



Office of the City Manager

ACTION CALENDAR
February 25, 2020

To: Honorable Mayor and Members of the City Council
 From: Dee Williams-Ridley, City Manager
 Submitted by: Henry Oyekanmi, Director, Finance
 Subject: Issuance of \$38,000,000 General Obligation Bonds for Measure O – Affordable Housing

RECOMMENDATION

Adopt a Resolution authorizing the issuance and sale of general obligation bonds to finance acquisition and improvement of affordable housing and authorizing actions related thereto.

FISCAL IMPACTS OF RECOMMENDATION

The issuance of the Measure O general obligation bonds will allow proceeds to be applied to projects previously identified by City Council related to affordable housing. This is the first series of the \$135,000,000 bond authorization. The Measure O tax levy was started in FY 2019/20 in anticipation of the first financing in 2020.

BACKGROUND

In November 2018, the residents of Berkeley voted for and approved Ballot Measure O, authorizing \$135,000,000 of general obligation bonds to create and preserve affordable housing for low-income households, working families, and individuals including teachers, seniors, veterans, the homeless, and persons with disabilities. It is anticipated that the full authorization will be issued over the next 10 years through four series of bonds.

RATIONALE FOR RECOMMENDATION

The City has identified projects that need immediate funding and the bond authorization provides the ability to issue bonds at any time. Interest rates are at historical lows and the projected tax rate is anticipated to be lower than originally estimated in the election materials.

PRELIMINARY OFFICIAL STATEMENT

The attached Preliminary Official Statement has been reviewed and approved for transmittal to the City Council by the City's financing team. The distribution of the Preliminary Official Statement by the City is subject to federal securities laws, including the Securities Act of 1933 and the Securities Exchange Act of 1934. These laws require the Preliminary Official Statement to include all facts that would be material to an investor in the proposed bonds. Material information is information that there is a substantial

likelihood would have actual significance in the deliberations of the reasonable investor when deciding whether to buy or sell the bonds. If the City Council concludes that the Preliminary Official Statement includes all facts that would be material to an investor in the bonds, it must adopt a resolution that authorizes staff to execute a certificate to the effect that the Preliminary Official Statement has been “deemed final.”

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

The bonds are payable solely from ad valorem property taxes levied by the City and collected by Alameda County, as described in the section of the Preliminary Official Statement captioned “SECURITY FOR THE BONDS.”

However, investors in the bonds consider information about the City’s financial position to be material, and the City has included that information in Appendix A to the Preliminary Official Statement: “FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE CITY OF BERKELEY AND ALAMEDA COUNTY.” The City’s Comprehensive Annual Financial Report for fiscal year 2018-19 is included in Appendix B to the Preliminary Official Statement.

ENVIRONMENTAL SUSTAINABILITY

There are no identifiable environmental effects or opportunities associated with the issuance and sale of the bonds.

ALTERNATIVE ACTIONS CONSIDERED

None

CONTACT PERSON

Henry Oyekanmi, Director, Finance Department, 510-981-7326

Attachments:

1: Resolution – Resolution of the City Council of the City of Berkeley Authorizing the Issuance and Sale of General Obligation Bonds to Finance Acquisition and Improvement of Affordable Housing and Authorizing Actions Related Thereto

- 2: Draft Preliminary Official Statement
- 3: Draft Custodian Agreement
- 4: Draft Official Notice of Sale
- 5: Draft Notice of Intention

RESOLUTION NO. _____

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF BERKELEY AUTHORIZING THE ISSUANCE AND SALE OF NOT TO EXCEED \$38,000,000 PRINCIPAL AMOUNT OF GENERAL OBLIGATION BONDS TO FINANCE ACQUISITION AND IMPROVEMENT OF AFFORDABLE HOUSING, AND AUTHORIZING ACTIONS RELATED THERETO

WHEREAS, the City of Berkeley (the “City”) is empowered under Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California (the “Bond Law”) to its issue general obligation bonds which are authorized by two-thirds of the electors voting on the proposition; and

WHEREAS, more than two-thirds of the electors voting at an election held on November 6, 2018, voted for a proposition (the “Ballot Proposition”) authorizing the issuance by the City of general obligation bonds in the aggregate principal amount of \$135,000,000 for the purpose of providing funds for the acquisition and improvement of affordable housing; and

WHEREAS, the City Council wishes at this time to authorize the issuance and sale of its general obligation bonds under such authority in the aggregate principal amount of not to exceed \$38,000,000 (the “Bonds”) under this Resolution and in conformity with the Bond Law; and

WHEREAS, further, as required by Government Code Section 5852.1 enacted January 1, 2018 by Senate Bill 450, attached hereto as Appendix B is the information relating to the Bonds that has been obtained by the City Council and is hereby disclosed and made public; and

WHEREAS, pursuant to Resolution No. 67,871-N.S. (March 24, 2017), this City Council previously approved a Debt Management and Disclosure Policy which complies with Government Code Section 8855, and the delivery of the Bonds will be in compliance with said policy.

NOW THEREFORE, BE IT RESOLVED by the Council as follows:

ARTICLE I

DEFINITIONS; AUTHORITY

SECTION 1.01. *Definitions.* The terms defined in this Section 1.01, as used and capitalized herein, shall, for all purposes of this Resolution, have the meanings given them below, unless the context clearly requires some other meaning.

“Bond Counsel” means (a) Jones Hall, A Professional Law Corporation, and (b) any other attorney or firm of attorneys nationally recognized for expertise in rendering opinions as to the legality and tax exempt status of securities issued by public entities.

“Bond Law” means Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California, commencing with Section 53506 of said Code, as in effect on the date of adoption hereof and as amended hereafter.

“Bond Proposition” means the proposition submitted to and approved by more than two-thirds of the voters on November 6, 2018, under which the issuance of the Bonds has been authorized.

“Bond Purchase Agreement” means the Bond Purchase Agreement for the Bonds, which is approved under Section 3.02.

“Bond Sale Documentation” means (a) if the Bonds are sold by competitive bidding in accordance with Section 3.01(a), the Official Notice of Sale and the winning bid of the Original Purchaser, or (b) if the Bonds are sold by negotiation in accordance with Section 3.01(b), the Bond Purchase Agreement between the City and the Original Purchaser.

“Bonds” means the City of Berkeley 2020 General Obligation Bonds (2018 Election Measure O: Affordable Housing) (Federally Taxable) authorized to be issued under this Resolution.

“City” means the City of Berkeley, a charter city and municipal corporation organized under the Constitution and laws of the State of California, and any successor thereto.

“City Representative” means the Mayor, the City Manager, the Finance Director and any other officer of the City authorized by resolution of the City Council of the City to act on behalf of the City with respect to this Resolution and the Bonds.

“Closing Date” means the date upon which there is a physical delivery of the Bonds in exchange for the amount representing the purchase price of the Bonds by the Original Purchaser.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the City and related to the authorization, issuance, sale and delivery of the Bonds, including but not limited to the costs of preparation and reproduction of documents, printing expenses, filing and recording fees, initial fees and charges of the Paying Agent and its counsel, legal fees and charges, fees and disbursements of consultants and professionals, rating agency fees, fees and charges for preparation, execution and safekeeping of the Bonds and any other cost, charge or fee in connection with the original issuance of the Bonds.

“County” means the County of Alameda, a political subdivision of the State of California, duly organized and existing under the Constitution and laws of the State of California.

“Debt Service Fund” means the account established and held by the City under Section 4.03.

“Depository” means (a) initially, DTC, and (b) any other Securities Depository acting as Depository under Section 2.09.

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

“DTC” means The Depository Trust Company, New York, New York, and its successors and assigns.

“Federal Securities” means United States Treasury notes, bonds, bills or certificates of indebtedness, or any other obligations the timely payment of which is directly or indirectly guaranteed by the faith and credit of the United States of America.

“Interest Payment Date” means September 1, 2020, and the first day of each succeeding March and September, or such other dates determined by a City Representative in connection with the pricing of the Bonds.

“Official Notice of Sale” means the Official Notice of Sale for the Bonds, which is approved under Section 3.01.

“Original Purchaser” means the original purchaser of the Bonds at the public or negotiated sale thereof.

“Outstanding,” when used as of any particular time with reference to Bonds, means all Bonds except: (a) Bonds theretofore canceled by the Paying Agent or surrendered to the Paying Agent for cancellation; (b) Bonds paid or deemed to have been paid within the meaning of Section 9.02; and (c) Bonds in lieu of or in substitution for which other Bonds shall have been authorized, executed, issued and delivered by the City under this Resolution.

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

“Paying Agent” means the Paying Agent appointed by the City and acting as paying agent, registrar and authenticating agent for the Bonds, its successors and assigns, and any other corporation or association which may at any time be substituted in its place, as provided in Section 6.01.

“Principal Office” means the office or offices of the Paying Agent for the payment of the Bonds and the administration of its duties hereunder, as such office or offices shall be identified in a written notice filed with the City by the Paying Agent.

“Project Fund” means the fund established and held by the City under Section 4.02.

“Record Date” means the 15th day of the month preceding an Interest Payment Date, whether or not such day is a business day.

“Registration Books” means the records maintained by the Paying Agent for the registration of ownership and registration of transfer of the Bonds under Section 2.08.

“Resolution” means this Resolution, as originally adopted by the City Council on February 25, 2020, and including all amendments hereto and supplements hereof which are duly adopted by the City Council from time to time in accordance herewith.

“Securities Depositories” means DTC; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other securities depositories as the City may designate.

“Supplemental Resolution” means any resolution supplemental to or amendatory of this Resolution, adopted by the City in accordance with Article VIII.

“Tax Code” means the Internal Revenue Code of 1986 as in effect on the Closing Date or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the Closing Date, together with applicable, temporary and final regulations promulgated, and applicable official public guidance published, under said Code.

“Written Request of the City” means an instrument in writing signed by a City Representative or by any other officer of the City duly authorized to act on behalf of the City under a written certificate of a City Representative.

SECTION 1.02. *Interpretation.*

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

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

(c) All references herein to “Articles,” “Sections” and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Resolution; the words

“herein,” “hereof,” “hereby,” “hereunder” and other words of similar import refer to this Resolution as a whole and not to any particular Article, Section or subdivision hereof.

SECTION 1.03. *Authority for this Resolution; Findings.* This Resolution is entered into under the provisions of the Bond Law. It is hereby certified that all of the things, conditions and acts required to exist, to have happened or to have been performed precedent to and in the issuance of the Bonds do exist, have happened or have been performed in due and regular time and manner as required by the laws of the State of California, and that the amount of the Bonds, together with all other indebtedness of the City, does not exceed any limit prescribed by any laws of the State of California.

ARTICLE II

THE BONDS

SECTION 2.01. *Authorization.* Bonds in the aggregate original principal amount of not to exceed \$38,000,000 are hereby authorized by the City to be issued by the City under and subject to the terms of the Bond Law and this Resolution, for the purpose of raising money to finance the acquisition and improvement of affordable housing, as provided in the Ballot Proposition, and to pay the Costs of Issuance incurred in connection therewith. This Resolution constitutes a continuing agreement between the City and the Owners of all of the Bonds issued or to be issued hereunder and then Outstanding to secure the full and final payment of principal of and interest and premium, if any, on all Bonds which may be Outstanding hereunder, subject to the covenants, agreements, provisions and conditions herein contained. The Bonds are designated the “City of Berkeley 2020 General Obligation Bonds (2018 Election Measure O: Affordable Housing) (Federally Taxable).”

SECTION 2.02. *Terms of Bonds.*

- (a) Principal Amount of Bonds. The Bonds are authorized to be issued in the aggregate principal amount of not to exceed \$38,000,000.
- (b) Form; Numbering. The Bonds will be issued in fully registered form, without coupons, in authorized denominations of \$5,000 each or any integral multiple thereof. The Bonds will be lettered and numbered as the Paying Agent prescribes.
- (c) Date of Bonds. The Bonds will be dated as of the Closing Date.
- (d) CUSIP Identification Numbers. “CUSIP” identification numbers will be imprinted on the Bonds, but such numbers do not constitute a part of the contract evidenced by the Bonds and no error or omission with respect thereto will constitute cause for refusal of the Original Purchaser to accept delivery of and pay for the Bonds. In addition, failure on the part of the City to use such CUSIP numbers in any notice to Owners of the Bonds will not constitute an event of default or any violation of the City’s contract with such Owners and will not impair the effectiveness of any such notice.

(e) Determination of Maturities and Interest Rates. The Bonds shall mature (or, alternatively, be subject to mandatory sinking fund redemption as hereinafter provided) on September 1 in each year commencing September 1, 2021 and continuing to and including September 1, 2050. The exact principal amount of the Bonds maturing on September 1 in each year shall be determined upon the sale of the Bonds, in accordance with the Bond Sale Documentation.

Each Bond will bear interest at the respective rates to be determined upon the sale of the Bonds in accordance with Article III. Interest on the Bonds is payable from the Interest Payment Date next preceding the date of authentication thereof unless:

- a Bond is authenticated as of an Interest Payment Date, in which event it will bear interest from such date,
- a Bond is authenticated prior to an Interest Payment Date and after the close of business on the preceding Record Date, in which event it will bear interest from such Interest Payment Date,
- a Bond is authenticated on or before the first Record Date, in which event it shall bear interest from the Closing Date, or
- at the time of authentication of a Bond, interest is in default thereon, in which event it will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

(f) Manner of Payment. Interest on the Bonds (including the final interest payment upon maturity) is payable by check of the Paying Agent mailed to the Owner thereof at such Owner's address as it appears on the Registration Books at the close of business on the preceding Record Date; except that at the written request of the Owner of at least \$1,000,000 aggregate principal amount of the Bonds, which written request is on file with the Paying Agent as of any Record Date, interest on such Bonds shall be paid by wire transfer on the succeeding Interest Payment Date to an account in the United States of America as shall be specified in such written request. Principal of and premium (if any) on the Bonds is payable in lawful money of the United States of America upon presentation and surrender at the Principal Office of the Paying Agent.

SECTION 2.03. *Redemption.*

(a) Optional Redemption. The Bonds shall be subject to redemption prior to maturity, at the option of the City, in whole or in part among maturities on such basis as designated by the City and by lot within a maturity, from any available source of funds, on the dates and upon payment of a redemption price (equal to the principal amount of Bonds to be redeemed together with a redemption premium, if any) as determined upon the sale of the Bonds in accordance with the Bond Sale Documentation.

(b) Mandatory Sinking Fund Redemption. If and to the extent specified in the Bond Sale Documentation, any maturity of the Bonds will be designated as "Term Bonds" which are subject to mandatory sinking fund redemption on September 1 in each of the years and in the respective principal amounts set forth in such bid, at a redemption price equal to 100% of the principal amount of the Bonds to be redeemed, in each case without premium, together with interest accrued thereon to the redemption date. If some but not all of the Term Bonds have been redeemed under the preceding subsection (a) of this Section, the aggregate principal amount of Term Bonds to be redeemed in each year under this subsection (b) shall be reduced on a pro rata basis in integral multiples of \$5,000, as designated in written notice filed by the City with the Paying Agent.

(c) Selection of Bonds for Redemption. Whenever less than all of the Outstanding Bonds of any one maturity are designated for redemption, the Paying Agent shall select the Outstanding Bonds of such maturity to be redeemed by lot in any manner deemed fair by the Paying Agent. For purposes of such selection, each Bond shall be deemed to consist of individual Bonds of \$5,000 denominations which may be separately redeemed.

(d) Redemption Procedure. The Paying Agent shall cause notice of any redemption to be mailed, first class mail, postage prepaid, at least 20 days but not more than 60 days prior to the date fixed for redemption, (i) to the Securities Depositories and the Municipal Securities Rulemaking Board, and (ii) to the respective Owners of any Bonds designated for redemption, at their addresses appearing on the Registration Books. Such mailing shall not be a condition precedent to such redemption and failure to mail or to receive any such notice shall not affect the validity of the proceedings for the redemption of Bonds. The City is entitled to send a redemption notice that declares that the redemption is conditional upon the availability of moneys to accomplish the redemption, and the City may rescind any notice of optional redemption of the Bonds by written notice to the Paying Agent on or prior to the date fixed for redemption, and the Paying Agent shall mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent under this section. Any notice of redemption shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption. The City and the Paying Agent shall have no liability to the Owners or any other party related to or arising from such rescission.

Such notice shall state the redemption date and the redemption price and, if less than all of the then Outstanding Bonds are to be called for redemption, shall designate the serial numbers of the Bonds to be redeemed by giving the individual number of each Bond or by stating that all Bonds between two stated numbers, both inclusive, or by stating that all of the Bonds of one or more maturities have been called for redemption, and shall require that such Bonds be then surrendered at the Principal Office of the Paying Agent for redemption at the said redemption price, giving notice also that further interest on such Bonds will not accrue from and after the redemption date.

Upon surrender of Bonds redeemed in part only, the City shall execute and the Paying Agent shall authenticate and deliver to the Owner, at the expense of the City, a new Bond or Bonds, of the same maturity, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond or Bonds.

From and after the date fixed for redemption, if notice of such redemption has been duly given and funds available for the payment of the principal of and interest (and premium, if any) on the Bonds so called for redemption have been duly provided, such Bonds so called will cease to be entitled to any benefit under this Resolution other than the right to receive payment of the redemption price, and no interest will accrue thereon on or after the redemption date specified in such notice. The Paying Agent shall cancel all Bonds redeemed under this Section 2.03, and shall submit to the City a certificate of cancellation.

SECTION 2.04. *Form of Bonds.* The form of the Bonds, including the form of the Paying Agent's Certificate of Authentication and the form of Assignment to appear thereon, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Resolution, are set forth in Appendix A attached hereto.

SECTION 2.05. *Execution of Bonds.* The Bonds shall be executed on behalf of the City by the facsimile signatures of its Mayor and City Clerk who are in office on the date of adoption of this Resolution or at any time thereafter, and the seal of the City shall be impressed, imprinted or reproduced by facsimile thereon. If any officer whose signature appears on any Bond ceases to be such officer before delivery of the Bonds to the Original Purchaser, such signature will nevertheless be as effective as if the officer had remained in office until the delivery of the Bonds to the Original Purchaser. Any Bond may be signed and attested on behalf of the City by such persons as at the actual date of the execution of such Bond are the proper officers of the City although at the nominal date of such Bond any such person does not serve as such officer of the City.

Only those Bonds bearing a Certificate of Authentication in the form set forth in Appendix A attached hereto, executed and dated by the Paying Agent, will be valid or obligatory for any purpose or entitled to the benefits of this Resolution, and such Certificate of Authentication of the Paying Agent constitutes conclusive evidence that the Bonds so registered have been duly authenticated, registered and delivered hereunder and are entitled to the benefits of this Resolution.

SECTION 2.06. *Transfer of Bonds.* Any Bond may, in accordance with its terms, be transferred, upon the Registration Books, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation at the Principal Office at the Paying Agent, accompanied by delivery of a written instrument of transfer in a form approved by the Paying Agent, duly executed. The City may charge a reasonable sum for each new Bond issued upon any transfer.

Whenever any Bond or Bonds is surrendered for transfer, the City shall execute and the Paying Agent shall authenticate and deliver a new Bond or Bonds, for like aggregate principal amount.

SECTION 2.07. *Exchange of Bonds.* Bonds may be exchanged at the Principal Office of the Paying Agent for a like aggregate principal amount of Bonds of authorized denominations and of the same maturity. The City may charge a reasonable sum for each new Bond issued upon any exchange.

SECTION 2.08. *Registration Books.* The Paying Agent shall keep or cause to be kept sufficient books for the registration and transfer of the Bonds, which shall at all times be open to inspection by the City upon reasonable notice; and, upon presentation for such purpose, the Paying Agent shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, Bonds as herein before provided.

SECTION 2.09. *Book-Entry System.* Except as provided below, DTC will be the Owner of all of the Bonds, and the Bonds will be registered in the name of Cede & Co. as nominee for DTC. The Bonds shall be initially executed and delivered in the form of a single fully registered Bond for each maturity date of the Bonds in the full aggregate principal amount of the Bonds maturing on such date. The Paying Agent and the City may treat DTC (or its nominee) as the sole and exclusive owner of the Bonds registered in its name for all purposes of this Resolution, and neither the Paying Agent nor the City shall be affected by any notice to the contrary. The Paying Agent and the City shall not have any responsibility or obligation to any Depository System Participant, any person claiming a beneficial ownership interest in the Bonds under or through DTC or a Depository System Participant, or any other person which is not shown on the register of the City as being an owner, with respect to the accuracy of any records maintained by DTC or any Depository System Participant or the payment by DTC or any Depository System Participant by DTC or any Depository System Participant of any amount in respect of the principal or interest with respect to the Bonds. The City shall cause to be paid all principal and interest with respect to the Bonds only to DTC, and all such payments shall be valid and effective to fully satisfy and discharge the City's obligations with respect to the principal and interest with respect to the Bonds to the extent of the sum or sums so paid. Except under the conditions noted below, no person other than DTC shall receive a Bond. Upon delivery by DTC to the City of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., the term "Cede & Co." in this Resolution shall refer to such new nominee of DTC.

If the City determines that it is in the best interest of the beneficial owners that they be able to obtain Bonds and delivers a written certificate to DTC and the City to that effect, DTC shall notify the Depository System Participants of the availability through DTC of Bonds. In such event, the City shall issue, transfer and exchange Bonds as requested by DTC and any other owners in appropriate amounts. DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving notice to the City and discharging its responsibilities with respect thereto under applicable law.

Under such circumstances (if there is no successor securities depository), the City shall be obligated to deliver Bonds as described in this Resolution. Whenever DTC requests the City to do so, the City will cooperate with DTC in taking appropriate action after reasonable notice to (a) make available one or more separate Bonds evidencing the Bonds to any Depository System Participant having Bonds credited to its DTC account or (b) arrange for another securities depository to maintain custody of certificates evidencing the Bonds.

Notwithstanding any other provision of this Resolution to the contrary, so long as any Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to the principal and interest with respect to such Bond and all notices with respect to such Bond shall be made and given, respectively, to DTC as provided as in the representation letter delivered on the date of issuance of the Bonds.

SECTION 2.10. *Bonds Mutilated, Lost, Destroyed or Stolen.* If any Bond becomes mutilated the City, at the expense of the Owner of said Bond, shall execute, and the Paying Agent shall thereupon authenticate and deliver, a new Bond of like maturity and principal amount in exchange and substitution for the Bond so mutilated, but only upon surrender to the Paying Agent of the Bond so mutilated. The Paying Agent shall cancel every mutilated Bond so surrendered to it. If any Bond is lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the City and, if such evidence is satisfactory to the City and the City receives satisfactory indemnity, the City, at the expense of the Owner, shall execute, and the Paying Agent shall thereupon authenticate and deliver, a new Bond of like maturity and principal amount in lieu of and in substitution for the Bond so lost, destroyed or stolen.

The City may require payment of a sum not exceeding the actual cost of preparing each new Bond issued under this Section and of the expenses which may be incurred by the City and the Paying Agent. Any Bond issued under the provisions of this Section 2.10 in lieu of any Bond alleged to be lost, destroyed or stolen will constitute an original additional contractual obligation of the City whether or not the Bond so alleged to be lost, destroyed or stolen is at any time enforceable by anyone, and such Bond will be equally and proportionately entitled to the benefits of this Resolution with all other Bonds issued under this Resolution.

Notwithstanding any other provision of this Section 2.10, in lieu of delivering a new Bond for which principal has or is about to become due for a Bond which has been mutilated, lost, destroyed or stolen, the Paying Agent may make payment of such Bond in accordance with its terms.

ARTICLE III

SALE OF BONDS

SECTION 3.01. *Competitive Sale of Bonds*

(a) Approval of Official Notice of Sale; Competitive Sale Procedures. The Bonds shall be offered for sale by competitive bid in accordance with the provisions of the Official Notice of Sale in substantially the form on file with the City Clerk together with such additions thereto and changes therein as may be approved by a City Representative. The City Council hereby authorizes and directs a City Representative to accept the best responsible bid for the Bonds, to be determined in accordance with the related Official Notice of Sale. A City Representative, on behalf of the City, may exercise his or her own discretion and judgment in awarding the sale of the Bonds, and may, in his or her discretion, reject any and all bids and waive any irregularity or informality in any bid. Sale of the Bonds shall be awarded, or all bids shall be rejected, not later than 24 hours after the expiration of the time prescribed for the receipt of proposals unless such time of award is waived by the successful bidder.

(b) Publication of Notice of Intention. The City Council hereby approves and authorizes the publication by Bond Counsel of a notice of the City's intention to sell the Bonds, in form and substance acceptable to Bond Counsel, in accordance with applicable law.

(c) Furnishing of Documents. The municipal advisor to the City, NHA Advisors, LLC is hereby authorized and directed by the City to cause to be furnished to prospective bidders a reasonable number of copies of said Official Notice of Sale and a reasonable number of copies of the Preliminary Official Statement relating to the Bonds.

SECTION 3.02. *Negotiated Sale of Bonds.* The Bonds are authorized to be sold by negotiated sale if either (a) no bids are received when the Bonds are offered for public sale under Section 3.01, or (b) bids are received but such bids are not satisfactory as to price or responsibility of the bidders as determined by a City Representative, as a result of which all bids are rejected. In such event, the Bonds are authorized to be sold by negotiation with an underwriter or investment bank which is designated by a City Representative upon consultation with NHA Advisors, LLC as municipal adviser to the City. The Bonds shall be sold to such underwriter or investment bank under the Bond Purchase Agreement in a form deemed advisable by a City Representative, whose execution shall be conclusive evidence of the City Council's approval of such Bond Purchase Agreement. A City Representative is hereby authorized to accept a bid from such underwriter or investment bank to purchase the Bonds, and to execute the Bond Purchase Agreement on behalf of the City; provided that the rate of interest on the Bonds shall not exceed 8.00% and the underwriter's discount shall not exceed 1.50% of the principal amount of the Bonds. If it is determined to sell the Bonds by negotiation, a City Representative shall disclose the identity of the underwriter at the public meeting first occurring after the bond underwriter has been selected, along with the estimated

costs associated with the bond issuance and the circumstances that led to the negotiated sale.

SECTION 3.03. *Official Statement.* The Board hereby approves, and hereby deems final within the meaning of Rule 15c2-12 of the Securities Exchange Act of 1934 (“Rule”), the Preliminary Official Statement describing the Bonds in substantially the form on file with the City Clerk. A City Representative is hereby authorized to execute an appropriate certificate stating the City Council’s determination that the Preliminary Official Statement has been deemed final within the meaning of such Rule. Distribution of the Preliminary Official Statement in connection with the sale of the Bonds is hereby approved. Each City Representative is hereby authorized and directed to approve any changes in or additions to a final form of said Official Statement, and the execution thereof by a City Representative shall be conclusive evidence of the approval of any such changes and additions. The City Council hereby authorizes the distribution of the final Official Statement. The final Official Statement shall be executed in the name and on behalf of the City by a City Representative.

SECTION 3.04. *Costs of Issuance Custodian Agreement.* The City shall pay the costs of issuing the Bonds from original issue premium received from the Original Purchaser of the Bonds. The City Council hereby authorizes a City Representative to execute on behalf of the City a Costs of Issuance Custodian Agreement with The Bank of New York Mellon Trust Company, N.A. in substantially the form on file with the City Clerk. As provided in said agreement, amounts provided for payment of the costs of issuing the Bonds shall be deposited thereunder and the payment of costs shall be requisitioned by a City Representative in accordance with said agreement.

SECTION 3.05. *Paying Agency Agreement.* The City Council hereby authorizes a City Representative to execute on behalf of the City a Paying Agency Agreement with The Bank of New York Mellon Trust Company, N.A. in substantially the form on file with the City Clerk. As provided in said agreement, The Bank of New York Mellon Trust Company, N.A. will act as Paying Agent as described in this Resolution.

Section 3.06. *Professional Services.* The City Council hereby approves and confirms the engagement of NHA Advisors, LLC to act as the City’s municipal advisor in connection with the issuance and sale of the Bonds, and the engagement of Jones Hall, A Professional Law Corporation, to act as the City’s bond counsel and disclosure counsel in connection with the issuance of the Bonds.

ARTICLE IV

FUNDS AND ACCOUNTS

SECTION 4.01. *Application of Proceeds of Sale of Bonds.* On the Closing Date, the proceeds of sale of the Bonds shall be paid by the Original Purchaser to the City, and shall be applied on the Closing Date as follows: (a) the City shall transfer or cause to be

transferred an amount required to pay the estimated Costs of Issuance to The Bank of New York Mellon Trust Company, N.A., to be held and administered in accordance with the agreement which is approved under Section 3.04; (b) after making the transfer described in the preceding clause (a), the City shall deposit in the Debt Service Fund any remaining original issue premium received by the City on the sale of the Bonds; and (c) the City shall deposit the remainder of such proceeds in the Project Fund.

SECTION 4.02. *Project Fund.* The City Council hereby establishes a special fund to be held by the City separate and apart from all other funds of the City, to be known as the Project Fund. The proceeds from the sale of the Bonds, to the extent required under Section 4.01(b), shall be deposited by the City in the Project Fund, and shall be expended by the City solely for the payment of the costs of acquisition or improvement of real property for which the Bond proceeds are authorized to be expended under the Bond Proposition. All interest and other gain arising from the investment of amounts deposited to the Project Fund shall be retained in the Project Fund and used for the purposes thereof. Any amounts remaining on deposit in the Project Fund and not needed for the purposes thereof shall be withdrawn from the Project Fund and transferred to the Debt Service Fund, to be applied to pay the principal of and interest and premium (if any) on the Bonds.

SECTION 4.03. *Debt Service Fund.* The City Council hereby establishes a special fund to be held by the City separate and apart from all other funds of the City, to be known as the Debt Service Fund. All taxes levied by the County, as directed by the City herein, for the payment of the principal of and interest and premium (if any) on the Bonds in accordance with Section 5.03 shall be deposited in the Debt Service Fund by the City promptly upon the receipt thereof from the County. The Debt Service Fund is hereby pledged for the payment of the principal of and interest and premium (if any) on the Bonds when and as the same become due. The City shall transfer amounts in the Debt Service Fund, to the extent necessary to pay the principal of and interest on the Bonds as the same become due and payable, to the Paying Agent as required to pay the principal of and interest and premium (if any) on the Bonds. Alternatively, the City may direct the County to transfer such taxes, in whole or in part, directly to the Paying Agent for the purpose of making payments of principal of and interest and premium (if any) on the Bonds.

If, after payment in full of the Bonds, any amounts remain on deposit in the Debt Service Fund, the City shall transfer such amounts to its General Fund, to be applied solely in a manner which is consistent with the requirements of applicable state and federal tax law.

SECTION 4.04. *Investments.* The City shall invest all moneys held in any of the funds or accounts established with it hereunder in accordance with the investment policies of the City, as such policies shall exist at the time of investment, and in accordance with Section 53601 of the California Government Code.

ARTICLE V

OTHER COVENANTS OF THE CITY; SECURITY FOR THE BONDS

SECTION 5.01. *Punctual Payment.* The City shall punctually pay, or cause to be paid, the principal of and interest on the Bonds, in strict conformity with the terms of the Bonds and of this Resolution, and shall faithfully observe and perform all of the conditions, covenants and requirements of this Resolution and of the Bonds. Nothing herein contained prevents the City from making advances of its own moneys howsoever derived to any of the uses or purposes permitted by law.

SECTION 5.02. *Extension of Time for Payment.* In order to prevent any accumulation of claims for interest after maturity, the City will not, directly or indirectly, extend or consent to the extension of the time for the payment of any claim for interest on any of the Bonds and will not, directly or indirectly, approve any such arrangement by purchasing or funding said claims for interest or in any other manner.

SECTION 5.03. *Security for the Bonds.* The Bonds are general obligations of the City and the City has the power, is obligated and hereby covenants to levy ad valorem taxes upon all property within the City subject to taxation by the City, without limitation of rate or amount, for the payment of the Bonds and the interest thereon, in accordance with the Bond Law and Section 43632 of the of the Government Code of the State of California. Amounts in the General Fund of the City are not pledged to the payment of the Bonds. However, nothing herein limits the ability of the City to provide for payment of the principal of and interest and premium (if any) on the Bonds from any source of legally available funds of the City. Any amounts so advanced by the City from legally available funds may be reimbursed from ad valorem property taxes subsequently collected under this Section 5.03.

SECTION 5.04. *Books and Accounts; Financial Statement.* The City will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the City in which complete and correct entries are made of all transactions relating to the Bonds. Such books of record and accounts shall at all times during business hours be subject to the inspection of the Paying Agent and the Owners of not less than 10% in aggregate principal amount of the Bonds then Outstanding, or their representatives authorized in writing.

SECTION 5.05. *Protection of Security and Rights of Bond Owners.* The City will preserve and protect the security of the Bonds and the rights of the Bond Owners, and will warrant and defend their rights against all claims and demands of all persons. From and after the sale and delivery of any of the Bonds by the City, the City may not contest the authorization, issuance, sale or repayment of the Bonds.

SECTION 5.06. *Tax Treatment of the Bonds.* The City Council hereby determines that it does not intend for the interest on the Bond to be excluded from gross income of the Owners of the Bonds for federal income tax purposes.

SECTION 5.07. *Continuing Disclosure.* The City hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate, which a City Representative is hereby authorized and directed to execute and deliver on the Closing Date. Notwithstanding any other provision of this Resolution, failure of the City to comply with the Continuing Disclosure Certificate will not be considered a default by the City hereunder or under the Bonds; however, any Participating Original Purchaser (as such term is defined in the Continuing Disclosure Certificate) or any holder or beneficial owner of the Bonds may, take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

SECTION 5.08. *Further Assurances.* The City will adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Resolution, and for the better assuring and confirming unto the Owners of the Bonds of the rights and benefits provided in this Resolution.

ARTICLE VI

THE PAYING AGENT

SECTION 6.01. *Appointment of Paying Agent.* The Bank of New York Mellon Trust Company, N.A. is hereby appointed to act as Paying Agent for the Bonds. The Paying Agent undertakes to perform such duties, and only such duties, as are specifically set forth in this Resolution, and even during the continuance of an event of default with respect to the Bonds, no implied covenants or obligations shall be read into this Resolution against the Paying Agent. The Paying Agent shall signify its acceptance of the duties and obligations imposed upon it by this Resolution by executing and delivering to the City a certificate to that effect.

The City may remove the Paying Agent initially appointed, and any successor thereto, and may appoint a successor or successors thereto, but any such successor shall be a bank or trust company doing business and having an office in the State of California, having a combined capital (exclusive of borrowed capital) and surplus of at least \$50,000,000, and subject to supervision or examination by federal or state authority. If such bank or trust company publishes a report of condition at least annually, under law or under the requirements of any supervising or examining authority above referred to, then for the purposes of this Section 6.01 the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The Paying Agent may at any time resign by giving written notice to the City and the Bond Owners of such resignation. Upon receiving notice of such resignation, the City shall promptly appoint a successor Paying Agent by an instrument in writing. Any resignation or removal of the Paying Agent and appointment of a successor Paying Agent becomes effective upon acceptance of appointment by the successor Paying Agent.

SECTION 6.02. *Paying Agent May Hold Bonds.* The Paying Agent may become the Owner of any of the Bonds in its own or any other capacity with the same rights it would have if it were not Paying Agent.

SECTION 6.03. *Liability of Paying Agent.* The recitals of facts, covenants and agreements herein and in the Bonds contained shall be taken as statements, covenants and agreements of the City, and the Paying Agent assumes no responsibility for the correctness of the same, nor makes any representations as to the validity or sufficiency of this Resolution or of the Bonds, nor shall incur any responsibility in respect thereof, other than as set forth in this Resolution. The Paying Agent is not liable in connection with the performance of its duties hereunder, except for its own negligence or willful default.

In the absence of bad faith, the Paying Agent may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Paying Agent and conforming to the requirements of this Resolution.

The Paying Agent has no liability for any error of judgment made in good faith by a responsible officer of its corporate trust department in the absence of the negligence of the Paying Agent.

No provision of this Resolution requires the Paying Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it has reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

The Paying Agent may execute any of the powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Paying Agent is not responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder.

SECTION 6.04. *Notice to Paying Agent.* The Paying Agent may rely and shall be protected in acting or refraining from acting upon any notice, resolution, request, consent, order, certificate, report, warrant, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or proper parties. The Paying Agent may consult with counsel, who may be of counsel to the City, with regard to legal questions, and the opinion of such counsel shall be full and

complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

Whenever in the administration of its duties under this Resolution the Paying Agent deems it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of bad faith on the part of the Paying Agent, be deemed to be conclusively proved and established by a certificate of the City, and such certificate will be full warrant to the Paying Agent for any action taken or suffered under the provisions of this Resolution upon the faith thereof, but in its discretion the Paying Agent may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

SECTION 6.05. *Compensation; Indemnification.* The City will pay to the Paying Agent from time to time reasonable compensation for all services rendered under this Resolution, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of their attorneys, agents and employees, incurred in and about the performance of their powers and duties under this Resolution. The City further agrees to indemnify the Paying Agent against any liabilities which it may incur in the exercise and performance of its powers and duties hereunder which are not due to its negligence or bad faith.

ARTICLE VII

REMEDIES OF BOND OWNERS

SECTION 7.01. *Remedies of Bond Owners.* Upon the happening and continuation of any default by the City hereunder or under the Bonds, any Bond Owner has the right, for the equal benefit and protection of all Bond Owners similarly situated:

- (a) by mandamus, suit, action or proceeding, to compel the City and its members, officers, agents or employees to perform each and every term, provision and covenant contained in this Resolution and in the Bonds, and to require the carrying out of any or all such covenants and agreements of the City and the fulfillment of all duties imposed upon it;
- (b) by suit, action or proceeding in equity, to enjoin any acts or things which are unlawful, or the violation of any of the Bond Owners' rights; or
- (c) by suit, action or proceeding in any court of competent jurisdiction, to require the City and its members and employees to account as if it and they were the trustees of an express trust.

SECTION 7.02. *Remedies Not Exclusive.* No remedy herein conferred upon the Owners of Bonds is exclusive of any other remedy. Each remedy is cumulative and shall be in

addition to every other remedy given hereunder or thereafter conferred on the Bond Owners.

ARTICLE VIII

AMENDMENT OF THIS RESOLUTION

SECTION 8.01. *Amendments Effective Without Consent of the Owners.* For any one or more of the following purposes and at any time or from time to time, the City Council may by Supplemental Resolution amend this Resolution in whole or in part, without the consent of any of the Bond Owners:

- (a) to add to the covenants and agreements of the City in this Resolution, other covenants and agreements to be observed by the City which are not contrary to or inconsistent with this Resolution as theretofore in effect;
- (b) to confirm, as further assurance, any pledge under, and to subject to any lien or pledge created or to be created by, this Resolution, of any moneys, securities or funds, or to establish any additional funds or accounts to be held under this Resolution;
- (c) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in this Resolution, which in any event does not materially adversely affect the interests of the Bond Owners, in the opinion of Bond Counsel filed with the City; or
- (d) if applicable, to make such additions, deletions or modifications as may be necessary to assure compliance with the applicable provisions of the Tax Code relating to the rebate of excess investment earnings to the United States or otherwise as may be necessary to assure that the interest on the Bonds remains excludable from gross income of the Owners thereof for federal income tax purposes, in the opinion of Bond Counsel filed with the City.

SECTION 8.02. *Amendments Effective With Consent to the Owners.* Any modification or amendment of this Resolution and of the rights and obligations of the City and of the Owners of the Bonds, in any particular, may be made by a Supplemental Resolution, with the written consent of the Owners of a majority in aggregate principal amount of the Bonds Outstanding at the time such consent is given. Without the consent of the Owners of all affected Bonds, no such modification or amendment may (a) change the maturity of the principal of any Bonds or any interest payable thereon, (b) reduce the principal amount of the Bonds or the rate of interest thereon, (c) reduce the percentage of Bonds the consent of the Owners of which is required to effect any such modification or amendment, (d) change any of the provisions in Section 7.01 relating to a default by the City hereunder or under the Bonds, (e) reduce the amount of moneys pledged for the repayment of the Bonds. Without the consent of the Paying Agent, no such

modification or amendment may change or modify any of the rights or obligations of the Paying Agent.

ARTICLE IX

MISCELLANEOUS

SECTION 9.01. *Benefits of Resolution Limited to Parties.* Nothing in this Resolution, expressed or implied, is intended to give to any person other than the City, the Paying Agent and the Owners of the Bonds, any right, remedy, claim under or by reason of this Resolution. Any covenants, stipulations, promises or agreements in this Resolution contained by and on behalf of the City shall be for the sole and exclusive benefit of the Owners of the Bonds.

SECTION 9.02. *Defeasance.*

(a) Discharge of Resolution. Bonds may be paid by the City, in whole or in part, in any of the following ways provided that the City also pays or causes to be paid any other sums payable hereunder by the City:

- (i) by paying or causing to be paid the principal of and interest on such Bonds, as and when the same become due and payable;
- (ii) by irrevocably depositing, in trust, at or before maturity, money or securities in the necessary amount to pay such Bonds as provided in Section 9.02(c); or
- (iii) by delivering such Bonds to the Paying Agent for cancellation by it.

If the City pays all Outstanding Bonds and also pays or causes to be paid all other sums payable hereunder by the City, then and in that case, at the election of the City (evidenced by a certificate of a City Representative filed with the Paying Agent, signifying the intention of the City to discharge all such indebtedness and this Resolution), and notwithstanding that any Bonds have not been surrendered for payment, this Resolution, all taxes and other assets pledged under this Resolution and all covenants, agreements and other obligations of the City under this Resolution shall cease, terminate, become void and be completely discharged and satisfied, except only as provided in Section 9.02(b). In such event, upon request of the City, the Paying Agent shall cause an accounting for such period or periods as may be requested by the City to be prepared and filed with the City and shall execute and deliver to the City all such instruments as may be necessary to evidence such discharge and satisfaction, and the Paying Agent shall pay over, transfer, assign or deliver to the City all moneys or securities or other property held by it under this Resolution which are not required for the payment of Bonds not theretofore surrendered for such payment.

(b) Discharge of Liability on Bonds. Upon the deposit, in trust, at or before maturity, of money or securities in the necessary amount to pay any Outstanding Bond Bonds as provided in Section 9.02(c), then all liability of the City in respect of such Bond will cease and be completely discharged, except only that thereafter the Owner thereof is entitled only to payment of the principal of and interest on such Bond by the City, and the City remains liable for such payment, but only out of such money or securities deposited with the Paying Agent as aforesaid for such payment, provided further, however, that the provisions of Section 9.02(d) apply in all events.

The City may at any time surrender to the Paying Agent for cancellation by it any Bonds previously issued and delivered, which the City acquires in any manner whatsoever, and such Bonds, upon such surrender and cancellation, will be deemed paid and retired.

(c) Deposit of Money or Securities with Paying Agent. Whenever in this Resolution it is provided or permitted that there be deposited with or held in trust by the Paying Agent money or securities in the necessary amount to pay any Bonds, the money or securities so to be deposited or held may include money or securities held by the Paying Agent in the funds and accounts established under this Resolution and must be:

- (i) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity; or
- (ii) Federal Securities the principal of and interest on which when due, in the opinion of a certified public accountant delivered to the City, will provide money sufficient to pay the principal of and all unpaid interest to maturity on the Bonds to be paid, as such principal and interest become due.

(d) Payment of Bonds After Discharge of Resolution. Notwithstanding any provisions of this Resolution, any moneys held by the Paying Agent in trust for the payment of the principal of, or interest on, any Bonds and remaining unclaimed for two years after the principal of all of the Bonds has become due and payable, if such moneys were so held at such date, or two years after the date of deposit of such moneys if deposited after said date when all of the Bonds became due and payable, shall, upon request of the City, be repaid to the City free from the trusts created by this Resolution, and all liability of the Paying Agent with respect to such moneys shall thereupon cease. Before the repayment of such moneys to the City as aforesaid, the Paying Agent may (at the cost of the City) first mail to the Owners of all Bonds which have not been paid at the addresses shown on the Registration Books a notice in such form as may be deemed appropriate by the Paying Agent, with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the City of the moneys held for the payment thereof.

SECTION 9.03. *Execution of Documents and Proof of Ownership by Bond Owners.* Any request, declaration or other instrument which this Resolution may require or permit to

be executed by Bond Owners may be in one or more instruments of similar tenor, and shall be executed by Bond Owners in person or by their attorneys appointed in writing.

Except as otherwise herein expressly provided, the fact and date of the execution by any Bond Owner or his attorney of such request, declaration or other instrument, or of such writing appointing such attorney, may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which he purports to act, that the person signing such request, declaration or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer.

Except as otherwise herein expressly provided, the ownership of registered Bonds and the amount, maturity, number and date of holding the same are proved by the Registration Books.

Any request, declaration or other instrument or writing of the Owner of any Bond binds all future Owners of such Bond in respect of anything done or suffered to be done by the City or the Paying Agent in good faith and in accordance therewith.

SECTION 9.04. *Waiver of Personal Liability.* No City Council member, officer, agent or employee of the City has any individual or personal liability for the payment of the principal of or interest on the Bonds. Nothing herein contained relieves any City Council member, officer, agent or employee from the performance of any official duty provided by law.

SECTION 9.05. *Destruction of Canceled Bonds.* Whenever in this Resolution provision is made for the surrender to the City of any Bonds which have been paid or canceled under the provisions of this Resolution, a certificate of destruction duly executed by the Paying Agent constitutes the equivalent of the surrender of such canceled Bonds and the City is entitled to rely upon any statement of fact contained in any certificate with respect to the destruction of any such Bonds therein referred to.

SECTION 9.06. *Partial Invalidity.* If any section, paragraph, sentence, clause or phrase of this Resolution is for any reason held illegal or unenforceable, such holding will not affect the validity of the remaining portions of this Resolution. The City hereby declares that it would have adopted this Resolution and each and every other section, paragraph, sentence, clause or phrase hereof and authorized the issue of the Bonds pursuant hereto irrespective of the fact that any one or more sections, paragraphs, sentences, clauses, or phrases of this Resolution may be held illegal, invalid or unenforceable.

SECTION 9.07. *Execution of Documents.* Each City Representative, and any and all other officers of the City, are each authorized and directed in the name and on behalf of the City to make any and all certificates, requisitions, agreements, notices, consents, warrants and other documents, which they or any of them might deem necessary or appropriate in order to consummate the lawful issuance, sale and delivery of the Bonds,

including an agreement for paying agent services. Whenever in this Resolution any officer of the City is authorized to execute or countersign any document or take any action, such execution, countersigning or action may be taken on behalf of such officer by any person designated by such officer to act on his or her behalf in the case such officer shall be absent or unavailable.

SECTION 9.08. *Effective Date of Resolution.* This Resolution becomes effective upon the date of its passage and adoption.

APPENDIX A

FORM OF BOND

REGISTERED BOND NO. R-____

\$

**CITY OF BERKELEY
2020 GENERAL OBLIGATION BOND
(2018 Election Measure O: Affordable Housing) (Federally Taxable)**

INTEREST RATE:	MATURITY DATE:	DATED DATE:	CUSIP
% per annum	September 1,	_____, 2020	[]

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: THOUSAND DOLLARS

The CITY OF BERKELEY, a charter city and municipal corporation duly organized and existing under the Constitution and laws of the State of California (the "City"), for value received, hereby promises to pay to the Registered Owner named above, or registered assigns, the Principal Amount set forth above on the Maturity Date set forth above, together with interest thereon at the Interest Rate set forth above, calculated on a 30/360 day basis, until the Principal Amount hereof is paid or provided for, such interest to be paid on March 1 and September 1 of each year, commencing September 1, 2020 (the "Interest Payment Dates"). This Bond will bear interest from the Interest Payment Date next preceding the date of authentication hereof, unless (a) it is authenticated as of a business day following the 15th day of the month immediately preceding any Interest Payment Date and on or before such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (b) it is authenticated on or before February 15, 2021, in which event it shall bear interest from the Dated Date set forth above.

Principal, interest and redemption premium (if any) are payable in lawful money of the United States of America to the person in whose name this Bond is registered (the "Registered Owner") on the Bond registration books maintained by the Paying Agent, initially The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. Principal hereof and any redemption premium hereon are payable upon presentation and surrender of this Bond at the principal corporate trust office of the Paying Agent. Interest hereon is payable by check mailed by the Paying Agent on each Interest Payment Date to the Registered Owner of this

Bond by first-class mail at the address appearing on the Bond registration books at the close of business on the 15th day of the calendar month next preceding such Interest Payment Date (the "Record Date"); *provided, however*, that at the written request of the registered owner of Bonds in an aggregate principal amount of at least \$1,000,000, which written request is on file with the Paying Agent prior to any Record Date, interest on such Bonds shall be paid on each succeeding Interest Payment Date by wire transfer in immediately available funds to such account of a financial institution within the United States of America as shall be specified in such written request.

This Bond is one of a series of \$_____ aggregate principal amount of bonds (collectively, the "2020 Bonds") issued for the purpose of raising money to finance the acquisition and improvement of affordable housing, and to pay all necessary legal, financial, engineering and contingent costs in connection therewith. The 2020 Bonds have been issued under authority of and under the laws of the State of California, and the requisite two-thirds vote of the electors of the City cast at an election held on November 6, 2018, upon the question of issuing bonds in the aggregate principal amount of \$135,000,000, and under a resolution of the City Council of the City adopted on February 25, 2020 (the "Bond Resolution"). The 2020 Bonds are payable as to both principal and interest from the proceeds of the levy of ad valorem taxes on all property subject to such taxes in the City, which taxes are unlimited as to rate or amount.

The principal of and interest and redemption premium, if any, on this Bond do not constitute a debt of the County, the State of California, or any of its political subdivisions other than the City, or any of the officers, agents and employees thereof, and neither the County, the State of California, any of its political subdivisions other than the City, nor any of the officers, agents and employees thereof shall be liable hereon. In no event shall the principal of and interest and redemption premium, if any, on this Bond be payable out of any funds or properties of the City other than ad valorem taxes levied upon all taxable property in the City.

The 2020 Bonds are issuable only as fully registered bonds in the denominations of \$5,000 or any integral multiple thereof. This Bond is exchangeable and transferable for bonds of other authorized denominations at the principal corporate trust office of the Paying Agent, by the Registered Owner or by a person legally empowered to do so, upon presentation and surrender hereof to the Paying Agent, together with a request for exchange or an assignment signed by the Registered Owner or by a person legally empowered to do so, in a form satisfactory to the Paying Agent, all subject to the terms, limitations and conditions provided in the Bond Resolution. Any tax or governmental charges shall be paid by the transferor. The City and the Paying Agent may deem and treat the Registered Owner as the absolute owner of this Bond for the purpose of receiving payment of or on account of principal or interest and for all other

purposes, and neither the City nor the Paying Agent shall be affected by any notice to the contrary.

The 2020 Bonds maturing on or before September 1, 2029, are not subject to redemption prior to their respective stated maturities. The 2020 Bonds maturing on or after September 1, 2030, are subject to redemption prior to maturity, at the option of the City, in whole or in part among maturities on such basis as designated by the City and by lot within a maturity, from any available source of funds, on September 1, 2029, and on any date thereafter, at a redemption price equal to 100% of the principal amount of Bonds to be redeemed together with accrued interest thereon to the date fixed for redemption, without premium.

The 2020 Bonds maturing on September 1, 20__, September 1, 20__ and September 1, 20__ (the “**Term Bonds**”) are subject to redemption prior to their stated maturity date, without a redemption premium, in part by lot, from mandatory sinking fund payments on each September 1, on and after September 1, 20__ in the principal amounts as set forth in the following tables:

\$_____ Term Bond Due September 1, 20__

<u>Payment Date (September 1)</u>	<u>Payment Amount</u>
---------------------------------------	---------------------------

\$_____ Term Bond Due September 1, 20__

<u>Payment Date (September 1)</u>	<u>Payment Amount</u>
---------------------------------------	---------------------------

\$_____ Term Bond Due September 1, 20__

<u>Payment Date (September 1)</u>	<u>Payment Amount</u>
---------------------------------------	---------------------------

The Paying Agent shall give notice of the redemption of the 2020 Bonds at the expense of the City. Such notice shall specify: (a) that the 2020 Bonds or a designated portion thereof are to be redeemed, (b) the numbers and CUSIP numbers of the 2020 Bonds to be redeemed, (c) the date of notice and the date of redemption, (d) the place or places where the redemption will be made, and (e) descriptive information regarding the 2020 Bonds including the dated date, interest rate and stated maturity date. Such notice shall further state that on the specified date there shall become due and payable upon each 2020 Bond to be redeemed, the portion of the principal amount of such 2020 Bond to be redeemed, together with interest accrued to said date, the redemption premium, if any, and that from and after such date interest with respect thereto shall cease to accrue and be payable.

Notice of any redemption of 2020 Bonds shall be mailed by first class mail, postage prepaid, at least 20 days but not more than 60 days prior to the date fixed for redemption, to the respective Owners of any 2020 Bonds designated for redemption, at their addresses appearing on the bond registration books maintained by the Paying Agent; but such mailing shall not be a condition precedent to such redemption and failure to mail or to receive any such notice shall not affect the validity of the proceedings for the redemption of such 2020 Bonds or the cessation of accrual of interest thereon from and after the redemption date.

The City may provide conditional notices of optional redemption, and the City is entitled to rescind any notice of optional redemption of the 2020 Bonds by written notice to the Paying Agent on or prior to the date fixed for redemption, and the Paying Agent shall mail notice of such rescission of redemption in the same manner as the original notice of redemption. Any notice of redemption shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption. The City and the Paying Agent have no liability to the Owners or any other party related to or arising from such rescission.

Neither the City nor the Paying Agent will be required: (a) to issue or transfer any Bond during a period beginning with the opening of business on the 15th calendar day next preceding either any Interest Payment Date or any date of selection of any 2020 Bond to be redeemed and ending with the close of business on the Interest Payment Date or a day on which the applicable notice of redemption is given, or (b) to transfer any Bond which has been selected or called for redemption in whole or in part.

Reference is made to the Bond Resolution for a more complete description of the provisions, among others, with respect to the nature and extent of the security for the Bonds, the rights, duties and obligations of the City, the Paying Agent and the Registered Owners, and the terms and conditions upon which the 2020 Bonds are issued and secured. The owner of this Bond assents, by acceptance hereof, to all of the provisions of the Bond Resolution.

It is certified, recited and declared that all acts and conditions required by the Constitution and laws of the State of California to exist, to be performed or to have been met precedent to and in the issuing of the 2020 Bonds in order to make them legal, valid and binding general obligations of the City, have been performed and have been met in regular and due form as required by law; that payment in full for the 2020 Bonds has been received; that no statutory or constitutional limitation on indebtedness or taxation has been exceeded in issuing the 2020 Bonds; and that due provision has been made for levying and collecting ad valorem property taxes on all of the taxable property within the City in an amount sufficient to pay principal and interest when due, and for levying and collecting such taxes the full faith and credit of the City are hereby pledged.

This Bond shall not be valid or obligatory for any purpose and shall not be entitled to any security or benefit under the Bond Resolution until the Certificate of Authentication below has been manually signed by the Paying Agent.

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the City or the Paying Agent for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

IN WITNESS WHEREOF, the City of Berkeley has caused this Bond to be executed by the facsimile signature of its Mayor and attested by the facsimile signature of its City Clerk, all as of the date stated above.

CITY OF BERKELEY

By _____
Mayor

Attest:

City Clerk

CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds described in the Bond Resolution referred to herein.

Date of Authentication: _____, 2020

**THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A.**, as Paying
Agent

By _____
Authorized Signatory

ASSIGNMENT

For value received, the undersigned do(es) hereby sell, assign and transfer unto

(Name, Address and Tax Identification or Social Security Number of Assignee)

the within Bond and do(es) hereby irrevocably constitute and appoint

_____ attorney, to transfer the same on the registration books of the Bond Registrar, with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

Note: Signature(s) must be guaranteed by an eligible guarantor institution.

Note: The signature(s) on this Assignment must correspond with the name(s) as written on the face of the within Bond in every particular without alteration or enlargement or any change whatsoever.

APPENDIX B

**REQUIRED DISCLOSURES PURSUANT TO
GOVERNMENT CODE SECTION 5852.1**

1. Estimated True Interest Cost of the Bonds: 3.60%
2. Estimated finance charge of the Bonds, being the sum of all fees and charges paid to third parties, in the amount of approximately \$600,000. Such amount consists of costs of issuing the Bonds in the amount of approximately \$220,000 together with estimated underwriter's compensation in the amount of \$380,000.
3. Estimated proceeds of the Bonds expected to be received by the City for deposit to the Project Fund, net of proceeds for Costs of Issuance in (2) above to paid, capitalized interest and reserves (if any) from the principal amount of the Bonds: \$38,000,000.
4. Estimated Total Payment Amount for the Bonds, being the sum of all debt service to be paid on the Bonds to final maturity: \$63,000,000.

**All amounts and percentages are estimates, and are made in good faith by the City based on information available as of the date of adoption of this Resolution. Estimates include certain assumptions regarding federally taxable interest rates available in the bond market at the time of pricing the Bonds.*

NEW ISSUE - FULL BOOK-ENTRY

RATING: S&P: "___"
See "RATING" herein.

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the Refunding Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. The interest on the 2020 Measure O Bonds is not excluded from gross income for federal income tax purposes. In the further opinion of Bond Counsel, interest on the Bonds is exempt from California personal income taxes. Bond Counsel expresses no opinion regarding any other tax consequences caused by the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "LEGAL MATTERS – Tax Exemption."



\$ _____ *
CITY OF BERKELEY
2020 General Obligation Bonds
(2018 Election Measure O: Affordable Housing)
(Federally Taxable)

\$ _____ *
CITY OF BERKELEY
2020 Refunding General Obligation Bonds,
Series A
(2008 Election Measure FF: Neighborhood
Branch Library Improvements Project)

Dated: Date of Delivery

Due: September 1, as shown on inside cover

Cover Page. This cover page contains information for quick reference only. It is not a summary of all the provisions of the Bonds. Investors must read the entire official statement to obtain information essential to making an informed investment decision.

Authority and Purpose. The captioned 2020 General Obligation Bonds (2018 Election Measure O: Affordable Housing) (the "2020 Measure O Bonds") and the 2020 Refunding General Obligation Bonds, Series A (2008 Election Measure FF: Neighborhood Branch Library Improvements Projects (the "Refunding Bonds" and, together with the New Money Bonds, the "Bonds"), are being issued by the City of Berkeley (the "City") pursuant to certain provisions of the California Government Code and resolutions of the City Council of the City adopted on February 25, 2020. The 2020 Measure O Bonds were authorized at an election of the registered voters of the City held on November 6, 2018, which authorized the issuance of general obligation bonds for the purpose of financing the improvement and acquisition of affordable housing. The Refunding Bonds are being issued for the purpose of refunding, on a current basis, certain outstanding general obligation bonds issued by the City. See "THE BONDS – Authority for Issuance" and "THE FINANCING AND REFINANCING PLAN" herein.

Security. The Bonds are general obligations of the City, payable solely from ad valorem property taxes levied by the City and collected by Alameda County (the "County"). The City Council is empowered and is obligated to annually levy ad valorem taxes for the payment of interest on, and principal of, the Bonds upon all property subject to taxation by the City, without limitation of rate or amount (except certain personal property that is taxable at limited rates). The City has other outstanding issues of general obligation bonds which are similarly payable from ad valorem taxes levied on parcels in the City and will be payable on a pro rata basis with the Bonds. See "SECURITY FOR THE BONDS."

Payments. Interest on the Bonds accrues from the date of delivery and is payable semiannually on March 1 and September 1 of each year, commencing September 1, 2020, by check, draft or wire mailed to the person in whose name the Bond is registered. Payments of principal and interest on the Bonds will be paid by The Bank of New York Mellon Trust Company, N.A., as paying agent for the Bonds (the "Paying Agent"), to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Bonds. See "THE BONDS – Description of the Bonds."

Redemption. The Bonds are subject to optional redemption and, at bidder's option, mandatory sinking fund redemption prior to maturity as described herein. See discussion of redemption under the heading "THE BONDS."

Book-Entry Only. The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"). Purchasers will not receive physical certificates representing their interests in the Bonds. See APPENDIX E for additional information about the book-entry only system. The following firm, serving as municipal advisor to the City, has structured this issue.



Maturity Schedules
(See inside cover)

The Bonds will be sold and awarded pursuant to competitive public bids to be received on _____, 2020, as set forth in two separate Official Notices of Sale with respect to the 2020 Measure O Bonds and the Refunding Bonds, respectively. The Bonds are offered when, as and if issued, subject to the approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel. Certain legal matters will also be passed upon for the City by Jones Hall, A Professional Law Corporation, San Francisco, California, as Disclosure Counsel. It is anticipated that the Bonds in definitive form will be available for delivery to Cede & Co., as nominee of The Depository Trust Company, on or about _____, 2020.

The date of this Official Statement is _____, 2020.

* Preliminary; subject to change.

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

MATURITY SCHEDULES*

\$ _____
CITY OF BERKELEY
2020 General Obligation Bonds
(2018 Election Measure O: Affordable Housing)
(Federally Taxable)

Maturity Date (September 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP†
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**Preliminary; subject to change. Identification of Term Bonds subject to mandatory sinking fund redemption is at bidder's option.*

† CUSIP Copyright 2020, CUSIP Global Services, and a registered trademark of American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, which is managed on behalf of American Bankers Association by S&P Capital IQ. Neither the City nor the Purchasers take any responsibility for the accuracy of the CUSIP data.

[continued on next page]

[continued from prior page]

\$ _____
CITY OF BERKELEY
2020 Refunding General Obligation Bonds, Series A
(2008 Election Measure FF: Neighborhood Branch Library Improvements Project)

Maturity Date (September 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP†
--	-----------------------------	----------------------	--------------	--------------	---------------

**Preliminary; subject to change. Identification of Term Bonds subject to mandatory sinking fund redemption is at bidder's option.*
† Copyright 2020, American Bankers Association. CUSIP data herein are provided by CUSIP Global Services, managed by S&P Global Market Intelligence, and are provided for convenience of reference only. Neither the City nor the Purchaser assumes any responsibility for the accuracy of these CUSIP data.

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

Use of Official Statement. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not a contract between any bond owner and the City or the Purchaser. This Official Statement and the information contained herein are subject to completion or amendment without notice.

No Offering Except by This Official Statement. No dealer, broker, salesperson or other person has been authorized by the City or the Purchaser to give any information or to make any representations relating to the Bonds other than those contained in this Official Statement and, if given or made, such other information or representation must not be relied upon as having been authorized by the City or the Purchaser.

No Unlawful Offers or Solicitations. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor may there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

Estimates and Projections. When used in this Official Statement and in any continuing disclosure by the City, in any press release and in any oral statement made with the approval of an authorized officer of the City, the words or phrases “will likely result,” “are expected to,” “will continue,” “is anticipated,” “estimate,” “project,” “forecast,” “expect,” “intend” and similar expressions identify “forward looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

Information in Official Statement. The information set forth in this Official Statement has been furnished by the City and other sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness by the City.

Involvement of Purchaser. The Purchaser (as defined in “UNDERWRITING”) has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the Federal Securities Laws as applied to the facts and circumstances of this transaction, but the Purchaser does not guarantee the accuracy or completeness of such information.

Document Summaries. All summaries of the Bond Resolution or other documents referred to in this Official Statement are made subject to the provisions of such documents and qualified in their entirety to reference to such documents, and do not purport to be complete statements of any or all of such provisions.

No Securities Laws Registration. The Bonds have not been registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, in reliance upon exceptions therein for the issuance and sale of municipal securities. The Bonds have not been registered or qualified under the securities laws of any state.

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

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

CITY OF BERKELEY
(ALAMEDA COUNTY, CALIFORNIA)

MEMBERS OF THE CITY COUNCIL

Jesse Arreguín, Mayor
Rashi Kesarwani, Councilmember District 1
Cheryl Davila, Councilmember District 2
Ben Bartlett, Councilmember District 3
Kate Harrison, Councilmember District 4
Sophie Hahn, Councilmember District 5
Susan Wengraf, Councilmember District 6
Rigel Robinson, Councilmember District 7
Lori Droste, Councilmember District 8

CITY OFFICIALS AND STAFF

Dee Williams-Ridley
City Manager

David White
Deputy City Manager

Paul Buddenhagen
Deputy City Manager

Farimah Brown
City Attorney

Jenny Wong
City Auditor

Henry Oyekanmi
Director of Finance

PROFESSIONAL SERVICES

BOND AND DISCLOSURE COUNSEL

Jones Hall, A Professional Law Corporation
San Francisco, California

MUNICIPAL ADVISOR

NHA Advisors, LLC
San Rafael, California

BOND REGISTRAR, TRANSFER AGENT, AND PAYING AGENT

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

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APPENDIX C - PROPOSED FORMS OF OPINION OF BOND COUNSEL

APPENDIX D - FORM OF CONTINUING DISCLOSURE CERTIFICATE

APPENDIX E - DTC AND THE BOOK-ENTRY ONLY SYSTEM

OFFICIAL STATEMENT

\$ _____*
CITY OF BERKELEY
2020 General Obligation Bonds
(2018 Election Measure O: Affordable Housing)
(Federally Taxable)

\$ _____*
CITY OF BERKELEY
2020 Refunding General Obligation Bonds,
Series A
(2008 Election Measure FF: Neighborhood Branch
Library Improvements Project)

INTRODUCTION

This Official Statement, which includes the cover page and appendices hereto, provides information in connection with the sale and delivery of the 2020 General Obligation Bonds (2018 Election Measure O: Affordable Housing) (the “**2020 Measure O Bonds**”) and the 2020 Refunding General Obligation Bonds, Series A (2008 Election Measure FF: Neighborhood Branch Library Improvements Projects (the “**Refunding Bonds**”) and, together with the New Money Bonds, the “**Bonds**”).

This Introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Bonds to potential investors is made only by means of the entire Official Statement.

The City

The City. The City is located in Alameda County (the “**County**”) on the east side of the San Francisco Bay, approximately 10 miles northeast of San Francisco. The City encompasses a total area of approximately 19 square miles and had a population of 123,328 as of January 1, 2019, giving it the highest population density of any city in the East Bay. The City is defined to a large degree, both culturally and economically, by the presence of the University of California campus located on the eastern side of the City. The University of California is a major component of the City's economy, employing more than 235,000 full and part-time workers.

The City is among the oldest in California. The City was founded in 1864, incorporated as a town in 1878, and incorporated as a city in 1909. The City's charter was adopted in 1895. For more information regarding the City and its finances, see APPENDIX A and APPENDIX B.

Sources of Payment for the Bonds

The Bonds are general obligations of the City payable solely from ad valorem property taxes levied by the City and collected by the County. The City Council is empowered and obligated to annually levy ad valorem taxes for the payment of interest on, and principal of, the Bonds upon all property subject to taxation by the City, without limitation of rate or amount (except with respect to certain personal property that is taxable at limited rates). See “SECURITY FOR THE BONDS” and “PROPERTY TAXATION.”

Purposes for Issuance

The net proceeds of the 2020 Measure O Bonds will be used to finance affordable housing projects, as approved by the voters at an election held in the City on November 6, 2018 (the “**Bond Election**”) with respect to the bond measure known as Measure O.

The net proceeds of the Refunding Bonds will be used to refund the City of Berkeley General Obligation Bonds, Series 2009 (Measure FF – Neighborhood Branch Library Improvements Project) (the “**Prior Bonds**”), maturing on and after September 1, 2020 (the “**Refunded Bonds**”), which will be redeemed in full on April 10, 2020*.

See “THE FINANCING AND REFINANCING PLAN” herein.

Authority for Issuance

The Bonds are being issued under the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California, commencing with Section 53506 (the “**New Money Bond Law**”), and pursuant to and consistent with the Charter of the City and a resolution adopted by the City Council of the City on February 25, 2020 (the “**2020 Measure O Bond Resolution**”).

The Refunding Bonds are being issued under the provisions of Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53550 (the “**Refunding Bond Law**”) and pursuant to a resolution adopted by the City Council of the City on February 25, 2020 (the “**Refunding Bond Resolution**” and, together with the 2020 Measure O Bond Resolution, the “**Bond Resolutions**”).

See “THE BONDS - Authority for Issuance” herein.

Description of the Bonds

Generally. The Bonds mature in the years and in the amounts as set forth on the inside cover page hereof. The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee for DTC. Purchasers will not receive physical certificates representing their interest in the Bonds. See “THE BONDS – Description of the Bonds” and APPENDIX E.

Redemption. The Bonds are subject to redemption prior to maturity as described herein. The Bonds may be subject to mandatory sinking fund redemption at the option of the bidders. See discussion of redemption features under the heading “THE BONDS – Redemption” herein.

Legal Matters

Issuance of the Bonds is subject to the approving opinions of Jones Hall, A Professional Law Corporation, San Francisco, California, as bond counsel ("**Bond Counsel**"), to be delivered in substantially the respective forms attached hereto as APPENDIX C. Jones Hall, A Professional Law Corporation, San Francisco, California, will also serve as disclosure counsel to the City ("**Disclosure Counsel**").

Tax Matters

In the opinion of Bond Counsel, interest on the Refunding Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal individual alternative minimum tax. In the opinion of Bond Counsel, interest on the 2020 Measure O Bonds is not excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal individual alternative minimum tax. In the further opinion of Bond Counsel, interest on the Bonds is exempt from California personal income taxes. See "TAX MATTERS" for additional information, and APPENDIX C hereto for the forms of Bond Counsel's opinions to be delivered concurrently with the Bonds.

Offering and Delivery of the Bonds

The Bonds are offered when, as and if issued and received by the purchasers, subject to approval as to the legality by Bond Counsel. It is anticipated that the Bonds will be available for delivery through the facilities of DTC on or about _____, 2020.

Continuing Disclosure

The City has covenanted and agreed that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. The form of the Continuing Disclosure Certificate is included in APPENDIX D hereto. See also "CONTINUING DISCLOSURE" herein.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of documents referred to in this Official Statement and information concerning the Bonds are available from the City of Berkeley City Clerk, 2180 Milvia Street, Berkeley, California 94704, (510) 981-7000. The City may impose a charge for copying, mailing and handling.

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. The summaries and references to documents, statutes and constitutional provisions referred to herein do not purport to be comprehensive or definitive, and are qualified in their entireties by reference to each of such documents, statutes and constitutional provisions.

The information set forth herein has been obtained from official sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the City. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change

in the affairs of the City since the date hereof. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

END OF INTRODUCTION

THE FINANCING AND REFINANCING PLAN

2020 Measure O Bonds

The proceeds of the 2020 Measure O Bonds will be used to finance projects approved by more than the requisite 2/3 of City voters at the Bond Election. The abbreviated form of the ballot measure for Measure O was:

“Shall the measure to issue \$135 million in bonds to create and preserve affordable housing for low-income households, working families, and individuals including teachers, seniors, veterans, the homeless, and persons with disabilities; subject to citizen oversight and independent audits, be adopted?”

The 2020 Measure O Bonds will be the first series of bonds issued pursuant to the authority received at the Bond Election.

Refunding Bonds

The Refunding Bonds are being issued to refund, on a current basis, all outstanding maturities of the City of Berkeley General Obligation Bonds, Series 2009 (FF – Neighborhood – Neighborhood Branch Library Improvements Project), which were issued on April 29, 2009, in the aggregate principal amount of \$10,000,000 (the “**2009 Bonds**”).

The 2009 Bonds are subject to redemption at the option of the City, from any source of available funds, at a redemption price equal to 100% of the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium. The following table identifies the 2009 Bonds being refunded with proceeds of the Refunding bonds (the “**Refunded Bonds**”).

Maturities to be Refunded*	CUSIP†	Principal Amount	Redemption Date	Redemption Price
09/01/2020	084113 NJ4	\$240,000	04/23/2020	100.0%
09/01/2021	084113 NK1	250,000	04/23/2020	100.0
09/01/2022	084113 NL9	265,000	04/23/2020	100.0
09/01/2023	084113 NM7	280,000	04/23/2020	100.0
09/01/2024	084113 NN5	295,000	04/23/2020	100.0
09/01/2025	084113 NP0	310,000	04/23/2020	100.0
09/01/2026	084113 NQ8	330,000	04/23/2020	100.0
09/01/2027	084113 NR6	350,000	04/23/2020	100.0
09/01/2028	084113 NS4	365,000	04/23/2020	100.0
09/01/2031 T	084113 NT2	1,225,000	04/23/2020	100.0
09/01/2035 T	084113 NU9	1,975,000	04/23/2020	100.0
09/01/2039 T	084113 NV7	2,445,000	04/23/2020	100.0
Total	-	\$8,330,000	-	-

T: Term Bonds

† CUSIP Copyright American Bankers Association. CUSIP data herein is provided by Standard & Poor’s CUSIP Service Bureau, a division of McGraw Hill Companies, Inc. Neither the City nor the Purchasers are responsible for the accuracy of such data.

The net proceeds of the Refunding Bonds will be deposited with The Bank of New York Mellon Trust Company, N.A., as paying agent for the Prior Bonds (the “**Prior Bonds Paying Agent**”), in an account established to pay the redemption price of the Refunded Bonds (the “**Redemption Fund**”) under certain Irrevocable Refunding Instructions given by the City to the Prior Bonds Paying Agent (the “**Refunding Instructions**”). As a result of the deposit and investment of amounts with the Prior Bonds Paying Agent, the Refunded Bonds will be discharged and defeased, and will no longer be payable from and secured by property taxes levied for the purpose of paying debt service on the Refunded Bonds.

As a result of the deposit of funds with the Prior Bonds Paying Agent on the date of issuance of the Refunding Bonds, and assuming the accuracy of the Purchaser’s and the Verification Agent’s computations, the Refunded Bonds will be legally defeased and will be payable solely from amounts held for that purpose under the Refunding Instructions, and will cease to be secured by *ad valorem* property taxes levied in the City.

The amounts held by the Prior Bonds Paying Agent are pledged solely to the payment of the Refunded Bonds. The funds deposited in the Redemption Fund will not be available for the payment of debt service with respect to the Refunding Bonds.

SOURCES AND USES OF FUNDS

The estimated sources and uses of funds with respect to the Bonds are as follows:

<u>Sources of Funds</u>	<u>2020 Measure O Bonds</u>	<u>Refunding Bonds</u>
Principal Amount of Bonds		
Plus: Net Original Issue Premium		
Total Sources		
<u>Uses of Funds</u>		
Deposit to Building Fund		
Deposit to Redemption Fund		
Deposit to Debt Service Fund		
Costs of Issuance*		
Total Uses		

**All estimated costs of issuance including, but not limited to, Purchaser's discount, printing costs, and fees of Bond Counsel, Disclosure Counsel, the Municipal Advisor and the rating agency.*

[Remainder of page intentionally left blank]

THE BONDS

Authority for Issuance

The 2020 Measure O Bonds are issued under the New Money Law and other applicable law, and pursuant to the City's powers under and consistent with the Charter of the City. The City authorized the issuance of the Bonds pursuant to the New Money Bond Resolution. The City received authorization at the Bond Election to issue \$135 million of general obligation bonds. The 2020 Measure O Bonds are the first series of Bonds to be sold and issued under the authorization received at the Bond Election.

The Refunding Bonds will be issued pursuant to the authority of the Refunding Bond Law and the Refunding Bond Resolution.

Description of the Bonds

Book-Entry Form. The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("**DTC**"). Purchasers of the Bonds (the "**Beneficial Owners**") will not receive physical certificates representing their interest in the Bonds. Payments of principal of and interest on the Bonds will be paid by the Paying Agent to DTC for subsequent disbursement to DTC Participants which will remit such payments to the Beneficial Owners of the Bonds.

As long as DTC's book-entry method is used for the Bonds, the Paying Agent will send any notice of prepayment or other notices to owners only to DTC. Any failure of DTC to advise any DTC Participant, or of any DTC Participant to notify any Beneficial Owner, of any such notice and its content or effect will not affect the validity or sufficiency of the proceedings relating to the prepayment of the Bonds called for prepayment or of any other action premised on such notice.

The Paying Agent, the City, and the Purchaser have no responsibility or liability for any aspects of the records relating to or payments made on account of beneficial ownership, or for maintaining, supervising or reviewing any records relating to beneficial ownership, of interests in the Bonds. See APPENDIX E for additional information.

Interest. Interest on the Bonds is payable semiannually on March 1 and September 1 of each year (the "**Interest Payment Dates**"), commencing September 1, 2020.

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

1. a Bond is authenticated as of an Interest Payment Date, in which event it will bear interest from such date,
2. a Bond is authenticated prior to an Interest Payment Date and after the close of business on the 15th day of the month preceding the Interest Payment Date (each, a "**Record Date**"), in which event it will bear interest from such Interest Payment Date,

3. a Bond is authenticated on or before August 15, 2020, in which event it shall bear interest from the Closing Date, or
4. at the time of authentication of a Bond, interest is in default thereon, in which event it will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

Interest on the Bonds will be calculated on the basis of a 360-day year comprised of twelve 30-day months.

Denominations and Maturity. The Bonds shall be issued in the denomination of \$5,000 each or any integral multiple of \$5,000. The Bonds mature on September 1 in the years and amounts set forth on the inside cover page hereof.

See the maturity schedule on the inside cover page hereof and “DEBT SERVICE SCHEDULE” below.

Payment

Interest on the Bonds (including the final interest payment upon maturity) is payable by check of the Paying Agent mailed to the owner thereof at such owner’s address as it appears on the Registration Books (as defined below) at the close of business on the preceding Record Date, except that at the written request of the Owner of at least \$1,000,000 aggregate principal amount of the Bonds, which written request is on file with the Paying Agent as of any Record Date, interest on such Bonds shall be paid by wire transfer on the succeeding Interest Payment Date to an account in the United States of America as shall be specified in such written request.

Principal of and premium (if any) on the Bonds is payable in lawful money of the United States of America upon presentation and surrender at the principal office of the Paying Agent.

Redemption*

Optional Redemption. The Bonds maturing on or before September 1, 2029, are not subject to redemption prior to their respective stated maturities. The Bonds maturing on or after September 1, 2030, are subject to redemption prior to maturity, at the option of the City, in whole or in part among maturities on such basis as designated by the City and by lot within a maturity, from any available source of funds, on September 1, 2029, and on any date thereafter, at a redemption price equal to 100% of the principal amount of Bonds to be redeemed together with accrued interest thereon to the date fixed for redemption, without premium.

Mandatory Sinking Fund Redemption. The Term Bonds maturing on September 1, 20__ and September 1, 20__ (the “**Term Bonds**”) are subject to redemption prior to their stated maturity date, without a redemption premium, in part by lot, from mandatory sinking fund payments on each September 1, on and after September 1, 20__, in the principal amounts as set forth in the following tables:

\$ _____ Term Bond Due September 1, 20__

Payment Date (September 1)	Payment Amount
-------------------------------	-------------------

(Maturity)

\$ _____ Term Bond Due September 1, 20__

Payment Date (September 1)	Payment Amount
-------------------------------	-------------------

(Maturity)

If some but not all of the Term Bonds have been optionally redeemed, the aggregate principal amount of Term Bonds to be subject to Mandatory Sinking Fund Redemption in each year will be reduced on a pro rata basis in integral multiples of \$5,000, as designated in written notice filed by the City with the Paying Agent.

Redemption Procedure. The Paying Agent will cause notice of any redemption to be mailed, first class mail, postage prepaid, at least 20 days but not more than 60 days prior to the date fixed for redemption, (i) to the Securities Depositories and the Municipal Securities Rulemaking Board, and (ii) to the respective Owners of any Bonds designated for redemption, at their addresses appearing on the Registration Books (as defined below) maintained by the Paying Agent. Such mailing will not be a condition precedent to such redemption and failure to mail or to receive any such notice will not affect the validity of the proceedings for the redemption of such Bonds.

The City is entitled to send a redemption notice that declares that the redemption is conditional upon the availability of moneys to accomplish the redemption, and the City may rescind any notice of optional redemption of the Bonds by written notice to the Paying Agent on or prior to the date fixed for redemption, and the Paying Agent shall mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent under this section. Any notice of redemption shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption. The City and the Paying Agent have no liability to the Owners or any other party related to or arising from such rescission.

A redemption notice will state the redemption date and the redemption price and, if less than all of the then Outstanding Bonds are to be called for redemption, will designate the serial numbers of the Bonds to be redeemed by giving the individual number of each Bond or by stating that all Bonds between two stated numbers, both inclusive, or by stating that all of the Bonds of one or more maturities have been called for redemption, and will require that such Bonds be then surrendered at the principal office of the Paying Agent for redemption at the said redemption price, giving notice also that further interest on such Bonds will not accrue from and after the redemption date.

Partial Redemption. Upon surrender of Bonds redeemed in part only, the City will execute and the Paying Agent will authenticate and deliver to the owner, at the expense of the City, a new Bond or Bonds, of the same maturity, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond or Bonds.

Effect of Redemption. From and after the date fixed for redemption, if notice of such redemption has been duly given and funds available for the payment of the principal of and interest (and premium, if any) on the Bonds so called for redemption have been duly provided, such Bonds so called will cease to be entitled to any benefit under the Bond Resolution other than the right to receive payment of the redemption price, and no interest will accrue thereon on or after the redemption date specified in such notice.

Registration, Transfer and Exchange of Bonds

If the book-entry system as described above and in APPENDIX E is no longer used with respect to the Bonds, the following provisions will govern the registration, transfer, and exchange of the Bonds.

Registration Books. The Paying Agent will keep or cause to be kept sufficient books for the registration and transfer of the Bonds (the “**Registration Books**”), which will at all times be open to inspection by the City upon reasonable notice; and, upon presentation for such purpose, the Paying Agent shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, the Bonds.

Transfer. Any Bond may, in accordance with its terms, be transferred, upon the Registration Books, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation at the principal office of the Paying Agent, accompanied by delivery of a written instrument of transfer in a form approved by the Paying Agent, duly executed. The City may charge a reasonable sum for each new Bond issued upon any transfer.

Whenever any Bond or Bonds are surrendered for transfer, the City will execute and the Paying Agent will authenticate and deliver a new Bond or Bonds, for like aggregate principal amount.

Exchange. Bonds may be exchanged at the principal office of the Paying Agent for a like aggregate principal amount of Bonds of authorized denominations and of the same maturity. The City may charge a reasonable sum for each new Bond issued upon any exchange.

Defeasance

The City has the option to pay and discharge the entire indebtedness on all or any portion of the outstanding Bonds in any one or more of the following ways:

- (a) by paying or causing to be paid the principal of and interest on such Bonds, as and when the same become due and payable;
- (b) by irrevocably depositing, in trust, at or before maturity:
 - (i) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity; or
 - (ii) Federal Securities (as defined below), the principal of and interest on, which when due, in the opinion of a certified public accountant delivered to the City, will provide money sufficient to pay the principal of and all unpaid

interest to maturity on the Bonds to be paid, as such principal and interest become due.

(c) by delivering such Bonds to the Paying Agent for cancellation by it.

“Federal Securities” means United States Treasury notes, bonds, bills or certificates of indebtedness, or any other obligations, the timely payment of which is directly or indirectly guaranteed by the faith and credit of the United States of America.

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DEBT SERVICE SCHEDULES

Debt Service for the 2020 Measure O Bonds. The following table shows the debt service schedules with respect to the 2020 Measure O Bonds, assuming no optional redemptions.

**CITY OF BERKELEY
2020 Measure O Bonds
Debt Service Schedule**

Bond Year Ending September 1	2020 Measure O Bonds Principal	2020 Measure O Bonds Interest	Total Debt Service
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
2048			
2049			
2050			
Total			

Debt Service for the Refunding Bonds. The following table shows the debt service schedules with respect to the Refunding Bonds, assuming no optional redemptions.

**CITY OF BERKELEY
Refunding Bonds
Debt Service Schedule**

Bond Year Ending September 1	Refunding Bonds Principal	Refunding Bonds Interest	Total Debt Service
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
Total			

Combined Debt Service Schedule. In addition to the Bonds described herein, the City has other series of general obligation bonds and refunding bonds outstanding. The following table shows the combined debt service schedule for outstanding general obligation bonds and refunding bonds of the City, assuming no optional redemptions.

Year Ending September 1	2009 Bonds ⁽¹⁾	2010 Bonds	2014 Bonds	2015 Refunding Bonds	2016 Bonds	2017 Bonds	2020 Measure O Bonds	Refunding Bonds	Total Debt Service
2020	683,937.50	955,506.26	904,500.00	3,951,337.50	753,112.50	1,746,556.26			
2021	678,337.50	958,756.26	902,750.00	3,104,587.50	748,362.50	1,748,556.26			
2022	677,087.50	954,956.26	905,250.00	3,106,587.50	748,112.50	1,748,806.26			
2023	674,862.50	955,856.26	901,750.00	3,103,087.50	747,112.50	1,747,306.26			
2024	671,662.50	955,093.76	902,500.00	3,099,087.50	745,362.50	1,749,056.26			
2025	667,487.50	955,093.76	905,350.00	3,104,337.50	747,862.50	1,748,806.26			
2026	673,537.50	959,293.76	902,225.00	3,108,087.50	748,062.50	1,746,556.26			
2027	678,275.00	957,493.76	903,250.00	3,105,287.50	752,662.50	1,746,156.26			
2028	676,825.00	954,893.76	905,450.00	2,140,087.50	756,462.50	1,749,356.26			
2029	679,487.50	956,493.76	901,850.00	1,001,287.50	764,462.50	1,748,956.26			
2030	683,312.50	957,093.76	902,650.00	399,887.50	770,962.50	1,746,906.26			
2031	680,762.50	955,900.00	902,650.00	399,975.00	771,862.50	1,746,906.26			
2032	682,112.50	958,675.00	901,850.00	399,737.50	772,312.50	1,746,006.26			
2033	684,362.50	955,212.50	904,575.00	398,768.76	772,312.50	1,749,206.26			
2034	685,362.50	955,718.76	906,268.76	397,043.76	774,437.50	1,746,356.26			
2035	690,112.50	959,987.50	901,931.26	399,968.76	781,187.50	1,747,606.26			
2036	693,362.50	956,837.50	905,243.76	397,368.76	786,750.00	1,747,806.26			
2037	693,700.00	957,412.50	902,243.76	398,956.26	791,787.50	1,746,956.26			
2038	692,462.50	956,500.00	903,150.00	-	795,562.50	1,748,518.76			
2039	694,650.00	959,100.00	902,743.76	-	798,787.50	1,748,831.26			
2040	-	-	906,025.00	-	806,462.50	1,747,893.76			
2041	-	-	901,825.00	-	813,450.00	1,749,018.76			
2042	-	-	906,275.00	-	819,750.00	1,748,681.26			
2043	-	-	903,925.00	-	828,600.00	1,746,881.26			
2044	-	-	-	-	836,550.00	1,748,618.76			
2045	-	-	-	-	843,600.00	1,748,731.26			
2046	-	-	-	-	849,750.00	1,747,218.76			
2047	-	-	-	-	-	1,747,037.50			
2048	-	-	-	-	-	-			
2049	-	-	-	-	-	-			
2050	-	-	-	-	-	-			
Total	\$13,641,700.00	\$19,135,875.12	\$21,686,231.30	\$32,015,481.30	\$21,125,700.00	48,939,294.02			

(1) Expected to be redeemed in full with proceeds of the Refunding Bonds.

SECURITY FOR THE BONDS

Ad Valorem Taxes

Bonds Payable from Ad Valorem Property Taxes. The Bonds are general obligations of the City, payable solely from ad valorem property taxes levied by the City and collected by the County. The City is empowered and is obligated to annually levy ad valorem taxes for the payment of the Bonds and the interest thereon upon all property within the City subject to taxation by the City, without limitation of rate or amount (except certain personal property that is taxable at limited rates).

Levy and Collection. The City will levy and the County will collect such ad valorem taxes in such amounts and at such times as is necessary to ensure the timely payment of debt service. Such taxes, when collected, will be deposited into a debt service fund for the Bonds, which is maintained by the City and which is irrevocably pledged for the payment of principal of and interest on the Bonds when due.

City property taxes are assessed and collected by the County in the same manner, at the same time and in the same installments as other ad valorem taxes on real property and will have the same priority, become delinquent at the same times and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do the other ad valorem taxes on real property. As described below, although the County has adopted the Teeter Plan, the City has elected not to participate in the Teeter Plan, meaning that the City receives all of the property taxes that are actually collected, and the City also receives any penalties and interest on delinquent taxes. See "PROPERTY TAXATION – Alternative Method of Tax Apportionment – Teeter Plan."

Annual Tax Rates. The amount of the annual ad valorem tax levied by the City to repay the Bonds will be determined by the relationship between the assessed valuation of taxable property in the City and the amount of debt service due on the Bonds. Fluctuations in the annual debt service on the Bonds and the assessed value of taxable property in the City may cause the annual tax rate to fluctuate.

Economic and other factors beyond the City's control, such as economic recession, deflation of land values, a relocation out of the City or financial difficulty or bankruptcy by one or more major property taxpayers, or the complete or partial destruction of taxable property caused by, among other eventualities, earthquake, flood, fire or other natural disaster, could cause a reduction in the assessed value within the City and necessitate a corresponding increase in the annual tax rate.

Debt Service Funds

Pursuant to the respective Bond Resolutions, The City will establish a debt service fund for the 2020 Measure O Bonds (the "**Measure O Debt Service Fund**") and the Refunding Bonds (the "**Refunding Debt Service Fund**" and, together with the Measure O Debt Service Fund, the "**Debt Service Funds**"), which will be established as separate funds to be maintained distinct from all other funds of the City. All taxes levied by the City pursuant to the Bond Resolutions for the payment of the principal of and interest and premium (if any) on the Bonds will be deposited in the respective Debt Service Funds by the City promptly upon receipt from the County. The Debt Service Funds are each pledged for the payment of the principal of and interest and premium (if any) on the 2020 Measure O Bonds or the Refunding Bonds, respectively, when and as the same become due. The City will transfer amounts in the Debt Service Funds, to the extent

necessary, to pay the principal of and interest on the Bonds as the same become due and payable, to the Paying Agent, as required to pay the principal of and interest and premium (if any) on the Bonds.

If, after payment in full of the 2020 Measure O Bonds or the Refunding Bonds, any amounts remain on deposit in the respective Debt Service Fund, the City shall transfer such amounts to its General Fund, to be applied solely in a manner that is consistent with the requirements of applicable state and federal tax law.

Limited Obligation

The Bonds are payable solely from the proceeds of an ad valorem tax levied by the City, and collected by the County, for the payment of principal and interest on the Bonds. Although the County is obligated to collect the ad valorem tax for the payment of the Bonds, the Bonds are not a debt of the County.

PROPERTY TAXATION

Property Tax Collection Procedures

In California, property which is subject to ad valorem taxes is classified as “secured” or “unsecured.” The “secured roll” is that part of the assessment roll containing state assessed public utilities’ property and property, the taxes on which are a lien on real property sufficient, in the opinion of the county assessor, to secure payment of the taxes. A tax levied on unsecured property does not become a lien against such unsecured property, but may become a lien on certain other property owned by the taxpayer. Every tax which becomes a lien on secured property has priority over all other liens arising pursuant to State law on such secured property, regardless of the time of the creation of the other liens. Secured and unsecured property are entered separately on the assessment roll maintained by the county assessor. The method of collecting delinquent taxes is substantially different for the two classifications of property.

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. In addition, property on the secured roll with respect to which taxes are delinquent is declared tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and a delinquency penalty, plus a redemption penalty of 1.5% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to sale by the County.

Property taxes are levied for each fiscal year on taxable real and personal property situated in the taxing jurisdiction as of the preceding January 1. A bill enacted in 1983, SB813 (Statutes of 1983, Chapter 498), however, provided for the supplemental assessment and taxation of property as of the occurrence of a change of ownership or completion of new construction. Thus, this legislation eliminated delays in the realization of increased property taxes from new assessments. As amended, SB813 provided increased revenue to taxing jurisdictions to the extent that supplemental assessments of new construction or changes of ownership occur subsequent to the January 1 lien date and result in increased assessed value.

Property taxes on the unsecured roll are due on the January 1 lien date and become delinquent, if unpaid on the following August 31. A 10% penalty is also attached to delinquent taxes in respect of property on the unsecured roll, and further, an additional penalty of 1.5% per month accrues with respect to such taxes beginning the first day of the third month following the delinquency date. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the county clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the county recorder's office, in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee. The exclusive means of enforcing the payment of delinquent taxes in respect of property on the secured roll is the sale of the property securing the taxes for the amount of taxes which are delinquent.

Taxation of State-Assessed Utility Property

The State Constitution provides that most classes of property owned or used by regulated utilities are assessed by the State Board of Equalization ("**SBE**") and taxed locally. Property valued by the SBE as an operating unit in a primary function of the utility taxpayer is known as "unitary property," a concept designed to permit assessment of the utility as a going concern rather than assessment of each individual element of real and personal property owned by the utility taxpayer. State-assessed unitary and "operating nonunitary" property (which excludes nonunitary property of regulated railways) is allocated to the counties based on the situs of the various components of the unitary property. Except for unitary property of regulated railways and certain other excepted property, all unitary and operating nonunitary property is taxed at special county-wide rates and tax proceeds are distributed to taxing jurisdictions according to statutory formulae generally based on the distribution of taxes in the prior year.

Assessed Valuation

Assessed Valuation History. The following is a table summarizing the historical assessed valuation of the taxable property in the City.

Table 1
CITY OF BERKELEY
Assessed Valuations of All Taxable Property
Fiscal Years 2010-11 to 2019-20

<u>Fiscal Year</u>	<u>Local Secured⁽¹⁾</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Total</u>	<u>Percent Change</u>
2010-11	\$12,147,575,627	\$555,664	\$677,887,524	\$12,826,018,815	--
2011-12	12,525,929,662	555,664	667,789,011	13,194,274,337	2.87%
2012-13	12,834,926,300	555,664	673,174,230	13,508,656,194	2.38
2013-14	13,686,258,913	555,664	677,170,723	14,363,985,300	6.33
2014-15	14,116,003,890	630,615	658,143,878	14,774,778,383	2.86
2015-16	15,224,697,461	388,860	702,428,523	15,927,514,844	7.80
2016-17	16,200,483,693	388,860	711,062,469	16,911,935,022	6.18
2017-18	17,376,072,698	443,960	809,921,331	18,186,437,989	7.54
2018-19	18,696,664,672	443,960	731,012,747	19,428,121,379	6.82
2019-20	19,926,615,530	424,880	860,872,387	20,787,912,797	7.00

(1) Amounts are net of homeowners' exemption.
Source: Alameda County Auditor-Controller's Office

Assessed Valuation by Land Use. The following table shows the land use of parcels in the City, according to assessed valuation. As shown, the majority of land in the City is used for residential purposes.

Table 2
CITY OF BERKELEY
Assessed Valuation and Parcels by Land Use
Fiscal Year 2019-20

	2019-20 <u>Assessed Valuation</u> ⁽¹⁾	% of <u>Total</u>	<u>No. of Parcels</u>	% of <u>Total</u>
Non-Residential:				
Commercial/Office	\$2,244,416,146	11.26%	1,574	5.41%
Vacant Commercial	22,118,632	0.11	64	0.22
Industrial	1,091,360,227	5.48	423	1.46
Vacant Industrial	11,621,394	0.06	24	0.08
Recreational	42,628,355	0.21	17	0.06
Government/Social/Institutional	21,563,021	0.11	650	2.24
Subtotal Non-Residential	\$3,433,707,775	17.23%	2,752	9.47%
Residential:				
Single Family Residence	\$10,467,626,755	52.53%	17,419	59.92%
Condominium/Townhouse	1,011,003,627	5.07	2,857	9.83
Cooperative	28,283,751	0.14	103	0.35
2-4 Residential Units	2,171,251,438	10.90	4,002	13.77
5+ Residential Units/Apartments	2,744,492,960	13.77	1,455	5.00
Miscellaneous Residential	2,698,601	0.01	10	0.03
Vacant Residential	67,550,623	0.34	474	1.63
Subtotal Residential	\$16,492,907,755	82.77%	26,320	90.53%
Total	\$19,926,615,530	100.00%	29,072	100.00%

(1) Local Secured Assessed Valuation; excluding tax-exempt property.
Source: California Municipal Statistics, Inc.

Assessed Valuation of Single-Family Residential Parcels. The following table shows a breakdown of the assessed valuations of improved single-family residential parcels in the City, according to assessed valuation.

**Table 3
CITY OF BERKELEY
Per Parcel 2019-20 Assessed Valuation
of Single-Family Homes**

	<u>No. of Parcels</u>	<u>2019-20 Assessed Valuation</u>	<u>Average Assessed Valuation</u>	<u>Median Assessed Valuation</u>
Single Family Residential	17,419	\$10,467,626,755	\$600,932	\$483,640

<u>2019-20 Assessed Valuation</u>	<u>No. of Parcels (1)</u>	<u>% of Total</u>	<u>Cumulative % of Total</u>	<u>Total Valuation</u>	<u>% of Total</u>	<u>Cumulative % of Total</u>
\$0 - \$49,999	532	3.054%	3.054%	21,785,772	0.208%	0.20%
\$50,000 - \$99,999	1,440	8.267	11.321	107,101,874	1.023	1.231
\$100,000 - \$149,999	1,410	8.095	19.416	173,346,541	1.656	2.887
\$150,000 - \$199,999	930	5.339	24.755	161,959,634	1.547	4.435
\$200,000 - \$249,999	822	4.719	29.474	184,637,345	1.764	6.198
\$250,000 - \$299,999	819	4.702	34.175	225,246,372	2.152	8.350
\$300,000 - \$349,999	809	4.644	38.820	262,141,561	2.504	10.855
\$350,000 - \$399,999	771	4.426	43.246	288,941,404	2.760	13.615
\$400,000 - \$449,999	702	4.030	47.276	297,963,257	2.847	16.461
\$450,000 - \$499,999	701	4.024	51.300	333,030,002	3.182	19.643
\$500,000 - \$549,999	659	3.783	55.084	346,697,041	3.312	22.955
\$550,000 - \$599,999	599	3.439	58.522	344,620,912	3.292	26.247
\$600,000 - \$649,999	636	3.651	62.173	397,163,095	3.794	30.042
\$650,000 - \$699,999	553	3.175	65.348	372,930,747	3.563	33.604
\$700,000 - \$749,999	522	2.997	68.345	378,157,534	3.613	37.217
\$750,000 - \$799,999	585	3.358	71.703	453,018,278	4.328	41.545
\$800,000 - \$849,999	520	2.985	74.689	428,800,729	4.096	45.641
\$850,000 - \$899,999	474	2.721	77.410	414,651,882	3.961	49.602
\$900,000 - \$949,999	488	2.802	80.211	450,951,464	4.308	53.910
\$950,000 - \$999,999	394	2.262	82.473	384,432,836	3.673	57.583
\$1,000,000 and greater	3,053	17.527	100.000	4,440,048,475	42.417	100.000
Total	17,419	100.000%		\$10,467,626,755	100.000%	

(1) Improved single family residential parcels. Excludes condominiums and parcels with multiple family units.
Source: California Municipal Statistics, Inc.

Alternative Method of Tax Apportionment - Teeter Plan

The Board of Supervisors of the County has approved the implementation of the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "**Teeter Plan**"), as provided for in Section 4701 *et seq.* of the California Revenue and Taxation Code. Under the Teeter Plan, the County apportions secured property taxes on an accrual basis when due (irrespective of actual collections) to participating political subdivisions, for which the County acts as the tax-levying or tax-collecting agency. In return, the County receives and retains delinquent payments, penalties and interest as collected that would have been due the local agency in the absence of the Teeter Plan. The City has elected not to participate in the Teeter Plan, so the City receives property taxes actually collected, as well as any penalties and interest on delinquent taxes.

The property tax levies and collections for the City for fiscal years 2009-10 through 2018-19 are shown in the following table:

Table 4
CITY OF BERKELEY
SECURED TAX CHARGES AND DELINQUENCIES
2009-10 TO 2018-19
(Dollar amounts in thousands)

Fiscal Year	Secured Tax Charge ⁽¹⁾	Amount Delinquent June 30	% Delinquent June 30
2009-10	\$38,834,067.28	\$1,222,174.35	3.15%
2010-11	38,858,160.99	937,557.29	2.41
2011-12	40,085,111.77	814,536.14	2.03
2012-13	40,863,072.01	588,607.19	1.44
2013-14	43,482,172.03	491,490.18	1.13
2014-15	45,452,269.29	477,676.28	1.05
2015-16	48,936,168.63	607,465.93	1.24
2016-17	52,097,423.06	562,295.75	1.08
2017-18	56,317,983.19	488,950.31	0.87
2018-19	59,739,122.88	512,267.28	0.86

(1) 1% General Fund apportionment.

Source: *California Municipal Statistics, Inc.*

Appeals of Assessed Value

There are two types of appeals of assessed values that could adversely impact property tax revenues within the City.

Appeals may be based on Proposition 8 of November 1978, which requires that for each January 1 lien date, the taxable value of real property must be the least of its base year value, annually adjusted by the inflation factor pursuant to Article XIII A of the State Constitution, or its full cash value, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value.

Under California law, property owners may apply for a Proposition 8 reduction of their property tax assessment by filing a written application, in form prescribed by the SBE, with the County board of equalization or assessment appeals board. In most cases, the appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value. Proposition 8 reductions may also be unilaterally applied by the County Assessor.

Any reduction in the assessment ultimately granted as a result of such appeal applies to the year for which application is made and during which the written application was filed. These reductions are subject to yearly reappraisals and are adjusted back to their original values when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIII A.

A second type of assessment appeal involves a challenge to the base year value of an assessed property. Appeals for reduction in the base year value of an assessment, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. The base year is determined by the completion date of new construction or the date of change of

ownership. Any base year appeal must be made within four years of the change of ownership or new construction date.

The City cannot predict the changes in assessed values that might result from pending or future appeals by taxpayers. Any reduction in aggregate City assessed valuation due to appeals, as with any reduction in assessed valuation due to other causes, will cause the tax rate levied to repay the Bonds to increase accordingly, so that the fixed debt service on the Bonds (and other outstanding general obligation bonds, if any) may be paid.

Tax Rates

The table below shows historical property tax rates within the City:

**Table 5
CITY OF BERKELEY
TYPICAL TAX RATE PER \$100 ASSESSED VALUATION
(TRA 13-000 – 2019-20 Assessed Valuation: \$20,220,876,712)**

	Fiscal Year <u>2015-16</u>	Fiscal Year <u>2016-17</u>	Fiscal Year <u>2017-18</u>	Fiscal Year <u>2018-19</u>	Fiscal Year <u>2019-20</u>
Countywide Rate	\$1.0000	\$1.0000	\$1.0000	\$1.0000	\$1.0000
Alameda County	--	--	--	.0112	.0108
Berkeley Unified School District Bonds	.1321	.1327	.1218	.1264	.1204
Peralta Community College District	.0337	.0256	.0310	.0269	.0257
Bay Area Rapid Transit	.0026	.0080	.0084	.0070	.0120
East Bay Municipal Utility District	.0067	.0032	.0021	--	--
East Bay Regional Park District	.0034	.0028	.0011	.0057	.0060
City of Berkeley	<u>.0433</u>	<u>.0445</u>	<u>.0492</u>	<u>.0507</u>	<u>.0435</u>
Total	\$1.2218	\$1.2168	\$1.2136	1.2279	1.2184

Source: California Municipal Statistics, Inc.

Major Taxpayers

The following table shows the twenty largest taxpayers in the City as determined by their secured assessed valuations in 2019-20.

Table 6
CITY OF BERKELEY
Largest 2019-20 Local Secured Taxpayers

<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2019-20 Assessed Valuation</u>	<u>% of Total ⁽¹⁾</u>
1. Bayer Healthcare LLC	Industrial	\$ 361,038,220	1.81%
2. EQR Acton Berkeley LP	Apartments	121,353,681	0.61
3. Granite Library Gardens LP	Apartments	90,109,014	0.45
4. Hanumandla R. & Hanumandla J. Reddy, Trustees	Apartments	82,940,100	0.42
5. BREIT SH Berkeley LLC	Apartments with Retail	80,372,542	0.40
6. CVBAF ACQ LLC	Apartments	75,295,445	0.38
7. RI Berkeley LLC	Apartments	64,048,736	0.32
8. Parkershattuck Owner LLC	Apartments	60,159,827	0.30
9. CPF Berkeley Varsity LLC	Apartments	54,036,304	0.27
10. Berkeley Downtown Hotel Owner LLC	Hotel	53,040,000	0.27
11. Essex Berkeley 4 th Street LP	Condominiums with Retail	52,119,918	0.26
12. Garr Land & Resource Management Inc.	Industrial	44,427,600	0.22
13. Dwight Way Residential Property Owner LLC	Apartments	41,509,945	0.21
14. 1950 MLK LLC	Apartments	40,527,414	0.20
15. John K. Gordon & Janis L. Mitchell, Trustees	Commercial Properties	40,349,321	0.20
16. Raintree 1122 University LLC	Apartments	40,114,669	0.20
17. CLPF Hillside Village LP	Apartments	39,933,925	0.20
18. Stonefire Partners LLC	Apartments	39,074,824	0.20
19. Jamestown Premier Berkeley Grotto LP	Commercial	38,302,622	0.19
20. DS Properties 17 LP	Shopping Center	<u>35,901,532</u>	<u>0.18</u>
		\$1,454,655,639	7.30%

(1) 2019-20 Local Secured Assessed Valuation: \$19,926,615,530.

Source: California Municipal Statistics, Inc.

Direct and Overlapping Debt

Set forth below is a direct and overlapping debt report (the “**Debt Report**”) prepared by California Municipal Statistics, Inc. The Debt Report is included for general information purposes only. The City has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the City in whole or in part. Such long-term obligations generally are not payable from revenues of the City (except as indicated) nor are they necessarily obligations secured by land within the City. In many cases, long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

The contents of the Debt Report are as follows: (1) the first column indicates the public agencies which have outstanding debt as of the date of the Debt Report and whose territory overlaps the City; (2) the second column shows the percentage that the City's assessed valuation represents of the total assessed valuation of each public agency identified in the first column; and the third column is an apportionment of the dollar amount of each public agency's outstanding debt to property in the City, as determined by multiplying the total outstanding debt of each agency by the percentage of the City's assessed valuation represented in the second column.

**Table 7
CITY OF BERKELEY
STATEMENT OF DIRECT AND OVERLAPPING BONDED DEBT**

2019-20 Assessed Valuation: \$20,787,912,797

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 1/1/20</u>
Alameda County	6.698%	\$ 14,601,640
Bay Area Rapid Transit District	2.583	33,133,174
Peralta Community College District	18.686	65,733,611
Berkeley Unified School District	99.997	286,791,396
City of Berkeley	100.000	106,610,000
City of Berkeley Community Facilities District No. 1	100.000	1,435,000
East Bay Regional Park District	4.119	6,454,473
City of Berkeley Thousand Oaks Heights AFUU Assessment District	100.000	1,005,000
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$515,764,294
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
Alameda County and Coliseum Obligations	6.698%	\$ 56,561,763
Alameda-Contra Costa Transit District Certificates of Participation	7.947	926,223
Peralta Community College District Pension Obligation Bonds	18.686	26,234,470
City of Berkeley Lease Revenue Bonds and Certificates of Participation 100.		24,145,000⁽¹⁾
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$107,867,456
COMBINED TOTAL DEBT		\$623,631,750⁽²⁾

Ratios 2019-20 Assessed Valuation:

Direct Debt (\$106,610,000)	0.51%
Total Direct and Overlapping Tax and Assessment Debt	2.48%
Combined Direct Debt (\$137,495,000)	0.63%
Combined Total Debt	3.00%

(1) Excludes the Bonds issued for sale hereunder.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING CITY REVENUES AND APPROPRIATIONS

Principal of and interest on the Bonds are payable from the proceeds of an ad valorem tax levied by the County, as directed by the City, for the payment thereof. See “THE BONDS” and “SECURITY FOR THE BONDS.” Articles XIII A, XIII B, XIII C and XIII D of the State Constitution, Propositions 62, 111, and 218 and 1A, and certain other provisions of law discussed below are included in this section to describe the potential effect of these Constitutional and statutory measures on the ability of the County to levy, and the City to spend, tax proceeds for operating and other purposes, and it should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the County to levy taxes for payment of the Bonds. The tax levied by the County, as directed by the City, for payment of the Bonds was approved by the City’s voters in compliance with Article XIII A and all applicable laws.

Article XIII A of the State Constitution

On June 6, 1978, California voters approved Proposition 13, which added Article XIII A to the State Constitution. Article XIII A, as amended, limits the amount of any ad valorem tax on real property to one percent of the full cash value thereof, except that additional ad valorem taxes may be levied to pay debt service (i) on indebtedness approved by the voters prior to July 1, 1978, (ii) on bonded indebtedness approved by a two-thirds vote on or after July 1, 1978, for the acquisition or improvement of real property or (iii) bonded indebtedness incurred by a school district, community college district or county office of education for the construction, reconstruction, rehabilitation or replacement of school facilities, including the furnishing and equipping of school facilities or the acquisition or lease of real property for school facilities, approved by 55 percent of the voters voting on the proposition. Article XIII A defines full cash value to mean “the county assessor’s valuation of real property as shown on the 1975-76 tax bill under ‘full cash value,’ or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment.” This full cash value may be increased at a rate not to exceed two percent per year to account for inflation.

Article XIII A has subsequently been amended to permit reduction of the “full cash value” base in the event of declining property values caused by damage, destruction or other factors, to provide that there would be no increase in the “full cash value” base in the event of reconstruction of property damaged or destroyed in a disaster, and in other minor or technical ways.

Legislation Implementing Article XIII A

Legislation has been enacted and amended a number of times since 1978 to implement Article XIII A. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The one percent property tax is automatically levied by the County and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1989.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the two percent annual adjustment are allocated among the various jurisdictions in the “taxing area” based upon their respective “situs.” Any such allocation made to a local agency continues as part of its allocation in future years.

All taxable property is shown at full market value on the tax rolls. Consequently, the tax rate is expressed as \$1 per \$100 of taxable value. All taxable property value included in this Official Statement is shown at 100 percent of market value (unless noted differently) and all tax rates reflect the \$1 per \$100 of taxable value.

Article XIII B of the State Constitution

In addition to the limits Article XIII A imposes on property taxes that may be collected by local governments, certain other revenues of the State and most local governments are subject to an annual "appropriations limit" imposed by Article XIII B which effectively limits the amount of such revenues those entities are permitted to spend. Article XIII B, approved by the voters in June 1979, was modified substantially by Proposition 111 in 1990. The appropriations limit of each government entity applies to "proceeds of taxes," which consist of tax revenues, State subventions and certain other funds, including proceeds from regulatory licenses, user charges or other fees to the extent that such proceeds exceed "the cost reasonably borne by such entity in providing the regulation, product or service." "Proceeds of taxes" excludes tax refunds and some benefit payments such as unemployment insurance. No limit is imposed on the appropriation of funds which are not "proceeds of taxes," such as reasonable user charges or fees, and certain other non-tax funds. Article XIII B also does not limit appropriation of local revenues to pay debt service on Bonds existing or authorized by January 1, 1979, or subsequently authorized by the voters, appropriations required to comply with mandates of courts or the federal government, appropriations for qualified capital outlay projects, and appropriation by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990, levels. The appropriations limit may also be exceeded in case of emergency; however, the appropriations limit for the next three years following such emergency appropriation must be reduced to the extent by which it was exceeded, unless the emergency arises from civil disturbance or natural disaster declared by the Governor, and the expenditure is approved by two-thirds of the legislative body of the local government.

The State and each local government entity has its own appropriations limit. Each year, the limit is adjusted to allow for changes, if any, in the cost of living, the population of the jurisdiction, and any transfer to or from another government entity of financial responsibility for providing services. Proposition 111 requires that each agency's actual appropriations be tested against its limit every two years.

If the aggregate "proceeds of taxes" for the preceding two-year period exceeds the aggregate limit, the excess must be returned to the agency's taxpayers through tax rate or fee reductions over the following two years.

The City has never exceeded its appropriations limit.

Articles XIII C and XIII D of the State Constitution

General. On November 5, 1996, the voters of the State approved Proposition 218, known as the "Right to Vote on Taxes Act." Proposition 218 adds Articles XIII C and XIII D to the California Constitution and contains a number of interrelated provisions affecting the ability of the City to levy and collect both existing and future taxes, assessments, fees and charges.

On November 2, 2010, California voters approved Proposition 26, entitled the "Supermajority Vote to Pass New Taxes and Fees Act." Section 1 of Proposition 26 declares that Proposition 26 is intended to limit the ability of the State Legislature and local government to circumvent existing restrictions on increasing taxes by defining the new or expanded taxes as

“fees.” Proposition 26 amended Articles XIII A and XIII C of the State Constitution. The amendments to Article XIII A limit the ability of the State Legislature to impose higher taxes (as defined in Proposition 26) without a two-thirds vote of the Legislature. The amendments to Article XIII C define “taxes” that are subject to voter approval as “any levy, charge, or exaction of any kind imposed by a local government,” with certain exceptions.

Taxes. Article XIII C requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the City (“general taxes”) require a majority vote; taxes for specific purposes (“special taxes”), even if deposited in the City’s General Fund, require a two-thirds vote.

Property-Related Fees and Charges. Article XIII D also adds several provisions making it generally more difficult for local agencies to levy and maintain property-related fees, charges, and assessments for municipal services and programs.

Reduction or Repeal of Taxes, Assessments, Fees and Charges. Article XIII C also removes limitations on the initiative power in matters of reducing or repealing local taxes, assessments, fees or charges. No assurance can be given that the voters of the City will not, in the future, approve an initiative or initiatives which reduce or repeal local taxes, assessments, fees or charges currently comprising a substantial part of the City’s General Fund. If such repeal or reduction occurs, the City’s ability to pay debt service on the Bonds could be adversely affected.

Burden of Proof. Article XIII C provides that local government “bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor’s burdens on, or benefits received from, the governmental activity.” Similarly, Article XIII D provides that in “any legal action contesting the validity of a fee or charge, the burden shall be on the agency to demonstrate compliance” with Article XIII D.

Judicial Interpretation of Proposition 218. The interpretation and application of Articles XIII C and XIII D will ultimately be determined by the courts, and it is not possible at this time to predict with certainty the outcome of such determination.

Proposition 62

Proposition 62 was adopted by the voters at the November 4, 1986, general election and (a) requires that any new or higher taxes for general governmental purposes imposed by local governmental entities such as the City be approved by a two-thirds vote of the governmental entity’s legislative body and by a majority vote of the voters of the governmental entity voting in an election on the tax, (b) requires that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local governmental entity be approved by a two-thirds vote of the voters of the governmental entity voting in an election on the tax, (c) restricts the use of revenues from a special tax to the purposes or for the service for which the special tax was imposed, (d) prohibits the imposition of ad valorem taxes on real property by local governmental entities except as permitted by Article XIII A, (e) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities, and (f) requires that any tax imposed by a local governmental entity on or after August 1, 1985, be ratified by a majority vote of the voters voting in an election on the tax within two years of the adoption of the initiative or be terminated by November 15, 1988.

California appellate court cases have overturned the provisions of Proposition 62 pertaining to the imposition of taxes for general government purposes. However, the California Supreme Court upheld Proposition 62 in its decision on August 28, 1995, in *Fresno County Transportation Authority v. Guardino*. This decision reaffirmed the constitutionality of Proposition 62. Certain matters regarding Proposition 62 were not addressed in the Supreme Court's decision, such as what remedies exist for taxpayers subject to a tax not in compliance with Proposition 62, and whether the decision applies to charter cities. The City has not experienced any substantive adverse financial impact as a result of the passage of this initiative.

Proposition 1A; Proposition 22

Proposition 1A. Proposition 1A, proposed by the Legislature in connection with the State's Fiscal Year 2004-05 Budget, approved by the voters in November 2004 and generally effective in Fiscal Year 2006-07, provided that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibited the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any Fiscal Year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county had to be approved by two-thirds of both houses of the Legislature.

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

Possible Future Initiatives

Articles XIII A, XIII B, XIII C and XIII D and Propositions 62, 111, 218 and 1A were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted, further affecting revenues of the City or the City's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the City.

LEGAL MATTERS

Tax Exemption – Refunding Bonds

Federal Tax Status. In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the Refunding Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax.

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

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

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

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

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

No Tax Exemption – 2020 Measure O Bonds

Interest on the 2020 Measure O Bonds is not excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal individual alternative minimum tax.

California Tax Status. In the further opinion of Bond Counsel, interest on the 2020 Measure O Bonds and the Refunding Bonds is exempt from California personal income taxes.

Forms of Opinion. Copies of the proposed forms of opinion of Bond Counsel are attached hereto as APPENDIX C.

Other Tax Considerations

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

In addition, future legislation, if enacted into law, or clarification of the Tax Code may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent owners of the Bonds from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislation or clarification of the Tax Code may also affect the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation, as to which Bond Counsel expresses no opinion.

Continuing Disclosure

The City will covenant for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the City by not later than April 1 after the end of each fiscal year of the City (currently June 30), commencing with the report for the 2019-20 fiscal year (the “**Annual Report**”), and to provide notices of the occurrence of certain enumerated events.

The specific nature of the information to be contained in an Annual Report or the notices of enumerated events is set forth in the form of Continuing Disclosure Certificate attached as APPENDIX D. These covenants will be made in order to assist the Purchaser (as defined below) in complying with Securities Exchange Commission Rule 15c2-12(b)(5) (the “**Rule**”).

The City and its related governmental entities have previously entered into numerous disclosure undertakings under the Rule in connection with the issuance of long-term obligations. See Note ___ of the City’s Comprehensive Annual Financial Report attached to this Official Statement as APPENDIX B.

In the previous five years, the City failed to timely file a material event notice in connection with changes to the credit rating for one series of the City’s bonds. To ensure future compliance

with its continuing disclosure undertakings, the City has developed procedures for including all required continuing disclosure information in the supplementary section of its audited financial statements. In addition, the City has engaged NHA Advisors, LLC, to review this information annually to ensure compliance with its continuing disclosure undertakings, including the undertaking to be entered into in connection with the Bonds.

Neither the County nor any other entity other than the City shall have any obligation or incur any liability whatsoever with respect to the performance of the City's duties regarding continuing disclosure

Absence of Material Litigation

No litigation is pending or threatened concerning the validity of the Bonds, and a certificate to that effect will be furnished to the purchasers at the time of the original delivery of the Bonds. The City is not aware of any litigation pending or threatened questioning the political existence of the City or contesting the City's ability to receive ad valorem taxes or to collect other revenues or contesting the City's ability to issue and repay the Bonds.

RATING

Upon issuance of the Bonds, S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("**S&P**"), will assign the Bonds a rating of "___."

The City has furnished to S&P information and material which has not been included in this Official Statement. Generally, rating agencies base their ratings on information and material so furnished and on investigations, studies and assumptions made by the rating agencies. The ratings reflect only the view of such organization and an explanation of the significance of such rating may be obtained from S&P.

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

MUNICIPAL ADVISOR

The City has retained NHA Advisors, LLC, San Rafael, California, as its municipal advisor (the "**Municipal Advisor**") in connection with the preparation of this Official Statement and with respect to the issuance of the Bonds. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. The Municipal Advisor is an independent registered municipal advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities. The Municipal Advisor's compensation is contingent upon the delivery of the Bonds.

UNDERWRITING

Purchase of the 2020 Measure O Bonds. Under the terms of a competitive bid, _____ (the “**Measure O Purchaser**”) has agreed to purchase the Bonds at a price of \$_____ (which is equal to the aggregate principal amount of the 2020 Measure O Bonds (\$_____), plus a net original issue premium of \$_____, less a Measure O Purchaser’s discount of \$_____). The Measure O Purchaser will purchase all of the 2020 Measure O Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the Official Notice of Sale related to the 2020 Measure O Bonds, including the approval of certain legal matters by counsel and certain other conditions.

Purchase of the Refunding Bonds. Under the terms of a competitive bid, _____ (the “**Refunding Purchaser**” and, together with the Measure O Purchaser, the “**Purchasers**”) has agreed to purchase the Refunding Bonds at a price of \$_____ (which is equal to the aggregate principal amount of the Refunding Bonds (\$_____), plus a net original issue premium of \$_____, less a Refunding Purchaser’s discount of \$_____). The Refunding Purchaser will purchase all of the Refunding Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the Official Notice of Sale related to the Refunding Bonds, including the approval of certain legal matters by counsel and certain other conditions.

Offering of the Bonds. The Purchasers intends to offer the Bonds to the public at the offering prices set forth on the inside cover pages of this Official Statement. The Purchasers may offer and sell to certain dealers and others at a price lower than the offering prices stated on the inside cover page hereof. The offering prices may be changed from time to time by the Purchasers, respectively.

EXECUTION

The execution of this Official Statement and its delivery have been approved by the City Council.

CITY OF BERKELEY

By: _____
City Manager

APPENDIX A

**FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION
FOR THE CITY OF BERKELEY AND ALAMEDA COUNTY**

Introduction

The City of Berkeley, California (the “City”) is located in Alameda County (the “County”) on the east side of the San Francisco Bay, approximately 10 miles northeast of San Francisco. The City encompasses a total area of approximately 19 square miles and had an estimated population of 123,328, giving it the highest population density of any city in the East Bay. The University of California is a major component of the City's economy, employing more than 235,000 full and part-time workers.

The City is among the oldest in California. The City was founded in 1864, incorporated as a town in 1878, and incorporated as a city in 1909. The City's first charter was adopted in 1895.

Population

Population figures for the City, County and State for the last five years are shown in the following table.

**CITY OF BERKELEY
Population Estimates
As of January 1**

Year	City of Berkeley	County of Alameda	State of California
2015	119,400	1,613,168	38,952,462
2016	120,012	1,631,088	39,214,803
2017	121,328	1,646,156	39,504,609
2018	122,369	1,656,884	39,740,508
2019	123,328	1,669,301	39,927,315

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

City Government

The City operates under a Council-Manager form of government. The City is governed by a nine-member City Council, eight of whom are elected by district, plus the Mayor, who is elected on a city-wide basis. The Mayor and the City Council members serve four-year terms. The Council appoints a City Manager who is responsible for daily administration of City affairs and preparation and submission of the annual budget under the direction of the Mayor and the City Council for the Mayor's submission to the City Council. The City Manager appoints a Director of Finance to supervise the City's financial affairs. The Director of Finance also serves as the City's Treasurer.

The City Attorney, City Clerk and Director of Finance are appointed by the City Manager subject to City Council approval. The City Auditor is elected at the same time as the Mayor.

The City Council members are shown in the below table:

<u>Member</u>	<u>District</u>	<u>Term Expires</u>
Jesse Arreguin	Mayor	11/30/2020
Rashi Kesarwani	1	11/30/2022
Cheryl Davila	2	11/30/2020
Ben Bartlett	3	11/30/2020
Kate Harrison	4	11/30/2022
Sophie Hahn	5	11/30/2020
Susan Wengraf	6	11/30/2020
Rigel Robinson	7	11/30/2022
Lori Droste	8	11/30/2022

CITY FINANCIAL INFORMATION

Accounting Policies and Financial Reporting

The accounts of the City are organized on the basis of funds and account groups, to account for different activities. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which the spending activities are controlled. The City's general fund and other governmental fund types use the modified accrual basis of accounting. All of the City's other funds, including proprietary fund types and fiduciary fund types use the accrual basis of accounting. The basis of accounting for all funds is more fully explained in the "Notes to the Financial Statements" contained in APPENDIX B.

The City Council employs, at the beginning of each fiscal year, an independent certified public accountant who, at such time or times as specified by the City Council, at least annually, and at such other times as he or she shall determine, examines the combined financial statements of the City in accordance with generally accepted auditing standards, including such tests of the accounting records and such other auditing procedures as such accountant considers necessary. As soon as practicable after the end of the fiscal year, a final audit and report is submitted by such accountant to the City Council and a copy of the financial statements as of the close of the fiscal year is published.

The City, all its funds and the funds of certain other component entities of the City are audited annually by a certified public accounting firm. The firm of Badawi and Associates, Certified Public Accounts, Oakland, California, is the City's current auditor (the "**Auditor**"). The comprehensive annual financial report of the City for fiscal year 2018-19 is attached hereto as APPENDIX B. *The City's financial statements are public documents and are included within this Official Statement without the prior approval of the Auditor.*

The Governmental Accounting Standards Board ("**GASB**") published its Statement No. 34 "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" on June 30, 1999. Statement No. 34 provides guidelines to auditors, state and local governments and special purpose governments such as school districts and public utilities, on new requirements for financial reporting for all governmental agencies in the United States. Generally, the basic financial statements and required supplementary information should include (i) Management's Discussion and Analysis; (ii) government-wide financial statements prepared using the economic measurement focus and the accrual basis of accounting and fund financial statements prepared using both the current financial resources measurement focus and the modified accrual method of accounting (governmental funds) and funds using the economic measurement focus and the accrual basis of accounting (proprietary funds) and (iii) required supplementary information. The City's financial statements are prepared in conformance with the requirements of Statement No. 34.

Comparative Financial Statements

The following tables provide a recent history of the City's Comparative Balance Sheet, and both a recent history of General Fund revenues, expenditures, transfers, and ending fund balances and recently budgeted amounts.

**CITY OF BERKELEY
GENERAL FUND BALANCE SHEET
(Fiscal Year Ending June 30)
(Dollar amounts in thousands)**

	Actual <u>2015-16</u>	Actual <u>2016-17</u>	Actual <u>2017-18</u>	Actual <u>2018-19</u>
ASSETS:				
Cash and investments in treasury*	\$82,615	82,891	108,058	107,360
Receivables (net of allowance where applicable):				
Accounts	7,072	8,777	6,951	4,980
Interest	534	526	763	778
Taxes	9,421	8,109	8,623	9,953
Subventions/grants	--	--	180	450
Due from other funds	2,920	3,752	6,659	6,973
Notes receivable	3,595	4,255	3,755	3,697
Other	353	5	5	320
Prepaid Items	--	75	142	--
Total assets	<u>106,512</u>	<u>108,390</u>	<u>135,136</u>	<u>134,512</u>
LIABILITIES:				
Accounts payable	1,768	4,344	3,610	6,736
Accrued salaries and wages	4,502	5,169	5,473	5,989
Advances from other funds		6,683	6,287	4,059
Deposits held	840	905	974	781
Unearned revenue	--	--	--	--
Tax and revenue anticipation notes	24,995	17,000	25,550	14,000
Other liabilities	3,706	2,923	3,755	3,899
Total liabilities	<u>35,811</u>	<u>37,024</u>	<u>45,649</u>	<u>35,463</u>
Deferred Inflows of Resources	5,676	7,707	5,601	5,813
FUND BALANCES				
Reserved for:				
Encumbrances/Assigned to	3,686	3,015	33,373	42,667
Notes receivable/Nonspendable	3,595	4,330	3,898	3,697
Unreserved/Unassigned, report in:				
General fund	57,743	56,313	46,614	46,872
Total fund balances	<u>65,025</u>	<u>63,658</u>	<u>83,885</u>	<u>92,236</u>
Total liabilities and fund balances	<u>\$106,512</u>	<u>\$108,390</u>	<u>\$135,136</u>	<u>135,512</u>

* Cash and investments in treasury includes restricted cash and investments.

Source: City of Berkeley, Comprehensive Annual Financial Reports for 2014-15 through 2018-19.

CITY OF BERKELEY
STATEMENT OF GENERAL FUND
REVENUES, EXPENDITURES, TRANSFERS AND BALANCES
(Fiscal Year Ending June 30)
(Dollar amounts in thousands)

	Actual <u>2015-16</u>	Actual <u>2016-17</u>	Actual <u>2017-18</u>	Actual <u>2018-19</u>
REVENUES:				
Taxes	\$133,249	\$137,277	\$161,666	\$173,216
Licenses and Permits	323	556	834	1,405
Subvention and Grants/Intergovernmental	11,208	11,509	1,129	1,868
Service Fees	9,528	9,140	9,862	8,433
Fines and Forfeitures	6,371	6,370	6,933	5,443
Rents	215	160	284	289
Franchises	1,673	2,247	1,990	1,800
Interest	2,784	1,383	2,416	6,915
Other	48	1,750	237	1,722
TOTAL REVENUES	<u>165,400</u>	<u>170,393</u>	<u>185,351</u>	<u>201,090</u>
EXPENDITURES:				
General Government	28,244	37,871	30,143	27,410
Public Safety	89,076	94,093	95,503	103,084
Highways and Streets	1,337	1,638	1,900	2,904
Health and Human Services	7,354	9,676	9,725	13,319
Culture-Recreation	5,848	6,086	5,476	5,943
Community Development	6,057	6,477	7,153	8,264
Economic Development	2,325	2,332	2,576	2,845
Debt Service	372	166	252	270
TOTAL EXPENDITURES	<u>140,613</u>	<u>158,338</u>	<u>152,728</u>	<u>164,040</u>
Excess Revenues Over (Under) Expenditures	24,788	12,055	32,623	37,050
Transfers In(out)/Other	(13,052)	(13,421)	(12,396)	(27,699)
Net Change in Fund Balance	11,735	(1,366)	20,227	9,351
Fund Balance, July 1	<u>53,289</u>	<u>65,025</u>	<u>63,658</u>	<u>83,885</u>
Fund Balance, June 30*	<u>\$65,025</u>	<u>\$63,658</u>	<u>\$83,885</u>	<u>\$93,236</u>

* Totals may not add due to rounding.

Source: City of Berkeley Comprehensive Annual Financial Reports;

General Fund Budget

Budgetary Process and Administration. The City employs a two-year budget process. In year one of the biennial budget cycle, the City Council formally adopts authorized appropriations for the first fiscal year and approves "planned" appropriations for the second fiscal year. In year two, the City Council considers revisions and formally adopts authorized appropriations for the second fiscal year. Although the budget cycle covers a two-year period, the City Charter requires that the City Council adopt an annual appropriations ordinance for each budget year.

From about January to May of each year, the City Council meets in public to discuss policies and priorities for the upcoming budget. The City Manager prepares a proposed budget based on input from department heads, and presents this to the City Council by the first Monday in May of a budget year or as fixed by the City Council. The City also maintains additional

budgetary controls to ensure compliance with the annual appropriated budget. The City Manager is authorized to transfer budgeted amounts within funds as deemed necessary to meet the City's needs; however, revisions that alter the total budget or move amounts from one fund to another must be approved by the City Council.

Revenues and expenditures relating to the City's general governmental operations are budgeted and accounted for in the City's general fund, including public safety, highways and streets, health, housing and human services, culture and recreation, community development and economic development. General taxes and fees support most of these activities. The "business" or proprietary activities of the City are accounted for in each of eight enterprise funds, which include those established for Refuse Collection, Marina Operations, Sanitary Sewers, Clean Storm Water, Permit Service Center, Off-Street Parking, Parking Meter, and Building Purchases & Management. These activities are intended to be completely or largely self-supporting through user fees and charges.

The balance of this Appendix is concerned with the operations and performance of the City's General Fund, unless otherwise noted.

General Fund Reserves

On December 13, 2016, the City Council established a General Fund reserve policy (the "**Reserve Policy**") to prepare for the impact of economic cycles and catastrophic events. The Reserve Policy was enacted to ensure that fluctuations in revenue do not impede the City's ability to meet expenditure obligations. When revenues fail to meet the City's operating requirements, or the need for disbursements exceeds receipts, General Fund reserves, upon a majority vote of the City Council, may be used in accordance with the standards set forth in the Policy. The Reserve Policy provides that the General Fund reserve shall be comprised of two elements: a Stability Reserve and a Catastrophic Reserve:

The Stability Reserve is maintained to mitigate loss of service delivery and financial risks associated with unexpected revenue shortfalls during a single fiscal year or during a prolonged recessionary period. The purpose of the Stability Reserve is to provide fiscal stability in response to unexpected downturns or revenue shortfalls, and not to serve as a funding source for new programs or projects. During fiscal year 2019, \$5,600,000 was contributed to the Stability Reserve, and the balance at June 30, 2019 was \$20,022,922.

A Catastrophic Reserve is maintained to sustain General Fund operations in the event of a natural disaster or other catastrophic event. The Catastrophic Reserve may be used to respond to extreme, one-time events, such as earthquakes, fires, floods, civil unrest, or terrorist attacks. The Catastrophic Reserve may not be accessed to meet operational shortfalls or to fund new programs or projects. During fiscal year 2019, \$4,580,000 was contributed to the Catastrophic Reserve, and the balance at June 30, 2019 was \$16,622,481.

State Budget and its Impact on the City

Fiscal Year 2019-20 State Budget. Information about the fiscal year 2019-20 State budget and other State budgets is available at www.ebudget.ca.gov. An impartial analysis of the budget is posted by the Legislative Analyst Office at www.lao.ca.gov. In addition, various State official statements, many of which contain a summary of the current and past State budgets, may be found at the website of the State Treasurer, www.treasurer.ca.gov. *The information referred to in this paragraph is prepared by the respective State agency maintaining each website and not*

by the City or Underwriter, and the City and Underwriter take no responsibility for the continued accuracy of the Internet addresses or for the accuracy or timeliness of information posted there, and such information is not incorporated in this Official Statement by these references.

Dissolution of Redevelopment Agencies. State legislation enacted as part of the 2011 Budget Act, and upheld by the California Supreme Court, resulted in the formal dissolution of redevelopment agencies, including the Berkeley Redevelopment Agency (the “**Former Redevelopment Agency**”), effective as of February 1, 2012. The impact on the City’s General Fund of the dissolution of the Former Redevelopment Agency is minimal because the City is in the process of winding down its redevelopment program, and the funding the City received from the Former Redevelopment Agency prior to its dissolution only supported 1.5 full-time employees.

Ad Valorem Property Taxes

Tax Levies and Collections. Property taxes accounted for approximately 54% of the City’s general fund revenues for fiscal year 2018-19. Taxes are levied for each fiscal year on taxable real and personal property that is situated in the City as of the preceding January 1. A supplemental roll is developed when property changes hands, which produces additional revenue.

A ten percent penalty attaches to any delinquent payment for secured roll taxes. In addition, property on the secured roll with respect to which taxes are delinquent becomes tax-defaulted. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a redemption penalty to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to auction sale by the County Tax Collector.

In the case of unsecured property taxes, a 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1.5% per month begins to accrue beginning November 1 of the fiscal year, and a lien is recorded against the assessee. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a judgment lien on specific property of the taxpayer; (3) filing a certificate of delinquency for recording in the County Recorder’s office in order to obtain a lien on specified property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee.

The County levies (except for levies to support prior voter-approved indebtedness) and collects all property taxes for property falling within that county’s taxing boundaries.

See Table 1 of the forepart of this Official Statement for a table summarizing the historical and current assessed valuation of the taxable property in the City.

The City does not participate in the Teeter Plan. See Table 4 of the forepart of this Official Statement for a history of secured tax charges and delinquencies within the City during the past 10 years.

Other General Fund Revenues and Transfers

In addition to property taxes, the City has several other major tax and fee revenue sources, as described below.

Sales and Use Tax. The sales tax is an excise tax imposed on retailers for the privilege of selling or leasing tangible personal property. The use tax is an excise tax imposed for the storage, use, or other consumption of tangible personal property purchased from any retailer. The total sales tax rate within the City is currently 9.25%. The proceeds of sales and uses taxes imposed within the City are distributed by the State to various agencies, with the City receiving 1.0% of the amount collected.

Collection of the sales and use tax is administered by the California Department of Tax and Fee Administration (the “**CDTFA**”). This process was formerly administered by the State Board of Equalization. The Taxpayer Transparency and Fairness Act of 2017, which took effect July 1, 2017, restructured the State Board of Equalization and separated its functions among three separate entities: the State Board of Equalization, the CDTFA and the Office of Tax Appeals. The State Board of Equalization will continue to perform the duties assigned to it by the state Constitution, while all other duties will be transferred to the newly established CDTFA and the Office of Tax Appeals. CDTFA will handle most of the taxes and fees previously collected by the State Board of Equalization, including sales and use tax. According to the CDTFA, it distributes quarterly tax revenues to local jurisdictions (like the City) using the following method:

Using the prior year’s like quarterly tax allocation as a starting point, the CDTFA first eliminates nonrecurring transactions such as fund transfers, audit payments and refunds, and then adjusts for growth, in order to establish the estimated base amount. The CDTFA disburses 90% of the base amount to each local jurisdiction in three monthly installments (advances) prior to the final computation of the quarter’s actual receipts. Ten percent is withheld as a reserve against unexpected occurrences that can affect tax collections (such as earthquakes, fire or other natural disaster) or distributions of revenue such as unusually large refunds or negative fund transfers. The first and second advances each represent 30% of the 90% distribution, while the third advance represents the remaining 40%. One advance payment is made each month, and the quarterly reconciliation payment (clean-up) is distributed in conjunction with the first advance for the subsequent quarter. Statements showing total collections, administrative costs, prior advances and the current advance are provided with each quarterly clean-up payment.

The CDTFA receives an administrative fee based on the cost of services provided by the Board to the City in administering the City’s sales tax, which is deducted from revenue generated by the sales and use tax before it is distributed to the City.

Total taxable sales in the City during fiscal year 2019 were reported to be \$1.814 billion, a slight increase over the total taxable sales of \$1.8 billion reported during fiscal year 2018.

**CITY OF BERKELEY
TAXABLE TRANSACTIONS
(Figures in Thousands)**

	2014	2015	2016	2017	2018
Retail and Food Services:					
Apparel Stores	\$59,369	\$57,048	\$55,449	\$52,645	\$52,991
Gen. Merchandise Stores	12,292	15,165	15,610	17,178	20,782
Food Stores	123,572	133,916	145,462	150,894	149,662
Eating and Drinking Places	323,125	347,926	364,417	371,299	374,792
Home Furnishings and Appliances	74,682	74,514	71,927	72,358	69,746
Bldg. Materials, Farm Implements	90,104	98,958	100,899	107,333	109,052
Auto Dealers, Auto Supplies	126,527	125,716	115,808	117,513	119,883
Gas/Service Stations	94,630	83,285	75,720	84,041	93,694
Other Retail Stores	248,626	255,133	251,324	243,881	262,209
Total Retail and Food Services	1,152,938	1,191,661	1,196,618	1,217,142	1,252,813
All Other Outlets	<u>394,169</u>	<u>413,156</u>	<u>431,614</u>	<u>364,736</u>	<u>361,292</u>
TOTAL ALL OUTLETS	<u>\$1,547,107</u>	<u>\$1,604,817</u>	<u>\$1,628,232</u>	<u>\$1,581,878</u>	<u>1,614,105</u>

Source: State Department of Tax and Fee Administration.

Factors that have historically affected sales tax revenues include the overall economic growth of the Bay Area, competition from neighboring cities, the growth of specific industries within the City, the City's business attraction and retention efforts, and catalog and Internet sales.

Utility Users Tax. The City imposes a 7.5% tax on users of gas, electricity and telephone, as well as cellular telephone services for billing addresses within the City. The tax is not applicable to State, County, or City agencies, or to insurance companies and banks. Some of the factors affecting this revenue stream include consumer demand for these utilities, legislative and regulatory action, rate changes, and the evolution of technology.

Business License Tax. The City requires all businesses within the City to be licensed and imposes a business license tax on all business locations and a new license registration fee on applicants for a new license. The annual tax is generally determined based on the type of business and the business's gross receipts. The tax rate varies between \$0.60 per \$1,000 gross receipts for grocers, on the low end, and \$50.00 per \$1,000 gross receipts for adult cannabis sales on the high end. Most types of businesses are required to pay a minimum tax of at least \$51 per year. The overall revenue from this tax is dependent on the number of license renewals each year and the growth of businesses and industries within the City and the Bay Area more generally. During fiscal year 2018-19, business license taxes increased by 7.4% from fiscal year 2017-18, primarily due to a business license taxes on recreational cannabis, which was a new tax in fiscal year 2018-19.

Property Transfer Tax. The City's transfer tax rate is 1.5% for properties with a consideration up to \$1.5 million and 2.5% for transferred properties with a consideration over \$1.5 million. The \$1.5 million threshold will be adjusted annually to capture approximately the top 33% of such transfers based on transfers that occurred in the 12 months preceding September 1 of the preceding year. However, the threshold cannot be reduced below \$1.5 million, meaning that the tax on properties transferred for \$1.5 million or less would remain at 1.5%, notwithstanding any adjustment. The tax is due when the transfer is recorded with the County. Title companies collect the tax as part of the sale closing process and remit the funds to the County when sales or transfers are finalized. The County remits the amounts due monthly, and the amounts are credited to the general fund. A buyer of residential housing built before 1989 may voluntarily choose to reserve up to one-third of the transfer tax to perform seismic upgrades. Buyers typically

have up to one year to complete the work and file for a rebate. Previously the title companies held the reserved amount in escrow until the work was completed, but since May 2007, the City has held the money in escrow accounts, with the interest going to the City.

Prior to fiscal year 2017-18, it was the City Council's policy that property transfer tax in excess of \$10.5 million is treated as one-time revenue to be transferred to the Capital Improvement Fund for capital infrastructure needs; that amount was increased to \$12.5 million in fiscal year 2017-18.

For fiscal year 2018-19, property transfer tax revenue increased by 5.3% from fiscal year 2017-18, due primarily to an increase in the average property sales prices.

Parking Fines. The City issues and adjudicates citations and civil penalties for parking violations through its own administrative structure. It has a great degree of control over the administration of parking fines, although issuing agencies within the County try to standardize parking penalties to the extent possible. Revenue from parking fines is affected by the penalties imposed for violations, the number of employees issuing tickets, how many tickets employees are able to issue, and the number of working parking meters, among other factors. Currently, the City must remit an additional \$12.50 per citation to the State/County for State and County construction funds, Maddy emergency medical fund, and DNA identification fund.

Vehicle in Lieu Fees. Vehicle license fees ("VLF") imposed for the operation of vehicles on state highways are collected by the State Department of Motor Vehicles in lieu of personal property taxes on vehicles. In connection with the offset of the VLF, the State Legislature authorized appropriations from the State General Fund to "backfill" the offset so that local governments, which receive all of the vehicle license fee revenues, would not experience any loss of revenues. The legislation that established the VLF offset program also provided that if there were insufficient State General Fund moneys to fully "backfill" the VLF offset, the percentage offset would be reduced proportionately (i.e., the license fee payable by drivers would be increased) to assure that local governments would not be underfunded.

As part of the 2004 Budget Act negotiations, an agreement was made between the State and local government officials under which the VLF rate was permanently reduced from 2% to 0.65%. In order to protect local governments, the reduction in VLF revenue to cities and counties from this rate change was replaced by an increase in the amount of property tax they receive. Commencing in fiscal year 2004-05, local governments began to receive their full share of replacement property taxes, and those replacement property taxes now enjoy constitutional protection against certain transfers by the State because of the approval of Proposition 1A at the November 2004 election.

As a part of its fiscal year 2009-10 budget, California increased the vehicle license fee from 0.65% to 1.15% for registration fees due on or after the May 19, 2009 special election. This provision expired on July 1, 2011. On July 1, 2011, vehicle license fees returned to 0.65%, and the City is unaware of any current State legislative efforts likely to increase these in fees in the future.

For fiscal year 2018, VLF revenue totaled \$11,822,917, which is \$828,465 or 7.54% more than the \$10,994,452 received in fiscal year 2017. Consistent with the 8.87% increase in assessed values for fiscal year 2018. The amount of \$11,822,917 received in fiscal year 2018 was \$1,502,515 more than the adopted budget amount of \$10,320,402.

Other Revenues. The City also collects additional general fund revenues from franchise fees, transient occupancy taxes, ambulance fees, a tax on sugar-sweetened beverages, and other more minor sources. Under the City's cable and electric and gas franchise fee arrangements, the local cable provider pays an annual franchise fee of 5% of gross revenues, and the electricity and gas providers pay the greater of 2% of gross receipts attributable to miles of line operated or 0.5% of gross receipts. The transient occupancy tax, also known as the hotel tax, is a 12% tax on the room charge for rental of transient lodging; it is paid by the hotel guest. The City also has an agreement with the County to be the exclusive provider of all emergency ground ambulance services within the City; the specific ambulance fee depends on the type of service delivered and is billed to clients or their insurance companies. Finally, other more minor revenue sources include payments for moving violations, interest on existing funds, and other service fees.

Retirement Programs

PERS Plan Description. The City contributes to three plans in California Public Employees' Retirement System ("PERS"). The first plan covers all of the City's full-time and part-time benefited sworn uniformed fire employees and all chiefs (and is referred to as the Safety Fire Plan in this Official Statement). The second covers all of the City's full-time and part-time benefited sworn uniformed police employees and all chiefs (and is referred to as the Safety Police Plan in this Official Statement). The third plan covers all remaining eligible City employees (and is referred to as the Miscellaneous Plan in this Official Statement). These plans are agent multiple-employer defined benefit pension plans administered by PERS, which acts as a common investment and administrative agent for participating public employers within the State of California.

PERS Plan Eligibility. For a more detailed discussion of the eligibility requirements for the City's PERS retirement plans, see Note 12.A. of APPENDIX B to this Official Statement.

PERS Plan Contributions. The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the PERS Board of Administration (the "**Board of Administration**"). The required employer contribution rates for fiscal year 2017-18 were 27.90%, 39.90% and 56.60% of annual covered payroll for Miscellaneous Plan, Safety Fire Plan and Safety Police Plan employees, respectively; for fiscal year 2018-19, the rates were 30.50%, 44.00%, and 60.80%, respectively; for fiscal year 2019-20, the rates are 23.054%, 49.474% and 63.479%, respectively. The contribution requirements of the plan members are established by State statute, and the employer contribution rates are established and may be amended by PERS.

Implementation of GASB Nos. 68. Commencing with fiscal year ended June 30, 2015, the City implemented the provisions of GASB Statement Nos. 68, which require certain new pension disclosures in the notes to its audited financial statements commencing with the audit for fiscal year 2014-15. Statement No. 68 generally requires the City to recognize its proportionate share of the unfunded pension obligation by recognizing a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. As a result of the implementation of GASB Statement Nos. 68, the City reflected a restatement of its beginning net position as of July 1, 2014.

For a more detailed discussion of the eligibility requirements for the City's retirement plans, see Note 12.B. of APPENDIX B to this Official Statement for detailed information about the actuarial assumptions underlying the contributions.

The City's fiscal year 2015-16 through 2017-18 contributions to the pension plans and the funded status of the pension plans are set forth below.

Fiscal Year Ended	Total Pension Liability	Plan Fiduciary Net Position	Contributions Employer	Net Pension Liability	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	Covered Employee Payroll	Plan Net Pension Liability as a Percentage of Covered Employee Payroll
PERS – Miscellaneous Plan							
6/30/2016	\$902,228,876	\$641,339,412	\$20,032,929	\$260,889,464	71.08%	\$85,480,937	305.20%
6/30/2017	983,333,433	696,104,044	21,214,582	287,229,389	70.79	88,645,362	324.02
6/30/2018	1,016,396,249	735,828,894	20,393,310	280,567,355	72.40	94,371,740	297.30
PERS – Public Safety Fire Plan							
6/30/2016	\$246,704,540	\$176,593,232	\$5,967,197	\$70,111,308	71.58%	\$16,185,414	433.18%
6/30/2017	266,986,159	188,899,801	6,328,886	78,086,358	70.75	16,684,346	468.02
6/30/2018	272,593,862	196,923,511	6,983,081	75,670,351	72.24	17,219,137	439.45
PERS – Public Safety Police Plan							
6/30/2016	\$372,226,444	\$226,135,306	\$10,777,599	\$146,091,138	60.75%	\$22,289,585	655.42%
6/30/2017	404,585,170	244,812,138	11,858,699	159,773,032	60.51	22,933,002	696.69
6/30/2018	416,996,462	257,917,647	13,095,114	159,078,815	61.85	22,701,037	700.76

Recent Actions by PERS. At its April 17, 2013, meeting, the Board of Administration approved a recommendation to change the PERS amortization and smoothing policies. Prior to this change, PERS employed an amortization and smoothing policy that spread investment returns over a 15-year period with experience gains and losses paid for over a rolling 30-year period. After this change, PERS will employ an amortization and smoothing policy that will pay for all gains and losses over a fixed 30-year period with the increases or decreases in the rate spread directly over a 5-year period. The new amortization and smoothing policy was used for the first time in the June 30, 2013, actuarial valuations in setting employer contribution rates for fiscal year 2015-16.

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

On November 18, 2015, the Board of Administration adopted a funding risk mitigation policy intended to incrementally lower its discount rate - its assumed rate of investment return - in years of good investment returns, help pay down the pension fund's unfunded liability, and provide greater predictability and less volatility in contribution rates for employers. The policy establishes a mechanism to reduce the discount rate by a minimum of 0.05 percentage points to a maximum of 0.25 percentage points in years when investment returns outperform the existing discount rate, currently 7.5%, by at least four percentage points. PERS staff modeling anticipates the policy will result in a lowering of the discount rate to 6.5% in about 21 years, improve funding levels gradually

over time and cut risk in the pension system by lowering the volatility of investment returns. More information about the funding risk mitigation policy can be accessed through PERS' web site at the following website address: <https://www.calpers.ca.gov/page/newsroom/calpers-news/2015/adopts-funding-risk-mitigation-policy>. *The reference to this Internet website is provided for reference and convenience only. The information contained within the website may not be current, has not been reviewed by the City and is not incorporated in this Official Statement by reference.*

On December 21, 2016, the Board of Administration voted to lower its discount rate from the current 7.5% to 7.0% over three years according to the following schedule.

<u>Fiscal Year</u>	<u>Discount Rate</u>
2018-19	7.375%
2019-20	7.250
2020-21	7.000

For public agencies like the City, the new discount rate took effect July 1, 2018. Lowering the discount rate means employers that contract with PERS to administer their pension plans will see increases in their normal costs and unfunded actuarial liabilities. Active members hired after January 1, 2013, under the Public Employees' Pension Reform Act will also see their contribution rates rise. The three-year reduction of the discount rate will result in average employer rate increases of about 1% to 3% of normal cost as a percent of payroll for most miscellaneous retirement plans, and a 2% to 5% increase for most safety plans. Additionally, many PERS employers will see a 30% to 40% increase in their current unfunded accrued liability payments. These payments are made to amortize unfunded liabilities over 20 years to bring the pension fund to a fully funded status over the long-term.

Dollar Contribution Based on Projected PERS Rate Increases. The City's projected annual financial contributions as a result of the PERS rate changes for the next five years are shown in the table below, with dollar amounts shown in millions:

	2019-20 Projected	2020-21 Projected	2021-2022 Projected	2022-2023 Projected
Miscellaneous ⁽¹⁾	\$33.67	\$36.55	\$41.83	\$43.30
Police	16.27	17.6	18.58	19.16
Fire	8.78	9.46	9.55	9.90
Total	\$58.72	\$63.61	\$69.96	\$72.36

- (1) Miscellaneous includes the 8% employee share paid by the City on behalf of the employees and negotiated employee contributions to the City's rate.

Berkeley Police Retirement Income Benefit Plan. Prior to December 22, 2012, the City maintained the Berkeley Police Retirement Income Benefit Plan ("BPRIBP"), a single-employer defined benefit income plan, for its police retirees and surviving spouses. Effective September 19, 2012, police retired on or after this date are no longer covered by BPRIBP. The City replaced this plan with the "Retiree Health Premium Assistance Coverage Plan."

The City's fiscal year 2018-19 contribution to the BPRIBP and the funded status of the BPRIBP is set forth below.

Fiscal Year Ended	Total Pension Liability	Plan Fiduciary Net Position	Contributions Employer	Plan Net Pension Liability	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	Covered Payroll	Plan Net Pension Liability as a Percentage of Covered Employee Payroll
6/30/2019	\$73,643,792	\$5,556,948	\$1,854,528	\$68,086,844	7.55%	N/A	N/A

For a more detailed discussion of the BPRIBP, see Note 13.C. of APPENDIX B to this Official Statement.

Peace Officers Research Association of California. Effective December 23, 2012, the City established a new sick leave program called Peace Officers Research Association of California ("PORAC"). If a sworn member of the Berkeley Police department has an accrued sick leave balance on December 23, 2012 that exceeds 200 hours, one half of all those hours in excess of 200 shall be maintained in a separate account. The financial value of those hours shall be converted and deposited into the employee's PORAC medical trust account over five successive years in equal installments commencing on January 1, 2013. The conversion was at the employee's rate of pay on December 23, 2012. The City may accelerate the payment of hours to be converted. The remaining fifty percent of the sick leave balance in excess of 200 hours was credited into the employee's separate "catastrophic/service time" bank no later than February 1, 2013, up to a maximum of 500 hours.

The City's contribution to PORAC for the calendar year ending December 31, 2019 was \$327,753.

Safety Members Pension Fund. In addition, the City maintains the Safety Members Pension Fund (“**SMPF**”), a defined benefit plan for fire and police officers who retired prior to March 1973. In March 1973, all active fire and police officers were transferred from SMPF to PERS. The City pays the benefits to SMPF members on a pay-as-you-go basis, primarily through a Funding Agreement, purchased by the Berkeley Civic Improvement Corporation on behalf of the City in 1989. For the fiscal year ended June 30, 2019, the City’s contribution to SMPF was \$525,486.

The funded status of the SMPF as of June 30, 2019, the most recent actuarial date, is set forth below:

Actuarial Valuation Date	Plan Fiduciary Net Position	Total Pension Liability	Plan Net Pension Liability	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	Covered Payroll	Plan Net Pension Liability as a Percentage of Covered Employee Payroll
6/30/2019	--	\$1,862,714	\$1,862,714	--%	N/A	N/A

For a more detailed discussion of the SMPF, see Note 12.B. of APPENDIX B of this Official Statement.

Strategy to Reduce Unfunded Liabilities

At its June 26, 2018 meeting, the City Council adopted a Resolution appointing the City Manager as plan administrator, and authorizing the City Manager to take the necessary steps to negotiate and execute the documents to establish a Section 115 Trust Fund (the “**Trust Fund**”) to use as a pension rate stabilizing fund.

The City Council authorized the establishment of the Trust Fund in order to prefund pension obligations. During fiscal year 2019, \$4 million was contributed to the Trust Fund from General Fund operations, and an additional \$1.1 million was contributed to the Trust Fund from the discount on prepayment of the required PERS unfunded liability payment for fiscal year 2019. As of June 30, 2019, the balance in the Trust Fund was \$9,191,801.

Post-Employment Health Benefits

The City offers certain post-employment health benefits to retirees. There are three plans: (i) the City of Berkeley Fire Employees Retiree Health Plan (“**FRHF**”), (ii) the City of Berkeley Miscellaneous Employees Retiree Health Plan (“**RHPAP**”) and (iii) the Police Retiree Premium Assistance Plan (“**PRPAP**”).

The City has adopted Government Accounting Standards Board Statement 45 which requires governmental agencies to change their accounting for Other Post-Employment Benefits (“**OPEB**”) from pay-as-you-go to an accrual basis.

See Appendix B, Note 13 for information about the City’s OPEB liabilities.

City of Berkeley Fire Employees Retiree Health Plan. The FRFH is a single-employer defined benefit medical plan. To be eligible for benefits, sworn Fire employees must retire from the City on or after July 1, 1997, be vested in a PERS pension, and retire from the City on or after

age 50. Benefits commence immediately upon retirement. Benefits are payable for the retiree's lifetime and continue for his or her covered spouse's/domestic partner's lifetime. The amount the City contributes toward the Fire Employees Retiree Health Plan is 4.5% per year regardless of the amount of increase in the underlying premium rate. The establishment and amendments of benefit provisions are negotiated between the employee bargaining units and the City Labor Negotiating Team, and are approved by the City Manager and City Council. As of July 1, 2018, there were 128 active employees, 43 retirees deferred and 59 retirees receiving benefits.

The City's targeted funding policy is equal to the service cost for active employees plus an amount to amortize unfunded liabilities over 30 years (rolling 30-year amortization) as a level percentage of payroll. The City strives to contribute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45.

For the FRFH, the City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB asset for fiscal year 2018-19 and the three preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Contributed	Net OPEB Liability (
6/30/2016	853,748	98	12,362
6/30/2017	1,991,925	43	17,530,174
6/30/2018	2,163,028	34	17,251,382
6/30/2019	2,326,493	36	19,633,312

The funded status of the FRFH as of June 30, 2019, the date of the most recent actuarial report, is set forth below:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)-Unit Credit	Unfunded Actuarial Liability-UAAL	Funded Ratio	Covered Payroll	UAAL as Percentage of covered Payroll
7/1/2018	\$11,296,053	\$30,929,365	\$19,633,312	36.5%	\$15,667,851	125.31%

The actuarial value of the assets in the FRFH as of June 30, 2019 was equal to their market value.

City of Berkeley Miscellaneous Employees Retiree Health Premium Assistance Plan. The RHPAP is a single-employer defined benefit medical plan. It provides retiree health benefits to eligible retirees and his/her spouse or domestic partner. The establishment and amendments of benefit provisions are negotiated between the employee bargaining units and the City, and are approved by the City Council.

Retirees who are at least age 50, with at least 8 years of service with the City at the time of separation from service are eligible to receive retiree health benefits commencing at age 55. Benefits are payable for the retiree's lifetime and continue for his or her covered spouse's/domestic partner's lifetime. The City pays the monthly cost of the monthly premiums up to a participant's applicable percentage of the base dollar amount and subject to annual 4.5%

increases regardless of the amount of increase in the underlying premium rate. As of June 30, 2018, there were 1,094 active employees.

The City’s targeted funding policy is equal to the normal cost for active employees plus an amount to amortize unfunded liabilities over 30 years as a level percentage of payrolls. The City is required to contribute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. Any changes to the contribution requirements of the plan are negotiated by the bargaining units and City negotiating staff, and approved by the City Council.

For the RHPAP, the City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2018-19 and the three preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Contributed	Net OPEB Obligation
6/30/2016	3,492,010	52.0	9,050,063
6/30/2017	4,610,828	72.7	37,900,578
6/30/2018	4,729,448	42.3	34,215,614
6/30/2019	5,051,655	43.3	37,219,746

The funded status of the RHPAP as of June 30, 2019, the most recent actuarial report, is set forth below:

Actuarial Valuation Date	Actuarial Accrued Liability (AAL)	Actuarial Value of Assets	Unfunded Actuarial Accrued Liability- UAAL	Funded Ratio	Covered Payroll	UAAL as Percentage of covered Payroll
7/1/2018	\$65,605,879	\$28,386,133	\$37,219,746	43.3%	\$91,491,386 ⁽¹⁾	40.68%

The actuarial value of the assets in the RHPAP as of June 30, 2019 was equal to their market value.

Police Retiree Premium Assistance Plan. Effective September 19, 2012, the City replaced the “Berkeley Police Retirement Income Benefit Plan” with the “Retiree Health Premium Assistance Coverage Plan” for any police employees hired on or after that date, as well as any current employees who retire on or after such date. Under the newly established retiree health premium assistance plan, benefits will be the paid by the City directly to the provider who is providing retiree health coverage to the retiree or his or her surviving spouse. The maximum amount will be equal in value to the City sponsored health plan.

In order to be eligible for the Retiree Health Premium Assistance Coverage Plan a “Retiree” must meet all of the following criteria:

- I. A person who is vested in the plan, and
- II. Has reached the age of 50, and
- III. Has retired from the City at age 50 or thereafter, and
- IV. Has applied for and is receiving a pension from at the time of retirement.

The maximum amount the City will contribute toward the payment of medical insurance premiums is based on the employee’s years of service as a sworn member of the Berkeley Police

Department at time of retirement. The retiree must have at least 10 years of service as a sworn member of the Berkeley Police Department to qualify for this benefit.

<u>Years of Service</u>	<u>City Percentage</u>
10 to 14	25%
15 to 19	50
20 or more	100

Beginning September 19, 2012, each month after the employee retires the City will pay the health care service provider an appropriate percentage based on years of service above an amount equal to \$1,200 per month for two-party coverage for the retiree and a qualifying spouse/domestic partner or \$600 per month for single party coverage. Upon death of either the retiree or the retiree's spouse, the City will only pay the appropriate percentage of the single party rate to the provider on behalf of the surviving retiree or spouse/domestic partner. If there is no spouse/domestic partner at the time of retirement, the City shall only pay the single party rate. The retiree and/or surviving spouse/domestic partner will be responsible for payment of the difference between the amount the City contributes toward payment of the premium and the actual premium cost. The funds for this difference will come from the retirees retirement account and the retiree must authorize such withdrawal of funds.

Beginning July 1, 2013 and effective each July 1 thereafter, the base rates the City contributes toward payment of the premium amount described in the preceding paragraph shall be increased by either the amount Kaiser increases the retiree medical premium for that year, or 6%, whichever is less. The retiree and/or surviving spouse/domestic partner shall pay the difference between the amount the City contributes toward payment of the premium and the actual premium cost. As of July 1, 2018, there were 152 active employees, and 22 retirees, and 6 entitled to but not yet receiving benefit retirees.

For the Retiree Health Premium Assistance Coverage Plan, the City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB asset for fiscal year 2018-19 and the three preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Contributed	Net OPEB Liability
6/30/2016	5,779,291	8.0	16,449,480
6/30/2017	5,105,429	11.0	45,508,847
6/30/2018	4,929,429	6.0	41,652,588
6/30/2019	5,155,293	6.0	46,252,565

The actuarial cost method used for determining the benefit obligations is the Projected Unit Credit Cost Method. Under this method, the actuarial present value of projected benefits is the value of benefits expected to be paid for current actives and retirees and is calculated based on the assumptions and census data described in this report. The Actuarial Accrued Liability (AAL) is the actuarial present value of benefits attributed to employee service rendered prior to the valuation date. The AAL equals the present value of benefits multiplied by a fraction equal to service to date over service at expected retirement. The Normal Cost is the actuarial present value of benefits attributed to one year of service. This equals the present value of benefits divided by service at expected retirement. Since retirees are not accruing any more service, their normal cost is zero. In determining the Annual Required Contribution, the Unfunded AAL is amortized as a level percentage of payroll over 30 years.

As of June 30, 2019, the most recent actuarial valuation date, the plan was 4.2% funded. The actuarial accrued liability for benefit was \$48.7 million, and the actuarial value of assets was \$2.5 million, resulting in an unfunded accrued liability of \$46.2 million. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$18.8 million. The fair value of the assets was determined using market values as of the date of the actuarial report. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. Funded status of the plan as of June 30, 2019, the most recent actuarial valuation date is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)- Unit Credit	Unfunded Actuarial Accrued Liability- UAAL	Funded Ratio	Covered Payroll	UAAL as Percentage of covered Payroll
7/1/2018	\$2,450,155	\$48,702,720	\$46,252,565	5.0%	\$18,760,962	246.5%

Defined Contribution Plans

The City offers certain supplemental retirement and income plans to retirees. See Appendix B, Note 12.D. for information about the City’s defined contribution plans.

Labor Relations

As of January 28, 2020, the City employed approximately 1,457 full-time equivalent budgeted employees. There are six employee unions as shown below. In addition, the City employs approximately 108 unrepresented employees that include Executive Management, Confidential professional or Confidential Office support positions. The City has not experienced any work stoppages or strikes by its employees.

**CITY OF BERKELEY
Labor Relations**

<u>Labor Organization</u>	<u>Employees</u>	<u>Contract Expiration Date</u>
Berkeley Fire Fighters Association/I.A.F.F. Local 1227	128	06/27/2020
Berkeley Police Association	163	06/30/2020
I. B. E. W. Local 1245	10	06/27/2020
Service Employees International Local 1021 Maintenance and Clerical Chapters	438	06/27/2020
Service Employees International Local 1021 Community Services and Part-Time Recreation Leaders Association Chapters	446	06/27/2020
Public Employees Local 1	164	06/27/2020
Unrepresented Employees	108	06/27/2020

(1) Terms of contract remain in effect after expiration until new contract becomes effective.
Source: City of Berkeley.

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, or restriction of assets; errors or omissions; injuries to employees; earthquakes, environmental risk because of its location and or acts of God.

The City is self-insured for liability claims below \$350,000. The City is a member of the Bay Cities Joint Powers Insurance Authority (“**BCJPIA**”). The BCJPIA consists of 20 municipal or public agency members, all located within the metropolitan San Francisco Bay Area. The BCJPIA provides general liability, auto liability, and errors and omissions coverage between \$350,000 and \$1,000,000. The California Affiliated Risk Management Authority (“**CARMA**”) provides additional coverage to the BCJPIA and its member entities for claims in excess of \$1,000,000, up to \$29,000,000.

The City is self-insured for workers’ compensation. Payments are made to the Workers’ Compensation Self-Insurance Internal Service Fund by transfers from the City’s general fund and other funds of the City on a pay-as-you-go basis.

The City requires pre-employment physical examinations for high risk, high hazard employees as well as annual examination for all uniformed officers. As part of its workers’ compensation program, copies of all injured employee medical reports are monitored by a third-party agent to ensure that injured employees receive proper care.

City Debt Structure

Short-Term Debt. The City has issued Tax and Revenue Anticipation Notes (“**TRANS**”) in each recent year. The City’s TRANS are a general obligation of the City, payable from the City’s general fund and any other lawfully available moneys. The fiscal year 2019-20 TRANS have an outstanding principal amount of \$34,780,000 and mature on July 22, 2020.

General Obligation Bonds. The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are payable solely from ad valorem taxes levied by the City and collected by the County.

Debt service for the City’s outstanding general obligation bonds, following issuance of the Bonds, is shown under “DEBT SERVICE SCHEDULES – Combined General Obligation Bonds Debt Service Schedule.”

Outstanding General Fund Obligations. The City currently has outstanding long-term General Fund debt and lease obligations described below. The City has never defaulted on the payment of principal of or interest on any of its indebtedness.

Certificates of Participation. In June 2010, The Bank of New York Mellon Trust Company, N.A., executed and delivered certificates of participation on behalf of the City in the aggregate principal amount of \$5,750,000. The City’s underlying rental obligation is a general obligation payable from any available funds of the City. The certificates bear interest at rates between 4.00%-5.75%, and the final maturity date is August 1, 2040. As of January 1, 2020, the principal balance outstanding was \$4,890,000.

Lease Revenue Bonds. In October 2012, the Berkeley Joint Powers Financing Authority (the “**Authority**”) issued lease revenue bonds on behalf of the City in the aggregate principal amount of \$27,260,000 to refund the Authority’s 1999 Lease Revenue Bonds and 2003 Certificates of Participation. The City’s underlying rental obligation is a general fund obligation of the City. The bonds bear interest at rates between 3.00%-5.00%, and the final maturity date is October 1, 2031. As of January 1, 2020, the principal balance outstanding was \$19,255,000.

Employment

The unemployment rate in the Oakland-Hayward-Berkeley MD was 2.6% in October 2019, up from a revised 2.5% in September 2019, and below the year-ago estimate of 3.0%. This compares with an unadjusted unemployment rate of 3.7% for the State and 3.3% for the nation during the same period. The unemployment rate was 2.6% in the County, and 2.7% in Alameda County.

The table below list employment by industry group for Alameda and Alameda Counties for the years 2014 to 2018.

**OAKLAND- HAYWARD-BERKELEY MD
(Alameda and Alameda Counties)
Annual Averages Civilian Labor Force, Employment and Unemployment,
Employment by Industry
(March 2018 Benchmark)**

	2014	2015	2016	2017	2018
Civilian Labor Force ⁽¹⁾	1,347,700	1,364,800	1,386,100	1,399,500	1,412,800
Employment	1,267,500	1,298,500	1,325,600	1,347,200	1,369,500
Unemployment	80,300	66,300	60,500	52,300	43,200
Unemployment Rate	6.0%	4.9%	4.4%	3.7%	3.1%
<u>Wage and Salary Employment: ⁽²⁾</u>					
Agriculture	1,300	1,200	1,300	1,400	1,300
Mining and Logging	400	300	300	200	200
Construction	58,600	62,800	67,900	71,200	75,400
Manufacturing	83,300	88,100	91,000	95,500	100,400
Wholesale Trade	45,600	47,000	48,100	48,700	48,000
Retail Trade	109,200	111,800	113,400	114,400	114,700
Transportation, Warehousing, Utilities	35,100	37,500	39,200	40,500	42,100
Information	23,000	25,000	26,400	26,800	27,400
Finance and Insurance	36,000	37,400	38,800	38,700	37,200
Real Estate and Rental and Leasing	16,800	16,800	16,900	17,400	17,700
Professional and Business Services	175,100	177,500	181,200	184,700	189,500
Educational and Health Services	173,100	178,600	185,900	191,500	194,900
Leisure and Hospitality	102,100	106,600	111,700	114,900	116,600
Other Services	37,500	38,100	39,100	40,200	40,700
Federal Government	13,800	13,800	13,900	13,800	13,600
State Government	39,300	39,900	39,700	39,300	39,500
Local Government	113,400	115,600	119,800	121,500	122,100
Total, All Industries ⁽³⁾	1,063,300	1,098,000	1,134,600	1,160,600	1,181,200

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

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

(3) Totals may not add due to rounding.

Source: State of California Employment Development Department.

The following tables show the major employers in the City and the County.

**CITY OF BERKELEY
Major Employers
2019**

<u>Employer</u>	<u>Number of Employees</u>	<u>% of Total Employment</u>
University of California Berkeley	13,394	19.69%
Lawrence Berkeley National Laboratory	3,312	4.87
Sutter East Bay Media Foundation	2,242	3.30
City of Berkeley	1,568	2.31
Bayer Corporation	1,267	1.86
Berkeley Unified School District	1,225	1.80
Siemens Corporation	855	1.26
Kaiser Permanente Medical Group	831	1.22
Berkeley Bowl Produce	640	0.94
Whole Foods Market California Inc.	389	0.57

Source: City of Berkeley, Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2019.

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COUNTY OF ALAMEDA
Major Employers (Listed Alphabetically)
December 2019

Employer Name	Location	Industry
Alameda County Law Enforcement	Oakland	Government Offices-County
Alameda County Sheriff's Ofc	Oakland	Government Offices-County
Alta Bates Summit Med Ctr Alta	Berkeley	Hospitals
Alta Bates Summit Med Ctr Lab	Oakland	Laboratories-Medical
BART	Oakland	Transportation
Bayer Health Care	Berkeley	Laboratories-Pharmaceutical (mfrs)
California State Univ East Bay	Hayward	Schools-Universities & Colleges Academic
East Bay Mud	Oakland	Water & Sewage Companies-Utility
Ebmud	Oakland	Utilities
Grifols Diagnostic Solutions	Emeryville	Pharmaceutical Research Laboratories
Highland Hospital	Oakland	Hospitals
Kaiser Permanente Oakland Med	Oakland	Hospitals
Lawerence Berkeley Lab	Berkeley	Laboratories-Research & Development
Lawrence Livermore Natl Lab	Livermore	University-College Dept/Facility/Office
Lifescan Inc	Fremont	Physicians & Surgeons Equip & Supls-Mfrs
Sanfrancisco Bayarea Rapid	Oakland	Transit Lines
Tesla	Fremont	Automobile Dealers-Electric Cars
Transportation Dept-California	Oakland	Government Offices-State
UCSF Benioff Children's Hosp	Oakland	Hospitals
University of CA Berkeley	Berkeley	Schools-Universities & Colleges Academic
University of CA-BERKELEY	Berkeley	University-College Dept/Facility/Office
University-Ca-Berkeley Dept	Berkeley	University-College Dept/Facility/Office
Valley Care Health System	Livermore	Health Services
Washington Hospital Healthcare	Fremont	Hospitals
Western Digital Corp	Fremont	Computer Storage Devices (mfrs)

Source: State of California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database, 2019 1st Edition.

Effective Buying Income

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

The following table summarizes the total effective buying income for the City of Berkeley, the County of Alameda, the State and the United States for the period 2015 through 2019.

CITY OF BERKELEY AND COUNTY OF ALAMEDA Effective Buying Income As of January 1, 2015 through 2019

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2015	Berkeley	\$3,909,548	\$52,592
	Alameda County	47,744,408	60,575
	California	901,189,699	50,072
	United States	7,357,153,421	45,448
2016	Berkeley	\$4,264,478	\$56,194
	Alameda County	52,448,661	64,030
	California	981,231,666	53,589
	United States	7,757,960,399	46,738
2017	Berkeley	\$4,618,113	\$59,958
	Alameda County	56,091,066	67,631
	California	1,036,142,723	55,681
	United States	8,132,748,136	48,043
2018	Berkeley	\$5,070,468	\$66,382
	Alameda County	61,987,949	73,633
	California	1,113,648,181	59,646
	United States	8,640,770,229	50,735
2019	Berkeley	\$5,517,451	\$72,412
	Alameda County	67,609,653	79,446
	California	1,183,264,399	62,637
	United States	9,017,967,563	52,841

Source: The Nielsen Company (US), Inc for years 2015 through 2018; Claritas, LLC for 2019.

Construction Activity

Provided below are the building permits and valuations for the City of Berkeley for calendar years 2014 through 2018.

CITY OF BERKELEY					
Total Building Permit Valuations					
(Valuations in Thousands)					
	2014	2015	2016	2017	2018
<u>Permit Valuation</u>					
New Single-family	\$5,453.0	\$2,995.0	\$5,469.1	\$14,776.2	13,808.7
New Multi-family	23,757.6	53,876.1	9,835.5	47,723.2	24,506.9
Res. Alterations/Additions	<u>53,835.6</u>	<u>52,549.5</u>	<u>45,295.9</u>	<u>45,215.9</u>	<u>80,130.0</u>
Total Residential	82,946.2	109,420.6	60,600.5	107,715.3	118,445.6
New Commercial	31,152.1	20,246.9	32,109.7	24,576.3	18,732.1
New Industrial	0.0	0.0	0.0	0.0	0.0
New Other	12,156.5	7,770.1	3,315.8	3,636.5	3,236.6
Com. Alterations/Additions	<u>46,571.3</u>	<u>44,962.7</u>	<u>47,485.2</u>	<u>26,597.7</u>	<u>52,522.6</u>
Total Nonresidential	89,779.9	72,979.7	82,910.7	54,810.5	74,491.3
<u>New Dwelling Units</u>					
Single Family	15	6	20	43	63
Multiple Family	<u>249</u>	<u>459</u>	<u>69</u>	<u>402</u>	<u>129</u>
TOTAL	264	465	89	445	192

Source: Construction Industry Research Board, Building

APPENDIX B

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR YEAR ENDED JUNE 30, 2019**

APPENDIX C
FORMS OF OPINION OF BOND COUNSEL

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

\$ _____ *

CITY OF BERKELEY

2020 General Obligation Bonds
 (2018 Election Measure O: Affordable Housing)
 (Federally Taxable)

\$ _____ *

CITY OF BERKELEY

2020 Refunding General Obligation Bonds, Series A
 (2008 Election Measure FF: Neighborhood
 Branch Library Improvements Project)

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this “Disclosure Certificate”) is executed and delivered by the City of Berkeley (the “City”) in connection with the issuance of the bonds captioned above (the “Bonds”). The Bonds are being issued under the Constitution and laws of the State of California, including but not limited to, Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California, under a resolution adopted by the City Council of the City on February 25, 2020 (the “Bond Resolution”) and pursuant to and consistent with the Charter of the City.

The City hereby covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth above and in the Bond Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 2, the following capitalized terms have the following meanings:

“*Annual Report*” means any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4.

“*Annual Report Date*” means the date not later than April 1 after the end of each fiscal year of the City (currently June 30th).

“*Dissemination Agent*” means the City or any other Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation. As of the date of this Disclosure Certificate, NHA Advisors, LLC is acting as Dissemination Agent.

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

“MSRB” means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule.

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

“Participating Underwriter” means any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

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

Section 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing April 1, 2021 with the report for the 2019-20 fiscal year, provide to the MSRB in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the City) has not received a copy of the Annual Report, the Dissemination Agent shall contact the City to determine if the City is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the City’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(b). The City shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the City hereunder.

(b) If the City does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the City shall provide (or cause the Dissemination Agent to provide) to the MSRB, in an electronic format, as prescribed by the MSRB.

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

- (i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and
- (ii) if the Dissemination Agent is other than the City, file a report with the City certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

Section 4. Content of Annual Reports. The City’s Annual Report shall contain or incorporate by reference the following:

(a) The City's audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the City's audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

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

- (i) Assessed value of taxable property within the jurisdiction of the City;
- (ii) Summary of property tax rates for all taxing entities within the City expressed as a percentage of assessed valuation in the form of Table 5 of the Official Statement;
- (iii) Top ten property tax assessees for current fiscal year, taxable value and percentage of total assessed value in substantially the form of Table 6 of the Official Statement;
- (iv) If and to the extent such information is available from the County, property tax collection delinquencies for the City; and
- (v) Amount of all general obligation debt of the City outstanding, and total scheduled debt service on such general obligation debt.

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

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which are available to the public on the MSRB's internet web site or filed with the Securities and Exchange Commission. The City shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

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

- (1) Principal and interest payment delinquencies.
- (2) Non-payment related defaults.
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.

- (5) Substitution of credit or liquidity providers, or their failure to perform.
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.
- (7) Modifications to rights of security holders, if material.
- (8) Bond calls, if material, and tender offers.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities, if material.
- (11) Rating changes.
- (12) Bankruptcy, insolvency, receivership or similar event of the City or other obligated person.
- (13) The consummation of a merger, consolidation, or acquisition involving the City or an obligated person, or the sale of all or substantially all of the assets of the City or an obligated person (other than in the ordinary course of business), the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.
- (15) Incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material.
- (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

(b) Whenever the City obtains knowledge of the occurrence of a Listed Event, the City shall, or shall cause the Dissemination Agent (if not the City) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds under the Resolution.

(c) The City acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), (a)(14), and (a)(15) of this Section 5 contain the qualifier "if material" and that subparagraph (a)(6) also contains the qualifier "material" with respect to certain notices, determinations or other events affecting the tax status of the Bonds. The City shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that it determines the event's occurrence is material for purposes of U.S. federal securities law. Whenever the City obtains knowledge of the occurrence of any of these Listed Events, the City will as soon as possible determine if such event would be material under applicable federal securities law. If such event is determined to be material, the City will cause a notice to be filed as set forth in paragraph (b) above.

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

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

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

Section 7. Termination of Reporting Obligation. The City’s obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(b).

Section 8. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. Any Dissemination Agent may resign by providing 30 days’ written notice to the City.

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

- (a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;
- (b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and
- (c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Bond Resolution for amendments to the Bond Resolution with the consent of holders, or (ii) does not, in the opinion

of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

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

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the City to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be filed in the same manner as for a Listed Event under Section 5(b).

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

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

Section 12. Duties, Immunities and Liabilities of Dissemination Agent.

(a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the City hereunder, and shall not be deemed to be acting in any fiduciary capacity for the City, the Bond holders or any other party. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

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

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

To the City: City of Berkeley
2180 Milvia Street
Berkeley, California 94704
(510) 981-7000

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

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

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

Date: _____, 2020

CITY OF BERKELEY

By: _____
Director of Finance

APPENDIX E

BOOK-ENTRY ONLY SYSTEM

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

Neither the City nor the Paying Agent take any responsibility for the information contained in this Section.

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

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the securities (in this Appendix, the “Bonds”). The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC. If, however, the aggregate principal amount of any maturity exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust

companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. *The information contained on this Internet site is not incorporated herein by reference.*

3. Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive Bonds representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

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

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

8. Redemption proceeds, distributions, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from City or Paying Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Paying Agent, or City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of City or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

Jones Hall draft 01-23-20

\$ _____
CITY OF BERKELEY
2020 GENERAL OBLIGATION BONDS
(2018 ELECTION MEASURE O: AFFORDABLE HOUSING)
(FEDERALLY TAXABLE)

COSTS OF ISSUANCE CUSTODIAN AGREEMENT

This Costs of Issuance Custodian Agreement, dated _____, 2020 (this "Agreement") has been entered into by and between the City of Berkeley, a charter city and municipal corporation, as issuer (the "City"), and The Bank of New York Mellon Trust Company, N.A. (the "Custodian"). The City has appointed the Custodian to act as costs of issuance custodian for the above-captioned bonds (the "Bonds"). This Agreement sets out the terms and conditions of said appointment.

The City and the Custodian agree as follows:

1. The Custodian has established a fund for payment of costs of issuance of the Bonds in the name of the City (the "Custodial Account").
2. The Custodian has received on this date the total amount of \$_____ from _____, underwriter of the Bonds, representing proceeds of the Bonds to be deposited in the Custodial Account. The Custodian will hold funds uninvested until _____, 2020.
3. The Custodian will pay costs of issuance of the Bonds, upon written instructions from the City, as provided in Exhibit A, and the Custodian will receive a written invoice directed by the City from time to time via written instructions from funds on deposit in the Account. This Agreement constitutes the initial written instructions to the Custodian.
4. Any balances remaining in the Custodial Account on _____, 2020 shall be transferred to the City for deposit in the debt service fund established for the Bonds, pursuant to Resolution No. _____ of the City Council of the City.
5. The City shall pay the Custodian a one-time fee of \$_____ for the duties of Custodian performed hereunder, payable from the deposit set forth in Section 2.
6. This Agreement will terminate on _____, 2020, or earlier upon the exhausting of all funds in the account. Prior to termination, the Custodian will notify the City and NHA Advisors, LLC, as municipal advisor, of its intent to close the Custodial Account.
7. This Agreement shall be governed under the laws of the state of California.

The liability of the Custodian is limited to the duties as specifically set forth in this Agreement, which shall be deemed purely ministerial in character, and no implied covenants or obligations shall be read into this Agreement against the Custodian. The Custodian will not be liable for any action taken or omitted to be taken by it under this Agreement or in connection herewith except to the extent caused by the Custodian's negligence or willful misconduct. Anything in this Agreement to the contrary notwithstanding, in no event shall the Custodian be liable for special, indirect, punitive or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), even if the Custodian has been advised of the likelihood of such loss or damage and regardless of the form of action.

None of the provisions of this Agreement shall require the Custodian to expend or risk its own funds or otherwise to incur any liability, financial or otherwise, in the performance of any of its duties hereunder. The Custodian may conclusively rely and shall be fully protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, approval or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Custodian may consult with counsel and the advice or any opinion of counsel shall be full and complete authorization and protection in respect of any action taken or omitted by it hereunder in good faith and in accordance with such advice or opinion of counsel. The Custodian may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents, attorneys, custodians or nominees appointed with due care, and shall not be responsible for any willful misconduct or negligence on the part of any agent, attorney, custodian or nominee so appointed.

The Custodian shall have the right to accept and act upon instructions, including funds transfer instructions ("Instructions") given pursuant to this Agreement and delivered using Electronic Means; provided, however, that the City shall provide to the Custodian an incumbency certificate listing officers with the authority to provide such Instructions ("Authorized Officers") and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the City whenever a person is to be added or deleted from the listing. If the City elects to give the Custodian Instructions using Electronic Means and the Custodian in its discretion elects to act upon such Instructions, the Custodian's understanding of such Instructions shall be deemed controlling. The City understands and agrees that the Custodian cannot determine the identity of the actual sender of such Instructions and that the Custodian shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Custodian have been sent by such Authorized Officer. The City shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Custodian and that the City and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the City. The Custodian shall not be liable for any losses, costs or expenses arising directly or indirectly from the Custodian's reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The City agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Custodian, including without limitation the risk of the Custodian acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Custodian and that there may be more secure methods of transmitting Instructions than the method(s) selected by the City; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Custodian immediately upon learning of any compromise or unauthorized use of the security procedures.

"Electronic Means" shall mean the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Custodian, or another method or system specified by the Custodian as available for use in connection with its services hereunder.

To the extent permitted by law, the City hereby agrees to indemnify and hold harmless the Custodian and its officers, directors, agents, and employees from and against any and all costs, claims, liabilities, losses, or damages whatsoever (including reasonable costs and fees of counsel, auditors or other experts), asserted or arising out of or in connection with the acceptance or administration of this Agreement, except costs, claims, liabilities, losses, or damages resulting from the gross negligence or willful misconduct of the Custodian including the reasonable costs and expenses (including the reasonable fees and expenses of its counsel) of defending itself against any such claim or liability in connection with its exercise or performance of any of its duties hereunder and of enforcing this indemnification provision. The indemnifications set forth herein shall survive the termination of this Agreement and/or the resignation or removal of the Custodian.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their respective authorized officers thereunto duly authorized.

CITY OF BERKELEY

By: _____
Mayor

**THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A.,
as Custodian**

By: _____
Authorized Officer

EXHIBIT A

COSTS OF ISSUANCE DISBURSEMENTS

\$ _____

CITY OF BERKELEY
2020 GENERAL OBLIGATION BONDS
(2018 ELECTION MEASURE O: AFFORDABLE HOUSING)
(FEDERALLY TAXABLE)

Payee	Purpose	Amount
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* Not to exceed amount; payment to be made only upon submission of an invoice.

Jones Hall draft 01-23-20

OFFICIAL NOTICE OF SALE

\$ _____ *

CITY OF BERKELEY

(Alameda County, California)

2020 GENERAL OBLIGATION BONDS (2018 ELECTION MEASURE O: AFFORDABLE HOUSING) (FEDERALLY TAXABLE)

NOTICE IS HEREBY GIVEN by the City of Berkeley (the "City"), that bids will be received by a representative of the City for the purchase of \$ _____ * principal amount of bonds of the City designated the "City of Berkeley 2020 General Obligation Bonds (2018 Election Measure O: Affordable Housing) (Federally Taxable)" (the "Bonds"). Bids will be received in electronic form through BiDCOMP™/Parity® ("Parity") on:

TUESDAY, March 10, 2020

starting at 8:00 a.m. and ending at 8:30 a.m. Pacific Time.

The City reserves the right to postpone or change the time or sale date upon 20 hours' notice delivered via Bloomberg News Service or Thomson Municipal Market Monitor (<http://www.tm3.com>).

The Bonds will be issued under the provisions of a resolution adopted by the City Council of the City on February 25, 2020 (the "Bond Resolution"), and under the laws of the State of California. The Bonds are more particularly described in the proposed form of the Bond Resolution on file with the City (which is incorporated herein by reference) and copies thereof will be furnished to the bidder upon request.

DESCRIPTION OF THE BONDS

PURPOSE: The proceeds of the Bonds will be applied by the City for the purpose of financing the acquisition and improvement of affordable housing, in accordance with the ballot proposition under which the issuance of the Bonds has been authorized.

ISSUE; BOOK-ENTRY FORM: The Bonds will be issued in the aggregate principal amount of \$ _____ * in the form of fully registered Bonds without coupons. The Bonds will be dated as of as of their original delivery, and will be issued in minimum denominations of \$5,000. The Bonds will be issued in a book entry only system with no physical distribution of the Bonds made to the public. The Depository Trust Company, New York, New York ("DTC"), will act as depository for the Bonds which will be immobilized in its custody. The Bonds will be registered in the name of Cede & Co., as

* Preliminary, subject to change.

nominee for DTC, on behalf of the participants in the DTC system and the subsequent beneficial owners of the Bonds.

MATURITIES: The Bonds will mature, or be subject to mandatory sinking fund redemption, on September 1 in each of the years, and in the amounts, as set forth in the following table. The final principal amount of the Bonds, and the final amount of each maturity of the Bonds, is subject to increase or reduction as described below under the heading “Adjustment of Principal Maturities”. *Each bidder must specify in its bid whether, for any particular year, the Bonds will mature or, alternately, be subject to mandatory sinking fund redemption in such year.*

<u>Maturity Date</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Maturity Date</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>
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PAYMENT PROVISIONS: Interest on the Bonds will be payable on March 1, 2021, and on succeeding March 1 and September 1 (the “Interest Payment Dates”), to the registered owners by check or draft of The Bank of New York Mellon Trust Company, N.A., as paying agent (the “Paying Agent”) or, in the case of the owner of Bonds in an aggregate principal amount of at least \$1,000,000, at the written request of such owner by wire transfer. Principal of and premium (if any) on any Bond will be paid upon presentation and surrender thereof at the office of the Paying Agent. Principal, interest and premium (if any) on the Bonds are payable in lawful money of the United States of America.

OPTIONAL REDEMPTION: The Bonds maturing on or before September 1, 2029, are not subject to redemption prior to their respective stated maturities. The Bonds maturing on or after September 1, 2030, are subject to redemption prior to maturity, at the option of the City, in whole or in part among maturities on such basis as designated by the City and by lot within a maturity, from any available source of funds, on September 1, 2029, and on any date thereafter, at a redemption price equal to 100% of the principal amount of Bonds to be redeemed together with accrued interest thereon to the date fixed for redemption, without premium.

SINKING FUND REDEMPTION: *Any bidder may, at its option, specify that one or more maturities of the Bonds will consist of term Bonds which are subject to mandatory sinking fund redemption in consecutive years immediately preceding the maturity thereof, as designated in the bid of such bidder.* If the bid of the winning bidder specifies that any maturity of Bonds will be term Bonds, such term Bonds will be subject to mandatory sinking

fund redemption on September 1 in each year so designated in the bid, in the respective amounts for such years as set forth above under the heading "MATURITIES", at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest to the redemption date, without premium.

SECURITY: The Bonds are general obligations of the City, and the City will direct the appropriate officials of Alameda County to levy ad valorem taxes for the payment of the Bonds and the interest thereon without limitation as to rate or amount for the payment of the Bonds and the interest thereon.

TAX-EXEMPT STATUS: The City does not intend for the interest on the Bonds to be excluded from gross income for federal income tax purposes. In the opinion of Bond Counsel, such interest is exempt from California personal income taxes.

LEGAL OPINION: The legal opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, approving the validity of the Bonds, will be furnished to the purchaser of the Bonds without cost. A copy of the legal opinion, certified by the official in whose office the original is filed, will be printed on each Bond at the expense of the City.

FURTHER INFORMATION: A copy of the Preliminary Official Statement describing the Bonds, and any other information concerning the proposed financing, will be furnished upon request to the municipal advisor to the City as follows ("Municipal Advisor"): NHA Advisors, LLC, 4040 Civic Center Drive, Suite 200, San Rafael, California 94903, telephone: (415) 785-2025 ext. 2006 (Rob Schmidt) or Rob@NHAadvisors.com, website: www.NHAadvisors.com. The Official Notice of Sale and Preliminary Official Statement are available from the Municipal Advisor.

TERMS OF SALE

RIGHT TO CANCEL, POSTPONE OR RESCHEDULE SALE: The City reserves the right to cancel, postpone or reschedule the sale of the Bonds upon 20 hours' notice delivered via Bloomberg News Service or Thomson Municipal Market Monitor (www.tm3.com). If the sale is postponed, bids will be received at the above place at such date and hour as set forth in the notice. Failure of any bidder to receive such notice or any other form of notice of canceled, postponed or rescheduled sale will not affect the legality or validity of any sale.

SUBMISSION OF BIDS: Bids will be received electronically as described below, provided that such electronic bid must be received no later than the date and time set for receipt of bids. All bidders, by submitting a bid, acknowledge that they have an established industry reputation for underwriting new issuances of municipal bonds.

ELECTRONIC BIDS: Solely as an accommodation to bidders, the City will accept bids in electronic form solely from Ipreo, a KKR portfolio company, through its BiDCOMP Competitive Bid Calculation System and Parity Electronic Bid Submission System ("Ipreo"). For information about Ipreo, bidders may contact Ipreo at 395 Hudson Street, New York, New York 10014, telephone (212) 849-5023. If any provision of this Notice of Sale conflicts with information provided by Ipreo, this Notice of Sale shall control. Each

bidder submitting an electronic bid understands and agrees by doing so that it is solely responsible for all arrangements with Ipreo, that the City does not encourage the use of Ipreo, and that Ipreo is not acting as an agent of the City. Instructions for submitting electronic bids must be obtained from Ipreo, and the City does not assume any responsibility for ensuring or verifying bidder compliance with Ipreo procedures. Ipreo has advised the City that bidders must subscribe to Ipreo if such bidders intend to use Ipreo to submit bids. The City shall be entitled to assume that any bid received via Ipreo has been made by a duly authorized agent of the bidder.

Neither the City, the Municipal Advisor nor Bond Counsel has any responsibility for proper functioning of the Ipreo system, for any error contained in any bid submitted electronically, or for failure of any bid to be transmitted, received or opened at the official time for receipt of bids. The official time for receipt of bids will be determined by the City at the place of bid opening, and the City will not be required to accept the time kept by Parity as the official time. The City assumes no responsibility for informing any bidder prior to the deadline for receiving bids that its bid is incomplete, or not received.

FORM OF BID; MINIMUM PURCHASE PRICE: Each proposal must be for not less than all of the Bonds hereby offered for sale. The purchase price to be paid for the Bonds may not be less than the par value thereof **and must include original issue premium of at least \$600,000**. The underwriter's discount shall not exceed 1.50%.

DESIGNATION OF INTEREST RATES: Each bidder must specify the rate or rates of interest which the Bonds will bear. The maximum rate bid on any Bonds may not exceed 8.00% per annum. A bidder will be permitted to bid different rates of interest for each maturity of Bonds, but:

- each interest rate specified must be in a multiple of 1/20% or 1/8%;
- no Bond may bear more than one rate of interest;
- interest on each Bond will be computed from the date of original delivery to its stated maturity at the interest rate specified in the proposal, payable on the Interest Payment Dates as set forth above; and
- all Bonds maturing at any one time will bear the same rate of interest.

DETERMINATION OF BEST BID: The Bonds will be awarded to the responsible bidder whose bid produces the lowest true interest cost on the Bonds. The true interest cost specified in any bid will be that rate which, when used in computing the present worth of all payments of principal and interest to be paid on all Bonds from the date of original delivery (which is assumed to be March 24, 2020) to their respective maturity dates or mandatory sinking fund redemption dates, produces an amount equal to the purchase price specified in such bid. For purposes of computing the true interest cost represented by any proposal, the purchase price specified in such proposal shall be equal to the par amount of the Bonds plus any premium specified in such proposal, and the true interest cost shall be calculated by the use of a semiannual interval of compounding interest based on the Interest Payment Dates for the Bonds. **Each proposal should include at least \$600,000 of original issue premium.**

ADJUSTMENT OF PRINCIPAL MATURITIES: In order to achieve the financial goals of the City, the City may need to adjust the schedule of principal maturities for the Bonds based on the bids that are received. Therefore, the City reserves the right to increase or decrease the principal amount of any maturity of the Bonds (or, in the case of the term Bonds, the principal amount thereof which is subject to mandatory sinking fund redemption on September 1 in any year). The aggregate principal amount of the Bonds may be reduced as a result of such adjustment, in an amount not exceeding 10% of the amount of Bonds hereby offered for sale. Notice of such increase or decrease shall be given to the winning bidder as soon as practicable following the notification of award, as described below. The City will attempt to maintain total underwriter compensation when adjusting maturities. No such adjustment will have the effect of altering the basis upon which the best bid is determined.

RIGHT OF REJECTION: The City reserves the right, in its discretion, to reject any and all bids and to the extent not prohibited by law to waive any irregularity or informality in any bid.

PROMPT AWARD: An authorized representative of the City will accept the best responsible bid for the purchase of the Bonds by notice to the winning bidder. If two or more bids setting forth identical interest rates and premium, if any, are received, such officer may exercise discretion and judgment in making the award and may award the Bonds on a pro rata basis in such denominations as he or she determines. Such authorized representative of the City may also reject any and all bids and waive any irregularity or informality in any bid. Sale of the Bonds will be awarded or all bids will be rejected not later than 24 hours after the expiration of the time prescribed for the receipt of proposals unless such time of award is waived by the winning bidder; provided, that the award may be made after the expiration of the specified time if the bidder does not notify the City in writing of the withdrawal of its proposal.

PLACE OF DELIVERY; CANCELLATION FOR LATE DELIVERY: It is expected that the Bonds will be delivered to DTC for the account of the winning bidder on March 24, 2020. The winning bidder has the right, at the winning bidder's option, to cancel the contract of purchase if the Bonds are not tendered for delivery within 60 days from the date of the sale thereof, and in such event the winning bidder shall be entitled to the return of the deposit accompanying its bid.

NO GOOD FAITH DEPOSIT: The City does not require a good faith deposit to be submitted in connection with bids for the Bonds.

PAYMENT OF PURCHASE PRICE: The winning bidder will be required to pay the purchase price of the Bonds in funds that are immediately available to the City. Such payment shall be made on the date of original delivery of the Bonds to DTC.

STATEMENT OF TRUE INTEREST COST: Each bidder is requested, but not required, to state in its proposal the percentage true interest cost represented by its proposal, determined as described above, which will be considered as informative only and not binding on either the bidder or the City.

NO LITIGATION: There is no litigation pending concerning the validity of the Bonds, the corporate existence of the City or the entitlement of the officers thereof to their

respective offices, and the purchaser will be furnished a no-litigation certificate certifying to the foregoing as of and at the delivery of the Bonds.

CUSIP NUMBERS: It is anticipated that CUSIP numbers will be printed on the Bonds, but neither the failure to print such numbers on any Bonds nor any error with respect thereto will constitute cause for a failure or refusal by the purchaser to accept delivery of and pay for the Bonds in accordance with the terms hereof. All expenses in relation to the printing of CUSIP numbers on the Bonds will be paid for by the City, except that the CUSIP Service Bureau charge for the assignment of said numbers will be the responsibility of and shall be paid for by the purchaser.

CALIFORNIA DEBT AND INVESTMENT ADVISORY COMMISSION FEES: All fees payable to the California Debt and Investment Advisory Commission in connection with the issuance of the Bonds are the sole responsibility of the purchaser of the Bonds.

OFFICIAL STATEMENT: The City has approved a preliminary Official Statement relating to the Bonds. Copies of such preliminary Official Statement will be distributed to any bidder, upon request, prior to the sale in a form "deemed final" by the City for purposes of Rule 15c2-12 under the Securities Exchange Act of 1934 (the "Rule"). Within seven business days from the sale date, the City will deliver to the purchaser copies of the final Official Statement, executed by an authorized representative of the City and the City and dated the date of delivery thereof to the purchaser, in sufficient number to allow the purchaser to comply with paragraph (b)(4) of the Rule and to satisfy the Municipal Securities Rulemaking Board (the "MSRB") Rule G-32 or any other rules adopted by the MSRB, which shall include information permitted to be omitted by paragraph (b)(1) of the Rule and such other amendments or supplements as are been approved by the City (the "Final Official Statement"). The purchaser agrees that it will not confirm the sale of any Bonds unless the confirmation of sale is accompanied or preceded by the delivery of a copy of the Final Official Statement. Upon request, the City will furnish to the winning bidder, at no charge, not in excess of 20 printed copies of the Official Statement for use in connection with any resale of the Bonds.

CERTIFICATE REGARDING OFFICIAL STATEMENT: A responsible officer of the City will certify to the original purchaser of the Bonds, as a condition of closing, that based on such officer's participation in the preparation of the Official Statement, nothing has come to his or her attention to lead him or her to believe that the Official Statement (except for certain financial statements, statistical data and other information) contains any untrue statement of a material fact or omits to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

CONTINUING DISCLOSURE. In order to assist bidders in complying with S.E.C. Rule 15c2-12(b)(5), the City will execute and deliver a Continuing Disclosure Certificate, under which the City undertakes to provide certain annual financial information and notices of the occurrence of certain events, if material. A description of this undertaking is set forth in the preliminary Official Statement and will also be set forth in the final Official Statement. Such Continuing Disclosure Certificate will be a document required to be delivered at closing by the City, and the failure by the City to deliver such document in form and substance acceptable to Bond Counsel and the winning bidder will relieve the winning bidder of its obligation to purchase the Bonds.

ACKNOWLEDGEMENT OF NO FIDUCIARY DUTY. The City acknowledges and agrees that (i) the purchase and sale of the Bonds is an arm's-length commercial transaction between the City and the underwriter, (ii) in connection with such transaction, the underwriter is acting solely as a principal and not as an advisor, (including, without limitation, a Municipal Advisor (as such term is defined in Section 975(e) of the Dodd-Frank Wall Street Reform and Consumer Protection Act)), agent or a fiduciary of the City, (iii) the underwriter has not assumed (individually or collectively) a fiduciary responsibility in favor of the City with respect to the offering of the Bonds or the process leading thereto (whether or not the underwriter, or any affiliate of an underwriter, has advised or is currently advising the City on other matters) or any other obligation to the City except as described in this Notice of Sale, (iv) the underwriter has financial and other interests that differ from those of the City and (v) the City has consulted with its own legal and municipal advisors to the extent it deemed appropriate in connection with the offering of the Bonds.

GIVEN by order of the City Council of the City of Berkeley by a resolution adopted on February 25, 2020.

Jones Hall draft 01-09-20

Note: Publication governed by Gov. Code §53692:

53692. In addition to any other requirement imposed by law, at least 15 days prior to the sale of any public securities that exceed one million dollars (\$1,000,000) but do not exceed ten million dollars (\$10,000,000) at a public sale and at least five days prior to the sale of any public securities that exceed ten million dollars (\$10,000,000) at a public sale, an issuer shall publish notice of the intention to sell the securities in a financial publication generally circulated throughout the state or reasonably expected to be disseminated among prospective bidders for the securities. The notice shall include the date, time, and place of the intended sale and the amount of the securities to be sold.

NOTICE OF INTENTION TO SELL BONDS

APPROXIMATELY \$ _____

CITY OF BERKELEY

(Alameda County, California)

2020 GENERAL OBLIGATION BONDS

(2018 ELECTION MEASURE O: AFFORDABLE HOUSING)

(FEDERALLY TAXABLE)

NOTICE IS HEREBY GIVEN by the City Council of the City of Berkeley (the "City"), that bids will be received by a representative of the City for the purchase of approximately \$ _____ principal amount of bonds of the City designated the "City of Berkeley 2020 General Obligation Bonds (2018 Election Measure O: Affordable Housing) (Federally Taxable)" (the "Bonds"). Bids will be received in electronic form on BiDCOMP™/Parity® ("Parity") on:

Tuesday, March 10, 2020

starting at 8:00 a.m. and ending at 8:30 a.m. Pacific Time. The City reserves the right to postpone or change the time or sale date upon 20 hours' notice delivered via Bloomberg News Service or Thomson Municipal Market Monitor (www.tm3.com). Further information, including copies of the preliminary Official Statement and Official Notice of Sale may be obtained from the City's municipal advisor, NHA Advisors, LLC, telephone: (415) 785-2025 ext. 2006 (Rob Schmidt) or Rob@NHAadvisors.com.

GIVEN by order of the City Council of the City of Berkeley by a resolution adopted on February 25, 2020.