



Office of the City Manager

ACTION CALENDAR

October 17, 2017

To: Honorable Mayor and Members of the City Council

From: Dee Williams-Ridley, City Manager

Submitted by: Henry Oyekanmi, Director, Finance

Subject: Authorizing the Issuance of Up to \$35,000,000 in General Obligation Bonds for the Measure T1 – Infrastructure and Facilities Improvements

RECOMMENDATION

Adopt a Resolution authorizing the issuance of \$35,000,000 aggregate principal amount of general obligation bonds (Measure T1 – Infrastructure and Facilities Improvements), approving an official statement and authorizing actions related hereto.

FISCAL IMPACTS OF RECOMMENDATION

Authorization of the resolution will provide the City with approximately \$35,000,000 in proceeds for the infrastructure and facilities projects that are anticipated to begin in FY 2017/18. This bond will be the first series of the Measure T1 authorization. Debt service on the general obligation bonds will be paid from ad valorem taxes collected on all taxable property located in the City based on their assessed value.

There will be no fiscal impact to the City's general fund from the issuance of the general obligation bonds.

CURRENT SITUATION AND ITS EFFECTS

Public Works and Parks & Waterfront Departments continue to make progress on identifying projects that will be funded by this Bond series in Measure T1 (Infrastructure and Facilities Improvements).

BACKGROUND

In November 2016, the residents of Berkeley voted for and approved Ballot Measure T1, authorizing \$100,000,000 of general obligation bonds for repairs, renovation, replacement, or reconstruction of the City's aging infrastructure and facilities, including sidewalks, storm drains, parks, streets, senior and recreation centers, and other important City facilities and buildings.

The 2017 General Obligation Bonds constitute the first series of the Measure T1 authorization.

The tax rate will be \$15.70 (per \$100,000 of assessed value) in fiscal year 2017/18.

RATIONALE FOR RECOMMENDATION

The voters approved this indebtedness in November 2016. Projects will begin construction in 2017/18 and will require \$35,000,000 in bond proceeds to begin construction and award contracts for the initial projects. Additional bonds will be issued as the tax rate allows and are anticipated to be issued over the next 3-8 years depending on the growth in the City's assessed value tax base.

ALTERNATIVE ACTIONS CONSIDERED

None.

CONTACT PERSON

Henry Oyekanmi, Director, Finance Department, 510-981-7301

Attachments:

- 1: Resolution
- 2: Draft Preliminary Official Statement
- 3: Form of Notice of Intention to Sell Bonds
- 4: Form of Notice of Sale

RESOLUTION NO. ##,###-N.S.

AUTHORIZING THE ISSUANCE AND SALE OF NOT TO EXCEED \$35,000,000 PRINCIPAL AMOUNT OF GENERAL OBLIGATION BONDS TO FINANCE IMPROVEMENTS TO INFRASTRUCTURE AND FACILITIES, 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 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 a special municipal election held on November 8, 2016, voted for a proposition (the "Ballot Proposition") authorizing the issuance by the City of general obligation bonds in the aggregate principal amount of \$100,000,000 for the purpose of providing funds to finance the repair, renovation, replacement or reconstruction of existing City infrastructure and facilities; 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 \$35,000,000 (the "Bonds") under this Resolution and in conformity with the Bond Law.

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 8, 2016, 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 2017 General Obligation Bonds (2016 Election: Infrastructure and Facilities Improvements) authorized to be issued under this Resolution in the aggregate principal amount of not to exceed \$35,000,000.

"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 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 March 1, 2018, 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 October 17, 2017, 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 \$35,000,000 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 repairs, renovations, replacements and reconstruction of the City's aging infrastructure and facilities, 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 2017 General Obligation Bonds (2016 Election: Infrastructure and Facilities Improvements)."

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 \$35,000,000.

(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, 2018 and continuing to and including September 1, 2047. 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 30 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 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 *The Bond Buyer* once at least five days prior to the date fixed for receipt of bids, in accordance with Section 53692 of the Government Code of the State of California.

(c) Furnishing of Documents. The financial adviser 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 6.00% and the underwriter's discount shall not exceed 1.00% 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.

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 deposit in the Costs of Issuance Fund and the Debt Service Fund, in the respective amounts determined by a City Representative, the premium (if any) received by the City on the sale of the Bonds; and (b) 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 (a) Costs of Issuance of the Bonds to the extent not paid as set forth in Section 3.04, and (b) 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 Covenants Relating to the Bonds.* The City shall take all actions necessary to assure the exclusion of interest on the Bonds from the gross income of the Owners of the Bonds to the same extent as such interest is permitted to be excluded from gross income under the Tax Code as in effect on the Closing Date. To that end, and without limiting the generality of the foregoing covenant, the City hereby covenants with the Owners of the Bonds as follows:

- (a) Private Activity Bond Limitation. The proceeds of the Bonds may not be so used as to cause the Bonds to satisfy the private business tests of Section 141(b) of the Tax Code or the private loan financing test of Section 141(c) of the Tax Code.
- (b) Federal Guarantee Prohibition. The City may not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Tax Code.
- (c) No Arbitrage. The City may not take, or permit or suffer to be taken by the Paying Agent or otherwise, any action with respect to the Bond proceeds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date, would have caused the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Tax Code.

- (d) Rebate of Excess Investment Earnings. The City shall calculate or cause to be calculated all amounts of excess investment earnings with respect to the Bonds which are required to be rebated to the United States of America under Section 148(f) of the Tax Code, at the times and in the manner required under the Tax Code. The City shall pay or cause to be paid when due an amount equal to excess investment earnings to the United States of America in such amounts, at such times and in such manner as may be required under the Tax Code, such payments to be made from any source of legally available funds of the City. The City shall keep or cause to be kept, and retain or cause to be retained for a period of 6 years following the retirement of the Bonds, records of the determinations made under this subsection (d).
- (e) Maintenance of Tax-Exemption. The City shall take all actions necessary to assure the exclusion of interest on the Bonds from the gross income of the owners of the Bonds to the same extent as such interest is permitted to be excluded from gross income under the Tax Code as in effect on the date of issuance of the Bonds.

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) 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-1

\$

CITY OF BERKELEY
 2017 GENERAL OBLIGATION BOND
 (2016 Election: Infrastructure and Facilities Improvements)

INTEREST RATE:	MATURITY	DATED DATE:	CUSIP
	DATE:		
% per annum	September 1,	_____, 2017	[_____]

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 March 1, 2018 (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, 2018, 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 \$35,000,000 aggregate principal amount of bonds (collectively, the "2017 Bonds") issued for the purpose of raising money to finance the repair, renovation, replacement or reconstruction of existing City facilities and infrastructure, and to pay all necessary legal, financial, engineering and contingent costs in connection therewith. The 2017 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 8, 2016, upon the question of issuing bonds in the aggregate principal amount of \$100,000,000, and under a resolution of the City Council of the City adopted on October 17, 2017 (the "Bond Resolution"). The 2017 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 2017 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 2017 Bonds maturing on or before September 1, 2025, are not subject to redemption prior to their respective stated maturities. The 2017 Bonds maturing on or after September 1, 2026, 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, 2025, 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 2017 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___

Payment Date (September 1)	Payment Amount
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\$_____ Term Bond Due September 1, 20___

Payment Date (September 1)	Payment Amount
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\$ _____ Term Bond Due September 1, 20____

Payment Date (September 1)	Payment Amount
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The Paying Agent shall give notice of the redemption of the 2017 Bonds at the expense of the City. Such notice shall specify: (a) that the 2017 Bonds or a designated portion thereof are to be redeemed, (b) the numbers and CUSIP numbers of the 2017 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 2017 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 2017 Bond to be redeemed, the portion of the principal amount of such 2017 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 2017 Bonds shall be mailed by first class mail, postage prepaid, at least 30 days but not more than 60 days prior to the date fixed for redemption, to the respective Owners of any 2017 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 2017 Bonds or the cessation of accrual of interest thereon from and after the redemption date.

The City is entitled to rescind any notice of optional redemption of the 2017 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 2017 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 2017 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 2017 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 2017 Bonds has been received; that no statutory or constitutional limitation on indebtedness or taxation has been exceeded in issuing the 2017 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: _____, 2017

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.

NEW ISSUE - FULL BOOK-ENTRY

RATING:
S&P: "___"

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 Bonds is excluded from gross income for federal income tax purposes, and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, provided, however, that, for the purpose of computing the alternative minimum tax imposed on corporations, such interest is taken into account in determining certain income and earnings. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "LEGAL MATTERS – Tax Exemption."



\$35,000,000*
CITY OF BERKELEY
2017 General Obligation Bonds
(2016 Election: Infrastructure and Facilities Improvements)

Dated: Date of Delivery

Due September 1, as shown on inside front cover

Issuance. The general obligation bonds captioned above (the "Bonds") are being issued by the City of Berkeley (the "City") under provisions of the California Government Code and under a Resolution adopted by the City Council of the City (the "City Council") on October 17, 2017 (the "Bond Resolution"). The Bonds were authorized at an election of the registered voters of the City held on November 8, 2016, at which more than two-thirds of the persons voting on the proposition voted to authorize the issuance and sale of not to exceed \$100,000,000 principal amount of general obligation bonds. The Bonds are the first series of bonds to be sold and issued under this authorization. See "THE BONDS – Authority for Issuance."

Purpose. The Bonds are being issued to finance the repair, renovation, replacement, or reconstruction of existing City infrastructure and facilities, including sidewalks, storm drains, parks, streets, senior and recreation centers, and other important City facilities and buildings. See "PLAN OF FINANCE – Purpose of Issue."

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). See "SECURITY FOR 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, New York, New York ("DTC"). The Bonds are issuable as fully registered securities in denominations of \$5,000 or any integral multiple of \$5,000. Purchasers of the Bonds (the "Beneficial Owners") will not receive physical certificates representing their interest in the Bonds. See "THE BONDS" and "APPENDIX E – DTC AND THE BOOK-ENTRY ONLY SYSTEM."

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 March 1, 2018. 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, to DTC for subsequent disbursement to DTC Participants, which 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 and mandatory redemption prior to maturity. See "THE BONDS – Redemption."

The following firm, serving as municipal advisor to the City, has structured this issue.



Maturity Schedule
(See inside cover)

Cover Page. This cover page contains certain information for general reference only. It is not a summary of all the provisions of the Bonds. Prospective investors must read the entire Official Statement to obtain information essential to making an informed investment decision.

The Bonds will be offered when, as and if issued and accepted by the Underwriter, subject to the approval as to legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel to the City, and subject to certain other conditions. Jones Hall is also serving as Disclosure Counsel to the City. Certain legal matters are being passed upon for the City by the City Attorney. It is anticipated that the Bonds, in book entry form, will be available for delivery by DTC in New York, New York, on or about _____, 2017.

The date of this Official Statement is _____, 2017.

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 subscription in which such offer solicitation or sale would be unlawful prior to registration or qualification.

* Preliminary; subject to change.

**MATURITY SCHEDULE
(Base CUSIP†: 084113)**

\$ _____ Serial Bonds

<u>Maturity Date</u> (September 1)	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP†</u>
---------------------------------------	-----------------------------------	--------------------------------	--------------	--------------	---------------

C: Priced to first par optional call date of September 1, 20__.

\$ _____ % Term Bond Due September 1, 20__, Yield: _____%, Price: _____; CUSIP†: _____

\$ _____ % Term Bond Due September 1, 20__, Yield: _____%, Price: _____; CUSIP†: _____

† Copyright 2017, 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 Underwriter 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 Underwriter. 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 Underwriter 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 Underwriter.

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 Underwriter. The Underwriter (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 Underwriter 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

ELECTED OFFICIALS

Jesse Arreguin, Mayor
Linda Maio, 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
Kriss Worthington, Councilmember District 7
Lori Droste, Councilmember District 8

CITY OFFICIALS

Dee Williams-Ridley
City Manager

Henry Oyekanmi
Director of Finance

Jovan Grogan
Deputy City Manager

Farimah Brown
City Attorney

Ann-Marie Hogan
City Auditor

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 FORM OF OPINION OF BOND COUNSEL

APPENDIX D - FORM OF CONTINUING DISCLOSURE CERTIFICATE

APPENDIX E - DTC AND THE BOOK-ENTRY ONLY SYSTEM

OFFICIAL STATEMENT

\$35,000,000*
CITY OF BERKELEY
2017 General Obligation Bonds
(2016 Election: Infrastructure and Facilities Improvements)

The purpose of this Official Statement, which includes the cover page, inside cover page and attached appendices, is to set forth certain information concerning the sale and delivery of the bonds captioned above (the “Bonds”) by the City of Berkeley (the “City”). All capitalized terms used in this Official Statement, unless noted otherwise, have the meanings set forth in the Bond Resolution (as defined below).

INTRODUCTION

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

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 an estimated January 1, 2017, population of 121,238, 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 approximately 12,700 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.

See “APPENDIX A – FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE CITY OF BERKELEY AND ALAMEDA COUNTY” and “APPENDIX B – COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR YEAR ENDED JUNE 30, 2015,” for demographic and financial information regarding the City.

Authority for Issuance. The Bonds represent a sale of bonds approved by more than two-thirds of the qualified voters in the City voting at a municipal election on November 8, 2016, to approve the issuance of up to \$100,000,000 of general obligation bonds. The Bonds are the first series of bonds issued under the 2016 authorization. See “THE BONDS – Authority for Issuance.”

* Preliminary; subject to change.

The Bonds are being issued 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, and pursuant to and consistent with the Charter of the City. The City authorized the issuance of the Bonds under a Resolution adopted by the City Council of the City (the "**City Council**") on October 17, 2017 (the "**Bond Resolution**").

Purpose for Issuance. The Bonds are being issued to finance the repair, renovation, replacement, or reconstruction of existing City infrastructure and facilities, including sidewalks, storm drains, parks, streets, senior and recreation centers, and other important City facilities and buildings. See "PLAN OF FINANCE – Purpose of Issue."

Security and 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 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 with respect to certain personal property that is taxable at limited rates). See "SECURITY FOR THE BONDS."

Payment and Registration of the Bonds. The Bonds will be dated their date of original issuance and delivery (the "**Dated Date**") and will be issued as fully registered bonds, without coupons, in the denominations of \$5,000 or any integral multiple of \$5,000, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("**DTC**"), and will be available under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants as described below. Beneficial Owners will not be entitled to receive physical delivery of the Bonds. See "THE BONDS" and "APPENDIX E – DTC AND THE BOOK-ENTRY ONLY SYSTEM."

Interest on the Bonds accrues from the Dated Date and is payable semiannually on March 1 and September 1 of each year, commencing March 1, 2018. See "THE BONDS – Description of the Bonds."

Early Redemption. The Bonds are subject to optional and mandatory redemption prior to their maturity as described in "THE BONDS - Redemption."

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.

PLAN OF FINANCE

Purpose of Issue

The net proceeds of the Bonds will be used to finance the repair, renovation, replacement, or reconstruction of existing City infrastructure and facilities, including sidewalks, storm drains, parks, streets, senior and recreation centers, and other important City facilities and buildings.

Sources and Uses of Funds

The estimated sources and uses of funds with respect to the Bonds will be applied as follows:

Sources of Funds

Principal Amount of Bonds

Plus: Net Original Issue Premium

Less: Underwriter's Discount

Total Sources

Uses of Funds

Deposit to Project Fund

Deposit to Debt Service Fund

Costs of Issuance⁽¹⁾

Total Uses

(1) Includes Municipal Advisor fees, Bond Counsel and Disclosure Counsel fees, printing costs, rating agency fees and other related costs.

THE BONDS

Authority for Issuance

The Bonds are issued 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 "Act") 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 Bond Resolution.

The City received authorization at an election held on November 8, 2016, by an affirmative vote of 86.6% of the eligible voters within the City (the "Authorization") to issue \$100,000,000 of general obligation bonds. The Bonds are the first series of Bonds to be sold and issued under the Authorization.

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 Underwriter of the Bonds 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 – DTC AND THE BOOK-ENTRY ONLY SYSTEM."

Interest. Interest on the Bonds is payable semiannually on March 1 and September 1 of each year (the "Interest Payment Dates"), commencing March 1, 2018.

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 February 15, 2018, 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, 2025, are not subject to redemption prior to their respective stated maturities. The Bonds maturing on or after September 1, 2026, 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, 2025, 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:

* Preliminary; subject to change.

\$ _____ 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 30 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.

DEBT SERVICE SCHEDULES

The following table shows the debt service schedule with respect to the Bonds (assuming no optional redemptions).

<u>Year Ending</u> <u>September 1</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Debt Service</u>
2018			
2019			
2020			
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			
Total			

The following table shows the total debt service payable with respect to all outstanding general obligation bonds of the City, including the Bonds (assuming no optional redemptions).

Year Ending September 1	2009 Bonds	2010 Bonds	The 2014 Bonds	2015 Refunding Bonds	The 2016 Bonds	The 2017 Bonds	Total Debt Service
2018	\$674,875.00	\$956,006.26	\$905,750.00	\$3,956,587.50	\$763,562.50	\$	\$
2019	676,812.50	956,256.26	905,500.00	3,952,087.50	757,362.50		
2020	683,937.50	955,506.26	904,500.00	3,951,337.50	753,112.50		
2021	678,337.50	958,756.26	902,750.00	3,104,587.50	748,362.50		
2022	677,087.50	954,956.26	905,250.00	3,106,587.50	748,112.50		
2023	674,862.50	955,856.26	901,750.00	3,103,087.50	747,112.50		
2024	671,662.50	955,093.76	902,500.00	3,099,087.50	745,362.50		
2025	667,487.50	955,093.76	905,350.00	3,104,337.50	747,862.50		
2026	673,537.50	959,293.76	902,225.00	3,108,087.50	748,062.50		
2027	678,275.00	957,493.76	903,250.00	3,105,287.50	752,662.50		
2028	676,825.00	954,893.76	905,450.00	2,140,087.50	756,462.50		
2029	679,487.50	956,493.76	901,850.00	1,001,287.50	764,462.50		
2030	683,312.50	957,093.76	902,650.00	399,887.50	770,962.50		
2031	680,762.50	955,900.00	902,650.00	399,975.00	771,862.50		
2032	682,112.50	958,675.00	901,850.00	399,737.50	772,312.50		
2033	684,362.50	955,212.50	904,575.00	398,768.76	772,312.50		
2034	685,362.50	955,718.76	906,268.76	397,043.76	774,437.50		
2035	690,112.50	959,987.50	901,931.26	399,968.76	781,187.50		
2036	693,362.50	956,837.50	905,243.76	397,368.76	786,750.00		
2037	693,700.00	957,412.50	902,243.76	398,956.26	791,787.50		
2038	692,462.50	956,500.00	903,150.00	-	795,562.50		
2039	694,650.00	959,100.00	902,743.76	-	798,787.50		
2040	-	-	906,025.00	-	806,462.50		
2041	-	-	901,825.00	-	813,450.00		
2042	-	-	906,275.00	-	819,750.00		
2043	-	-	903,925.00	-	828,600.00		
2044	-	-	-	-	836,550.00		
2045	-	-	-	-	843,600.00		
2046	-	-	-	-	849,750.00		
2047	-	-	-	-	-		
Total	\$14,993,387.50	\$21,048,137.64	\$23,497,481.30	\$39,924,156.30	\$22,646,625.00		

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 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 Fund

The City will establish the Debt Service Fund for the Bonds (the "Debt Service Fund"), which will be established as a separate fund to be maintained distinct from all other funds of the City. All taxes levied by the City pursuant to the Bond Resolution for the payment of the principal of and interest and premium (if any) on the Bonds will be deposited in the Debt Service Fund by the City promptly upon receipt from the County. The Debt Service Fund is 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 will 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.

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 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 1-1/2% 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 1-1/2% 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 2007-08 to 2016-17

<u>Fiscal Year</u>	<u>Local Secured⁽¹⁾</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Total</u>	<u>Percent Change</u>
2007-08	\$11,160,531,045	\$1,324,910	\$606,785,227	\$11,768,641,182	--
2008-09	11,918,409,630	473,910	671,983,004	12,590,866,544	6.99%
2009-10	12,085,578,735	473,910	720,264,455	12,806,317,100	1.71
2010-11	12,147,575,627	555,664	677,887,524	12,826,018,815	0.15
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

(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 2016-17

	2016-17	% of	No. of	% of
<u>Non-Residential:</u>	<u>Assessed Valuation⁽¹⁾</u>	<u>Total</u>	<u>Parcels</u>	<u>Total</u>
Commercial/Office	\$2,006,879,558	12.30%	1,577	5.46%
Vacant Commercial	23,496,361	0.14	65	0.23
Industrial	953,308,074	5.84	447	1.55
Vacant Industrial	9,416,848	0.06	40	0.14
Recreational	39,126,598	0.24	15	0.05
Government/Social/Institutional	<u>17,545,586</u>	<u>0.11</u>	<u>654</u>	<u>2.27</u>
Subtotal Non-Residential	\$3,049,773,025	18.69%	2,798	9.69%
<u>Residential:</u>				
Single Family Residence	\$ 8,677,363,877	53.18%	17,339	60.07%
Condominium/Townhouse	808,748,880	4.96	2,682	9.29
Cooperative	23,973,974	0.15	113	0.39
2-4 Residential Units	1,679,870,363	10.29	4,007	13.88
5+ Residential Units/Apartments	2,004,948,985	12.29	1,421	4.92
Miscellaneous Residential	2,384,978	0.01	18	0.06
Vacant Residential	<u>70,586,811</u>	<u>0.43</u>	<u>485</u>	<u>1.68</u>
Subtotal Residential	\$13,267,877,868	81.31%	26,065	90.31%
Total	\$16,317,650,893	100.00%	28,863	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 2016-17 Assessed Valuation
of Single-Family Homes

	<u>No. of Parcels</u>	<u>2016-17 Assessed Valuation</u>	<u>Average Assessed Valuation</u>	<u>Median Assessed Valuation</u>
Single Family Residential	17,339	\$8,677,363,877	\$500,454	\$405,366

<u>2016-17 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	768	4.429%	4.429%	\$ 31,189,642	0.359%	0.359%
\$50,000 - \$99,999	1,747	10.076	14.505	132,097,585	1.522	1.882
\$100,000 - \$149,999	1,507	8.691	23.196	185,492,786	2.138	4.019
\$150,000 - \$199,999	1,015	5.854	29.050	177,005,186	2.040	6.059
\$200,000 - \$249,999	918	5.294	34.345	206,621,851	2.381	8.440
\$250,000 - \$299,999	937	5.404	39.749	257,814,474	2.971	11.412
\$300,000 - \$349,999	883	5.093	44.841	286,887,732	3.306	14.718
\$350,000 - \$399,999	823	4.747	49.588	308,065,846	3.550	18.268
\$400,000 - \$449,999	794	4.579	54.167	337,794,651	3.893	22.161
\$450,000 - \$499,999	762	4.395	58.562	361,869,368	4.170	26.331
\$500,000 - \$549,999	707	4.078	62.639	370,817,550	4.273	30.604
\$550,000 - \$599,999	711	4.101	66.740	408,632,941	4.709	35.314
\$600,000 - \$649,999	641	3.697	70.437	400,066,202	4.610	39.924
\$650,000 - \$699,999	586	3.380	73.816	394,664,378	4.548	44.472
\$700,000 - \$749,999	602	3.472	77.288	435,549,667	5.019	49.492
\$750,000 - \$799,999	540	3.114	80.403	417,801,177	4.815	54.306
\$800,000 - \$849,999	460	2.653	83.056	379,425,069	4.373	58.679
\$850,000 - \$899,999	440	2.538	85.593	384,133,873	4.427	63.106
\$900,000 - \$949,999	362	2.088	87.681	334,406,476	3.854	66.960
\$950,000 - \$999,999	289	1.667	89.348	281,340,977	3.242	70.202
\$1,000,000 and greater	1,847	10.652	100.000	2,585,686,446	29.798	100.000
Total	17,339	100.000%		\$8,677,363,877	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 2006-07 through 2015-16 are shown in the following table:

Table 4
CITY OF BERKELEY
SECURED TAX CHARGES AND DELINQUENCIES
2006-07 TO 2015-16
(Dollar amounts in thousands)

Fiscal Year	Secured Tax Charge ⁽¹⁾	Amount Delinquent June 30	% Delinquent June 30
2006-07	\$33,552,146.54	\$1,189,361.30	3.54%
2007-08	36,038,297.51	1,680,289.97	4.66
2008-09	38,438,858.24	1,757,281.78	4.57
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

(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.

In certain recent years, Proposition 8 appeals resulted in changes to assessed valuation, as shown below.

<u>Year</u>	<u>Changes in Assessed Valuation</u>
2008-09	\$(75,979,469)
2009-10	(314,664,420)
2010-11	(95,766,898)
2012-13	(164,188,930)

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 – 2016-17 Assessed Valuation: \$16,911,935,022⁽¹⁾)

	<u>Fiscal</u> <u>Year</u> <u>2012-13</u>	<u>Fiscal</u> <u>Year</u> <u>2013-14</u>	<u>Fiscal</u> <u>Year</u> <u>2014-15</u>	<u>Fiscal</u> <u>Year</u> <u>2015-16</u>	<u>Fiscal</u> <u>Year</u> <u>2016-17</u>
Countywide Rate	\$1.0000	\$1.0000	\$1.0000	\$1.0000	\$1.0000
Berkeley Unified School District Bonds	.1406	.1544	.1353	.1321	.1327
Peralta Community College District	.0434	.0419	.0412	.0337	.0256
Bay Area Rapid Transit	.0043	.0075	.0045	.0026	.0080
East Bay Municipal Utility District	.0068	.0066	.0085	.0067	.0032
East Bay Regional Park District	.0051	.0078	.0047	.0034	.0028
City of Berkeley	.0470	.0535	.0505	.0433	.0445
Total	\$1.2472	\$1.2717	\$1.2447	\$1.2218	\$1.2168

(1) Net of homeowners' exemption.
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 2016-17.

Table 6
CITY OF BERKELEY
Largest 2016-17 Local Secured Taxpayers

<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2016-17 Assessed Valuation</u>	<u>% of Total ⁽¹⁾</u>
1. Bayer Healthcare LLC	Industrial	\$ 292,944,903	1.80%
2. EQR Acton Berkeley LP	Apartments	151,278,534	0.93
3. Granite Library Gardens LP	Apartments	73,918,097	0.45
4. CVBAF ACQ LLC	Apartments	70,946,704	0.43
5. Hanumandla J. and Hanumandla R. Reddy Trust	Apartments	67,199,275	0.41
6. CPF Berkeley Varsity LLC	Apartments	50,920,000	0.31
7. Essex Berkeley 4 th Street LP	Apartments	49,127,223	0.30
8. SC Hillside Berkeley Inc.	Apartments	48,496,723	0.30
9. 1950 MLK LLC	Apartments	38,182,929	0.23
10. Ed Roberts Campus	Office Building	37,462,707	0.23
11. Fifth & Potter Street Associates LLC	Industrial	37,292,629	0.23
12. DS Gilman Village LP	Shopping Center	33,831,174	0.21
13. 7 th Street Properties II	Industrial	29,929,087	0.18
14. Archstone Southwest Berkeley LLC	Apartments	29,837,576	0.18
15. Numano Sake Company Inc.	Industrial	29,467,257	0.18
16. BVP Fulton LLC	Apartments	29,456,798	0.18
17. 2600 Tenth Street LLC	Office Building	29,035,743	0.18
18. Mach I GE Campanile LLC	Apartments	28,626,515	0.18
19. Garr Land & Resource Management, Inc.	Industrial	28,565,822	0.18
20. Raaj Berkeley Owner LLC	Hotel	28,018,538	0.17
		\$1,184,538,234	7.26%

(1) 2016-17 Local Secured Assessed Valuation: \$16,317,650,893.

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. and effective May 1, 2017. 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
(As of May 1, 2017)**

2016-17 Assessed Valuation: \$17,029,208,422

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 5/1/17</u>
Bay Area Rapid Transit District	2.636%	\$ 15,820,745
East Bay Municipal Utility District, Special District No. 1	17.475	614,246
Peralta Community College District	18.775	74,063,620
Berkeley Unified School District	99.997	250,787,476
City of Berkeley	100.000	86,465,000
City of Berkeley Community Facilities District No. 1	100.000	3,355,000
East Bay Regional Park District	4.066	5,025,169
City of Berkeley Thousand Oaks Heights AFUU Assessment District	100.000	1,130,000
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$437,261,256
 <u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
Alameda County and Coliseum Obligations	6.702%	\$ 57,446,159
Alameda County Pension Obligation Bonds	6.702	1,857,760
Alameda-Contra Costa Transit District Certificates of Participation	7.937	1,398,896
Peralta Community College District Pension Obligation Bonds	18.775	29,972,006
City of Berkeley Lease Revenue Bonds and Certificates of Participation	100.000	28,265,000 ⁽¹⁾
City of Berkeley Pension Obligations	100.000	520,000
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$119,459,821
 COMBINED TOTAL DEBT		\$556,721,077 ⁽²⁾

Ratios to 2016-17 Assessed Valuation:

Direct Debt (\$86,465,000)	0.51%
Total Direct and Overlapping Tax and Assessment Debt.....	2.57%
Combined Direct Debt (\$115,250,000)	0.68%
Combined Total Debt.....	3.27%

(1) Excludes Bonds to be sold.

(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 City for the payment thereof. See "THE BONDS" and "SECURITY FOR THE BONDS" above. 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 City to levy taxes and 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 City to levy taxes for payment of the Bonds. The tax levied 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. Because the issuance of the Bonds has been approved by the voters, the tax levy that is required to pay debt service on the Bonds is not subject to the limitations of Article XIII B.

Articles XIII C and XIII D of the State Constitution

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. The interpretation and application of Proposition 218 will ultimately be determined by the courts with respect to a

number of the matters discussed below, and it is not possible at this time to predict with certainty the outcome of such determination.

Article XIIC requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the City require a majority vote and taxes for specific purposes, even if deposited in the City's General Fund, require a two-thirds vote. The voter approval requirements of Proposition 218 reduce the flexibility of the City to raise revenues for the General Fund, and no assurance can be given that the City will be able to impose, extend or increase such taxes in the future to meet increased expenditure needs.

Article XIID 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. These provisions include, among other things, (i) a prohibition against assessments which exceed the reasonable cost of the proportional special benefit conferred on a parcel, (ii) a requirement that assessments must confer a "special benefit," as defined in Article XIID, over and above any general benefits conferred, (iii) a majority protest procedure for assessments which involves the mailing of notice and a ballot to the record owner of each affected parcel, a public hearing and the tabulation of ballots weighted according to the proportional financial obligation of the affected party, and (iv) a prohibition against fees and charges which are used for general governmental services, including police, fire or library services, where the service is available to the public at large in substantially the same manner as it is to property owners. If the City is unable to continue to collect these revenues, the services and programs funded with these revenues would have to be curtailed and/or the City's General Fund might have to be used to support them. The City is unable to predict whether or not in the future it will be able to continue all existing services and programs funded by the fees, charges and assessments in light of Proposition 218 or, if these services and programs are continued, which amounts (if any) would be used from the City's General Fund to continue to support these activities.

Article XIIC 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.

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 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, provides 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 prohibits 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 must be approved by two-thirds of both houses of the Legislature. Proposition 1A provides, however, that beginning in fiscal year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe state financial hardship, the shift is approved by two-thirds of both houses and certain other conditions are met. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also provides that if the State reduces the motor vehicle license fee rate currently in effect, 0.65 percent of vehicle value, the State must provide local governments with equal replacement revenues. Further, Proposition 1A requires the State, beginning July 1, 2005, to suspend State mandates affecting cities, counties and special districts, excepting mandates relating to employee rights, schools or community colleges, in any year that the State does not fully reimburse local governments for their costs to comply with such mandates.

Proposition 1A may result in increased and more stable City revenues. The magnitude of such increase and stability is unknown and would depend on future actions by the State. However, Proposition 1A could also result in decreased resources being available for State programs. This reduction, in turn, could affect actions taken by the State to resolve budget difficulties. Such actions could include increasing State taxes, decreasing spending on other State programs or other action, some of which could be adverse to the City.

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.

See the section entitled "CITY FINANCES – State Budget and its Impact on the City" in Appendix A for information about the State's fiscal year 2009-10 budget and a shift of local property revenues under Proposition 1A.

LEGAL MATTERS

Tax Exemption

Federal Tax Status. In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications set forth below, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes, such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, provided, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings.

The opinions set forth in the preceding sentence are subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986 (the "Tax Code") that must be satisfied subsequent to the issuance of the Bonds in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The City has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the 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 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 each 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 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 Bonds who purchase the Bonds after the initial offering of a substantial amount of such maturity. Owners of such Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering, the allowance of a deduction for any loss on a sale or other disposition, and the treatment of accrued original issue discount on such Bonds under federal individual and corporate alternative minimum taxes.

Under the Tax Code, original issue premium is amortized on an annual basis over the term of the 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 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 Bonds.

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

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.

Form of Opinion. A copy of the proposed form of opinion of Bond Counsel is attached hereto as APPENDIX C.

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 2016-17 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 the Annual Report or the notices of material events is summarized in “APPENDIX D - FORM OF CONTINUING DISCLOSURE CERTIFICATE,” attached to this Official Statement. These covenants have been made in order to assist the Underwriter (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 “APPENDIX B – The City’s Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2016.” Notes to Financial Statements, Note 6”). In order to meet its continuing disclosure obligations, the City retained NHA Advisors, LLC as dissemination agent (the “**Dissemination Agent**”). The City’s prior dissemination agent, the City and the City’s affiliated governmental entities have not, on a handful of occasions during the past five years, fully complied, in all material respects, with the City’s disclosure undertakings.

Specifically, from fiscal years 2011-12 through 2012-13:

(i) Audited financial statements and Annual Reports with respect to several series of the City’s bonds (or series of bonds of the City’s affiliated governmental entities) were not filed on a timely basis or were not filed. In several instances, the City (or its affiliated governmental entities) submitted audited financial statements and annual reports to the prior dissemination agent, but they were misfiled, not filed, or filed late to the applicable information repository.

(ii) Material event notices were not filed on a timely basis or were not filed in response to changes to the underlying bond ratings of certain of the City's obligations and changes to the credit ratings of bond insurance companies that insured its bonds.

(iii) Annual Reports with respect to several series of the City's bonds (or series of bonds of the City's affiliated governmental entities), failed to include all of the required financial and operating data.

(iv) The City failed to file on a timely basis notice that certain bonds had been defeased and redeemed.

In addition, in the first half of 2014, material event notices were not filed in connection with changes to the credit ratings of bond insurance companies that insured two series of the City's bonds.

Supplemental Annual Reports, notices of the rating changes and filings to correct all known filing errors made by the prior dissemination agent, the City and the City's affiliated governmental entities in their attempts to fully comply with the City's continuing disclosure were filed in connection with a prior bond issuance and the City is currently in compliance with its continuing disclosure undertakings.

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 engaged NHA Advisors, LLC, to review this information annually to ensure compliance with its continuing disclosure undertakings.

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. NHA Advisors, LLC, 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 Bonds. Under the terms of a competitive bid, _____ (the "Underwriter") has agreed to purchase the Bonds at a price of \$_____ (which is equal to the aggregate principal amount of the Bonds (\$_____), plus a net original issue premium of \$_____, less an Underwriter's discount of \$_____)). The Underwriter will purchase all of the 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," including the approval of certain legal matters by counsel and certain other conditions.

Offering of the Bonds. The Underwriter intends to offer the Bonds to the public at the offering prices set forth on the inside cover page of this Official Statement. The Underwriter 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 Underwriter.

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

CERTAIN INFORMATION CONCERNING THE CITY OF BERKELEY

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 121,238 as of January 1, 2017, 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 approximately 12,700 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
2013	116,355	1,567,091	38,238,492
2014	117,705	1,588,348	38,572,211
2015	119,246	1,611,318	38,915,880
2016	119,997	1,629,233	39,189,035
2017	121,238	1,645,359	39,523,612

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.

<u>Member</u>	<u>District</u>	<u>Term Expires</u>
Jesse Arreguin	Mayor	11/30/2020
Linda Maio	1	11/30/2018
Cheryl Davila	2	11/30/2020
Ben Bartlett	3	11/30/2020
Kate Harrison	4	11/30/2018
Sophie Hahn	5	11/30/2020
Susan Wengraf	6	11/30/2020
Kriss Worthington	7	11/30/2018
Lori Droste	8	11/30/2018

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 2015-16 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 2012-13	Actual 2013-14	Actual 2014-15	Actual 2015-16
ASSETS:				
Cash and investments in treasury*	\$59,334	\$67,259	\$74,532	\$82,615
Receivables (net of allowance where applicable):				
Accounts	12,666	13,472	6,310	7,072
Interest	542	608	507	534
Taxes	6,184	6,355	5,329	9,421
Due from other funds	5,328	2,415	4,465	2,920
Due from Components Units	--	--	--	--
Notes receivable	3,648	3,648	3,648	3,595
Other	553	544	477	353
Total assets	<u>88,255</u>	<u>94,301</u>	<u>96,267</u>	<u>106,512</u>
LIABILITIES:				
Accounts payable	4,771	4,974	5,500	1,768
Accrued salaries and wages	2,456	2,941	3,531	4,502
Deposits held	902	943	883	840
Deferred revenue	11,068	--	4,493	--
Other liabilities	3,146	3,805	3,578	3,706
Tax and revenue anticipation notes	25,000	24,995	24,995	24,995
Total liabilities	<u>47,342</u>	<u>37,658</u>	<u>42,980</u>	<u>35,811</u>
FUND BALANCES				
Reserved for:				
Encumbrances/Assigned to	2,002	10,954	3,831	3,686
Notes receivable/Nonspendable	3,648	3,648	3,648	3,595
Unreserved/Unassigned, report in:				
General fund	35,261	39,214	45,810	57,743
Total fund balances	<u>40,912</u>	<u>45,692</u>	<u>53,289</u>	<u>65,025</u>
Total liabilities and fund balances	<u>\$88,255</u>	<u>\$94,301</u>	<u>\$96,269</u>	<u>\$106,512</u>

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

Source: City of Berkeley, Comprehensive Annual Financial Reports for 2012-13 through 2015-16.

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

	Actual <u>2012-13</u>	Actual <u>2013-14</u>	Actual <u>2014-15</u>	Actual <u>2015-16</u>	Unaudited Actual <u>2016-17</u>	Adopted Budget <u>2017-18</u>
REVENUES:						
Taxes	\$109,027	\$115,220	\$120,869	\$133,249	\$138,849	\$131,171
Licenses and Permits	545	578	494	323	557	689
Subvention and Grants/Intergovernmental	9,605	10,122	10,686	11,208	11,509	10,869
Service Fees	8,288	8,431	9,899	9,528	9,107	8,906
Fines and Forfeitures	8,342	8,048	5,943	6,371	6,435	6,771
Rents	120	108	537	215	160	138
Franchises	1,810	1,834	1,821	1,673	1,988	1,955
Interest	1,707	3,431	2,349	1,784	2,385	2,211
Other	522	524	439	48	1,751	430
TOTAL REVENUES	<u>139,966</u>	<u>146,308</u>	<u>153,037</u>	<u>165,400</u>	<u>172,741</u>	<u>163,140</u>
EXPENDITURES:						
General Government	27,038	26,345	27,953	28,244	31,899	36,589
Public Safety	80,898	83,295	84,925	89,076	93,309	93,476
Highways and Streets	1,383	1,087	1,193	1,337	1,545	1,882
Health and Human Services	6,475	6,602	6,761	7,354	9,464	9,869
Culture-Recreation	5,156	5,260	5,452	5,848	5,756	5,689
Community Development	6,231	6,631	6,647	6,057	6,357	6,942
Economic Development	1,884	1,990	1,949	2,325	2,318	2,691
Debt Service	103	106	85	372	166	200
TOTAL EXPENDITURES	<u>129,259</u>	<u>131,315</u>	<u>134,967</u>	<u>140,512</u>	<u>150,659</u>	<u>157,338</u>
Excess Revenues Over (Under) Expenditures	10,707	16,992	18,070	24,788	22,082	5,802
Transfers In(out)/Other	(7,164)	(12,213)	(10,472)	(13,052)	(14,794)	(5,802)
Net Change in Fund Balance	3,543	40,912	7,598	11,735	7,288	-
Fund Balance, July 1	38,069	4,779	45,692	53,289	65,025	72,313
Prior Period Adjustment	(700)	--	--	--	--	--
Fund Balance, June 30*	<u>\$40,912</u>	<u>\$45,692</u>	<u>\$53,289</u>	<u>\$65,025</u>	<u>\$72,313</u>	<u>\$72,313</u>

* Totals may not add due to rounding.

Source: City of Berkeley Comprehensive Annual Financial Reports; City of Berkeley for Fiscal Year 2016-17 unaudited actual information; and City of Berkeley Fiscal Year 2018 & 2019 Adopted Budget.

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.

See "SECURITY FOR AND SOURCES OF PAYMENT OF THE NOTES – The City's Approach to Budgeting and Current Budget Status" in the body of this Official Statement.

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.

Adopted Biennial Budget. The City is currently in the first year of its adopted fiscal year 2017-18 and 2018-19 budget (the "Fiscal Year 2018 & 2019 Adopted Budget"). According to the Fiscal Year 2018 & 2019 Adopted Budget, although some General Fund revenue streams are increasing modestly, the rate of increasing expenditures is outpacing the revenue growth rate.

Contributing to the shortfall are COLAs and the new \$500,000 annual mandate for Measure X1 – Public Campaign Financing that the voters approved in November 2016. Further straining the General Fund biennial budget are the costs tied to expanded services such as the 4th ambulance, the three-year project-based Homeless Outreach and Treatment Team (HOTT) Program, and the redesigning of the City's website. In addition, there are outside forces placing additional pressure on the budget including the increase in the medical health care rates, and increases to the California Public Employee Retirement System (CalPERS) employer contribution rates imposed by the CalPERS Board. The rate of expenditure increases is outpacing the revenue growth rate resulting in a projected long-term General Fund structural deficit of \$5.0 million in fiscal year 2018 and \$5.3 million in fiscal year 2019.

Notwithstanding the budgeted shortfall, the Fiscal Year 2018 & 2019 Adopted Budget is a balanced budget due to certain balancing measures. The balancing measures consist of a combination of one-time, short-term increased revenues and reduced expenditures.

The balancing measures include increasing the Property Transfer Tax operating baseline by \$2.0 million. This would reset the baseline from \$10.5 million to \$12.5 million. Property Transfer Tax in excess of the \$12.5 million would continue to be treated as one-time revenue to be used for the City's capital infrastructure needs. As a result of the increase in the Property Transfer Tax baseline, available funding from excess Property Transfer Tax to support capital infrastructure would be reduced. The City also budgeted changes to fees tied to the Fire department that would

generate an additional \$360,000. Finally, the City plans to transfer \$700,000 from the Parking Meter Fund to the General Fund to support the costs of the Parking Enforcement Officers.

Reductions in expenditures include a \$1.3 million decrease in transfers from the General Fund to key special funds. Impacted funds will use the special fund's available fund balance to maintain operations during the two-year period. Almost \$250,000 of the net decrease in General Fund expenditures result from reallocations and reductions in debt service payments, and \$397,000 in target salary savings.

In the Fiscal Year 2018 & 2019 Adopted Budget, General Fund revenues and expenditures for fiscal year 2017-18 are budgeted at \$172.0 million, an \$8.4 million increase over the respective amounts budgeted in the adopted budget for fiscal year 2016-17.

General Fund Reserves

Establishment of General Fund Reserve. On December 13, 2016, the City Council adopted a General Fund reserve policy, establishing a General Fund reserve (the "**Reserve**"), to prepare for the impact of economic cycles and catastrophic events and assure fluctuations in revenue do not impede the City's ability to meet expenditure obligations. When revenues fail to meet the City's normal operating requirements, or the need for disbursements temporarily exceeds receipts, the Reserve, upon a majority vote of the City Council, may be used in accordance with the standards set forth herein.

The Reserve is composed of two elements, a Stability Reserve and a Catastrophic Reserve:

1) A 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.

2) A Catastrophic Reserve is maintained for the purpose of sustaining General Fund operations in the case of a public emergency, such as a natural disaster or other catastrophic event. The Catastrophic Reserve will be used to respond to extreme, onetime events, such as earthquakes, fires, floods, civil unrest, and terrorist attacks. The Catastrophic Reserve will not be accessed to meet operational shortfalls or to fund new programs or projects.

The Reserve is accounted for in the Unassigned fund balance of the City's balance sheet.

Target Reserve Levels. Fifty-five percent of the Reserve is allocated to the Stability Reserve and 45% to the Catastrophic Reserve.

The short-term goal for the Reserve was a minimum of 13.8% of 2016-17 adopted General Fund revenues; the intermediate goal for the Reserve is a minimum of 16.7% of adopted General Fund revenues by the end of fiscal year 2019-20 (the "**Intermediate Goal**"); the long-term goal for the Reserve is a minimum of 20% of the adopted General Fund revenues, to be achieved within no more than 10 years of the adopted of the General Fund Reserve Policy ("**Long-Term Goal**"). Based on a risk assessment (according to best practices), to be updated at least every five years, the City Council may consider increasing or lowering the Reserve level.

Replenishment of the General Fund Reserve. The City Manager will recommend a replenishment schedule for all monies proposed for appropriation from the Reserve. The replenishment schedule will be adopted simultaneous with the appropriation to withdraw Reserve funds or, if infeasible due to emergency circumstances, no more than three months from the date of the withdrawal appropriation. Repayment shall begin no more than five years from the date of withdrawal and be completed within 10 years from the date of withdrawal.

While staff envisions that, in most cases, repayment will start as soon as possible, the repayment guidelines are meant to reflect a commitment to maintain a sufficient Reserve, while also recognizing that a use of Reserve amounts may occur during an economic downturn and it may be necessary to postpone repayment while the economy improves.

State Budget and its Impact on the City

Fiscal Year 2017-18 State Budget. Information about the fiscal year 2017-18 State budget and other State budgets is regularly available at various State-maintained websites. 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 account for approximately 29% of the City’s general fund revenues for fiscal year 2015-16. 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 assesse. 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.

The following is a table summarizing the historical and current assessed valuation of the taxable property in the City.

**CITY OF BERKELEY
ASSESSED VALUATION
2007-08 TO 2016-17**

<u>Fiscal Year</u>	<u>Local Secured</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Total</u>	<u>Percent Change</u>
2007-08	\$11,160,531,045	\$1,324,910	\$606,785,227	\$11,768,641,182	--
2008-09	11,918,409,630	473,910	671,983,004	12,590,866,544	6.99%
2009-10	12,085,578,735	473,910	720,264,455	12,806,317,100	1.71
2010-11	12,147,575,627	555,664	677,887,524	12,826,018,815	0.15
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

Source: Alameda County Auditor-Controller.

The City does not participate in the Teeter Plan. The following table shows secured tax charges and delinquencies within the City during the past 10 years.

**CITY OF BERKELEY
SECURED TAX CHARGES AND DELINQUENCIES
2006-07 TO 2015-16
(Dollar amounts in thousands)**

Fiscal Year	Secured Tax Charge ⁽¹⁾	Amount Delinquent June 30	% Delinquent June 30
2006-07	\$33,552,146.54	\$1,189,361.30	--
2007-08	36,038,297.51	1,680,289.97	4.66%
2008-09	38,438,858.24	1,757,281.78	4.57
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

(1) 1% General Fund apportionment.
Source: California Municipal Statistics, Inc.

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

**CITY OF BERKELEY
TYPICAL TAX RATE PER \$100 ASSESSED VALUATION
(TRA 13-000 – 2016-17 Assessed Valuation: \$16,911,935,022)**

	Fiscal Year <u>2012-13</u>	Fiscal Year <u>2013-14</u>	Fiscal Year <u>2014-15</u>	Fiscal Year <u>2015-16</u>	Fiscal Year <u>2016-17</u>
Countywide Rate	\$1.0000	\$1.0000	\$1.0000	\$1.0000	\$1.0000
Berkeley Unified School District Bonds	.1406	.1544	.1353	.1321	.1327
Peralta Community College District	.0434	.0419	.0412	.0337	.0256
Bay Area Rapid Transit	.0043	.0075	.0045	.0026	.0080
East Bay Regional Park District	.0051	.0078	.0085	.0067	.0032
East Bay Municipal Utility District	.0068	.0066	.0047	.0034	.0028
City of Berkeley	<u>.0470</u>	<u>.0535</u>	<u>.0505</u>	<u>.0433</u>	<u>.0445</u>
Total	\$1.2472	\$1.2717	\$1.2447	\$1.2218	\$1.2168

Source: Alameda County Auditor-Controller.

Principal Taxpayers. The twenty largest taxpayers in the City, as shown on the 2016-17 secured tax roll, and the amounts of their assessed valuation for all taxing jurisdictions within the City, are shown below.

**CITY OF BERKELEY
LARGEST 2016-17 LOCAL SECURED TAXPAYERS**

	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2016-17 Assessed Valuation</u>	<u>% of Total ⁽¹⁾</u>
1.	Bayer Healthcare LLC	Industrial	\$ 292,944,903	1.80%
2.	EQR Acton Berkeley LP	Apartments	151,278,534	0.93
3.	Granite Library Gardens LP	Apartments	73,918,097	0.45
4.	CVBAF ACQ LLC	Apartments	70,946,704	0.43
5.	Hanumandla J. and Hanumandla R. Reddy Trust	Apartments	67,199,275	0.41
6.	CPF Berkeley Varsity LLC	Apartments	50,920,000	0.31
7.	Essex Berkeley 4 th Street LP	Apartments	49,127,223	0.30
8.	SC Hillside Berkeley Inc.	Apartments	48,496,723	0.30
9.	1950 MLK LLC	Apartments	38,182,929	0.23
10.	Ed Roberts Campus	Office Building	37,462,707	0.23
11.	Fifth & Potter Street Associates LLC	Industrial	37,292,629	0.23
12.	DS Gilman Village LP	Shopping Center	33,831,174	0.21
13.	7 th Street Properties II	Industrial	29,929,087	0.18
14.	Archstone Southwest Berkeley LLC	Apartments	29,837,576	0.18
15.	Numano Sake Company Inc.	Industrial	29,467,257	0.18
16.	BVP Fulton LLC	Apartments	29,456,798	0.18
17.	2600 Tenth Street LLC	Office Building	29,035,743	0.18
18.	Mach I GE Campanile LLC	Apartments	28,626,515	0.18
19.	Gar Land & Resource Management, Inc.	Industrial	28,565,822	0.18
20.	Raaj Berkeley Owner LLC	Hotel	28,018,538	0.17
			<u>\$1,184,538,234</u>	<u>7.26%</u>

(1) 2016-17 Local Secured Assessed Valuation: \$16,317,650,893.

Source: California Municipal Statistics, Inc.

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. The following table summarizes the City's actual audited general fund revenues and transfers from fiscal year 2012-13 through fiscal year 2015-16; unaudited actual cash basis general fund revenues and transfers for fiscal year 2016-17; and budgeted general fund revenues and transfers for fiscal year 2017-18.

CITY OF BERKELEY GENERAL FUND REVENUES AND TRANSFERS

	Actual Revenue FY 2013	Actual Revenue FY 2014	Actual Revenue FY 2015	Actual Revenue FY 2016	Revised Budget Revenue FY 2017	Adopted Budget Revenue FY 2018
Real Property	\$40,210,337	\$42,181,381	\$44,187,339	\$48,046,766	\$51,474,746	\$50,018,636
Property Transfer Tax	11,663,871	14,017,607	15,178,243	17,452,190	17,151,793	12,500,000
Unsecured Property	2,298,522	2,496,321	2,602,010	2,661,235	2,568,891	2,767,684
Sales Tax	15,708,700	16,500,324	16,708,652	15,944,001	20,105,287	18,000,000
Business License	15,386,878	15,370,377	16,102,327	18,089,403	18,766,227	19,101,191
Hotel Tax	5,562,168	6,169,161	7,038,640	7,813,366	7,810,884	8,769,633
Utility Users Tax	14,350,002	14,321,714	14,302,057	14,211,318	15,109,305	14,282,375
Soda Tax	--	--	242,986	1,712,891	1,428,237	1,721,456
Other Taxes	3,420,187	3,595,533	4,568,673	4,225,353	4,433,549	4,010,181
Vehicle In-Lieu	8,738,075	9,277,702	9,616,322	10,308,802	10,994,452	10,320,402
Parking Fines	8,484,032	6,850,399	6,932,288	6,134,784	6,171,899	6,503,322
Moving Violations	248,798	670,363	673,244	252,752	232,523	239,770
Interest	3,320,372	2,465,334	2,650,102	2,465,654	2,385,492	2,211,000
Service Fees	8,170,473	8,463,613	9,556,323	9,439,102	9,106,521	8,906,069
Other Revenues	<u>8,049,574</u>	<u>8,305,584</u>	<u>9,415,033</u>	<u>11,088,380</u>	<u>10,770,133</u>	<u>8,342,312</u>
SUB-TOTAL	\$145,611,989	\$150,885,413	\$159,774,239	\$169,845,995	\$178,509,939	\$167,694,031
Transfer In	<u>4,553,891</u>	<u>4,530,730</u>	<u>4,466,841</u>	<u>4,515,975</u>	<u>4,562,675</u>	<u>5,197,771</u>
TOTAL	<u>\$150,165,880</u>	<u>\$155,216,143</u>	<u>\$164,241,080</u>	<u>\$174,361,970</u>	<u>\$183,072,614</u>	<u>\$172,891,802</u>

Source: City of Berkeley for Fiscal Year 2017 unaudited actual information; City of Berkeley Fiscal Year 2018 & 2019 Adopted Budget; City of Berkeley Budget Office. Revenues were recorded using the budget basis of accounting (i.e., Cash).

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 State Board of Equalization. Under its procedures, the State Board of Equalization projects receipts of the sales and use tax on a quarterly basis and remits an advance of the receipts of the sales and use tax to the City on a monthly basis. The amount of each monthly advance is based upon the State Board of Equalization's quarterly projection. During the last month of each quarter, the State Board of Equalization adjusts the amount remitted to reflect the actual receipts of the sales and use tax for the previous quarter. The Board of Equalization 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 during calendar year 2015 in the City were reported to be \$1.604 billion, a 3.7% increase over the total taxable sales of \$1.547 billion reported during calendar year 2014. Annual figures are not yet available for 2016.

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

	2011	2012	2013	2014	2015
Retail and Food Services:					
Apparel Stores	\$58,189	\$58,945	\$58,294	\$59,369	\$57,048
Gen. Merchandise Stores	9,796	10,984	11,876	12,292	15,165
Food Stores	99,355	102,640	113,764	123,572	133,916
Eating and Drinking Places	247,864	274,112	286,626	323,125	347,926
Home Furnishings and Appliances	60,559	63,544	68,097	74,682	74,514
Bldg. Materials, Farm Implements	79,168	83,947	90,090	90,104	98,958
Auto Dealers, Auto Supplies	111,874	129,075	124,818	126,527	125,716
Gas/Service Stations	96,585	104,802	99,403	94,630	83,285
Other Retail Stores	<u>252,917</u>	<u>241,548</u>	<u>240,873</u>	<u>248,626</u>	<u>255,133</u>
Total Retail and Food Services	1,016,307	1,069,598	1,093,841	1,152,938	1,191,661
All Other Outlets	<u>306,720</u>	<u>353,778</u>	<u>365,931</u>	<u>394,169</u>	<u>413,156</u>
TOTAL ALL OUTLETS	<u>\$1,323,027</u>	<u>\$1,423,376</u>	<u>\$1,459,772</u>	<u>\$1,547,107</u>	<u>\$1,604,817</u>

Source: State Board of Equalization.

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. In fiscal year 2015-16, revenues from sales and use taxes increased by 5.7% from fiscal year 2014-15.

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. Telecommunications and cable generated approximately 24% of this revenue in fiscal year 2015-16, with revenue from gas and electricity usage generating approximately 76%. Electricity and gas rates are expected to be higher, but reductions in usage should partially offset the effect of the rate increases. In fiscal year 2015-16, revenues from utility users taxes decreased by 0.63% from fiscal year 2014-15.

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 \$25.00 per \$1,000 gross receipts for cannabis clubs 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. In fiscal year 2015-16, revenues from the business license tax increased by 12.34% from fiscal year 2014-15.

Property Transfer Tax. The City collects a 1.5% tax on the value of any documented sale or transfer of real property within the City. 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. In fiscal year 2015-16, revenues from property transfer taxes increased by 14.98% from fiscal year 2014-15.

It is 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; however, in the Fiscal Year 2018 & 2019 Adopted Budget, the City has temporarily increased such \$10.5 million threshold to \$12.5 million. See "– General Fund Budget – Adopted Biennial Budget."

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. In fiscal year 2015-16, revenues from parking fines decreased by 1.83% from fiscal year 2014-15.

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.

In fiscal year 2015-16, the VLF revenues increased by 7.20% from fiscal year 2014-15.

Soda Tax. In 2015, the voters approved a one-cent per ounce excise tax on sugar-sweetened beverages. In fiscal year 2015-16 revenues from the soda tax were approximately \$1.8 million.

Other Revenues. The City also collects additional general fund revenues from franchise fees, transient occupancy taxes, ambulance fees, 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 Appendix B, Note III(C).

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 rate for fiscal year 2015-16 was 24.0%, 36.6%, and 48.6% of annual covered payroll for Miscellaneous Plan, Safety Fire Plan and Safety Police Plan employees, respectively; for fiscal year 2016-17, the rates are 25.9%, 38.8% and 52.1%, respectively; for fiscal year 2017-18, the rates are 27.90%, 39.90%, and 56.60%, 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 Appendix B, Note III(C) for detailed information about the actuarial assumptions underlying the contributions.

The City's fiscal year 2015-16 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%
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%
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%

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 the next three years according to the following schedule.

<u>Fiscal Year</u>	<u>Discount Rate</u>
2017-18	7.375%
2018-19	7.250
2019-20	7.000

For public agencies like the City, the new discount rate would take 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 percent to 3 percent of normal cost as a percent of payroll for most miscellaneous retirement plans, and a 2 percent to 5 percent increase for most safety plans. Additionally, many PERS employers will see a 30 to 40 percent 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:

	2016-17	2017-18	2018-19	2019-20	2020-21
	Budgeted⁽¹⁾	Projected⁽¹⁾	Projected	Projected	Projected
Miscellaneous ⁽²⁾	\$31.08	\$32.33	\$31.80	\$34.71	\$37.82
Police	12.17	13.22	14.35	15.41	16.28
Fire	<u>6.08</u>	<u>6.67</u>	<u>7.44</u>	<u>8.13</u>	<u>8.63</u>
Total	\$49.33	\$52.23	\$53.59	\$58.25	\$62.73

- (1) Fiscal year 2016-17 and 2017-18 are based on CalPERS' actual rates. Fiscal year 2018-19 through 2020-21 are based on the actuary's projections. Rates used reflect current MOU agreements.
- (2) 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. Up 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 2015-16 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	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
Berkeley Police Retirement Income Benefit Plan							
6/30/2016	\$76,422,898	\$6,552,208	\$1,943,978	\$69,870,690	8.57%	\$19,428,123	10.006%

For a more detailed discussion of the BPRIP, see Appendix B, Note IV(1).

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 fiscal year ending June 30, 2016 was \$711,068.

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, 2016, the City's contribution to SMPF was \$1,104,309.

The funded status of the SMPF as of June 30, 2016, the most recent actuarial date, is set forth below:

Actuarial Valuation Date	Actuarial Asset Value	Actuarial Accrued Liability-Entry Age	Unfunded Actuarial Accrued Liability-UAAL	Funded Ratio	Covered Payroll	UAAL as Percentage of covered Payroll
Berkeley Safety Members Pension Fund						
6/30/2016	\$662,934	\$3,764,006	\$3,101,072	17.61%	N/A	N/A

For a more detailed discussion of the SMPF, see Appendix B, Note IV(2).

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 ("FRFH"), (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 IV 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, 2016, there were 125 active employees, 35 retirees deferred and 62 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 2015-16 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Contributed	Net OPEB Asset
6/30/2014	\$829,699	96%	\$(4,948)
6/30/2015	864,975	100	(2,383)
6/30/2016	853,748	98	12,362

The funded status of the FRFH as of July 1, 2016, 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 Accrued Liability-UAAL	Funded Ratio	Covered Payroll	UAAL as Percentage of covered Payroll
Berkeley Fire Employees Retiree Health Plan (FRHF) 7/1/2016	\$9,409,766	\$25,274,305	\$15,864,539	37.2%	\$14,714,000	107.8%

The actuarial value of the assets in the FRFH as of July 1, 2016 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 July 1, 2016, there were 1,021 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 2015-16 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Contributed	Net OPEB Obligation
6/30/2014	\$3,574,421	51.0%	\$5,126,082
6/30/2015	3,785,359	41.0	7,367,230
6/30/2016	3,492,010	52.0	9,050,063

The funded status of the RHPAP as of July 1, 2016, 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
Berkeley Miscellaneous Employees Retiree Health Plan (RHPAP)						
7/1/2016	\$55,629,654	\$21,019,439	\$34,610,215	37.8%	\$90,188,000	38.4%

The actuarial value of the assets in the RHPAP as of July 1, 2016 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 a "Retiree" must meet all of the following criteria:

- (a) A person who is vested in, and
- (b) Has reached the age of 50, and
- (c) Has retired from the City at age 50 or thereafter, and
- (d) 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%	Either the single party or two-party amount
15 to 19	50	Either the single party or two-party amount
20 or more	100	Either the single party or two-party amount

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, 2015, there were 165 active employees and 5 retirees.

The following shows the calculation of the Annual Required Contribution for FY 2015-16:

	<u>Amount</u>
Normal Cost at Year End	\$3,489,250
Amortization of UAAL	2,474,831
Annual Required Contribution (ARC)	<u>\$5,964,081</u>

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 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 July 1, 2016, the most recent actuarial valuation date, the plan was 3.2% funded. The actuarial accrued liability for benefit was \$41.0 million, and the actuarial value of assets was \$1.3 million, resulting in an unfunded accrued liability of \$39.7 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 stats of the plan as of July 1, 2016, 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
Berkeley Police Employees Retiree Premium Assistance Plan						
7/1/2016	\$1,312,820	\$41,027,517	\$39,714,697	3.20%	\$20,610,000	192.70%

Defined Contribution Plans

The City offers certain supplemental retirement and income plans to retirees. See Appendix B, Note IV(C) for information about the City's defined contribution plans.

Labor Relations

As of May 1, 2017, the City employed approximately 1,299 full-time equivalent budgeted employees. There are seven employee unions as shown below. In addition, the City employs approximately 118 unrepresented 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	6	June 17, 2017 ⁽¹⁾
Berkeley Police Association	123	June 30, 2017 ⁽¹⁾
I. B. E. W. Local 1245	159	June 17, 2017 ⁽¹⁾
Service Employees International Local 1021 Maintenance and Clerical Chapters	12	June 16, 2018
Service Employees International Local 1021 Community Services and Part-Time Recreation Leaders Association Chapters	421	October 20, 2018
Public Employees Local 1	309	October 29, 2018
Unrepresented Employees	151	None

(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; 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 2017-18 TRANS have an outstanding principal amount of \$25,550,000 and mature on July 19, 2018.

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 October 2, 2017, the principal balance outstanding was \$5,125,000.

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 October 2, 2017, the principal balance outstanding was \$21,820,000.

Pension Obligation Bonds. In May 1998, the City issued pension obligation refunding bonds in the aggregate principal amount of \$12,415,000 to refund the City's certificates of participation issued in February 1989. The certificates were sold to satisfy a portion of the City's obligations under an ordinance adopted to provide payments to the Safety Members Pension Fund. The bonds bear an interest rate of 5.00% and the final maturity date is June 1, 2018. As of October 2, 2017, the principal balance outstanding was \$250,000. The obligation to repay the bonds is a general fund obligation of the City.

Statement of Direct and Overlapping Debt

The ability of land owners within the City to pay property tax installments as they come due could be affected by the existence of other taxes and assessments imposed upon the land.

The statement of direct and overlapping debt (the "Debt Report") set forth below was prepared by California Municipal Statistics, Inc. as of May 1, 2017. The Debt Report includes only such information as has been reported to California Municipal Statistics, Inc. by the issuers of the debt described therein and by others. The Debt Report is included for general information purposes only. The City takes no responsibility for its completeness or accuracy.

Direct and Overlapping Bonded Debt (As of May 1, 2017)

2016-17 Assessed Valuation: \$17,029,208,422

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 5/1/17</u>
Bay Area Rapid Transit District	2.636%	\$ 15,820,745
East Bay Municipal Utility District, Special District No. 1	17.475	614,246
Peralta Community College District	18.775	74,063,620
Berkeley Unified School District	99.997	250,787,476
City of Berkeley	100.000	86,465,000
City of Berkeley Community Facilities District No. 1	100.000	3,355,000
East Bay Regional Park District	4.066	5,025,169
City of Berkeley Thousand Oaks Heights AFUU Assessment District	100.000	1,130,000
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$437,261,256
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
Alameda County and Coliseum Obligations	6.702%	\$ 57,446,159
Alameda County Pension Obligation Bonds	6.702	1,857,760
Alameda-Contra Costa Transit District Certificates of Participation	7.937	1,398,896
Peralta Community College District Pension Obligation Bonds	18.775	29,972,006
City of Berkeley Lease Revenue Bonds and Certificates of Participation	100.000	28,265,000 ⁽¹⁾
City of Berkeley Pension Obligations	100.000	520,000
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$119,459,821
COMBINED TOTAL DEBT		\$556,721,077 ⁽²⁾

Ratios to 2016-17 Assessed Valuation:

Direct Debt (\$86,465,000)	0.51%
Total Direct and Overlapping Tax and Assessment Debt ..	2.57%
Combined Direct Debt (\$115,250,000)	0.68%
Combined Total Debt	3.27%

(1) Excludes issue to be sold.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.
Source: California Municipal Statistics, Inc.

Employment

The unemployment rate in the Oakland-Hayward-Berkeley MD was 4.4 percent in July 2017, up from a revised 4.0 percent in June 2017, and below the year-ago estimate of 4.7 percent. This compares with an unadjusted unemployment rate of 5.4 percent for California and 4.6 percent for the nation during the same period. The unemployment rate was 4.3 percent in the County and 4.5 percent in Contra Costa County.

The table below list employment by industry group for Alameda and Contra Costa Counties for the years 2012 to 2016.

**OAKLAND- HAYWARD-BERKELEY MD
(Alameda and Contra Costa Counties)
Annual Averages Civilian Labor Force, Employment and Unemployment,
Employment by Industry
(March 2016 Benchmark)**

	2012	2013	2014	2015	2016
Civilian Labor Force ⁽¹⁾	1,336,300	1,344,100	1,355,600	1,374,800	1,394,400
Employment	1,218,700	1,245,500	1,275,000	1,308,100	1,334,200
Unemployment	117,500	98,600	80,600	66,700	60,200
Unemployment Rate	8.8%	7.3%	5.9%	4.8%	4.3%
<u>Wage and Salary Employment:</u> ⁽²⁾					
Agriculture	1,500	1,400	1,300	1,200	1,300
Mining and Logging	900	900	800	900	900
Construction	52,000	56,400	58,600	62,400	67,500
Manufacturing	79,900	80,100	82,800	86,600	89,900
Wholesale Trade	43,700	45,200	46,200	47,600	49,000
Retail Trade	104,100	107,700	109,900	113,000	115,000
Transportation, Warehousing, Utilities	32,900	33,500	35,600	38,300	38,700
Information	22,100	21,500	21,300	22,400	26,400
Finance and Insurance	33,400	33,500	32,600	32,800	40,300
Real Estate and Rental and Leasing	15,400	16,200	16,800	16,800	17,000
Professional and Business Services	166,500	173,400	178,800	183,000	180,800
Educational and Health Services	164,700	170,500	173,100	178,400	184,900
Leisure and Hospitality	91,800	97,200	102,100	106,300	111,400
Other Services	36,400	37,000	37,500	38,000	39,200
Federal Government	14,200	13,800	13,800	13,800	13,900
State Government	38,500	38,900	39,300	39,800	39,800
Local Government	110,100	110,600	113,400	115,200	120,200
Total, All Industries ⁽³⁾	1,008,000	1,037,500	1,063,600	1,096,300	1,136,100

(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
2016

<u>Employer</u>	<u>Number of Employees</u>	<u>% of Total Employment</u>
University of California Berkeley	14,983	22.30%
Lawrence Berkeley National Laboratory	3,363	5.01
Sutter East Bay Hospitals	2,117	3.15
Berkeley Unified School District	1,682	2.50
Bayer Corporation	1,462	2.18
City of Berkeley	1,353	2.01
Siemens Corporation	765	1.14
Kaiser Permanente Medical Group	629	0.94
Berkeley Bowl Produce	597	0.89
FHR Claremont Hotel Management Comp	514	0.77

Source: *City of Berkeley, Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2016.*

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**COUNTY OF ALAMEDA
Major Employers (Listed Alphabetically)
2017**

Employer Name	Location	Industry
Alameda County Law Enforcement	Oakland	Government Offices-County
Alameda County Sheriff's Ofc	Oakland	Government Offices-County
Alameda Health System	San Leandro	Health Care Management
Alta Bates Summit Medical Ctr	Berkeley	Hospitals
Alta Bates Summit Medical Ctr	Oakland	Hospitals
Bayer Health Care	Berkeley	Laboratories-Pharmaceutical (mfrs)
California State-East Bay	Hayward	Schools-Universities & Colleges Academic
Children's Hosp & Research Ctr	Oakland	Hospitals
Coopervision Inc Advanced	Pleasanton	Optical Goods-Wholesale
Dell EMC	Pleasanton	Computer Software
East Bay Water	Oakland	Transit Lines
Highland Hospital	Oakland	Hospitals
Kaiser Oakland	Oakland	Health Services
Life Scan Inc	Fremont	Physicians & Surgeons Equip & Supls-Mfrs
Merritt Pavilion Lab	Oakland	Laboratories-Medical
Oakland Police Patrol Div	Oakland	Police Departments
Residential Stdents Svc Program	Berkeley	Schools-Universities & Colleges Academic
Safeway Inc	Pleasanton	Grocers-Retail
Tesla Motors	Fremont	Automobile Dealers-Electric Cars
Transportation Dept-California	Oakland	Government Offices-State
University of Ca-Berkeley	Berkeley	Schools-Universities & Colleges Academic
University of CA-BERKELEY	Berkeley	Schools-Universities & Colleges Academic
Valley Care Health System	Livermore	Health Services
Washington Hosp Healthcare Sys	Fremont	Hospitals
Western Digital Corp	Fremont	Electronic Equipment & Supplies-Mfrs

Source: State of California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database, 2017 2nd 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 2012 through 2016.

**CITY OF BERKELEY AND COUNTY OF ALAMEDA
Effective Buying Income
As of January 1, 2012 through 2016**

<u>Total Effective</u>	<u>Median Household</u>
------------------------	-------------------------

Year	Area	Buying Income (000's Omitted)	Effective Buying Income
2012	Berkeley	\$3,581,245	\$46,898
	Alameda County	43,677,855	55,396
	California	864,088,828	47,307
	United States	6,737,867,730	41,358
2013	Berkeley	\$3,513,983	\$48,301
	Alameda County	43,770,518	57,467
	California	858,676,636	48,340
	United States	6,982,757,379	43,715
2014	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
2015	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
2016	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

Source: The Nielsen Company (US), Inc.

Construction Activity

Provided below are the building permits and valuations for the City of Berkeley for calendar years 2011 through 2015. Annual figures are not yet available for calendar year 2016.

CITY OF BERKELEY Total Building Permit Valuations (Valuations in Thousands)

Permit Valuation	2011	2012	2013	2014	2015
New Single-family	\$1,150.3	\$1,382.3	\$3,462.0	\$5,453.0	\$2,995.0
New Multi-family	4,500.0	12,100.0	6,261.7	23,757.6	53,876.1
Res. Alterations/Additions	<u>33,936.8</u>	<u>35,020.5</u>	<u>37,857.3</u>	<u>53,835.6</u>	<u>52,549.5</u>
Total Residential	39,587.1	48,502.8	47,581.0	82,946.2	109,420.6
New Commercial	693.5	7,744.6	8,689.9	31,152.1	20,246.9
New Industrial	0.0	110.0	0.0	0.0	0.0
New Other	65.0	0.0	1823.6	12,156.5	7,770.1
Com. Alterations/Additions	<u>43,056.9</u>	<u>30,095.7</u>	<u>37,688.6</u>	<u>46,571.3</u>	<u>44,962.7</u>
Total Nonresidential	43,815.4	37,950.3	48,202.1	89,779.9	72,979.7
 <u>New Dwelling Units</u>					
Single Family	4	4	15	15	6
Multiple Family	<u>38</u>	<u>94</u>	<u>45</u>	<u>249</u>	<u>459</u>
TOTAL	42	98	60	264	465

Source: Construction Industry Research Board, Building Permit Summary.

APPENDIX B

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR YEAR ENDED
JUNE 30, 2016

APPENDIX C

PROPOSED FORM OF OPINION OF BOND COUNSEL

_____, 2017

City Council
City of Berkeley
2180 Milvia Street
Berkeley, California 94704

OPINION: \$ _____ City of Berkeley
2017 General Obligation Bonds
(2016 Election: Infrastructure and Facilities Improvements)

Members of the City Council:

We have acted as bond counsel in connection with the issuance by the City of Berkeley (the "City") of its City of Berkeley 2017 General Obligation Bonds (2016 Election: Infrastructure and Facilities Improvements) issued in the aggregate principal amount of \$ _____ (the "Bonds"). The Bonds have been issued by the City under the Constitution of the State of California, Chapter 7.64 of the Berkeley Municipal Code 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 (commencing with Section 53506) of the Government Code of the State of California, and Resolution No. _____ of the City Council of the City of Berkeley, adopted on October 17, 2017 (the "Resolution"). We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the City contained in the Resolution and in the certified proceedings and certifications of public officials and others furnished to us, without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The City is duly organized and validly existing as a charter city and municipal corporation under the Constitution and laws of the State of California, with the power to adopt the Resolution, perform the agreements on its part contained therein and issue the Bonds.
2. The Bonds are valid and binding general obligations of the City.
3. The City has the power, is obligated and in the Resolution has covenanted to levy ad valorem taxes upon all property within the City which is subject to taxation by the City, without limitation of rate or amount, for the payment of the Bonds and the interest thereon.

4. Interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings. The opinion set forth in the preceding sentence is subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986 which must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The City has covenanted in the Resolution and in other instruments relating to the Bonds to comply with each of such requirements; and the City has full legal authority to make and comply with such covenants. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

5. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

The rights of the owners of the Bonds and the enforceability of the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and may also be subject to the exercise of judicial discretion in appropriate cases.

Respectfully submitted,

A Professional Law Corporation

APPENDIX D

FORM OF 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 _____, 2017 (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, the City 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, 2018 with the report for the 2016-17 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, a notice in substantially the form attached as Exhibit A.

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

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

Section 4. 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.

(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), and (a)(14) of this Section 3 contain the qualifier "if material." 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 the City determines the event's occurrence is material for purposes of U.S. federal securities law.

(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.

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: _____, 2017

CITY OF BERKELEY

By: _____
Director of Finance

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Berkeley (the "City")

Name of Bond Issue: City of Berkeley 2017 General Obligation Bonds
(2016 Election: Infrastructure and Facilities Improvements)

Date of Issuance: _____, 2017

NOTICE IS HEREBY GIVEN that the City has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate, dated _____, 2017. The City anticipates that the Annual Report will be filed by _____.

Date: [DISSEMINATION AGENT]

By: _____
Name:
Title:

APPENDIX E

DTC AND THE BOOK-ENTRY ONLY SYSTEM

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

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

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

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

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

companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

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

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

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

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

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

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

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

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 \$35,000,000

CITY OF BERKELEY
(Alameda County, California)

2017 GENERAL OBLIGATION BONDS
(2016 ELECTION: INFRASTRUCTURE AND FACILITIES IMPROVEMENTS)

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 \$35,000,000 principal amount of bonds of the City designated the "City of Berkeley 2017 General Obligation Bonds (2016 Election: Infrastructure and Facilities Improvements)" (the "Bonds"). Bids will be received in electronic form on BiDCOMP™/Parity® ("Parity") on:

Wednesday, November 1, 2017

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 October 17, 2017.

OFFICIAL NOTICE OF SALE

\$35,000,000*

CITY OF BERKELEY
(Alameda County, California)

2017 GENERAL OBLIGATION BONDS (2016 ELECTION: INFRASTRUCTURE AND FACILITIES IMPROVEMENTS)

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 \$35,000,000* principal amount of bonds of the City designated the "City of Berkeley 2017 General Obligation Bonds (2016 Election: Infrastructure and Facilities Improvements)" (the "Bonds"). Bids will be received in electronic form through BiDCOMP™/Parity® ("Parity") on:

WEDNESDAY, November 1, 2017

starting at 8:30 a.m. and ending at 9:00 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 October 17, 2017 (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 repair, renovation, replacement or reconstruction of existing City infrastructure and facilities, 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 \$35,000,000* in the form of fully registered Bonds without coupons. The Bonds will be dated 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 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>Amount¹</u>	<u>Maturity Date</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>
2018		2033	
2019		2034	
2020		2035	
2021		2036	
2022		2037	
2023		2038	
2024		2039	
2025		2040	
2026		2041	
2027		2042	
2028		2043	
2029		2044	
2030		2045	
2031		2046	
2032		2047	

PAYMENT PROVISIONS: Interest on the Bonds will be payable on March 1, 2018, 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, 2025, are not subject to redemption prior to their respective stated maturities. The Bonds maturing on or after September 1, 2026, 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, 2025, 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

¹ Note to Draft: Principal amounts to be added.

and the interest thereon without limitation as to rate or amount for the payment of the Bonds and the interest thereon.

TAX-EXEMPT STATUS: In the opinion of Jones Hall, A Professional Law Corporation, bond counsel to the City ("Bond Counsel"), interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal individual and corporate alternative minimum taxes, although it is included in certain income and earnings in computing the alternative minimum tax imposed on certain corporations. Bidders are referred to the Preliminary Official Statement for a description of the proposed opinion of Bond Counsel. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. If prior to the delivery of the Bonds either (a) the interest on other obligations of the same type and character shall be declared to be taxable (either at the time of such declaration or at any future date) under any federal income tax laws, either by the terms of such laws or by ruling of a federal income tax authority or official which is followed by the Internal Revenue Service, or by decision of any federal court, or (b) any federal income tax law is adopted which will have a substantial adverse effect upon owners of the Bonds as such, the winning bidder for the Bonds may, at its option, prior to the tender of the Bonds, be relieved of its obligation under the contract to purchase the Bonds, and in such case the deposit accompanying its proposal will be returned.

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, Inc., 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 \$190,000**. No bid will be entertained which provides for original issue premium of less than \$190,000.

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 6.00% 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 November 15, 2017) 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 \$190,000 of 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 November 15, 2017. 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.

ESTABLISHMENT OF ISSUE PRICE AND 10% TEST TO APPLY IF COMPETITIVE SALE REQUIREMENTS NOT SATISFIED:

(a) The winning bidder shall assist the City in establishing the issue price of the Bonds and shall execute and deliver to the City at Closing an "issue price" or similar certificate setting forth the reasonably expected initial offering price to the public or the sales price or prices of the Bonds, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit A, with such modifications as may be appropriate or necessary, in the reasonable judgment of the winning bidder, the City and Bond Counsel. If the competitive sale requirements are not satisfied, the winning bidder shall execute and deliver to the City at Closing an "issue price" or similar certificate, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit B, with such modifications as may be appropriate or necessary, in the reasonable judgment of the winning bidder, the City and Bond Counsel. All actions to be taken by the City under this Official Notice of Sale to establish the issue price of the Bonds may be taken on behalf of the City by the Municipal Advisor and any notice or report to be provided to the City may be provided to the Municipal Advisor.

(b) The City intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the "competitive sale requirements") because:

- (1) the City shall disseminate this Notice of Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters;
- (2) all bidders shall have an equal opportunity to bid;
- (3) the City may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (4) the City anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest interest cost), as set forth in this Notice of Sale.

Any bid submitted pursuant to this Notice of Sale shall be considered a firm offer for the purchase of the Bonds, as specified in the bid.

(c) In the event that the competitive sale requirements are not satisfied, the City shall so advise the winning bidder. The City shall treat the first price at which 10% of a maturity of the Bonds (the "10% test") is sold to the public as the issue price of that maturity, applied on a maturity-by-maturity basis (and if different interest rates apply within a maturity, to each separate CUSIP number within that maturity). The winning bidder shall advise the City if any maturity of the Bonds satisfies the 10% test as of the date and time of the award of the Bonds. The City will not require bidders to comply with the "hold-the-offering-price rule" and therefore does not intend to use the initial offering price to the public as of the sale date of any maturity of the Bonds as the issue price of that maturity. Bids will not be subject to cancellation in the event that the competitive sale requirements are not satisfied. **Bidders should prepare their bids on the assumption that all of the maturities of the Bonds will be subject to the 10% test in order to establish the issue price of the Bonds.**

(d) If the competitive sale requirements are not satisfied, then until the 10% test has been satisfied as to each maturity of the Bonds, the winning bidder agrees to promptly report to the City the prices at which the unsold Bonds of that maturity have been sold to the public. That

reporting obligation shall continue, whether or not the Closing Date has occurred, until the 10% test has been satisfied as to the Bonds of that maturity or until all Bonds of that maturity have been sold.

(e) By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each retail distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the winning bidder that either the 10% test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public, if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and (ii) any agreement among underwriters relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such retail distribution agreement to report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the winning bidder or such underwriter that either the 10% test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public, if and for so long as directed by the winning bidder or such underwriter and as set forth in the related pricing wires.

(f) Sales of any Bonds to any person that is a related party to an underwriter shall not constitute sales to the public for purposes of this Notice of Sale. Further, for purposes of this Notice of Sale:

- (i) "public" means any person other than an underwriter or a related party,
- (ii) "underwriter" means (A) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the public),
- (iii) a purchaser of any of the Bonds is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

(iv) "sale date" means the date that the Bonds are awarded by the City to the winning bidder.

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. The City will furnish to the winning bidder, at no charge, not in excess of 150 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 October 17, 2017.

EXHIBIT A

\$35,000,000*
CITY OF BERKELEY
 (Alameda County, California)
2017 GENERAL OBLIGATION BONDS
(2016 ELECTION: INFRASTRUCTURE AND FACILITIES IMPROVEMENTS)

ISSUE PRICE CERTIFICATE

The undersigned, on behalf of [NAME OF UNDERWRITER] (“[SHORT NAME OF UNDERWRITER]”), hereby certifies as set forth below with respect to the sale of the above-captioned obligations (the “Bonds”).

1. Reasonably Expected Initial Offering Price.

(a) As of the Sale Date, the reasonably expected initial offering prices of the Bonds to the Public by [SHORT NAME OF UNDERWRITER] are the prices listed in Schedule A (the “Expected Offering Prices”). The Expected Offering Prices are the prices for the Maturities of the Bonds used by [SHORT NAME OF UNDERWRITER] in formulating its bid to purchase the Bonds. Attached as Schedule B is a true and correct copy of the bid provided by [SHORT NAME OF UNDERWRITER] to purchase the Bonds.

(b) [SHORT NAME OF UNDERWRITER] was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by [SHORT NAME OF UNDERWRITER] constituted a firm offer to purchase the Bonds.

2. Defined Terms.

(a) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(b) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(c) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is [DATE].

(d) *Underwriter* means (i) any person that agrees pursuant to a written contract with the City of Berkeley (the “Issuer”) (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents [SHORT NAME OF UNDERWRITER]'s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Certificates of Arbitrage and with respect to compliance with the federal income tax rules affecting the Bonds, and by Jones Hall, A Professional Law Corporation in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

[UNDERWRITER]

By: _____

Name: _____

Dated: [ISSUE DATE]

SCHEDULE A
EXPECTED OFFERING PRICES
(Attached)

SCHEDULE B
COPY OF UNDERWRITER'S BID
(Attached)

EXHIBIT B

\$35,000,000***CITY OF BERKELEY**
(Alameda County, California)**2017 GENERAL OBLIGATION BONDS**
(2016 ELECTION: INFRASTRUCTURE AND FACILITIES IMPROVEMENTS)
ISSUE PRICE CERTIFICATE

The undersigned, on behalf of [NAME OF UNDERWRITER] (“[SHORT NAME OF UNDERWRITER]”), hereby certifies as set forth below with respect to the sale of the above-captioned obligations (the “Bonds”).

1. ***Reasonably Expected Initial Offering Price.***

(a) As of the Sale Date, the reasonably expected initial offering prices of the Bonds to the Public by [SHORT NAME OF UNDERWRITER] are the prices listed in Schedule A (the “Expected Offering Prices”). The Expected Offering Prices are the prices for the Maturities of the Bonds used by [SHORT NAME OF UNDERWRITER] in formulating its bid to purchase the Bonds. Attached as Schedule B is a true and correct copy of the bid provided by [SHORT NAME OF UNDERWRITER] to purchase the Bonds.

(b) [SHORT NAME OF UNDERWRITER] was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by [SHORT NAME OF UNDERWRITER] constituted a firm offer to purchase the Bonds.

2. ***Defined Terms.***

(a) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(b) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(c) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is [DATE].

(d) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents [SHORT NAME OF UNDERWRITER]’s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended,

and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer[**and the Borrower**] with respect to certain of the representations set forth in the Certificates of Arbitrage and with respect to compliance with the federal income tax rules affecting the Bonds, and by Jones Hall, A Professional Law Corporation in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038[-G][-GC][-TC], and other federal income tax advice that it may give to the Issuer [**and the Borrower**] from time to time relating to the Bonds.

[UNDERWRITER]

By: _____

Name: _____

Dated: [ISSUE DATE]

SCHEDULE A
EXPECTED OFFERING PRICES

(Attached)

SCHEDULE B
COPY OF UNDERWRITER'S BID
(Attached)

