WASTEWATER TREATMENT PLANT UPGRADE), AND APPROVING RELATED DOCUMENTS AND OFFICIAL ACTIONS**

**WHEREAS**, the City of Tracy (the "City") owns and operates facilities and property for the collection, treatment and disposal of wastewater within the service area of the City (the "Wastewater System"); and

**WHEREAS**, the City and the Tracy Industrial Development Authority (the "Industrial Development Authority") are parties to a First Amended and Restated Joint Powers Agreement, dated as of October 17, 2018 (the "Joint Powers Agreement"), pursuant to which the Tracy Public Financing Authority (the "Authority") was established as a joint exercise of powers authority under the Joint Exercise of Powers Act (Government Code §6500 et seq.) (the "Joint Powers Law") for the purpose of providing assistance to the City and the Industrial Development Authority with their financing programs; and

**WHEREAS**, the City previously caused to be executed and delivered Certificates of Participation (2004 Wastewater Treatment Plant Upgrade) in an aggregate principal amount of \$30,955,000 (the "2004 Certificates") pursuant to a Trust Agreement, dated as of April 1, 2004 (the "2004 Trust Agreement"), by and among the City, the City of Tracy Public Facilities Corporation (the "Corporation") and The Bank of New York Trust Company, N.A., for the purpose of financing improvements to the City's wastewater treatment plant (the "2004 Project"); and

**WHEREAS**, the 2004 Certificates evidence direct, undivided fractional interests in installment payments (the "2004 Installment Payments") payable by the City under an Installment Sale Agreement, dated as of April 1, 2004, between the Corporation and the City (the "2004 Installment Sale Agreement"); and

**WHEREAS**, the City has determined that it will receive economic benefit by refinancing the 2004 Installment Sale Agreement and causing prepayment of the 2004 Certificates; and

**WHEREAS**, Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (the "Revenue Refunding Bond Law") authorize the Authority to issue refunding revenue bonds for the purpose of refunding revenue obligations of the City such as the 2004 Installment Sale Agreement, and the Authority proposes to issue its Wastewater Revenue Refunding Bonds, Series 2026 (the "Bonds") under the Revenue Refunding Bond Law; and

**WHEREAS**, in order to provide revenues which are sufficient to pay debt service on the Bonds, the Authority proposes to sell the 2004 Project to the City under an Installment Sale Agreement for a purchase price to be paid by the City in semiannual installments during the term of the Bonds; and

**WHEREAS**, the obligations of the City under the proposed Installment Sale Agreement will be secured by a pledge of and lien on the net revenues of the Wastewater System; and

**WHEREAS**, the Finance Director of the City and the City Attorney have worked with the City's financing team to prepare the necessary agreements and other documents, including a form of preliminary Official Statement to be distributed in connection with the marketing of the Bonds, and the Board of Directors has reviewed the preliminary Official Statement to assure proper disclosure of all material facts relating to the Bonds that are in the personal knowledge of the members of the Board of Directors; and

**WHEREAS**, the Authority proposes to sell the Bonds on a negotiated basis to Piper Sandler & Co., as underwriter (the "Underwriter"); and

**WHEREAS**, in order to comply with Government Code Section 5852.1, certain information relating to the Bonds is set forth in Appendix A attached to this Resolution, and such information is hereby disclosed and made public; and

**WHEREAS**, the Board of Directors of the Authority wishes at this time to take action approving such financing transactions and all related documents and actions; now, therefore, be it

**RESOLVED**: That the foregoing recitals are true and correct and the Authority hereby so finds and determines; and be it further

**RESOLVED**: That the Board of Directors hereby approves the financing plan described in the recitals of this Resolution. To that end, the Board of Directors hereby authorizes the issuance of the Bonds under the Revenue Refunding Bond

Law in the maximum principal amount of \$\_\_\_\_\_ for the purpose of providing funds to refinance the 2004 Installment Payments and cause prepayment of the 2004 Certificates; and be it further

**RESOLVED:** That the Authority hereby approves each of the following agreements required for the issuance and sale of the Bonds, in substantially the respective forms on file with the Secretary together with any changes therein or additions thereto deemed advisable by the Chair, Vice-Chair, Executive Director, Treasurer, Auditor or General Counsel of the Authority, or an authorized representative or designee thereof (each, an "Authorized Officer"):

(a) Indenture of Trust between the Authority and U.S. Bank Trust Company, National Association, as trustee, prescribing the terms and conditions upon which the Bonds will be issued.

(b) Installment Sale Agreement between the Authority and the City, under which the Authority agrees to sell the completed 2004 Project to the City in consideration of semiannual installment payments; and be it further

**RESOLVED:** That the Authority hereby authorizes and directs an Authorized Officer for and on behalf of the Authority to execute, and the Secretary to attest, the final form of each such agreement, and the execution thereof by the Authorized Officer shall be conclusive evidence of approval of any such changes and additions; and be it further;

**RESOLVED:** That the Board of Directors hereby approves the negotiated sale of the Bonds to the Underwriter. The Bonds shall be sold upon the terms and conditions set forth in the Bond Purchase Agreement in substantially the form on file with the Secretary together with any changes therein or additions thereto deemed advisable by an Authorized Officer. The Board of Directors hereby delegates to an Authorized Officer the authority to accept an offer from the Underwriter to purchase the Bonds, provided that the aggregate principal amount of the Bonds may not exceed \$\_\_\_\_\_, the true interest cost may not exceed \_\_\_\_\_% and the underwriter's discount (exclusive of any original issue discount) may not exceed \_\_\_\_\_%. The final form of the Bond Purchase Agreement shall be executed in the name and on behalf of the Authority by an Authorized Officer and the execution thereof by the Authorized Officer shall be conclusive evidence of approval of any changes and additions deemed advisable by an Authorized Officer; and be it further

**RESOLVED:** That the Board of Directors hereby approves and deems nearly final within the meaning of Rule 15c2-12 of the Securities Exchange Act of 1934, the Preliminary Official Statement describing the Bonds in the form on file with the Secretary, together with such modifications thereof as may be approved by an Authorized Officer. An Authorized Officer is hereby authorized and directed

to (a) execute and deliver to the Underwriter a certificate deeming the Preliminary Official Statement to be nearly final as of its date within the meaning of such Rule, (b) approve any changes in or additions to cause the Official Statement to be put in final form, and (c) execute the final Official Statement for and in the name and on behalf of the Authority. The Board of Directors hereby authorizes the distribution of the Preliminary Official Statement and the Final Official Statement by the Underwriter; and be it further.

**RESOLVED:** That the Authority hereby authorizes and directs an Authorized Officer, on behalf of the Authority, to make any and all assignments, certificates, requisitions, agreements, notices, consents, instruments of conveyance and other documents, which they or any of them deem necessary or appropriate in order to consummate any of the transactions contemplated by the agreements and documents approved under this Resolution, including any agreements required to purchase a debt service reserve fund insurance policy or a municipal bond insurance policy. The Board of Directors hereby authorizes a designee of an Authorized Officer to take any actions authorized by the Board of Directors to be taken by an Authorized Officer, and such action by the designee of an Authorized Officer shall have the same force and effect as if taken by the Authorized Officer; and be it further

**RESOLVED:** That this Resolution shall take effect immediately upon its passage and adoption.

\* \* \* \* \*

The foregoing Resolution 2026- \_\_\_\_\_ was adopted by the Board of Directors of the Tracy Public Financing Authority on the 21<sup>st</sup> day of April, 2026 by the following vote:

AYES:	BOARD MEMBERS:
NOES:	BOARD MEMBERS:
ABSENT:	BOARD MEMBERS:
ABSTAIN:	BOARD MEMBERS:

\_\_\_\_\_  
CHAIR

ATTEST:

\_\_\_\_\_  
SECRETARY

## APPENDIX A

### Government Code Section 5852.1 Disclosure

The following information consists of estimates that have been provided in good faith by the Municipal Advisor, in consultation with the Underwriter, and based on market conditions as of the week of \_\_\_\_\_, 2026:

(A) True Interest Cost of the Bonds: \_\_\_\_\_%

(B) Finance Charge of the Bonds (Sum of all fees/charges paid to third parties, but excluding potential bond insurance or debt service reserve fund insurance premiums): \$\_\_\_\_\_

(C) Net Proceeds to be Received (net of finance charges, reserves and capitalized interest, if any): \$\_\_\_\_\_

(D) Total Payment Amount Through Maturity: \$\_\_\_\_\_

The foregoing estimates constitute good faith estimates only. The principal amount of the Bonds, the true interest cost of the Bonds, the finance charges thereof, the amount of proceeds received therefrom and total payment amount with respect thereto may differ from such good faith estimates due to (a) the actual date of the sale of the Bonds being different than the date assumed for purposes of such estimates, (b) the actual principal amount of Bonds sold being different from the estimated amount used for purposes of such estimates, (c) the actual amortization of the Bonds being different than the amortization assumed for purposes of such estimates, (d) the actual market interest rates at the time of sale of the Bonds being different than those estimated for purposes of such estimates, (e) other market conditions, or (f) alterations in the City's financing plan, or a combination of such factors. The actual date of sale of the Bonds and the actual principal amount of Bonds sold will be determined by the City based on the timing of the need for proceeds of the Bonds and other factors. The actual interest rates borne by the Bonds will depend on market interest rates at the time of sale thereof. The actual amortization of the Bonds will also depend, in part, on market interest rates at the time of sale thereof. Market interest rates are affected by economic and other factors beyond the control of the City.