

## PRELIMINARY OFFICIAL STATEMENT DATED [\_\_\_\_], 2024

## NEW ISSUE-FULL BOOK-ENTRY

RATING: S&P: “[\_]”  
(See “RATING” herein)

*In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the 2024 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the 2024 Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel observes that interest on the 2024 Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the 2024 Bonds. See “TAX MATTERS.”*

\$[Par Amount]\*

**BRENTWOOD INFRASTRUCTURE FINANCING AUTHORITY  
WATER REVENUE REFUNDING BONDS  
SERIES 2024**

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

The captioned bonds (the “2024 Bonds”) are being issued by the Brentwood Infrastructure Financing Authority (the “Authority”) to (i) refund all of the Authority’s outstanding Water Revenue Refunding Bonds, Series 2014 (the “2014 Bonds”), and (ii) pay costs of issuance incurred in connection with the issuance, sale and delivery of the 2024 Bonds.

The 2024 Bonds are being issued as fully registered bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York (“DTC”), and will be available to ultimate purchasers in the denomination of \$5,000 or any integral multiple thereof, under the book-entry system maintained by DTC. Ultimate purchasers of 2024 Bonds will not receive physical certificates representing their interest in the 2024 Bonds. So long as the 2024 Bonds are registered in the name of Cede & Co., as nominee of DTC, references herein to the owners shall mean Cede & Co., and shall not mean the ultimate purchasers of the 2024 Bonds. Interest on the 2024 Bonds will be payable on January 1 and July 1 of each year, commencing January 1, 2025. Payments of the principal of, premium, if any, and interest on the 2024 Bonds will be made directly to DTC, or its nominee, Cede & Co., by U.S. Bank Trust Company, National Association, successor in interest to U.S. Bank National Association, as trustee (the “Trustee”), so long as DTC or Cede & Co. is the registered owner of the 2024 Bonds. Disbursements of such payments to DTC’s Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of DTC’s Participants and Indirect Participants, as more fully described herein. See “APPENDIX G – DTC AND THE BOOK-ENTRY SYSTEM.”

The 2024 Bonds are payable from, and secured by a lien on, certain payments received by the Authority from the City of Brentwood (the “City”) under the Installment Sale Agreement (defined herein) and from certain interest and other income derived from certain funds and accounts held under the Trust Agreement (collectively, the “Revenues,” as more fully described herein). The Authority may issue additional Bonds payable from, and secured by, the Revenues on a parity with the 2024 Bonds as provided in the Trust Agreement. See “SECURITY FOR THE 2024 BONDS - Trust Agreement.” The obligation of the City to make payments under the Installment Sale Agreement is limited solely to Net Water Revenues consisting generally of all gross income and revenue from the City’s Water System (as described herein), less the maintenance and operations costs of the Water System. The City may incur additional obligations payable from, and secured by, the Net Water Revenues on a parity with the 2024 Payments and may incur additional obligations payable from, and secured by, the Net Water Revenues on a basis subordinate to that of the 2024 Payments as provided in the Installment Sale Agreement. See “SECURITY FOR THE 2024 BONDS – Installment Sale Agreement and Pledge of Net Water Revenues.”

**The 2024 Bonds are subject to redemption prior to maturity as more fully described herein.**

**The 2024 Bonds are limited obligations of the Authority and are not secured by a legal or equitable pledge of, or charge or lien upon, any property of the Authority or any of its income or receipts, except the Revenues. The full faith and credit of neither the Authority nor the City is pledged for the payment of the principal of or interest or premium, if any, on the 2024 Bonds and no tax or other source of funds, other than the Revenues, is pledged to pay the principal of or interest or premium, if any, on the 2024 Bonds. The payment of the principal of or interest or premium, if any, on the 2024 Bonds does not constitute a debt, liability or obligation of the Authority or the City for which any such entity is obligated to levy or pledge any form of taxation or for which any such entity has levied or pledged any form of taxation. The Authority has no taxing power.**

For a discussion of some of the risks associated with the purchase of the 2024 Bonds, see “RISK FACTORS” herein.

*This cover page contains information for general reference only. It is not intended to be a summary of all factors relating to an investment in the 2024 Bonds. Investors should read the entire Official Statement before making any investment decision.*

*The 2024 Bonds are offered when, as and if delivered and received by the Underwriter, subject to the approval as to their validity by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority. Certain legal matters will be passed upon for the City by Orrick, Herrington & Sutcliffe LLP as Disclosure Counsel and for the Authority and the City by the City Attorney of the City, and for the Underwriter by Kutak Rock LLP. It is anticipated that the 2024 Bonds will be available for delivery to DTC on or about \_\_\_\_\_, 2024.*

**[RBC CAPITAL MARKETS LOGO]**

Dated: \_\_\_\_\_, 2024

\_\_\_\_\_  
\* Preliminary; subject to change.

## MATURITY SCHEDULE

**[\$[Par Amount]\***  
**BRENTWOOD INFRASTRUCTURE FINANCING AUTHORITY**  
**WATER REVENUE REFUNDING BONDS**  
**SERIES 2024**

Maturity Date (July 1)	Principal Amount	Interest Rate	Yield†	CUSIP‡
	\$	%	%	

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\* Preliminary, subject to change.

† Yields certified by the Underwriter. The City or the Authority take no responsibility therefor.

‡ CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Copyright© 2024 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by 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. None of the District, the Underwriter, or their agents or counsel assumes responsibility for the accuracy of such numbers.

## **GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT**

No dealer, broker, salesperson or other person has been authorized by the Authority, the City or the Underwriter to give any information or to make any representations other than those contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the 2024 Bonds in any jurisdiction in which it is unlawful to make such offer, solicitation or sale.

The 2024 Bonds are exempt from registration under the Securities Act of 1933, as amended, pursuant to Section 3(a)2 thereof. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy 2024 Bonds 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.

The information set forth herein has been provided by the Authority and the City and other sources that are believed by the Authority and the City to be reliable. 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 responsibility to investors under the federal securities law as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information. The information and expression of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in affairs of the Authority or the City since the date hereof. This Official Statement, including any supplement or amendment hereto, is intended to be deposited with one or more repositories.

The City maintains a website and social media accounts, the information on which is not part of this Official Statement, has not and is not incorporated by reference herein, and should not be relied upon in deciding whether to invest in the 2024 Bonds. Any references to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and social media accounts and the information or links contained therein are not incorporated into, and are not part of, this Official Statement.

## **FORWARD-LOOKING STATEMENTS**

Certain statements included or incorporated by reference in this Official Statement constitute forward-looking statements. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "project," "budget" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. No assurance is given that actual results will meet the forecasts of the Authority or the City in any way, regardless of the level of optimism communicated in the information. Neither the Authority nor the City is obligated to issue any updates or revisions to the forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based occur. Such forward-looking statements include, but are not limited to, certain statements contained in the information in Appendix A attached hereto.

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 AUTHORITY AND THE CITY DO NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ANY OF ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR, OTHER THAN AS DESCRIBED UNDER "CONTINUING DISCLOSURE" HEREIN.

# **BRENTWOOD INFRASTRUCTURE FINANCING AUTHORITY**

## **City Council and Authority Governing Bond**

Joel R. Bryant, Mayor/Chairperson of the Authority  
Susannah Meyer, Vice-Mayor/Vice-Chairperson of the Authority  
Jovita Mendoza, Councilmember/Boardmember  
Pa'tanisha Pierson, Councilmember/Boardmember  
Tony Oerlemans, Councilmember/Boardmember

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## **City Staff/Authority Officers**

Tim Ogden, City Manager  
Katherine Wisinski, City Attorney  
Casey Wichert, Director of Public Works  
Allen Baquilar, City Engineer  
Alexis Morris, Community Development Director  
Kerry Breen, Treasurer, Director of Finance and Information Systems  
Christine Andrews, Assistant Finance Director and Information Systems  
Sonia Agostini, Business Services Manager  
Rachel Corona, Accountant II

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## **PROFESSIONAL SERVICES**

### **Bond Counsel and Disclosure Counsel**

Orrick, Herrington & Sutcliffe LLP

### **Trustee**

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

### **Municipal Advisor**

Del Rio Advisors, LLC  
*Modesto, California*

### **Verification Agent**

[Verification Agent]  
[City, State]

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**[\$[PAR AMOUNT]]\***  
**BRENTWOOD INFRASTRUCTURE FINANCING AUTHORITY**  
**WATER REVENUE REFUNDING BONDS**  
**SERIES 2024**

**INTRODUCTION**

The purpose of this Official Statement (which includes the cover page and the appendices attached hereto) is to provide information concerning the issuance, sale and delivery by the Brentwood Infrastructure Financing Authority (the “Authority”) of its Water Revenue Refunding Bonds, Series 2024 (the “2024 Bonds”), in the aggregate principal amount of \$[Par Amount].\* The Authority is a joint exercise of powers authority organized under the laws of the State of California established by the City of Brentwood, California (the “City”) and the former Redevelopment Agency of the City of Brentwood. The Authority was formed in 1995 to assist in the financing of various public capital improvements, including a portion of the design, acquisition and construction of additions, betterments and improvements to the City’s municipal water system (the “Water System”).

The 2024 Bonds are being issued pursuant to the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the “Act”) and a Master Trust Agreement, dated as of November 1, 2008 (the “Master Trust Agreement”), between the Authority and U.S. Bank Trust Company, National Association, successor in interest to U.S. Bank National Association, as trustee (the “Trustee”), as supplemented and amended, including as supplemented by a Third Supplemental Trust Agreement, dated as of October 1, 2024 (the “Third Supplemental Trust Agreement” and together with the Master Trust Agreement and any supplemental trust agreements, the “Trust Agreement”) between the Authority and the Trustee. The Trust Agreement permits the issuance of additional series of bonds payable from, and secured by, the Revenues on a parity with the 2024 Bonds. All such bonds, as well as the 2024 Bonds, are referred to herein as the “Bonds.” The proceeds of the sale of the 2024 Bonds will be used to (i) refund all of the Authority’s outstanding Water Revenue Refunding Bonds, Series 2014 (the “2014 Bonds”) and (ii) pay costs of issuance incurred in connection with the issuance, sale and delivery of the 2024 Bonds. See “THE PLAN OF REFUNDING” and “ESTIMATED SOURCES AND USES OF FUNDS” herein.

The 2024 Bonds are payable from, and secured by a lien on, (1) certain payments (collectively, the “2024 Payments”) received by the Authority from the City under a Master Installment Sale Agreement, dated as of November 1, 2008 (the “Master Installment Sale Agreement”) between the City and the Authority, as supplemented by a Third Supplemental Installment Sale Agreement, dated as of October 1, 2024 (the “Third Installment Sale Agreement”), together with the Master Installment Sale Agreement and any supplemental installment sale agreements, the “Installment Sale Agreement”) between the City and the Authority, and (2) from certain interest and other income derived from certain funds and accounts held under the Trust Agreement (collectively, the “Revenues”, as more fully described herein). The Master Installment Sale Agreement contemplates the incurrence of additional payments under the Installment Sale Agreement payable on a parity with, or subordinate to, the 2024 Payments. All such payments, as well as the 2024 Payments, are referred to herein as the “Payments.”

The obligation of the City to make Payments is a special obligation of the City payable solely from Net Water Revenues (as defined herein), consisting primarily of all gross income and revenue received by the City from the ownership or operation of the Water System, less the maintenance and operations costs of the Water System. See “SECURITY FOR THE 2024 BONDS.”

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\* Preliminary; subject to change.

**THE 2024 BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY AND ARE NOT SECURED BY A LEGAL OR EQUITABLE PLEDGE OF, OR CHARGE OR LIEN UPON, ANY PROPERTY OF THE AUTHORITY OR ANY OF ITS INCOME OR RECEIPTS, EXCEPT THE REVENUES. THE FULL FAITH AND CREDIT OF NEITHER THE AUTHORITY NOR THE CITY IS PLEDGED FOR THE PAYMENT OF THE INTEREST ON OR PRINCIPAL OF THE 2024 BONDS AND NO TAX OR OTHER SOURCE OF FUNDS, OTHER THAN THE REVENUES, IS PLEDGED TO PAY THE INTEREST ON OR PRINCIPAL OF THE 2024 BONDS. THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE 2024 BONDS DOES NOT CONSTITUTE A DEBT, LIABILITY OR OBLIGATION OF THE AUTHORITY OR THE CITY FOR WHICH ANY SUCH ENTITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH ANY SUCH ENTITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. THE AUTHORITY HAS NO TAXING POWER.**

The summaries and references of documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive, and each such summary and reference is qualified in its entirety by reference to each document, statute, report, or instrument. The capitalization of any word not conventionally capitalized or otherwise defined herein, indicates that such word is defined in a particular agreement or other document and, as used herein, has the meaning given it in such agreement or document. See “APPENDIX B - SUMMARY OF PRINCIPAL LEGAL DOCUMENTS” for summaries of certain of such definitions. The proposed form of opinion of Bond Counsel is set forth in Appendix F.

## **THE 2024 BONDS**

### **Description**

The 2024 Bonds will be dated their date of issuance and will bear interest at the rates set forth on the inside cover page of this Official Statement, payable on January 1, 2025, and semiannually thereafter on July 1 and January 1 of each year (each, an “Interest Payment Date”). Subject to the redemption provisions set forth herein, the 2024 Bonds will mature on the dates and in the amounts set forth on the inside cover page hereof. Interest on the 2024 Bonds shall be payable in lawful money of the United States of America by check mailed by first-class mail on each interest payment date to the Holder thereof as of the close of business on the fifteenth day of the calendar month immediately preceding such interest payment date; provided, that upon the written request of a Holder of one million dollars (\$1,000,000) or more in aggregate principal amount of 2024 Bonds received by the Trustee prior to the applicable Record Date (which such request shall remain in effect until rescinded in writing by such Holder), interest shall be paid by wire transfer in immediately available funds. Interest on the 2024 Bonds shall be computed on the basis of a 360-day year of twelve 30-day months. The principal of and premium, if any, on the 2024 Bonds are payable when due upon presentation thereof at the Corporate Trust Office of the Trustee, in lawful money of the United States of America.

### **Registration, Transfers and Exchanges**

The 2024 Bonds will be executed and delivered as fully registered bonds, registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), and will be available to actual purchasers of the 2024 Bonds (the “Beneficial Owners”) in the denominations set forth above, under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants (as defined herein). Beneficial Owners will not be entitled to receive physical delivery of the 2024 Bonds. In the event that the book-entry-only system is no longer used with respect to the 2024 Bonds, the 2024 Bonds will be registered and transferred in accordance with the Trust Agreement. See “APPENDIX G - DTC AND THE BOOK-ENTRY SYSTEM.”



## **Redemption\***

***Optional Redemption.*** The 2024 Bonds maturing on and after July 1, 20\_\_ are subject to redemption prior to their respective stated maturities at the direction of the Authority, from any source of available funds, as a whole or in part (in such maturities as are designated by the Authority and by lot within a maturity) on any date on or after July 1, 20\_\_, at a redemption price equal to the principal amount of the 2024 Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

***Notice of Redemption.*** Notice of redemption of any 2014 Bond will be mailed by the Trustee, not less than 20 nor more than 60 days prior to the redemption date, to (i) to the respective Holders of any 2024 Bonds designated for redemption at their addresses appearing on the bond registration books of the Trustee by first-class mail, and (ii) to the Securities Depositories by facsimile and by first-class mail. Neither the Authority nor the Trustee shall have any responsibility for any defect in the CUSIP number that appears on any 2024 Bond or in any redemption notice with respect thereto, and any such redemption notice may contain a statement to the effect that CUSIP numbers have been assigned by an independent service for convenience of reference and that neither the Authority nor the Trustee shall be liable for any inaccuracy in such CUSIP numbers. Failure by the Trustee to give notice to any one or more of the Securities Depositories or failure of any Holder or any Securities Depository to receive notice or any defect in any such notice shall not affect the sufficiency or validity of the proceedings for redemption.

***Conditional Notice of Redemption.*** With respect to any notice of optional redemption of the 2024 Bonds, unless, upon the giving of such notice, such 2024 Bonds shall be deemed to have been paid within the meaning of the Trust Agreement, such notice shall state that such redemption shall be conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of amounts sufficient to pay the principal of, and premium, if any, and interest on, such 2024 Bonds to be redeemed, and that if such amounts shall not have been so received said notice shall be of no force and effect and the Authority shall not be required to redeem such 2024 Bonds. In the event that such notice of redemption contains such a condition and such amounts are not so received, the redemption shall not be made and the Trustee shall within a reasonable time thereafter give notice to the Holders to the effect that such amounts were not so received and such redemption was not made, such notice to be given by the Trustee in the manner in which the notice of redemption was given.

***Rescission of Notice of Redemption.*** The Authority will have the right to rescind any optional redemption by written notice of rescission to the Trustee. The Trustee is required to mail notice of rescission of such redemption in the same manner as the original notice of redemption was sent.

***Effect of Notice of Redemption.*** If notice of redemption has been duly given as aforesaid, and moneys for payment of the Redemption Price of, together with interest accrued to the redemption date on, the 2024 Bonds (or portions thereof) so called for redemption being held by the Trustee, on the redemption date designated in such notice, the 2024 Bonds (or portions thereof) so called for redemption shall become due and payable at the redemption price specified in such notice together with interest accrued thereon to the redemption date, interest on the 2024 Bonds so called for redemption shall cease to accrue, said 2024 Bonds (or portions thereof) shall cease to be entitled to any benefit or security and the Holders of said 2024 Bonds shall have no rights in respect thereof except to receive payment of said redemption price and accrued interest to the date fixed for redemption from funds held by the Trustee for such payment and such funds are hereby pledged to such payment. All 2024 Bonds redeemed pursuant to the Trust Agreement shall be cancelled upon surrender thereof.

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\* Preliminary; subject to change.

### DEBT SERVICE SCHEDULE

The amounts required to be set aside each year ending July 1 for principal and interest relating to the 2024 Bonds is as follows:

<u>Period Ending (July 1)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Annual Debt Service</u>
	\$	\$	\$
<b>Total</b>	<u>\$</u>	<u>\$</u>	<u>\$</u>

## PLAN OF REFUNDING

The Authority intends to use a portion of the proceeds of the 2024 Bonds to refund all of the outstanding 2014 Bonds (the “Refunded Bonds”). The Refunded Bonds are expected to be redeemed on January 7, 2025\* (the “Redemption Date”). The 2014 Bonds were issued and delivered by the Authority in December 2014, pursuant to a Second Supplemental Trust Agreement, dated as of December 1, 2014, between the Authority and the Trustee (the “Second Supplemental Trust Agreement”), and are currently outstanding in the aggregate principal amount of \$30,325,000.

The Refunded Bonds to be refunded by the 2024 Bonds are as follows:

### Brentwood Infrastructure Financing Authority Water Revenue Refunding Bonds Series 2014

**Redemption Date: January 7, 2025\***

Maturity Date (July 1)	Principal Amount	Interest Rate	CUSIP <sup>†</sup> No. (10727W)
2025	\$2,160,000	5.000%	BP4
2026	2,260,000	5.000	BQ2
2027	1,715,000	5.000	BR0
2028	1,800,000	3.000	BS8
2029	1,855,000	4.000	BT6
2030	1,930,000	4.000	BU3
2031	2,005,000	4.000	BV1
2032	2,085,000	4.000	BW9
2033	2,165,000	4.000	BX7
2034	2,250,000	4.000	BZ2
2038 <sup>‡</sup>	10,100,000	5.000	BY5

<sup>‡</sup> Term Bond

Upon delivery of the 2024 Bonds, a portion of the proceeds thereof, together with other available funds of the Authority, are to be deposited into an irrevocable escrow account to be held by U.S. Bank Trust Company, National Association, as escrow agent (the “Escrow Agent”) pursuant to an Escrow Agreement, dated as of October 1, 2024 between the Authority and the Escrow Agent (the “Escrow Agreement”). The funds deposited to such escrow account are to be held in cash or used to purchase direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America, scheduled to mature on or before the Redemption Date. Upon delivery of the 2024 Bonds, the arithmetical accuracy of certain computations relating to the defeasance of the Refunded Bonds will be verified by [Verification Agent]. See “VERIFICATION” below. Amounts held by the Escrow Agent pursuant to the Escrow Agreement will not be available for the payment of debt service on the 2024 Bonds.

\* Preliminary; subject to change.

<sup>†</sup> CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein are provided by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association. CUSIP numbers have been assigned by an independent company and are included solely for the convenience of the holders of the Prior Bonds. None of the Authority or the City or their agents or counsel assume responsibility for the accuracy of such numbers.

**ESTIMATED SOURCES AND USES OF FUNDS**

The following sets forth the estimated sources and uses of funds related to the 2024 Bonds.

**Sources of Funds**

Principal Amount of 2024 Bonds	\$
[Plus/Less] [Net] Original Issue [Premium/Discount]	
Amounts related to Refunded Bonds	
Total Sources of Funds	<hr/> \$

**Uses of Funds**

Escrow Fund for Refunded Bonds	\$
Costs of Issuance <sup>(1)</sup>	
Total Uses of Funds	<hr/> \$

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<sup>(1)</sup> Includes legal fees, printing costs, escrow agent, verification agent, rating agency fees, underwriter's discount and other miscellaneous expenses.

(Remainder of Page Intentionally Left Blank)

## SECURITY FOR THE 2024 BONDS

### Trust Agreement

The 2024 Bonds and all other Bonds issued and Outstanding (collectively, the “Bonds”) under the Trust Agreement and the interest thereon are payable solely from, and are secured by a lien on Revenues, which are defined in the Trust Agreement as all payments received by the Authority from the City under the Installment Sale Agreement and certain interest, and other income derived from certain funds held under the Trust Agreement.

All Revenues and any other amounts (including proceeds of the sale of the Bonds) held by the Trustee in any fund or account established under the Trust Agreement (other than amounts on deposit in the Rebate Fund created pursuant to the Trust Agreement) are irrevocably pledged under the Trust Agreement to the payment of the interest and premium, if any, on and principal of the Bonds as provided therein, and the Revenues may not be used for any other purpose while any of the Bonds remain Outstanding; *provided*, however, that out of the Revenues and other moneys there may be applied such sums for such purposes as are permitted under the Trust Agreement. This pledge constitutes a first pledge of and charge and lien upon the Revenues and all other moneys on deposit in the funds and accounts established under the Trust Agreement (other than amounts on deposit in the Rebate Fund) for the payment of the interest on and principal of the Bonds in accordance with the terms of the Bonds and the Trust Agreement. In the Trust Agreement, the Authority assigns to the Trustee all of the Authority’s rights and remedies under the Installment Sale Agreement.

In the Trust Agreement, the Authority has agreed that all Revenues when and as received shall be deposited when and as received by the Authority in the Revenue Fund created pursuant to the Trust Agreement and maintained with the Trustee. Subject to the Trust Agreement, all money in the Revenue Fund shall be set aside by the Trustee in the following respective special accounts within the Revenue Fund in the following order of priority:

- (a) Interest Account,
- (b) Principal Account; Sinking Accounts,
- (c) Reserve Fund, and
- (d) Fees and Expenses Fund.

All money in each of such accounts will be held in trust by the Trustee and will be applied, used and withdrawn only for the purposes authorized in the Trust Agreement.

Interest Account. Not later than each Interest Payment Date, the Trustee shall set aside from the Revenue Fund and deposit in the Interest Account that amount of money which is equal to the aggregate amount of interest becoming due and payable on the Outstanding Current Interest Bonds (as defined in the Trust Agreement) on such Interest Payment Date (excluding any interest for which there are moneys deposited in the Interest Account from the proceeds of any Series of Bonds or other source and reserved as capitalized interest to pay such interest). On January 1 and July 1 of each year any excess amounts in the Interest Account not needed to pay interest on such date (and not held to pay interest on Bonds having Interest Payment Dates other than January 1 and July 1) shall be transferred to the Authority (but excluding, in each case, any moneys on deposit in the Interest Account from the proceeds of any Series of Bonds or other source and reserved as capitalized interest to pay interest on any future Interest Payment

Dates following such Interest Payment Dates). All Swap Revenues received shall be deposited in the Interest Account.

Principal Account; Sinking Accounts. Not later than each date that any Bond Obligation or Mandatory Sinking Account Payment is scheduled to become due and payable, the Trustee will deposit in the Principal Account an amount equal to (i) the aggregate amount of Bond Obligation becoming due and payable on such date, plus (ii) the aggregate of the Mandatory Sinking Account Payments to be paid on such date into the respective Sinking Accounts for the Term Bonds of all Series. All of the aforesaid deposits made in connection with Mandatory Sinking Account Payments shall be made without priority of any payment into any one such Sinking Account over any other such payment.

In the event that the Revenues are not sufficient to make the required deposits so that moneys in the Principal Account on any one date are equal to the amount of Bond Obligation to become due and payable on the Outstanding Serial Bonds of all Series plus the Bond Obligation amount of and redemption premium on the Outstanding Term Bonds required to be redeemed or paid at maturity on such date, then such moneys will be applied on a Proportionate Basis and in such proportion as said Serial Bonds and said Term Bonds shall bear to each other, after first deducting for such purposes from said Term Bonds any of said Term Bonds as shall have been redeemed or purchased during the preceding 12-month period. In the event that the Revenues are not be sufficient to pay in full all Mandatory Sinking Account Payments required to be paid at any one time into all such Sinking Accounts, then payments into all such Sinking Accounts will be made on a Proportionate Basis, in proportion that the respective Mandatory Sinking Account Payments required to be made into each Sinking Account during the then current 12-month period bear to the aggregate of all of the Mandatory Sinking Account Payments required to be made into all such Sinking Accounts during such 12-month period.

On July 1 of each year or as soon as practicable thereafter any excess amounts in the Principal Account not needed to pay principal on such date (and not held to pay principal on Bonds having principal payment dates other than July 1) will be transferred to the Authority.

Reserve Fund. Upon the occurrence of any deficiency in any Reserve Fund, the Trustee shall make such deposit to such Reserve Fund as is required pursuant to the Trust Agreement, each such deposit to be made as soon as possible in each month, until the balance therein is at least equal to the applicable Reserve Requirement. ***No Reserve Fund is being established for the 2024 Bonds.***

Fees and Expenses Fund. The Trustee shall establish, maintain and hold in trust a separate fund designated as the “Fees and Expenses Fund.” At the direction of the Authority, after the transfers required by the Trust Agreement have been made, the Trustee shall deposit as soon as practicable in each month in the Fees and Expenses Fund amounts necessary for payment of fees, expenses and similar charges (including fees, expenses and similar charges relating to any Liquidity Facility or Credit Enhancement for the Bonds owing in such month or following month by the Authority in connection with the Bonds. The Authority shall inform the Trustee of such amounts, in writing, on or prior to the first Business Day of each month.

Any Revenues remaining in the Revenue Fund after the foregoing transfers described in the Trust Agreement, except as the Authority shall otherwise direct in writing or as is otherwise provided in a Supplemental Trust Agreement, shall be transferred to the Authority on the same Business Day or as soon as practicable thereafter. The Authority may use and apply the Revenues when received by it for any lawful purpose of the Authority, including the redemption of Bonds upon the terms and conditions set forth in the Supplemental Trust Agreement relating to such Bonds and the purchase of Bonds as and when and at such prices as it may determine.

## **Installment Sale Agreement and Pledge of Net Water Revenues**

**2024 Payments.** The City is obligated to make the 2024 Payments, but solely from Net Water Revenues, which are defined in the Installment Sale Agreement as, for any Fiscal Year or twelve calendar month period, the Water Revenues during such Fiscal Year or twelve calendar month period less the Maintenance and Operation Costs during such Fiscal Year or twelve calendar month period.

“Water Revenues” means, for any Fiscal Year or twelve calendar month period all income and revenue received or receivable by the City during such Fiscal Year or twelve calendar month period from the ownership or operation of the Water System, determined in accordance with generally accepted accounting principles, including:

- all rates, fees and charges (including connection fees and charges) received by the City for the Water Service and the other services of the Water System,
- all proceeds of insurance covering business interruption loss relating to the Water System,
- all connection fees and charges payable to the City for the Water Service made available or provided by the Water System,
- all payments for the lease of property comprising a part of the Water System,
- all other income and revenue howsoever derived by the City from the ownership or operation of the Water System or arising from the Water System;

and also including all Payment Agreement Receipts (as such term is defined in the Installment Sale Agreement), and including all income from the investment of amounts on deposit in the Water Revenue Fund, the Parity Obligation Fund and the Rate Stabilization Fund, but excluding in all cases any proceeds of taxes and any refundable deposits made to establish credit and any advances or contributions in aid of construction and excluding any income from the investment of amounts on deposit in the Improvement Fund and excluding any earnings of a separate utility system acquired and constructed by the City pursuant to the Installment Sale Agreement. Notwithstanding the foregoing, there shall be deducted from Water Revenues any amounts transferred into the Rate Stabilization Fund as contemplated by the Installment Sale Agreement, and there shall be added to Water Revenues any amounts transferred out of the Rate Stabilization Fund as contemplated by the Installment Sale Agreement.

“Maintenance and Operation Costs” generally means, for any Fiscal Year or twelve calendar month period, all reasonable and necessary costs paid or incurred by the City during such Fiscal Year or twelve calendar month period, for maintaining and operating the Water System, determined in accordance with generally accepted accounting principles, including all reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Water System in good repair and working order, but excluding in all cases depreciation, replacement and obsolescence charges or reserves therefor and amortization of intangibles.

The obligation of the City to pay the Payments from Net Water Revenues is absolute and unconditional, and until such time as the Payments have been paid in full (or provision for the payment thereof shall have been made pursuant to the Trust Agreement), the City will not discontinue or suspend any Payments required to be paid by it under the Installment Sale Agreement when due, whether or not the Water System or any part thereof is operating or operable, or its use is suspended, interfered with, reduced, curtailed or terminated in whole or in part, and such payments will not be subject to reduction

whether by offset or otherwise and will not be conditional upon the performance or nonperformance by any party to any agreement for any cause whatsoever.

Pursuant to the Installment Sale Agreement, the City has irrevocably granted and pledged the Net Water Revenues first, to secure Parity Obligations and second, to secure Subordinate Obligations; provided that out of Net Water Revenues there may be apportioned such sums for such purposes as are expressly permitted by the Installment Sale Agreement. The City covenants in the Installment Sale Agreement to deposit all Water Revenues received by it in the City of Brentwood Water Revenue Fund (the "Water Revenue Fund"). Moneys in the Water Revenue Fund will be used only in the following order:

(A) to pay all Maintenance and Operation Costs (including amounts reasonably required to be set aside in contingency reserves for Maintenance and Operation Costs the payment of which is not then immediately required) as they become due and payable.

(B) on or before the fifth day before the last Business Day in each month, the Treasurer, Director of Finance & Information Systems of the City (the "Director of Finance") shall, from the remaining money then on deposit in the Water Revenue Fund, deposit in the "City of Brentwood Parity Obligation Payment Fund," which fund the Director of Finance agrees to hold and maintain so long as any Parity Payments due under the Installment Sale Agreement shall be Outstanding the following amounts in the following order of priority:

(1) a sum equal to (a) the interest and principal payments becoming due and payable under all Supplemental Installment Sale Agreements that are Parity Obligations, plus (b) the net payments becoming due and payable on all Parity Payment Agreements (except any Termination Payments), plus (c) any other amounts with respect to Parity Obligations (including any letter of credit and remarketing fees), in each case, during the next succeeding month; plus

(2) (unless otherwise covered by subparagraph (B)(1) above) a sum equal to (a) one-sixth (1/6) of the amount of interest becoming due and payable under all Supplemental Installment Sale Agreements that are Parity Obligations on the next succeeding Interest Payment Date, plus (b) one-twelfth (1/12) of the amount of principal becoming due and payable under all Supplemental Installment Sale Agreements that are Parity Obligations on the next succeeding Principal Payment Date, except that no such deposit need be made if the Director of Finance then holds money in the Parity Obligation Payment Fund equal to the amount of interest becoming due and payable under all Supplemental Installment Sale Agreements that are Parity Obligations on the next succeeding Interest Payment Date plus the amount of principal becoming due and payable under all Supplemental Installment Sale Agreements that are Parity Obligations on the next succeeding Principal Payment Date plus the net payments due on all Parity Payment Agreements on such dates (except any Termination Payments) plus any other amounts becoming due and payable with respect to Parity Obligations (including any letter of credit and remarketing fees); plus

(3) all amounts due to make up any deficiency in the Reserve Funds and Reserve Accounts for Parity Obligations in accordance with the provisions of the applicable Issuing Document, including all Reserve Fund Credit Facility Costs.



All money on deposit in the Parity Obligation Payment Fund shall be transferred by the Director of Finance to the Trustee or other third party payee thereof to make and satisfy the Parity Payments due on the next applicable Payment Dates.

(C) to make such deposits in the Rate Stabilization Fund as the City may determine from time to time in accordance with the Installment Sale Agreement.

After the payments contemplated by subparagraphs (A), (B) and (C) above have been made, any amounts remaining in the Water Revenue Fund may from time to time be used for the payment of the interest and principal payments becoming due and payable under all Supplemental Installment Sale Agreements that are Subordinate Obligations; so long as certain conditions are met, including that all Maintenance and Operations Costs are being and have been paid and are then current.

After the required deposits have been made, any amounts thereafter remaining in the Water Revenue Fund may be used for any lawful purpose, including, but not limited to the payment of any Termination Payments on all Subordinate Payment Agreements.

***Water Rate Covenant; Collection of Water Rates and Charges.*** The City covenants under the Installment Sale Agreement to fix, prescribe and collect rates, fees and charges for the Water Service during each Fiscal Year which are reasonably fair and nondiscriminatory and which are estimated to yield Adjusted Annual Net Water Revenues for such Fiscal Year equal to the Coverage Requirement (as defined herein). The City may make adjustments from time to time in such rates, fees and charges and may make such classification thereof as it deems necessary, but covenants not to reduce the rates, fees and charges then in effect unless the Adjusted Annual Net Water Revenues from such reduced rates, fees and charges are estimated to be sufficient to meet the requirements described in this paragraph.

The City further covenants to have in effect at all times rules and regulations requiring each consumer or customer located on any premises connected with the Water System to pay the rates, fees and charges applicable to the Water Service to such premises and providing for the billing thereof and for a due date and a delinquency date for each bill. The City will not permit any part of the Water System or any facility thereof to be used or taken advantage of free of charge by any corporation, firm or person, or by any public agency (including the United States of America, the State of California and any city, county, district political subdivision, public corporation or agency of any thereof); provided, that the City may without charge use the Water System.

***Issuance of Parity Obligations.*** Under the terms of the Installment Sale Agreement, the City may at any time execute any obligations payable on a parity with the 2024 Payments (“Parity Obligations”), provided certain conditions are met, including that the City has demonstrated that, during the last audited Fiscal Year or any twelve calendar month period during the immediately preceding eighteen calendar month period, the Adjusted Annual Net Water Revenues were at least equal to the Coverage Requirement for all Outstanding Supplemental Installment Sale Agreements plus the Parity Obligation proposed to be executed. Additionally, in connection with the execution of Parity Obligations, the City must deliver a certificate stating during the last audited Fiscal Year, Adjusted Annual Net Water Revenues were equal to at least one hundred percent (100%) of Maximum Annual Debt Service calculated for all Outstanding Parity Obligations and all proposed additional Parity Obligations.

“Coverage Requirement” means, for any Fiscal Year or 12 calendar month period,

(1) an amount of Adjusted Annual Net Water Revenues equal in each case to at least:

- (i) 125% of the Adjusted Annual Debt Service for such Fiscal Year or 12 calendar month period,
- (ii) 110% of the sum of the Adjusted Annual Debt Service plus the Adjusted Subordinate Annual Debt Service for such Fiscal Year or twelve (12) calendar month period, and
- (iii) 100% of all obligations of the City payable in such Fiscal Year or 12 calendar month period;

(2) an amount of Net Operating Revenues equal to at least 100% of all obligations of the City payable in such Fiscal Year or 12 calendar month period;

provided, that for purposes of determining compliance with the Coverage Requirement, certain specific provisions with respect to variable rate and other types of debt instruments apply. See “APPENDIX B – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – Certain Definitions of the Master Installment Agreements – Coverage Requirement.”

Additionally, instead of meeting the requirements described above, the City may also enter into Parity Obligations if it receives an Engineer’s Report to the effect that that the estimated Adjusted Annual Net Water Revenues for each of the five (5) Fiscal Years next following the earlier of (i) the end of the period during which interest on the Parity Obligation proposed to be entered into is to be capitalized or, if no interest is capitalized, the Fiscal Year in which the Parity Obligation proposed to be entered into is executed, or (ii) the date on which substantially all Water Projects financed with the Parity Obligation proposed to be entered into plus all Water Projects financed with all existing Supplemental Installment Sale Agreements are expected to commence operations, will be at least equal to the Coverage Requirement for such period.

Certain allowances for adjustments to Net Water Revenues from new connections to the Water System or any increase in the rates, fees and charges fixed and prescribed for Water Service which became effective prior to the issuance of Parity Obligations are permitted under the Installment Sale Agreement. See “APPENDIX B – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – CERTAIN PROVISIONS OF THE MASTER INSTALLMENT SALE AGREEMENT – Parity Obligations”

Notwithstanding the foregoing, there are no limitations on the ability of the City to enter into any Parity Obligation at any time to refund any outstanding Obligation which results in a net present value savings to the City, inclusive of all costs of such refunding.

***Issuance of Subordinate Obligations.*** The City may at any time enter into any Subordinate Obligations payable as provided in the Installment Sale Agreement; provided that no Event of Default (as defined in the Installment Sale Agreement) has occurred and is continuing and the provisions relating to the conditions for the execution of Parity Obligations are satisfied for the execution of such Subordinate Obligation, assuming that the Coverage Requirement is met. See “Issuance of Parity Obligations” above.

Nothing contained in the Installment Sale Agreement shall limit the ability of the City to enter into obligations payable from a lien on Net Water Revenues that is subordinate both to the lien of Net Water Revenues that secures the 2024 Payments and any Parity Obligations and the lien of Net Water Revenues that secures any Subordinate Obligations.

***Rate Stabilization Fund.*** The Installment Sale Agreement establishes the City of Brentwood Water Rate Stabilization Fund (the “Rate Stabilization Fund”), which fund the Director of Finance will

hold and maintain as directed by the City so long as any Payments are due under the Installment Sale Agreement. The City may at any time deposit in the Rate Stabilization Fund any Net Water Revenues and any other money available to be used therefor, the City may at any time withdraw from the Rate Stabilization Fund any money therein for deposit in the Water Revenue Fund and the City shall withdraw from the Rate Stabilization Fund any money therein for deposit in the Water Revenue Fund in the event there are insufficient amounts in the Water Revenue Fund to make the deposits and transfers required by the Installment Sale Agreement; provided, that any such deposits or withdrawals may be made up to and including the date that is one hundred eighty (180) days after the end of the Fiscal Year or twelve (12) calendar month period for which such deposit or withdrawal will be taken into account in determining Adjusted Annual Water Revenues; and provided further, that no deposit of Net Water Revenues shall be made into the Rate Stabilization Fund to the extent that such deposit would prevent the City from meeting the Coverage Requirement in any Fiscal Year or twelve (12) calendar month period.

### **THE AUTHORITY**

The Authority was created by a Joint Exercise of Powers Agreement, dated as of March 14, 1995 between the City and the former Redevelopment Agency of the City of Brentwood. The agreement was entered into pursuant to the provisions of Articles 1, 2 and 4, Chapter 5, Division 7, Title 1 of the California Government Code. The Authority is empowered to assist in financing projects and certain public improvements, such as the design, acquisition and construction of additions, betterments and improvements to the Water System. Under the Act, the Authority has the power to issue revenue bonds to assist in the financing of public capital improvements, and to refund bonds previously issued under the Act.

### **THE WATER SYSTEM**

See Appendix A for information concerning the operations and finances of the Water System.

### **RISK FACTORS**

*The following section describes certain risk factors affecting the payment of and security for the 2024 Bonds. The following discussion of risks is not meant to be an exhaustive list of the risks associated with the purchase of the 2024 Bonds and does not necessarily reflect the relative importance of the various issues. Potential investors are advised to consider the following factors, along with all other information in this Official Statement, in evaluating the 2024 Bonds. There can be no assurance that other risk factors will not become material in the future.*

#### **General**

The payment of principal of and interest on the 2024 Bonds is secured solely by a pledge of the Revenues and certain funds under the Trust Agreement. The realization of the Revenues is subject to, among other things, the capabilities of management of the City, the ability of the City to provide water services to its users, and the ability of the City to establish and maintain water fees and charges sufficient to provide the required debt service coverage as well as pay for maintenance and operation costs.

The ability of the City to comply with its covenants under the Installment Sale Agreement and to generate Net Water Revenues sufficient to pay the 2024 Payments and, therefore, debt service on the 2024 Bonds may be adversely affected by actions and events outside 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 fees and charges. Among other matters, drought, general and local economic conditions and changes in law and government regulations (including initiatives and moratoriums on growth) could

adversely affect the amount of Net Water Revenues realized by the City or significantly raise the cost of operating and maintaining the Water System.

### **Rate Covenant Not a Guarantee**

The ability of the City to pay the 2024 Payments depends on the ability of the City to generate Net Water Revenues in the levels required by the Installment Sale Agreement. Although the City has covenanted in the Installment Sale Agreement to impose rates, fees and charges as more particularly described herein under “SECURITY FOR THE 2024 BONDS – Installment Sale Agreement and Pledge of Net Water Revenues – *Water Rate Covenant; Collection of Water Rates and Charges*,” and expects that sufficient Water Revenues will be generated through the imposition and collection of such rates, fees and charges and other Water Revenues described herein, there is no assurance that such imposition of such rates, fees and charges or other Water Revenues will result in the generation of Net Water Revenues in the amounts required by the Installment Sale Agreement. The City’s covenant does not constitute a guarantee that sufficient Net Water Revenues will be available to pay the 2024 Payments.

### **Proposition 218 and Proposition 26**

On November 5, 1996, the voters of the State approved Proposition 218, known as the “Right to Vote on Taxes Act.” Proposition 218 added Articles XIIC and XIID to the California Constitution, which contain a number of provisions affecting the ability of local governments, including the City, to levy and collect both existing and future taxes, assessments, fees and charges.

Article XIID imposes substantive and procedural requirements on the imposition, extension or increase of any “fee” or “charge” subject to its provisions. A “fee” or “charge” subject to Article XIID includes any levy, other than an ad valorem tax, special tax or assessment, imposed by an agency upon a parcel or upon a person as an incident of property ownership. Article XIID prohibits, among other things, the imposition of any proposed fee or charge, and, possibly, the increase of any existing fee or charge, in the event written protests against the proposed fee or charge are presented at a required public hearing on the fee or charge by a majority of owners of the parcels upon which the fee or charge is to be imposed. Except for fees and charges for water, sewer and refuse collection services, the approval of a majority of the property owners subject to the fee or charge, or at the option of the agency, by two-thirds vote of the electorate residing in the affected area, is required not less than 45 days following the public hearing on any such proposed new or increased fee or charge.

In addition to the procedural requirements of Article XIID, under Article XIID all property related fees and charges, including those which were in existence prior to the passage of Proposition 218 in November 1996, must meet the following substantive standards: (i) the revenues derived from the fee or charge cannot exceed the funds required to provide the property-related service; (ii) the revenues derived from the fee or charge must not be used for any purpose other than that for which the fee or charge was imposed; (iii) the amount of a fee or charge imposed upon any parcel or person as an incident of property ownership must not exceed the proportional cost of the service attributable to the parcel; (iv) no fee or charge may be imposed for a service unless that service is actually used by, or immediately available to, the owner of the property in question, fees or charges based on potential or future use of a service are not permitted, and standby charges, whether characterized as charges or assessments, must be classified as assessments and cannot be imposed without compliance with Section 4 of Article XIID (relating to assessments); and (v) no fee or charge may be imposed for general governmental services including, but not limited to, police, fire, ambulance or library services where the service is available to the public at large in substantially the same manner as it is to property owners.

The California Supreme Court decisions in *Richmond v. Shasta Community Services District*, 32 Cal. 4th 409 (2004) (“Richmond”), and *Bighorn Desert View Water Agency v. Verjil*, 39 Cal. 4th 206 (2006) (“Bighorn”) have clarified uncertainty surrounding the applicability of Section 6 of Article XIID to service fees and charges. In *Richmond*, the Shasta Community Services District charged a water connection fee, which included a capacity charge for capital improvements to the water system and a fire suppression charge. The Court held that both the capacity charge and the fire suppression charge were not subject to Article XIID because a water connection fee is not a property related fee or charge because it results from the property owner’s voluntary decision to apply for the connection. In both *Richmond* and *Bighorn*, however, the Court stated that a fee for ongoing water service through an existing connection is imposed “as an incident of property ownership” within the meaning of Article XIID, rejecting, in *Bighorn*, the water agency’s argument that consumption based water charges are not imposed “as an incident of property ownership” but as a result of the voluntary decisions of customers as to how much water to use.

The City believes that its water rates have been developed and adopted in accordance with the requirements of Article XIID described above.

Article XIIC extends the people’s initiative power to reduce or repeal previously authorized local taxes, assessments, fees and charges. This extension of the initiative power is not limited by the terms of Article XIIC to fees, taxes, assessment fees and charges imposed after November 6, 1996 and absent other authority could result in retroactive reduction in any existing taxes, assessments, fees or charges. In *Bighorn*, the Court concluded that under Article XIIC local voters by initiative may reduce a public agency’s water rates and delivery charges. The Court noted, however, that it was not holding that the authorized initiative power is free of all limitations, stating that it was not determining whether the electorate’s initiative power is subject to the public agency’s statutory obligation to set water service charges at a level that will “pay the operating expenses of the agency, ... 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.”

The courts have not fully interpreted the provisions of Proposition 218. The City is unable to predict how courts will further interpret Article XIIC and Article XIID, and what, if any, further implementing legislation will be enacted. Under the *Bighorn* case, City voters could adopt an initiative measure that reduces or repeals the City’s water rates and charges, though it is not clear whether (and 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 bonded indebtedness. There can be no assurance that the courts will not further interpret, or the voters will not amend, Article XIIC and Article XIID to limit the ability of the City to impose, levy, charge and collect increased fees and charges for the Water System, or to call into question water rate increases previously adopted by the City. No assurance may be given that Articles XIIC and XIID will not have a material adverse impact on Net Water Revenues or the payment of debt service on the 2024 Bonds.

Proposition 26, which amended Article XIII A and XIIC of the California Constitution, was approved by the electorate at the November 2, 2010 election. Proposition 26 imposes a two-thirds voter approval requirement for the imposition of fees and charges by the State. It also imposes a majority voter approval requirement on local governments with respect to fees and charges for general purposes, and a two-thirds voter approval requirement with respect to fees and charges for special purposes. According to its supporters, Proposition 26 was designed to prevent the circumvention of tax limitations imposed by the voters pursuant to Proposition 13, approved in 1978, Proposition 218, and other measures through the use of non-tax fees and charges.

Proposition 26 expressly excludes from its scope “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 cost to the governmental entity of providing the service or product to the payor” and “assessments and property related fees imposed in accordance with the provisions of Article XIID.” The California Supreme Court has held that a fee for ongoing water service through an existing connection is imposed “as an incident of property ownership” within the meaning of Article XIID. See “– Proposition 218.” The City believes that Proposition 26 is not intended to, and would not, apply to fees for water deliveries and services charged by the City. The City, however, is unable to predict how Proposition 26 will be interpreted by the courts to apply to the provision of water services by local governments such as the City.

### **Initiatives; Changes in Law**

In recent years several initiative measures have been proposed or adopted which affect the ability of local governments to increase taxes and rates. Article XIII A, Article XIII B, Article XIII C, and Article XIID of the California Constitution and Proposition 26, were adopted as measures that qualified for the ballot through California’s initiative process. From time to time, other initiative measures could be adopted, which may place further limitations on the ability of the State, the City or local districts to increase revenues or to increase appropriations which may affect the City’s revenues or its ability to expend its revenues. 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 Water Revenues and adversely affect the security for the 2024 Bonds.

### **System Demand**

There can be no assurance that the demand for water 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 rate covenant. Such increases could be material.

### **System Expenses and Capital Costs**

There can be no assurance that the City’s projected expenses or capital costs will be consistent with the descriptions in this Official Statement. Increases in expenses and/or capital costs including, but not limited to, personnel costs (including pension and other benefits), regulatory compliance costs and changes in technology, could require an increase in rates or charges in order to comply with the rate covenant. Such increases could be material.

### **Earthquakes, Floods and Other Natural Disasters**

The potential for natural disasters to cause catastrophic damage to any urban area, including above-ground and below-ground water infrastructure, is great. Earthquakes, floods, fires or other natural disasters could interrupt operation of the Water System and cause increased costs or reductions in revenues and thereby interrupt the ability of the City to realize Net Water Revenues. The City is not obligated under the Installment Sale Agreement to have earthquake or flood insurance.

### **Water Supply and Drought**

The ability of the Water System to operate effectively is affected by the water supply available to the City. If water supply decreases significantly, whether by drought, operation of mandatory supply restrictions, prohibitively high water costs or otherwise, Water System sales may diminish and Net Water Revenues available to pay debt service on the 2024 Bonds may be adversely affected. While the City has plans and

manages reserve supplies to account for normal occurrences of drought conditions, in recent years the State has experienced severe drought conditions. The drought in California from 2020 to 2022 represents the driest three-year period on record. Following the second driest year on record and with near record low storage in California's largest reservoirs, Governor Newsom declared a statewide drought emergency in October 2021 and called for voluntary statewide water use reductions of 15% compared to 2020 water use. In August 2021, the State Water Resources Control Board ("State Water Board") adopted emergency regulations for curtailing water diversions in the Bay-Delta tributaries. In March 2022, Governor Newsom issued an executive order directing the State Water Board to adopt emergency regulations requiring each urban water supplier that has submitted a water shortage contingency plan to the California Department of Water Resources to implement, at a minimum, shortage response actions for a shortage level of up to 20%, which the State Water Board adopted in May 2022. California's remarkably wet winter in late 2022 and early 2023 has eased drought conditions considerably. Accordingly, in March 2023, Governor Newsom rescinded some of the State's drought restrictions and the State Water Board rescinded its curtailment regulations on April 3, 2023.

The City has developed six stages of action to be taken in response to water supply shortages. See APPENDIX A – "INFORMATION RELATING TO THE WATER SYSTEM – Water Supply Shortages." The City is currently at Shortage Level 1, which is the normal level not indicative of drought conditions but pursuant to which the City encourages water conservation by the City's customers. Nevertheless, future droughts could result in additional or similar mandatorily enforced conservation measures and other mitigations that could have a material adverse impact on Net Water Revenues available to pay debt service on the 2024 Bonds.

### **Climate Change**

The change in the earth's average atmospheric temperature, generally referred to as "climate change", is expected to, among other things, increase the frequency and severity of extreme weather events, such as floods, fires and droughts. Climate change is anticipated to have an impact on water demands and supplies. Reductions of snowpack, earlier snowmelt runoff, and more frequent and longer periods of drought would reduce water supply reliability. As described above, the City has developed six stages of action to be taken in response to water supply shortages, including those due to climate change. Nevertheless, the effects of climate change could have a material adverse impact on the operations of the Water System and the Net Water Revenues available to pay debt service on the 2024 Bonds.

### **Pandemics; COVID-19 Pandemic**

A pandemic, epidemic or outbreak of an infectious disease can have significant adverse health and financial impacts on global and local economies. For example, the COVID-19 pandemic resulted in prolonged stay-at-home orders that significantly impacted the City, including the Water System. In addition to certain direct impacts on the operations and finances of the Water System, COVID-19 has had significant and varied impacts on general economic activity at the local, national and global levels, including supply chain and labor market disruptions. Such disruptions have, among other effects, resulted in increases in materials, labor, transportation and other costs across a wide number of sectors, as well as delays in delivery of projects and equipment. The Water System has experienced, and may in the future experience, increases in certain costs and delays in the delivery of equipment as a result of COVID-19's disruption of supply chains. Additionally, such disruptions may result in schedule delays for the Water System's capital projects or increased costs for such projects. The effects of a future pandemic, epidemic or outbreak of an infectious disease could materially adversely affect the operations of the Water System and the Net Water Revenues available to pay debt service on the 2024 Bonds.

## **Cybersecurity**

The City relies on a large and complex technology environment to conduct its operations. The City faces multiple cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computers and other sensitive digital networks and systems. [There have been, however, only limited cyber-attacks on the City's systems.] No assurances can be given that the City's security and operational control measures will be successful in guarding against any and each cyber threat and attack. The results of any attack on the City's computer and information technology systems could impact its operations and damage the City's digital networks and systems, and the costs and/or impacts on operation resulting therefrom could be material.

## **Physical Security**

The occurrence of military conflicts and terrorist activities could adversely impact the operations of the Water System and the Net Water Revenues available to pay debt service on the 2024 Bonds. The City plans and prepares for emergency situations. However, there can be no assurance that any existing or additional safety and security measures will prove adequate in the event that military conflicts or terrorist activities are directed against the assets of the Water System or that costs of security measures will not be greater than presently anticipated.

## **Permits and Regulation**

The water operations of the City are subject to permits from state regulatory agencies. Non-compliance with such permits may result in significant penalties from such state agencies or other enforcement actions that could have a material adverse effect on the finances and operations of the City.

The kind and degree of water treatment and water quality effected through the Water System is regulated, to a large extent, by the federal government and/or the State of California. In the event that the federal government, acting through the Environmental Protection Agency, or the State of California, acting through the Department of Health Services, or additional federal or state agencies, should impose stricter water quality standards upon the Water 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 or treatment standards, although it is likely that, over time, both will impose more stringent standards with attendant higher costs.

## **Investment of Funds**

All funds and accounts held under the Trust Agreement are required to be invested in Permitted Investments as provided under the Trust Agreement. See APPENDIX B attached hereto for a summary of the definition of Permitted Investments. All investments, including the Permitted Investments and those authorized by law from time to time for investments by public agencies, contain a certain degree of risk. Such risks include, but are not limited to, a lower rate of return than expected, loss of market value and loss or delayed receipt of principal. The occurrence of these events with respect to amounts held under the Trust Agreement or by the City, including but not limited to amounts in the Rate Stabilization Fund, could have a material adverse effect on the security for the 2024 Bonds.

## **Limitations on Remedies and Bankruptcy**

The ability of the City to comply with its covenants under the Installment Sale Agreement and to generate Net Water Revenues sufficient to make the 2024 Payments 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 “— Proposition 218.” Failure by the City to pay the 2024 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 2024 Payments.

The rights and remedies provided in the Trust Agreement and the Installment Sale Agreement may be limited by and are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors’ rights, to the application of equitable principles if equitable remedies are sought, and to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State of California. The various opinions of counsel to be delivered with respect to such documents, including the opinion of Bond Counsel (the form of which is attached as APPENDIX F), will be similarly qualified.

The enforcement of the remedies provided in the Trust Agreement and the Installment Sale Agreement could prove both expensive and time consuming. In addition, the rights and remedies provided in the Trust Agreement and the Installment Sale Agreement may be limited by and are subject to provisions of the federal bankruptcy laws, as now or hereafter enacted, and to other laws or equitable principles that may affect creditors’ rights. If the City were to file a petition under chapter 9 of the United States Bankruptcy Code (Title 11, United States Code) (the “Bankruptcy Code”), the Bondholders and the Trustee could be prohibited or severely restricted from taking any steps to enforce their rights under the Installment Sale Agreement.

To the extent that the Net Water Revenues are “special revenues” under the Bankruptcy Code, then Net Water Revenues collected after the date of the bankruptcy filing should be subject to the lien of the Installment Sale Agreement. If any or all of the Net Water Revenues are determined not to be “special revenues,” then any such amounts collected after the commencement of the bankruptcy case will likely not be subject to the lien of the Installment Sale Agreement. The holders of the 2024 Bonds may not be able to assert a claim against any property of the City other than the Net Water Revenues, and if any or all of the Net Water Revenues are no longer subject to the lien of the Installment Sale Agreement, then there may be limited, if any, funds from which the holders of the 2024 Bonds are entitled to be paid.

The Bankruptcy Code provides that “special revenues” can be applied to necessary operating expenses of the project or system, before they are applied to other obligations. This rule applies regardless of the provisions of the transaction documents. It is not clear precisely which expenses would constitute necessary operating expenses and any definition in the transaction documents may not be applicable.

If the City is in bankruptcy, the parties (including the Trustee and the holders of the 2024 Bonds) may be prohibited from taking any action to collect any amount from the City or to enforce any obligation of the City, unless the permission of the bankruptcy court is obtained. These restrictions may also prevent the Trustee from making payments to the holders of the 2024 Bonds from funds in the Trustee’s possession. The City’s rate covenant may not be enforceable in bankruptcy by the Trustee or the holders of the 2024 Bonds.

The Net Water Revenues may be commingled with other City funds. If the City goes into bankruptcy, the City may not be required to turn over to the Trustee any Net Water Revenues that are in its possession at the time of the bankruptcy filing. In addition, if the City has possession of Net Water Revenues (whether collected before or after commencement of the bankruptcy) and if the City does not voluntarily turn over such Net Water Revenues to the Trustee, it is not entirely clear what procedures the Trustee and the holders of the 2024 Bonds would have to follow to attempt to obtain possession of such

Net Water Revenues, how much time it would take for such procedures to be completed, or whether such procedures would ultimately be successful.

The City may be able to borrow additional money that is secured by a lien on any of its property (including the Net Water Revenues), which lien could have priority over the lien of the Installment Sale Agreement, or to cause some of the Net Water Revenues to be released to it, free and clear of the lien of the Installment Sale Agreement, in each case as long as the bankruptcy court determines that the rights of the Trustee and the holders of the 2024 Bonds will be adequately protected.

If the City is in bankruptcy it may be able, without the consent and over the objection of the Trustee and the holders of the 2024 Bonds, to alter the priority, interest rate, principal amount, payment terms, collateral, maturity dates, payment sources, covenants (including tax related covenants), and other terms or provisions of the Installment Sale Agreement, the Indenture and the 2024 Bonds, as long as the bankruptcy court determines that the alterations are fair and equitable.

There may be delays in payments on the 2024 Bonds while the court considers any of these issues. There may be other possible effects of a bankruptcy of the City that could result in delays or reductions in payments on the 2024 Bonds, or result in losses to the holders of the 2024 Bonds. Regardless of any specific adverse determinations in a City bankruptcy proceeding, the fact of a City bankruptcy proceeding could have an adverse effect on the liquidity and value of the 2024 Bonds.

### **Limited Obligations**

The 2024 Payments are limited obligations of the City and are not secured by a legal or equitable pledge or charge or lien upon any property of the City or any of its income or receipts, except the Net Water Revenues. The obligation of the City to make the 2024 Payments does not constitute an obligation of the City to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation.

The City is obligated under the Installment Sale Agreement to pay the 2024 Payments solely from the Net Water Revenues. There is no assurance that the City can succeed in operating the Water System such that the Net Water Revenues in the future amounts projected in this Official Statement will be realized.

### **Limited Recourse on Default**

If the City fails to comply with its covenants under the Installment Sale Agreement or fails to make the 2024 Payments, there can be no assurance of the availability of remedies adequate to protect the interest of the holders of the 2024 Bonds. If the City defaults on its obligation to pay the 2024 Payments or other Parity Obligations securing Bonds, the Trustee has the right to accelerate the total unpaid principal amount of the Bonds outstanding and interest accrued thereon and all Parity Obligations may also be accelerated. However, in the event of a default and such acceleration there can be no assurance that the City will have sufficient funds to pay the accelerated debt service from Net Water Revenues.

### **Loss of Tax Exemption on the 2024 Bonds**

In order to maintain the exclusion from gross income for federal income tax purposes of the interest on the 2024 Bonds, the City and the Authority have covenanted to comply with the applicable requirements of the Internal Revenue Code of 1986, as amended. The interest on the 2024 Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date of issuance of such 2024 Bonds as a result of acts or omissions of the City or the Authority in violation of

this or other covenants applicable to the 2024 Bonds. The 2024 Bonds are not subject to redemption or any increase in interest rates should an event of taxability occur and will remain outstanding until maturity or prior redemption in accordance with the provisions contained in the Trust Agreement. See “TAX MATTERS.”

### **Secondary Market for Bonds**

There can be no guarantee that there will be a secondary market for the 2024 Bonds or, if a secondary market exists, that any 2024 Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then-prevailing circumstances. Such prices could be substantially different from the original purchase price.

### **Uncertainties of Projections, Forecasts and Assumptions**

Certain information contained in this Official Statement is based upon assumptions, forecasts and projections. Projections, forecasts and assumptions are inherently subject to significant uncertainties. Inevitably, some projections, forecasts or assumptions will not be realized and unanticipated events and circumstances may occur and actual results are likely to differ, perhaps materially, from those projected, forecasted or assumed. Accordingly, such projections, forecasts and assumptions are not necessarily indicative of future performance, and the City assumes no responsibility for the accuracy of such projections, forecasts or assumptions.

## **TAX MATTERS**

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority (“Bond Counsel”), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the 2024 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”) and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the 2024 Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel observes that interest on the 2024 Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix F hereto.

To the extent the issue price of any maturity of the 2024 Bonds is less than the amount to be paid at maturity of such 2024 Bonds (excluding amounts stated to be interest and payable at least annually over the term of such 2024 Bonds), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the 2024 Bonds which is excluded from gross income for federal income tax purposes and exempt from State of California personal income taxes. For this purpose, the issue price of a particular maturity of the 2024 Bonds is the first price at which a substantial amount of such maturity of the 2024 Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the 2024 Bonds accrues daily over the term to maturity of such 2024 Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such 2024 Bonds to determine

taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such 2024 Bonds. Beneficial Owners of the 2024 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 2024 Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such 2024 Bonds in the original offering to the public at the first price at which a substantial amount of such 2024 Bonds is sold to the public.

2024 Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) (“Premium 2024 Bonds”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium 2024 Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner’s basis in a Premium 2014 Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium 2024 Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the 2024 Bonds. The Authority and the City have made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the 2024 Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the 2024 Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the 2024 Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel’s attention after the date of issuance of the 2024 Bonds may adversely affect the value of, or the tax status of interest on, the 2024 Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the 2024 Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the 2024 Bonds may otherwise affect a Beneficial Owner’s federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner’s other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code, or court decisions may cause interest on the 2024 Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the 2024 Bonds. Prospective purchasers of the 2024 Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel’s judgment as to the proper treatment of the 2024 Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service

(“IRS”) or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Authority or the City, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Authority and City have covenanted, however, to comply with the requirements of the Code.

Bond Counsel’s engagement with respect to the 2024 Bonds ends with the issuance of the 2024 Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Authority, the City or the Beneficial Owners regarding the tax-exempt status of the 2024 Bonds in the event of an audit examination by the IRS. Under current procedures, Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Authority or the City legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the 2024 Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the 2024 Bonds, and may cause the Authority, the City or the Beneficial Owners to incur significant expense.

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

### **CERTAIN LEGAL MATTERS**

The validity of the 2024 Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe, LLP, Bond Counsel to the Authority. A complete copy of the form of Bond Counsel opinion is contained in Appendix F hereto. Certain legal matters will be passed upon for the City by Orrick, Herrington & Sutcliffe LLP as Disclosure Counsel and for the Authority and the City by the City Attorney, and for the Underwriter, by Kutak Rock LLP. Orrick, Herrington & Sutcliffe LLP undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement.

### **CONTINUING DISCLOSURE**

The City has covenanted on behalf of itself and the Authority, for the benefit of the holders and beneficial owners of the 2024 Bonds, to provide certain financial information and operating data relating to the City and the 2024 Bonds (the “Annual Report”) by not later than 270 days after the end of the City’s fiscal year (presently June 30), commencing with the report for the 2023-24 Fiscal Year, and to provide notices of the occurrence of certain enumerated events. Such reports and notices will be filed by the City with the Municipal Securities Rulemaking Board (the “MSRB”) through its Electronic Market

Access system (“EMMA”). These covenants have been made in order to assist the Underwriter in complying with Securities Exchange Commission Rule 15c2-12(b)(5). The specific nature of the information to be contained in the Annual Report or the notices of enumerated events by the City is set forth in “APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE.”

[Add description of any instances of material non-compliance with prior continuing disclosure undertakings if necessary.]

### **ABSENCE OF LITIGATION**

To the best knowledge of the Authority and the City, there is no action, suit, proceeding or investigation at law or in equity before or by any court or governmental agency or body pending or threatened against the Authority to restrain or enjoin the authorization, execution or delivery of the 2024 Bonds, the pledge of the Revenues or the collection of the payments to be made pursuant to the Trust Agreement, the obligation of the City to pay 2024 Payments from the Net Water Revenues under the Installment Sale Agreement, or in any way contesting or affecting validity of the 2024 Bonds, the Trust Agreement, the Installment Sale Agreement, the Escrow Agreement or the agreement for the sale of the 2024 Bonds.

In addition, there is no litigation pending or threatened against the Authority or the City which, in the opinion of the City Attorney of the City, would materially adversely affect the Water System or the sources of payment for the 2024 Bonds.

### **RATING**

S&P has assigned its municipal bond rating of “[\_]” to the 2024 Bonds. Such rating reflects only the view of S&P and any desired explanation of the significance of such ratings should be obtained from S&P at the following address: 25 Broadway, New York, NY 10004. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by S&P, if in its judgment, circumstances so warrant. The Authority and the Underwriter have undertaken no responsibility either to bring to the attention of the owners of the 2024 Bonds any proposed change in or withdrawal of the rating or to oppose any such proposed revision or withdrawal. Any such downward change in or withdrawal of the rating might have an adverse effect on the market price or marketability of the 2024 Bonds.

### **FINANCIAL STATEMENTS**

Attached as APPENDIX E are the audited financial statements of the City (the “Financial Statements”) for Fiscal Year 2022-23, which include financial statements for the Water System, prepared by the City’s Finance Department and audited by Maze & Associates, Pleasant Hill, California (the “Auditor”).

The Auditor’s letter concludes that the Financial Statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The City currently expects that its audited financial statements for the Fiscal Year 2023-24 will be available to the public on or about December 10, 2024. The City believes that the unaudited financial

information for the Fiscal Year 2023-24 presented in this Official Statement (including Appendix A) is consistent with the financial information that will be presented in the audited financial statements for Fiscal Year 2023-24.]

*The Financial Statements include information regarding certain funds of the City, including its General Fund, which are not pledged to make 2024 Payments or to otherwise pay debt service on the 2024 Bonds. Additionally, the City has not requested nor did the City obtain permission from the Auditor to include the audited financial statements as an appendix to this Official Statement. Accordingly, the Auditor has not performed any post-audit review of the financial condition or operations of the City. In addition, the Auditor has not reviewed this Official Statement.*

## **UNDERWRITING**

The 2024 Bonds are being purchased by RBC Capital Markets, LLC (the “Underwriter”). The Underwriter has agreed to purchase the 2024 Bonds, subject to certain conditions, at a purchase price of \$\_\_\_\_\_ (representing the principal amount of the 2024 Bonds, [plus/less] a [net] original issue [premium/discount] of \$\_\_\_\_\_, less an Underwriter’s discount of \$\_\_\_\_\_). The Underwriter is committed to purchase all of the 2024 Bonds if any are purchased.

The 2024 Bonds are offered for sale at the initial prices stated on the cover page of this Official Statement, which may be changed from time to time by the Underwriter. The 2024 Bonds may be offered and sold to certain dealers at prices lower than the public offering prices.

## **MUNICIPAL ADVISOR**

The Authority has retained Del Rio Advisors, LLC of Modesto, California, as municipal advisor (the “Municipal Advisor”) in connection with the offering of the 2024 Bonds and the preparation of this Official Statement. The Municipal Advisor assisted in the preparation and review of this Official Statement. All financial and other information presented in this Official Statement has been provided by the Authority and the City from their records, except for information expressly attributed to other sources. The Municipal Advisor takes no responsibility for the accuracy or completeness of the data provided by the Authority, the City or others and has not undertaken to make an independent verification or does not assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. The fee of the Municipal Advisor is contingent upon the successful closing of the 2024 Bonds.

## **VERIFICATION**

Upon delivery of the 2024 Bonds, the arithmetical accuracy of certain computations included in the schedules provided by the Underwriter on behalf of the Authority relating to the: (i) adequacy of forecasted receipts of principal and interest on the defeasance securities and cash to be held pursuant to the Escrow Agreement, (ii) forecasted payments of principal and interest with respect to the Refunded Bonds on and prior to their redemption date; and (iii) yields with respect to the 2024 Bonds and on the obligations and other securities to be deposited pursuant to the Escrow Agreement, will be verified by [Verification Agent], independent certified public accountants (the “Verification Agent”). Such verification shall be based solely upon information and assumptions supplied to the Verification Agent by the Underwriter. The Verification Agent has not made a study or evaluation of the information and assumptions on which such computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions or the achievability of the forecasted outcome.

## MISCELLANEOUS

References are made herein to certain documents and reports which are brief summaries thereof which do not purport to be complete or definitive and reference is made to such documents and reports for full and complete statements of the contents thereof. Copies of the Trust Agreement, the Installment Sale Agreement, the Escrow Agreement and other documents referred to herein may be obtained from the Trustee or from the Authority.

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 and the purchasers or owners of any of the 2024 Bonds.



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

BRENTWOOD INFRASTRUCTURE  
FINANCING AUTHORITY

By: \_\_\_\_\_  
Treasurer/Controller

CITY OF BRENTWOOD

By: \_\_\_\_\_  
Director of Finance  
& Information Systems

**APPENDIX A**  
**INFORMATION RELATING TO THE WATER SYSTEM**

**APPENDIX B**  
**SUMMARY OF PRINCIPAL LEGAL DOCUMENTS**

**APPENDIX C**

**FORM OF CONTINUING DISCLOSURE CERTIFICATE**

**APPENDIX D**

**ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE CITY OF BRENTWOOD**

**APPENDIX E**  
**AUDITED FINANCIAL STATEMENTS**

**APPENDIX F**

**PROPOSED FORM OF OPINION OF BOND COUNSEL**

[To come]

## APPENDIX G

### THE BOOK-ENTRY SYSTEM

*This Appendix describes how ownership of the 2024 Bonds is to be transferred and how the principal of, premium, if any, and interest on the 2024 Bonds are to be paid to and accredited by DTC while the 2024 Bonds are registered in its nominee name. The information in this Appendix concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The Authority and the City believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.*

*The Authority and the City cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the 2024 Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the 2024 Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. 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.*

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the 2024 Bonds. The 2024 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the 2024 Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. 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).

Purchases of 2024 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2024 Bonds on DTC’s records. The ownership interest of each actual purchaser of each 2014 Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of



the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2024 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 2024 Bonds, except in the event that use of the book-entry system for the 2024 Bonds is discontinued.

To facilitate subsequent transfers, all 2024 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2024 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2024 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2024 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the 2024 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 2024 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority 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 2024 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal and interest on the 2024 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority, 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 2024 Bonds 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, or the Authority subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest on the 2024 Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2024 Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, 2014 Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, 2014 Bond certificates will be printed and delivered to DTC.