CITY OF BERKELEY
DEBT MANAGEMENT AND DISCLOSURE POLICY
JANUARY 2017

I. INTRODUCTION

The policies set forth in this Debt Management Policy (the "Policy") have been developed to provide clear and comprehensive guidelines for the issuance and financial management of the debt portfolio of the City of Berkeley and any other entity for which the City Council acts as legislative body, and the term "City" shall refer to each of such entities. This policy confirms the commitment of the City Council, management and staff and other decision makers to adhere to sound financial management practices, including full and timely repayment of borrowings, achieving the lowest possible cost of capital within prudent risk parameters. This Policy is not intended to be so restrictive that it interferes with the City's legitimate efforts to prudently provide public services and facilities.

This Policy is intended to comply with Government Code Section 8855(i), effective January 1, 2017.

Purpose and Goals:

The purpose of the Policy is to provide a functional tool for debt management and capital planning, as well as to enhance the Cities ability to manage its debt obligations and lease financings (collectively referred to as "debt" in this Policy) in a conservative and prudent manner. In following this Policy, the Cities shall pursue the following goals:

- The City shall endeavor to attain the best possible credit rating for each debt issue in order to reduce interest costs while preserving financial flexibility and meeting capital funding requirements.
- The City shall take all practical precautions and proactive measures to avoid any financial decision that will negatively impact current credit ratings on existing or future debt issues.
- The City shall remain mindful of its statutory debt limit in relation to assessed value growth and the tax burden needed to meet long-term capital requirements.
- The City shall consider market conditions and City cash flows when timing the issuance of debt.
- The City shall determine the amortization (maturity) schedule which will best fit with the overall debt structure of the City at the time the new debt is issued.
- The City shall match the term of the issue to the useful lives of assets whenever practicable and economic, while considering repair and replacement costs of those assets to be incurred in the future.
- The City shall, when planning for the issuance of new debt, consider the impact of such new debt on overlapping debt of local, state and other governments that overlap with the City.
- The City shall, when issuing debt, assess financial alternatives to include new and innovative financing approaches, including whenever feasible categorical grants, revolving loans or other State/federal aid, so as to minimize the contribution from the City's General Fund.

- The City shall, when planning for the sizing and timing of debt issuance, consider its ability to expend the funds obtained in a timely, efficient and economical manner.

II. SCOPE

The guidelines established by this policy will govern the issuance and management of all debt funded for short and long term capital financing needs and cash flow needs. The Finance Department recognizes that changes in the capital markets and other unforeseen circumstances may require exception to this Policy, for which approval from the City Council will be necessary for implementation. The Policy may be amended by the City Council as it deems appropriate from time to time in the prudent management of the debt of the City. Any approval of debt by the City Council that is not consistent with this Policy shall constitute a waiver of this Policy.

III. DELEGATION OF AUTHORITY

Pursuant to the provisions of Sections 37209 and 40805.5 of the Government Code of the State of California, the Finance Director (Director of Finance) shall be the head of the finance department and shall be responsible for all of the financial affairs of the City. This Policy grants the Finance Director the authority to select the financing team, coordinate the administration and issuance of debt, communicate with the rating agencies, as well as to fulfill all the pre-issuance and post-issuance disclosure information.

The Finance Director or designee will select various Financing Team Members. Below is a brief description of the main Financing Team, along with their functions.

1. *Municipal Advisor*

- Assists with capital planning and long term planning
- Coordinates the financing and debt issuance process
- Helps evaluate underwriter proposals and provides financial analysis and recommendations
- Assists with the securing of other professional services and other members of the financing team
- Monitors and evaluates market conditions for opportunities to issue debt at low interest rates
- Works with the City and Underwriter to develop investor outreach and market approach
- Manages competitive bid process
- Ensures negotiated prices are "fair" and reasonable in the marketplace.

2. *Bond Counsel*

- Prepare an approving legal opinion
- Provide expert and objective legal opinion and advice
- Prepare and review documents necessary to authorize, issue sale and delivery of the bonds as well as coordination of the authorization and execution of closing documents
- Review legal issues relating to the structure of the bond issue
- Prepare election proceedings or pursue validation proceedings if necessary
- Review or prepare those sections of the official statement that relate to the Bonds, financing documents, bond counsel opinion and tax exemption
- Assist the City in presenting information to bond rating organizations and credit enhancements providers relating to legal issues affecting the issuance of the Bonds
- Review or prepare the Notice of Sale of Bond Purchase Contract for the Bonds and review or draft the continuing disclosure undertaking of the City
- Post-issuance advice for bond covenant compliance, when requested

3. *Disclosure Counsel*

- Assists the City with preparing a disclosure document in connection with a public offering of debt.
- Provide expert and objective legal opinion and advice on federal securities laws
- Post-issuance advice for bond covenant compliance, when requested

4. *Underwriter*

- Provide the City with market knowledge
- Assist with credit analysis and preparation
- Premarketing of the Bonds
- Pricing and Sale of Bonds
- Trading of the Bonds

5. *Trustee/Fiscal Agent/Paying Agent*

- Establishes and holds the funds and account relating to the bond issue
- Maintains the list of names and addresses of all registered owners of the bonds and recordings of transfers and exchanges of the bonds
- Acts as the authenticating agent
- Acts as the paying agent
- Protects the interests of the bondholders by monitoring compliance with covenants and acts on behalf of the bondholders in the event of default.
- As the escrow agent holds the investments acquired with the proceeds of an advance refunding and uses those funds for payments on those investments to pay debt service of the refunding bonds
- As a dissemination agent, acts on behalf of the issuer or other obligated person to disseminate annual reports and event notices to repositories under SEC Rule 15c12-12

IV. TYPES OF DEBT

The following are types of debt the City could issue:

1. New Money Debt

New money debt is debt issued to finance the cost of capital improvement project or other large or extraordinary costs as approved by the City Council.

2. Refunding Debt

Refunding debt is debt issued to refinance (refund) previously issued outstanding debt. The City may issue refunding debt to refinance the principal and of and interest on outstanding bonds or other debt to achieve debt service savings, restructure schedule debt service or convert from variable to fixed interest rate, change or modify the source(s) of payment and security for the refunded debt, or modify covenants otherwise binding upon the City. Refunding may be issued on either on a current or advance basis under federal tax law.

3. Revenue Debt

Revenue debt is generally issued for enterprise funds that are financially self-sustaining without the use of general fund revenue sources and therefore rely on the revenues collected by the enterprise fund to repay the debt.

4. Land-Secured Debt

Examples of land-secured debt include special tax revenue bonds issued under the Mello-Roos Community Facilities Act of 1982, as amended, and limited obligation bonds issued under applicable assessment statutes. Land-secured debt is payable from special taxes or assessments that the City will levy on the secured property tax roll.

5. General Obligation (GO) Bonds
In California, GO Bonds require a supermajority voter approval. Most GO bonds are backed by the issuer's ability to level ad valorem tax in amounts sufficient to meet debt service.

6. Lease Financings
Lease revenue bonds, certificates of participation (also known as "COPs") and lease-purchase transactions are examples of lease financings. Lease financings are typically used when the City wishes to pay for debt with its general fund.

7. Bond Anticipation Notes, Grant Anticipation Notes
This type of debt is issued to finance a project in anticipation of other funding sources becoming available at a later time.

8. Tax and Revenue Anticipation Notes (TRAN)
A TRAN is issued when the City's anticipated operating revenues are not available when the City's operating expenses need to be paid, which is a common operational challenge for California cities given the irregular distribution of sales tax and property tax revenues.

9. Tax Increment Financings
Tax increment financing may be used to the extent available under California law.

10. Conduit Financings
The City may agree to provide conduit financing for specific public purposes, such as financings for affordable rental housing and qualified 501c3 organizations. In a conduit financing, the debt is typically repaid with non-City revenues.

V. DEBT TERM

The City Council recognizes that new debt obligations may impact the long-term affordability of all outstanding debt and any future planned debt, as well as budgetary impacts associated with the maintenance and operating costs of debt-financed facilities.

Term of Debt – Debt will be structured for the shortest period possible, consistent with a fair allocation of costs to current and future beneficiaries or users. Debt shall not be issued for a term that exceeds the useful life of the debt-financed asset.

Debt Repayment – Typically the City desires level debt service payments over the term of the debt. However, the cost of capital, financial risk, current economic conditions, future financial flexibility, credit rating and available cash flow will be evaluated to determine the most appropriate method of debt amortization for each debt issue. Notwithstanding the above, back loading of debt service will be evaluated as the circumstances dictate. Back loading occurs when debt service payments are lower in the initial years of a debt term and higher toward the later years of a debt term.

VI. DEBT ISSUANCE

The City has the capacity to issue long and short-term debt and to refund any outstanding debt. The following section details the purposes for debt issuance, the method of sale for such debt and the practices for obtaining professional assistance in the debt issuance process.

Long-term debt – Long-term debt may be used to finance the acquisition or improvement of land, infrastructure, facilities or equipment for which it is appropriate to spread the costs of such over more than one budget year. Long-term debt may be used to fund capitalized interest, cost of issuance, required reserves and any other financing related costs that may be legally capitalized. Long-term debt should not be used to fund City operating costs.

Short-term debt – Short-term debt will be considered as an interim source of funding in anticipation of long-term debt. Short-term may be issued for any purpose for which long-term debt may be issued, including capitalized interest and financing-related costs. Short-term debt is also appropriate to address legitimate short-term cash flow requirements during a given fiscal year to fund the operating costs of the City to provide necessary public services. The City will not engage in short-term borrowing solely for the purpose of generating investment income.

Refunding – Refunding opportunities will be identified by periodic review of outstanding debt obligations. Refunding will be considered when there is a net economic benefit from the refunding. Non-economic refundings may be undertaken to achieve City objectives relating to changes in covenants, call provisions, operational flexibility, tax status, issuer or other non-economic factors related to the debt.

Method of sale – Debt is typically issued under either a competitive or a negotiated sale, but also may be sold in a private placement. The City shall have the flexibility to determine which method of sale is appropriate for each debt issuance. Determination of the appropriate method of sale will rest collectively with the City Manager, Finance Director and City Attorney. There are a number of market factors that will affect the success of a debt offering and each should be carefully considered before selecting a method of sale. These factors include, but are not limited to, 1) market perception of the City's credit quality, 2) interest rate volatility, 3) size of the proposed issue, 4) complexity of the proposed issue and 5) competition with other issuers for investor interest (bond supply).

Pooled Financing – The City may also consider the use of pooled financing as a method of accessing the capital markets. Use of pooled financing will be evaluated collectively by the City Manager, Finance Director and City Attorney on a case-by-case basis.

VII. DEBT CAPACITY

The City is subject to debt capacity limit for its general obligation bonds: 15% of assessed value.

For non-general obligation bonds, determining what the City's debt capacity is at any point in time is difficult. It depends on a number of factors including market conditions, amount of undesignated fund balance in the General Fund, fluctuating cash balances, financial policies, management and staff experience, new or existing revenues to support additional debt and availability of financial consultants to assist in the financial analysis. In the development of this Policy, the goal is to serve as a framework within which the City can evaluate each potential debt issuance.

VIII. PERFORMANCE STANDARDS

The City of Berkeley strives to maintain "investment grade" standings in the municipal market. Below is an Investment Grade Table of the three (3) major rating agencies:

Moody's Investors Service Inc.	Standard & Poor's Corporation	Fitch Investors Service Inc.	Definition
Aaa	AAA	AAA	Highest rating assigned Very

			Strong security
Aa	AA	AA	Very strong security, Only slightly below the best rating
A	A	A	Average security but more subject to adverse financial and economic developments
Baa	BBB	BBB	Adequate capacity to secure debt. Adverse developments may affect ability to meet debt service requirements.

Note: Mood's use the designation "1" to indicate a greater strength with the "Baa" "A" and "Aa" categories. Standard and Poor's and Fitch use "+" and "-"to indicate relative strength or weakness in the "BBB", "A", and "AA" categories.

IX. RELATIONSHIP OF DEBT TO OTHER CITY POLICIES

A. Relationship of Debt to Capital Improvement Program and Budget

The City is committed to long-term capital planning. The City intends to issue debt for the purposes stated in this Policy and to implement policy decisions incorporated in the City's capital budget and the capital improvement plan.

The City will integrate its debt issuances with the goals of its capital improvement program by timing the issuance of debt to ensure that projects are available when needed in furtherance of the City's public purposes.

The City shall seek to issue debt in a timely manner to avoid having to make unplanned expenditures for capital improvements or equipment from its general fund.

B. Policy Goals Related to Planning Goals and Objectives

The City is committed to long-term financial planning, maintaining appropriate reserves levels and employing prudent practices in governance, management and budget administration. The City intends to issue debt for the purposes stated in this Policy and to implement policy decisions incorporated in the City's annual operations budget.

X. ON-GOING DEBT ADMINISTRATION

The Finance Director will regularly review the City's outstanding obligations, particularly in declining interest rate environment. When rates begin to approach levels at which refunding is cost effective, the City shall select a financing team to begin preparations for a refunding issue.

Use of Debt Proceeds

The Finance Director and other appropriate City personnel shall:

- Monitor the use of debt proceeds and the use of debt-financed assets (e.g., facilities, furnishings or equipment) throughout the term of the debt (and in some cases beyond the term of the debt) to ensure compliance with covenants and restrictions set forth in applicable City resolutions and Tax Certificates;

- Maintain records identifying the assets or portion of assets that are financed or refinanced with proceeds of each issue of debt;

- Employ appropriate internal controls and redundancy of review to ensure all approved contracts and expenditures are consistent with the terms of the bond sale and ballot language by following the City's established work flow procedures;

- Consult with Bond Counsel and other professional expert advisers in the review of any contracts or arrangements involving use of debt-financed facilities to ensure compliance with all covenants and restrictions set forth in applicable City resolutions and Tax Certificates;

- Maintain records for any contracts or arrangements involving the use of debt-financed facilities as might be necessary or appropriate to document compliance with all covenants and restrictions set forth in applicable City resolutions and Tax Certificates; and

- Meet at least annually with personnel responsible for debt-financed assets to identify and discuss any existing or planned use of debt-financed assets to ensure that those uses are consistent with all covenants and restrictions set forth in applicable City resolutions and Tax Certificates.

All relevant records and contracts shall be maintained as described below.

Record Keeping Requirements

Unless otherwise specified in applicable City resolutions or Tax Certificates, the City shall maintain the following documents for the term of each issue of debt (including refunding debt, if any) plus at least three years:

- A copy of the debt closing transcript(s) and other relevant documentation delivered to the City at or in connection with closing of the issue of debt;

- A copy of all material documents relating to capital expenditures financed by debt proceeds, including (without limitation) construction contracts, purchase orders, invoices, trustee requisitions and payment records, as well as documents relating to costs reimbursed with debt proceeds and records identifying the assets or portion of assets that are financed or refinanced with debt proceeds;

- Copies of all records of investments, investment agreements, arbitrage reports and underlying documents, including trustee statements.

Arbitrage Rebate

The use and investment of tax-exempt debt proceeds must be monitored to ensure compliance with arbitrage restrictions. Existing regulation require that issuers calculate rebate liabilities related to tax-exempt debt issues, with rebates paid to the Federal Government every five years and otherwise required by applicable provisions of the Internal Revenue Code and regulations. The Finance Director shall contract with a specialist to ensure that proceeds and investments are tracked in a manner that facilitates accurate, complete calculations and if necessary timely rebate payments.

XI. Disclosure Policy

Purpose

These disclosure policies and procedures are intended to (a) ensure that the City complies with federal securities laws as they relate to initial disclosure, (b) ensure that the City's Continuing Disclosure Documents (as defined below) are accurate and comply with all applicable federal and state securities laws, and (c) promote best practices regarding the preparation of the City's initial disclosure documents and Continuing Disclosure Documents.

Definitions

1. "Continuing Disclosure Documents" means (a) annual continuing disclosure reports filed with the MSRB and (b) event notices and any other filings with the MSRB.

2. "EMMA" means the MSRB's Electronic Municipal Market Access website.

3. "MSRB" means the Municipal Securities Rulemaking Board.

4. "Official Statements" means preliminary and final official statements, private placement memoranda and remarketing memoranda relating to the City's securities, together with any supplements, for which a continuing disclosure obligation is required.

Disclosure Working Group

Composition. The Disclosure Working Group consists of the Finance Director, who is designated as the Chief Disclosure Officer, the Accounting Manager, who is the Disclosure Coordinator and other internal City staff that are pertinent to the disclosures. The Finance Director has general oversight over the entire continuing disclosure process. Membership in the Disclosure Working Group shall be augmented by the Finance Director and consist of persons relevant to the disclosure process.

The Disclosure Working Group shall consult with external professionals (such as those with expertise as bond counsel, tax counsel, disclosure counsel and municipal advisor) or other interested parties as the Disclosure Working Group determine is advisable related to continuing disclosure issues and practices. Meetings of the Disclosure Working Group may be held in person or via conference call.

The Disclosure Working Group is an internal working group of City staff.

Responsibilities. The Disclosure Working Group is responsible for:

a. Reviewing and approving all Preliminary and Final Official Statements before such documents are posted;

b. Reviewing and approving all continuing disclosure undertakings as contained in the City's Preliminary and Final Official Statements before such documents are posted;

c. Reviewing annually the City's status and compliance with continuing disclosure undertakings including filings of Annual Reports and Notices of Listed Events;

d. Reviewing any items referred to the Disclosure Working Group; and

e. Evaluating the effectiveness of this Disclosure Policy.

Official Statements. The Disclosure Coordinator of the City shall review any Official Statement prepared in connection with any debt issuance by the City in order to ensure there are no misstatements or omissions of material information in any sections that contain descriptions of information prepared by the City.

In connection with its review of the Official Statement, the Disclosure Coordinator shall consult with third parties, including outside professionals assisting the City, and all members of City staff, to the extent that the Disclosure Coordinator concludes they should be consulted so that the Official Statement will include all "material" information (as defined for purposes of federal securities law).

As part of the review process, the Disclosure Coordinator shall submit all Official Statements to the Disclosure Working Group. The Disclosure Working Group, after determining that it meets the requirements of federal tax law, shall instruct the Disclosure Coordinator to send the Official Statement to the City Council for approval. The cover letter used by the Disclosure Coordinator to submit the Official Statements shall be in substantially the form of Attachment 1.

The approval of an Official Statement by the City Council shall be docketed as a new business matter and shall not be approved as a consent item. The City Council shall undertake such review as deemed necessary by the City Council, following consultation with the Disclosure Coordinator, to fulfill the City Council's responsibilities under applicable federal and state securities laws. In this regard, the Disclosure Coordinator shall consult with the City's disclosure counsel to the extent the Disclosure Coordinator considers appropriate.

Continuing Disclosure Filings

Overview of Continuing Disclosure Filings

1. Under its continuing disclosure undertakings it has entered into in connection with its debt offerings, the City is required to file annual reports ("Annual Reports") with the MSRB's EMMA system. Such Annual Reports are required to include the City's audited financial statements and certain updated financial and operating information (or may incorporate by reference publicly-available documents that contain such information).

2. In accordance with each continuing disclosure undertaking, if audited financial statements are not available by the date the Annual Report is required to be filed, unaudited financial statements are to be included in such Annual Report and audited financial statements shall be filed when such statements become available. If unaudited financial statements are filed, the cover page may include a disclaimer stating that such financial statements are unaudited and are subject to adjustments and modifications, the result of which will be presented in the audited financial statements. In addition, in accordance with the applicable continuing disclosure undertaking, the City shall file or cause to be filed a notice of any failure to provide its Annual Report on or before the date specified in a Continuing Disclosure Document.

3. The City is also required under its continuing disclosure undertakings to file notices of certain events on EMMA ("Notices of Listed Events").

The CAFR will serve as the repository for statements of indebtedness. The fiscal year debt statements in each CAFR certify the amount of (i) new debt issued, (ii) debt outstanding, (iii) debt authorized but not issued (iv) assessed valuation and (v) outstanding debt expressed as a percentage of assessed valuation, each as of the end of the fiscal year to which the CAFR relates.

The City shall prepare or cause to be prepared appropriate disclosures as required by Securities and Exchange Commission Rule 15c2-12, the federal government, the State of California, rating agencies, bond insurers, underwriters, bond counsel, investors, taxpayers, and other persons or entities entitled to disclosure to ensure compliance with applicable laws and regulations and agreements to provide ongoing disclosure.

Public Statements Intended to Reach Financial Markets

Whenever the City makes statements or releases information relating to its finances to the public that are reasonably expected to reach investors and the trading markets, the City is obligated to ensure that such statements and information are complete, true, and accurate in all material respects.

Training

The Disclosure Coordinator shall ensure that the members of the City staff involved in the initial or continuing disclosure process and the City Council are properly trained to understand and perform their responsibilities.

The Disclosure Coordinator shall arrange for disclosure training sessions conducted by the City's disclosure counsel. Such training sessions shall include education on these Disclosure Procedures, the City's disclosure obligations under applicable federal and state securities laws and the disclosure responsibilities and potential liabilities of members of the City's staff and members of the City Council. Such training sessions may be conducted using a recorded presentation.

XII. DEBT MANAGEMENT AND DISCLOSURE POLICY REVIEW

The Finance Director shall review this Debt Management and Disclosure Policy at a minimum of every five (5) years or as required by law and recommend any changes to the City Manager and City Council.

PRELIMINARY OFFICIAL STATEMENT DATED JULY 1, 2020

NEW ISSUE   BOOK-ENTRY ONLY

RATING
Moody's: "____"
See "RATING."

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described in this Official Statement, under existing law, interest on the Notes 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. In the further opinion of Bond Counsel, interest on the Notes is exempt from California personal income taxes. See "TAX MATTERS."

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CITY OF BERKELEY
2020-21 TAX AND REVENUE ANTICIPATION NOTES

Dated: Date of Delivery **Due: July 27, 2021**

The notes captioned above (the "**Notes**") will be issued in denominations of $5,000 or any integral multiple thereof. Principal and interest on the Notes will be payable upon maturity. The Notes are to be delivered as fully registered Notes, without coupons and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("**DTC**"), New York, New York (as described in APPENDIX E – BOOK-ENTRY ONLY SYSTEM). DTC will act as securities depository of the Notes. Purchases will be made in book-entry form only, in the principal amount of $5,000 or any integral multiple thereof. **The Notes are not subject to redemption prior to maturity.**

The Notes are by statute general obligations of the City of Berkeley, California (the "**City**"), payable solely from taxes, income, revenues, cash receipts and other moneys that are received by the City for the General Fund for fiscal year 2020-21 and that are generally available for the payment of current expenses and other obligations of the City (the "**Unrestricted Moneys**"). The Notes are secured by a pledge of Unrestricted Moneys to be received by the City in (a) an amount equal to fifty percent (50%) of the principal amount of the Notes in the month of January 2021; (b) an amount equal to fifty percent (50%) of the principal amount of the Notes in the month of May 2021; and (c) an amount sufficient to pay interest as due on the Notes at their maturity, in the month of June 2021 (such pledged amounts being hereinafter called the "**Pledged Revenues**"). The Pledged Revenues will be deposited into, and held by the City in, a special fund designated "City of Berkeley, California, 2020-21 Tax and Revenue Anticipation Notes Special Account," as established in the City's Resolution adopted on June 30, 2020.

Principal of and interest on the Notes are payable in lawful moneys of the United States of America upon maturity, and interest on the Notes will be computed on the basis of a 360-day year comprised of twelve 30-day months and accrues from the date of delivery.

The Notes are legal investments for commercial banks in California and are eligible to secure deposits of public moneys in California.

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

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

NHA | ADVISORS
Financial & Policy Strategies. Delivered.

MATURITY SCHEDULE

Interest Rate	Reoffering Yield	CUSIP†

The Notes are offered when, as and if issued and received by the Underwriter, subject to the approval of legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel. Certain legal matters will be passed upon for the City by Jones Hall, A Professional Law Corporation, as Disclosure Counsel, and by the City Attorney. It is anticipated that the Notes, in definitive form, will be available for delivery through DTC in New York, New York on or about July 28, 2020.

Dated: July __, 2020

* Preliminary; subject to change.

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

No dealer, broker, salesman or other person has been authorized by the City to give any information or to make any representations with respect to the Notes other than those contained in this Official Statement and, if given or made, such information or representation must not be relied upon as having been authorized by the City. This Official Statement does not constitute an offer to sell nor the solicitation of an offer to buy, nor shall there be any sale of the Notes by any person to make such offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Notes. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of facts.

The information set forth in this Official Statement has been obtained from sources that are believed to be reliable, but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Underwriter. The information and expressions of opinion stated in this Official Statement are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the information or opinions set forth herein or in the affairs of the City since the date hereof. This Official Statement is submitted in connection with the sale of the Notes referred to herein and may not be reproduced or used, in whole or in part, for any purpose, unless authorized in writing by the City.

The Notes have not been registered under the Securities Act of 1933, as amended (the "**Securities Act**"), in reliance upon an exemption contained in such Act. The Notes have not been registered under the securities laws of any state.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE NOTES AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE NOTES TO CERTAIN DEALERS AND BANKS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICE STATED ON THE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICE MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

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

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

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

Although the City maintains an internet website for various purposes, none of the information on that website is incorporated by reference in this Official Statement or is intended to assist investors in making any investment decision or to provide any continuing information with respect to the Notes or any other bonds or obligations of the City.

CITY OF BERKELEY, CALIFORNIA

ELECTED OFFICIALS

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

CITY OFFICIALS

Dee Williams-Ridley
City Manager

David White
Deputy City Manager

Paul Buddenhagen
Deputy City Manager

Farimah Brown
City Attorney

Jenny Wong
City Auditor

Henry Oyekanmi
Director of Finance

PROFESSIONAL SERVICES

Municipal Advisor

NHA Advisors, LLC
San Rafael, California

Bond Counsel and Disclosure Counsel

Jones Hall, A Professional Law Corporation
San Francisco, California

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CITY OF BERKELEY
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INTRODUCTORY STATEMENT

General. This Official Statement, which includes the cover page, the appendices hereto and this Introductory Statement, is provided to furnish information in connection with the sale by the City of Berkeley, California (the "**City**"), of its 2020-21 Tax and Revenue Anticipation Notes (the "**Notes**").

The Notes are issued in full conformity with the Constitution and laws of the State of California (the "**State**"), including Article 7.6, Chapter 4, Part 1, Division 2, Title 5 (commencing with Section 53850 of the Government Code of the State), (the "**Law**") and under the Law are general obligations of the City payable solely from those taxes, income, revenues, cash receipts and other moneys that are received by the City for the General Fund for fiscal year 2020-21 and that are generally available for the payment of current expenses and other obligations of the City (the "**Unrestricted Moneys**"). The Notes are authorized by a resolution adopted by the City Council on June 30, 2020 (the "**Resolution**"). The City may, under the Law, issue the Notes only if the principal of and interest on the Notes will not exceed 85% of the estimated amount of the uncollected Unrestricted Moneys that will be available for the payment of said Notes. Proceeds from the sale of the Notes will be deposited into a segregated account in the General Fund and used and expended by the City for any purpose for which it is authorized to expend funds from the General Fund.

THE NOTES

Description of the Notes

The Notes will be issued in the principal amount and at the interest rate shown on the cover page of this Official Statement. Principal of and interest on the Notes are payable in lawful moneys of the United States of America upon maturity, and interest on the Notes will be computed on the basis of a 360-day year comprised of twelve 30-day months and accrues from the date of delivery.

The Notes will be dated the date of delivery and will mature on July 27, 2021. The Notes are to be delivered as fully registered Notes, without coupons, and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("**DTC**"), New York, New York. DTC will act as securities depository of the Notes. Purchases will be made in book-entry form only, in the principal amount of $5,000 or any integral multiple thereof.

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* Preliminary; subject to change.

Purpose of Issue

Proceeds of the Notes will provide moneys to meet the City's General Fund cash flow requirements during the 2020-21 fiscal year commencing July 1, 2020, and ending June 30, 2021, including current expenses, capital expenditures, and the discharge of other obligations or indebtedness.

Book-Entry Only System

DTC will act as securities depository for the Notes. The Notes will be issued as fully-registered certificates registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered certificate will be issued for each maturity of the Notes, each in the aggregate principal amount of such maturity, and will be deposited with DTC. See "APPENDIX E – BOOK-ENTRY ONLY SYSTEM."

So long as the Notes are registered in the name of Cede & Co., as nominee of DTC, all payments with respect to the principal and interest with respect to the Notes will be made to DTC as provided as in the representation letter delivered on the date of issuance of the notes. The City cannot and does not give any assurances that DTC, DTC Participants or others will distribute payments of principal, interest or premium, if any, with respect to the Notes paid to DTC or its nominee as the registered owner, or will distribute any prepayment notices or other notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. The City is not responsible or liable for the failure of DTC or any DTC Participant to make any payment or give any notice to a Beneficial Owner with respect to the Notes or an error or delay relating thereto.

SECURITY FOR AND SOURCES OF PAYMENT OF THE NOTES

Security for the Notes

The principal amount of the Notes, together with the interest thereon, is payable from Unrestricted Moneys, being the first taxes, income, revenue, cash receipts, and other moneys that are received by the City for the General Fund for fiscal year 2020-21 and which are generally available for the payment of current expenses and other obligations of the City. Estimated Unrestricted Moneys exceed estimated payment requirements by more than eight to one. See "THE NOTES – Available Sources of Payment."

As security for the repayment of principal of and interest on the Notes, the City has pledged to deposit into a special fund designated as the "2020-21 Tax and Revenue Anticipation Note Special Account" (the "**Special Account**") the first Unrestricted Moneys to be received by the City as follows: (a) an amount equal to fifty percent (50%) of the principal amount of the Notes in the month of January 2021; (b) an amount equal to fifty percent (50%) of the principal amount of the Notes in the month of May 2021; and (c) an amount sufficient to pay interest as due on the Notes at their maturity, in the month of June 2021 (such pledged amounts, the "**Pledged Revenues**"). The Notes are equally and ratably secured by the City's pledge of the Pledged Revenues.

The principal of the Notes and the interest thereon shall constitute a first lien and charge against and shall be paid from the first moneys received by the City from such Pledged Revenues, and to the extent not so paid shall be paid from any other moneys of the City lawfully available therefor. In the event there are insufficient Unrestricted Moneys received by the City to permit the deposits into the Special Account of the full amount of the Pledged Revenues to be deposited in the applicable month, by the last business day of such month, then the amount of such deficiency shall be satisfied and made up from any other moneys of the City lawfully available for the payment of the Notes and the interest thereon.

All Pledged Revenues, as and when received, shall be deposited by the City into the Special Account, which will be held by the City for the payment of the principal of and interest on the Notes at maturity. Amounts deposited by the City into the Special Account shall be applied solely for the purpose of paying the principal of and interest on the Notes. Such amounts shall be invested by the City in legal investments, as permitted by Section 53601 of the Government Code of the State. See "CITY INVESTMENT POLICY AND PORTFOLIO."

Available Sources of Repayment

The Notes, in accordance with State law, are general obligations of the City, but are payable only out of Unrestricted Moneys, which include the taxes, income, revenues, cash receipts and other moneys that are received by the City for the General Fund for fiscal year 2020-21 and that are generally available for payment of current expenses and other obligations of the City. The Constitution of the State substantially limits the City's ability to levy ad valorem taxes. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING CITY REVENUES AND APPROPRIATIONS." The City may, under existing law, issue the Notes only if the principal of, and interest on, the Notes will not exceed 85% of the estimated uncollected Unrestricted Moneys that will be available for the repayment of the Notes.

The Note coverage ratio is shown in the following table and is the ratio of estimated Unrestricted Moneys to the amount of Unrestricted Moneys needed to pay principal of and interest on the Notes.

The table below gives detail as to the sources of estimated Unrestricted Moneys and the Note Coverage Ratio.

CITY OF BERKELEY
Estimated Unrestricted Moneys
Fiscal Year 2020-21

Source	Amount
Available Cash Balance, July 1, 2020	$35,094,668
Taxes (including property tax, sales tax and other taxes)	145,748,856
Other Revenue	60,618,612
Proceeds of the Notes(1)*	43,283,310
Transfers In	10,253,810
TOTAL UNRESTRICTED MONEYS*	$294,999,256
ESTIMATED PRINCIPAL PLUS INTEREST NEEDED FOR NOTE REPAYMENT*	$81,319,586
NOTE COVERAGE RATIO*	3.63x

* Preliminary; subject to change.
(1) Excluding underwriter's discount and costs of issuance.
Source: City of Berkeley Finance Department.

Monthly Cash Flows

The City has prepared the accompanying monthly General Fund cash flow statements covering fiscal year 2019-20 and the projected fiscal year 2020-21. The General Fund is used to finance the ordinary operations of the City and is available for any legal authorized purposes. While expenditures generally occur evenly throughout the fiscal year, cash receipts occur unevenly. As a result, the General Fund cash balance tends to show a deficit during parts of the fiscal year. The projections are based on the City's budget and current financial condition.

City of Berkeley
FY 2019-20 Actual/Projected General Fund Cash Flows(1)(2)

	July	August	September	October	November	December	January	February	March	April	May	June	TOTAL
Beginning Balance	$35,094,668	$30,447,722	$23,310,037	$17,952,146	$12,061,374	$7,856,945	$39,113,250	$10,825,289	$11,948,613	$22,444,209	$40,410,361	$18,956,322	$35,094,668
CASH RECEIPTS													
Property Tax	$1,791,153	$6,772,832	$2,144,536	$6,070,799	$2,183,592	$29,055,754	$1,852,868	$911,879	$9,604,493	$14,439,356	$2,284,374	$3,056,129	$80,167,765
Sales Tax	811,159	808,854	1,356,127	1,775,495	1,516,462	1,378,380	1,651,459	2,022,193	1,293,895	1,144,800	1,499,084	1,499,084	16,756,994
Other Taxes	1,218,660	1,570,243	1,999,252	2,165,572	2,052,709	7,164,040	5,046,454	6,494,020	8,053,877	10,027,047	1,564,426	1,467,796	48,824,097
License and Permits	17,005	31,989	34,837	42,214	19,542	195,263	24,574	17,632	87,130	58,709	60,000	4,703	593,598
Subventions & Grants	26,269	2,804	122,668	65,536	61,953	47,135	3,733	71,930	214,132	3,263	0	135,409	754,832
Service Fees	223,269	472,312	543,564	581,176	678,949	971,729	1,373,717	986,072	1,014,314	947,882	931,560	918,892	9,643,436
Fines and Penalties	63,023	115,628	168,232	270,837	323,441	583,860	673,441	626,046	626,046	678,650	626,046	505,209	5,260,458
Miscellaneous	15,706	1,058	3,396	102,662	1,213	3,352	3,996	10,267	27,660	2,235	2,275	2,275	176,094
Interest Income	323,097	135,066	164,313	128,728	198,883	170,132	385,158	23,730	202,922	328,376	198,461	1,910,836	4,169,702
Rents and Royalties	23,453	7,461	8,953	10,445	4,476	14,921	10,445	11,937	13,429	16,413	11,937	15,342	149,210
Franchises	12,314	171,956	0	12,024	161,898	0	11,817	157,732	0	867,372	156,582	0	1,551,696
Transfers In/Indirect Costs	415,271	1,418,703	604,601	1,222,659	612,324	607,226	1,501,230	622,195	607,447	1,248,073	599,312	794,769	10,253,810
CalPERS Prepayments from Other Departments	2,652,894	2,947,660	2,947,660	2,947,660	2,947,660	4,421,491	2,947,660	2,947,660	2,947,660	2,947,660	2,947,660	4,716,257	38,319,586
TRAN Proceeds	43,283,310	0	0	0	0	0	0	0	0	0	0	0	43,283,310
TOTAL RECEIPTS	$50,876,583	$14,456,567	$10,098,138	$15,395,806	$10,763,105	$44,613,282	$15,486,552	$14,903,294	$24,693,005	$32,709,837	$10,881,718	$15,026,700	$259,904,588
CASH DISBURSEMENTS													
General Government	$2,728,031	$2,981,234	$1,803,143	$2,037,888	$1,847,842	$1,945,723	$2,430,559	$2,096,242	$2,058,425	$1,823,097	$1,727,876	$2,719,810	$26,199,870
Public Safety	4,838,852	14,682,528	10,715,762	11,457,174	10,748,567	10,269,758	10,814,576	8,001,292	7,621,330	7,711,073	7,108,451	11,312,426	115,281,787
Highways and Streets	85,907	232,325	154,434	148,363	125,585	155,028	184,904	130,467	129,742	188,420	132,048	205,726	1,872,950
Health and Human Service	1,606,342	1,070,161	719,716	1,350,015	1,079,495	1,099,236	1,808,998	1,249,956	2,249,299	1,606,828	1,477,313	3,382,331	18,699,689
Culture - Recreation	309,076	781,310	640,306	476,838	454,163	383,701	531,847	361,183	385,084	322,579	255,628	411,046	5,312,762
Urban Redevelopment/Housing	299,989	1,055,906	511,276	766,032	542,574	504,762	972,093	563,404	630,724	727,080	497,198	1,920,453	8,991,493
Econ Dev & Assistance	61,531	528,037	148,639	232,467	606,556	136,018	213,734	114,674	90,054	1,546,805	474,490	398,080	4,551,086
Debt Service: Workers Comp Loan Repayment	946,163	0	0	0	0	0	0	0	0	0	0	0	946,163
Debt Service: 2016 Parking Revenue Bonds	1,910,250	0	0	0	0	0	0	0	0	0	0	0	1,910,250
Transfers Out/Other3,317,802 162,752 162,752 3,317,802 162,752 162,752 3,317,802 162,752 162,752 3,317,802 162,752 162,752 14,573,224													
Transfer Out to Pension Section 115 Trust Fund	0	0	0	0	0	0	0	0	0	0	0	1,318,502	1,318,502
Transfer Out of Excess of Property Transfer Tax	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfer Out to Stabilization Reserve Fund	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfer Out to Catastrophic Reserve Fund	0	0	0	0	0	0	0	0	0	0	0	0	0
Business Continuity Grants	800,000	0	0	0	0	0	0	0	0	0	0	0	800,000
San Pablo Parcel Loans	550,000	0	0	0	0	0	0	0	0	0	0	0	550,000
Prepayment to CalPERS	38,319,586	0	0	0	0	0	0	0	0	0	0	0	38,319,586
TRAN Principal Pledge	0	0	0	0	0	0	21,500,000	0	0	0	21,500,000	0	43,000,000
TRAN Interest Pledge	0	0	0	0	0	0	0	0	0	0	0	857,611	857,611
Advances from GF/(Repayment to GF)	(250,000)	100,000	600,000	1,500,000	(600,000)	(1,300,000)	2,000,000	1,100,000	870,000	(2,500,000)	(1,000,000)	(520,000)	0
TOTAL DISBURSEMENTS	$55,523,529	$21,594,252	$15,456,029	$21,286,579	$14,967,534	$13,356,978	$43,774,513	$13,779,970	$14,197,409	$14,743,685	$32,335,756	$22,168,738	$283,184,972
Interfund Borrowings	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Net Cash Flow	($4,646,946)	($7,137,685)	($5,357,890)	($5,890,773)	($4,204,429)	$31,256,305	($28,287,960)	$1,123,324	$10,495,596	$17,966,152	($21,454,039)	($7,142,038)	($23,280,384)
Ending Balance	$30,447,722	$23,310,037	$17,952,146	$12,061,374	$7,856,945	$39,113,250	$10,825,289	$11,948,613	$22,444,209	$40,410,361	$18,956,322	$11,814,284	$11,814,284

	Actual											Projected	
	July	August	September	October	November	December	January	February	March	April	May	June	TOTAL
Beginning Balance	$39,223,322	$41,135,792	$37,786,371	$35,042,663	$32,425,125	$30,106,679	$61,632,344	$36,813,131	$37,271,290	$49,967,101	$68,956,501	$48,434,476	$39,223,322
CASH RECEIPTS													
Property Tax	$2,168,516	$8,199,745	$2,596,351	$7,349,806	$2,643,636	$35,177,275	$2,243,234	$1,103,995	$11,627,986	$17,481,467	$2,765,651	$3,700,000	$97,057,662

Sales Tax	1,643,230	1,640,879	1,383,121	1,810,837	1,546,648	1,405,818	1,684,332	2,062,446	1,319,651	1,167,587	713,000	713,000	17,090,549
Other Taxes	2,580,415	2,262,869	2,555,606	2,768,210	2,623,939	9,157,658	6,450,787	8,301,183	10,295,120	12,817,385	1,744,121	853,631	62,410,924
License and Permits	397,408	150,804	159,065	209,469	56,685	566,396	71,282	51,145	252,736	25,263	11,519	13,642	1,965,414
Subventions & Grants	36,954	3,944	172,562	92,192	87,153	66,306	5,251	101,188	301,229	4,590	0	190,486	1,061,855
Service Fees	772,925	813,982	706,198	486,538	568,390	813,493	1,150,021	825,501	849,143	500,523	319,427	266,963	8,073,104
Fines and Penalties	205,817	640,908	212,404	435,241	79,353	977,099	490,272	563,214	645,526	(17,280)	(292,310)	17,602	3,957,845
Miscellaneous	41,157	2,773	8,899	269,020	3,178	8,785	10,471	26,904	72,481	5,856	5,960	5,960	461,444
Interest Income	870,987	364,104	442,948	347,017	536,139	458,633	1,124,552	(22,293)	547,027	885,219	535,000	1,596,784	7,686,120
Rents and Royalties	22,680	15,987	11,320	18,106	12,579	13,034	8,420	23,511	18,657	0	0	0	144,294
Franchises	14,487	202,307	0	14,146	190,474	0	13,903	185,572	0	1,020,465	184,219	0	1,825,573
Transfers In/Indirect Costs	438,933	1,499,539	639,050	1,292,325	647,214	641,825	1,586,769	657,647	642,058	1,319,187	633,460	840,054	10,838,062
CalPERS Prepayments from Other Departments	1,346,402	4,039,207	2,692,805	2,692,805	2,692,805	2,692,805	4,039,207	2,692,805	2,692,805	2,692,805	2,692,805	4,039,207	35,006,464
TRAN Proceeds	35,000,000	0	0	0	0	0	0	0	0	0	0	0	35,000,000
TOTAL RECEIPTS	$45,539,912	$19,837,049	$11,580,329	$17,785,712	$11,688,193	$51,979,127	$18,878,503	$16,572,817	$29,264,420	$37,903,067	$9,312,852	$12,237,329	$282,579,310
CASH DISBURSEMENTS													
General Government	$1,835,091	$3,519,894	$2,128,942	$2,406,101	$2,181,717	$2,297,283	$2,869,721	$2,474,999	$2,430,348	$2,152,501	$2,040,075	$3,211,235	$29,547,908
Public Safety	4,006,075	12,155,632	8,871,555	9,485,368	8,898,714	9,796,912	12,768,593	9,446,995	8,998,380	9,104,338	8,392,832	13,356,396	115,281,787
Highways and Streets	101,429	274,302	182,338	175,170	148,276	183,039	218,314	154,040	153,184	222,465	155,908	242,898	2,211,361
Health and Human Service	1,896,582	1,263,521	849,757	1,593,940	1,274,542	1,297,850	2,135,855	1,475,803	2,655,710	1,897,156	1,744,239	3,993,463	22,078,418
Culture - Recreation	364,921	922,480	755,998	562,995	536,223	453,030	627,943	426,443	454,662	380,864	301,816	485,315	6,272,691
Urban Redevelopment/Housing	354,192	1,246,691	603,655	904,442	640,609	595,965	1,147,734	665,202	744,686	858,452	587,034	2,267,448	10,616,109
Econ Dev & Assistance	72,648	623,444	175,496	274,470	716,151	160,594	252,353	135,394	106,325	1,826,288	560,223	470,007	5,373,393
Debt Service: Workers Comp Loan Repayment	0	0	0	0	0	946,163	0	0	0	0	0	0	946,163
Transfers Out/Other	162,752	3,163,965	162,752	3,163,965	162,752	2,960,105	2,532,965	162,752	162,752	3,886,080	162,752	162,752	16,846,339
Transfer Out to Pension Section 115 Trust Fund	0	0	0	0	0	0	0	0	0	0	0	1,246,784	1,246,784
Transfer Out to Excess Property Transfer Tax	0	0	0	0	0	2,526,916	1,263,458	0	0	856,506	0	0	4,646,879
Transfer Out to Stabilization Reserve Fund	0	0	0	0	0	320,000	160,000	0	0	160,000	0	0	640,000
Transfer Out to Catastrophic Reserve Fund	0	0	0	0	0	260,000	130,000	0	0	130,000	0	0	520,000
Prepayment to CalPERS	35,006,464	0	0	0	0	0	0	0	0	0	0	0	35,006,464
TRAN Principal Pledge	0	0	0	0	0	0	17,390,000	0	0	0	17,390,000	0	34,780,000
TRAN Interest Pledge	0	0	0	0	0	0	0	0	0	0	0	693,668	693,668
Advances from GF/(Repayment to GF)	(172,712)	16,541	593,544	1,836,799	(552,343)	(1,344,394)	2,200,781	1,173,032	862,562	(2,560,982)	(1,500,000)	(552,829)	(0)
TOTAL DISBURSEMENTS	$43,627,442	$23,186,469	$14,324,037	$20,403,249	$14,006,640	$20,453,462	$43,697,716	$16,114,659	$16,568,609	$18,913,667	$29,834,877	$25,577,137	$286,707,964
Interfund Borrowings	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Net Cash Flow	$1,912,470	($3,349,420)	($2,743,708)	($2,617,538)	($2,318,447)	$31,525,665	($24,819,212)	$458,159	$12,695,811	$18,989,401	($20,522,025)	($13,339,808)	($4,128,654)
Ending Balance	$41,135,792	$37,786,371	$35,042,663	$32,425,125	$30,106,679	$61,632,344	$36,813,131	$37,271,290	$49,967,101	$68,956,501	$48,434,476	$35,094,668	$35,094,668

(1) Actual through May 31, 2020.
(2) Cash and investment balances provided in the table above represent the City's available cash balance (i.e., General Fund cash and investments less the Stabilization and Catastrophic Reserve Fund cash balances and short term liabilities).
Source: City of Berkeley.

City of Berkeley
FY 2020-21 Projected General Fund Cash Flows[(1)]
(Including FY 2020-21 TRAN)

	July	August	September	October	November	December	January	February	March	April	May	June	TOTAL
Beginning Balance	$35,094,668	$30,447,722	$23,310,037	$17,952,146	$12,061,374	$7,856,945	$39,113,250	$10,825,289	$11,948,613	$22,444,209	$40,410,361	$18,956,322	$35,094,668
CASH RECEIPTS													
Property Tax	$1,791,153	$6,772,832	$2,144,536	$6,070,799	$2,183,592	$29,055,754	$1,852,868	$911,879	$9,604,493	$14,439,356	$2,284,374	$3,056,129	$80,167,765
Sales Tax	811,159	808,854	1,356,127	1,775,495	1,516,462	1,378,380	1,651,459	2,022,193	1,293,895	1,144,800	1,499,084	1,499,084	16,756,994
Other Taxes	1,218,660	1,570,243	1,999,252	2,165,572	2,052,709	7,164,040	5,046,454	6,494,020	8,053,877	10,027,047	1,564,426	1,467,796	48,824,097
License and Permits	17,005	31,989	34,837	42,214	19,542	195,263	24,574	17,632	87,130	58,709	60,000	4,703	593,598
Subventions & Grants	26,269	2,804	122,668	65,536	61,953	47,135	3,733	71,930	214,132	3,263	0	135,409	754,832
Service Fees	223,269	472,312	543,564	581,176	678,949	971,729	1,373,717	986,072	1,014,314	947,882	931,560	918,892	9,643,436
Fines and Penalties	63,023	115,628	168,232	270,837	323,441	583,860	673,441	626,046	626,046	678,650	626,046	505,209	5,260,458
Miscellaneous	15,706	1,058	3,396	102,662	1,213	3,352	3,996	10,267	27,660	2,235	2,275	2,275	176,094
Interest Income	323,097	135,066	164,313	128,728	198,883	170,132	385,158	23,730	202,922	328,376	198,461	1,910,836	4,169,702
Rents and Royalties	23,453	7,461	8,953	10,445	4,476	14,921	10,445	11,937	13,429	16,413	11,937	15,342	149,210
Franchises	12,314	171,956	0	12,024	161,898	0	11,817	157,732	0	867,372	156,582	0	1,551,696
Transfers In/Indirect Costs	415,271	1,418,703	604,601	1,222,659	612,324	607,226	1,501,230	622,195	607,447	1,248,073	599,312	794,769	10,253,810
CalPERS Prepayments from Other Departments	2,652,894	2,947,660	2,947,660	2,947,660	2,947,660	4,421,491	2,947,660	2,947,660	2,947,660	2,947,660	2,947,660	4,716,257	38,319,586
TRAN Proceeds	43,283,310	0	0	0	0	0	0	0	0	0	0	0	43,283,310
TOTAL RECEIPTS	$50,876,583	$14,456,567	$10,098,138	$15,395,806	$10,763,105	$44,613,282	$15,486,552	$14,903,294	$24,693,005	$32,709,837	$10,881,718	$15,026,700	$259,904,588
CASH DISBURSEMENTS													
General Government	$2,728,031	$2,981,234	$1,803,143	$2,037,888	$1,847,842	$1,945,723	$2,430,559	$2,096,242	$2,058,425	$1,823,097	$1,727,876	$2,719,810	$26,199,870
Public Safety	4,838,852	14,682,528	10,715,762	11,457,174	10,748,567	10,269,758	10,814,576	8,001,292	7,621,330	7,711,073	7,108,451	11,312,426	115,281,787
Highways and Streets	85,907	232,325	154,434	148,363	125,585	155,028	184,904	130,467	129,742	188,420	132,048	205,726	1,872,950
Health and Human Service	1,606,342	1,070,161	719,716	1,350,015	1,079,495	1,099,236	1,808,998	1,249,956	2,249,299	1,606,828	1,477,313	3,382,331	18,699,689
Culture - Recreation	309,076	781,310	640,306	476,838	454,163	383,701	531,847	361,183	385,084	322,579	255,628	411,046	5,312,762
Urban Redevelopment/Housing	299,989	1,055,906	511,276	766,032	542,574	504,762	972,093	563,404	630,724	727,080	497,198	1,920,453	8,991,493
Econ Dev & Assistance	61,531	528,037	148,639	232,467	606,556	136,018	213,734	114,674	90,054	1,546,805	474,490	398,080	4,551,086
Debt Service: Workers Comp Loan Repayment	946,163	0	0	0	0	0	0	0	0	0	0	0	946,163
Debt Service: 2016 Parking Revenue Bonds	1,910,250	0	0	0	0	0	0	0	0	0	0	0	1,910,250
Transfers Out/Other3,317,802 162,752 162,752 3,317,802 162,752 162,752 3,317,802 162,752 3,317,802 162,752 162,752 162,752 14,573,224													
Transfer Out to Pension Section 115 Trust Fund	0	0	0	0	0	0	0	0	0	0	0	1,318,502	1,318,502
Transfer Out of Excess of Property Transfer Tax	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfer Out to Stabilization Reserve Fund	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfer Out to Catastrophic Reserve Fund	0	0	0	0	0	0	0	0	0	0	0	0	0
Business Continuity Grants	800,000	0	0	0	0	0	0	0	0	0	0	0	800,000
San Pablo Parcel Loans	550,000	0	0	0	0	0	0	0	0	0	0	0	550,000
Prepayment to CalPERS	38,319,586	0	0	0	0	0	0	0	0	0	0	0	38,319,586
TRAN Principal Pledge	0	0	0	0	0	0	21,500,000	0	0	0	21,500,000	0	43,000,000
TRAN Interest Pledge	0	0	0	0	0	0	0	0	0	0	0	857,611	857,611
Advances from GF/(Repayment to GF)	(250,000)	100,000	600,000	1,500,000	(600,000)	(1,300,000)	2,000,000	1,100,000	870,000	(2,500,000)	(1,000,000)	(520,000)	0
TOTAL DISBURSEMENTS	$55,523,529	$21,594,252	$15,456,029	$21,286,579	$14,967,534	$13,356,978	$43,774,513	$13,779,970	$14,197,409	$14,743,685	$32,335,756	$22,168,738	$283,184,972
Interfund Borrowings	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Net Cash Flow	($4,646,946)	($7,137,685)	($5,357,890)	($5,890,773)	($4,204,429)	$31,256,305	($28,287,960)	$1,123,324	$10,495,596	$17,966,152	($21,454,039)	($7,142,038)	($23,280,384)
Ending Balance	$30,447,722	$23,310,037	$17,952,146	$12,061,374	$7,856,945	$39,113,250	$10,825,289	$11,948,613	$22,444,209	$40,410,361	$18,956,322	$11,814,284	$11,814,284

(1) Cash and investment balances provided in the table above represent the City's available cash balance (i.e., General Fund cash and investments less the Stabilization and Catastrophic Reserve Fund cash balances and short term liabilities).
Source: City of Berkeley.

COVID-19 Global Pandemic

Background. The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus (**"COVID-19"**), which was first detected in China and has spread to other countries, including the United States, was declared a pandemic by the World Health Organization, a national emergency by the President of the United State (the "**President**") and a state of emergency by the Governor of the State (the "**Governor**"). There has been tremendous volatility in the markets in the United States and globally, resulting in significant declines and speculation of a national and global recession.

The President's declaration of a national emergency on March 13, 2020 made available more than $50 billion in federal resources to combat the spread of the virus. A multibillion-dollar COVID-19 relief package was signed into law by the President on March 18, 2020 providing for Medicaid expansion, unemployment benefits and paid emergency leave during the crisis. In addition, the Federal Reserve lowered its benchmark interest rate to nearly zero, introduced a large bond-buying program and established emergency lending programs to banks and money market mutual funds.

On March 19, 2020, the Governor issued a shelter-in-place order, Executive Order N-33-20, ordering all California residents to stay home except to get food, care for a relative, get necessary healthcare or go to an essential job. The stay at home order went into effect immediately and will stay in effect until further notice.

On March 27, 2020, the House approved a $2 trillion relief package, including economic stimulus in the form of direct payment to certain Americans and billions of dollars to hospitals. In addition, the Federal Reserve has lowered its benchmark interest rate to nearly zero, introduced a large bond-buying program and established emergency lending programs to banks and money market mutual funds.

Impacts on Global and Local Economies; Potential Declines in State Revenues. The COVID-19 public health emergency is altering the behavior of businesses and people in a manner that will have negative impacts on global and local economies, including the economy of the State. Under the 2020-21 State Budget, approximately 70% of the State's general fund revenue is projected to be derived from personal income tax receipts. Additionally, capital gains tax receipts are budgeted to account for about 10% of such receipts in fiscal year 2019-20. California's Legislative Analyst's Office published reports on March 18, 2020 and April 15, 2020 which anticipate that the economic uncertainty caused by the outbreak will significantly affect California's near-term fiscal outlook, including lower capital gains-related tax revenue due to the volatility in the financial markets, and the likelihood that a recession is forthcoming due to pullback in activity across wide swaths of the economy. The City cannot predict the short or long-term impacts that COVID-19 will have on global, State-wide and local economies, which could impact City operations and local property values.

The City cannot predict the impacts that the COVID-19 emergency might have on the City's finances or operations.

CITY INVESTMENT POLICY AND PORTFOLIO

The authority to invest the City's funds is derived from a resolution adopted annually by the City Council delegating to the Director of Finance and the Treasurer of the City the authority to invest these funds within the guidelines of Section 53600 et seq. of the Government Code of the State (the "**Government Code**"). The Government Code also directs the City to present an annual investment policy (the "**Investment Policy**") for confirmation to the City Council. The City Council voted to affirm the Investment Policy and designate the investment authority on July 1, 2019. The Investment Policy may be revised by the City Council at any time.

The objectives of the Investment Policy are preservation of capital, liquidity and yield. The Investment Policy addresses the soundness of financial institutions in which the City may deposit funds, types of investment instruments permitted by the City and the Government Code, investment duration and the amount which may be invested in certain instruments. The Investment Policy also reflects and supports the City's policy positions on important social and environmental issues, as contained in formal City Council actions including the Nuclear-Free Berkeley Act, the Responsible Investment Ordinance, the Oppressive States Contract Resolution and Divestment from Publicly-Traded Fossil Fuel Companies and Gun Manufacturers and Tobacco companies. Summarized below are the permitted investments under the Investment Policy. These policies may further restrict investment options available to the City.

Authorized Investment Type	Maximum Maturity	Maximum Percentage/Dollar of Portfolio	Maximum Investment In One Issuer
Bank/Time Deposit Accounts	5 years	100%	N/A
Money Market Funds	N/A	100%	N/A
Repurchase Agreements	1 year	10%	N/A
Reverse Repurchase Agreements	7 days	10%	N/A
Banker's Acceptances	7 days	40%	30%
U.S. Government Securities (Treasury bills,	5 years		
Notes and Bonds)	30 years*	100%	N/A
U.S. Agency Securities by Agency	5 years		
	30 years*	100%	N/A
Negotiable Certificates of Deposit	5 years		
	30 years*	30%	$250,000
Local Agency Bonds	5 years		
	30 years*	100%	N/A
Commercial Paper	180 days	25%	$5M or 2%
Medium Term Notes	5 years		
	30 years*	30%	30%

* Maturities over five years, up to 30 years, are authorized only for Retiree Medical Plan Trust and debt service reserve funds.

As of April 30, 2020, the City portfolio included $470,519,344.99 in pooled investments. The average life of the investments was 1,065 days and the weighted yield was 2.553% from July 1, 2019 to April 30, 2020. The following is a list of investments held by the City:

CITY OF BERKELEY
(As of April 30, 2020)

Security	Market Value	% of Total Portfolio
Medium Term Notes	$123,265,952.08	26.20%
Municipal Bonds	5,072,177.46	1.08
Federal Agency Coupon Notes	44,001,000.00	9.35
Money Market Fund and CDs	252,674,264.14	53.70
Commercial Paper	45,505,951.31	9.67
TOTAL:	$470,519,344.99	100.00%

Source: City of Berkeley Finance Department.

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SPECIAL RISK FACTORS

The following information should be considered by prospective investors in evaluating the Notes; however, this information does not purport to be an exhaustive listing of the risks and other considerations, which may be relevant to an investment in the Notes.

Bankruptcy Considerations

In 1994, Orange County, California issued its 1994-1995 Tax and Revenue Anticipation Notes (the "**Orange County Notes"**) under the same statutory authority as the Notes. On December 6, 1994, Orange County filed a petition in bankruptcy. Subsequently, Orange County declined to set aside the taxes and revenues it had pledged for the repayment of the Orange County Notes and a noteholder brought suit to compel Orange County to do so. A March 8, 1995 ruling of the United States Bankruptcy Court for the Central District of California, held that the lien securing the Orange County Notes did not attach to revenues received by Orange County after the filing of its bankruptcy petition on December 6, 1994, and therefore, Orange County was not required to set aside the revenues pledged under the note resolution following the bankruptcy. The Bankruptcy Court ruled that under the United States Bankruptcy Code (the "**Bankruptcy Code**"), the lien did not attach to revenues received by Orange County after December 6, 1994, because the lien was a consensual security interest rather than a statutory lien. In July 1995, the United Stated District Court for the Central District of California reversed the decision of the Bankruptcy Court. Orange County appealed the decision of the District Court to the United States Court of Appeals for the Ninth Circuit. Before the Ninth Circuit rendered a decision, the parties settled their disputes. Accordingly, if the City were to file for bankruptcy, it is not clear whether it would be required to set aside revenues pledged under the Resolution as described above.

In addition, the Pledged Revenues and other moneys that will be set aside to pay the Notes will be held in the City's General Fund, and these funds will be invested in the pooled investment fund. Should the City go into bankruptcy, a court might hold that the owners of the Notes do not have a valid lien on the Pledged Revenues. In that case, unless the owners could "trace" the funds, the owners would merely be unsecured creditors of the City. There can be no assurance that the owners of the Notes could successfully so "trace" the Pledged Revenues.

Limitations on Remedies

The rights of the owners of the Notes are subject to the limitations on legal remedies against cities in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest. Additionally, enforceability of the rights and remedies of the owners of the Notes and the obligations incurred by the City, may become subject to the following: the Bankruptcy Code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditor's rights generally, now or hereafter in effect; equity principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Constitution; and the reasonable and necessary exercise in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the owners of the Notes to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

Climate Change

The adoption by the State of the California Global Warming Solutions Act of 2006 (AB 32) and subsequent companion bills demonstrate the commitment by the State to take action and reduce greenhouse gases ("**GHG**") to 1990 levels by 2020 and 80% below 1990 levels by 2050. The State Attorney General's Office, in accordance with SB 375, now requires that local governments examine local policies and large-scale planning efforts to determine how to reduce greenhouse gas emissions. Additionally, the State adopted Senate Bill No. 32, which established a revised statewide GHG emission reduction target of 40% below 1990 levels by 2030.

The City is vulnerable to the impacts of climate change. The severity of these impacts will depend on the amount of greenhouse gas emissions produced worldwide over the coming decades and the City's ability to adapt to the changing climate. These impacts will continue to grow in intensity and will disproportionately affect vulnerable communities such as the elderly, children, people with disabilities, and people with low incomes. In order to mitigate climate change locally, the City developed the Berkeley Climate Action Plan (CAP). The CAP sets a target of achieving 80% GHG reductions below 2000 levels by 2050. The City also has goals to achieve net zero carbon emissions by 2050, become a fossil fuel free city, and reach 100% renewable electricity citywide by 2035. From 2000 to 2016, the City has reduced its greenhouse gas emissions by 15% despite a population increase of approximately 18% in that same period. The City's mitigation efforts include developing plans, programs and policies to:

- Reduce energy use in building construction and operation, in transportation by shifting travel to walking, biking, and transit, and by minimizing landfilled waste;
- Clean the electricity used in the City and
- Electrify transportation and buildings to significantly reduce natural gas and petroleum use.

It is also critical that the City adapt to current and projected climate change impacts, including sea level rise, drought, severe storms, and extreme heat, in order to protect its community, infrastructure, buildings, and economy. The City has several plans that address climate adaptation including the Local Hazard Mitigation Plan, the Resilience Strategy, and the Climate Action Plan. The City is also developing a sea level rise plan for the Berkeley Marina and a green infrastructure plan. Some key climate resilience actions that the City is taking include implementing green infrastructure projects and identifying opportunities for clean energy assurance solutions, such as solar plus storage, for buildings. The City also actively participates in regional organizations such as the Bay Area Climate Adaptation Network to develop regional strategies and solutions to adapt to climate change.

Climate change will have new, direct impacts and will also exacerbate existing local natural hazards. Rising sea levels have the potential to impact infrastructure and community members in west Berkeley and the Berkeley waterfront. This could increase the City's exposure to tsunami inundation and to flooding of critical infrastructure in these areas, which includes sanitary sewers, state highways, and railroad lines. Increased temperatures, when coupled with prolonged drought events, can increase the intensity of wildfires that may occur, and pose significant health and safety risks for vulnerable communities. Shorter, more intense wet seasons could make flooding more frequent, and may increase the landslide risk in the Berkeley hills. California may experience greater water and food insecurity, and drought may become a more persistent issue as the effects of climate change deepen.

Cybersecurity

The City and its departments face multiple cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computers and other sensitive digital networks and systems. There have been, however, only limited cyber-attacks on the computer systems of the City. No assurances can be given that the security and operational control measures of the City will be successful in guarding against any and each cyber threat and attack. The results of any attack on the computer and information technology systems could have a material adverse impact on the operations of the City and damage the digital networks and systems. The resulting costs and/or impacts on operations and General Fund revenues could be material.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING CITY REVENUES AND APPROPRIATIONS

Limitations on Revenues

Article XIIIA of the California Constitution. Article XIIIA of the State Constitution, adopted and known as Proposition 13, was approved by the voters in June 1978. Section 1(a) of Article XIIIA limits the maximum ad valorem tax on real property to one percent of "full cash value," and provides that such tax shall be collected by the counties and apportioned according to State law. Section 1(b) of Article XIIIA provides that the one-percent limitation does not apply to ad valorem taxes levied to pay interest and redemption charges on (i) indebtedness approved by the voters prior to July 1, 1978, or (ii) bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast on the proposition, or (iii) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district, but only if certain accountability measures are included in the proposition. The tax for payment of the City's general obligation bonds falls within the exception for bonds approved by a two-thirds vote.

Section 2 of Article XIIIA defines "full cash value" to mean the county assessor's valuation of real property as shown on the fiscal year 1975-76 tax bill, or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred. The full cash value may be adjusted annually to reflect inflation at a rate not to exceed two percent per year, or to reflect a reduction in the consumer price index or comparable data for the area under taxing jurisdiction or may be reduced in the event of declining property value caused by substantial damage, destruction or other factors. Legislation enacted by the State Legislature to implement Article XIIIA provides that, notwithstanding any other law, local agencies may not levy any ad valorem property tax except the 1% base tax levied by each County and taxes to pay debt service on indebtedness approved by the voters as described above.

Since its adoption, Article XIIIA has been amended a number of times. These amendments have created a number of exceptions to the requirement that property be reassessed when purchased, newly constructed or a change in ownership has occurred. These exceptions include certain transfers of real property between family members, certain purchases of replacement dwellings for persons over age 55 and by property owners whose original property has been destroyed in a declared disaster, and certain improvements to accommodate disabled persons and for seismic upgrades to property. These amendments have resulted in marginal reductions in the property tax revenues of the City.

Both the California State Supreme Court and the United States Supreme Court have upheld the validity of Article XIIIA.

Article XIIIC and Article XIIID of the California 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 XIIIC and XIIID to the California Constitution and contains a number of interrelated provisions affecting the ability of the City to levy and collect both existing and future taxes, assessments, fees and charges.

On November 2, 2010, California voters approved Proposition 26, entitled the "Supermajority Vote to Pass New Taxes and Fees Act." Section 1 of Proposition 26 declares that Proposition 26 is intended to limit the ability of the State Legislature and local government to circumvent existing restrictions on increasing taxes by defining the new or expanded taxes as "fees." Proposition 26 amended Articles XIIIA and XIIIC of the State Constitution. The amendments to Article XIIIA limit the ability of the State Legislature to impose higher taxes (as defined in Proposition 26) without a two-thirds vote of the Legislature. The amendments to Article XIIIC define "taxes" that are subject to voter approval as "any levy, charge, or exaction of any kind imposed by a local government," with certain exceptions.

<u>Taxes</u>. Article XIIIC requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the City ("**general taxes**") require a majority vote; taxes for specific purposes ("**special taxes**"), even if deposited in the City's General Fund, require a two-thirds vote. 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.

<u>Property-Related Fees, Charges and Assessments</u>. Article XIIID 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 XIIID, 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.

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

<u>Burden of Proof</u>. Article XIIIC provides that local government "bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity,

and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity." Similarly, Article XIIID provides that in "any legal action contesting the validity of a fee or charge, the burden shall be on the agency to demonstrate compliance" with Article XIIID.

Impact on City's General Fund. The approval requirements of Articles XIIIC and XIIID 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 the taxes, fees, charges or taxes in the future that the City may need to meet increased expenditure needs.

The City does not believe that any material source of General Fund revenue is subject to challenge under Articles XIIIC or XIIID.

Judicial Interpretation. The interpretation and application of Articles XIIIC and XIIID 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.

Expenditures and Appropriations

Article XIIIB of the California Constitution. In addition to the limits Article XIIIA imposes on property taxes that may be collected by local governments, certain other revenues of the State and local governments are subject to an annual "appropriations limit" or "Gann Limit" imposed by Article XIIIB of the State Constitution, which effectively limits the amount of such revenues that government entities are permitted to spend. Article XIIIB, 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" exclude 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 XIIIB 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 cases of emergency; however, the appropriations limit for the 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 have their 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. Each school district is required to establish an appropriations limit each year. In the event that a school district's revenues exceed its spending limit, the district may increase its appropriations limit to equal its spending by taking appropriations limit from the State.

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 exceed the aggregate limit, the excess must be returned to the agency's taxpayers through tax rate or fee reductions over the following two years.

Split Roll Initiative

An initiative measure (the "**Split Roll Initiative**") to amend Article XIIIA has qualified for the State's November 2020 ballot. If adopted, the Split Roll Initiative would base property taxes for commercial and industrial properties on market values beginning in tax year 2020-21. Such market values would be reassessed by the applicable county assessor's office at least once every three years. The Split Roll Initiative includes exceptions for businesses with a total market value of less than $2 million (adjusted for inflation), which would continue to be subject to property taxes based on purchase price, and exempts from property tax assessments up to $500,000 of the value of personal property, or all personal property for businesses with fewer than 50 employees. There can be no assurance that the Split Roll Initiative will be adopted. Moreover, if the Split Roll Initiative is adopted, the City is unable to predict how it would affect the level of commercial building activity within the City and the relationship of the assessed value between land use types (i.e. residential versus commercial) in the City, or what other impacts the Split Roll Initiative might have on the local economy or the City's financial condition.

Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC, Article XIIID and Proposition 111 were each adopted as measures that qualified for the ballot pursuant to California's initiative process. From time to time other initiative measures could be adopted, further affecting City revenues or the City's ability to expend revenues. The nature and impact of these measures cannot be predicted by the City.

LEGAL OPINION

The statements of law and legal conclusions set forth in this Official Statement under the heading "TAX MATTERS" have been reviewed by Bond Counsel. Bond Counsel's employment is limited to a review of the legal proceedings required for the authorization of the Notes and to rendering the opinion discussed below. Such opinion will not consider or extend to any documents, agreements, representations, offering circulars or other material of any kind concerning the Notes not mentioned in this paragraph. Bond Counsel takes no responsibility for the accuracy, completeness or fairness of this Official Statement. Bond Counsel's compensation is contingent upon the delivery of the Notes. Certain legal matters will be passed upon for the City by the City Attorney.

TAX MATTERS

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

The opinions set forth in the preceding paragraph are subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986, as amended (the "**Tax Code**") that must be satisfied subsequent to the issuance of the Notes. 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 Notes.

Tax Treatment of Original Issue Discount and Premium. If the initial offering price to the public at which a Note is sold is less than the amount payable at maturity thereof, then such difference constitutes "**original issue discount**" for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public at which a Note 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 are 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 Note 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 Notes to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such Note. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Notes who purchase the Notes after the initial offering of a substantial amount of such maturity. Owners of such Notes should consult their own tax advisors with respect to the tax consequences of ownership of Notes 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 Notes under federal alternative minimum taxes.

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

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

Owners of the Notes should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Notes 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 Notes other than as expressly described above.

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

CONTINUING DISCLOSURE

The City has covenanted for the benefit of the holders of the Notes to provide notices of the occurrence of certain enumerated events. The notices of enumerated events will be filed by the City with the Municipal Securities Rulemaking Board. The specific nature of the information to be contained in the notices of enumerated events is summarized under the caption “APPENDIX D – Form of Continuing Disclosure Certificate.” These covenants have been made in order to assist the purchaser of the Notes in complying with Rule 15c2- 12(b)(5) promulgated under the Securities Exchange Act of 1934, as amended (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, 2019.” Notes to Basic Financial Statements, Note 3”). In order to meet its continuing disclosure obligations, the City retained NHA Advisors, LLC as dissemination agent.

In the previous five years, the City failed to timely file a material event notice in connection with changes to the credit rating for one series of the City’s bonds. To ensure future compliance with its continuing disclosure undertakings, the City has developed procedures for including all required continuing disclosure information in the supplementary section of its audited financial statements. In addition, the City 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 Notes, and a certificate to that effect will be furnished to the underwriter at the time of the original delivery of the Notes. 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 Unrestricted Moneys or contesting the City's ability to issue and retire the Notes.

There are a number of lawsuits and claims pending against the City. The aggregate amount of the uninsured liabilities of the City, and the timing of any anticipated payments of judgments that may result from suits and claims, will not, in the opinion of the City, materially affect the finances of the City or impair its ability to repay the Notes. A certificate of the City to this effect will be available at the time of original delivery of the Notes.

UNDERWRITING

The Notes were purchased by __________ (the "**Underwriter**") at a price of $________ (representing $________ aggregate principal amount of the Notes plus a purchase premium of $_________, less an Underwriter's discount of $______). The purchase contract for the Notes provides that the Underwriter will purchase all of the Notes if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in such purchase contract, the approval of certain legal matters by counsel and certain other conditions.

The Underwriter may offer and sell Notes to certain dealers and others at prices lower than the offering price stated on the cover page hereof. The offering price may be changed from time to time by the Underwriter.

MUNICIPAL ADVISOR

The City has retained NHA Advisors, LLC, San Rafael, California, as municipal advisor (the "**Municipal Advisor**") in connection with the preparation of this Official Statement and with respect to the issuance of the Notes. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. The Municipal Advisor is a 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 Notes.

RATING

Moody's Investor Services Inc. has assigned a rating to the Notes as shown on the cover of this Official Statement. The City supplied certain information to the rating agency to be considered in evaluating the Notes. The rating issued reflects only the views of such rating agency, and any explanation of the significance of such rating should be obtained from the rating agency. There is no assurance that the rating will be retained for any given period of time or that the same will not be revised downward or withdrawn entirely by such rating agency if, in its judgment, circumstances so warrant. Any downward revision or withdrawal of the rating obtained may have an adverse effect on the market price of the Notes.

ADDITIONAL INFORMATION

The purpose of this Official Statement is to supply information to purchasers of the Notes. Quotations from and summaries and explanations of the Notes and the Resolution and of statutes and documents contained herein do not purport to be complete, and reference is hereby made to the Resolution, statutes and documents for full and complete statements of their provisions. Additional information can be obtained from the City's Director of Finance.

This Official Statement speaks only as of its date, and the information presented in this Official Statement is subject to change. Any statements in this Official Statement involving matters of opinion, whether or not expressly stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement among the City and any purchaser or owners of the Notes. This Official Statement and its distribution have been authorized and approved by the City Council of the City.

CITY OF BERKELEY, CALIFORNIA

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 122,580, giving it the highest population density of any city in the East Bay. The University of California is a major component of the City's economy, employing more than 235,000 full and part-time workers.

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

Population

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

CITY OF BERKELEY
Population Estimates
As of January 1

Year	City of Berkeley	County of Alameda	State of California
2016	120,059	1,632,599	39,131,307
2017	121,050	1,646,711	39,398,702
2018	121,752	1,655,306	39,586,646
2019	122,358	1,664,783	39,695,376
2020	122,580	1,670,834	39,782,870

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

City Government

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

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

The City Council members are shown in the below table:

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

Possible Impacts of COVID-19

As described in this Official Statement, the short-term and long-term impact of COVID-19 on the City's finances cannot be predicted. The Notes described in this Official Statement are by statute general obligations of the City, payable solely from taxes, income, revenues, cash receipts and other moneys that are received by the City for the General Fund for fiscal year 2020-21 and that are generally available for the payment of current expenses and other obligations of the City (the "**Unrestricted Moneys**"). The Notes are secured by a pledge of Unrestricted Moneys to be received by the City in (a) an amount equal to fifty percent (50%) of the principal amount of the Notes in the month of January 2021; (b) an amount equal to fifty percent (50%) of the principal amount of the Notes in the month of May 2021; and (c) an amount sufficient to pay interest as due on the Notes at their maturity, in the month of June 2021. See "SECURITY FOR AND SOURCES OF PAYMENT OF THE NOTES – COVID-19 Global Pandemic."

Accounting Policies and Financial Reporting

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

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

The City, all its funds and the funds of certain other component entities of the City are audited annually by a certified public accounting firm. The firm of Badawi and Associates, Certified

Public Accounts, Oakland, California, is the City's current auditor (the "**Auditor**"). The comprehensive annual financial report of the City for fiscal year 2018-19 is attached hereto as APPENDIX B. *The City's financial statements are public documents and are included within this Official Statement without the prior approval of the Auditor.*

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

Comparative Financial Statements

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

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

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

* Cash and investments in treasury includes restricted cash and investments.
Source: City of Berkeley, Comprehensive Annual Financial Reports.

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

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

* Totals may not add due to rounding.
Source: City of Berkeley Comprehensive Annual Financial Reports

General Fund Budget

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

From about January to May of each year, the City Council meets in public to discuss policies and priorities for the upcoming budget. The City Manager prepares a proposed budget based on input from department heads, and presents this to the City Council by the first Monday in May of a budget year or as fixed by the City Council. The City also maintains additional budgetary controls to ensure compliance with the annual appropriated budget. The City Manager is authorized to transfer budgeted amounts within funds as deemed necessary to meet the City's needs; however, revisions that alter the total budget or move amounts from one fund to another must be approved by the City Council.

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

Projected General Fund Revenues. Presented in the table below is a 5-year revenue projection of the City, as of the date of this Official Statement. The following estimates are based on the most current and reliable information in the City's possession at this time. The City is unable to predict the total impact that COVID-19 may have on the City's finances or operations. As the longer-term impacts of COVID-19 on the local economy becomes more apparent, the City's predictions about the effects on City revenues will continue to evolve. The City notes that, in this unprecedented time, the national economy shrank by 4.8% in the first calendar quarter of 2020, and that the second quarter is expected to be much worse.

CITY OF BERKELEY
PROJECTED GENERAL FUND REVENUES
(Fiscal Year Ending June 30)

	2019-20	2020-21	2021-22	2022-23	2023-24
UNDESIGNATED REVENUES:					
Secured Property Taxes	$56,835,096	$58,875,839	$60,053,356	$61,254,423	$62,479,511
Supplemental Taxes	1,281,625	1,260,000	1,285,200	1,310,904	1,337,122
Unsecured Property Taxes	3,189,177	2,250,000	2,295,000	2,340,900	2,387,718
Property Transfer Taxes	17,404,620	12,500,000	12,500,000	12,500,000	12,500,000
Property Transfer Tax-Measure P	7,929,885	4,747,414	3,000,000	3,060,000	3,121,200
Sales Taxes	15,502,300	15,786,200	16,101,924	16,423,962	16,752,442
Soda Tax	1,329,377	970,794	1,401,278	1,373,252	1,345,787
Utility Users Taxes	13,672,814	12,750,000	13,005,000	13,265,100	13,530,402
Transient Occupancy Taxes (TOT)	6,000,000	5,070,000	4,968,600	5,067,600	5,169,331
Short-term Rentals	1,321,581	676,260	662,735	675,989	689,509
Business License Taxes	17,727,782	12,984,192	13,243,876	13,508,753	13,778,928
Recreational Cannabis	1,563,366	1,300,000	1,326,000	1,352,520	1,379,570
Measure U1	3,600,000	2,700,000	2,754,000	2,809,080	2,865,262
Other Taxes	1,885,464	1,456,560	1,427,429	1,398,880	1,370,903
Vehicle in Lieu Taxes	12,000,000	12,421,597	12,670,029	12,923,429	13,181,898
Parking Fines-Regular Collections	4,080,123	5,049,000	4,948,020	4,849,060	4,752,078
Parking Fines-Booting Collections	8,685	--	90,000	100,000	102,000
Moving Violations	149,210	190,000	170,000	173,400	176,868
Ambulance Fees	4,971,889	5,103,208	4,200,000	4,200,000	4,200,000
Interest Income	4,669,116	2,800,000	2,600,000	2,500,000	2,500,000
Franchise Fees	1,779,320	1,551,696	1,520,662	1,490,249	1,460,444
Other Revenues	7,091,941	7,027,993	6,676,593	6,476,295	6,346,769
Indirect cost reimbursements	5,583,934	5,490,000	5,200,000	5,304,000	5,410,080
Transfers	4,819,367	4,106,408	4,188,536	4,272,306	4,357,752
Total Undesignated Revenues	**194,397,116**	**177,067,160**	**176,288,237**	**178,630,476**	**181,195,576**
DESIGNATED REVENUES:					
Property Transfer Tax for Cap.Improvement	4,500,000	3,928,465	3,000,000	3,060,000	3,121,200
Total Undesignated Revenues					
Total Revenues and Transfers	**$198,897,116**	**$180,995,625**	**$179,288,237**	**$181,690,476**	**$184,316,776**

Ad Valorem Property Taxes

Tax Levies and Collections. Property taxes accounted for approximately 34% of the City's general fund revenues for fiscal year 2018-19. The City has decreased its previously expected property tax revenue by approximately 6.5% in fiscal years 2019-20 and 2020-21 to account for anticipated additional uncollectable amounts due from property owners due to COVID-19. Considering the extended impact of the COVID-19 crisis on overall economic growth, and the expected slow pace of the subsequent recovery, the City has also lowered its forecasted increases in property tax revenue for fiscal year 2022-23 from 3.5% per year to 2.0%, calculated from the lowered expected fiscal year 2019-20 baseline.

Taxes are levied for each fiscal year on taxable real and personal property that is situated in the City as of the preceding January 1. A supplemental roll is developed when property changes hands, which produces additional revenue.

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

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

In an attempt to mitigate the effects of the COVID-19 pandemic on State property taxpayers, on May 6, 2020, the Governor signed Executive Order N-61-20 ("**Order N-61-20").** Under Order N-61-20, certain provisions of the State Revenue and Taxation Code are suspended until May 6, 2021 to the extent said provisions require a tax collector to impose penalties, costs or interest for the failure to pay secured or unsecured property taxes, or to pay a supplemental bill, before the date that such taxes become delinquent. Said penalties, costs and interest shall be cancelled under the conditions provided for in Order N-61-20, including if the property is residential real property occupied by the taxpayer or the real property qualifies as a small business under certain State laws, the taxes were not delinquent prior to March 4, 2020, the taxpayer files a claim for relief with the tax collector, and the taxpayer demonstrates economic hardship or other circumstances that have arisen due to the COVID-19 pandemic or due to a local, state, or federal governmental response to COVID-19.

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

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

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

Other General Fund Revenues and Transfers

In addition to property taxes, the City has several other major tax and fee revenue sources, as described below. The City currently expects all revenue sources to be negatively impacted by the impacts of COVID-19, though specific information regarding current projections is detailed below only with respect to sales and use taxes, utility users taxes and business license taxes.

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

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

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

Total taxable sales in the City during fiscal year 2018-19 were reported to be $1.814 billion, a slight increase over the total taxable sales of $1.8 billion reported during fiscal year 2017-18. Due to the effects of COVID-19, the City currently projects that sales tax revenue will be down 15% in the current and next fiscal year, based on estimates of activity in the City's business categories, and due to closures affecting retail sales and the potential impact of a deferral program currently being considered by the CDTFA).

CITY OF BERKELEY
TAXABLE TRANSACTIONS
(Figures in Thousands)

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

Source: State Department of Tax and Fee Administration.

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

Utility Users Tax. The City imposes a 7.5% tax on users of gas, electricity and telephone, as well as cellular telephone services for billing addresses within the City. The tax is not applicable to State, County, or City agencies, or to insurance companies and banks. Some of the factors affecting this revenue stream include consumer demand for these utilities, legislative and regulatory action, rate changes, and the evolution of technology. Approximately 70% of the utility users tax revenue is generated from utility usage by commercial and industrial customers, and the City is currently projecting a 50% decline in this category for the duration of fiscal year 2019-20, due to mandated closures of businesses due to COVID-19, which amounts to a 9% annualized reduction in overall utility users tax revenue.

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

The City is currently projecting a 9% reduction from previous estimates for fiscal year 2019-20. However, the City notes that mandated closures will significantly impact future revenues, and projects an additional 35% reduction for fiscal year 2020-21.

Property Transfer Tax. The City's transfer tax rate is 1.5% for properties with a consideration up to $1.5 million and 2.5% for transferred properties with a consideration over $1.5 million. The $1.5 million threshold will be adjusted annually to capture approximately the top 33% of such transfers based on transfers that occurred in the 12 months preceding September 1 of the preceding year. However, the threshold cannot be reduced below $1.5 million, meaning that the tax on properties transferred for $1.5 million or less would remain at 1.5%, notwithstanding any adjustment. The tax is due when the transfer is recorded with the County. Title companies collect the tax as part of the sale closing process and remit the funds to the County when sales or transfers are finalized. The County remits the amounts due monthly, and the amounts are credited to the general fund. A buyer of residential housing built before 1989 may voluntarily choose to reserve up to one-third of the transfer tax to perform seismic upgrades. Buyers typically have up to one year to complete the work and file for a rebate. Previously the title companies held the reserved amount in escrow until the work was completed, but since May 2007, the City has held the money in escrow accounts, with the interest going to the City.

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

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

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

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

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

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

For fiscal year 2018-19, VLF revenue totaled $12,540,784, which is $717,867 or 6.1% more than the $11,822,917 received in fiscal year 2017-18 and is consistent with the 6.93% increase in assessed values for fiscal year 2018-19. The amount of $12,540,784 received in fiscal year 2018-19 was $159,656 more than the adopted budget amount of $12,381,128.

Other Revenues. The City also collects additional general fund revenues from franchise fees, transient occupancy taxes, ambulance fees, a tax on sugar-sweetened beverages, and other more minor sources. Under the City's cable and electric and gas franchise fee arrangements, the local cable provider pays an annual franchise fee of 5% of gross revenues, and the electricity and gas providers pay the greater of 2% of gross receipts attributable to miles of line operated or 0.5% of gross receipts. The transient occupancy tax, also known as the hotel tax, is a 12% tax on the room charge for rental of transient lodging; it is paid by the hotel guest, the receipt of which is projected to be significantly reduced in fiscal year 2019-20 and future fiscal years due to restrictions on travel and events due to COVID-19. 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.

General Fund Reserves

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

The Stability Reserve is maintained to mitigate loss of service delivery and financial risks associated with unexpected revenue shortfalls during a single fiscal year or during a prolonged recessionary period. The purpose of the Stability Reserve is to provide fiscal stability in response to unexpected downturns or revenue shortfalls, and not to serve as a funding source for new programs or projects. During fiscal year 2018-19, $5,600,000 was contributed to the Stability Reserve, and the balance at June 30, 2019 was $20,022,922.

The Catastrophic Reserve is maintained to sustain General Fund operations in the event of a natural disaster or other catastrophic event. The Catastrophic Reserve may be used to respond to extreme, one-time events, such as earthquakes, fires, floods, civil unrest, or terrorist attacks. The Catastrophic Reserve may not be accessed to meet operational shortfalls or to fund new programs or projects. During fiscal year 2018-19, $4,580,000 was contributed to the Catastrophic Reserve, and the balance at June 30, 2019 was $16,622,481.

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. The City believes that it is on track to meet the Intermediate and Long-Term Goals as long as the revenue projections are achieved. As of June 30, 2019, the Stability Reserve balance was $20.0 million and the Catastrophic Reserve balance was $16.6 million.

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 2020-21 State Budget. Information about the fiscal year 2020-21 State budget and other State budgets is available at www.ebudget.ca.gov. An impartial analysis of the budget is posted by the Legislative Analyst Office at www.lao.ca.gov. In addition, various State official statements, many of which contain a summary of the current and past State budgets, may be found at the website of the State Treasurer, www.treasurer.ca.gov. *The information referred to in this paragraph is prepared by the respective State agency maintaining each website and not by the City or Underwriter, and the City and Underwriter take no responsibility for the continued accuracy of the Internet addresses or for the accuracy or timeliness of information posted there, and such information is not incorporated in this Official Statement by these references.*

Impacts of COVID-19. The 2020-21 State budget was prepared prior to the COVID-19 outbreak, and the projections included therein did not account for any of the negative economic impacts to date associated with the outbreak, nor any potential impacts yet to be realized. The May revision to the Proposed 2020-21 Budget, and the final budget approved by the Legislature, could reflect significantly lower projections of State revenues and/or higher projections of State expenditures.

On March 24, 2020, the California Department of Finance (the "DOF") released Budget Letter 20-08 which states that the DOF anticipates a severe drop in economic activity in California as a result of the COVID-19 pandemic, which could negatively impact anticipated revenue levels in fiscal year 2019-20 and will certainly produce impacts on the 2020-21 Proposed State Budget.

On May 7, 2020. the DOF released a fiscal update, indicating that the State is facing a $54 billion budget deficit. Job losses and business closures are predicted to sharply reduce State revenues. The State's three main general fund revenue sources, personal income taxes, sales and use taxes and corporate taxes, are projected to drop for the 2020-21 fiscal year by 22.5%, 27.2% and 22.7%, respectively. The revenue declines, combined with the increased costs of supporting health and human service programs, results in the $54.3 billion deficit, of which $13.4 billion occurs in the current fiscal year, and $40.9 billion occurs in the 2020-21 budget year. The DOF notes that the overall deficit is equal to nearly 37% of State general fund spending authorized in the Budget Act for fiscal year 2019-20.

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.

Retirement Programs

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

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

PERS Plan Contributions. The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the PERS Board of Administration (the "**Board of Administration**"). The required employer contribution rates of annual covered payroll for Miscellaneous Plan, Safety Fire Plan and Safety Police Plan employees for fiscal years 2017-18 through 2020-21 are shown below:

Miscellaneous Plan		**Safety Fire Plan**		**Safety Police Plan**	
Fiscal Year	Discount Rate	Fiscal Year	Discount Rate	Fiscal Year	Discount Rate
2017-18	27.900%	2017-08	39.900%	2017-18	56.600%
2018-19	30.500	2018-19	44.000	2018-19	60.800
2019-20	30.414	2019-20	49.474	2019-20	64.729
2020-21	32.908	2020-21	53.303	2020-21	68.667

The contribution requirements of the plan members are established by State statute, and the employer contribution rates are established and may be amended by PERS.

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

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

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

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

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

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

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

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

Fiscal Year	Discount Rate
2018-19	7.375%
2019-20	7.250
2020-21	7.000

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

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

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

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

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

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

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

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

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

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

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

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

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

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

COVID-19 Impacts: Recent investment losses in the PERS portfolios as a result of the general market downturn caused by the COVID-19 outbreak may result in increases in the City's required contributions in future years. At this time, the City cannot predict the level of such increases, if any.

Strategy to Reduce Unfunded Liabilities

The City has large pension and OPEB liability, and the cost escalation of these liabilities is unknown at this time. The City is not making full actuarially determined contributions towards its OPEB liability, and its currently unfunded liability exerts a strain on the City's operations. During fiscal year 2018-19, required pension and OPEB contributions total 15.9% of total governmental fund expenditures.

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

The City Council authorized the establishment of the Trust Fund in order to prefund pension obligations. During fiscal year 2018-19, $4 million was contributed to the Trust Fund from General Fund operations, and an additional $1.1 million was contributed to the Trust Fund from the discount on prepayment of the required PERS unfunded liability payment for fiscal year 2018-19. As of June 30, 2019, the balance in the Trust Fund was $9,191,801.

Post-Employment Health Benefits

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

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

See Note 13 of the City's Comprehensive Annual Financial Report attached to this Official Statement as APPENDIX B for information about the City's OPEB liabilities.

City of Berkeley Fire Employees Retiree Health Plan. The FRFH is a single-employer defined benefit medical plan. To be eligible for benefits, sworn Fire employees must retire from the City on or after July 1, 1997, be vested in a PERS pension, and retire from the City on or after age 50. Benefits commence immediately upon retirement. Benefits are payable for the retiree's lifetime and continue for his or her covered spouse's/domestic partner's lifetime. The amount the City contributes toward the Fire Employees Retiree Health Plan is 4.5% per year regardless of the amount of increase in the underlying premium rate. The establishment and amendments of benefit provisions are negotiated between the employee bargaining units and the City Labor Negotiating Team and are approved by the City Manager and City Council. As of July 1, 2018, there were 128 active employees, 43 retirees deferred and 59 retirees receiving benefits.

Commented [RS1]: Should this be 2019?

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

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

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

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

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

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

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

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

increases regardless of the amount of increase in the underlying premium rate. As of June 30, 2019, there were 1,094 active employees.

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

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

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

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

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

(1) Estimated.

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

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

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

(a) A person who is vested in the plan, 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.

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

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

Beginning July 1, 2013 and effective each July 1 thereafter, the base rates the City contributes toward payment of the premium amount described in the preceding paragraph shall be increased by either the amount Kaiser increases the retiree medical premium for that year, or 6%, whichever is less. The retiree and/or surviving spouse/domestic partner shall pay the difference between the amount the City contributes toward payment of the premium and the actual premium cost. As of July 1, 2019, there were 152 active employees, 22 active retirees, and 6 retirees entitled to, but not yet receiving, benefits.

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

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

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

As of June 30, 2018, the most recent actuarial valuation date, the plan was 4.2% funded. The actuarial accrued liability for benefit was $48.7 million, and the actuarial value of assets was $2.5 million, resulting in an unfunded accrued liability of $46.2 million. The covered payroll (annual payroll of active employees covered by the plan) was approximately $18.8 million. The fair value of the assets was determined using market values as of the date of the actuarial report. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. Funded status of the plan as of June 30, 2018, the most recent actuarial valuation date is as follows:

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

Defined Contribution Plans

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

Labor Relations

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

CITY OF BERKELEY
Labor Relations

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

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

Risk Management

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

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

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

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

City Debt Structure

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

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 "**Certificates of Participation**"). 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 4.50%-5.75%, and the final maturity date is August 1, 2040. As of June 1, 2020, the principal balance outstanding was $4,890,000.

On February 25, 2020, the Authority and the City each approved the issuance of Lease Revenue Bonds, Series 2020 (2010 Animal Shelter Financing) for the purpose of prepaying, in full, the outstanding Certificates of Participation, which are expected to be executed and delivered in summer of 2020.

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 June 1, 2020, the principal balance outstanding was $19,255,000.

Employment

The unemployment rate in the Oakland-Hayward-Berkeley MD was 14.2% in April 2020, up from a revised 4.0% in March 2020, and above the year-ago estimate of 2.7%. This compares with an unadjusted unemployment rate of 16.1% for the State and 14.4% for the nation during the same period. The unemployment rate was 14.1% in the County, and 14.5% in Contra Costa County.

The table below list employment by industry group for Alameda and Contra Costa Counties for the years 2015 to 2019.

OAKLAND- HAYWARD-BERKELEY MD
(Alameda and Contra Costa Counties)
Annual Averages Civilian Labor Force, Employment and Unemployment,
Employment by Industry
(March 2019 Benchmark)

	2015	2016	2017	2018	2019
Civilian Labor Force [(1)]	1,363,500	1,384,900	1,397,800	1,403,300	1,406,100
Employment	1,297,300	1,324,400	1,345,500	1,359,400	1,364,200
Unemployment	66,200	60,400	52,300	43,900	41,900
Unemployment Rate	4.9%	4.4%	3.7%	3.1%	3.0%
Wage and Salary Employment: [(2)]					
Agriculture	1,200	1,300	1,400	1,300	1,400
Mining and Logging	300	300	200	200	200
Construction	62,800	67,900	71,200	74,900	75,600
Manufacturing	88,100	91,000	95,500	100,400	99,600
Wholesale Trade	47,000	48,100	48,700	47,500	45,600
Retail Trade	111,800	113,400	114,400	114,400	112,100
Transportation, Warehousing, Utilities	37,500	39,200	40,500	41,900	42,900
Information	25,300	26,700	27,100	27,800	27,900
Finance and Insurance	37,400	38,800	38,700	37,200	37,100
Real Estate and Rental and Leasing	16,800	16,900	17,400	17,800	18,000
Professional and Business Services	177,200	180,900	184,300	189,300	191,900
Educational and Health Services	178,600	185,900	191,500	194,300	197,700
Leisure and Hospitality	106,600	111,700	114,900	117,700	120,100
Other Services	38,100	39,100	40,200	41,000	41,300
Federal Government	13,800	13,900	13,800	13,400	13,400
State Government	39,900	39,700	39,300	39,400	39,600
Local Government	115,600	119,800	121,500	121,800	122,100
Total, All Industries [(3)]	1,098,000	1,134,600	1,160,600	1,180,400	1,186,700

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

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

CITY OF BERKELEY
Major Employers
2019

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

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

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COUNTY OF ALAMEDA
Major Employers (Listed Alphabetically)
December 2019

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

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

Effective Buying Income

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

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

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

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

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

Construction Activity

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

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

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

Source: Construction Industry Research Board, Building

APPENDIX B

THE CITY'S COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR YEAR ENDED JUNE 30, 2019

APPENDIX C

FORM OF OPINION OF BOND COUNSEL

[LETTERHEAD OF JONES HALL]

July __, 2020

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

OPINION: $_____________ City of Berkeley, California 2020-21 Tax and Revenue Anticipation Notes

Members of the City Council:

We have acted as bond counsel to the City of Berkeley, California (the "City") in connection with the issuance by the City, of the tax and revenue anticipation notes captioned above, dated the date hereof (the "Notes"). In such capacity, we have examined such law and such certified proceedings, certifications and other documents as we deem necessary to render this opinion.

The Notes are issued pursuant to Article 7.6 (commencing with Section 53850) of Chapter 4, Part 1, Division 2, Title 5 of the California Government Code (the "Act"), and a resolution (the "Resolution") of the City Council of the City, adopted on June 30, 2020.

Regarding questions of fact material to our opinion, we have relied upon certified proceedings and other certifications of public officials and others furnished to us, without undertaking to verify the same by independent investigation.

Based on the foregoing, we are of the opinion that, under existing law:

1. The City is a duly created and validly existing municipal corporation and charter city with the power to adopt the Resolution, perform the agreements on its part contained therein and issue the Notes.

2. The Resolution constitutes a valid and binding obligation of the City, enforceable against the City.

3. Pursuant to the Act, the Resolution creates a first lien on funds pledged by the Resolution for the security of the Notes.

4. The Notes have been duly authorized and executed by the City and are valid and binding general obligations of the City.

5. The interest on the Notes 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. 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, as amended, that must be satisfied subsequent to the issuance of the Notes in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The City has made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of issuance of the Notes.

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

We express no opinion regarding any other tax consequences arising with respect to the ownership, sale or disposition of, or the amount, accrual or receipt of interest on, the Notes.

The rights of the owners of the Notes and the enforceability of the Notes are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur. Our engagement with respect to this matter has terminated as of the date hereof.

Respectfully submitted,

A Professional Law Corporation

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "**Disclosure Certificate**") is executed and delivered by the City of Berkeley (the "**City**") in connection with the issuance by the City, of the $_________ City of Berkeley 2020-21 Tax and Revenue Anticipation Notes (the "**Notes**"). The Notes are being issued pursuant to a resolution adopted by the City Council of the City on June 30, 2020 (the "**Resolution**"). The City covenants and agrees as follows:

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

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

"***Dissemination Agent***" shall mean NHA Advisors, LLC, or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

"***Listed Events***" shall mean any of the events listed in Section 3(a) of this Disclosure Certificate.

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

"***Participating Underwriter***" shall mean any of the original underwriters of the Notes required to comply with the Rule in connection with offering of the Notes.

"***Rule***" shall mean 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. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 3, the City shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Notes:

(1) Principal and interest payment delinquencies.

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

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

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

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

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

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

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

(9) Defeasances.

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

(11) Rating changes.

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

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

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

(15) Incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material.

(16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

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

(e) For purposes of Section 3(a)(15) and (16), "financial obligation" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

Section 4. 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 Notes. If such termination occurs prior to the final maturity of the Notes, the City shall give notice of such termination in the same manner as for a Listed Event under Section 3(c).

Section 5. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be NHA Advisors, LLC.

Section 6. 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 Section 3(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 Notes, 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 Notes, 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 Notes, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Notes.

Section 7. 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 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 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 notice of occurrence of a Listed Event.

Section 8. Default. In the event of a failure of the City to comply with any provision of this Disclosure Certificate any holder or beneficial owner of the Notes 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 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 9. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Notes.

Section 10. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriters and holders and beneficial owners from time to time of the Notes and shall create no rights in any other person or entity.

Date: _______, 2020

CITY OF BERKELEY

By ________________________________
City Manager

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 Notes, payment of principal, interest and other payments on the Notes to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Notes 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 Notes (the "**Issuer**") nor the trustee, fiscal agent or paying agent appointed with respect to the Notes (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 Notes, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Notes, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Notes, 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.