



City of San Leandro

Meeting Date: November 5, 2018

Staff Report

File Number: 18-539

Agenda Section: ACTION ITEMS

Agenda Number: 10.A.

TO: City Council

FROM: Jeff Kay
City Manager

BY: David Baum
Finance Director

FINANCE REVIEW: David Baum
Finance Director

TITLE: Staff Report for City of San Leandro City Council RESOLUTIONS that Approve the Issuance of San Leandro Public Financing Authority 2018 Lease Revenue Bonds

SUMMARY AND RECOMMENDATIONS

Staff recommends that the City Council and the Board of Directors of the San Leandro Public Financing Authority (Authority) approve the resolutions and documents required to issue the San Leandro Public Financing Authority 2018 Lease Revenue Bonds (2018 Bonds). The proposed 2018 Bonds will be issued to provide \$20,000,000 of net bond proceeds to fund the City's capital improvement program, as described below. The par value of the 2018 Bonds will not exceed \$22 million, the true interest cost (TIC) will not exceed 5% and the final maturity date will not go beyond November 1, 2048.

DISCUSSION

The \$20 million in net proceeds of the 2018 Bonds will be combined with other appropriations to fund the five capital improvement projects described in the table below.

Projects	Est. Cost	Bond Funding	Est. Bid Opening
Police Bldg. & South Office	\$9,417,000	7,093,000*	October 2018
Mulford-Marina Library	3,800,000	2,500,000	September 2019
Manor Park Competition Pool	5,800,000	5,600,000	March 2019
Farrelly Pool	3,500,000	1,200,000	June 2019
Casa Peralta Improvements	<u>4,410,000*</u>	<u>3,607,000</u>	August 2019
	\$27,650,000	20,000,000	

*Amounts listed reflect changes requested as part of the Police Building / South Office project award scheduled for November 5, 2018.

Net proceeds of the 2018 Bonds are expected to be used for the projects described above, but the City has the discretion to substitute other projects at any time. With the exception of the Mulford-Marina Library project all the listed projects are funded with existing appropriations.

The estimated cost of the Marina Mulford Library is \$1.0 million more than the existing appropriations. Nevertheless, the City intends to build the library as envisioned. To fully fund the project, staff will look first at revenues from the Shoreline development to cover the shortfall. Should that project not generate sufficient revenue, staff would explore re-allocating from other projects or using CIP funding from the upcoming two-year budget. Funding options for this project will be brought forward for City Council consideration when more information becomes available regarding the fiscal impacts of the Shoreline development project.

Financing Structure

In December 2016 the Authority issued \$14,125,000 principal amount of 2016 Refunding Lease Revenue Bonds (2016 Bonds) to refinance 2007 certificates of participation, which the City had caused to be executed and delivered to finance improvements to the Main Library and the acquisition and construction of two fire stations. The 2016 Bonds are secured by lease payments made by the City to the Authority pursuant to a lease agreement for use of the Main Library; the Main Library is leased by the City to the Authority pursuant to a Site Lease. The 2016 lease agreements used the Main Library as the leased asset; using an existing essential-function asset makes for a stronger financing. The Main Library has sufficient value to serve as the leased asset for both the outstanding 2016 Bonds and the proposed 2018 Bonds. The City will make debt service payments for the 2018 Bonds (just like the 2016 Bonds) in the form of lease payments from the General Fund.

The Financing Team

Staff has been working with the firms listed below to bring this financing transaction to the City and Authority for approval. The City resolution directs staff to enter into agreements for services with Stifel, Jones Hall and Kitahata & Company. Staff already has the authority to enter into an agreement with the trustee.

Name of Firm	Capacity
Stifel, Nicolaus & Company, Inc.	Underwriter
Jones Hall, APLC	Bond counsel and disclosure counsel
Kitahata & Company	Municipal advisor
U.S. Bank, National Association	Trustee

Stifel and Kitahata & Company were both chosen via separate requests for proposals (RFP) for underwriters and municipal advisors. The primary reasons for the selection of both firms included relevant experience, pricing and structuring creativity.

Jones Hall has been the City's bond counsel dating back to 1979. Jones Hall ranks as one of the top bond counsels in the number of state and local bond issues in California during each of the

past ten years, and similarly has ranked as one of the top disclosure counsels in California during this same period. Proposals for disclosure counsel for the 2018 Bonds were solicited through an RFP.

U.S. Bank is bond trustee for the City's lease revenue bonds and certificates of participation. U.S. Bank is one of the top five municipal bond trustees in the country. U.S. Bank also serves the City with two local branch offices.

All fees associated with issuing the 2018 Bonds will be paid from bond proceeds.

Sources and Uses of Funds

Staff projects the following sources and uses of funds for the 2018 Bonds, from the underwriter's preliminary bond sizing numbers assuming interest rates as of 10/5/18 with a cushion of 25 basis points and an S&P underlying rating of AA-.

\$18,620,000	Par amount of 2018 Bonds
<u>1,618,198</u>	<u>Premium</u>
\$20,238,198	Total sources of funds
\$20,000,000	Deposit to Project Fund
169,584	Costs of issuance & misc.
<u>68,614</u>	<u>Underwriter's discount</u>
\$20,238,198	Total uses of funds

Sources of funds include original issue premium on the 2018 Bonds because it is assumed that coupons will be higher than yields - if this is not the case and coupons go lower to be closer to yields, the premium will go down and the par amount of 2018 Bonds will go up, but overall debt service will be about the same because of the lower coupons. A debt service reserve fund will not be funded in this issue, because the City's credit strength should allow for a strong rating without needing a funded reserve. The City's credit strength also means that bond insurance is not expected to be necessary for this transaction. The underwriter's discount is a fee paid to the underwriter for structuring and marketing the 2018 Bonds. The costs of issuance pay for legal, municipal advisor, trustee, printing, and other issuance costs.

California Government Code Disclosures

Sec. 5852.1 was recently added to the Government Code, requiring that prior to authorization of the issuance of bonds with a term greater than 13 months, the governing body of the issuer shall disclose the information listed below at a public meeting. All disclosure is based on the preliminary bond sizing used for the Sources and Uses of Funds, as of the 10/5/18 market + 25 basis points.

(A) The all-in TIC of the 2018 Bonds, meaning the overall cost of debt, is currently expected to be 4.46%.

(B) The finance charge of the 2018 Bonds, meaning the total costs of issuance and underwriter's discount combined, is currently expected to be \$238,198.

(C) The net proceeds of the 2018 Bonds, meaning net of all finance charges and any reserves or capitalized interest, is expected to be \$20,000,000.

(D) The total debt service on the 2018 Bonds is currently expected to be \$39,448,511.

Authorizing Resolutions

The City and Authority must approve the following resolutions to issue the 2018 Bonds.

A Resolution of the City Council of the City of San Leandro Approving Documents and Actions Relating to the Issuance and Sale of 2018 Lease Revenue Bonds - This resolution approves of the Authority issuing the 2018 Bonds in an amount not to exceed \$22,000,000 and for an underwriter's discount not to exceed 5.0% and approves and authorizes City staff to execute the documents required to complete the financing transaction.

Resolution of the San Leandro Public Financing Authority Authorizing the Issuance and Sale of 2018 Lease Revenue Bonds to Finance City Capital Improvement Projects, and Approving Related Documents - This resolution approves the issuance of the 2018 Bonds in an amount not to exceed \$22,000,000 and for an underwriter's discount not to exceed 5.0% and approves and authorizes Authority staff to execute the documents required to complete the financing transaction.

Bond Documents

The City Council and the San Leandro Public Financing Authority must approve the following documents to complete the 2018 Bonds transaction.

First Amendment to Site Lease - The Site Lease is between the City and the San Leandro Public Financing Authority. This is the agreement that establishes the lease of the Main Library to the Authority. The first amendment adds the 2018 Bonds to the 2016 Bonds in the terms of the site lease, in exchange for an upfront site lease payment from the Authority to the City to be used by the City for the projects.

First Amendment to Lease Agreement - The Lease Agreement establishes the leaseback of the Main Library from the Authority by the City. This amended agreement specifies the term of the agreement and the amount of payments for the 2018 Bonds.

First Amendment to Assignment Agreement - This agreement is between the Authority and U.S. Bank National Association (the Trustee). In this agreement the Authority assigns all of its rights under the Lease Agreement to the Trustee. For example, rather than the City making semi-annual lease payments to the Authority and the Authority then paying the bond holders, the City will make its payments directly to the Trustee and the Trustee will then pay the holders of the 2018 Bonds. The amendment adds in the 2018 Bonds, in addition to the 2016 Bonds.

First Supplemental Indenture of Trust - This agreement is among the Authority, the City and the Trustee. The Indenture of Trust sets forth the guidelines for the administration, investment and treatment of the proceeds of the issue. The first supplement adds in the 2018 Bonds, in addition to the 2016 Bonds.

Bond Purchase Agreement - The Bond Purchase Agreement is an agreement between the City and the underwriter under which the underwriter purchases the 2018 Bonds. This agreement specifies the price and interest rates at which the underwriter will purchase the 2018 Bonds and

the documents that will be executed at closing.

Preliminary Official Statement - This document is the public offering statement for the issuance of the 2018 Bonds. This document thoroughly describes the plan of finance, the public asset to be leased (i.e., the Main library), the security for repayment of the 2018 Bonds, and the economic, financial and social characteristics of the City.

Continuing Disclosure Certificate - This agreement obligates the City to continue providing information regarding the City, the Authority, and the 2018 Bonds to the secondary municipal bond market as long as they are outstanding, in accordance with SEC Rule 15c2-12.

Current City Council Policy

The City Council and Public Financing Authority must approve municipal debt issues that impact their financial position.

Fiscal Impact

The par value of the 2018 Bonds will not exceed \$22 million and they will mature in 2048. The 2018 Bonds are projected to have an all-in true interest cost of 4.46% in today's market. Annual debt service will average \$931,000 while the 2016 Bonds are outstanding and then will increase to about \$1,540,000 annually starting in 2030 when the 2016 Bonds are paid off. Total debt service for the 2018 Bonds is currently expected to be \$39.45 million through 11/1/48. The total bond proceeds will add \$20 million to available sources of funds for the 2017-18 budget and add debt service in each year starting in FY 2019-20 and continuing through FY 2048-49. Based on current market conditions, debt service is expected to total approximately \$39.5 million over the next 30 years.

Budget Authority

City of San Leandro Charter

Attachments:

- A Resolution of the City Council of the City of San Leandro Approving Documents and Actions Relating to the Issuance and Sale of 2018 Lease Revenue Bonds by the San Leandro Public Financing Authority to Finance Certain Capital Improvement Projects for the City
- A Resolution of the Board of Directors of the San Leandro Public Financing Authority Authorizing the Issuance and Sale of 2018 Lease Revenue Bonds to Finance Capital Improvement Projects for the City of San Leandro, and Approving Related Documents and Official Actions

- The following financing documents:
 - First Amendment to Site Lease
 - First Amendment to Lease Agreement
 - First Amendment to Assignment Agreement
 - First Supplemental Indenture of Trust
 - Bond Purchase Agreement
 - Preliminary Official Statement

- Continuing Disclosure Certificate

CONCLUSION

Staff recommends that the City Council and the San Leandro Public Financing Authority approve the resolutions and documents required to issue the San Leandro Public Financing Authority 2018 Lease Revenue Bonds.

PREPARED BY: David Baum, Finance Director



City of San Leandro

Meeting Date: November 5, 2018

Resolution - Council

File Number: 18-540

Agenda Section: ACTION ITEMS

Agenda Number:

TO: City Council

FROM: Jeff Kay
City Manager

BY: David Baum
Finance Director

FINANCE REVIEW: David Baum
Finance Director

TITLE: RESOLUTION of the City Council of the City of San Leandro to Approve Documents and Actions Relating to the Issuance and Sale of 2018 Lease Revenue Bonds by the San Leandro Public Financing Authority to Finance Certain Capital Improvement Projects for the City

WHEREAS, the San Leandro Public Financing Authority (the "Authority") has previously issued its \$14,125,000 San Leandro Public Financing Authority 2016 Refunding Lease Revenue Bonds (the "2016 Bonds") for the purpose of refinancing certain capital projects of the City of San Leandro (the "City"), including improvements to the City's main library building and the acquisition and construction of two fire stations (the "Prior Project"); and

WHEREAS, in connection with the issuance of the 2016 Bonds, the City leased the real property constituting its main library building, including both land and improvements (the "Leased Property"), to the Authority in consideration of the payment by the Authority of an upfront rental payment sufficient to provide funds to refinance the Prior Project, and the Authority leased the Leased Property back to the City under a Lease Agreement (the "Lease Agreement"), under which the City is obligated to pay semiannual lease payments as rental for the Leased Property, and the Authority has assigned substantially all of its rights under the Lease Agreement to U.S. Bank National Association, as trustee (the "Trustee"); and

WHEREAS, in order to finance additional capital projects of the City, the Authority is undertaking to issue its San Leandro Public Financing Authority 2018 Lease Revenue Bonds (the "2018 Bonds"), which will be payable from the lease payments, as increased following issuance of the 2018 Bonds, and certain other amounts payable by the City under the Lease Agreement for the Leased Property; and

WHEREAS, the Authority will issue the 2018 Bonds in the aggregate principal amount, not to exceed \$22,000,000, under Article 4 of Chapter 5, Division 7, Title 1 of the Government Code of the State of California, commencing with Section 6584 of said Code (the "Bond Law"); and

WHEREAS, the staff report accompanying this resolution contains the information the Board of Directors of the Authority is required to obtain and disclose in a meeting open to the public prior to authorizing the issuance of the 2018 Bonds pursuant to Section 5852.1 of the Government Code; and

WHEREAS, the City Council wishes at this time to approve all proceedings of the City relating to the issuance and sale of the 2018 Bonds.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of San Leandro as follows:

SECTION 1. Issuance of 2018 Bonds. The City Council hereby approves the issuance of the 2018 Bonds by the Authority under the Bond Law in the maximum principal amount not to exceed \$22,000,000, for the purpose of providing funds to finance capital improvement projects of the City.

SECTION 2. Approval of Related Financing Agreements. The City Council hereby approves each of the following agreements required for the issuance and sale of the 2018 Bonds, in substantially the respective forms on file with the City Clerk, together with any changes therein or additions thereto (including the addition of a reserve account) deemed advisable by the Mayor, City Manager, Assistant City Manager or the Finance Director (each, an "Authorized Officer"), whose execution thereof shall be conclusive evidence of the approval of any such changes or additions. An Authorized Officer is hereby authorized and directed for and on behalf of the City to execute, and the City Clerk is hereby authorized and directed to attest, the final form of each such agreement, as follows:

First Amendment to Site Lease, between the City, as lessor, and the Authority, as lessee, amending the Site Lease pursuant to which the City has leased the Leased Property to the Authority in consideration of the payment of an upfront amount which was applied by the City to refinance the Prior Project, and pursuant to which an additional payment will be made to finance the costs of the capital improvement projects;

First Amendment to Lease Agreement, between the Authority, as lessor, and the City, as lessee, amending the Lease Agreement pursuant to which the Authority has leased the Leased Property back to the City in consideration of the payment of semiannual lease payments to the Authority, which payments the Authority has assigned to the Trustee and which will be updated to reflect the increased lease payments due following issuance of the 2018 Bonds; and

Continuing Disclosure Certificate, to be executed by the City, providing for the ongoing disclosure of certain information related to the 2018 Bonds in accordance with Rule 15c2-12 of the Securities Exchange Act of 1934.

SECTION 3. Negotiated Sale of 2018 Bonds. The City Council hereby approves the negotiated sale of the 2018 Bonds by the Authority to Stifel, Nicolaus & Company, Incorporated, as underwriter (the “Underwriter”). The 2018 Bonds shall be sold pursuant to the terms and provisions of a Bond Purchase Agreement among the Authority, the City and the Underwriter in substantially the form on file with the City Clerk, together with any changes therein or additions thereto deemed advisable by an Authorized Officer; provided, that the true interest cost of the 2018 Bonds shall not exceed 5.0% and the Underwriter’s discount on the 2018 Bonds shall not exceed 0.5%.

SECTION 4. Official Statement. The City Council hereby approves the preliminary Official Statement describing the 2018 Bonds in substantially the form on file with the City Clerk. The City Manager and the Finance Director, each acting alone, are hereby authorized and directed to approve any changes in or additions to said preliminary Official Statement, and to execute an appropriate certificate stating the City’s determination that the preliminary Official Statement (together with any changes therein or additions thereto) has been deemed nearly final within the meaning of Rule 15c2-12 of the Securities Exchange Act of 1934. Distribution of the preliminary Official Statement by the Underwriter is hereby approved. The City Manager and the Finance Director, each acting alone, are hereby authorized and directed to approve any changes in or additions to a final form of said Official Statement, and the execution thereof by the City Manager or the Finance Director shall be conclusive evidence of approval of any such changes and additions. The City Council hereby authorizes the distribution of the final Official Statement by the Underwriter. The final Official Statement shall be executed on behalf of the City by the City Manager or the Finance Director.

SECTION 5. Engagement of Municipal Advisor. The firm of Kitahata & Company is hereby retained as municipal advisor to the City in connection with the issuance and sale of the 2018 Bonds by the Authority. The City Manager and the Finance Director, each acting alone, are authorized and directed on behalf of the City to execute an agreement with said firm in the form on file with the City Clerk.

SECTION 6. Engagement of Bond and Disclosure Counsel. The firm of Jones Hall, A Professional Law Corporation, is hereby retained as bond counsel and disclosure counsel to the City in connection with the issuance and sale of the 2018 Bonds by the Authority. The City Manager and the Finance Director, each acting alone, are authorized and directed on behalf of the City to execute an agreement with said firm in the form on file with the City Clerk.

SECTION 7. Official Actions. The Authorized Officers, the City Attorney, the City Clerk and all other officers of the City are each authorized and directed on behalf of the City to make and deliver any and all leases, assignments, certificates, requisitions, agreements, notices, consents, instruments of conveyance or termination, warrants and other documents, which they or any of them deem necessary or appropriate in order to consummate any of the transactions contemplated by the agreements and documents approved under this Resolution. An Authorized Officer may revise the identity of the Leased Property as necessary in order to accomplish the purposes of this Resolution. Whenever in this Resolution any officer of the City is authorized to execute or countersign

any document or take any action, such execution, countersigning or action may be taken on behalf of such officer by any person designated by such officer to act on his or her behalf in the case such officer is absent or unavailable.

SECTION 8. Effective Date. This Resolution shall take effect immediately upon its passage and adoption.

RECORDING REQUESTED BY
AND WHEN RECORDED RETURN TO:

Jones Hall, A Professional Law Corporation
475 Sansome Street, Suite 1700
San Francisco, California 94111
Attention: James A. Wawrzyniak, Jr., Esq.

THIS TRANSACTION IS EXEMPT FROM CALIFORNIA DOCUMENTARY TRANSFER TAX
PURSUANT TO SECTION 11922 OF THE CALIFORNIA REVENUE AND TAXATION CODE.
THIS DOCUMENT IS EXEMPT FROM RECORDING FEES PURSUANT TO SECTION 27383
OF THE CALIFORNIA GOVERNMENT CODE.

FIRST AMENDMENT TO SITE LEASE

By and between

**CITY OF SAN LEANDRO,
as Lessor**

and

**SAN LEANDRO PUBLIC FINANCING AUTHORITY,
as Lessee**

Dated as of December 1, 2018

FIRST AMENDMENT TO SITE LEASE

This FIRST AMENDMENT TO SITE LEASE (the “**First Amendment**”), dated as of December 1, 2018, is by and between the CITY OF SAN LEANDRO, a charter city duly organized and existing under and by virtue of the Constitution and laws of the State of California (the “**City**”), as lessor, and the SAN LEANDRO PUBLIC FINANCING AUTHORITY, a joint exercise of powers entity duly organized and existing under and by virtue of the laws of the State of California (the “**Authority**”), as lessee;

BACKGROUND:

WHEREAS, the City and the Authority have heretofore entered into a Site Lease dated as of December 1, 2016 and recorded on December 1, 2016 as Instrument No. 2016313091 in the Office of the Recorder of the County of Alameda (the “**Existing Site Lease**”), in connection with the Authority’s issuance of its 2016 Refunding Lease Revenue Bonds in the initial principal amount of \$14,125,000 (the “**2016 Bonds**”);

WHEREAS, the 2016 Bonds were issued pursuant to an Indenture of Trust, dated as of December 1, 2016 (the “**Existing Indenture**”), by and between the Authority and U.S. Bank National Association, as trustee (the “**Trustee**”);

WHEREAS, in connection with the issuance of the 2016 Bonds, the City and the Authority also executed a Lease Agreement dated as of December 1, 2016, and recorded on December 1, 2016 as Instrument No. 2016313092 in the Office of the Recorder of the County of Alameda (the “**Existing Lease Agreement**”);

WHEREAS, the Existing Site Lease and the Existing Lease Agreement provide for the lease of the real property constituting the City’s main library building, including both land and improvements (the “**Leased Property**”), which Leased Property is more specifically described in Appendix A attached hereto;

WHEREAS, the semi-annual lease payments payable by the City under the Existing Lease Agreement have been assigned to the Trustee pursuant to an Assignment Agreement, dated as of December 1, 2016, and recorded on December 1, 2016 as Instrument No. 2016313093 in the Office of the Recorder of the County of Alameda (the “**Existing Assignment Agreement**”);

WHEREAS, in connection with the Authority’s issuance of its 2018 Lease Revenue Bonds in the initial principal amount of \$_____ (the “**2018 Bonds**”), it is necessary to amend the Existing Lease Agreement, the Existing Site Lease and the Existing Assignment Agreement; and

WHEREAS, the Existing Lease Agreement is being supplemented and amended pursuant to a First Amendment to Lease Agreement, dated as of December 1, 2018, recorded concurrently herewith, and the Existing Assignment Agreement is being supplemented and amended pursuant to a First Amendment to Assignment Agreement, dated as of December 1, 2018, recorded concurrently herewith.

NOW, THEREFORE, in consideration of the mutual agreements and covenants herein contained and for other valuable consideration, the City and the Authority do hereby agree as follows:

AGREEMENT:

Section 1. *Revised Definitions.* The following terms, each of which is defined in the Existing Site Lease, are hereby revised as follows:

(a) The term “Bonds” shall mean, collectively, the 2016 Bonds and the 2018 Bonds, as such terms are defined in this First Amendment.

(b) The term “Indenture” shall mean the Existing Indenture, as supplemented and amended by the First Supplement to Indenture, dated as of December 1, 2018, between the Authority and the Trustee, and as it may be further amended and supplemented.

(c) The term “Lease” shall mean the Existing Lease Agreement, as supplemented and amended by the First Amendment to Lease Agreement, dated as of December 1, 2018, and recorded currently herewith, between the Authority, as lessor, and the City, as lessee, and as it may be further supplemented and amended.

(d) The term “Site Lease” shall mean the Existing Site Lease, as supplemented and amended by this First Amendment, and as it may be further amended and supplemented.

(e) The term “Site Lease Payment” shall mean the payment made on December 1, 2016 by the Authority to the City in the amount of \$16,040,700.03, together with the payment to be made by the Authority to the City on the date of the issuance of the 2018 Bonds in the amount of \$_____.

Section 2. *Other Amendments to Existing Site Lease.*

(a) Section 2 of the Existing Site Lease is amended to change the reference therein from November 1, 2039 to November 1, 20__.

(b) Section 3 of the Existing Site Lease is amended to add to the end thereof: “A portion of the Site Lease Payment will also be used for the purpose of acquiring and/or constructing capital improvement projects of the City.”

Section 3. *Authority.* This First Amendment is being executed pursuant to and in accordance with Section 16(b) of the Site Lease.

Section 4. *Effectiveness.* Other than as amended hereby, the Existing Site Lease shall remain in full force and effect. This First Amendment shall become effective upon (i) the recordation hereof against the real property described in Appendix A hereto in the Official Records of the Alameda County Recorder and (ii) the issuance of the 2018 Bonds.

IN WITNESS WHEREOF, the City and the Authority have caused this First Amendment to Site Lease to be executed by their respective officers thereunto duly authorized, all as of the date and year first above written.

City of San Leandro, as lessor

By: _____
Jeff Kay
City Manager

Attest:

By: _____
Leticia I. Miguel
City Clerk

**San Leandro Public Financing Authority,
as lessee**

By: _____
Jeff Kay
Executive Director

Attest:

By: _____
Leticia I. Miguel
Secretary

APPENDIX A

DESCRIPTION OF THE LEASED PROPERTY

The Leased Property consists of that certain real property situated in the State of California, County of Alameda, City of San Leandro and described as follows:

PARCEL ONE:

Beginning at a point on the Northerly line of Estudillo or Ward Avenue, as originally laid out, distant thereon 98 feet 4 inches easterly from the Southeastern corner of a parcel of land containing about one acre conveyed by John B. Ward et al to L.C. Morehouse by deed of date October 19, 1866, and recorded in the Recorder's office of Alameda County, California, in Book W of Deeds at Page 188; running thence Northerly at right angles to said Estudillo Avenue 150 feet to a point; thence at right angles Easterly 65 feet; thence at right angles Southerly 150 feet to said line of Estudillo Avenue; and thence Westerly 65 feet to the point of beginning.

EXCEPTING THEREFROM that portion lying with Estudillo Avenue.

PARCEL TWO:

Commencing at the most Eastern corner of a tract of land conveyed by R.S. Farrelly, et ux., to Chas. H. Hale, by deed dated January 24, 1905, recorded in Book 1034 of Deeds, Page 80, Alameda County Records, being also on the old Northwest line of Estudillo Avenue; thence North 19° 25' West 3 feet along the East line of said Tract to the Actual Point of Beginning, being on the Northwest line of Estudillo Avenue, 66 feet wide, as said avenue existed January 1, 1958; thence North 19° 25' west 147 feet along the East line of said tract; thence North 70° 35' East 34' 1 inch; thence South 19° 25' East 147 feet to the said Northwest line of Estudillo Avenue, 66 feet wide, as said avenue existed January 1, 1958; thence South 70° 35' West 34 feet 1 inch along the last mentioned line to the point of beginning.

PARCEL THREE:

Beginning at a point on the Northern line of Estudillo Avenue (formerly called Ward Avenue) as originally laid out, distant thereon Northeasterly 34 feet 1 inch from the most Easterly corner of a tract of land conveyed by R.S. Farrelly, et ux, to Chas. H. Hale, by deed dated January 24, 1905, recorded in Book 1034 of Deeds, Page 80, Alameda County Records; running thence North 19° 25' West, at right angles to said line of Estudillo Avenue, 150 feet; thence at right angles North 70° 35' East 34 feet 1 inch to the Eastern line of the property conveyed by Alexander Edouart to Walter J. Stratton, by deed dated January 14, 1868, recorded in Book 27 of Deeds, Page 608, Alameda County Records; thence Southeasterly, along said last mentioned line, 150 feet to said line of Estudillo Avenue; and thence Southwesterly thereon 34 feet 1 inch to the point of beginning.

EXCEPTING THEREFROM that portion lying within Estudillo Avenue.

PARCEL FOUR:

Beginning at a point on the Southern line of Callan Avenue, distant thereon, 158 feet, 9 inches Westerly from the Western line of Santa Rosa Street; running thence Westerly along said line of Callan Avenue, 45 feet, 9 inches; thence at right angles Southerly, 150 feet; thence at right angles Easterly, 45 feet, 9 inches; and thence at right angles northerly, 150 feet to the point of beginning.

EXCEPTING THEREFROM that portion lying within Callan Avenue.

PARCEL FIVE:

Commencing at the point of intersection of the Southwest line of Santa Rosa Street with the Southeast line of Callan Avenue, as said street and avenue existed January 1, 1958; thence South 70° 35' West 68 feet 2 inches along the last mentioned line to the Actual Point of Beginning; thence continuing South 70° 35' West 42 feet 7 inches along said line of Callan Avenue; thence South 19° 25' East 150 feet to the Southwest corner of the parcel of land described in quitclaim deed from Fred C. Bauer and Mary S. Bauer, his wife, to M.S. DeSilva and Julia DeSilva, his wife, recorded May 12, 1942 in Book 4229 at Page 154, Official Records of Alameda County, California; thence North 70° 35' East 42 feet 7 inches along the Southeast line of the last mentioned parcel to the Southeast corner of the said parcel; thence North 19° 25' West 150 feet to the point of beginning.

PARCEL SIX:

Commencing at the point on intersection of the Southwest line of Santa Rosa Street with the Southeast line of Callan Avenue, as said street and avenue existed January 1, 1958; thence South 70° 35' West 37.50 feet along the last mentioned line to the Actual Point of Beginning; thence continuing South 70° 35' West 30.67 feet along the last mentioned line; thence South 19° 25' East 104.50 feet; thence North 70° 35' East 30.67 feet; thence North 19° 25' West 104.50 feet to the point of beginning.

PARCEL SEVEN:

Commencing at the point of intersection of the Southeast line of Callan Avenue with the Southwest line of Santa Rosa Street, as said avenue and street existed January 1, 1958; thence South 70° 35' West 110.75 feet along the said line of Callan Avenue to the Actual Point of Beginning; thence continuing South 70° 35' West 48 feet along the last mentioned line; thence South 19° 25' East 140 feet; thence North 70° 35' East 22.42 feet, more or less, to the northwest corner of the parcel of land described in quit-claim deed from Fred C. Bauer and Mary S. Bauer, his wife, to John C. Gabriel, recorded May 12, 1942 in Book 4229 of Official Records at Page 152, Official Records of Alameda County, California; thence South 19° 25' East 10 feet along the Southeast line of the last mentioned parcel of land to the Southwest corner of said parcel; thence North 70° 35' East 25.58 feet, more or less, along the Southeast line of said parcel to the Southeast corner of said parcel; thence North 19° 25' West 150 feet to the point of beginning.

PARCEL EIGHT:

Beginning at a point on the Western line of Santa Rosa Street, formerly Pelton Street, distant thereon South 19° 25' East, 104.50 feet from the point of intersection thereof,

with the Southern line of Callan Avenue, as said street and avenue now exist; running thence South 19° 25' East along said line of Santa Rosa Street, 45.50 feet; thence South 70° 35' West, 68.17 feet; thence North 19° 25' West 45.50 feet; thence North 70° 35' East, 68.17 feet to the point of beginning.

PARCEL NINE:

Beginning at the point of intersection of the Southeast line of Callan Avenue with the Southwest line of Santa Rosa Street, as said avenue and street existed January 1, 1958; thence South 19° 25' East 104.50 feet along the last mentioned line; thence South 70° 35' West 37.50 feet; thence North 19° 25' West 104.50 feet to the said southeast line of Callan Avenue, 56.75 feet wide; thence North 70° 35' East 37.50 feet along the last mentioned line to the point of beginning.

PARCEL TEN:

Beginning at a point on the original line of Estudillo Avenue, formerly called Ward Avenue, distant thereon South 70° 35' West 410.67 feet from the point of intersection thereof with the Western line of Santa Rosa Street, formerly Pelton Street, said point of beginning being the point of intersection of the said Northern line of Estudillo Avenue, with the Western line of the parcel of land conveyed by Petra P. Castro, a widow, and Kathryn C. Castro, a single woman, to T.P. Gary, by deed dated March 7, 1905, and recorded in Book 1107 of Deeds, at Page 344, Alameda County Records; and running thence South 70° 35' West along said line of Estudillo Avenue 98.33 feet, more or less, to the eastern line of the 1 acre parcel of land conveyed by John B. Ward, et al, to Lewis C. Morehouse by deed dated October 19, 1866 and recorded in Book W of Deeds at Page 188, Alameda County Records; thence at right angles North 19° 25' West along the Eastern line of said 1 acre parcel of land 150 feet; thence at right angles North 70° 35' East 98.33 feet, more or less, to the Western line of the parcel of land conveyed to T.P. Gary above referred to; and thence at right angles South 19° 25' East along the Western line of the parcel of land so conveyed to T.P. Gary, 150 feet to the point of beginning.

EXCEPTING THEREFROM that portion lying within Estudillo Avenue.

PARCEL ELEVEN:

Commencing at the Northeastern corner of the parcel of land conveyed to H. Ravekes, by deed dated February 14, 1868 and recorded in Book 29 of Deeds, Page 475, Records of Alameda County, California, being on the old Southeast line of Callan Avenue; thence South 19° 25' East, 10 feet along the Northeast line of the above mentioned parcel of land to the actual point of beginning, being on the Southeast line of Callan Avenue, 56.75 feet wide, as said avenue existed January 1, 1958; thence North 70° 35' East, 68 feet, 2 inches, along the last mentioned line; thence South 19° 25' East, 140 feet; thence South 70° 35' West. 68 feet, 2 inches; thence North 19° 25' West, 140 feet to the point of beginning.

PARCEL TWELVE:

Being a portion of the parcel of land described in the Deed from Alexander Edouart to H. Ravekes, dated February 14, 1868, recorded February 14, 1868 in

Page 475, Alameda County Records, more particularly described as follows: Commencing at the point of intersection of the Southwest line of Santa Rosa Street with the Southeast line of Callan Avenue as said street and avenue existed January 1, 1958; thence South 70° 35' West 272 feet 8 inches along the last mentioned line to the Actual Point of Beginning; thence continuing South 70° 35' West 60 feet 11 inches along the last mentioned line; thence South 19° 25' East 140 feet to the Southeast line of the above mentioned parcel of land; thence North 70° 35' East 60 feet 11 inches along the last mentioned line to the Southeast corner of the said parcel of land; thence North 19° 25' West 140 feet along the Northeast line of the said parcel of land to the point of beginning.

PARCEL THIRTEEN:

Beginning at a point on the Southeastern line of Callan Avenue, as said avenue now exists, distant thereon South 70° 35' West 333 feet, 7 inches, from the Southwestern line of Santa Rosa Street, formerly Pelton Street; and running thence along said line of Callan Avenue South 70° 35' West 75 feet, 5 inches, to the Southwestern line of the parcel of land described in the deed from John B. Ward, et al to Alexander Edouart, dated January , 1867, recorded January 30, 1867 in Book W of Deeds at Page 721, Alameda County Records; thence along the last named line South 19° 25' East 140 feet, more or less, to the Northwestern line of the parcel of land described in the deed from Alexander Edouart to Louis Castro, dated December 10, 1867, recorded December 13, 1867 in Book 28 of Deeds at Page 486, Alameda County Records; thence North 70° 35' East 75 feet 5 inches, to the intersection with a line drawn South 19° 25' East from the point of beginning; and thence North 19° 25' West 140 feet, more or less, to the point of beginning.

PARCEL FOURTEEN:

Beginning at the most Northern corner of the parcel of land described in the deed to Louis Castro and wife, and recorded in Book W of Deeds, at Page 456, Alameda County Records; thence at right angles to the Northwestern line of said parcel, North 19° 25' West 150 feet, more or less, to the Southeastern line of Callan Avenue, as said avenue now exists; thence along said line of Callan Avenue, South 70° 35' West 65 feet; thence South 70° 35° East 150 feet more or less, to the said Northwestern line of said parcel; thence along the last said line North East 65 feet to the point of beginning.

EXCEPTING THEREFROM that portion lying within Callan Avenue.

PARCEL FIFTEEN:

Beginning at the point of intersection of the Southeastern line of Callan Avenue, with the Southwestern boundary line of that certain parcel of land described in the deed from M.C. Grigsby to Luis Castro, dated June 19, 1872, and recorded June 19, 1872, in Book 84 of Deeds, Page 193, Alameda County Records; running thence South 70° 35' West, along said line of Callan Avenue, 50 feet; thence South 19° 25' East, 140 feet, more or less, to a point in a line drawn parallel with the Northwestern line of Estudillo formerly Ward Avenue, as said avenue now exists and distant measured at right angles, 147 feet Northwesterly therefrom; thence North 70° 35" East, parallel with said line of Estudillo Avenue, 50 feet; thence North 19° 25' West, 140 feet, more or less, to the point of beginning.

PARCEL SIXTEEN:

Commencing at the Northwestern corner of the parcel of land conveyed by H.C. Grigsby to G.H. Payne, by Deed dated June 19, 1872 and recorded in Book 84 of Deeds, Page 351, Alameda County Records, being on the old Southeast line of Callan Avenue; thence South 19° 25' East, 10 feet along the Southwest line of the said parcel of land to the actual point of beginning; being on the Southeast line of Callan Avenue, as said avenue existed January 1, 1958, widened to 56.75 feet; thence South 70° 35' West, 60 feet along the last mentioned line; thence South 19° 25' East, 140 feet; thence North 70° 35' East, 60 feet to the said Southwest line of the above mentioned parcel of land; thence North 19° 25' West, 140 feet along the last mentioned line to the point of beginning.

EXCEPTING THEREFROM that portion within Callan Avenue.

PARCEL SEVENTEEN:

Beginning at a point on the Southeastern line of Callan Avenue, distant thereon Northeasterly, 37.50 feet from the point of intersection thereof, with the Southwestern boundary line of that certain piece or parcel of land conveyed by John Ward, trustee, et al., to Lewis C. Morehouse, by deed dated October 19, 1866 and recorded October 22, 1866, in Book "W" of Deeds, at Page 188, Alameda County Records; running thence Southeasterly parallel with the said Southwestern boundary line of the land conveyed to Lewis C. Morehouse, 150 feet; thence at right angles Northeasterly, 37.50 feet; thence at right angles Northwesterly, 150 feet to the said Southeastern line of Callan Avenue; thence Southwesterly along the said line of Callan Avenue, 37.50 feet to the point of beginning.

Excepting therefrom that portion within Callan Avenue and Harrison Street.

PARCEL EIGHTEEN:

A portion of the Western half of the parcel of land conveyed by Alexander Edouart to Walter J. Stratton by deed dated January 14, 1868, and recorded in Book 27 of Deeds, Page 608, Records of Alameda County, California; and conveyed by said Walter J. Stratton et al., to R.S. Farrelly by deed dated August 16, 1881, and recorded in Book 225 of Deeds, Page 390, Records of Alameda County, California, and more particularly described as follows:

Commencing at the most Southeastern corner of a strip of land conveyed by Alexander Edouart to Louis Castro and wife, by deed dated December 19, 1867 and recorded August 15, 1883 in Book 257 of Deeds, Page 31, Records of Alameda County, California, being also on the old Northwest line of Estudillo Avenue; thence North 19° 25' West 3 feet along the Northeast line of said strip of land to the actual point of beginning, being on the Northwest line of Estudillo Avenue, 66 feet wide, as said avenue existed January 1, 1958; thence North 19° 25' West 147 feet along the said Northeast line; thence North 70° 35' East 68 feet 2 inches; thence South 19° 25' East 147 feet to the said Northwest line of Estudillo Avenue as it existed January 1, 1958; thence South 70° 35' West 68 feet 2 inches along the last mentioned line to the point of beginning.

PARCEL NINETEEN:

Beginning at the intersection of the Northwestern line of Estudillo Avenue, formerly Ward Avenue, as said avenue now exists, with the Southwestern line of the parcel of land described in the deed to Robert S. Farrelly, dated August 16, 1881, recorded August 16, 1881 in Book 225 of Deeds, Page 390, Alameda County Records; and running thence along the last named line North 19° 25' West 147 feet to the Southeastern line of the parcel of land described in the deed by Alexander Edouart to H.J. Ravekes, dated February 4, 1868, recorded February 14, 1868 in Book 29 of Deeds, Page 475, Alameda County Records; thence along the last named line South 70° 35' West 73 feet; thence South 19° 25' East 147 feet to said line of Estudillo Avenue; and thence along the last named line North 70° 35' East 73 feet to the point of beginning.

PARCEL TWENTY:

Commencing at a point on the old Northwest line of Estudillo Avenue, being South 70° 35' West 529 feet from the Southwest corner of the 20 acre tract of land sold by John B. Ward and others, to S. Huff, thence North 19° 25' West 3 feet to the Actual Point of Beginning, being on the Northwest line of Estudillo Avenue, as said avenue existed January 1, 1958, widened to 66 feet; thence South 70° 35' West 94 feet along the last mentioned line; thence North 19° 25' West 140 feet; thence North 70° 35' East 94 feet; thence South 19° 25' East 140 feet to the point of beginning.

PARCEL TWENTY-ONE:

Commencing at the point of intersection of the southeast line of Callan Avenue, as said avenue existed January 1, 1958, widened to 56.75 feet, with the southwest line of the parcel of land described in the deed from H.C. Grigsby to Louis Castro, dated June 19, 1872, and recorded June 19, 1872, in Book 84 of Deeds, Page 193, Alameda County Records; thence south 70° 35' west 50 feet along the said line of Callan Avenue; thence south 19° 25' east 140 feet to the Actual Point of Beginning; thence north 70° 35' east 15 feet; thence south 19° 25' east 7 feet; thence south 70° 35' west 15 feet; thence north 19° 25' west 7 feet to the point of beginning.

PARCEL TWENTY-TWO:

Commencing at a point on the old Northwest line of Estudillo Avenue, being South 70° 35' West 604 feet from the Southwestern corner of the twenty acre tract of land sold by John B. Ward and others, to S. Huff; thence South 70° 35' West 75 feet along the said line of Estudillo Avenue to the Southwestern corner of the parcel of land described in the deed from Annexation Investment Co., a corporation, to Clara Herrscher, recorded June 20, 1917 in Book 2568 of Deeds at Page 250, Records of Alameda County; thence North 19° 25' West 150 feet along the Southwest line of the last mentioned parcel of land to the Northwestern corner of the said parcel belonging to Clara Herrscher; thence North 70° 35' East 56 feet along the Northwest line of the last mentioned parcel of land to the Actual Point of Beginning; thence continuing North 70° 35' East 79 feet along the last mentioned line and along the Northwest line of the parcel of land described in the deed from Joseph Herrscher to Clara Herrscher, recorded July 8, 1919, in Book 2796 of Deeds at Page 49, Records of Alameda County, to the Northeastern corner of the last mentioned parcel of land; thence South 19° 25' East 7 feet along the Northeast line of the last mentioned parcel of land to its intersection with the Northwest line of Parcel 2 as

described in the deed from Clara Herrscher, a widow, to Rose Enos, a single woman, recorded October 20, 1941 in Book 4100 of Official Records at Page 484, Official Records of Alameda County; thence South 70° 35' West 79 feet along the last mentioned line and along the Northwest line of Parcel 3, as described in the last mentioned deed; thence North 19° 25' West 7 feet to the point of beginning.

APN: 077-0551-001

RECORDING REQUESTED BY
AND WHEN RECORDED RETURN TO:

Jones Hall, A Professional Law Corporation
475 Sansome Street, Suite 1700
San Francisco, California 94111
Attention: James A. Wawrzyniak, Jr., Esq.

THIS TRANSACTION IS EXEMPT FROM CALIFORNIA DOCUMENTARY TRANSFER TAX PURSUANT TO SECTION 11922 OF THE CALIFORNIA REVENUE AND TAXATION CODE. THIS DOCUMENT IS EXEMPT FROM RECORDING FEES PURSUANT TO SECTION 27383 OF THE CALIFORNIA GOVERNMENT CODE.

FIRST AMENDMENT TO LEASE AGREEMENT

by and between

**SAN LEANDRO PUBLIC FINANCING AUTHORITY,
as Lessor**

and

**CITY OF SAN LEANDRO,
as Lessee**

Dated as of December 1, 2018

FIRST AMENDMENT TO LEASE AGREEMENT

This FIRST AMENDMENT TO LEASE AGREEMENT, dated as of December 1, 2018 (the "**First Amendment**"), is entered into by and between the SAN LEANDRO PUBLIC FINANCING AUTHORITY, a joint exercise of powers entity duly organized and existing under and by virtue of the laws of the State of California (the "**Authority**"), as lessor, and the CITY OF SAN LEANDRO (the "**City**"), a charter city duly organized and existing under and by virtue of the Constitution and laws of the State of California (the "**City**"), as lessee.

BACKGROUND:

WHEREAS, the City and the Authority have heretofore entered into a Site Lease dated as of December 1, 2016 and recorded on December 1, 2016 as Instrument No. 2016313091 in the Office of the Recorder of the County of Alameda (the "**Existing Site Lease**"), in connection with the Authority's issuance of its 2016 Refunding Lease Revenue Bonds in the initial principal amount of \$14,125,000 (the "**2016 Bonds**");

WHEREAS, the 2016 Bonds were issued pursuant to an Indenture of Trust, dated as of December 1, 2016 (the "**Existing Indenture**"), by and between the Authority and U.S. Bank National Association, as trustee (the "**Trustee**");

WHEREAS, in connection with the issuance of the 2016 Bonds, the City and the Authority also executed a Lease Agreement dated as of December 1, 2016, and recorded on December 1, 2016 as Instrument No. 2016313092 in the Office of the Recorder of the County of Alameda (the "**Existing Lease Agreement**");

WHEREAS, the Existing Site Lease and the Existing Lease Agreement provide for the lease of the real property constituting the City's main library building, including both land and improvements (the "**Leased Property**"), which Leased Property is more specifically described in Appendix A attached hereto;

WHEREAS, the semi-annual lease payments payable by the City under the Existing Lease Agreement have been assigned to the Trustee pursuant to an Assignment Agreement, dated as of December 1, 2016, and recorded on December 1, 2016 as Instrument No. 2016313093 in the Office of the Recorder of the County of Alameda (the "**Existing Assignment Agreement**");

WHEREAS, in connection with the Authority's issuance of its 2018 Lease Revenue Bonds in the initial principal amount of \$_____ (the "**2018 Bonds**"), it is necessary to amend the Existing Lease Agreement and the Existing Site Lease;

WHEREAS, the Existing Site Agreement is being supplemented and amended pursuant to a First Amendment to Site Lease, dated as of December 1, 2018, recorded concurrently herewith, and the Existing Assignment Agreement is being supplemented and amended pursuant to a First Amendment to Assignment Agreement, dated as of December 1, 2018, recorded concurrently herewith; and

NOW, THEREFORE, in consideration of the mutual agreements and covenants herein contained and for other valuable consideration, the City and the Authority do hereby agree as follows:

AGREEMENT:

Section 1. *Revised Definitions.* The following terms, each of which is defined in the Existing Lease Agreement, are hereby revised as follows:

(a) The term “Bonds” shall mean, collectively, the 2016 Bonds and the 2018 Bonds, as such terms are defined in this First Amendment.

(b) The term “Continuing Disclosure Certificate” shall mean, collectively, the Continuing Disclosure Certificate executed by the City in connection with the issuance of the 2016 Bonds and the Continuing Disclosure Certificate executed by the City in connection with the issuance of the 2018 Bonds.

(b) The term “Indenture” shall mean the Existing Indenture, as supplemented and amended by the First Supplement to Indenture, dated as of December 1, 2018, between the Authority and the Trustee, and as it may be further amended and supplemented.

(c) The term “Lease” shall mean the Existing Lease Agreement, as supplemented and amended by this First Amendment, and as it may be further supplemented and amended.

(d) The term “Site Lease” shall mean the Existing Site Lease, as supplemented and amended by the First Amendment to Site Lease, dated as of December 1, 2018, and recorded currently herewith, between the City, as lessor, and the Authority, as lessee, and as it may be further amended and supplemented.

(e) The term “Site Lease Payment” shall mean the payment made on December 1, 2016 by the Authority to the City in the amount of \$16,040,700.03, together with the payment to be made by the Authority to the City on the date of the issuance of the 2018 Bonds in the amount of \$_____.

Section 2. *Covenants, Representations and Warranties of the City.* The City hereby reaffirms the covenants, representations and warranties made to the Authority and the Trustee set forth in Section 2.2 of the Existing Lease Agreement, as of the date of the execution and delivery of this First Amendment.

Section 3. *Covenants, Representations and Warranties of the Authority.* The Authority hereby reaffirms the covenants, representations and warranties made to the City and the Trustee set forth in Section 2.1 of the Existing Lease Agreement, as of the date of the execution and delivery of this First Amendment.

Section 4. *Other Amendments to Existing Lease Agreement.*

(a) Section 3.2(g) of the Existing Lease Agreement is amended to change the reference therein from “November 1, 2029” to “November 1, 20__.”

(b) Section 4.2 of the Existing Lease Agreement is amended to change the reference therein from “November 1, 2039” to “November 1, 20__.”

(c) Section 4.3 and Appendix B of the Existing Lease Agreement are amended to provide that the City shall pay the Lease Payments set forth in revised Appendix B that is attached hereto.

(d) Section 9.2 of the Existing Lease Agreement is amended to change the reference therein from “November 1, 202_” to “November 1, 20__.”

Section 5. *Authority.* This First Amendment is being executed pursuant to and in accordance with Section 5.7(b)(v) of the Existing Lease Agreement.

Section 6. *Effectiveness.* Other than as amended hereby, the Existing Lease Agreement shall remain in full force and effect. This First Amendment shall become effective upon (i) the recordation hereof against the real property described in Appendix A hereto in the Official Records of the Alameda County Recorder and (ii) the issuance of the 2018 Bonds.

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

San Leandro Public Financing Authority,
as lessor

By: _____
Jeff Kay
Executive Director

Attest:

By: _____
Leticia I. Miguel
Secretary

City of San Leandro, as lessee

By: _____
Jeff Kay
City Manager

Attest:

By: _____
Leticia I. Miguel
City Clerk

APPENDIX A

DESCRIPTION OF THE LEASED PROPERTY

The Leased Property consists of that certain real property situated in the State of California, County of Alameda, City of San Leandro and described as follows:

PARCEL ONE:

Beginning at a point on the Northerly line of Estudillo or Ward Avenue, as originally laid out, distant thereon 98 feet 4 inches easterly from the Southeastern corner of a parcel of land containing about one acre conveyed by John B. Ward et al to L.C. Morehouse by deed of date October 19, 1866, and recorded in the Recorder's office of Alameda County, California, in Book W of Deeds at Page 188; running thence Northerly at right angles to said Estudillo Avenue 150 feet to a point; thence at right angles Easterly 65 feet; thence at right angles Southerly 150 feet to said line of Estudillo Avenue; and thence Westerly 65 feet to the point of beginning.

EXCEPTING THEREFROM that portion lying with Estudillo Avenue.

PARCEL TWO:

Commencing at the most Eastern corner of a tract of land conveyed by R.S. Farrelly, et ux., to Chas. H. Hale, by deed dated January 24, 1905, recorded in Book 1034 of Deeds, Page 80, Alameda County Records, being also on the old Northwest line of Estudillo Avenue; thence North 19° 25' West 3 feet along the East line of said Tract to the Actual Point of Beginning, being on the Northwest line of Estudillo Avenue, 66 feet wide, as said avenue existed January 1, 1958; thence North 19° 25' West 147 feet along the East line of said tract; thence North 70° 35' East 34' 1 inch; thence South 19° 25' East 147 feet to the said Northwest line of Estudillo Avenue, 66 feet wide, as said avenue existed January 1, 1958; thence South 70° 35' West 34 feet 1 inch along the last mentioned line to the point of beginning.

PARCEL THREE:

Beginning at a point on the Northern line of Estudillo Avenue (formerly called Ward Avenue) as originally laid out, distant thereon Northeasterly 34 feet 1 inch from the most Easterly corner of a tract of land conveyed by R.S. Farrelly, et ux, to Chas. H. Hale, by deed dated January 24, 1905, recorded in Book 1034 of Deeds, Page 80, Alameda County Records; running thence North 19° 25' West, at right angles to said line of Estudillo Avenue, 150 feet; thence at right angles North 70° 35' East 34 feet 1 inch to the Eastern line of the property conveyed by Alexander Edouart to Walter J. Stratton, by deed dated January 14, 1868, recorded in Book 27 of Deeds, Page 608, Alameda County Records; thence Southeasterly, along said last mentioned line, 150 feet to said line of Estudillo Avenue; and thence Southwesterly thereon 34 feet 1 inch to the point of beginning.

EXCEPTING THEREFROM that portion lying within Estudillo Avenue.

PARCEL FOUR:

Beginning at a point on the Southern line of Callan Avenue, distant thereon, 158 feet, 9 inches

Westerly from the Western line of Santa Rosa Street; running thence Westerly along said line of Callan Avenue, 45 feet, 9 inches; thence at right angles Southerly, 150 feet; thence at right angles Easterly, 45 feet, 9 inches; and thence at right angles northerly, 150 feet to the point of beginning.

EXCEPTING THEREFROM that portion lying within Callan Avenue.

PARCEL FIVE:

Commencing at the point of intersection of the Southwest line of Santa Rosa Street with the Southeast line of Callan Avenue, as said street and avenue existed January 1, 1958; thence South 70° 35' West 68 feet 2 inches along the last mentioned line to the Actual Point of Beginning; thence continuing South 70° 35' West 42 feet 7 inches along said line of Callan Avenue; thence South 19° 25' East 150 feet to the Southwest corner of the parcel of land described in quitclaim deed from Fred C. Bauer and Mary S. Bauer, his wife, to M.S. DeSilva and Julia DeSilva, his wife, recorded May 12, 1942 in Book 4229 at Page 154, Official Records of Alameda County, California; thence North 70° 35' East 42 feet 7 inches along the Southeast line of the last mentioned parcel to the Southeast corner of the said parcel; thence North 19° 25' West 150 feet to the point of beginning.

PARCEL SIX:

Commencing at the point on intersection of the Southwest line of Santa Rosa Street with the Southeast line of Callan Avenue, as said street and avenue existed January 1, 1958; thence South 70° 35' West 37.50 feet along the last mentioned line to the Actual Point of Beginning; thence continuing South 70° 35' West 30.67 feet along the last mentioned line; thence South 19° 25' East 104.50 feet; thence North 70° 35' East 30.67 feet; thence North 19° 25' West 104.50 feet to the point of beginning.

PARCEL SEVEN:

Commencing at the point of intersection of the Southeast line of Callan Avenue with the Southwest line of Santa Rosa Street, as said avenue and street existed January 1, 1958; thence South 70° 35' West 110.75 feet along the said line of Callan Avenue to the Actual Point of Beginning; thence continuing South 70° 35' West 48 feet along the last mentioned line; thence South 19° 25' East 140 feet; thence North 70° 35' East 22.42 feet, more or less, to the northwest corner of the parcel of land described in quit-claim deed from Fred C. Bauer and Mary S. Bauer, his wife, to John C. Gabriel, recorded May 12, 1942 in Book 4229 of Official Records at Page 152, Official Records of Alameda County, California; thence South 19° 25' East 10 feet along the Southeast line of the last mentioned parcel of land to the Southwest corner of said parcel; thence North 70° 35' East 25.58 feet, more or less, along the Southeast line of said parcel to the Southeast corner of said parcel; thence North 19° 25' West 150 feet to the point of beginning.

PARCEL EIGHT:

Beginning at a point on the Western line of Santa Rosa Street, formerly Pelton Street, distant thereon South 19° 25' East, 104.50 feet from the point of intersection thereof, with the Southern line of Callan Avenue, as said street and avenue now exist; running thence South 19° 25' East along said line of Santa Rosa Street, 45.50 feet; thence South 70° 35' West, 68.17 feet; thence North 19° 25' West 45.50 feet; thence North 70° 35' East, 68.17 feet to the point of beginning.

PARCEL NINE:

Beginning at the point of intersection of the Southeast line of Callan Avenue with the Southwest line of Santa Rosa Street, as said avenue and street existed January 1, 1958; thence South 19° 25' East 104.50 feet along the last mentioned line; thence South 70° 35' West 37.50 feet; thence North 19° 25' West 104.50 feet to the said southeast line of Callan Avenue, 56.75 feet wide; thence North 70° 35' East 37.50 feet along the last mentioned line to the point of beginning.

PARCEL TEN:

Beginning at a point on the original line of Estudillo Avenue, formerly called Ward Avenue, distant thereon South 70° 35' West 410.67 feet from the point of intersection thereof with the Western line of Santa Rosa Street, formerly Pelton Street, said point of beginning being the point of intersection of the said Northern line of Estudillo Avenue, with the Western line of the parcel of land conveyed by Petra P. Castro, a widow, and Kathryn C. Castro, a single woman, to T.P. Gary, by deed dated March 7, 1905, and recorded in Book 1107 of Deeds, at Page 344, Alameda County Records; and running thence South 70° 35' West along said line of Estudillo Avenue 98.33 feet, more or less, to the eastern line of the 1 acre parcel of land conveyed by John B. Ward, et al, to Lewis C. Morehouse by deed dated October 19, 1866 and recorded in Book W of Deeds at Page 188, Alameda County Records; thence at right angles North 19° 25' West along the Eastern line of said 1 acre parcel of land 150 feet; thence at right angles North 70° 35' East 98.33 feet, more or less, to the Western line of the parcel of land conveyed to T.P. Gary above referred to; and thence at right angles South 19° 25' East along the Western line of the parcel of land so conveyed to T.P. Gary, 150 feet to the point of beginning.

EXCEPTING THEREFROM that portion lying within Estudillo Avenue.

PARCEL ELEVEN:

Commencing at the Northeastern corner of the parcel of land conveyed to H. Ravekes, by deed dated February 14, 1868 and recorded in Book 29 of Deeds, Page 475, Records of Alameda County, California, being on the old Southeast line of Callan Avenue; thence South 19° 25' East, 10 feet along the Northeast line of the above mentioned parcel of land to the actual point of beginning, being on the Southeast line of Callan Avenue, 56.75 feet wide, as said avenue existed January 1, 1958; thence North 70° 35' East, 68 feet, 2 inches, along the last mentioned line; thence South 19° 25' East, 140 feet; thence South 70° 35' West. 68 feet, 2 inches; thence North 19° 25' West, 140 feet to the point of beginning.

PARCEL TWELVE:

Being a portion of the parcel of land described in the Deed from Alexander Edouart to H. Ravekes, dated February 14, 1868, recorded February 14, 1868 in Book 29 of Deeds, Page 475, Alameda County Records, more particularly described as follows: Commencing at the point of intersection of the Southwest line of Santa Rosa Street with the Southeast line of Callan Avenue as said street and avenue existed January 1, 1958; thence South 70° 35' West 272 feet 8 inches along the last mentioned line to the Actual Point of Beginning; thence continuing South 70° 35' West 60 feet 11 inches along the last mentioned line; thence South 19° 25' East 140 feet to the Southeast line of the above mentioned parcel of land; thence North 70° 35' East 60 feet 11 inches along the last mentioned line to the Southeast corner of the said parcel of land;

thence North 19° 25' West 140 feet along the Northeast line of the said parcel of land to the point of beginning.

PARCEL THIRTEEN:

Beginning at a point on the Southeastern line of Callan Avenue, as said avenue now exists, distant thereon South 70° 35' West 333 feet, 7 inches, from the Southwestern line of Santa Rosa Street, formerly Pelton Street; and running thence along said line of Callan Avenue South 70° 35' West 75 feet, 5 inches, to the Southwestern line of the parcel of land described in the deed from John B. Ward, et al to Alexander Edouart, dated January , 1867, recorded January 30, 1867 in Book W of Deeds at Page 721, Alameda County Records; thence along the last named line South 19° 25' East 140 feet, more or less, to the Northwestern line of the parcel of land described in the deed from Alexander Edouart to Louis Castro, dated December 10, 1867, recorded December 13, 1867 in Book 28 of Deeds at Page 486, Alameda County Records; thence North 70° 35' East 75 feet 5 inches, to the intersection with a line drawn South 19° 25' East from the point of beginning; and thence North 19° 25' West 140 feet, more or less, to the point of beginning.

PARCEL FOURTEEN:

Beginning at the most Northern corner of the parcel of land described in the deed to Louis Castro and wife, and recorded in Book W of Deeds, at Page 456, Alameda County Records; thence at right angles to the Northwestern line of said parcel, North 19° 25' West 150 feet, more or less, to the Southeastern line of Callan Avenue, as said avenue now exists; thence along said line of Callan Avenue, South 70° 35' West 65 feet; thence South 70° 35' East 150 feet more or less, to the said Northwestern line of said parcel; thence along the last said line North East 65 feet to the point of beginning.

EXCEPTING THEREFROM that portion lying within Callan Avenue.

PARCEL FIFTEEN:

Beginning at the point of intersection of the Southeastern line of Callan Avenue, with the Southwestern boundary line of that certain parcel of land described in the deed from M.C. Grigsby to Luis Castro, dated June 19, 1872, and recorded June 19, 1872, in Book 84 of Deeds, Page 193, Alameda County Records; running thence South 70° 35' West, along said line of Callan Avenue, 50 feet; thence South 19° 25' East, 140 feet, more or less, to a point in a line drawn parallel with the Northwestern line of Estudillo formerly Ward Avenue, as said avenue now exists and distant measured at right angles, 147 feet Northwesterly therefrom; thence North 70° 35" East, parallel with said line of Estudillo Avenue, 50 feet; thence North 19° 25' West, 140 feet, more or less, to the point of beginning.

PARCEL SIXTEEN:

Commencing at the Northwestern corner of the parcel of land conveyed by H.C. Grigsby to G.H. Payne, by Deed dated June 19, 1872 and recorded in Book 84 of Deeds, Page 351, Alameda County Records, being on the old Southeast line of Callan Avenue; thence South 19° 25' East, 10 feet along the Southwest line of the said parcel of land to the actual point of beginning; being on the Southeast line of Callan Avenue, as said avenue existed January 1, 1958, widened to 56.75 feet; thence South 70° 35' West, 60 feet along the last mentioned line; thence South 19° 25' East, 140 feet; thence North 70° 35' East, 60 feet to the said Southwest line of the above

mentioned parcel of land; thence North 19° 25' West, 140 feet along the last mentioned line to the point of beginning.

EXCEPTING THEREFROM that portion within Callan Avenue.

PARCEL SEVENTEEN:

Beginning at a point on the Southeastern line of Callan Avenue, distant thereon Northeasterly, 37.50 feet from the point of intersection thereof, with the Southwestern boundary line of that certain piece or parcel of land conveyed by John Ward, trustee, et al., to Lewis C. Morehouse, by deed dated October 19, 1866 and recorded October 22, 1866, in Book "W" of Deeds, at Page 188, Alameda County Records; running thence Southeasterly parallel with the said Southwestern boundary line of the land conveyed to Lewis C. Morehouse, 150 feet; thence at right angles Northeasterly, 37.50 feet; thence at right angles Northwesterly, 150 feet to the said Southeastern line of Callan Avenue; thence Southwesterly along the said line of Callan Avenue, 37.50 feet to the point of beginning.

Excepting therefrom that portion within Callan Avenue and Harrison Street.

PARCEL EIGHTEEN:

A portion of the Western half of the parcel of land conveyed by Alexander Edouart to Walter J. Stratton by deed dated January 14, 1868, and recorded in Book 27 of Deeds, Page 608, Records of Alameda County, California; and conveyed by said Walter J. Stratton et al., to R.S. Farrelly by deed dated August 16, 1881, and recorded in Book 225 of Deeds, Page 390, Records of Alameda County, California, and more particularly described as follows:

Commencing at the most Southeastern corner of a strip of land conveyed by Alexander Edouart to Louis Castro and wife, by deed dated December 19, 1867 and recorded August 15, 1883 in Book 257 of Deeds, Page 31, Records of Alameda County, California, being also on the old Northwest line of Estudillo Avenue; thence North 19° 25' West 3 feet along the Northeast line of said strip of land to the actual point of beginning, being on the Northwest line of Estudillo Avenue, 66 feet wide, as said avenue existed January 1, 1958; thence North 19° 25' West 147 feet along the said Northeast line; thence North 70° 35' East 68 feet 2 inches; thence South 19° 25' East 147 feet to the said Northwest line of Estudillo Avenue as it existed January 1, 1958; thence South 70° 35' West 68 feet 2 inches along the last mentioned line to the point of beginning.

PARCEL NINETEEN:

Beginning at the intersection of the Northwestern line of Estudillo Avenue, formerly Ward Avenue, as said avenue now exists, with the Southwestern line of the parcel of land described in the deed to Robert S. Farrelly, dated August 16, 1881, recorded August 16, 1881 in Book 225 of Deeds, Page 390, Alameda County Records; and running thence along the last named line North 19° 25' West 147 feet to the Southeastern line of the parcel of land described in the deed by Alexander Edouart to H.J. Ravekes, dated February 4, 1868, recorded February 14, 1868 in Book 29 of Deeds, Page 475, Alameda County Records; thence along the last named line South 70° 35' West 73 feet; thence South 19° 25' East 147 feet to said line of Estudillo Avenue; and thence along the last named line North 70° 35' East 73 feet to the point of beginning.

PARCEL TWENTY:

Commencing at a point on the old Northwest line of Estudillo Avenue, being South 70° 35' West 529 feet from the Southwest corner of the 20 acre tract of land sold by John B. Ward and others, to S. Huff, thence North 19° 25' West 3 feet to the Actual Point of Beginning, being on the Northwest line of Estudillo Avenue, as said avenue existed January 1, 1958, widened to 66 feet; thence South 70° 35' West 94 feet along the last mentioned line; thence North 19° 25' West 140 feet; thence North 70° 35' East 94 feet; thence South 19° 25' East 140 feet to the point of beginning.

PARCEL TWENTY-ONE:

Commencing at the point of intersection of the southeast line of Callan Avenue, as said avenue existed January 1, 1958, widened to 56.75 feet, with the southwest line of the parcel of land described in the deed from H.C. Grigsby to Louis Castro, dated June 19, 1872, and recorded June 19, 1872, in Book 84 of Deeds, Page 193, Alameda County Records; thence south 70° 35' west 50 feet along the said line of Callan Avenue; thence south 19° 25' east 140 feet to the Actual Point of Beginning; thence north 70° 35' east 15 feet; thence south 19° 25' east 7 feet; thence south 70° 35' west 15 feet; thence north 19° 25' west 7 feet to the point of beginning.

PARCEL TWENTY-TWO:

Commencing at a point on the old Northwest line of Estudillo Avenue, being South 70° 35' West 604 feet from the Southwestern corner of the twenty acre tract of land sold by John B. Ward and others, to S. Huff; thence South 70° 35' West 75 feet along the said line of Estudillo Avenue to the Southwestern corner of the parcel of land described in the deed from Annexation Investment Co., a corporation, to Clara Herrscher, recorded June 20, 1917 in Book 2568 of Deeds at Page 250, Records of Alameda County; thence North 19° 25' West 150 feet along the Southwest line of the last mentioned parcel of land to the Northwestern corner of the said parcel belonging to Clara Herrscher; thence North 70° 35' East 56 feet along the Northwest line of the last mentioned parcel of land to the Actual Point of Beginning; thence continuing North 70° 35' East 79 feet along the last mentioned line and along the Northwest line of the parcel of land described in the deed from Joseph Herrscher to Clara Herrscher, recorded July 8, 1919, in Book 2796 of Deeds at Page 49, Records of Alameda County, to the Northeastern corner of the last mentioned parcel of land; thence South 19° 25' East 7 feet along the Northeast line of the last mentioned parcel of land to its intersection with the Northwest line of Parcel 2 as described in the deed from Clara Herrscher, a widow, to Rose Enos, a single woman, recorded October 20, 1941 in Book 4100 of Official Records at Page 484, Official Records of Alameda County; thence South 70° 35' West 79 feet along the last mentioned line and along the Northwest line of Parcel 3, as described in the last mentioned deed; thence North 19° 25' West 7 feet to the point of beginning.

APN: 077-0551-001

APPENDIX B

REVISED SCHEDULE OF LEASE PAYMENTS

Lease Payment Date*	2016 Principal Component	2016 Interest Component	2018 Principal Component	2018 Interest Component	Aggregate Lease Payment
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* Lease Payment Dates are the Business Day immediately preceding each date listed in the schedule.

RECORDING REQUESTED BY
AND WHEN RECORDED RETURN TO:

Jones Hall, A Professional Law Corporation
475 Sansome Street, Suite 1700
San Francisco, California 94111
Attention: James A. Wawrzyniak, Jr., Esq.

THIS TRANSACTION IS EXEMPT FROM CALIFORNIA DOCUMENTARY TRANSFER TAX
PURSUANT TO SECTION 11922 OF THE CALIFORNIA REVENUE AND TAXATION CODE.
THIS DOCUMENT IS EXEMPT FROM RECORDING FEES PURSUANT TO SECTION 27383
OF THE CALIFORNIA GOVERNMENT CODE.

FIRST AMENDMENT TO ASSIGNMENT AGREEMENT

By and between

SAN LEANDRO PUBLIC FINANCING AUTHORITY

and

U.S. BANK NATIONAL ASSOCIATION

Dated as of December 1, 2018

FIRST AMENDMENT TO ASSIGNMENT AGREEMENT

This FIRST AMENDMENT TO ASSIGNMENT AGREEMENT (the "**First Amendment**"), dated as of December 1, 2018, is by and between the SAN LEANDRO PUBLIC FINANCING AUTHORITY, a joint exercise of powers agency organized and existing under the laws of the State of California (the "**Authority**"), and U.S. BANK NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America, as trustee (the "**Trustee**").

BACKGROUND:

WHEREAS, the City and the Authority have heretofore entered into a Site Lease dated as of December 1, 2016 and recorded on December 1, 2016 as Instrument No. 2016313091 in the Office of the Recorder of the County of Alameda (the "**Existing Site Lease**"), in connection with the Authority's issuance of its 2016 Refunding Lease Revenue Bonds in the initial principal amount of \$14,125,000 (the "**2016 Bonds**");

WHEREAS, the 2016 Bonds were issued pursuant to an Indenture of Trust, dated as of December 1, 2016 (the "**Existing Indenture**"), by and between the Authority and U.S. Bank National Association, as trustee (the "**Trustee**");

WHEREAS, in connection with the issuance of the 2016 Bonds, the City and the Authority also executed a Lease Agreement dated as of December 1, 2016, and recorded on December 1, 2016 as Instrument No. 2016313092 in the Office of the Recorder of the County of Alameda (the "**Existing Lease Agreement**");

WHEREAS, the Existing Site Lease and the Existing Lease Agreement provide for the lease of the real property constituting the City's main library building, including both land and improvements (the "**Leased Property**"), which Leased Property is more specifically described in Appendix A attached hereto;

WHEREAS, the semi-annual lease payments payable by the City under the Existing Lease Agreement have been assigned to the Trustee pursuant to an Assignment Agreement, dated as of December 1, 2016, and recorded on December 1, 2016 as Instrument No. 2016313093 in the Office of the Recorder of the County of Alameda (the "**Existing Assignment Agreement**");

WHEREAS, in connection with the Authority's issuance of its 2018 Lease Revenue Bonds in the initial principal amount of \$_____ (the "**2018 Bonds**"), it is necessary to amend the Existing Site Lease, the Existing Lease Agreement, and the Existing Assignment Agreement;

WHEREAS, the Existing Site Lease is being supplemented and amended pursuant to a First Amendment to Site Lease, dated as of December 1, 2018, recorded concurrently herewith, and the Existing Lease Agreement is being supplemented and amended pursuant to a First Amendment to Lease Agreement, dated as of December 1, 2018, recorded concurrently herewith; and

NOW, THEREFORE, in consideration of the mutual agreements and covenants herein contained and for other valuable consideration, the Authority and the Trustee do hereby agree as follows:

AGREEMENT:

Section 1. *Revised Definitions.* The following terms, each of which is defined in the Existing Assignment Agreement, are hereby revised as follows:

(a) The term “Bonds” shall mean, collectively, the 2016 Bonds and the 2018 Bonds, as such terms are defined in this First Amendment.

(b) The term “Indenture” shall mean the Existing Indenture, as supplemented and amended by the First Supplement to Indenture, dated as of December 1, 2018, between the Authority and the Trustee, and as it may be further amended and supplemented.

(c) The term “Lease” shall mean the Existing Lease Agreement, as supplemented and amended by this First Amendment, and as it may be further supplemented and amended.

(d) The term “Site Lease” shall mean the Existing Site Lease, as supplemented and amended by the First Amendment to Site Lease, dated as of December 1, 2018, and recorded currently herewith, between the City, as lessor, and the Authority, as lessee, and as it may be further amended and supplemented.

(e) The term “Site Lease Payment” shall mean the payment made on December 1, 2016 by the Authority to the City in the amount of \$16,040,700.03, together with the payment to be made by the Authority to the City on the date of the issuance of the 2018 Bonds in the amount of \$_____.

Section 2. *Purpose of First Amendment.* This First Amendment is prepared for the purpose of recordation in the Official Records of the County of Alameda and to reflect the issuance of the 2018 Bonds pursuant to the Indenture and the related execution, delivery and recordation of the First Amendment to Site Lease and the First Amendment to Lease Agreement in connection therewith, and it in no way modifies the provisions of the Indenture, the Existing Site Lease, the Existing Lease Agreement, the First Amendment to Site Lease, or the First Amendment to Lease Agreement.

Section 3. *Effectiveness.* Other than as amended hereby, the Existing Assignment Agreement shall remain in full force and effect. This First Amendment shall become effective upon (i) the recordation hereof against the real property described in Appendix A hereto in the Official Records of the Alameda County Recorder and (ii) the issuance of the 2018 Bonds.

IN WITNESS WHEREOF, the Authority and the Trustee have caused this First Amendment to Assignment Agreement to be executed by their respective officers thereunto duly authorized, all as of the date and year first above written.

San Leandro Public Financing Authority

By _____
Jeff Kay
Executive Director

Attest:

Leticia I. Miguel
Secretary

**U.S. Bank National Association,
*as Trustee***

By _____
Authorized Officer

APPENDIX A

DESCRIPTION OF THE LEASED PROPERTY

The Leased Property consists of that certain real property situated in the State of California, County of Alameda, City of San Leandro and described as follows:

PARCEL ONE:

Beginning at a point on the Northerly line of Estudillo or Ward Avenue, as originally laid out, distant thereon 98 feet 4 inches easterly from the Southeastern corner of a parcel of land containing about one acre conveyed by John B. Ward et al to L.C. Morehouse by deed of date October 19, 1866, and recorded in the Recorder's office of Alameda County, California, in Book W of Deeds at Page 188; running thence Northerly at right angles to said Estudillo Avenue 150 feet to a point; thence at right angles Easterly 65 feet; thence at right angles Southerly 150 feet to said line of Estudillo Avenue; and thence Westerly 65 feet to the point of beginning.

EXCEPTING THEREFROM that portion lying with Estudillo Avenue.

PARCEL TWO:

Commencing at the most Eastern corner of a tract of land conveyed by R.S. Farrelly, et ux., to Chas. H. Hale, by deed dated January 24, 1905, recorded in Book 1034 of Deeds, Page 80, Alameda County Records, being also on the old Northwest line of Estudillo Avenue; thence North 19° 25' West 3 feet along the East line of said Tract to the Actual Point of Beginning, being on the Northwest line of Estudillo Avenue, 66 feet wide, as said avenue existed January 1, 1958; thence North 19° 25' west 147 feet along the East line of said tract; thence North 70° 35' East 34' 1 inch; thence South 19° 25' East 147 feet to the said Northwest line of Estudillo Avenue, 66 feet wide, as said avenue existed January 1, 1958; thence South 70° 35' West 34 feet 1 inch along the last mentioned line to the point of beginning.

PARCEL THREE:

Beginning at a point on the Northern line of Estudillo Avenue (formerly called Ward Avenue) as originally laid out, distant thereon Northeasterly 34 feet 1 inch from the most Easterly corner of a tract of land conveyed by R.S. Farrelly, et ux, to Chas. H. Hale, by deed dated January 24, 1905, recorded in Book 1034 of Deeds, Page 80, Alameda County Records; running thence North 19° 25' West, at right angles to said line of Estudillo Avenue, 150 feet; thence at right angles North 70° 35' East 34 feet 1 inch to the Eastern line of the property conveyed by Alexander Edouart to Walter J. Stratton, by deed dated January 14, 1868, recorded in Book 27 of Deeds, Page 608, Alameda County Records; thence Southeasterly, along said last mentioned line, 150 feet to said line of Estudillo Avenue; and thence Southwesterly thereon 34 feet 1 inch to the point of beginning.

EXCEPTING THEREFROM that portion lying within Estudillo Avenue.

PARCEL FOUR:

Beginning at a point on the Southern line of Callan Avenue, distant thereon, 158 feet, 9 inches Westerly from the Western line of Santa Rosa Street; running thence Westerly along said line

of Callan Avenue, 45 feet, 9 inches; thence at right angles Southerly, 150 feet; thence at right angles Easterly, 45 feet, 9 inches; and thence at right angles northerly, 150 feet to the point of beginning.

EXCEPTING THEREFROM that portion lying within Callan Avenue.

PARCEL FIVE:

Commencing at the point of intersection of the Southwest line of Santa Rosa Street with the Southeast line of Callan Avenue, as said street and avenue existed January 1, 1958; thence South 70° 35' West 68 feet 2 inches along the last mentioned line to the Actual Point of Beginning; thence continuing South 70° 35' West 42 feet 7 inches along said line of Callan Avenue; thence South 19° 25' East 150 feet to the Southwest corner of the parcel of land described in quitclaim deed from Fred C. Bauer and Mary S. Bauer, his wife, to M.S. DeSilva and Julia DeSilva, his wife, recorded May 12, 1942 in Book 4229 at Page 154, Official Records of Alameda County, California; thence North 70° 35' East 42 feet 7 inches along the Southeast line of the last mentioned parcel to the Southeast corner of the said parcel; thence North 19° 25' West 150 feet to the point of beginning.

PARCEL SIX:

Commencing at the point on intersection of the Southwest line of Santa Rosa Street with the Southeast line of Callan Avenue, as said street and avenue existed January 1, 1958; thence South 70° 35' West 37.50 feet along the last mentioned line to the Actual Point of Beginning; thence continuing South 70° 35' West 30.67 feet along the last mentioned line; thence South 19° 25' East 104.50 feet; thence North 70° 35' East 30.67 feet; thence North 19° 25' West 104.50 feet to the point of beginning.

PARCEL SEVEN:

Commencing at the point of intersection of the Southeast line of Callan Avenue with the Southwest line of Santa Rosa Street, as said avenue and street existed January 1, 1958; thence South 70° 35' West 110.75 feet along the said line of Callan Avenue to the Actual Point of Beginning; thence continuing South 70° 35' West 48 feet along the last mentioned line; thence South 19° 25' East 140 feet; thence North 70° 35' East 22.42 feet, more or less, to the northwest corner of the parcel of land described in quit-claim deed from Fred C. Bauer and Mary S. Bauer, his wife, to John C. Gabriel, recorded May 12, 1942 in Book 4229 of Official Records at Page 152, Official Records of Alameda County, California; thence South 19° 25' East 10 feet along the Southeast line of the last mentioned parcel of land to the Southwest corner of said parcel; thence North 70° 35' East 25.58 feet, more or less, along the Southeast line of said parcel to the Southeast corner of said parcel; thence North 19° 25' West 150 feet to the point of beginning.

PARCEL EIGHT:

Beginning at a point on the Western line of Santa Rosa Street, formerly Pelton Street, distant thereon South 19° 25' East, 104.50 feet from the point of intersection thereof, with the Southern line of Callan Avenue, as said street and avenue now exist; running thence South 19° 25' East along said line of Santa Rosa Street, 45.50 feet; thence South 70° 35' West, 68.17 feet; thence North 19° 25' West 45.50 feet; thence North 70° 35' East, 68.17 feet to the point of beginning.

PARCEL NINE:

Beginning at the point of intersection of the Southeast line of Callan Avenue with the Southwest line of Santa Rosa Street, as said avenue and street existed January 1, 1958; thence South 19° 25' East 104.50 feet along the last mentioned line; thence South 70° 35' West 37.50 feet; thence North 19° 25' West 104.50 feet to the said southeast line of Callan Avenue, 56.75 feet wide; thence North 70° 35' East 37.50 feet along the last mentioned line to the point of beginning.

PARCEL TEN:

Beginning at a point on the original line of Estudillo Avenue, formerly called Ward Avenue, distant thereon South 70° 35' West 410.67 feet from the point of intersection thereof with the Western line of Santa Rosa Street, formerly Pelton Street, said point of beginning being the point of intersection of the said Northern line of Estudillo Avenue, with the Western line of the parcel of land conveyed by Petra P. Castro, a widow, and Kathryn C. Castro, a single woman, to T.P. Gary, by deed dated March 7, 1905, and recorded in Book 1107 of Deeds, at Page 344, Alameda County Records; and running thence South 70° 35' West along said line of Estudillo Avenue 98.33 feet, more or less, to the eastern line of the 1 acre parcel of land conveyed by John B. Ward, et al, to Lewis C. Morehouse by deed dated October 19, 1866 and recorded in Book W of Deeds at Page 188, Alameda County Records; thence at right angles North 19° 25' West along the Eastern line of said 1 acre parcel of land 150 feet; thence at right angles North 70° 35' East 98.33 feet, more or less, to the Western line of the parcel of land conveyed to T.P. Gary above referred to; and thence at right angles South 19° 25' East along the Western line of the parcel of land so conveyed to T.P. Gary, 150 feet to the point of beginning.

EXCEPTING THEREFROM that portion lying within Estudillo Avenue.

PARCEL ELEVEN:

Commencing at the Northeastern corner of the parcel of land conveyed to H. Ravekes, by deed dated February 14, 1868 and recorded in Book 29 of Deeds, Page 475, Records of Alameda County, California, being on the old Southeast line of Callan Avenue; thence South 19° 25' East, 10 feet along the Northeast line of the above mentioned parcel of land to the actual point of beginning, being on the Southeast line of Callan Avenue, 56.75 feet wide, as said avenue existed January 1, 1958; thence North 70° 35' East, 68 feet, 2 inches, along the last mentioned line; thence South 19° 25' East, 140 feet; thence South 70° 35' West. 68 feet, 2 inches; thence North 19° 25' West, 140 feet to the point of beginning.

PARCEL TWELVE:

Being a portion of the parcel of land described in the Deed from Alexander Edouart to H. Ravekes, dated February 14, 1868, recorded February 14, 1868 in Book 29 of Deeds, Page 475, Alameda County Records, more particularly described as follows: Commencing at the point of intersection of the Southwest line of Santa Rosa Street with the Southeast line of Callan Avenue as said street and avenue existed January 1, 1958; thence South 70° 35' West 272 feet 8 inches along the last mentioned line to the Actual Point of Beginning; thence continuing South 70° 35' West 60 feet 11 inches along the last mentioned line; thence South 19° 25' East 140 feet to the Southeast line of the above mentioned parcel of land; thence North 70° 35' East 60 feet 11 inches along the last mentioned line to the Southeast corner of the said parcel of land; thence North 19 25' West 140 feet along the Northeast line of the said parcel of land to the point of beginning.

PARCEL THIRTEEN:

Beginning at a point on the Southeastern line of Callan Avenue, as said avenue now exists, distant thereon South 70° 35' West 333 feet, 7 inches, from the Southwestern line of Santa Rosa Street, formerly Pelton Street; and running thence along said line of Callan Avenue South 70° 35' West 75 feet, 5 inches, to the Southwestern line of the parcel of land described in the deed from John B. Ward, et al to Alexander Edouart, dated January , 1867, recorded January 30, 1867 in Book W of Deeds at Page 721, Alameda County Records; thence along the last named line South 19° 25' East 140 feet, more or less, to the Northwestern line of the parcel of land described in the deed from Alexander Edouart to Louis Castro, dated December 10, 1867, recorded December 13, 1867 in Book 28 of Deeds at Page 486, Alameda County Records; thence North 70° 35' East 75 feet 5 inches, to the intersection with a line drawn South 19° 25' East from the point of beginning; and thence North 19° 25' West 140 feet, more or less, to the point of beginning.

PARCEL FOURTEEN:

Beginning at the most Northern corner of the parcel of land described in the deed to Louis Castro and wife, and recorded in Book W of Deeds, at Page 456, Alameda County Records; thence at right angles to the Northwestern line of said parcel, North 19° 25' West 150 feet, more or less, to the Southeastern line of Callan Avenue, as said avenue now exists; thence along said line of Callan Avenue, South 70° 35' West 65 feet; thence South 70° 35° East 150 feet more or less, to the said Northwestern line of said parcel; thence along the last said line North East 65 feet to the point of beginning.

EXCEPTING THEREFROM that portion lying within Callan Avenue.

PARCEL FIFTEEN:

Beginning at the point of intersection of the Southeastern line of Callan Avenue, with the Southwestern boundary line of that certain parcel of land described in the deed from M.C. Grigsby to Luis Castro, dated June 19, 1872, and recorded June 19, 1872, in Book 84 of Deeds, Page 193, Alameda County Records; running thence South 70° 35' West, along said line of Callan Avenue, 50 feet; thence South 19° 25' East, 140 feet, more or less, to a point in a line drawn parallel with the Northwestern line of Estudillo formerly Ward Avenue, as said avenue now exists and distant measured at right angles, 147 feet Northwesterly therefrom; thence North 70° 35" East, parallel with said line of Estudillo Avenue, 50 feet; thence North 19° 25' West, 140 feet, more or less, to the point of beginning.

PARCEL SIXTEEN:

Commencing at the Northwestern corner of the parcel of land conveyed by H.C. Grigsby to G.H. Payne, by Deed dated June 19, 1872 and recorded in Book 84 of Deeds, Page 351, Alameda County Records, being on the old Southeast line of Callan Avenue; thence South 19° 25' East, 10 feet along the Southwest line of the said parcel of land to the actual point of beginning; being on the Southeast line of Callan Avenue, as said avenue existed January 1, 1958, widened to 56.75 feet; thence South 70° 35' West, 60 feet along the last mentioned line; thence South 19° 25' East, 140 feet; thence North 70° 35' East, 60 feet to the said Southwest line of the above mentioned parcel of land; thence North 19° 25' West, 140 feet along the last mentioned line to the point of beginning.

EXCEPTING THEREFROM that portion within Callan Avenue.

PARCEL SEVENTEEN:

Beginning at a point on the Southeastern line of Callan Avenue, distant thereon Northeasterly, 37.50 feet from the point of intersection thereof, with the Southwestern boundary line of that certain piece or parcel of land conveyed by John Ward, trustee, et al., to Lewis C. Morehouse, by deed dated October 19, 1866 and recorded October 22, 1866, in Book "W" of Deeds, at Page 188, Alameda County Records; running thence Southeasterly parallel with the said Southwestern boundary line of the land conveyed to Lewis C. Morehouse, 150 feet; thence at right angles Northeasterly, 37.50 feet; thence at right angles Northwesterly, 150 feet to the said Southeastern line of Callan Avenue; thence Southwesterly along the said line of Callan Avenue, 37.50 feet to the point of beginning.

Excepting therefrom that portion within Callan Avenue and Harrison Street.

PARCEL EIGHTEEN:

A portion of the Western half of the parcel of land conveyed by Alexander Edouart to Walter J. Stratton by deed dated January 14, 1868, and recorded in Book 27 of Deeds, Page 608, Records of Alameda County, California; and conveyed by said Walter J. Stratton et al., to R.S. Farrelly by deed dated August 16, 1881, and recorded in Book 225 of Deeds, Page 390, Records of Alameda County, California, and more particularly described as follows:

Commencing at the most Southeastern corner of a strip of land conveyed by Alexander Edouart to Louis Castro and wife, by deed dated December 19, 1867 and recorded August 15, 1883 in Book 257 of Deeds, Page 31, Records of Alameda County, California, being also on the old Northwest line of Estudillo Avenue; thence North 19° 25' West 3 feet along the Northeast line of said strip of land to the actual point of beginning, being on the Northwest line of Estudillo Avenue, 66 feet wide, as said avenue existed January 1, 1958; thence North 19° 25' West 147 feet along the said Northeast line; thence North 70° 35' East 68 feet 2 inches; thence South 19° 25' East 147 feet to the said Northwest line of Estudillo Avenue as it existed January 1, 1958; thence South 70° 35' West 68 feet 2 inches along the last mentioned line to the point of beginning.

PARCEL NINETEEN:

Beginning at the intersection of the Northwestern line of Estudillo Avenue, formerly Ward Avenue, as said avenue now exists, with the Southwestern line of the parcel of land described in the deed to Robert S. Farrelly, dated August 16, 1881, recorded August 16, 1881 in Book 225 of Deeds, Page 390, Alameda County Records; and running thence along the last named line North 19° 25' West 147 feet to the Southeastern line of the parcel of land described in the deed by Alexander Edouart to H.J. Ravekes, dated February 4, 1868, recorded February 14, 1868 in Book 29 of Deeds, Page 475, Alameda County Records; thence along the last named line South 70° 35' West 73 feet; thence South 19° 25' East 147 feet to said line of Estudillo Avenue; and thence along the last named line North 70° 35' East 73 feet to the point of beginning.

PARCEL TWENTY:

Commencing at a point on the old Northwest line of Estudillo Avenue, being South 70° 35' West 529 feet from the Southwest corner of the 20 acre tract of land sold by John B. Ward and others, to S. Huff, thence North 19° 25' West 3 feet to the Actual Point of Beginning, being on the Northwest line of Estudillo Avenue, as said avenue existed January 1, 1958, widened to 66

feet; thence South 70° 35' West 94 feet along the last mentioned line; thence North 19° 25' West 140 feet; thence North 70° 35' East 94 feet; thence South 19° 25' East 140 feet to the point of beginning.

PARCEL TWENTY-ONE:

Commencing at the point of intersection of the southeast line of Callan Avenue, as said avenue existed January 1, 1958, widened to 56.75 feet, with the southwest line of the parcel of land described in the deed from H.C. Grigsby to Louis Castro, dated June 19, 1872, and recorded June 19, 1872, in Book 84 of Deeds, Page 193, Alameda County Records; thence south 70° 35' west 50 feet along the said line of Callan Avenue; thence south 19° 25' east 140 feet to the Actual Point of Beginning; thence north 70° 35' east 15 feet; thence south 19° 25' east 7 feet; thence south 70° 35' west 15 feet; thence north 19° 25' west 7 feet to the point of beginning.

PARCEL TWENTY-TWO:

Commencing at a point on the old Northwest line of Estudillo Avenue, being South 70° 35' West 604 feet from the Southwestern corner of the twenty acre tract of land sold by John B. Ward and others, to S. Huff; thence South 70° 35' West 75 feet along the said line of Estudillo Avenue to the Southwestern corner of the parcel of land described in the deed from Annexation Investment Co., a corporation, to Clara Herrscher, recorded June 20, 1917 in Book 2568 of Deeds at Page 250, Records of Alameda County; thence North 19° 25' West 150 feet along the Southwest line of the last mentioned parcel of land to the Northwestern corner of the said parcel belonging to Clara Herrscher; thence North 70° 35' East 56 feet along the Northwest line of the last mentioned parcel of land to the Actual Point of Beginning; thence continuing North 70° 35' East 79 feet along the last mentioned line and along the Northwest line of the parcel of land described in the deed from Joseph Herrscher to Clara Herrscher, recorded July 8, 1919, in Book 2796 of Deeds at Page 49, Records of Alameda County, to the Northeastern corner of the last mentioned parcel of land; thence South 19° 25' East 7 feet along the Northeast line of the last mentioned parcel of land to its intersection with the Northwest line of Parcel 2 as described in the deed from Clara Herrscher, a widow, to Rose Enos, a single woman, recorded October 20, 1941 in Book 4100 of Official Records at Page 484, Official Records of Alameda County; thence South 70° 35' West 79 feet along the last mentioned line and along the Northwest line of Parcel 3, as described in the last mentioned deed; thence North 19° 25' West 7 feet to the point of beginning.

APN: 077-0551-001

FIRST SUPPLEMENTAL INDENTURE OF TRUST

Dated as of December 1, 2018

between

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

and the

SAN LEANDRO PUBLIC FINANCING AUTHORITY

Authorizing the Issuance of

\$ _____
San Leandro Public Financing Authority
2018 Lease Revenue Bonds

**(Supplemental to the Indenture of Trust
dated as of December 1, 2016)**

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FIRST SUPPLEMENTAL INDENTURE OF TRUST

This FIRST SUPPLEMENTAL INDENTURE OF TRUST (this “**First Supplemental Indenture**”), dated for convenience as of December 1, 2018, is by and between the SAN LEANDRO PUBLIC FINANCING AUTHORITY, a joint exercise of powers authority organized and existing under and by virtue of the laws of the State of California (the “**Authority**”), and U.S. BANK NATIONAL ASSOCIATION, a national banking association organized and existing under and by virtue of the laws of the United States of America, with a corporate trust office in San Francisco, California, being qualified to accept and administer the trusts hereby created (the “**Trustee**”).

BACKGROUND:

WHEREAS, this First Supplemental Indenture is supplemental to the Indenture of Trust, dated as of December 1, 2016, between the Authority and the Trustee (the “**Existing Indenture**”);

WHEREAS, pursuant to the Indenture, and the powers granted to the Authority under the Bond Law, the Authority has heretofore issued its San Leandro Public Financing Authority 2016 Refunding Lease Revenue Bonds in the initial principal amount of \$14,125,000 (the “**2016 Bonds**”);

WHEREAS, Section 6.06 of the Existing Indenture provides that the Authority may issue or incur additional bonds, notes or other indebtedness which are payable out of the Revenues in whole or in part only in accordance with Section 7.5(b)(v) of the Lease;

WHEREAS, Section 9.01(b)(v) of the Existing Indenture permits amendments to the Existing Indenture, without the consent of Bond Owners, to facilitate the issuance of additional obligations of the City under the Lease Agreement as provided in Section 7.5(b)(v) thereof;

WHEREAS, pursuant to Section 7.5(b)(v) of the Lease, the Authority and the City are amending the Lease to provide for the payment of increased Lease Payments to support the issuance of additional bonds by the Authority and have complied with the terms of said Section 7.5(b)(v), and the Authority and the Trustee wish to supplement and amend the Existing Indenture as provided in this First Supplemental Indenture in connection therewith;

WHEREAS, in accordance with the foregoing, the Authority wishes to issue, pursuant to the Bond Law and this First Supplemental Indenture, its 2018 Lease Revenue Bonds in the aggregate principal amount of \$_____ (the “**2018 Bonds**”); and

NOW, THEREFORE, the parties hereto agree that the Existing Indenture shall be supplemented and amended by adding the following sections thereto:

ARTICLE XII

DEFINITIONS

SECTION 12.01. *Definitions.* Unless the context otherwise requires, the capitalized terms set forth in this Section shall, for all purposes of this Indenture and of any certificate, opinion or other document herein mentioned, have the meanings herein specified, to be equally applicable to both the singular and plural forms of the terms defined herein. Capitalized terms not defined

herein shall have the meanings assigned to them in the Indenture. Terms defined both in the Existing Indenture and below shall have the meanings set forth below.

“Bonds” means, collectively, the (a) 2016 Bonds and (b) 2018 Bonds; provided, that for purposes of (i) the maximum authorized amount, payment provisions and other terms set forth in Sections 2.01 and 2.02 of the Existing Indenture, (ii) the application of proceeds set forth in 3.02 of the Existing Indenture, (iii) the redemption provisions set forth in Sections 4.01 of the Existing Indenture, and (iv) any other instance where it is clear Bonds only refers to the 2016 Bonds, the term “Bonds” shall refer only to the 2016 Bonds.

“Closing Date” means, with respect to each series of Bonds, the date of delivery of the respective series of Bonds to the Original Purchaser thereof.

“Existing Indenture” means the Indenture of Trust, dated as of December 1, 2016, between the Authority and the Trustee.

“First Supplemental Indenture” means the First Supplemental Indenture of Trust, dated as of December 1, 2018, between the Authority and the Trustee.

“Interest Payment Date” means, (a) with respect to the 2016 Bonds, each May 1 and November 1, commencing May 1, 2017, so long as any 2016 Bonds remain unpaid and (b) with respect to the 2018 Bonds, each May 1 and November 1, commencing May 1, 2019, so long as any 2016 Bonds remain unpaid.

“Project” means the acquisition or construction of any real or personal property for which the City is authorized to expend funds subject to its control, which are anticipated to consist of (but are not limited to) Casa Peralta, Farrelly Pool, Manor Park Competition Pool, Marina Mulford Library and the Police Headquarters and South Office Building.

“Project Costs” means all costs of payment of, or reimbursement for, the engineering, design, acquisition, installation, provision and financing of the Project, including but not limited to, management costs, administrative costs and expenditures relating to financing payments, costs of accounting, feasibility, environmental and other reports, interest during the period of acquisition and installation of the Project, insurance costs, inspection costs, permit fees, filing and recording costs, printing costs, reproduction and binding costs, initial fees and charges of the Trustee, escrow fees, financing discounts, legal fees and charges, financial and other professional consultant fees and charges in connection with the foregoing.

“Project Fund” means the fund by that name established and held by the Trustee under Section 13.06.

“Site Lease Payment” means the amount which is payable by the Authority to the City under Section 3 of the Site Lease.

“2016 Bonds” means the \$14,125,000 initial principal amount of San Leandro Public Financing Authority 2016 Refunding Lease Revenue Bonds authorized by and at any time Outstanding under this Indenture.

“2018 Bonds” means the \$_____ aggregate principal amount of San Leandro Public Financing Authority 2018 Lease Revenue Bonds authorized by and at any time Outstanding under this Indenture.

“2018 Costs of Issuance Fund” means the fund by that name established and held by the Trustee under Section 13.05.

For clarity, because all Lease Payments have been assigned to the Trustee under the Indenture, the definition of “Revenues” shall include all Lease Payments payable under the Lease, as amended in connection with the issuance of the 2018 Bonds, without regard to the exclusion set forth in clause (i) thereof.

ARTICLE XIII

THE 2018 BONDS

SECTION 13.01. *Authorization of 2018 Bonds.* The Authority has reviewed all proceedings heretofore taken and has found, as a result of such review, and hereby finds and determines that all things, conditions and acts required by law to exist, happen or be performed precedent to and in connection with the issuance of the 2018 Bonds do exist, have happened and have been performed in due time, form and manner as required by law, and the Authority is now duly empowered, under each and every requirement of law, to issue the 2018 Bonds in the manner and form provided in this Indenture.

The Authority hereby authorizes the issuance of the 2018 Bonds in the aggregate principal amount of \$_____ under the Bond Law for the purposes of providing funds to pay the portion of the Site Lease Payment due to the City on the Closing Date for the 2018 Bonds. The 2018 Bonds are authorized and issued under, and are subject to the terms of, this Indenture and the Bond Law. The 2018 Bonds are designated the “San Leandro Public Financing Authority 2018 Lease Revenue Bonds.”

SECTION 13.02. *Terms of the 2018 Bonds.*

(a) Payment Provisions. The 2018 Bonds shall be issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof, so long as no 2018 Bond has more than one maturity date. The 2018 Bonds shall mature on November 1 in each of the years and in the amounts, and bear interest (calculated on the basis of a 360-day year of twelve 30-day months) at the rates, as follows:

<u>Maturity Date</u> <u>(November 1)</u>	<u>Principal Amount</u> \$	<u>Interest Rate</u> %
---	-------------------------------	---------------------------

Interest on the 2018 Bonds is payable from the Interest Payment Date next preceding the date of authentication thereof unless:

- (i) a 2018 Bond is authenticated on or before an Interest Payment Date and after the close of business on the preceding Record Date, in which event it will bear interest from such Interest Payment Date,
- (ii) a 2018 Bond is authenticated on or before the first Record Date, in which event interest thereon will be payable from the Closing Date, or
- (iii) interest on any 2018 Bond is in default as of the date of authentication thereof, in which event interest thereon will be payable from the date to which interest has been paid in full, payable on each Interest Payment Date.

Interest is payable on each Interest Payment Date to the persons in whose names the ownership of the 2018 Bonds is registered on the Registration Books at the close of business on the immediately preceding Record Date, except as provided below. Interest on any 2018 Bond which is not punctually paid or duly provided for on any Interest Payment Date is payable to the person in whose name the ownership of such 2018 Bond is registered on the Registration Books at the close of business on a special record date for the payment of such defaulted interest to be fixed by the Trustee, notice of which is given to such Owner by first-class mail not less than 10 days prior to such special record date.

The Trustee will pay interest on the 2018 Bonds by check of the Trustee mailed by first class mail, postage prepaid, on each Interest Payment Date to the Owners of the 2018 Bonds at their respective addresses shown on the Registration Books as of the close of business on the preceding Record Date. At the written request of the Owner of 2018 Bonds in an aggregate principal amount of at least \$1,000,000, which written request is on file with the Trustee as of any Record Date, the Trustee will pay interest on such 2018 Bonds on each succeeding Interest Payment Date by wire transfer in immediately available funds to such account of a financial institution within the United States of America as specified in such written request, which written request will remain in effect until rescinded in writing by the Owner. The Trustee will pay principal of the Bonds in lawful money of the United States of America by check of the Trustee upon presentation and surrender thereof at the Office of the Trustee.

(b) Transfer and Exchange of 2018 Bonds. The provisions of Section 2.03 of the Indenture shall apply to the 2018 Bonds as if repeated here.

(c) Book-Entry System; Registration Books; Bonds Mutilated, Lost, Destroyed or Stolen. The provisions of Sections 2.04, 2.05 and 2.07 of the Indenture shall apply to the 2018 Bonds as if repeated here.

SECTION 13.03. *Form and Execution of 2018 Bonds.* The 2018 Bonds, the form of Trustee's certificate of authentication, and the form of assignment to appear thereon, are set

forth in Appendix B-1 attached hereto and by this reference incorporated herein, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Indenture.

The Chairman or the Executive Director of the Authority shall execute, and the Secretary of the Authority shall attest each 2018 Bond. Either or both of such signatures may be made manually or may be affixed by facsimile thereof. If any officer whose signature appears on any 2018 Bond ceases to be such officer before the Closing Date, such signature will nevertheless be as effective as if the officer had remained in office until the Closing Date. Any 2018 Bond may be signed and attested on behalf of the Authority by such persons as at the actual date of the execution of such 2018 Bond are the proper officers of the Authority, duly authorized to execute debt instruments on behalf of the Authority, although on the date of such 2018 Bond any such person was not an officer of the Authority.

Only those 2018 Bonds bearing a certificate of authentication in the form set forth in Appendix B-1, manually executed and dated by the Trustee, are valid or obligatory for any purpose or entitled to the benefits of this Indenture, and such certificate of the Trustee is conclusive evidence that such 2018 Bonds have been duly authenticated and delivered hereunder and are entitled to the benefits of this Indenture.

SECTION 13.04. *Application of Proceeds of Sale of 2018 Bonds.* Upon the receipt of payment for the purchase price of the 2018 Bonds in the amount of \$_____ (constituting the par amount of the 2018 Bonds, plus net original issue premium in the amount of \$_____, less the discount of the Original Purchaser in the amount of \$_____), on the Closing Date, the Trustee shall deposit the proceeds thereof as follows:

- (a) The Trustee shall deposit the amount of \$_____ into the 2018 Costs of Issuance Fund.
- (b) The Trustee shall deposit the amount of \$_____, constituting the remainder of such proceeds and representing the full amount of the Site Lease Payment due on the Closing Date for the 2018 Bonds, to the Project Fund.

SECTION 13.05. *Establishment and Application of 2018 Costs of Issuance Fund.* The Trustee shall establish, maintain and hold in trust a separate fund designated as the "2018 Costs of Issuance Fund" into which the Trustee shall deposit a portion of the proceeds of sale of the 2018 Bonds under Section 13.04(a). The Trustee shall disburse amounts in the 2018 Costs of Issuance Fund from time to time to pay the Costs of Issuance upon submission of a Written Requisition of the Authority stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against said fund. Each such Written Requisition of the Authority shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts. The Trustee may conclusively rely on such Written Requisitions and shall be fully protected in relying thereon. On _____, 2019, or upon the earlier Written Request of the Authority, the Trustee shall transfer all amounts remaining in the 2018 Costs of Issuance Fund to the Interest Account and shall thereupon close the 2018 Costs of Issuance Fund.

SECTION 13.06. *Establishment and Application of Project Fund.*

(a) Deposit and Application. The Trustee shall establish, maintain and hold in trust a separate fund designated as the "Project Fund," into which the Trustee shall deposit a portion of the proceeds of sale of the 2018 Bonds in accordance with Section 13.04(b). The Trustee shall disburse amounts in the Project Fund from time to time to pay Project Costs upon submission of Written Requests in substantially the form attached hereto as Appendix C.

(b) Investments. Moneys in the Project Fund shall be invested and deposited in accordance with Section 5.08; provided, that notwithstanding anything to the contrary in Section 5.08, interest earnings and profits from the investment of amounts in the Project Fund shall be retained by the Trustee in the Project Fund to be used for the purposes of the Project Fund.

(c) Closing of Project Fund. Upon the determination by the City that the Project has been completed and that no further amounts are required to be disbursed from the Project Fund to pay Project Costs, the City shall file a Written Certificate with the Trustee to that effect. Upon receipt of such Written Certificate, the Trustee shall withdraw all amounts remaining on deposit in the Project Fund, if any, and transfer such amounts to the funds and accounts directed by the City in such Written Certificate. After making such transfer, the Trustee shall close the Project Fund.

ARTICLE XIV

REDEMPTION OF 2018 BONDS

SECTION 14.01. *Terms of Redemption of 2018 Bonds.*

(a) Optional Redemption. [[The 2018 Bonds maturing on or before November 1, 2026, are not subject to optional redemption prior to their stated maturity. The 2018 Bonds maturing on or after November 1, 2027, are subject to redemption, as a whole or in part at the election of the Authority among maturities on such basis as designated by the Authority and by lot within a maturity, at the option of the Authority, on November 1, 2026, and on any date thereafter, at a redemption price equal to 100% of the principal amount of 2018 Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.]]

The Authority must give the Trustee written notice of its intention to redeem 2018 Bonds under this subsection (a), and the manner of selecting such 2018 Bonds for redemption from among the maturities thereof, in sufficient time to enable the Trustee to give notice of such redemption in accordance with Section 4.03.

(b) Special Mandatory Redemption From Insurance or Condemnation Proceeds. The 2018 Bonds are subject to redemption as a whole, or in part on a pro rata basis among maturities, on any date, from any Net Proceeds required to be used for such purpose as provided in Section 5.07, at a redemption price equal to 100% of the principal amount thereof plus interest accrued thereon to the date fixed for redemption, without premium. To the extent Net Proceeds are not sufficient to redeem all Bonds Outstanding, redemption of 2016 Bonds pursuant to Section 4.01(b) and redemption of 2018 Bonds pursuant to this Section 14.01(b) shall be done on a pro rata basis, as designated in writing by the Authority to the Trustee.

(c) Selection of Bonds for Redemption; Notice of Redemption; Rescission; Partial Redemption of Bonds; Effect of Redemption. The provisions of Sections 4.02 through 4.05 of the Indenture shall apply to the 2018 Bonds as if repeated here.

ARTICLE XV

MISCELLANEOUS

Section 15.01. *Terms of 2018 Bonds Subject to the Existing Indenture.* Except as expressly provided in this First Supplemental Indenture, every term and condition contained in the Existing Indenture shall apply to this First Supplemental Indenture and to the 2018 Bonds with the same force and effect as if the same were herein set forth at length, with such omissions, variations and modifications thereof as may be appropriate to make the same conform to this First Supplemental Indenture.

This First Supplemental Indenture and all the terms and provisions herein contained shall form part of the Indenture as fully and with the same effect as if all such terms and provisions had been set forth in the Existing Indenture. The Existing Indenture is hereby ratified and confirmed and shall continue in full force and effect in accordance with the terms and provisions thereof, as supplemented and amended hereby.

SECTION 15.02. *Execution in Several Counterparts.* This First Supplemental Indenture may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, or as many of them as the Authority and the Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

SECTION 15.03. *Governing Law.* This First Supplemental Indenture shall be governed by and construed in accordance with the laws of the State of California.

IN WITNESS WHEREOF, the parties hereto have executed this First Supplemental Indenture by their officers thereunto duly authorized as of the day and year first written above.

**SAN LEANDRO PUBLIC FINANCING
AUTHORITY**

By: _____
Executive Director

ATTEST:

Secretary

**U.S. BANK NATIONAL ASSOCIATION,
as Trustee**

By: _____
Authorized Officer

APPENDIX B-1

BOND FORM

NO. R-_____

\$_____

UNITED STATES OF AMERICA
STATE OF CALIFORNIA

SAN LEANDRO PUBLIC FINANCING AUTHORITY

2018 LEASE REVENUE BOND

INTEREST RATE: _____% MATURITY DATE: November 1, _____ ORIGINAL ISSUE DATE: December __, 2018 CUSIP: _____

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: *** _____ ***

The SAN LEANDRO PUBLIC FINANCING AUTHORITY, a public body corporate and politic duly organized and existing under the laws of the State of California (the "Authority"), for value received, hereby promises to pay to the Registered Owner specified above or registered assigns (the "Registered Owner"), on the Maturity Date specified above (subject to any right of prior redemption hereinafter provided for), the Principal Amount specified above, in lawful money of the United States of America, and to pay interest thereon in like lawful money from the Interest Payment Date (as hereinafter defined) next preceding the date of authentication of this Bond unless (i) this Bond is authenticated on or before an Interest Payment Date and after the close of business on the 15th day of the month preceding such interest payment date, in which event it shall bear interest from such Interest Payment Date, or (ii) this Bond is authenticated on or before April 15, 2019, in which event it shall bear interest from the Original Issue Date specified above; *provided, however*, that if at the time of authentication of this Bond, interest is in default on this Bond, this Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment on this Bond, at the Interest Rate per annum specified above, payable semiannually on May 1 and November 1 in each year, commencing May 1, 2019 (the "Interest Payment Dates"), calculated on the basis of a 360-day year composed of twelve 30-day months.

Principal hereof and premium, if any, upon early redemption hereof are payable upon presentation and surrender hereof at the corporate trust office of U.S. Bank National Association, in St. Paul, Minnesota (the "Trust Office"), as trustee (the "Trustee"). Interest hereon is payable by check of the Trustee mailed to the Registered

Owner hereof at the Registered Owner's address as it appears on the registration books of the Trustee as of the close of business on the fifteenth day of the month preceding each Interest Payment Date (a "Record Date"), or, upon written request filed with the Trustee as of such Record Date by a registered owner of at least \$1,000,000 in aggregate principal amount of Bonds, by wire transfer in immediately available funds to an account in the United States designated by such registered owner in such written request.

This Bond is not a debt of the City of San Leandro (the "City"), the County of Alameda, the State of California, or any of its political subdivisions, and neither the City, said County, said State, nor any of its political subdivisions, is liable hereon nor in any event shall this Bond be payable out of any funds or properties of the Authority other than the Revenues.

This Bond is one of a duly authorized issue of bonds of the Authority designated as the "San Leandro Public Financing Authority 2018 Lease Revenue Bonds" (the "Bonds"), in an aggregate principal amount of \$_____, all of like tenor and date (except for such variation, if any, as may be required to designate varying numbers, maturities, interest rates or redemption provisions) and all issued under the provisions of Article 4 of Chapter 5, Division 7, Title 1 of the Government Code of the State of California, commencing with Section 6584 of said Code, and under an Indenture of Trust, dated as of December 1, 2016, between the Authority and the Trustee, as supplemented and amended by a First Supplemental Indenture of Trust, dated as of December 1, 2018, between the Authority and the Trustee (as so supplemented and amended, the "Indenture") and a resolution of the Authority adopted on _____, 2018 authorizing the issuance of the Bonds. Reference is hereby made to the Indenture (copies of which are on file at the office of the Authority) for a description of the terms on which the Bonds are issued, the provisions with regard to the nature and extent of the Revenues, and the rights thereunder of the owners of the Bonds and the rights, duties and immunities of the Trustee and the rights and obligations of the Authority thereunder, to all of the provisions of which the Registered Owner of this Bond, by acceptance hereof, assents and agrees.

The Bonds have been issued by the Authority to finance certain capital improvement projects of the City. This Bond and the interest and premium, if any, hereon are special obligations of the Authority, payable from the Revenues, and secured by a charge and lien on the Revenues as defined in the Indenture, consisting principally of lease payments made by the City under a Lease Agreement dated as of December 1, 2016, between the Authority, as lessor, and the City, as lessee, as amended by a First Amendment to Lease Agreement, dated as of December 1, 2018, between the Authority, as lessor, and the City, as lessee (as so amended, the "Lease"). As and to the extent set forth in the Indenture, all of the Revenues are exclusively and irrevocably pledged in accordance with the terms hereof and the provisions of the Indenture, to the payment of the principal of and interest and premium (if any) on the Bonds and the \$14,125,000 initial principal amount of San Leandro Public Financing Authority 2016 Refunding Lease Revenue Bonds issued by the Authority on December 1, 2016 (the "2016 Bonds").

The rights and obligations of the Authority and the owners of the Bonds may be modified or amended at any time in the manner, to the extent and upon the terms

provided in the Indenture, but no such modification or amendment shall extend the fixed maturity of any Bonds, or reduce the amount of principal thereof or premium (if any) thereon, or extend the time of payment, or change the method of computing the rate of interest thereon, or extend the time of payment of interest thereon, without the consent of the owner of each Bond so affected.

[[The Bonds maturing on or before November 1, 2026, are not subject to optional redemption prior to their respective stated maturity dates. The Bonds maturing on or after November 1, 2027, are subject to redemption in whole, or in part at the request of the Authority among maturities on such basis as the Authority may designate and by lot within a maturity, at the option of the Authority, on any date on or after November 1, 2026, from any available source of funds, at a redemption price equal to 100% of the principal amount to be redeemed plus accrued interest to the date of redemption, without premium.]]

The Bonds are subject to redemption as a whole, or in part by lot, on any date, to the extent of any net proceeds of hazard or title insurance with respect to the property which has been leased under the Lease (the "Leased Property") or any portion thereof which are not used to repair or replace the Leased Property pursuant to the Lease, or to the extent of any net proceeds arising from the disposition of the Leased Property or any portion thereof in eminent domain proceedings which the City elects to be used for such purpose pursuant to the Lease, at a redemption price equal to the principal amount thereof plus interest accrued thereon to the date fixed for redemption, without premium.

To the extent Net Proceeds are not sufficient to redeem all Bonds and 2016 Bonds Outstanding, redemption of Bonds and 2016 Bonds pursuant to the Indenture shall be done on a pro rata basis, as designated in writing by the Authority to the Trustee.

As provided in the Indenture, notice of redemption will be mailed by the Trustee by first class mail not less than 30 nor more than 60 days prior to the redemption date to the respective owners of any Bonds designated for redemption at their addresses appearing on the registration books of the Trustee, but neither failure to receive such notice nor any defect in the notice so mailed shall affect the sufficiency of the proceedings for redemption or the cessation of accrual of interest thereon from and after the date fixed for redemption. Notice of any optional redemption of the Bonds may be rescinded under the circumstances set forth in the Indenture, upon notice to the owners of such Bonds.

If this Bond is called for redemption and payment is duly provided therefor as specified in the Indenture, interest shall cease to accrue hereon from and after the date fixed for redemption.

This Bond is transferable by the Registered Owner hereof, in person or by his attorney duly authorized in writing, at the Trust Office, but only in the manner, subject to the limitations and upon payment of the charges provided in the Indenture, and upon surrender and cancellation of this Bond. Upon registration of such transfer, a new Bond or Bonds, of authorized denomination or denominations, for the same aggregate principal amount and of the same maturity will be issued to the transferee in exchange herefor. This Bond may be exchanged at the Trust Office for Bonds of the same tenor,

aggregate principal amount, interest rate and maturity, of other authorized denominations.

The Authority and the Trustee may treat the Registered Owner hereof as the absolute owner hereof for all purposes, and the Authority and the Trustee shall not be affected by any notice to the contrary.

Unless this Bond is presented by an authorized representative of The Depository Trust Company to the Authority or the Trustee for registration of transfer, exchange or payment, and any Bond issued is registered in the name of Cede & Co. or such other name as requested by an authorized representative of The Depository Trust Company and any payment is made to Cede & Co., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the registered owner hereof, Cede & Co., has an interest herein.

It is hereby certified by the Authority that all of the things, conditions and acts required to exist, to have happened or to have been performed precedent to and in the issuance of this Bond do exist, have happened or have been performed in due and regular time, form and manner as required by the Bond Law and the laws of the State of California and that the amount of this Bond, together with all other indebtedness of the Authority, does not exceed any limit prescribed by the Bond Law or any laws of the State of California, and is not in excess of the amount of Bonds permitted to be issued under the Indenture.

This Bond shall not be entitled to any benefit under the Indenture or become valid or obligatory for any purpose until the certificate of authentication hereon endorsed shall have been manually signed by the Trustee.

IN WITNESS WHEREOF, the San Leandro Public Financing Authority has caused this Bond to be executed in its name and on its behalf with the facsimile signature of its Executive Director and attested to by the facsimile signature of its Secretary, all as of the Original Issue Date specified above.

**SAN LEANDRO PUBLIC FINANCING
AUTHORITY**

By _____
Executive Director

Attest:

Secretary

CERTIFICATE OF AUTHENTICATION

This is one of the Bonds described in the within-mentioned Indenture.

Dated:

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By _____
Authorized Signatory

ASSIGNMENT

For value received the undersigned hereby sells, assigns and transfers unto _____ whose address and social security or other tax identifying number is _____, the within-mentioned Bond and hereby _____ irrevocably constitute(s) _____ and _____ appoint(s) _____ attorney, to transfer the same on the registration books of the Trustee with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

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

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

APPENDIX C

\$ _____
**San Leandro Public Financing Authority
2018 Lease Revenue Bonds**

WRITTEN REQUISITION FROM PROJECT FUND

REQUISITION NO. _____

The undersigned hereby states and certifies that:

(i) I am an "Authorized Representative," as such term is defined in that certain Indenture of Trust, dated as of December 1, 2016, by and between the Authority and the Trustee, as supplemented and amended by the First Supplemental Indenture of Trust, dated as of December 1, 2018, by and between the Authority and the Trustee (as so supplemented and amended, the "Indenture"), and as such, am familiar with the facts herein certified and am authorized to certify the same;

(ii) under Section 13.06 of the Indenture, the undersigned hereby requests and authorizes the Trustee to disburse from the Project Fund established under the Indenture to each payee designated on Schedule A attached hereto and by this reference incorporated herein, the amount set forth opposite such payee, for payment or reimbursement of previous payment of a Project Cost, as described on attached Schedule A; and

(iii) no portion of the amount herein requested to be disbursed was set forth in any Written Requisition previously filed requesting disbursement for Project Costs;

(iv) capitalized terms used but not defined herein are defined in the Indenture.

Dated: _____, 20____

CITY OF SAN LEANDRO

y: _____
Its: Authorized Representative

SCHEDULE A

Payee Name and Address

Purpose of Obligation

Amount

PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER __, 2018

NEW ISSUE – FULL BOOK–ENTRY

RATING: S&P: “___”
See “RATING”

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the 2018 Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax, although, in the case of tax years beginning prior to January 1, 2018, for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest earned by a corporation prior to the end of its tax year in 2018 is taken into account in determining certain income and earnings. In the further opinion of Bond Counsel, interest on the 2018 Bonds is exempt from California personal income taxes. See “TAX MATTERS.”

\$ _____ *
**SAN LEANDRO PUBLIC FINANCING AUTHORITY
2018 LEASE REVENUE BONDS**

Dated: Delivery Date

Due: November 1, as shown on the inside front cover

Authority for Issuance. The bonds captioned-above (the “2018 Bonds”) are being issued by the San Leandro Public Financing Authority (the “Authority”) under a resolution adopted by the Authority and a resolution adopted by the City Council of the City of San Leandro (the “City”) each on November 5, 2018, and an Indenture of Trust dated as of December 1, 2016, as supplemented and amended pursuant to a First Supplemental Indenture of Trust dated as of December 1, 2018, each by and between the Authority and U.S. Bank National Association, as trustee (the “Trustee”) (as so supplemented and amended, the “Indenture”). See “THE 2018 BONDS – Authority for Issuance.”

Use of Proceeds. The proceeds of the 2018 Bonds will be used to (i) finance the acquisition and construction of certain public capital improvements as described in this Official Statement, and (ii) pay the costs of issuing the 2018 Bonds. See “FINANCING PLAN.”

Security. Under the Indenture, the 2018 Bonds will be payable solely from and secured by Revenues and certain funds and accounts held under the Indenture on a parity with the Authority’s 2016 Refunding Lease Revenue Bonds, which are outstanding in the principal amount of \$12,345,000. Revenues consist primarily of lease payments (“Lease Payments”) to be made by the City pursuant to a Lease Agreement dated as of December 1, 2016, as supplemented and amended pursuant to a First Amendment to Lease Agreement dated as of December 1, 2018, each by and between the Authority and the City (as so supplemented and amended, the “Lease”), for the leasing of certain real property (the “Leased Property”). Under the Lease, the City covenants to take such action as necessary to include the Lease Payments in its annual budgets and to make all necessary appropriations for such Lease Payments (subject to abatement under certain circumstances as described in this Official Statement). Upon the occurrence of an Event of Default under the Lease, the Trustee (as the Authority’s assignee pursuant to the Assignment Agreement (as defined in this Official Statement)) may either terminate the Lease and re-enter and re-let all or a portion of the Leased Property or may retain the Lease and hold the City liable for all payments on an annual basis and still have the right to re-enter and re-let the Leased Property without effecting a surrender of the Lease. See “SECURITY FOR THE 2018 BONDS – Remedies” and “BOND OWNERS RISKS – Default.”

No Reserve Account. Neither the City nor the Authority will create or maintain a reserve account with respect to the Lease Payments, the 2016 Bonds or the 2018 Bonds. See “SECURITY FOR THE 2018 BONDS.”

Bond Terms; Book–Entry Only. The 2018 Bonds will bear interest at the rates shown on the inside cover page, payable semiannually on May 1 and November 1 (each, an “Interest Payment Date”), commencing May 1, 2019, and will be issued in fully-registered form without coupons in the denomination of \$5,000 or any integral multiple of \$5,000. The 2018 Bonds will be issued in book–entry only form, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”). With respect to any Interest Payment Date, the 15th calendar day of the month preceding such Interest Payment Date shall be its respective “Record Date.” Purchasers of the 2018 Bonds will not receive certificates representing their interests in the 2018 Bonds. Payments of the principal of, premium, if any, and interest on the 2018 Bonds will be made to DTC, which is obligated in turn to remit such principal, premium, if any, and interest to its DTC Participants for subsequent disbursement to the beneficial owners of the 2018 Bonds. See “THE 2018 BONDS – General Provisions.”

Redemption. The 2018 Bonds are subject to redemption prior to maturity. See “THE 2018 BONDS – Redemption.”

The 2018 Bonds are not secured by a pledge of the taxing power of the City. The Authority has no taxing power. None of the 2018 Bonds, nor the obligation of the Authority to pay principal of or interest on the 2018 Bonds, nor the obligation of the City to make the Lease Payments, constitutes a debt or a liability of the Authority, the City, the State of California or any of its political subdivisions within the meaning of any constitutional limitation on indebtedness, or a pledge of the full faith and credit of the City. The 2018 Bonds are secured solely by the pledge of revenues and certain funds held under the Indenture. See “Security for the 2018 Bonds.”

Certain financial, economic and demographic information regarding the City is contained in “The City and City Financial Information” and “Appendix A – Audited Financial Statements of the City for the fiscal year ended June 30, 2017.” Each contains important information concerning the City and should be read in its entirety. This Official Statement describes certain factors that have affected the City’s financial condition in the past and that could materially affect the financial condition of the City in future fiscal years and the City’s ability to make Lease Payments.

This cover page contains certain information for quick reference only. It is not a summary of this issue of bonds. Investors must read the entire official statement to obtain information essential to the making of an informed investment decision with respect to the purchase of the 2018 Bonds.

The 2018 Bonds are offered when, as and if issued and received by the Underwriter and subject to the approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, as Bond Counsel. Certain legal matters will also be passed upon for the Authority and the City by Jones Hall, A Professional Law Corporation, as Disclosure Counsel. Certain legal matters will be passed upon for the City and the Authority by Meyers Nave, as City Attorney, and for the Underwriter by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California. It is anticipated that the 2018 Bonds will be delivered in book–entry form through the facilities of DTC on or about _____, 2018.



The date of this Official Statement is: _____, 2018.

* Preliminary; subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

MATURITY SCHEDULE*

\$ _____
SAN LEANDRO PUBLIC FINANCING AUTHORITY
2018 LEASE REVENUE BONDS

(Base CUSIP†: _____)

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

\$ _____ % Term Bond due November 1, 20____, Yield: _____ %, CUSIP† No. _____

\$ _____ % Term Bond due November 1, 20____, Yield: _____ %, CUSIP† No. _____

† CUSIP Copyright 2018, CUSIP Global Services, and a registered trademark of American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, which is managed on behalf of American Bankers Association by S&P Capital IQ. Neither the City nor the Underwriter takes any responsibility for the accuracy of the CUSIP data.

* Preliminary; subject to change.

[MAP OF THE CITY]

**SAN LEANDRO PUBLIC FINANCING AUTHORITY
(ALAMEDA COUNTY, CALIFORNIA)**

AUTHORITY BOARD/CITY COUNCIL

Pauline Russo Cutter, Chair/Mayor*
Deborah Cox, Vice-Chair/Mayor*
Pete Ballew, Member/Council Member
Ed Hernandez, Member/Council Member
Benny Lee, Member/Council Member
Corina Lopez, Member/Council Member*
Lee Thomas, Member/Council Member*

AUTHORITY/CITY OFFICIALS

Jeff Kay, Executive Director/City Manager
David Baum, Treasurer/Finance Director
Leticia I. Miguel, Secretary/City Clerk
Meyers Nave, Authority Counsel/City Attorney

FINANCING SERVICES

Bond and Disclosure Counsel

Jones Hall, A Professional Law Corporation
San Francisco, California

Municipal Advisor

Kitahata & Company
San Francisco, California

Trustee

U.S. Bank National Association
San Francisco, California

* The terms of these Council Members are currently scheduled to expire in December 2018, unless re-elected at the General Election on November 6, 2018.

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

Limit of Offering. No dealer, broker, salesperson or other person has been authorized by the Authority, the City or the Underwriter to give any information or to make any representations in connection with the offer or sale of the 2018 Bonds other than those contained herein; and, if given or made, such other information or representations must not be relied upon as having been authorized by the Authority, the City or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 2018 Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

Use of Official Statement. This Official Statement is submitted in connection with the sale of the 2017 Bonds and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not to be construed as a contract with the purchasers or owners of the 2018 Bonds. Statements contained in this Official Statement that involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact.

Limited Scope of Information. The information set forth herein has been obtained from the Authority and the City and from other sources that the Authority and the City believe to be reliable. The information and expression of opinion herein are subject to change without notice and neither delivery of the Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or the Authority or any other parties described herein since the date hereof. All summaries of the Resolution or other documents are made subject to the provisions of such documents and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the City for further information in connection therewith.

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 a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Stabilization of Prices. In connection with the offering of the 2018 Bonds, the Underwriter may overallocate or effect transactions that stabilize or maintain the market price of such Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the 2018 Bonds to certain dealers and dealer banks and banks acting as agents at prices lower than the public offering prices stated on the cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

THE 2018 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT. THE 2018 BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

Estimates and Forecasts. Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words. Such forward-looking statements include but are not limited to certain statements contained in the information in "THE CITY AND CITY FINANCIAL INFORMATION" in this Official Statement. The achievement of certain results or other expectations contained in such forward-looking statements involves known and unknown risks, uncertainties and other factors that 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. Neither the Authority nor the City plans 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.

City Website. The City maintains a website. However, the information presented therein is not part of this Official Statement and should not be relied upon in making an investment decision with respect to the 2018 Bonds.

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APPENDIX B – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

APPENDIX C – FORM OF OPINION OF BOND COUNSEL

APPENDIX D – FORM OF CONTINUING DISCLOSURE CERTIFICATE

APPENDIX E – DTC AND THE BOOK–ENTRY ONLY SYSTEM

OFFICIAL STATEMENT

\$ _____ *

SAN LEANDRO PUBLIC FINANCING AUTHORITY
2018 Lease Revenue Bonds

INTRODUCTION

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

Capitalized terms used but not defined in this Official Statement have the meanings set forth in the Indenture (as defined below). See “APPENDIX B – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS.”

Authority for Issuance. The San Leandro Public Financing Authority (the “**Authority**”) is issuing its 2018 Lease Revenue Bonds (the “**2018 Bonds**”) under the following legal authority:

- Article 4 of Chapter 5, Division 7, Title 1 of the Government Code of the State of California (the “**State**”), commencing with Section 6584 of said Code (the “**Bond Law**”),
- an Indenture of Trust dated as of December 1, 2016, as supplemented and amended pursuant to a First Supplemental Indenture of Trust dated as of December 1, 2018, each by and between the Authority and U.S. Bank National Association, as trustee (the “**Trustee**”) (as so supplemented and amended, the “**Indenture**”),
- a resolution adopted by the Board of Directors (the “**Board**”) of the Authority on [November 5, 2018] (the “**Authority Resolution**”), and
- a resolution adopted by the City Council (the “**City Council**”) of the City of San Leandro (the “**City**”) on [November 5, 2018] (the “**City Resolution**”).

Form of Bonds; Book-Entry Only. The 2018 Bonds will be issued in fully registered form, registered in the name of The Depository Trust Company (“**DTC**”), or its nominee, which will act as securities depository for the 2018 Bonds. Purchasers of the 2018 Bonds will not receive certificates representing the 2018 Bonds that are purchased. See “THE 2018 BONDS –

* Preliminary; subject to change.

Book–Entry Only System” and “APPENDIX E – DTC AND THE BOOK–ENTRY ONLY SYSTEM.”

Purpose of the 2018 Bonds. The 2018 Bonds are being issued to provide funds to (i) finance the acquisition and construction of public capital improvements as described in this Official Statement, and (ii) pay the costs of issuing the 2018 Bonds. See “FINANCING PLAN” for a description of the public capital improvements that the City anticipates financing the acquisition and construction thereof with proceeds of the 2018 Bonds.

Security for the 2018 Bonds and Pledge of Revenues. The 2018 Bonds are payable solely from and secured by a pledge of “**Revenues**” and certain funds and accounts held under the Indenture on parity with the Authority’s 2016 Refunding Lease Revenue Bonds (the “**2016 Bonds**” and, together with the 2018 Bonds, the “**Bonds**”), which are outstanding in the principal amount of \$12,345,000 (see “– Additional Bonds” below). Revenues consist primarily of Lease Payments to be made by the City pursuant to a Lease Agreement dated as of December 1, 2016, as supplemented and amended by First Amendment to Lease Agreement dated as of December 1, 2018, each by between the City and the Authority (as so supplemented and amended, the “**Lease**”) in connection with the lease by the Authority to the City of the real property constituting the City’s main library building, and improvements thereon (collectively, the “**Leased Property**”). See “THE LEASED PROPERTY.”

The Leased Property was previously leased by the City to the Authority, and will continue to be leased, by the City to the Authority pursuant to a Site Lease dated as of December 1, 2016, as supplemented and amended by a First Amendment to Site Lease dated as of December 1, 2018, each by and between the City and the Authority (as so supplemented and amended, the “**Site Lease**”). Pursuant to the Lease Agreement, the Authority will continue to lease the Leased Property back to the City for the purpose of financing the Project (as hereinafter defined). See “FINANCING PLAN – The Project.” Under the Lease, the City covenants to take such action as necessary to include the Lease Payments in its annual budgets and to make all necessary appropriations for such Lease Payments (subject to abatement under certain circumstances described in the Lease). See “SECURITY FOR THE 2018 BONDS.”

The scheduled Lease Payments payable by the City under the Lease are calculated to be sufficient to permit the Authority to pay the principal of, and interest on, the 2018 Bonds and the 2016 Bonds when due. However, in the event of any damage or destruction such that there is substantial interference with the use and occupancy of all or any portion of the Leased Property, or a temporary taking of the Leased Property or a permanent taking of a portion of the Leased Property, Lease Payments may be abated under the Lease without constituting a default. See “SECURITY FOR THE 2018 BONDS – Abatement” and “RISK FACTORS – Abatement.” However, proceeds of insurance may be available to pay Lease Payments in the event of insured damage, destruction or condemnation with respect to the Leased Property.

Pursuant to an Assignment Agreement dated as of December 1, 2016, as supplemented and amended by a First Amendment to Assignment Agreement dated as of December 1, 2018, each by and between the Authority and the Trustee (as so supplemented and amended, the “**Assignment Agreement**”), the Authority has assigned to the Trustee for the benefit of the Owners of the 2016 Bonds and the 2018 Bonds, certain of the Authority’s rights under the Lease, including its rights to receive Lease Payments and to enforce remedies in the event of a default by the City for the purpose of securing the payment of debt service on the 2018 Bonds.

No Reserve Account. Neither the City nor the Authority will create or maintain a debt service reserve account with respect to the Lease Payments, the 2016 Bonds or the 2018 Bonds.

Additional Bonds. As previously described, the 2018 Bonds are secured solely by Revenues and certain funds and accounts held under the Indenture on a parity with the 2016 Bonds. The 2016 Bonds are currently outstanding in the aggregate principal amount of \$12,345,000 and mature on November 1, 2029. In addition, the City has other existing obligations payable from the General Fund, and the City is permitted to enter into other obligations which constitute additional charges against its revenues without the consent of the Owners of the 2018 Bonds. See “THE CITY AND CITY FINANCIAL INFORMATION – General Fund Obligations.”

Under the Indenture, the Authority covenants that no additional bonds, notes or other indebtedness shall be issued or incurred by the Authority which are payable out of the Revenues in whole or in part, subject to the provisions of the Lease relating to permitted amendments that provide for additional rental to be pledged or assigned for the payment of bonds issued to finance or refinance projects for which the City is authorized to expend its funds and subject to the satisfaction of certain conditions precedent set forth in the Lease. See “SECURITY FOR THE 2018 BONDS – Additional Bonds.”

Redemption. The 2018 Bonds are subject to redemption prior to their stated maturity dates. See “THE 2018 BONDS – Redemption.”

Abatement. The Lease provides that the obligation of the City to pay Lease Payments will be subject to abatement by reason of (i) any damage or destruction such that there is substantial interference with the use and occupancy of all or any portion of the Leased Property, or (ii) a temporary taking of the Leased Property or a permanent taking of a portion of the Leased Property. If the Lease Payments are abated under the Lease, the Bond Owners could receive less than the full amount of principal of and interest on the 2018 Bonds.

However, the Lease provides that there shall be no abatement of the Lease Payments in the event and to the extent that amounts in the Insurance and Condemnation Fund or the Bond Fund are available to pay Lease Payments which would otherwise be abated.

In addition, if proceeds of rental interruption insurance are available, Lease Payments (or a portion thereof) must be made from such proceeds during periods of abatement. See “SECURITY FOR THE 2018 BONDS – Abatement” and “BOND OWNERS’ RISKS – Abatement.”

Risks of Investment. *The 2018 bonds are payable solely from and secured by a pledge of Revenues and certain funds and accounts held under the Indenture on a parity with the 2016 Bonds. The 2018 Bonds are not secured by a pledge of the taxing power of the City. The Authority has no taxing power. None of the 2018 Bonds, nor the obligation of the Authority to pay principal of or interest on the 2018 Bonds, nor the obligation of the City to make the Lease Payments, constitutes a debt or a liability of the Authority, the City, the State or any of its political subdivisions within the meaning of any constitutional limitation on indebtedness, or a pledge of the full faith and credit of the City. See “SECURITY FOR THE 2018 BONDS.”*

For a discussion of some of the risks associated with the purchase of the 2018 Bonds, see “RISK FACTORS.”

THE FINANCING PLAN

The 2018 Bonds are being issued to provide funds to (i) finance the acquisition and construction of any real or personal property for which the City is authorized to expend funds subject to its control (collectively, the “**Project**”), and (ii) pay the costs of issuing the 2018 Bonds.

The Project

The City anticipates utilizing the proceeds of the 2018 Bonds for various capital projects including, but not limited to, the following:

- **Police Headquarters and South Office Building**
 - Improvements to the existing headquarters of the City’s Police Department, including American with Disabilities Act improvements;
 - Reconfiguration of existing headquarters of the City’s Police Department to expand the dispatch center;
 - Build out of South office building of the City’s Police Headquarters for use as office space by the City’s Police Department;
- **Marina Mulford Branch Library**
 - Construction of a new branch library building for the Marina Mulford Branch Library totaling approximately 2,500 square feet at the same location as the existing Marina Mulford Branch Library;
 - New building will offer expanded seating, computer access, and space to host community programs;
- **Manor Park Competition Pool**
 - Construction of a competition pool and additional parking;
- **Farrelly Pool**
 - Reconstruction of a the Farrelly Pool and related improvements, including modifications of restroom facilities as required to meet existing code requirements;
- **Casa Peralta**
 - Repairs and improvements to Casa Peralta, a historic house museum where descendants of the original land grant of Rancho San Antonio lived in the early 20th century;

Estimated Sources and Uses of Funds

The estimated sources and uses of funds relating to the 2018 Bonds are as follows:

<u>Sources:</u>	<u>Total</u>
Principal Amount	\$
<i>Plus/Less: [Net] Original Issue [Premium]/[Discount]</i>	
<i>Less: Underwriter's Discount</i>	
<i>TOTAL SOURCES</i>	<hr/> \$
<u>Uses:</u>	
Costs of Issuance ⁽¹⁾	\$
Project Fund	
<i>TOTAL USES</i>	<hr/> \$

(1) Represents funds to be used to pay Costs of Issuance, which include Trustee and legal fees, printing costs, rating agency fees, fees of the Municipal Advisor, and other miscellaneous expenses.

Scheduled Debt Service

The table below shows annualized debt service payments on the 2016 Bonds and the 2018 Bonds, assuming no optional redemption or mandatory redemption from insurance or condemnation proceeds.

Bond Year Ending November 1	2016 Bonds Principal	2016 Bonds Interest	2018 Bonds Principal	2018 Bonds Interest	Total Debt Service
2019	\$895,000	\$556,850			
2020	930,000	521,050			
2021	970,000	483,850			
2022	1,015,000	435,350			
2023	1,070,000	384,600			
2024	1,120,000	331,100			
2025	1,180,000	275,100			
2026	1,205,000	245,600			
2027	1,265,000	185,350			
2028	1,315,000	134,750			
2029	1,380,000	69,000			
2030	--	--			
2031	--	--			
2032	--	--			
2033	--	--			
2034	--	--			
2035	--	--			
2036	--	--			
2037	--	--			
2038	--	--			
2039	--	--			
2040	--	--			
2041	--	--			
2042	--	--			
2043	--	--			
2044	--	--			
2045	--	--			
2046	--	--			
2047	--	--			
2048	--	--			
Total	\$12,345,000	\$3,622,600			

THE LEASED PROPERTY

Lease Payments will be made by the City under the Lease for the use and occupancy of the Leased Property, which is described in greater detail below.

Description

The Leased Property consists of the City's main library building, including both land and improvements. The library is a two-floor building with approximately 76,000 square feet located at 300 Estudillo Avenue in the downtown area of the City. The building was built in 1960 and remodeled and expanded in 2001. The City also completed seismic retrofit work on the library building as part of the remodeling in 2001. The City, based on comparable properties, insurance appraisal and other records it maintains, estimates the current fair rental value of the Leased Property to be not less than the amount of the Lease Payments, and reports that the main library building and the other improvements on the Leased Property have an insured value of approximately \$37.3 million. Such insured value does not include any value attributable to the land comprising the Leased Property.

In 2016, the City entered into an equipment lease-purchase agreement with Bank of America, National Association (the "**BofA Equipment Lease**") to finance certain personal property in the total principal amount of approximately \$5.4 million, of which approximately \$5.2 million was outstanding as of June 30, 2018. In connection with the BofA Equipment Lease, the City granted a security interest in the financed personal property to Bank of America. Although the security interest related solely to the personal property financed in the transaction, some of this personal property estimated to account for approximately \$500,000 of the principal amount of the BofA Equipment Lease was installed at the Leased Property, resulting in an encumbrance upon such personal property. Except to the extent of the lien on such personal property pursuant to the BofA Equipment Lease, Bank of America has no claim on the Leased Property. See "THE CITY AND CITY FINANCIAL INFORMATION – General Fund Obligations."

The City may amend the Lease, among other reasons, to obligate the City to pay additional amounts of rental for the use and occupancy of the Leased Property in connection with the issuance of additional bonds or other obligations subject to the satisfaction of certain conditions precedent set forth in the Lease. See "SECURITY FOR THE 2018 BONDS – Additional Bonds."

Modifications and Subleasing of Leased Property

Under the Lease, the City has the right during the term of the Lease to make additions, modifications and improvements to the Leased Property or any portion thereof. The Lease requires that such additions, modifications and improvements not in any way damage the Leased Property, or cause the Leased Property to be used for purposes other than those authorized under the provisions of state and federal law; and the Leased Property, upon completion of any additions, modifications and improvements, must be of a value which is not substantially less than the value thereof immediately prior to the making of such additions, modifications and improvements.

The City may assign the Lease or sublease the Leased Property, or any portion thereof, without limitation, provided that the Lease and the obligation of the City to make Lease Payments remain obligations of the City and the City provides certain notices, legal opinions

and assurances required by the Lease. See “APPENDIX B – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS.”

Substitution

Under the Lease, the City has the option at any time and from time to time, to substitute other real property (the “**Substitute Property**”) for the Leased Property or any portion thereof (the “**Former Property**”), upon satisfaction of all of the requirements set forth in the Lease, which includes (among others) the following:

- No Event of Default under the Lease has occurred and is continuing.
- The City has obtained a CLTA or ALTA policy of title insurance insuring the City’s leasehold estate under the Lease in the Substitute Property, subject only to Permitted Encumbrances, in an amount at least equal to the estimated value thereof.
- The City has certified in writing to the Authority and the Trustee that the Substitute Property serves the municipal purposes of the City and constitutes property which the City is permitted to lease under the laws of the State, and has been determined to be essential to the proper, efficient and economic operation of the City and to serve an essential governmental function of the City.
- The Substitute Property does not cause the City to violate any of its covenants, representations and warranties made in the Lease.
- The City has filed with the Authority and the Trustee a written certificate of the City or other written evidencing stating that the useful life of the Substitute Property at least extends to November 1, [2048], that the estimated value of the Leased Property, after substitution of the Substitute Property and release of the Former Property, is at least equal to the aggregate Outstanding principal amount of the Bonds, and the fair rental value of the Leased Property, after substitution of the Substitute Property and release of the Former Property, is at least equal to the Lease Payments thereafter coming due and payable under the Lease.
- The City has mailed written notice of the substitution to each rating agency that then maintains a rating on the Bonds.
- The City has furnished to the Authority and the Trustee a written opinion of Bond Counsel stating that such substitution does not cause the interest on the Bonds to become included in gross income for purposes of federal income taxation or to become subject to personal income taxation by the State.

Upon the satisfaction of all such conditions precedent, the Term of the Lease will end as to the Former Property and commence as to the Substitute Property. The Authority and the City will also make any amendments needed to be made to the Lease, and will enter into any necessary site or ground leases in connection with such substitution. Such amendments may be made without the consent of the Owners of the Bonds. The City is not entitled to any reduction, diminution, extension or other modification of the Lease Payments as a result of a substitution. See “APPENDIX B – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS.”

Release of Leased Property

Under the Lease, the City has the option at any time and from time to time during the term of the Lease to release from the Lease any portion of the Leased Property (the “**Released Property**”); provided that the City satisfies all of the requirements under the Lease that are conditions precedent to such removal, which include (among others) the following:

- No Event of Default under the Lease has occurred and is continuing.
- The City has certified in writing to the Authority and the Trustee that the value of the property which remains subject to the Lease following such release is at least equal to the aggregate outstanding principal amount of the Bonds, and the fair rental value of the property which remains subject to the Lease following such release is at least equal to the Lease Payments thereafter coming due and payable.
- The City has mailed written notice of the release to each rating agency that then maintains a rating on the Bonds.

Such release may be made without the consent of the Owners of the Bonds. The City is not entitled to any reduction, diminution, extension or other modification of the Lease Payments as a result of a release. The Authority and the City shall execute, deliver and cause to be recorded all documents required to discharge the Site Lease, this Lease and the Assignment Agreement of record against the Released Property. See “APPENDIX B – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS.”

THE 2018 BONDS

Authority for Issuance

The 2018 Bonds are being issued under the Bond Law, the Authority Resolution (which was adopted by the Board of the Authority on [November 5, 2018]), the City Resolution (which was adopted by the City Council on [November 5, 2018]), and the Indenture.

General Provisions

Bond Terms. The 2018 Bonds will be dated their date of delivery and issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple of \$5,000. The 2018 Bonds will mature in the amounts and on the dates, and bear interest at the annual rates, set forth on the inside cover page of this Official Statement.

Payments of Principal and Interest. Interest on the 2018 Bonds will be payable on May 1 and November 1 in each year, beginning May 1, 2019 (each an “**Interest Payment Date**”). Principal on the 2018 Bonds will be payable on November 1 in the amounts and in the years set forth on the inside front cover of this Official Statement.

Interest is payable on each Interest Payment Date to the persons in whose names the ownership of the 2018 Bonds is registered on the Registration Books at the close of business on the immediately preceding Record Date, except as provided below. Interest on any 2018 Bond which is not punctually paid or duly provided for on any Interest Payment Date is payable to the person in whose name the ownership of such 2018 Bond is registered on the Registration Books at the close of business on a special record date for the payment of such defaulted interest to be fixed by the Trustee, notice of which is given to such Owner by first-class mail not less than 10 days prior to such special record date.

The Trustee will pay interest on the 2018 Bonds by check of the Trustee mailed by first class mail, postage prepaid, on each Interest Payment Date to the Owners of the 2018 Bonds at their respective addresses shown on the Registration Books as of the close of business on the preceding Record Date. At the written request of the Owner of 2018 Bonds in an aggregate principal amount of at least \$1,000,000, which written request is on file with the Trustee as of any Record Date, the Trustee will pay interest on such 2018 Bonds on each succeeding Interest Payment Date by wire transfer in immediately available funds to such account of a financial institution within the United States of America as specified in such written request, which written request will remain in effect until rescinded in writing by the Owner. The Trustee will pay principal of the Bonds in lawful money of the United States of America by check of the Trustee upon presentation and surrender thereof at the Office of the Trustee.

While the 2018 Bonds are subject to the book–entry system, the principal, interest and any prepayment premium with respect to the 2018 Bonds will be paid by the Trustee to DTC for subsequent disbursement to beneficial owners of the 2018 Bonds. See “APPENDIX E – DTC AND THE BOOK–ENTRY ONLY SYSTEM.”

Calculation of Interest. Interest on the 2018 Bonds is payable from the Interest Payment Date next preceding the date of authentication thereof unless: (i) a 2018 Bond is authenticated on or before an Interest Payment Date and after the close of business on the preceding 15th calendar day of the month preceding such Interest Payment Date, whether or not such day is a Business Day (the “**Record Date**”), in which event it will bear interest from

such Interest Payment Date, (ii) a 2018 Bond is authenticated on or before the first Record Date, in which event interest thereon will be payable from the Closing Date, or (iii) interest on any 2018 Bond is in default as of the date of authentication thereof, in which event interest thereon will be payable from the date to which interest has been paid in full, payable on each Interest Payment Date.

Interest with respect to the 2018 Bonds will be computed on the basis of a 360 day year composed of twelve 30–day months.

Transfer, Registration and Exchange

See “APPENDIX B – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS” for a description of the provisions of the Indenture relating to the transfer, registration and exchange of the 2018 Bonds.

Redemption*

Optional Redemption. The 2018 Bonds maturing on or before November 1, 2026, are not subject to optional redemption prior to their stated maturity. The 2018 Bonds maturing on or after November 1, 2027, are subject to redemption, as a whole or in part at the election of the Authority among maturities on such basis as designated by the Authority and by lot within a maturity, at the option of the Authority, on November 1, 2026, and on any date thereafter, at a redemption price equal to 100% of the principal amount of 2018 Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium

Special Mandatory Redemption From Insurance or Condemnation Proceeds. The 2018 Bonds are subject to redemption as a whole, or in part on a pro rata basis among maturities, on any date, from any Net Proceeds required to be used for such purpose as provided in the Indenture, at a redemption price equal to 100% of the principal amount thereof plus interest accrued thereon to the date fixed for redemption, without premium. To the extent Net Proceeds are not sufficient to redeem all Bonds Outstanding, redemption of 2016 Bonds and the 2018 Bonds shall be done on a pro rata basis, as designated in writing by the Authority to the Trustee.

Notice of Redemption. The Trustee shall mail notice of redemption of the Bonds by first class mail, postage prepaid, not less than 30 nor more than 60 days before any redemption date, to the respective Owners of any Bonds designated for redemption at their addresses appearing on the Registration Books and to one or more Securities Depositories and to the Municipal Securities Rulemaking Board.

Each notice of redemption shall state the date of the notice, the redemption date, the place or places of redemption, whether less than all of the Bonds (or all Bonds of a single maturity) are to be redeemed, the CUSIP numbers and (in the event that not all Bonds within a maturity are called for redemption) Bond numbers of the Bonds to be redeemed and the maturity or maturities of the Bonds to be redeemed, and in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on the redemption date there will become due and payable on each of said Bonds the redemption price thereof, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Bonds be then surrendered to

* Preliminary; subject to change.

the Trustee. Neither the failure to receive any notice nor any defect therein shall affect the sufficiency of the proceedings for such redemption or the cessation of accrual of interest from and after the redemption date.

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

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

Rescission of Redemption. The Authority has the right to rescind any notice of optional redemption of Bonds by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of redemption shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation shall not constitute an Event of Default. The Authority and the Trustee have no liability to the Bond Owners or any other party related to or arising from such rescission of redemption. The Trustee shall mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent under the Indenture.

Book–Entry Only System

The 2018 Bonds will be issued as fully registered bonds in book–entry only form, registered in the name of Cede & Co. as nominee of DTC, and will be available to ultimate purchasers in integral multiples of \$5,000, under the book–entry system maintained by DTC. While the 2018 Bonds are subject to the book–entry system, the principal, interest and any redemption premium with respect to a Bond will be paid by the Trustee to DTC, which in turn is obligated to remit such payment to its DTC Participants for subsequent disbursement to Beneficial Owners of the 2018 Bonds. Purchasers of the 2018 Bonds will not receive certificates representing their interests therein, which will be held at DTC.

The Authority and the Trustee cannot and do not give any assurances that DTC, DTC Participants or others will distribute payments of principal, interest or premium with respect to the 2018 Bonds paid to DTC or its nominee as the registered owner, or will distribute any redemption 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 Authority and the Trustee are 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 2018 Bonds or an error or delay relating thereto. See “APPENDIX E – DTC AND THE BOOK–ENTRY ONLY SYSTEM” for further information regarding DTC and the book–entry system.

SECURITY FOR THE 2018 BONDS

The principal of and interest on the 2018 Bonds are not a debt of the Authority (except to the limited extent described in this Official Statement) or the City, nor a legal or equitable pledge, charge, lien or encumbrance, upon any of their respective property, or upon any of their income, receipts, or revenues except the Revenues and other funds and accounts pledged under the Indenture.

This section provides summaries of the security for the 2018 Bonds and certain provisions of the Indenture and the Lease. See "APPENDIX B – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS" for a more complete summary of the Indenture and the Lease. Capitalized terms used but not defined in this section have the meanings given in APPENDIX B.

Revenues; Pledge of Revenues

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

The term "**Revenues**" is defined in the Indenture to mean:

- all amounts received by the Authority or the Trustee under or with respect to the Lease, including, without limiting the generality of the foregoing, all of the Lease Payments (including both timely and delinquent payments, any late charges, and whether paid from any source), but excluding (i) any amounts described in the provisions of the Lease relating to permitted amendments that provide for additional rental to be pledged or assigned for the payment of bonds issued to finance or refinance projects for which the City is authorized to expend its funds, and (ii) any "**Additional Rental Payments**" (consisting of certain administrative costs due to the Authority and the Trustee under the Lease), and
- all interest, profits or other income derived from the investment of amounts in any fund or account established under the Indenture.

Pursuant to the Assignment Agreement, the Authority has assigned to the Trustee for the benefit of the Owners of the 2016 Bond and the 2018 Bonds, certain of its rights under the Lease, including its right to receive Lease Payments for the purpose of securing the payment of debt service on the 2016 Bonds and the 2018 Bonds and the right to pursue remedies in the event the City defaults under the Lease.

The 2018 Bonds are special obligations of the Authority payable solely from and secured by a pledge of Revenues and certain funds and accounts held under the Indenture on a parity with the 2016 Bonds. The 2018 Bonds are not secured by a pledge of the taxing power of the City. The Authority has no taxing power. None of the 2018 Bonds, nor the obligation of the authority to pay principal of or interest on the 2018 Bonds, nor the obligation of the city to make the lease payments, constitutes a debt or a liability of the Authority, the City, the state or any of

its political subdivisions within the meaning of any constitutional limitation on indebtedness, or a pledge of the full faith and credit of the City.

No Reserve Account

Neither the City nor the Authority will create or maintain a debt service reserve account with respect to the Lease Payments or for the 2016 Bonds and 2018 Bonds.

Lease Payments

The Lease Payments are payable from any source of available funds of the City, subject to the provisions of the Indenture relating to abatement. The City covenants, under the Lease, to make Lease Payments as rental for the right to use and occupy the Leased Property under the Lease. Amounts of the scheduled Lease Payments are calculated to be sufficient to pay debt service on the 2016 Bonds and the 2018 Bonds when due. Lease Payments will be paid by the City semi-annually to the Trustee on the Business Day immediately preceding each Interest Payment Date. Upon receipt, the Trustee will deposit the Lease Payments in the Bond Fund for the purposes of paying principal of and interest on the 2016 Bonds and the 2018 Bonds.

Any amount held in the Bond Fund, the Interest Account and the Principal Account on any Lease Payment Date (other than amounts resulting from the prepayment of the Lease Payments in part but not in whole under the Lease, and amounts required for payment of past due principal or interest on any Bonds not presented for payment) will be credited towards the Lease Payment then required to be paid thereunder. The City is not required to deposit any Lease Payment with the Trustee on any Lease Payment Date if the amounts then held in the Bond Fund, the Interest Account and the Principal Account are at least equal to the Lease Payment then required to be deposited with the Trustee.

Additional Rental Payments

Under the Lease, in addition to the Lease Payments, the City shall pay when due the following amounts of Additional Rental Payments in consideration of the lease of the Leased Property by the City from the Authority thereunder:

(a) all fees and expenses incurred by the Authority in connection with or by reason of its leasehold estate in the Leased Property, when due,

(b) all reasonable compensation to the Trustee for all services rendered under the Indenture and for all reasonable expenses, charges, costs, liabilities, legal fees and other disbursements incurred in and about the performance of its powers and duties under the Indenture,

(c) the reasonable fees and expenses of such accountants, consultants, attorneys and other experts as may be engaged by the Authority or the Trustee to prepare audits, financial statements, reports, opinions or provide such other services required under the Lease or the Indenture,

(d) amounts coming due and payable as Excess Investment Earnings in accordance with the Lease, and

(e) the reasonable out-of-pocket expenses of the Authority in connection with the execution and delivery of the Lease or the Indenture, or in connection with the issuance of the Bonds, including but not limited to any and all expenses incurred in connection with the authorization, sale and delivery of the Bonds, or incurred by the Authority in connection with any litigation which may at any time be instituted involving the Lease, the Bonds, the Indenture or any of the other documents contemplated hereby or thereby, or otherwise incurred in connection with the administration of this Lease.

Fair Rental Value

Under the Lease, the aggregate amount of the Lease Payments and Additional Rental Payments coming due and payable during each Rental Period constitute the total rental for the Leased Property for such Rental Period, and are payable by the City in each Rental Period for and in consideration of the right of the use and occupancy of, and the continued quiet use and enjoyment of the Leased Property during each Rental Period. The parties to the Lease have agreed and determined that the total Lease Payments represent the fair rental value of the Leased Property. In making that determination, consideration has been given to the estimated value of the Leased Property (less equipment installed on the Lease Property financed through the BofA Equipment Lease) based on comparable properties, insurance appraisals and other records maintained by the City, other obligations of the City and the Authority under the Lease, the uses and purposes which may be served by the Leased Property and the benefits therefrom which will accrue to the City and the general public.

Notwithstanding any other provision of the Lease, if rental payments are abated partially for any period of time, the rental payments due for such period of time may not exceed the fair rental value of that portion of the Leased Property available for use and occupancy by the City during such period of time. See “– Abatement” below.

Covenant to Appropriate Funds for Lease Payments

Under the Lease, the City covenants to take all actions required to include the Lease Payments in each of its annual budgets during the term of the Lease and to make the necessary appropriations for all Lease Payments and Additional Rental Payments. The Lease provides such covenant of the constitutes a duty imposed by law and each and every public official of the City is required to take all actions required by law in the performance of the official duty of such officials to enable the City to carry out and perform the covenants and agreements in the Lease agreed to be carried out and performed by the City.

Under certain circumstances described in the Lease, however, Lease Payments are subject to abatement during periods of substantial interference with the City’s use and occupancy of all or a portion of the Leased Property, as described in “ – Abatement” below.

Abatement

General. The Lease provides that the obligation of the City to pay Lease Payments will be subject to abatement by reason of (i) any damage or destruction such that there is substantial interference with the use and occupancy of all or any portion of the Leased Property, or (ii) a temporary taking of the Leased Property or a permanent taking of a portion of the Leased Property. Such abatement will be in an amount determined by the City, such that the resulting unabated portion of the Lease Payments will represent fair consideration for the use and occupancy of the remaining usable portions of the Leased Property.

In the case of abatement due to damage or destruction of the Leased Property, such abatement will continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction.

Notwithstanding the foregoing, the Lease Payments will not be subject to abatement to the extent that proceeds of insurance against accident to or destruction of the Leased Property collected by the City or the Authority in the event of any such accident or destruction (including rental interruption insurance) or amounts in the Bond Fund are available to pay Lease Payments which would otherwise be abated.

Proceeds of Rental Interruption Insurance. Under the Lease, the City agrees that during any period of abatement with respect to all or any part of the Leased Property, the Authority will use the proceeds of rental interruption insurance maintained under the Lease to make debt service payments on the Bonds. See “- Covenants to Maintain Insurance - Rental Interruption Insurance.”

Covenants to Maintain Insurance

Liability and Property Damage Insurance. Under the Lease, the City covenants to maintain or cause to be maintained throughout the Term of the Lease, but only if and to the extent available from reputable insurers at reasonable cost in the reasonable opinion of the City, a standard commercial general liability insurance policy or policies in protection of the Authority, the City, and their respective members, officers, agents, employees and assigns. Said policy or policies shall provide for indemnification of said parties against direct or contingent loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the operation of the Leased Property. Such policy or policies shall provide coverage in such liability limits and be subject to such deductibles as the City deems adequate and prudent. The proceeds of such liability insurance must be applied toward extinguishment or satisfaction of the liability with respect to which paid.

Casualty Insurance. Under the Lease, the City further covenants to procure and maintain, or cause to be procured and maintained, throughout the Term of the Lease, casualty insurance against loss or damage to all buildings situated on the Leased Property, in an amount at least equal to the lesser of (a) 100% of the replacement value of the insured buildings, or (b) 100% of the aggregate principal amount of the Outstanding Bonds. Such insurance must, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance, and must include earthquake insurance if available at reasonable cost from reputable insurers in the judgment of the City. Such insurance may be subject to such deductibles as the City deems adequate and prudent.

Rental Interruption Insurance. The City further covenants to procure and maintain, or cause to be procured and maintained, throughout the Term of the Lease, rental interruption or use and occupancy insurance to cover loss, total or partial, of the use of any portion of the Leased Property constituting buildings or other improvements as a result of any of the hazards covered in the insurance required by the Lease relating to the casualty insurance, in an amount at least equal to the maximum such Lease Payments coming due and payable during any consecutive two Fiscal Years during the term of the Lease. The Net Proceeds of such insurance, if any, must be paid to the Trustee and deposited in the Bond Fund, to be applied as a credit towards the payment of the Lease Payments allocable to the insured improvements as the same become due and payable.

Additional Provisions Relating to Insurance. All insurance required to be maintained under the Lease may be maintained as part of or in conjunction with any other insurance coverage carried by the City, and may be maintained in whole or in part in the form of the participation by the City in a joint powers agency or other program providing pooled insurance. However, casualty insurance and rental interruption insurance may not be maintained by the City in the form of self-insurance.

Application of Proceeds of Hazard and Other Insurance

Pursuant to the Indenture, any Net Proceeds of insurance against accident to or destruction of the Leased Property collected by the City or the Authority in the event of any such accident or destruction shall be paid to the Trustee and deposited by the Trustee promptly upon receipt thereof in the Insurance and Condemnation Fund.

If the City fails to determine and notify the Trustee in writing of its determination, within 45 days following the date of such deposit, to replace, repair, restore, modify or improve the Leased Property which has been damaged or destroyed, then such Net Proceeds shall be promptly transferred by the Trustee to the Redemption Fund and applied to the redemption of Bonds. The Indenture further provides that, notwithstanding the foregoing sentence, however, if the Leased Property is damaged or destroyed in full, the Net Proceeds of such insurance shall be used by the City to rebuild or replace the Leased Property if such proceeds are not sufficient to redeem Outstanding Bonds equal in aggregate principal amount to the unpaid Lease Payments allocable to the Leased Property.

All proceeds deposited in the Insurance and Condemnation Fund and not so transferred to the Redemption Fund shall be applied to the prompt replacement, repair, restoration, modification or improvement of the damaged or destroyed portions of the Leased Property by the City, upon receipt of a Written Request of the City the contents of which satisfies the requirements of the Indenture. Any balance of the proceeds remaining after such work has been completed as certified by the City under a Written Certificate to the Trustee shall be paid to the City.

No assurance can be given that the proceeds of any insurance will be sufficient under all circumstances to repair or replace the Leased Property or to prepay all of the Lease Payments with respect to the Leased Property. Also, the City makes not representation as to the sufficiency of any insurance awards or the adequacy of any self-insurance to pay, when and as due, amounts payable under the Lease or the Bonds. See "APPENDIX B – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS," and "RISK FACTORS – Abatement."

Condemnation

If the Leased Property is taken permanently under the power of eminent domain or sold to a government threatening to exercise the power of eminent domain, the Term of the Lease thereupon ceases as of the day possession is taken. If less than all of the Leased Property is taken permanently, or if the Leased Property is taken temporarily, under the power of eminent domain, then:

(a) the Lease shall continue in full force and effect with respect thereto and does not terminate by virtue of such taking, and the parties waive the benefit of any law to the contrary; and

(b) the Lease Payments are subject to abatement in an amount determined by the City such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining usable portions of the Leased Property.

The Lease provides that, notwithstanding the foregoing, there shall be no abatement of the Lease Payments under the Lease in the event and to the extent that amounts in the Insurance and Condemnation Fund or the Bond Fund are available to pay Lease Payments which would otherwise be abated, it being hereby declared that such proceeds and amounts constitute special funds for the payment of the Lease Payments.

No assurance can be given that the proceeds of any condemnation award will be sufficient under all circumstances to replace the Leased Property or to prepay all of the Lease Payments with respect to the Leased Property.

See “APPENDIX B – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS,” and “RISK FACTORS – Abatement.”

Application of Eminent Domain Proceeds

If all or any part of the Leased Property is taken by eminent domain proceedings (or sold to a government threatening to exercise the power of eminent domain) the Authority shall deposit or cause to be deposited with the Trustee the Net Proceeds therefrom, which the Trustee shall deposit in the Insurance and Condemnation Fund under the Lease and which shall be applied and disbursed by the Trustee as follows:

- If the City has not given written notice to the Trustee, within 45 days following the date on which such Net Proceeds are deposited with the Trustee, of its determination that such Net Proceeds are needed for the replacement of the Leased Property or such portion thereof, the Trustee shall transfer such Net Proceeds to the Redemption Fund to be applied towards the redemption of the Bonds under the Indenture.
- If the City has given written notice to the Trustee, within 45 days following the date on which such Net Proceeds are deposited with the Trustee, of its determination that such Net Proceeds are needed for replacement of the Leased Property or such portion thereof, the Trustee shall pay to the City, or to its order, from said proceeds such amounts as the City may expend for such replacement, upon the filing of Written Requisitions of the City as agent for the Authority.

See “APPENDIX B – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS.”

Remedies

If the City defaults in performance of its obligations under the Lease, the Authority or the Trustee, as assignee of the Authority, may either terminate the Lease and re-enter and re-let all or a portion of the Leased Property or may retain the Lease and hold the City liable for all payments on an annual basis and still have the right to re-enter and re-let the Leased Property without effecting a surrender of the Lease. If the Authority terminates the Lease at its option and in the manner provided therein on account of default by the City (and notwithstanding any re-entry upon the Leased Property by the Authority in any manner whatsoever or the re-leasing of the Leased Property), the City nevertheless agrees to pay to the Authority all costs, loss or

damages howsoever arising or occurring payable at the same time and in the same manner as provided in the Lease in the case of payment of Lease Payments and Additional Rental Payments. Additionally, the Trustee may pursue remedies at law or in equity to enforce the Lease.

Although the Lease and the Indenture provide that the Trustee, as assignee of the Authority, may take possession of the Leased Property if there is a default by the City, and the Lease provides that the Trustee may have such rights of access to the Leased Property as may be necessary to exercise any remedies, portions of the Leased Property may not be easily recoverable and, even if recovered, could be of little value to others. There can be no assurance that the Leased Property can be re-let for an amount equal to all outstanding Lease Payments. Due to the essential nature of the governmental functions of the Leased Property, it is not certain whether a court would permit the exercise of the remedies of repossession and re-letting with respect thereto. In addition, the remedy of repossession and re-letting may prove to be unavailable or not economically viable with respect to all or portions of the Leased Property because the Authority has only a leasehold or other possessory right to some of the Leased Property. Therefore, repossession of the Leased Property in such instances may not be an available remedy. In addition, assuming the Leased Property could be repossessed, it may prove functionally impossible to relet.

Additional Bonds

Existing Parity Bonds. As previously described, the 2018 Bonds are secured solely by Revenues and certain funds and accounts held under the Indenture on a parity with the 2016 Bonds. The 2016 Bonds are currently outstanding in the aggregate principal amount of \$12,345,000 and mature on November 1, 2029.

Future Additional Bonds. Under the Indenture, the Authority covenants that no additional, bonds, notes or other indebtedness will be issued or incurred which are payable out of the Revenues in whole or in part, except as specifically provided in the Lease. The Lease provides that the Lease may be amended to obligate the City to pay additional amounts of rental for the use and occupancy of the Leased Property, but only if:

(a) such additional amounts of rental are pledged or assigned for the payment of any bonds, notes, leases or other obligations the proceeds of which are applied to finance or refinance the acquisition or construction of any real or personal property for which the City is authorized to expend funds subject to its control,

(b) the City has obtained and filed with the Trustee an appraisal or other written evidence satisfactory to the Trustee showing that the value of the Leased Property is at least equal to the aggregate principal amount of the Outstanding Bonds and all such other bonds, notes, leases or other obligations, and

(c) the City has filed with the Trustee written evidence that the amendments made for this purpose will not of themselves cause a reduction or withdrawal of any rating then assigned to the Bonds.

THE AUTHORITY

The Authority was formed on May 24, 1993 pursuant to a Joint Exercise of Powers Agreement (the “**Joint Exercise of Power Agreement**”), between the City and the former Redevelopment Agency of the City of San Leandro (the “**Former Agency**”). The Successor Agency to the Redevelopment Agency of the City of San Leandro (the “**Successor Agency**”) has subsequently succeeded to the rights and obligations of the Former Agency under the Joint Exercise of Powers Agreement. The City Council acts as the board of directors of the Successor Agency.

The Authority was formed for the purpose, among others, of assisting the City in the acquisition, construction and financing of public improvements that are of public benefit to the City. The City Council acts as the Board of the Authority. The Mayor and the Vice Mayor of the City serve as the Chairman and Vice–Chairman, respectively, the City Manager serves as the Executive Director, the City Clerk serves as the Secretary, and the City’s Finance Director serves as the Treasurer of the Authority.

THE CITY AND CITY FINANCIAL INFORMATION

General

The City. The City was incorporated in 1872 and is one of the oldest communities in the San Francisco Bay area. Prior to its incorporation, the land that would become the City was inhabited by the ancestors of the Ohlone Nation, and was further developed by Spanish and Portuguese settlers. From 1856 until 1868, the City served as the county seat of Alameda County (the “**County**”) in the State.

The City consists of approximately 15 square miles in the central part of the County, approximately 20 miles southeast of San Francisco between the cities of Oakland and Hayward, bordered on the west by the San Francisco Bay.

The City is a diverse community with residential, commercial, and industrial development within the City. The City has long been home to many food processing operations, including Ghirardelli and Coca-Cola. There are five shopping centers: Bayfair Center, Westgate Center, Greenhouse Shopping Center, Marina Square Center, and Pelton Plaza.

The County. As of January 1, 2018, the County had a population estimated at approximately 1,660,200, making it the eighth most populous county in the State. The County includes the cities of Oakland and Berkeley, and Oakland is its county seat. The County occupies most of the East Bay region of the San Francisco Bay Area, spanning a total area of 821 square miles, including 737 square miles of land and 83.57 underlying bodies water. The San Francisco Bay borders the County on the west, and the City and County of San Francisco has a small land border with the County due to land filling. The crest of the Berkeley Hills forms part of the northeastern boundary, and reaches into the center of the County. A coastal plain several miles wide lines the San Francisco Bay; it is home to the City of Oakland and the County’s most populous regions. Livermore Valley lies in the eastern part of the County. The Hayward Fault, a major branch of the San Andreas Fault to the west, runs through the most populated parts of the County, while the Calaveras Fault runs through the southeastern part of the County. See “RISK FACTORS – Natural Calamities.”

The northern part of the County has direct access to the San Francisco Bay and the City and County of San Francisco. The County is diversified with residential areas, as well as traditional heavy industry, the University of California at Berkeley, the Port of Oakland, and manufacturing, computer services and biotechnology firms. The middle of the County is also highly developed including older established residential and industrial areas. The southeastern corner of the County has experienced strong growth in residential development and manufacturing.

Population

The City’s population at January 1, 2018, the most recent estimate, was 87,598 according to the State Department of Finance. The following table shows population estimates for the City, the County and the State for the last five years.

TABLE 1
CITY OF SAN LEANDRO, COUNTY OF ALAMEDA
AND STATE OF CALIFORNIA
Population Estimates
As of January 1

Calendar Year	City of San Leandro	County of Alameda	State of California
2014	86,554	1,588,576	38,568,628
2015	86,893	1,611,770	38,912,464
2016	86,961	1,629,738	39,179,627
2017	87,376	1,646,405	39,500,973
2018	87,598	1,660,202	39,809,693

Source: California State Department of Finance, Demographic Research Unit.

Municipal Government

The City provides numerous municipal services including public safety; streets and roads; recreation, library and cultural services; health services; public infrastructure improvements; planning and zoning and general administrative services.

City Council. The City is a charter city organized under a Mayor–Council–Manager form of government. Policy–making and legislative authority are vested in a seven-member governing council consisting of the Mayor and six Council Members elected by City residents (the “**City Council**”). The City Council is elected on a non–partisan basis. Council Members serve four–year staggered terms, with either three or four Council Members elected every four years.

The Mayor is elected at large and serves a four–year term. The Mayor and Council Members are elected at large and all are subject to two–term limits. The current Council Members are:

Council Member	Title	Expiration of Term
Pauline Russo Cutter	Mayor	December 2018
Deborah Cox	Vice Mayor	December 2018
Pete Ballew	Council Member	December 2020
Ed Hernandez	Council Member	December 2020
Benny Lee	Council Member	December 2020
Corina Lopez	Council Member	December 2018
Lee Thomas	Council Member	December 2018

The scope of the City Council’s power and influence includes, but is not limited to, the following:

- The power to pass ordinances,
- The authority to establish and modify operating and capital budgets,
- The power to appoint voting members to other governing authorities and commissions,
- The power to appoint the City Manager, City Clerk and City Attorney,

- The ability to plan and direct operations, and
- The authority to veto, modify, and overrule decisions.

City Administration and Staff. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the City and for appointing the heads of the various departments. Following are biographies of certain the City Manager and the Finance Director:

Jeff Kay, City Manager. Jeff Kay has served as the City Manager of the City since July 2018. Mr. Kay was previously the Assistant City Manager and joined the City in 2009 as the Business Development Manager. In his tenure with the City, he has attracted \$2.1 million federal grants for high speed broadband, attracted craft breweries such as 21st Amendment and Cleophus Quealy, and managed the successful dissolution of the Redevelopment Agency. Mr. Kay holds a bachelor’s degree from Vassar College and a master’s degree in city and regional planning from the University of North Carolina at Chapel Hill.

David Baum, Finance Director. David Baum has served the City as its Finance Director since April 2012. Prior to joining the City, he served as the chief financial officer for the San Jose, California Redevelopment Agency for nearly 20 years, until the State’s action to abolish redevelopment agencies in 2011. Immediately prior to working for the City, Mr. Baum worked as a consultant for municipal entities and served as interim finance director of the City of Hercules, California. He has also previously served as a long time school board member and worked as an auditor with Peat Marwick, prior to that firm’s merger to form the firm of KPMG LLP. Mr. Baum holds a bachelor’s degree in Economics from Stanford University.

Labor Relations. For fiscal year 2018-19, the City has authorized 435.71 full-time equivalent employees, of which 364 are full-time employees and 71.71 are part-time employees. The City provides retirement and other post employment benefits to City employees. See “ – Retirement System” herein.

The City’s employees are represented by four labor organizations. Labor relations have been generally amicable in that there have been no major strikes, work stoppages or other similar incidents.

**TABLE 2
CITY OF SAN LEANDRO
LABOR ORGANIZATIONS**

<u>Association</u>	<u>Number of Employees</u>	<u>Termination Date of Agreement</u>
San Leandro City Employees Association	240	December 31, 2020
San Leandro Management Organization	34	June 30, 2020
San Leandro Police Officers Association	84	December 31, 2019
San Leandro Police Management Association	8	December 31, 2019

Source: City of San Leandro.

City Financial Information

Accounting Policies and Financial Reporting. The City Manager employs, at the beginning of each fiscal year, an independent certified public accountant who, at such time or times as specified by the City Manager, 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 Manager and a copy of the financial statements as of the close of the fiscal year is published.

The accounting policies of the City conform to generally accepted accounting principles. 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) financial statements prepared using the economic measurement focus and the accrual basis of accounting; (iii) fund financial statements prepared using the current financial resources measurement focus and the modified accrual method of accounting; and (iv) required supplementary information.

Accounts of the City are organized on the basis of funds each of which is considered a separate accounting entity. There are three major groups of funds – governmental funds (which include the General Fund), proprietary funds (which include enterprise funds and internal service funds) and fiduciary funds (which are used to account for resources held for the benefit of parties outside the City). The City maintains 25 individual governmental funds. Information is presented in the governmental statement of revenues, expenditures, and changes in fund balances for the General Fund together with 24 other funds, in a single aggregated presentation. Supplementary information is also presented describing the City’s (1) Non–Major Governmental Funds, (2) Non–Major Enterprise Funds, (3) Internal Service Funds, and (4) Fiduciary Funds.

There is significant financial interdependency between the various City funds. The City has no discretely reportable component funds and/or units; the City’s blended component funds and/or units include the operations of the San Leandro Parking Authority and the Authority.

All governmental funds and fiduciary funds use the modified accrual basis of accounting. The proprietary funds use the accrual basis of accounting. The General Fund is the general operating fund of the City and is used to account for all financial resources except those required to be accounted for in another fund. See “APPENDIX A – AUDITED FINANCIAL STATEMENTS OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2017” for a summary of the City’s accounting policies and practices.

Financial Statements. Maze and Associates, Certified Public Accountants (the “**Auditor**”), audited the financial statements of the City for the fiscal year ended June 30, 2017. The Auditor’s examination was made in accordance with generally accepted auditing standards and Governmental Auditing Standards, issued by the Comptroller General of the United States. See “APPENDIX A – AUDITED FINANCIAL STATEMENTS OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2017.”

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

Comparative Financial Information. The following tables provide a five-year history of the City's comparative General Fund Balance Sheet and comparative General Fund revenues, expenditures, transfers, and ending fund balances.

**TABLE 3
CITY OF SAN LEANDRO
GENERAL FUND BALANCE SHEET
As of June 30 for Fiscal Years 2013-14 through 2016-17 (Audited) and
2017-18 (Unaudited)**

	<u>Audited 2013-14</u>	<u>Audited 2014-15</u>	<u>Audited 2015-16</u>	<u>Audited 2016-17</u>	<u>Unaudited 2017-18</u>
Assets:					
Cash and investments	\$24,098,263	\$23,982,898	\$29,251,287	\$36,342,532	\$41,543,719
Cash and investments with fiscal agent	--	--	--	63	--
<i>Receivables:</i>					
Property Taxes	213,657	169,150	180,403	203,342	--
Accounts	7,410,573	9,839,854	14,256,737	13,088,457	12,121,744
Federal, State, and local grants	--	--	--	17,442	22,113
Interest	55,147	55,147	43,399	62,741	(19,263)
Special Assessment	71,712	74,215	66,390	58,363	53,902
Loans	1,510,139	3,702,470	3,610,335	2,146,919	2,357,667
Due from other funds	1,593,152	1,545,220	1,364,825	917,277	--
Other assets	13,554	439,474	458,193	--	--
Advances to other funds	8,106,392	8,106,392	8,106,392	8,106,392	6,914,407
Advances to the Successor Agency	2,040,768	2,040,768	2,731,947	2,299,315	1,995,631
Total Assets	\$44,753,357	\$49,955,588	\$60,069,908	\$63,242,843	\$64,989,920
Liabilities:					
Accounts payable and accruals	\$8,365,951	\$8,411,015	\$6,566,272	\$5,953,974	\$5,466,396
Advances from other funds	5,141,772	4,693,253	4,231,278	3,755,443	3,265,334
Unearned revenue	--	2,039,764	2,265,912	2,571,533	2,783,787
Total Liabilities	\$13,507,723	\$15,144,032	\$13,063,462	\$12,280,950	\$11,515,517
Deferred inflow of resources:					
Unavailable revenue – miscellaneous receivables (1)	1,623,278	--	--	--	--
Total Deferred Inflows of Resources	\$1,623,278	--	--	--	--
Fund balances:					
Nonspendable	\$10,147,160	\$13,849,630	\$14,448,674	\$12,552,626	\$11,267,705
Restricted	50,000	50,000	50,000	50,000	50,000
Assigned	662,973	1,766,700	3,128,977	4,577,831	5,909,206
Unassigned	18,762,223	19,145,226	29,378,795	33,781,436	36,247,492
Total Fund Balances	\$29,622,356	\$34,811,556	\$47,006,446	\$50,961,893	\$53,474,403
Total liabilities and fund balances	\$44,753,357	\$49,955,588	\$60,069,908	\$63,242,843	\$64,989,920

(1) This amount represents unearned revenue as of June 30, 2014 and relates primarily to fees paid in advance for engineering, development and planning permits.

Source: City of San Leandro Comprehensive Annual Financial Reports for fiscal years ended June 30 of the years 2014, 2015 2016 and 2017; City of San Leandro.

TABLE 4
CITY OF SAN LEANDRO
STATEMENT OF GENERAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE
As of June 30 for Fiscal Years 2013-14 through 2016-17 (Audited) and
2017-18 (Unaudited)

	<u>Audited</u> <u>2013-14</u>	<u>Audited</u> <u>2014-15</u>	<u>Audited</u> <u>2015-16</u>	<u>Audited</u> <u>2016-17</u>	<u>Unaudited</u> <u>2017-18</u>
Revenues:					
Property and Other Taxes	\$68,910,957	\$74,485,955	\$86,168,455	\$87,817,103	\$91,065,635
Licenses and Permits	6,996,159	7,145,284	7,984,475	8,266,271	9,588,858
Fines and forfeitures	1,302,814	1,524,570	1,685,098	1,572,898	1,646,819
Service charges	2,853,823	3,174,722	2,923,780	3,007,941	3,188,507
Intergovernmental	1,009,545	1,247,506	1,050,413	1,226,779	1,183,676
Use of Money and Property	1,198,556	1,164,676	1,808,098	1,549,605	1,798,550
Interdepartmental Charges	2,002,139	2,250,266	1,999,878	1,999,878	1,999,878
Other Revenues	668,000	713,559	2,729,811	512,461	1,200,732
Total Revenues	84,941,993	91,706,538	106,350,008	105,952,936	111,672,655
Expenditures:					
General Government	11,310,036	11,720,994	11,846,864	11,493,208	11,004,886
Public Safety	46,197,805	48,991,182	51,487,127	54,150,539	59,702,801
Engineering and Transportation	7,115,171	7,323,705	7,924,507	8,542,894	9,547,242
Recreation and Culture	9,177,006	9,416,607	9,861,204	10,254,005	10,577,958
Community Development	3,907,247	4,164,877	5,140,460	5,064,630	5,743,717
Debt service: Principal	1,195,828	1,413,833	1,408,397	1,507,762	1,569,330
Debt service: Interest and Fees	938,823	902,546	859,542	811,451	808,322
Total Expenditures	79,841,916	83,933,744	88,528,101	91,824,489	98,954,256
Revenues Over (Under) Expenditures:	5,100,077	7,772,794	17,821,907	14,128,447	12,718,399
Other Financing Sources (Uses):					
Transfers Out	(776,000)	(2,583,594)	(5,627,017)	(10,173,000)	(10,205,889)
Total Other Financing Sources (Uses)	(776,000)	(2,583,594)	(5,627,017)	(10,173,000)	(10,205,889)
Net Change in Fund Balance	4,324,077	5,189,200	12,194,890	3,955,447	2,512,510
Fund Balances:					
Beginning of the year	\$25,298,279	\$29,622,356	\$34,811,556	\$47,006,446	\$50,961,893
End of the Year	29,622,356	34,811,556	47,006,446	50,961,893	53,474,403

Source: City of San Leandro Comprehensive Annual Financial Reports for fiscal years ended June 30 of the years 2014, 2015, 2016 and 2017; City of San Leandro.

Budget Process. The City Council is required to adopt a final budget through the passage of a resolution no later than June 30, the close of the fiscal year, following a public hearing process conducted to obtain taxpayer comments. This annual budget serves as the foundation for the City's financial planning and control. The budget is prepared by fund, function (e.g., public safety) and department (e.g., police). The legal level of budgetary control is at the fund level. The City Manager is authorized to transfer budgeted amounts between departments

and line items within any fund; however, any revisions which alter the total expenditures of any fund must be approved by the City Council. Transfers between funds must be approved by the City Council. At the end of the fiscal year, encumbered appropriations are carried forward and become part of the following year's budget while appropriations that have not been encumbered lapse, unless otherwise authorized by the City Council and the City Manager.

In fiscal year 2012-13, the City decided to move to a biennial budget process. The biennial budget sets forth planned expenditures and revenues for two consecutive fiscal years. Year 1 and 2 expenditure and revenue plans are presented to the City Council in a single document. At the conclusion of the biennial budget review and deliberation process, Year 1 of the biennial budget is approved and appropriated by the City Council, which sets the level of authorized funding for the fiscal year. The Year 2 budget is also approved but is subject to mid-cycle review and appropriation action in the following year. During the mid-cycle review, City staff may propose changes to the budget. At that time, the City Council will consider the proposed changes and recommendations. At the conclusion of the deliberations, the City Council will approve and appropriate funds for Year 2 of the budget. In addition to the annual budget process, the City Council will review expenditures and revenues at the mid-year and makes changes as needed.

The City Council adopted its biennial budget for fiscal years 2017-18 and 2018-19 on June 5, 2017.

The City Council reviews budget results at the mid-year review and at budget adoption. The ongoing review and long range planning focus for financial management provides numerous opportunities to identify and respond to changes in revenues and expenditures and in community priorities. Quarterly financial reports on budget performance are reviewed by department managers and staff to identify budget problems and recommend corrective action. In addition, the City prepares a long-term financial plan periodically that provides a 10-year framework to ensure the City's priorities are clear, goals are laid out to respond to priorities and goals are achieved. The City's long-term capital planning is also incorporated into an annual capital improvement program with the budget process.

City Reserves. The City Council has adopted budget guidelines that provide for a reserve of at least 16.67% of the budgeted General Fund operating expenditures for the following fiscal year to provide for (i) economic uncertainties, local disasters, and other financial hardships or downturns in the local or national economy; (ii) contingencies for unseen operating or capital needs; and (iii) cash flow requirements. Such reserve is maintained in the form of Major Emergencies Reserve Fund and an Economic Uncertainty Reserve Fund which collectively have a balance in excess of the 16.67% target balance, as described in more detail below:

- **Economic Uncertainties Reserve.** The Economic Uncertainties Reserve is intended to provide a cushion in fluctuations in revenues and expenses of the General Fund. As of the end for fiscal year 2016-17, the balance in the Economic Uncertainties Reserve was approximately \$28 million. For fiscal year 2018-19, the City Council has budgeted approximately \$12.4 million or 16.67% of the projected General Fund expenditures. The City projects that the balance in the Economic Uncertainties Reserve will be reduced to approximately \$4.4 million for fiscal year 2019-20, and deficits in such reserve to occur commencing in fiscal year 2020-21 through fiscal year 2022-23 ranging of approximately \$2.1 million in fiscal year 2020-21 to approximately \$15.5 million in fiscal year 2022-23. Such projected deficits in

the Economic Uncertainties Reserve are due to projected operating shortfalls commencing in fiscal year 2019-20.

- **Major Emergencies Reserve.** The Major Emergencies Reserve is intended to be available in the event of a local disaster. Since fiscal year 2007-08, the City has maintained a balance of \$5 million in the Major Emergencies Reserve. In its fiscal year 2017-18 and 2018-19 General Fund budgets, the City projects maintaining a balance of \$5 million in the Major Emergencies Reserve.

The amounts on deposit in the Economic Uncertainties Reserve and a Major Emergencies Reserve are part of the City's unrestricted fund balance of the General Fund and are available for any General Fund expenditures as may be approved by the City Council.

Interfund Borrowing and Cash Flows. General Fund expenditures tend to occur in level amounts throughout the fiscal year. Conversely, General Fund receipts have followed an uneven pattern primarily as a result of secured property tax installment payment due dates in April and December and as a result of delays in payments from other governmental agencies, which represent significant sources of City revenues. As a result, General Fund cash balances have typically declined or been negative for part of the fiscal year and, if negative, have been covered by interfund borrowings pursuant to Section 6 of Article XVI of the California Constitution. The State Constitution prohibits interfund borrowings by cities after the last Monday of April of each fiscal year of amounts that exceed 85% of taxes accrued.

Prioritizing Unfunded Liability Liquidation Plan. In addition, in September 2015, the City Council adopted a Prioritizing Unfunded Liability Liquidation Plan (the "**PULL Plan**") with a 5 year goal of allocating \$5 million toward reducing unfunded liabilities. To assist the City in implementing the PULL Plan, the City Council adopted the following criteria as a financial policy to assist the City in meeting the PULL Plan goal of \$5 million, among others:

- Pay 100% of the City's annual required contribution
- Direct up to 50% of all General Fund carryover toward the PULL Plan
- Direct up to 50% of all General Fund land sales toward the PULL Plan

In accordance with this financial policy, the City the City has set aside approximately \$16 million, as of September 30, 2018, in a trust administered by the Public Agency Retirement Services ("**PARS**") for the City's Other Post Employment Benefit Plan (the "**OPEB Plan**"). See "– Employee Retirement System" and "– Other Post Employment Retirement Benefits."

As part of the implementation of the PULL Plan, the City also revised the combined reserve balance target for the Major Emergencies Reserve Fund and an Economic Uncertainty Reserve Fund to a revised combined balance target of 16.67%, as previously described. See "– City Reserves" above.

Self Insurance. The City maintains a Self Insurance Fund. The Self Insurance Fund provides the City insurance protection against public liability cases and worker's compensation claims related to injuries to City employees. The Self Insurance Fund's balance sheet records the liability for Claims and Judgments for outstanding cases and claims. As of June 30, 2017, the City's total liability for Claims and Judgments amounted to \$6,096,784 and the Self Insurance Fund reflected a liability fund balance of \$6,049,069.

General Fund Budgets. The City's General Fund original and final budget figures for fiscal year 2017-18 are shown on Table 5. The City's original and final budget figures for fiscal year 2018-19 are shown on Table 6.

**TABLE 5
CITY OF SAN LEANDRO
SCHEDULE OF GENERAL FUND REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE (BUDGET AND UNAUDITED ACTUALS)
Fiscal Year 2017-18**

	Original, Adopted Budget	Final Budget (1)	Unaudited, Actual	Variance with Final Budget
Revenues:				
Property and other taxes	\$89,291,427	\$89,291,427	\$91,065,635	\$1,774,208
Licenses and permits	8,631,920	8,631,920	9,588,858	956,938
Fines and forfeitures	1,495,000	1,495,000	1,646,819	151,819
Service charges	3,346,674	3,346,674	3,188,507	(158,167)
Intergovernmental	1,080,000	1,118,580	1,183,676	65,096
Use of money and property	1,267,300	1,285,300	1,798,550	513,250
Interdepartmental charges	2,000,000	2,000,000	1,999,878	(122)
Other	1,914,300	1,956,776	1,200,732	(756,044)
Total Revenues	109,026,621	109,125,677	111,672,655	2,546,978
Expenditures:				
Current:				
General government	12,173,233	13,387,292	11,044,886	2,342,406
Public safety	61,955,325	62,320,646	59,702,801	2,617,845
Engineering and transportation	10,049,262	10,111,795	9,547,242	564,553
Recreation and culture	10,847,922	10,997,219	10,577,958	419,261
Community development	6,302,484	7,807,463	5,743,717	2,063,746
Debt service: (2)				
Principal	2,059,439	2,059,439	1,569,330	490,109
Interest and fees	809,826	809,826	808,322	1,504
Total Expenditures	104,197,491	107,493,680	98,954,256	8,499,424
Revenues over (under) expenditures	4,829,130	1,631,997	12,718,399	11,046,402
Other financing sources (uses):				
Transfer out (3)	(10,178,889)	(10,205,889)	(10,205,889)	-
Total Other Financing Sources (Uses)	(10,178,889)	(10,205,889)	(10,205,889)	-
Net Change in Fund Balance	(5,349,759)	(8,573,892)	2,512,510	11,046,402

(1) Represents final budget as a result of mid-year review.

(2) Represent debt service related to certain outstanding long-term obligations payable from the City's General Fund, not including the 2018 Bonds. See "- General Fund Obligations" below.

(3) Generally represent transfers to the City's Public Education and Government Fund, and costs relating to a refuse contract and the construction of a sound wall as part of the City's Capital Improvement Program.

Source: City of San Leandro.

TABLE 6
CITY OF SAN LEANDRO
SCHEDULE OF GENERAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE (ORIGINAL BUDGET AND FINAL BUDGET)
Fiscal Year 2018-19

	Original, Adopted Budget	Final Budget (1)
Revenues:		
Property and other taxes	\$90,237,909	\$90,237,909
Licenses and permits	8,866,800	8,866,800
Fines and forfeitures	1,565,000	1,565,000
Service charges	3,247,674	3,247,674
Intergovernmental	1,112,090	1,112,090
Use of money and property	1,267,300	1,267,300
Interdepartmental charges	2,000,000	2,000,000
Other	1,914,300	1,914,300
Total Revenues	110,211,073	110,211,073
Expenditures:		
Current:		
General government	13,119,132	13,974,633
Public safety	63,674,277	64,114,215
Engineering and transportation	10,434,678	10,470,710
Recreation and culture	11,160,157	11,192,503
Community development	6,725,177	7,121,649
Debt service: (1)		
Principal	2,358,350	2,358,350
Interest and fees	795,817	795,817
Total Expenditures	108,267,588	110,027,877
Revenues over (under) expenditures	1,943,485	183,196
Other financing sources (uses):		
Transfer in	-	-
Transfer out (2)	(9,048,333)	(9,048,333)
Total Other Financing Sources (Uses)	(9,048,333)	(9,048,333)
Net Change in Fund Balance	(7,104,848)	(8,865,137)

(1) Represents final budget as a result of mid-year review.

(2) Represent debt service related to certain outstanding long-term obligations payable from the City's General Fund, not including the 2018 Bonds. See "-- General Fund Obligations" below.

(3) Generally represent transfers to the City's Public Education and Government Fund, and costs relating to a refuse contract and the construction of a sound wall as part of the City's Capital Improvement Program.

Source: City of San Leandro.

General Economic Condition and Outlook of the City

As a result of the economic recession experienced in much of the State beginning in 2008, the City's General Fund revenues decreased commencing in fiscal year 2008-09. Since fiscal year 2011-12, General Fund revenues have steadily increased and now surpass the pre-economic recession General Fund revenues. The increase in General Fund revenues has been due, in part, to the approval by the voters of the City in November 2010 of "Measure Z." Measure Z increased the sales tax in the City by 0.25%, to be used by the City for general purposes, and which was subsequently extended and increased to 0.50% pursuant to Measure HH effective April 1, 2015. See "– Sales and Use Taxes" for a discussion regarding Measure HH. Likewise, median home prices in the City are now approximately \$600,000, nearing the median price at the 2006 peak. The City's unemployment rate has also improved to 3%.

For fiscal year 2017-18, the City projects an assigned and unassigned General Fund balance of approximately \$42 million as of the end of fiscal year 2017-18. In addition, the City projects that General Fund revenues will total approximately \$112 million for fiscal year 2017-18. As compared to the final budget for fiscal year 2017-18, projected General Fund revenues are approximately \$2.5 million higher than budgeted. The City's General Fund expenditures for fiscal year 2017-18 are projected to total approximately \$99 million, or approximately \$8.5 million less than that projected in the City's final budget for such fiscal year.

For fiscal year 2018-19, the City's budget focuses on providing essential services. Over one-half of the General Fund revenue is allocated to support public safety activities. General Fund revenues and expenditures are each projected to total approximately \$115 million for fiscal year 2018-19. In particular, sales tax revenues are projected to increase by 4% in fiscal year 2018-19. Sales tax revenues account for approximately 39% of total General Fund revenues. Such revenues include Measure HH revenues projected in excess of \$11 million. However, sales tax revenues are highly volatile since the level of consumer retail spending directly influences it. Additionally, property tax revenue is anticipated to continue to be a major source (approximately 19%) of the City's total General Fund revenue.

In addition, in the biennial budget for fiscal years 2017-18 and 2018-19, the City projected additional General Fund revenues to be generated in fiscal year 2018-19 from taxes levied pursuant to Measures OO, PP and NN passed by the voters in the City on November 8, 2016. See "– Other Taxes and Revenues" below for a discussion of Measures OO, PP and NN and related taxes.

While the City has been able to approve balanced budgets with no reductions in program or services, it continues to face increased operating costs. For example, as described below, the City's contribution rates for employee pensions continue to rise due to prior portfolio losses and changes in actuarial assumptions by the California Public Employees' Retirement System ("CalPERS"), with additional increases projected in future years. See "– Employee Retirement System" below.

The City forecasts a future structural deficit if no policy changes are implemented. See "– City Reserves" above. The City has taken pro-active measures to raise revenues and manage costs which have enabled it to invest in necessary capital projects while maintaining a balanced budget. The passage of Measures HH, OO, PP and NN have also increased the City's revenues as described above. To further address the forecasted structural deficit, the City may propose another revenue measure in 2019 or 2020. Additionally, an internal CARE Committee was

created earlier this year to additional cost savings and revenue enhancements to continue to deliver balanced budgets.

Tax Revenues By Source

The following table shows General Fund tax revenues by sources for the previous five fiscal years.

TABLE 7
CITY OF SAN LEANDRO
GENERAL FUND TAX REVENUES BY SOURCE
Fiscal Years 2013-14 through 2016-17 (Audited) and
Fiscal Year 2017-18 (Unaudited)

	Audited 2013-14	Audited 2014-15	Audited 2015-16	Audited 2016-17	Unaudited 2017-18
Sales Taxes	\$29,097,614	\$32,948,155	\$42,336,642	\$41,727,835	\$42,990,223
Property Taxes	18,514,127	18,898,038	20,044,220	20,858,027	22,994,213
Franchise Fees	4,581,920	4,845,086	4,968,614	5,102,904	5,269,391
Utility Users Tax	10,157,762	10,359,050	10,807,583	10,975,234	10,719,316
Property Transfer Tax	3,282,026	4,112,030	4,461,764	5,459,316	5,176,403
911 Communication Access Tax	2,804,181	2,974,313	2,917,993	2,890,302	3,035,256
Other Taxes	652,866	733,867	631,642	907,651	880,834
Total	\$69,090,496	\$74,870,539	\$86,168,458	\$87,921,269	\$91,065,636

Source: City of San Leandro Audited Financial Statements for fiscal years ended June 30 of the years 2014, 2015 2016 and 2017; City of San Leandro.

Sales and Use Taxes

General. Sales and use taxes represent the largest source of tax revenue to the City (approximately 47% of tax revenues in fiscal year 2016-17). The City projects it received approximately \$43 million (approximately 47% of tax revenues in fiscal year 2017-18) in sales tax revenue in fiscal year 2017-18. Since fiscal year 2013-14, sales tax revenues have increased 10% annually.

State Sales Tax Rates. The City collects a percentage of taxable sales in the City (minus certain administrative costs imposed by the State Board of Equalization) pursuant to the Bradley–Burns Uniform Local Sales and Use Tax (the “**Sales Tax Law**”), as shown below. See also “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Proposition 22.”

Measure HH. At an election held on November 2, 2010, the voters of the City approved by a majority vote “Measure Z,” which increased the sales tax in the City by 0.25%, to be used by the City for general purposes. The Measure Z tax was scheduled to expire in 2018. However, at an election held on November 4, 2014, the voters of the City approved by a majority vote “Measure HH,” which superseded and replaced Measure Z. Pursuant to Measure HH, the sales tax in the City was increased by 0.50% (replacing the 0.25% increase effectuated by Measure Z) (the “**Measure HH Tax**”). The Measure HH Tax is scheduled to expire on March 31, 2045. Measure HH Tax revenues totaled approximately \$11 million or 13% of the City’s

total General Fund revenues for fiscal year 2016-17. Measure HH Tax revenues are available to support general municipal services of the City and infrastructure needs.

Taxable Sales. Total taxable sales during the calendar year 2016 in the City were reported to be \$2,540,135,916, a 4.16% increase over the total taxable sales of \$2,438,670,897 reported during the calendar year 2015. The number of establishments selling merchandise subject to sales tax and the valuation of taxable transactions within the City, for the past five years in which data is available, is presented in the following table.

**TABLE 8
CITY OF SAN LEANDRO
NUMBER OF PERMITS AND VALUATION OF
TAXABLE TRANSACTIONS
(Dollars in Thousands)**

Calendar Year	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2012	1,341	\$1,273,883	2,322	\$1,867,865
2013	1,304	1,348,729	2,273	2,026,119
2014	1,290	1,378,120	2,258	2,246,508
2015 ⁽¹⁾	1,359	1,433,968	2,464	2,438,671
2016	1,362	1,553,926	2,508	2,540,136

(1) Permit figures for calendar year 2015 are not comparable to that of prior years due to outlet counts in these reports including the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers.

Source: California State Board of Equalization, Taxable Sales in California (Sales & Use Tax).

Largest Sales Taxpayers. The following tables shows the 25 largest payers of sales taxes in the City for fiscal year 2017-18 in alphabetical order.

**TABLE 9
CITY OF SAN LEANDRO
25 LARGEST SALES TAXPAYERS
Fiscal Year 2017-18**

Allied Building Products	Nordstrom
Autocom Nissan East Bay	Peterson Tractor Co
Bigge Crane & Rigging Orat	Peterson Power Systems
Chevron Service Stations	Peterson Trucks
Consolidated Electrical Dstr	Rexel
Costco Wholesale	Roofing Supply Group
Cummins Pacific	Ross Dress for Less
F.H. Dailey Chevrolet	San Leandro Chrysler Jeep Dodge Ram
Ferguson Enterprises	San Leandro Honda
Home Depot	Target Stores
Living Spaces Furniture	The Ford Store San Leandro
Nike Factory Store	Walmart Store
NorCal Kenworth Bay Area	

Source: City of San Leandro.

Sales Tax Rates. Currently, taxable transactions in the City are subject to the following sales and use tax, of which the City's share is only a portion. The State collects and administers the tax, and makes distributions on taxes collected within the City, as shown in the following table.

**TABLE 10
CITY OF SAN LEANDRO
SALES TAX RATES
Fiscal Year 2017-18**

State	6.000%
Local	1.250
Total State-Wide Tax Rate	7.250%
Alameda County Essential Health Care Services Transactions and Use Tax (ACHC)	0.500%
Alameda County Transportation Commission 2002 (ACTI)	0.500
Alameda County Transportation Commission Transactions and Use Tax (ACTC)	0.500
Bay Area Rapid Transit District (BART)	0.500
City of San Leandro Transactions and Use Tax (Measure HH Tax)	0.500
Total City of San Leandro Tax Rate	9.750%

Source: California Department of Tax and Fee Administration.

Sales and use taxes are complementary taxes; when one applies, the other does not. In general, the statewide sales tax applies to gross receipts of retailers from the sale of tangible personal property in the State. The use tax is imposed on the purchase, for storage, use or other consumption in the State of tangible personal property from any retailer. The use tax generally applies to purchases of personal property from a retailer outside the State where the use will occur within the State. The Sales Tax is imposed upon the same transactions and items as the statewide sales tax and the statewide use tax.

Certain transactions are exempt from the State sales tax, including sales of the following products:

- food products for home consumption;
- prescription medicine;
- newspapers and periodicals;
- edible livestock and their feed;
- seed and fertilizer used in raising food for human consumption; and
- gas, electricity and water when delivered to consumers through mains, lines and pipes.

This is not an exhaustive list of exempt transactions. A comprehensive list can be found in the California Department of Tax and Fee Administration March 2018 Publication No. 61 entitled "Sales and Use Taxes: Exemptions and Exclusions," which can be found on the California Department of Tax and Fee Administration's website at <http://www.cdtfa.ca.gov/>. *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.*

Sales Tax Collection Procedures. Collection of the sales and use tax is administered by the California Department of Tax and Fee Administration. According to the California Department of Tax and Fee Administration, it distributes quarterly tax revenues to cities, counties and special districts using the following method:

Using the prior year's like quarterly tax allocation as a starting point, the California Department of Tax and Fee Administration 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 California Department of Tax and Fee Administration disburses 90% 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 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.

Under the Sales and Use Tax Law, all sales and use taxes collected by the California Department of Tax and Fee Administration under a contract with any city, city and county, or county are required to be transmitted by the California Department of Tax and Fee Administration to such city, city and county, redevelopment agency, or county periodically as promptly as feasible. These transmittals are required to be made at least twice in each calendar quarter.

Under its procedures, the California Department of Tax and Fee Administration projects receipts of the sales and use tax on a quarterly basis and remits an advance of the receipts of the sales and use tax to the City on a monthly basis. The amount of each monthly advance is based upon the California Department of Tax and Fee Administration's quarterly projection. During the last month of each quarter, the California Department of Tax and Fee Administration adjusts the amount remitted to reflect the actual receipts of the sales and use tax for the previous quarter.

The California Department of Tax and Fee Administration receives an administrative fee based on the cost of services provided by the California Department of Tax and Fee Administration 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. See "– City Economic and Demographic Information, Taxable Sales" herein for further detail regarding the City's sales tax receipts.

Property Taxes

Property taxes represent the second largest source of tax revenue to the City (approximately 24% of general governmental tax revenues in fiscal year 2016-17 and approximately 25% of general governmental tax revenues in fiscal year 2017-18 (based on unaudited figures). The City expects to receive approximately \$24 million in property tax revenues in fiscal year 2018-19. Prior to the dissolution of the Former Agency, the City's property tax revenues included tax increment revenues. Commencing in fiscal year 2012-13, the City's property tax revenues exclude tax increment revenues.

Property taxes have historically been the primary revenue source affected by voter initiatives and legislative actions. With approval of Proposition 13, property tax revenues were first curtailed over 20 years ago when they were reduced by two-thirds and thereafter limited to 2% annual increases or the CPI, whichever was less.

Levy and Collection. Property taxes are levied for each fiscal year on taxable real and personal property as of the preceding January 1. For assessment and collection purposes, property is classified either as “secured” or “unsecured” and is listed accordingly on separate parts of the assessment roll. The “secured roll” is that part of the assessment roll containing State-assessed public utilities property and real property the taxes on which are a lien sufficient, in the opinion of the County Assessor, to secure payment of the taxes. Other property is assessed on the “unsecured roll.”

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year, and become delinquent on December 10 and April 10, respectively. A penalty of 10% attaches immediately to all delinquent payments. Property on the secured roll with respect to which taxes are delinquent become tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of a penalty of 1% per month to the time of redemption, plus costs and a redemption fee. If taxes are unpaid for a period of five years or more, the property is deeded to the State and may be sold at public auction.

Property taxes on the unsecured roll are due as of the January 1 lien dates and become delinquent on August 31. A 10% penalty attaches to delinquent unsecured taxes. If unsecured taxes are unpaid at 5:00 p.m. on October 31, an additional penalty of 1% attaches to them on the first day of each month until paid. The County has four ways of collecting delinquent unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a judgment in the office of the County Clerk specifying certain facts in order to obtain a lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the County Recorder’s office in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee. Beginning in 1978–79, Proposition 13 and its implementing legislation shifted the function of property tax allocation to the counties, except for levies to support prior voted debt, and prescribed how levies on county-wide property values are to be shared with local taxing entities within each county.

Assessed Valuation. All property is assessed using full cash value as defined by Article XIII A of the State Constitution. State law provides exemptions from *ad valorem* property taxation for certain classes of property such as churches, colleges, non-profit hospitals, and charitable institutions. See “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS” in the body of the Official Statement.

Future assessed valuation growth allowed under Article XIII A (new construction, certain changes of ownership, 2% inflation) will be allocated on the basis of “situs” among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and schools will share the growth of “base” revenues from the tax rate area. Each year’s growth allocation becomes part of each agency’s allocation in the following year.

Assessed Valuation History. The assessed valuation of taxable property within the City has increased approximately 39% since fiscal year 2007-08. The following table shows a five-year history of the City’s assessed valuation of taxable property. According to the City, the

growth in the assessed valuation of taxable property within the City is due to new construction, the inflationary growth of 2% pursuant to Proposition 13 and restorations of assessed values pursuant to Proposition 8.

**TABLE 11
CITY OF SAN LEANDRO
ASSESSED VALUATIONS OF ALL TAXABLE PROPERTY
Fiscal Years 2014-15 to 2018-19**

Fiscal Year	Local Secured	Utility	Unsecured	Total
2014-15	\$10,011,123,526	\$1,723,832	\$511,551,553	\$10,524,398,911
2015-16	10,734,224,785	1,723,832	559,883,879	11,295,832,496
2016-17	11,199,815,366	1,723,832	593,924,565	11,795,463,763
2017-18	11,910,523,775	2,702,056	602,888,515	12,516,114,346
2018-19	12,593,779,881	2,702,056	719,092,919	13,315,574,856

Source: California Municipal Statistics, Inc.

Secured Tax Charges and Delinquencies. The property tax levies and collections for the City for the past ten fiscal years are shown in the following table.

**TABLE 12
CITY OF SAN LEANDRO
SECURED TAX CHARGES AND DELINQUENCIES
Fiscal Years 2008-09 to 2017-18**

Fiscal Year	Secured Tax Charge (1)	Amount Delinquent June 30	% Delinquent June 30
2008-09	\$9,555,160.41	\$507,107.46	5.31%
2009-10	8,999,348.58	332,900.68	3.70
2010-11	8,922,553.12	253,788.84	2.84
2011-12	8,765,781.78	214,515.27	2.45
2012-13	9,246,638.00	159,137.29	1.72
2013-14	9,804,644.71	132,465.17	1.35
2014-15	9,712,698.09	123,936.66	1.28
2015-16	10,354,043.09	157,769.88	1.52
2016-17	10,849,639.74	143,991.00	1.33
2017-18	11,579,552.22	123,950.05	1.07

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

Alternative Method of Tax Apportionment. The Board of Supervisors of the County has not approved the implementation of the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the “Teeter Plan”); therefore, the City’s property tax collections reflect actual delinquencies, plus penalties collected for prior year’s delinquencies.

Property Tax Rates. The following table shows the property tax rates within the City for fiscal years 2014-15 through 2018-19.

**TABLE 13
CITY OF SAN LEANDRO
TYPICAL TAX RATE PER \$100 ASSESSED VALUATION**

	Fiscal Year 2014-15	Fiscal Year 2015-16	Fiscal Year 2016-17	Fiscal Year 2017-18	Fiscal Year 2018-19
General	1.0000	1.0000	1.0000	1.0000	1.0000
Alameda County	--	--	--	--	.0112
San Leandro Unified School District Chabot–Las Positas Community College District	.1310	.1215	.1179	.1406	.1335
Bay Area Rapid Transit District	.0217	.0198	.0246	.0445	.0443
East Bay Regional Park District	.0045	.0026	.0080	.0084	.0070
TOTAL	.0085	.0067	.0032	.0021	.0057
	1.1657	1.1506	1.1537	1.1956	1.2017

(1) Fiscal Year 2017-18 assessed valuation of TRA 10–001 is \$3,425,296,724.
Source: California Municipal Statistics, Inc.

Major Property Taxpayers. The following table shows the largest taxpayers in the City as determined by their secured assessed valuations for fiscal year 2018-19.

**TABLE 14
CITY OF SAN LEANDRO
LARGEST LOCAL SECURED TAXPAYERS
Fiscal Year 2018-19 (1)**

Property Owner	Primary Land Use	Assessed Valuation	% of Secured AV (1)
Ghirardelli Chocolate Company (2)	Industrial	\$152,098,380	1.21%
Kaiser Foundation Hospitals	Hospital	126,846,869 (3)	1.01
Waste Management of Alameda County Inc.	Industrial	122,971,304	0.98
MM PG Bayfair Properties LLC	Shopping Center	97,658,458	0.78
BPP Pacific Industrial CA REIT Owner 2 LLC	Industrial	82,053,796	0.65
Safeway Stores Incorporated	Industrial	73,367,699	0.58
AMB US Logistics Fund LP	Industrial	70,918,554	0.56
SLTC LLC	Office Building	68,006,878	0.54
WL Westgate Venture LLC	Shopping Center	58,886,495	0.47
AMB-SGP CIF-I LLC	Industrial	55,597,307	0.44
	Total	\$908,405,740	7.22%

(1) Fiscal year 2018-19 Local Secured Assessed Valuation: \$11,199,815,366

(2) Ghirardelli Chocolate Company has operated in the City since 1967. The City anticipates that it will relocate to the San Leandro Tech Campus Phase 2 space in early 2019.

(3) Net Taxable Value.

Source: California Municipal Statistics, Inc.

Other Taxes and Revenues

Utility User's Tax. The City imposes a tax on users of utilities, including gas, electric and communications in the City (the "**Utility Users Tax**"), which is the third largest revenue generator for the City. The Utility Users Tax is composed of the following rates:

**TABLE 15
CITY OF SAN LEANDRO
UTILITY USERS TAX RATES**

<u>Utility</u>	<u>Rate</u>
Electric*, Gas*, TV, Telephone	6.0%
Cable	6.0
Telecommunication	5.7

* Exemption on first \$34 of gas or electric charges for residential properties.
Source: *City of San Leandro*.

The Utility Users Tax became effective on July 1, 1970. Originally, the Utility Users Tax consisted of a 5% tax on electric, gas, cable television and telephone utilities (subject to the exemptions noted in the table above). In 1993, the Utility Users Tax was increased without voter approval to 6% for non-residential users. On November 4, 2008, the City's voters approved Measure RR, which authorized application of the Utility Users Tax to situations where there have been changes in technology and laws. Post-1984 technology had rendered the City's telephone tax less effective in taxing communication services that have, to a significant extent, replaced traditional telephone service. Unless precluded by federal law, Measure RR expanded the City's Utility Users Tax applicable to telephone utilities to apply to all types of telecommunication, video communication, text messaging, and paging services in addition to the telephone, cellular telephone and voice over internet protocol services. Measure RR also reduced the tax rate applicable to such utilities from the original 6.0% to 5.7%. Measure RR does not apply to digital downloads (e.g., games, ringtones, music and books). There is no sunset date for the changes effected by Measure RR.

Transient Occupancy Tax. The City levies a transient occupancy tax on hotel and motel bills equal to 14% (the "**TOT Tax**"). The transient occupancy tax is a tax paid by hotel and motel guests who spend fewer than 30 consecutive days in a hotel or motel in the City. Prior to the approval of Measure PP by the City's voters on November 8, 2016, the TOT Tax was 10% of the rent charged by hotel and motels in the City. Pursuant to Measure PP, the TOT Tax was increased by 4% to 14%. The increase approved by the City's voters pursuant to Measure PP was approved by the City Council on December 19, 2016, pursuant to Ordinance No. 2016-026. There is no sunset date for the changes effected by Measure PP.

Franchise Fee. Prior to the passage of State Bill AB 2987, the "Digital Infrastructure and Video Competition Act of 2006," Federal and State laws allowed cities to grant franchises to cable companies to use the public right-of-way to install and provide video service. Under the current franchise agreement, the cable company pays the City an annual franchise fee of 5% of gross revenues.

In addition, the City also receives revenue from Electric & Gas Franchises, as well as Refuse & Recycling. Electric/Gas franchise fees are based on gross receipts for the sale of electricity or gas within the City, and is the greater of these two calculations:

1. Electric or Gas Franchise Ordinance: 2% of gross receipts attributable to miles of line operated; or
2. 1937 Act Computations: gross receipts within the City multiplied by 1%.

Refuse & Recycling franchise fee calculations include complex calculations based on a variety of basis such as per ton or percent of gross receipts between 10–12%. Most of the fees are adjusted annually by CPI.

Cannabis Business Tax. The City levies a tax on gross receipts from sales of cannabis within the City equal to 6% (the “**Cannabis Tax**”). The Cannabis Tax (up to 10% on gross receipts from sales of cannabis) was approved a majority of the voters in the City on November 6, 2016 pursuant to Measure NN. On December 19, 2016, the City Council adopted Ordinance No. 2016-024, which amended the City’s Municipal Code to include the Cannabis Tax. The City projects that revenues from the Cannabis Tax totaled approximately \$500,000 for fiscal year 2017-18. The Cannabis Tax is not subject to a sunset date.

Parking and Warehouse Taxes. The City levies a tax on gross receipts from parking lots of 10% and a business tax of \$100 per 1,000 square feet of warehouse within the City (collectively, the “**Parking and Warehouse Taxes**”). The Parking and Warehouse Taxes were approved a majority of the voters in the City on November 6, 2016 pursuant to Measure OO. On December 19, 2016, the City Council adopted Ordinance No. 2016-025, which amended the City’s Municipal Code to include the Parking and Warehouse Taxes. The City projects that revenues from the Cannabis Tax totaled approximately \$500,000 for fiscal year 2017-18. Parking and Warehouse Taxes are not subject to a sunset date.

Collectively, revenues attributable to the increase in the TOT Tax approved pursuant to Measure PP, and the revenues from the Cannabis Tax and the Parking and Warehouse Taxes approved pursuant to Measures NN and OO, respectively, are anticipated to generate an additional \$2 million in revenues for the City each fiscal year commencing fiscal year 2017-18.

General Fund Obligations

The following table shows the long–term obligations payable from the City’s General Fund, excluding the 2018 Bonds, followed by summary descriptions of each issuance.

**TABLE 16
CITY OF SAN LEANDRO
LONG–TERM GENERAL FUND DEBT OBLIGATIONS**

Obligation	Original Principal Amount	Interest Rate Range	Amount Outstanding as of 6/30/2018 (2)	Final Maturity
2012 Pension Obligation Bonds (1)	18,305,000	1.14% to 5.54%	\$11,625,000	2024
2013 Refunding Lease Revenue Bonds (1)	883,000	2.00% to 5.00%	7,275,000	2028
BofA Equipment Lease	5,409,045	Fixed at 2.10%	5,254,715	2032
2016 Bonds	\$14,125,000	2.0% to 5.0%	13,220,000	2030

(1) Interest payable on each June 1 and December 1; principal payments payable annually on December 1.

(2). Unaudited.

Source: City of San Leandro.

Below is a summary of the long-term obligations payable from the City's General Fund as of June 30, 2018:

2012 Pension Obligation Bonds. In 2012, the City issued \$18,305,000 principal amount of 2012 Taxable Pension Obligation Bonds (the "**2012 POBs**"). The purpose of the 2012 POBs was to save the City money by causing the interest rate of such bonds, together with the cost of their issuance, to be significantly less than the interest rate the CalPERS had charged to amortize the City's public safety side fund (which was, at the time of calculation of interest rate savings, 7.75%), and which side fund was distinct from the City's other CalPERS plans. Principal is due annually on the 2012 POBs on December 1, and the interest is due semi-annually on June 1 and December 1, through June 2024. The interest rates for the 2012 POBs vary from 1.14% to a maximum of 5.54%. Debt service is payable from any available City resources. The 2012 POBs were outstanding in the total principal amount of \$11,625,000 as of June 30, 2018.

2013 Refunding Lease Revenue Bonds. In 2013, the City issued \$8,883,000 principal amount of 2013 Refunding Lease Revenue Bonds (the "**2013 Bonds**"). The purpose of the 2013 Bonds was to refund and retire the City's certificates of participation issued in 2001 and 2003. The 2013 Bonds bear interest rates ranging from 2.0% to 5.00% and are payable semiannually on each June 1 and December 1. Principal payments are payable annually on December 1. The 2013 Bonds were outstanding in the total principal amount of \$7,275,000 as of June 30, 2018.

BofA Equipment Lease. As previously described, in 2016, the City entered into the BofA Equipment Lease to finance certain personal property in the total aggregate amount of approximately \$5.4 million, of which \$5,254,715 was outstanding as of June 30, 2018. The equipment financed was generally for energy efficiency improvements to public buildings throughout the City, including the Lease Property. The interest rate is 2.10% payable semi-annually on January 21 and July 21, commencing January 21, 2017, through July 21, 2032.

2016 Bonds. As previously described, the 2018 Bonds are secured solely by Revenues and certain funds and accounts held under the Indenture on a parity with the 2016 Bonds. The 2016 Bonds bear interest rates ranging from 2.0% to 5.0% and are payable semiannually on each May 1 and November 1. The 2016 Bonds are currently outstanding in the aggregate principal amount of \$12,345,000 and mature on November 1, 2029.

See also "APPENDIX A – AUDITED FINANCIAL STATEMENTS OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2017, Note 7" for additional information about the City's long-term General Fund obligations.

Estimated Direct and Overlapping Bonded Debt

The estimated direct and overlapping bonded debt of the City as of September 1, 2018 is set forth below.

**TABLE 17
CITY OF SAN LEANDRO
DIRECT AND OVERLAPPING BONDED DEBT
as of September 1, 2018**

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>As of 9/1/2018</u>
Alameda County	4.60%	\$11,028,000
Bay Area Rapid Transit District	1.772	14,347,175
Chabot-Las Positas Community College District	10.651	70,446,779
San Leandro Unified School District	89.117	188,379,150
San Lorenzo Unified School District	22.311	25,146,728
East Bay Regional Park District	2.806	5,038,313
City of San Leandro Cherrywood Community Facilities District	100.000	2,450,000
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		\$316,836,145
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
Alameda County General Fund Obligations	4.60%	\$41,590,838
Alameda County Pension Obligation Bonds	4.595	410,670
Alameda-Contra Costa Transit District Certificates of Participation	5.440	623,696
San Leandro Unified School District Certificates of Participation	89.117	4,037,000
San Lorenzo Unified School District Certificates of Participation	22.311	2,299,149
City of San Leandro General Fund Obligations	100.000	25,593,766 (2)
City of San Leandro Pension Obligation Bonds	100.000	11,625,000
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$86,180,119
<u>OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):</u>		
San Leandro Tax Allocation Bonds	100.000%	\$13,415,000
Alameda County – San Leandro Tax Allocation Bonds	56.718	10,810,451
TOTAL OVERLAPPING TAX INCREMENT DEBT		\$24,225,451
COMBINED TOTAL DEBT		\$427,241,715 (2)
<u>Ratios to 2018-19 Assessed Valuation:</u>		
Total Overlapping Tax and Assessment Debt.....	2.38%	
Total Direct Debt (\$37,218,766).....	0.28%	
Combined Total Debt	3.21%	
<u>Ratios to Redevelopment Successor Agency Incremental Valuation (\$3,014,705,950):</u>		
Total Overlapping Tax Increment Debt	0.80%	

(1) The secured assessed values within the City for fiscal year 2018-19 totaled \$13,315,574,856.

(2) Excludes the 2018 Bonds.

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

Source: California Municipal Statistics, Inc.

Risk Management

The City uses a program of self-insurance for workers' compensation and general liability claims to minimize losses. The City also participates in a multi-agency joint powers authority to provide excess insurance coverage for liability coverage. The multi-agency joint powers authority and the City rely on estimates prepared by professional actuaries to set aside funds adequate to meet potential future losses. See "APPENDIX A – AUDITED FINANCIAL

STATEMENTS OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2017, Note 11” for additional information about the City’s risk management practices.

Employee Retirement System

This caption contains certain information relating to CalPERS. The information is primarily derived from information produced by CalPERS, its independent accountants and actuaries. The City has not independently verified the information provided by CalPERS and makes no representations and expresses no opinion as to the accuracy of the information provided by CalPERS.

The comprehensive annual financial reports of CalPERS are available on its Internet website at www.calpers.ca.gov. The CalPERS website also contains CalPERS’ most recent actuarial valuation reports and other information concerning benefits and other matters. Such information is not incorporated by reference in this Official Statement. None of the Authority, City or Underwriter can guarantee the accuracy of such information. Actuarial assessments are “forward-looking” statements that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or may be changed in the future. Actuarial assessments will change with the future experience of the pension plans.

CalPERS Plan Description. All qualified permanent employees are eligible to participate in the City’s defined benefit pension plans (collectively, the “**Plans**”), which consist of a Miscellaneous plan (all other agent multiple–employer plan) (the “**Miscellaneous Plan**”) and a Safety cost–sharing multiple–employer plan (the “**Safety Plan**”)

CalPERS Benefits Provided. CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non–duty disability after 10 years of service. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

The provisions and benefits of the Miscellaneous Plan in effect at June 30, 2017, are summarized on the following page.

	Miscellaneous Plan		
	Tier 1 – Classic PERS Members	Tier 2 –Classic PERS Members	Tier 3 – New PERS Members
Hire Date	Prior to May 6, 2010	On or after May 6, 2010 to January 1, 2013	On or after January 1, 2013
Benefit formula	2.5% @ 55	2% @ 55	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Retirement age	55	55	62
Monthly benefits, as a % of eligible compensation	2.000% – 2.500%	1.426% – 2.418%	1.000% – 2.500%
Required employee contribution rates	8.000%	7.000%	6.750%
Required employer contribution rates	29.404%	29.404%	29.404%

Source: City of San Leandro Comprehensive Annual Financial Report for fiscal year ended June 30, 2017.

The provisions and benefits of the Safety Plan in effect at June 30, 2017, are summarized as follows:

	Safety Plan	
	Prior to January 1, 2013	On or after January 1, 2013
Hire Date		
Benefit formula	3% @ 50	2.7% @ 57
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	50	50
Monthly benefits, as a % of eligible compensation	3%	2% – 2.7%
Required employee contribution rates	8.987%	12.250%
Required employer contribution rates	48.418%	13.242%

Source: City of San Leandro Comprehensive Annual Financial Report for fiscal year ended June 30, 2017.

City Pension Contributions. The City is required to contribute at an actuarially determined rate of annual covered payroll, plus a fixed payment of unfunded liability. The City's respective employer contribution rates as percentage of payroll for the Plans for the last four fiscal years are set forth in the following table.

Total City Contribution Rates (1)

	Fiscal Year <u>2014-15</u>	Fiscal Year <u>2015-16</u>	Fiscal Year <u>2016-17</u>	Fiscal Year <u>2017-18 (2)</u>
Miscellaneous Plan	25.24%	26.80%	29.16%	31.71%
Safety Plan	27.73	47.93	46.25	55.80

(1) The rates shown are for July 1 of each year; however it may not be the rate in effect for the complete fiscal year. Changes in plan benefits, the funding period, prepayments, or other contract changes may not be reflected in these rates.

(2) Projected as of July 1, 2017.

Source: City of San Leandro Comprehensive Annual Financial Report for fiscal year ended June 30, 2017; CalPERS Actuarial Report Dated August 2016.

The City's total contributions to each Plan for fiscal years 2014-15 through 2017-18 were as follows:

Miscellaneous Plan

<u>Fiscal Year</u>	<u>Total City Contribution</u>
2014-15	\$5,043,060
2015-16	5,638,865
2016-17	6,387,063
2017-18 (1)	

Safety Plan

<u>Fiscal Year</u>	<u>Total City Contribution</u>
2014-15	\$2,992,821
2015-16	5,482,854
2016-17	5,233,646
2017-18 (1)	

(1) Unaudited.

Source: City of San Leandro Comprehensive Annual Financial Report for fiscal year ended June 30, 2017.

The Plans continue to represent one of the most significant financial pressures on the City's General Fund. Since fiscal year 2013-14, the City has taken a number of steps to address its pension expense. In particular, in fiscal year 2013-14, all City staff agreed to make the required employee contribution for each Plan. Safety Plan participants pay the employee's required employee contribution of approximately 9% and Miscellaneous Plan participants pay the required employee contribution of approximately 8%. Additionally, Safety Plan staff commenced contributing to the employer's portion of 1% per year for three years beginning July 1, 2017, with an increase in wage rates to offset the additional contribution.

Funded Status. The following tables set forth the schedule of funding for the City's Plans for the fiscal years 2014-15 through 2016-17. *The following information was provided to the City from CalPERS and has not been reviewed for accuracy or audited by the Auditor. CalPERS is responsible for the assumptions, estimates and data that are used to create the funded ratios.*

Miscellaneous Plan

<u>Valuation Date (June 30)</u>	<u>Entry Age Normal Accrued Liability</u>	<u>Plan's Market Value of Assets</u>	<u>Unfunded Accrued Liability</u>	<u>Funded Ratio⁽¹⁾</u>
2014	\$256,461,173	\$196,388,428	\$60,072,745	76.6%
2015	265,014,124	192,726,045	\$72,288,079	72.7%
2016	275,674,397	185,715,134	89,959,263	67.4
2017	286,155,310	198,471,521	87,683,789	69.4

(1) Based on the market value of assets.

Source: CalPERS Actuarial Report Dated August 2016 and July 2018.

Safety Plan

Valuation Date (June 30)	Entry Age Normal Accrued Liability	Plan's Market Value of Assets	Unfunded Accrued Liability	Funded Ratio ⁽¹⁾
2014	\$252,152,308	\$201,529,884	\$50,622,424	79.9%
2015	258,040,481	\$194,087,607	\$63,952,874	75.2
2016	266,875,519	185,539,073	81,336,446	69.5
2017	278,981,401	195,979,963	83,001,438	70.2

(1) Based on the market value of assets.
Source: CalPERS Actuarial Report Dated August 2016 and August 2018.

The City also maintains a second safety plan applicable to PEPRAs employees (i.e., those hired on or after January 1, 2013); however, given the limited number of employees in this plan, the fiscal impact of this plan on the City's finances is de minimis.

Projected Annual Contributions. The following tables show the City's actuarially-determined required employer contribution for Fiscal Year 2019-20 and projected employer contributions for Fiscal Years 2020-21 through 2024-25 for each of the Plans and assume a 7.25% annual rate of return for Fiscal Year 2017-18. *The following information was provided to the City by PERS and has not been reviewed for accuracy or audited by the Auditor. PERS is responsible for the assumptions, estimates and data that are used to create the funded ratios.*

Miscellaneous and Safety Plans

Fiscal Year	Total City Contribution
2018-19	\$15,058,080
2019-20	17,457,165
2020-21	19,225,214
2021-22	21,053,960
2022-23	22,564,631
2023-24	23,534,482
2024-25	24,573,385

Source: PERS Actuarial Reports Dated July 2018 and August 2018.

According to PERS, due to the change in the discount rate for the next valuation in combination with the 5-year phase-in ramp, the increases in the required contributions are expected to continue for six years from Fiscal Year 2019-20 through Fiscal Year 2024-25.

Pension Expense. The City’s total pension expense for the Plans for fiscal years 2014-15, 2015-16 and 2016-17 was as follows:

Miscellaneous and Safety Plans

<u>Fiscal Year</u>	<u>Total Pension Expense</u>
2014-15	\$2,169,095
2015-16	4,707,418
2016-17	8,187,300

Source: City of San Leandro Comprehensive Annual Financial Report for fiscal years ended June 30, 2015, 2016 and 2017.

Statement No. 68, *Accounting and Financial Reporting for Pensions*, promulgated by the Governmental Accounting Standards Board, revises and establishes new financial reporting requirements for most state and local governments that provide their employees with pension benefits. Statement 68 replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* and Statement No. 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. Among other things, Statement 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. Statement 68 took effect for governments (including the City) in Fiscal Years beginning after June 15, 2014 (that is, for fiscal years ended June 30, 2015 or later). The City’s total pension expense for the Plans for Fiscal Years 2014-15 through 2017-18 as shown in the previous table was calculated in accordance with Statement No. 68.

Recent CalPERS Actions. On November 18, 2015, the CalPERS’ Board of Administration (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. CalPERS 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 CalPERS’ web site at the following website address: <https://www.calpers.ca.gov/page/newsroom/calpers-news/2015/adopts-funding-risk-mitigation-policy>. *The reference to this Internet website is provided for reference and convenience only. The information contained within the website may not be current, has not been reviewed by the City and is not incorporated in this Official Statement by reference.*

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

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

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

On February 13, 2018, the Board of Administration voted to shorten the period over which CalPERS will amortize actuarial gains and losses from 30 years to 20 years for new pension liabilities, effective for the June 30, 2019 actuarial valuations. Amortization payments for all unfunded accrued liability bases will be computed to remain a level dollar amount throughout the amortization period, and certain 5-year ramp-up and ramp-down periods will be eliminated. As a result of the shorter amortization period and elimination of certain 5-year ramp-up and ramp-down periods, the contributions required to be made by employers, including the City with respect to the Plans, are anticipated to increase beginning in fiscal year 2020-21.

See also "APPENDIX A – AUDITED FINANCIAL STATEMENTS OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2017 Note 13" for additional information relating to the City's retirement plans.

Other Post–Employment Retirement Benefits

City Plan Description. The City's defined benefit OPEB Plan is a single–employer defined benefit healthcare plan for all permanent general and public safety employees. Retirees who have at least 5 years of service and meet certain criteria based upon retirement date, household income in the most recent calendar year and age are entitled to reimbursements for qualified expenses.

Annual maximum reimbursement amounts differ depending on when an employee retired from City service. The majority of retirees may be eligible for a maximum of \$4,320 in annual reimbursements. Amendments to benefit provisions are negotiated by various bargaining units at the City and must be approved by the City Council. In fiscal year 2008–09, the City established an irrevocable exclusive agent multi–employer benefit trust (the "**OPEB PARS Trust**") which is administered by PARS. The PARS Trust is used to accumulate and invest assets necessary to reimburse retirees. As of September 30, 2018, the balance in OPEB PARS Trust was approximately \$16 million. Separate financial reports are issued by PARS for the OPEB Plan. The report issued by PARS can be obtained by writing to PARS at 5141 California Avenue, Suite 150, Irvine, CA. 92617, or by calling 800–540–6369. *The references to this*

address and telephone number are provided for reference and convenience only; the reports are issued by PARS for the OPEB Plan are not incorporated herein by reference.

Funding Policy and Actuarial Assumptions. The City’s annual required contribution (“ARC”) with respect to the OPEB Plan was determined as part of a June 30, 2017 actuarial valuation, using the entry-age normal cost method. The actuarial assumptions included: (a) 5.5% investment rate of return (net of administrative expenses), (b) inflation rate of 3.0%, (c) projected annual salary increase of 3.00%, and (d) medical plan premium cost will decrease to an ultimate rate of 5% by 2019. The City’s unfunded actuarial accrued liability is amortized on a level dollar basis over a closed period of 23 years.

Actuarial valuations of an ongoing OPEB plan involve estimates of the value of expected benefit payments and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the OPEB Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Funding Progress and Funded Status. Generally accepted accounting principles permit contributions to be treated as OPEB assets and deducted from the Actuarial Accrued Liability when such contributions are placed in an irrevocable trust or equivalent arrangement or made by implicate rate subsidies.

The annual OPEB costs and actual contributions for the last four fiscal years are set forth on the following table:

Fiscal Year Ended	Annual OPEB Cost	Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2014	\$1,471,000	\$1,980,000	135%	\$(509,000)
June 30, 2015	1,378,000	2,575,668	187	(1,197,668)
June 30, 2016	960,480	2,616,649	272	(1,656,169)
June 30, 2017	897,514	7,788,327	868	(6,890,813)
Total Net OPEB Obligation				\$(8,124,651)

Source: City of San Leandro Comprehensive Annual Financial Report for fiscal year ended June 30, 2017.

As of June 30, 2017, the latest valuation date, the funded status of the OPEB Plan, was as follows:

Actuarial accrued liability (AAL)	\$16,181,981
Actuarial value of plan assets	\$13,665,308
Unfunded actuarial accrued liability (UAAL)	\$2,516,673
Funded ratio (actuarial value of plan assets/AAL)	84%
Covered payroll (active plan members)	\$30,080,047
UAAL as percentage of covered payroll	8.40%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future.

Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Net OPEB Liability. As of June 30, 2017, the City's net OPEB liability totaled approximately \$5 million calculated as follows:

Total Liability	\$18,835,515
Plan Fiduciary Net Position	(13,665,308)
City's Net OPEB Liability	<u>\$5,170,207</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	72.55%

See "APPENDIX A – AUDITED FINANCIAL STATEMENTS OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2017 Note 14" for additional information relating to the City's OPEB Plan.

Investment Policies and Procedures

The City maintains a cash and investment pool, which includes cash balances and authorized investments of all funds, which the Finance Director invests to enhance interest earnings. The pooled interest earned is allocated to the funds based on average daily cash and investment balance in these funds. The City invests its funds in accordance with the City's Investment Policy (the "**Investment Policy**"), which is subject to annual review and approval by the City Council. The purpose of the Investment Policy is to establish the investment goals of safety, liquidity, and yield (in that order). The City's Investment Policy complies with the provisions of the California Government Code, Sections 53600 through 53659 (the authority governing investments for municipal governments in the State). The Investment Policy limits the City to investments authorized by State law. In addition, the Investment Policy establishes further guidelines.

The overall strategy of the Investment Policy is to earn a maximum rate of return, while preserving capital and sufficient liquidity to meet operating cash requirements. This is accomplished by maintaining a portfolio of allowable investment instruments that have acceptable credit quality standards with maturities matching expected cash needs. The City does not actively trade securities in the open market. The City utilizes a "buy and hold" approach, which means that it holds securities until maturity unless they are called prior to their scheduled maturity dates by the issuing entity.

The City Council reviews quarterly investment reports. According to the report for the quarter ended June 30, 2018, the City has invested funds as set forth in the table below. There has been no material change to the amounts of invested funds shown on the following table as of the date hereof.

**TABLE 18
CITY OF SAN LEANDRO
INVESTMENT PORTFOLIO
As of June 30, 2018 (1)**

	Market Value	Cost	% of Portfolio (2)
Federal Agency Securities	\$18,225,358	\$18,438,667	12.4%
Money Market Fund	14,930,760	14,930,760	10.1
U.S. Treasury Notes	23,835,115	24,012,489	16.2
Local Agency Investment Fund	61,435,899	61,435,899	41.7
Medium-Term Notes	17,094,432	17,338,832	11.6
Supranationals	5,712,042	5,797,006	3.9
Held by fiscal agent:			
U.S. Treasury Money Market Funds	5,993,542	5,993,542	4.1
TOTAL	147,227,148	147,947,195	100.0

(1) Most recent report available.

(2) Market value of assets used.

Source: *City of San Leandro*.

City Economic and Demographic Information

Employment and Industry. The City has a diverse economy, with its business community comprised of a varied collection of businesses ranging from neighborhood coffee houses and fine restaurants, large food processing centers, and regional shopping opportunities, to cutting edge technology companies. While the economic base has dramatically changed from its agricultural early years, the City continues to expand on its sound business base with the ongoing development of such projects.

The unemployment rate in the Oakland–Hayward–Berkeley Metropolitan Division, of which the City is a part, was 3.1 percent in August 2018, down from a revised 3.2 percent in July 2018, and below the year–ago estimate of 4.0 percent. This compares with an unadjusted unemployment rate of 4.3 percent for California and 3.9 percent for the nation during the same period. The unemployment rate was 3.1 percent in the County, and 3.2 percent in Contra Costa County in August 2018. The City has also placed a strong priority on maintaining its industrial base – over 20% of the City’s land area is zoned industrial – to take advantage of its close proximity to the Port of Oakland, Oakland Airport and two major highways.

San Leandro is also a net importer of sales tax revenue, due to the presence of its thriving regional shopping centers and the San Leandro Marina Auto Mall. In order to increase the local tax base, the Former Agency and a large number of local and regional car dealerships created the Marina Auto Mall, taking advantage of a convenient location and access to Interstate 880. The Marina Auto Mall consists of approximately 12 dealerships, and it has benefitted from industry consolidation and remained almost completely occupied with a Mazda dealership anticipated to open in 2019. Efforts to revitalize the downtown area of the City have also begun to bear fruit, as major infrastructure upgrades and a branding and marketing program are bringing new retail activity to the City’s historic core.

The following table shows civilian labor force and wage and salary employment data for the San Leandro Metropolitan Statistical Area, which is within the County, for the past five available calendar years.

TABLE 19
OAKLAND–HAYWARD–BERKELEY METROPOLITAN DIVISION
ALAMEDA, ALAMEDA COUNTIES
CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
(Annual Averages)

	2013	2014	2015	2016	2017
Civilian Labor Force ⁽¹⁾	538,000	540,900	547,500	557,000	563,800
Employment	497,700	507,500	520,000	532,200	542,300
Unemployment	40,300	33,400	27,500	24,800	21,600
Unemployment Rate	7.5%	6.2%	5.0%	4.5%	3.8%
<u>Wage and Salary Employment:</u> ⁽²⁾					
Agriculture	800	800	700	800	800
Mining, Logging, and Construction	21,700	21,800	22,800	24,900	25,400
Manufacturing	8,700	9,200	9,600	10,400	10,600
Wholesale Trade	41,100	41,600	42,300	43,200	43,100
Retail Trade	8,900	9,600	10,600	11,200	11,600
Transportation, Warehousing, Utilities	8,600	8,300	8,300	8,000	8,000
Information	18,700	18,200	19,400	20,000	20,200
Finance and Insurance	6,600	6,800	6,900	6,900	7,100
Real Estate and Rental and Leasing	52,100	53,200	50,900	52,000	54,400
Professional and Business Services	59,500	61,500	64,100	67,400	69,200
Educational and Health Services	35,400	36,300	38,300	40,100	40,800
Leisure and Hospitality	12,100	12,500	12,700	12,900	13,000
Other Services	4,500	4,500	4,700	4,800	4,800
Federal Government	1,300	1,300	1,400	1,400	1,400
State Government	42,500	43,400	43,300	43,700	44,200
Local Government	800	800	700	800	800
Total, All Industries ⁽³⁾	337,800	344,200	350,800	362,400	370,100

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

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

(3) Totals may not add due to rounding.

Source: State of California Employment Development Department.

Major Employers. Shown below are the principal employers in the City, as of June 30, 2017.

**TABLE 20
CITY OF SAN LEANDRO
PRINCIPAL EMPLOYERS
As of June 30, 2017**

<u>Business Name</u>	<u>Number of Employees</u>	<u>Percent of Total Employment</u>
Kaiser Permanente	3,400	7.14%
Alameda Health System**	1,468	3.08
San Leandro Unified School District*	1,179	2.48
Walmart (2 locations)	843	1.77
Ghirardelli Chocolate Co.	516	1.08
Paramedics Plus LLC	495	1.04
Peterson Cat	487	1.02
Safeway (4 locations)	436	0.92
City of San Leandro*	425	0.89
Costco Wholesale	415	0.87

* Includes full and part-time employees.

** Includes part-time and substitutes.

Source: City of San Leandro, Comprehensive Annual Financial Report for fiscal year ended June 30, 2017.

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, the County, the State and the United States for the calendar years 2013 through 2017, which is the last year for which such information is available.

TABLE 21
CITY, COUNTY, STATE AND UNITED STATES
EFFECTIVE BUYING INCOME
As of January 1, 2013 through 2017

Year	Area	Total Buying Income (000's Omitted)	Effective Income	Median Household Effective Buying Income
2013	City of San Leandro	\$1,946,680		\$49,747
	Alameda County	43,770,518		57,467
	California	858,676,636		48,340
	United States	6,982,757,379		43,715
2014	City of San Leandro	\$2,072,030		\$52,266
	Alameda County	47,744,408		60,575
	California	901,189,699		50,072
	United States	7,357,153,421		45,448
2015	City of San Leandro	\$2,274,225		\$55,822
	Alameda County	52,448,661		64,030
	California	981,231,666		53,589
	United States	7,757,960,399		46,738
2016	City of San Leandro	\$2,480,266		\$60,205
	Alameda County	56,091,066		67,631
	California	1,036,142,723		55,681
	United States	8,132,748,136		48,043
2017	City of San Leandro	2,603,799		61,680
	Alameda County	61,987,949		73,633
	California	1,113,648,181		59,646
	United States	8,640,770,229		50,735

Source: The Nielsen Company (US), Inc.

Building Permit Activity. Provided below are the building permits and valuations for the City of San Leandro for calendar years 2013 through 2017, which is the last year for which such information is available.

**TABLE 22
CITY OF SAN LEANDRO
TOTAL BUILDING PERMIT VALUATIONS
(Valuations in Thousands)**

<u>Permit Valuation</u>	2013	2014	2015	2016	2017
New Single-family	\$897.1	\$365.9	\$0.0	\$1,063.1	\$0.0
New Multi-family	0.0	18,075.1	0.0	0.0	0.0
Res. Alterations/Additions	<u>12,935.8</u>	<u>8,843.6</u>	<u>2,365.9</u>	<u>3,599.6</u>	<u>5,881.2</u>
Total Residential	\$13,832.9	\$27,284.60	\$2,365.9	\$4,662.7	\$5,881.2
New Commercial	\$3,266.4	\$6,021.3	\$14.0	\$10.1	\$40.0
New Industrial	74.5	33,182.0	0.0	0.0	0.0
New Other	732.0	5,826.8	207.2	53.9	3,133.6
Com. Alterations/Additions	<u>28,855.9</u>	<u>23,028.6</u>	<u>2,066.6</u>	<u>1,128.0</u>	<u>6,306.4</u>
Total Nonresidential	\$32,928.8	\$68,058.7	\$2,287.8	\$1,192.0	\$9,480.0
New Dwelling Units					
Single Family	2	1	0	2	0
Multiple Family	<u>0</u>	<u>115</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	2	116	0	2	0

Source: Construction Industry Research Board, Building Permit Summary for Calendar Years 2013 through 2017.

Community Facilities. The City is home to over 50 City facilities, including five fire stations, the Marina Community Center, the Civic Center, a Senior Community Center, the Casa Peralta/History Museum, a Public Works Service Center, the Main Library (i.e. the Leased Property) and three outlying branch libraries, the Marina’s Harbor Master Office, a Water Pollution Control Plant, a Boys and Girls Club, the Farrelly Pool and the San Leandro Family Aquatic Center. The City maintains more than 15 City parks, which total approximately 101 acres. Additionally, the City is responsible for the day-to-day operation and maintenance of the San Leandro Marina, the Monarch Bay Golf Club and 315 acres of dedicated shoreline marshlands.

In addition, several medical facilities are located in the City, including the San Leandro Hospital, the City’s full service hospital, and the Kaiser Permanente Hayward Hospital. Kaiser Permanente worked with the City for several years to develop this Kaiser hospital complex, which opened in 2014 and replaced the Kaiser Permanente Hayward Hospital. The Kaiser Permanente Hayward Hospital includes acute care beds, operating rooms, 24-hour emergency services with treatment rooms and a newborn intensive care nursery. In addition, a medical office building houses offices for primary care and specialty physicians, an outpatient procedure suite, a pharmacy, a laboratory and radiology services.

Education. The City is served by two school districts. The San Leandro Unified School District is composed of 12 public schools consisting of eight elementary schools, two middle schools, one continuation high school, and one comprehensive high school. The San Lorenzo Unified School District also serves a portion of San Leandro students at two elementary schools, one middle school, and one high school. San Leandro also has a number of parochial schools located within the city and in adjacent communities. Higher education opportunities are available nearby at some of the nation's best educational institutions. These include the University of California at Berkeley, Stanford University in Stanford, California State University East Bay in Hayward, and Chabot Community College in Hayward.

Transportation. Interstate Highway 580 (east–west), Interstate Highway 680 (north–south) and Highway 61 run in close proximity the City, and provide it access to the nearby cities of Oakland, San Francisco, Sacramento, San Jose, and the Central Valley of the State.

The City is located seven miles from the Oakland International Airport, 35 miles from San Jose Municipal Airport and 25 miles from San Francisco International Airport. Deep–water shipping facilities are available at the Port of Oakland and the Port of San Francisco, 10 miles and 20 miles from the City, respectively.

A.C. Transit provides regional bus service and connects with the Greyhound Terminal and two San Leandro Bay Area Rapid Transit (“**BART**”) stations. Two BART stations in the City connect it with San Francisco and cities in four county areas. San Leandro LINKS is a shuttle bus program for transporting employees in west San Leandro to and from the Downtown BART station. Three nearby international airports link San Leandro residents and businesses with every destination in the world. Oakland International Airport is just minutes away. The Port of Oakland, one of the West Coast's largest containerized cargo shipping facilities, is just 10 miles north of San Leandro. The Port's deep-water container terminal is the fourth largest and busiest in the nation, one of the top 40 container ports globally, and is served by over 35 shipping lines. San Leandro's prime location in the Bay Area benefits both the residents and the business community.

Development Projects Within the City. There are a number of recently completed and currently ongoing development projects in the City. Some of these include the following developments:

- *San Leandro Tech Campus:* Phase I of the San Leandro Tech Campus project was completed in the fall of 2016 consisting of OSIsoft's 133,000 square foot state-of-the art office building and 780 space parking garage. The San Leandro Tech Campus project is a multi-phase project on the site of the former Del Monte cannery, near Downtown San Leandro BART station. Phase 2 of the project is underway, which is anticipated to add two six-story buildings with over 350,000 sq. ft. Future phases are planned. The City cannot provide any assurance when Phase 2 or future phases of this project will be completed, if ever.
- *San Leandro Business Center:* Trammel Crow is redeveloping the former 30 acre site of Kraft Foods/Yuban Coffee plant (which operated from 1949 to 2015) into a business campus for warehouse, office, industrial and research uses. In totoal, this project is anticipated to consist of 3 buildings totaling 535,000 square fee of Class A industrial space.

- *Expansion of Craft Breweries:* Craft breweries such as Sons of Liberty Alehouse, 21st Amendment, Drake's and Cleophus Quealy have opened in the City.
- *Torani Headquarters:* Torani, the manufacturer of flavored syrups, relocated its corporate headquarters from San Francisco to the Gateway Industrial Center in the City. Its new headquarters consist of 330,000 square feet of a manufacturing, distribution and showroom on site of the former Georgia-Pacific Plant.
- *Frian Headquarterst:* Friant, a manufacturer of custom furniture, opened its corporate headquarters in a new building on site of the former Sears warehouse.
- *Shoreline Development Project:* The Shoreline Development Project consists of the development of 75-acres (52-acres of land and 23-acres of water). It is planned to include a 200-room hotel, 354 housing untis, a 150,000 square foot office campus and restaurants. The City cannot provide any assurance when the Shoreline Development Project will be completed, if ever.

Lit San Leandro. On October 17, 2011, the City Council unanimously approved a license agreement with San Leandro Dark Fiber ("**SLDF**") allowing installation of a fiber optic loop, known as "Lit San Leandro," through several areas of the City using existing conduit. The City's private partner in creating both San Leandro Dark Fiber and Lit San Leandro is Dr. Patrick Kennedy, CEO and Founder of OSIssoft, the City's largest tech company. Now known as "Phase I" of the expanding Lit San Leandro fiber optic loop, Lit San Leandro provided the opportunity to revolutionize the City's infrastructure, providing the City with the opportunity to become a major player in advanced manufacturing, gigabit technologies, software development and clean/green/energy technologies.

The first businesses began to be connected to Lit San Leandro early in 2012 and the vast majority of the fiber optic loop was installed by August 2012. In December 2012, the City of San Leandro won a \$2.12 million matching federal grant from the U.S. Economic Development Administration to expand the fiber optic loop for businesses, offering data transmission speeds of 10 gigabits per second, which is 2,000 times faster than the average U.S. connection. This grant money leveraged City resources to expand the fiber optic conduit by adding 7 miles to the original 11-mile loop. Over 150 San Leandro companies and non-profits have connected to Lit San Leandro and the City provided \$90,000 in forgivable loans to 11 businesses and non-profits to finance the connection to Lit San Leandro.

A key element of the expansion proposal is connection to the City's Shoreline Development project. Fiber optics Conduit has been installed to the site of the planned future mixed-use development project and will enhance the City's ability to attract a premium, high-tech tenant to the office component of the larger mixed use project. Additionally, Phase I of the San Leandro Tech Campus, now under completion, connected to the internet via Lit San Leandro's 10 gbps connection. Phase II of the San Leandro Tech Campus is nearing completion. Together, over 750,000 square-feet of Class A, LEED rated commercial office space, and an 850 space parking garage are now connected to Lit San Leandro, providing the fast speeds demanded by modern tech companies. A residential development is also planned near the Tech Campus.

SLDF owns the fiber that occupies the City's conduit. In exchange for this business relationship, the City receives 30 strands of fiber unrestricted to use throughout the original and expanded network. Within the expansion conduit, the City receives an additional 42 strands of

fiber “solely for internal communication needs and public projects”. These additional 42 strands cannot be used for resale or other commercial ventures other than with SLDF.

In 2015, the City signed a License Agreement with the San Leandro Unified School District to provide, at no cost to the District, four fibers to connect all 17 school sites to a dedicated, ubiquitous, synchronous 10 gbps connection to the internet – the fastest speeds commercially available in the United States. Construction was completed in August 2016, just in time to launch each school’s 10 gbps connection at the start of the 2016–17 school year.

The City–owned strands provide San Leandro with a unique infrastructure tool, in line with Tier 1 cities across the United States that have access to a fiber optic network for their community, cities like Chattanooga, Tennessee; Kansas City, Missouri; Austin, Texas; Cleveland, Ohio; Burlington VT. These are just a few of the cities across the United States developing a “Smart City” vision of modern urban development that includes integration of multiple information and communication technology solutions in a secure fashion to manage a city’s assets.

These assets can include, but are not limited to information systems, transportation, libraries, hospitals, power, education, etc. For example, the new LED lights have been installed with a wireless transmitter on top of each pole, sending data to Public Works Department that informs them of the operating status of each street light. Inoperable lights will be replaced more quickly, the new lights cost less to operate and are brighter, improving service to the San Leandro Community. To build on these successes, the San Leandro City Council recently adopted a Fiber Optic Master Plan and Smart City Strategy to guide future expansions and implementation of smart city technologies, which utilize the fiber network.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

The ability of the City to raise fees, taxes and other revenues is limited. Following is a description of certain constitutional limitations on taxes and appropriations applicable to the City. For a description of other factors relating to the revenues of the City, see "THE CITY AND CITY FINANCIAL INFORMATION" herein.

Article XIII A of the State Constitution

Section 1(a) of Article XIII A of the State Constitution limits the maximum ad valorem tax on real property to 1% of full cash value (as defined in Section 2 of Article XIII A), to be collected by counties and apportioned according to law. Section 1(b) of Article XIII A provides that the 1% limitation does not apply to ad valorem taxes to pay interest or redemption charges on (1) indebtedness approved by the voters prior to June 1, 1978 or (2) any bonded indebtedness for the acquisition or improvement of real property approved on or after June 1, 1978, by two thirds of the votes cast by the voters voting on the Proposition. Section 2 of Article XIII A defines "full cash value" to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under 'full cash value' or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment." The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or to reflect a reduction in the consumer price index or comparable data for the area under taxing jurisdiction or 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 XIII A provides that notwithstanding any other law, local agencies may not levy any ad valorem property tax except to pay debt service on indebtedness approved by the voters as described above.

The voters of the State subsequently approved various measures that further amended Article XIII A. One such amendment generally provides that the purchase or transfer of (i) real property between spouses or (ii) the principal residence and the first \$1,000,000 of the full cash value of other real property between parents and children, does not constitute a "purchase" or "change of ownership" triggering reassessment under Article XIII A. This amendment could serve to reduce the property-tax revenues of the City. Other amendments permitted the State Legislature to allow persons over 55 or "severely disabled homeowners" who sell their residences and buy or build another of equal or lesser value within two years in the same county, to transfer the old residence's assessed value to the new residence.

In the November 1990 election, the voters approved the amendment of Article XIII A to permit the State Legislature to exclude from the definition of "newly constructed" the construction or installation of seismic retrofitting improvements or improvements utilizing earthquake hazard mitigation technologies constructed or installed in existing buildings after November 6, 1990.

Article XIII A has also been amended to permit reduction of the "full cash value" base in the event of declining property values caused by damage, destruction or other factors, provided that there would be no increase in the "full cash value" base in the event of reconstruction of property damaged or destroyed in a disaster.

Article XIIB of the State Constitution

Article XIIB of the State Constitution limits the annual appropriations of the State and of any city, county, school district, special district, authority or other political subdivision of the State to the appropriations limit for the prior fiscal year, as adjusted for changes in the cost of living, population and services for which the fiscal responsibility is shifted to or from the governmental entity. The “base year” for establishing this appropriations limit is the 1978–79 fiscal year. The appropriations limit may also be adjusted in emergency circumstances, subject to limitations.

Appropriations of an entity of local government subject to Article XIIB generally include authorizations to expend during a fiscal year the “proceeds of taxes” levied by or for the entity, exclusive of certain State subventions, refunds of taxes, and benefit payments from retirement, unemployment insurance and disability insurance funds. “Proceeds of taxes” include but are not limited to, all tax revenues, certain State subventions received by the local governmental entity and the proceeds to the local governmental entity from (1) regulatory licenses, user charges, and user fees (to the extent that such proceeds exceed the cost of providing the service or regulation) and (2) the investment of tax revenues. Article XIIB provides that if a governmental entity’s revenues in any year exceed the amounts permitted to be spent, the excess must be returned by revising tax rates or fee schedules over the subsequent two fiscal years.

Article XIIB does not limit the appropriation of moneys to pay debt service on indebtedness existing or authorized as of January 1, 1979, or for bonded indebtedness approved thereafter by a vote of the electors of the issuing entity at an election held for that purpose, or appropriations for certain other limited purposes. Furthermore, Article XIIB was amended in 1990 to exclude from the appropriations limit “all qualified capital outlay projects, as defined by the Legislature” from proceeds of taxes. The Legislature has defined “qualified capital outlay project” to mean a fixed asset (including land and construction) with a useful life of 10 or more years and a value which equals or exceeds \$100,000. As a result of this amendment, the appropriations to pay the lease payments on the City’s long term General Fund lease obligations are generally excluded from the City’s appropriations limit.

Articles XIIC and XIID of the State Constitution

On November 5, 1996, the voters of the State approved Proposition 218, known as the “Right to Vote on Taxes Act.” Proposition 218 added Articles XIIC and XIID to the California Constitution and contains a number of interrelated provisions affecting the ability of the City to levy and collect both existing and future taxes, assessments, fees and charges. The interpretation and application of Proposition 218 will ultimately be determined by the courts with respect to a number of the matters discussed below, and it is not possible at this time to predict with certainty the outcome of such determination.

Article XIIC requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the City require a majority vote and taxes for specific purposes, even if deposited in the City’s General Fund, require a two-thirds vote. Further, any general purpose tax the City imposed, extended or increased without voter approval after December 31, 1994 may continue to be imposed only if approved by a majority vote in an election that must be held before November 6, 1998. The voter-approval requirements of Article XIIC 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.

The City currently imposes the following general taxes: business–operations tax and transient–occupancy tax. Since all of these taxes were imposed before January 1, 1995, and have not been extended or increased since that date, these taxes should be exempt from the requirements of Article XIIC. Any future increases in these taxes, however, would be subject to the voter requirement of Article XIIC.

Article XIID also adds several provisions making it generally more difficult for local agencies to levy and maintain fees, charges, and assessments for municipal services and programs. These provisions include, among other things, (i) a prohibition against assessments that exceed the reasonable cost of the proportional special benefit conferred on a parcel, (ii) a requirement that assessments confer a “special benefit,” as defined in Article XIID, over and above any general benefits conferred; (iii) a majority protest procedure for assessments which involves the mailing of notice and a ballot to the record owner of each affected parcel, a public hearing and the tabulation of ballots weighted according to the proportional financial obligation of the affected parties, and (iv) a prohibition against fees and charges used for general governmental services, including police, fire and library services, where the service is available to the public at large in substantially the same manner as it is to property owners.

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIIC of the State Constitution by expanding the definition of “tax” to include “any levy, charge, or exaction of any kind imposed by a local government” except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, for performing investigations, inspections, and audits, for enforcing agricultural marketing orders, and for the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property–related fees imposed in accordance with the provisions of Article XIID. Proposition 26 provides that the 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 bears a fair or reasonable relationship to the payor’s burdens on, or benefits received from, the governmental activity.

The City does not believe that any material source of its General Fund revenue is subject to challenge under Proposition 218 or Proposition 26.

Article XIIC also removes limitations on the initiative power in matters of reducing or repealing local taxes, assessments, fees or charges. No assurance can be given that the voters of the City will not, in the future, approve an initiative or initiatives which reduce or repeal local taxes, assessments, fees or charges currently comprising a substantial part of the City’s General Fund. If such repeal or reduction occurs, the City’s operations could be adversely affected.

Proposition 62

At the November 4, 1986, general election, the voters of the State approved Proposition 62, a statutory initiative (1) requiring that any tax imposed by local governmental entities for general governmental purposes be approved by resolution or ordinance adopted by two-thirds vote of the governmental agency's legislative body and by a majority of the electorate of the governmental entity; (2) requiring that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local governmental entity be approved by a two-thirds vote of the voters within that jurisdiction; (3) restricting the use of revenues from a special tax to the purposes or for the service for which the special tax was imposed; (4) prohibiting the imposition of ad valorem taxes on real property by local governmental entities, except as permitted by Article XIII A; (5) prohibiting the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities; and (6) requiring that any tax imposed by a local governmental entity on or after August 1, 1985, be ratified by a majority vote of the electorate within two years of the adoption of the initiative or be terminated by November 15, 1988.

Following its adoption by the voters, various provisions of Proposition 62 were declared unconstitutional at the appellate court level. On September 28, 1995, however, the California Supreme Court, in *Santa Clara City Local Transportation Authority v. Guardino*, upheld the constitutionality of the portion of Proposition 62 requiring a two-thirds vote in order for a local government or district to impose a special tax and, by implication, upheld a parallel provision requiring a majority vote in order for a local government or district to impose any general tax. The *Guardino* decision did not address whether it should be applied retroactively.

In response to *Guardino*, the California Legislature adopted Assembly Bill 1362, which provided that *Guardino* should apply only prospectively to any tax that was imposed or increased by an ordinance or resolution adopted after December 14, 1995. Assembly Bill 1362 was vetoed by the Governor; hence the application of the *Guardino* decision on a retroactive basis remains unclear.

The *Guardino* decision also did not decide the question of the applicability of Proposition 62 to charter cities such as the City. Two cases decided by the California Courts of Appeals in 1993, *Fielder v. City of Los Angeles* (1993) 14 Cal.App.4th 137 (rev. den. May 27, 1993), and *Fisher v. County of Alameda* (1993) 20 Cal.App.4th 120 (rev. den. Feb. 24, 1994), held that the restriction imposed by Proposition 62 on property transfer taxes did not apply to charter cities because charter cities derive their power to enact such taxes under Article XI, Section 5, of the California Constitution relating to municipal affairs.

The City believes the taxes constituting City revenues are levied in compliance with Proposition 62.

Proposition 62, as an initiative statute, does not have the same level of authority as a constitutional initiative. It is analogous to legislation adopted by the State Legislature, except that it may be amended only by a vote of the State's electorate. However, Proposition 218, as a constitutional amendment, is applicable to charter cities and supersedes many of the provisions of Proposition 62.

Proposition 1A

Senate Constitutional Amendment No. 4 was enacted by the Legislature and subsequently approved by the voters as Proposition 1A at the November 2004 election. Among other things, Proposition 1A amended the State Constitution to reduce the Legislature's authority over local government revenue sources by placing restrictions on the State's access to local governments' property, sales and vehicle–license fee revenues as of November 3, 2004, and by providing that the State may not reduce any local sales–tax rate, limit existing local government authority to levy a sales–tax rate or change the allocation of local sales–tax revenues, subject to certain exceptions. Proposition 1A provides, however, that beginning in fiscal year 2008–09, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years. This shift of local government property tax can be accomplished if the Governor proclaims that the shift is needed due to a severe state financial hardship, the shift is approved by two–thirds of both houses and certain other conditions are met.

Proposition 22

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

Unitary Property

AB 454 (Chapter 921, Statutes of 1986) provides that revenues derived from most utility property assessed by the State Board of Equalization (“**Unitary Property**”), commencing with the 1988–89 fiscal year, are allocated as follows: (i) each jurisdiction will receive up to 102% of its prior year State–assessed revenue; and (ii) if county–wide revenues generated from Unitary Property are less than the previous year's revenues or greater than 102% of the previous year's revenues, each jurisdiction will share the burden of the shortfall or benefit of the excess revenues by a specified formula. This provision applies to all Unitary Property except railroads, whose valuation will continue to be allocated to individual tax rate areas.

The provisions of AB 454 do not constitute an elimination of the assessment of any State–assessed properties nor a revision of the methods of assessing utilities by the State Board of Equalization. Generally, AB 454 allows valuation growth or decline of Unitary Property to be shared by all jurisdictions in a county.

Future Initiatives

Article XIII A, Article XIII B and Propositions 62, 218, and Proposition 1A were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time, other initiative measures could be adopted, further affecting the City's revenues or its ability to expend revenues.

RISK FACTORS

The following describes certain special considerations and risk factors affecting the payment of and security for the 2018 Bonds. The following discussion is not meant to be an exhaustive list of the risks associated with the purchase of any Bonds and does not necessarily reflect the relative importance of the various risks. Potential investors in the 2018 Bonds are advised to consider the following special factors along with all other information in this Official Statement in evaluating the 2018 Bonds. There can be no assurance that other considerations will not materialize in the future.

Special Obligations of the Authority

The 2018 Bonds are special obligations of the Authority and are payable solely from, and secured by, a pledge of Revenues and certain funds and accounts held under the Indenture. Revenues consist primarily of Lease Payments payable by the City under the Lease. If, for any reason, the Revenues collected under the Indenture are not sufficient to pay debt service on the 2018 Bonds, the Authority will not be obligated to utilize any other of its funds, other than moneys on deposit in the Bond Fund and certain other funds and accounts established under the Indenture, to pay debt service on the 2018 Bonds. The Authority has no taxing power.

No Pledge of Taxes

General. The obligation of the City to pay the Lease Payments and Additional Rental Payments does not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation, but are payable from yearly appropriations of any funds lawfully available to the City. The obligation of the City to pay Lease Payments and Additional Rental Payments does not constitute a debt or indebtedness of the Authority, the City, the State or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

Limitations on Taxes and Fees. Certain taxes, assessments, fees and charges presently imposed by the City could be subject to the voter approval requirements of Article XIII C and Article XIII D of the State Constitution. Based upon the outcome of an election by the voters, such fees, charges, assessments and taxes might no longer be permitted to be imposed, or may be reduced or eliminated and new taxes, assessments fees and charges may not be approved. The City has assessed the potential impact on its financial condition of the provisions of Article XIII C and Article XIII D of the State Constitution respecting the imposition and increase of taxes, fees, charges and assessments and does not believe that an election by the voters to reduce or eliminate the imposition of certain existing fees, charges, assessments and taxes would substantially affect its financial condition. However, the City believes that if the initiative power was exercised so that all local taxes, assessments, fees and charges that may be subject to Article XIII C and Article XIII D of the State Constitution are eliminated or substantially reduced, the financial condition of the City, including its General Fund, could be materially adversely affected.

Although the City does not currently anticipate that the provisions of Article XIII C and Article XIII D of the State Constitution would adversely affect its ability to pay Lease Payments and its other obligations payable from its General Fund, no assurance can be given regarding the ultimate interpretation or effect of Article XIII C and Article XIII D of the State Constitution on

the City's finances. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS."

Additional Obligations of the City

The City has existing obligations payable from its General Fund. See "THE CITY AND CITY FINANCIAL INFORMATION – General Fund Obligations." The City is permitted to enter into other obligations which constitute additional charges against its revenues without the consent of Owners of the 2018 Bonds. To the extent that additional obligations are incurred by the City, the funds available to pay Lease Payments may be decreased.

The Lease Payments and other payments due under the Lease (including payment of costs of repair and maintenance of the Leased Property, taxes and other governmental charges levied against the Leased Property) are payable from funds lawfully available to the City. If the amounts that the City is obligated to pay in a fiscal year exceed the City's revenues for such year, the City may choose to make some payments rather than making other payments, including Lease Payments and Additional Rental Payments, based on the perceived needs of the City. The same result could occur if, because of State Constitutional limits on expenditures, the City is not permitted to appropriate and spend all of its available revenues or is required to expend available revenues to preserve the public health, safety and welfare.

No Reserve Account

Neither the City nor the Authority will create or maintain a debt service reserve account with respect to the Lease Payments or for the 2016 Bonds or the 2018 Bonds.

Default; No Acceleration

Whenever any event of default referred to in the Lease happens and continues, the Authority is authorized under the terms of the Lease to exercise any and all remedies available under law or granted under the Lease. See "APPENDIX B – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS" for a detailed description of available remedies in the case of a default under the Lease.

In the event of a default, there is no remedy of acceleration of the total Lease Payments due over the term of the Lease. The Trustee is not empowered to sell the Leased Property and use the proceeds of such sale to redeem the 2018 Bonds or pay debt service on the 2018 Bonds. However, under the Indenture, the Trustee is empowered to declare the principal of all of the 2018 Bonds then-outstanding, and the interest accrued thereon, to be due and payable immediately.

The City will be liable only for Lease Payments on an annual basis and, in the event of a default, the Trustee would be required to seek a separate judgment each year for that year's defaulted Lease Payments. Any such suit for money damages would be subject to limitations on legal remedies against municipalities in California, including a limitation on enforcement of judgments against funds of a fiscal year other than the fiscal year in which the Lease Payments were due and against funds needed to serve the public welfare and interest.

Abatement

Under certain circumstances related to damage, destruction or condemnation which cause a substantial interference with the use and possession of the Leased Property, the City's obligation to make Lease Payments will be subject to full or partial abatement, and this could result in the Trustee having inadequate funds to pay the principal and interest on the 2018 Bonds as and when due. See "SECURITY FOR THE 2018 BONDS – Abatement" and "APPENDIX B – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS."

Certain Risks Associated with Sales Tax and Measure HH Sales and Use Tax Revenues

For fiscal year 2016-17, sales tax (including Measure HH) revenues were the largest source of revenue to the City. Sales tax revenues are based upon the gross receipts of retail sales of tangible goods and products by retailers with taxable transactions in the City, which could be impacted by a variety of factors.

For example, before final maturity of the 2018 Bonds, the City may enter into an economic recession. In times of economic recession, the gross receipts of retailers often decline, and such a decline would cause the sales tax revenues received by the City to also decline.

In addition, changes or amendments in the laws applicable to the City's receipt of sales tax revenues, whether implemented by State legislative action or voter initiative, could have an adverse effect on sales tax revenues received by the City. For example, many categories of transactions are exempt from the statewide sales tax, and additional categories could be added in the future. Currently, most sales of food products for human consumption are exempt; this exemption, however, does not apply to liquor or to restaurant meals. The rate of sales tax levied on taxable transactions in the City or the fee charged by the State Board of Equalization for administering the City's sales tax could also be changed. See "– Property Tax Allocation by the State; Change in Law" below for further discussion.

Assessed Value of Taxable Property; Delinquent Payment of Property Taxes

Natural and economic forces can affect the assessed value of taxable property within the City. The City is located in a seismically active region, and damage from an earthquake in or near the area could cause moderate to extensive damage to taxable property. Other natural or manmade disasters, such as flood, fire, toxic dumping, coastal erosion or acts of terrorism, could cause a reduction in the assessed value of taxable property within the City. Economic and market forces, such as a downturn in the regional economy generally, can also affect assessed values, particularly as these forces might reverberate in the residential housing and commercial property markets. In addition, the total assessed value can be reduced through the reclassification of taxable property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes).

Levy and Collection. The City does not have any independent power to levy and collect property taxes. Any reduction in the tax rate or the implementation of any constitutional or legislative property tax decrease could reduce the City's property tax revenues, and accordingly, could have an adverse impact on the ability of the City to make Lease Payments. Likewise, delinquencies in the payment of property taxes could have an adverse effect on the City's ability to pay Lease Payments under the Lease when due.

Reduction in Inflationary Rate. Article XIII A of the California Constitution provides that the full cash value base of real property used in determining assessed value may be adjusted from year to year to reflect the inflationary rate, not to exceed a 2% increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. See “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS.” Such measure is computed on a calendar year basis. Because Article XIII A limits inflationary assessed value adjustments to the lesser of the actual inflationary rate or 2%, there have been years in which the assessed values were adjusted by actual inflationary rates, which were less than 2%. During the ten previous fiscal years, the inflation factor has been less than 2% on five occasions.

The City is unable to predict if any adjustments to the full cash value base of real property within the City, whether an increase or a reduction, will be realized in the future.

Appeals of Assessed Values; Delinquencies. Reductions in the market values of taxable property may cause property owners to appeal assessed values and may also be associated with an increase in delinquency rates for taxes.

No assurance can be given that property tax appeals in the future will not significantly reduce the City’s property tax revenues. There are two types of appeals of assessed values that could adversely impact property tax revenues:

Proposition 8 Appeals. Most of the appeals that might be filed in the City would be based on Section 51 of the Revenue and Taxation Code, which requires that for each lien date the value of real property must be the lesser of its base year value annually adjusted by the inflation factor pursuant to Article XIII A of the State Constitution or its full cash value, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value.

Under State law, property owners may apply for a reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board. In most cases, the appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value. These market-driven appeals are known as Proposition 8 appeals.

Any reduction in the assessment ultimately granted as a Proposition 8 appeal applies to the year for which application is made and during which the written application was filed. These reductions are often temporary and are adjusted back to their original values when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIII A.

The County Assessor has on certain occasions unilaterally reduce assessed values under Proposition 8 and did so in fiscal years 2009–10, 2010–11 and 2011–12, for example.

Base Year Appeals. A second type of assessment appeal is called a base year appeal, where the property owners challenge the original (basis) value of their property. Appeals for reduction in the “base year” value of an assessment, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. The completion date of new construction or the date of change of ownership determines the base year. Any base year appeal must be made within four years of the change of ownership or new construction date.

Decreases in the aggregate value of taxable property within the City resulting from natural disaster, reclassification by ownership or use, or as a result of the operation Proposition 8 all may have an adverse impact on the General Fund revenues available to pay Lease Payments under the Lease.

In addition, failure by large property owners to pay property taxes when due may also cause a decrease in General Fund revenues available to pay Lease Payments under the Lease when due.

See “– Natural Calamities,” and “– Hazardous Substances” below, and “THE CITY AND CITY FINANCIAL INFORMATION – Property Taxes.”

Natural Calamities

General. From time to time, the City is subject to natural calamities, including, but not limited to, earthquake, flood, wildfire, tsunami, or pipeline incident, that may adversely affect economic activity in the City, and which could have a negative impact on City finances. There can be no assurance that the occurrence of any natural calamity would not cause substantial interference to and costs for the City. In the event any such calamity were to occur within the City, the City’s ability to make Lease Payments may be materially adversely affected and, therefore, materially adversely affect the Authority’s ability to make debt service payments on the 2018 Bonds.

Seismic. The City is located in an area classified as Seismic Zone 4 by the Uniform Building Code (the “**UBC**”). The area includes all of the greater San Francisco Bay Area and all of coastal California. Seismic Zone 4 is the highest risk zone classification under the UBC.

Active earthquake faults underlie both the City and the surrounding San Francisco Bay Area. The eastern edge of the City is crossed by the Hayward Fault, creating the potential for significant damage. The city is also vulnerable to damage from earthquakes on the San Andreas Fault, located 10 miles to the west, and the Calaveras Fault, located 10 miles to the east. All such major faults have numerous fault complexes and branches. Recent significant seismic events include the 1989 Loma Prieta earthquake on the San Andreas Fault, centered about 60 miles south of San Francisco, which registered 6.9 on the Richter scale of earthquake intensity. That earthquake caused fires and collapses of and structural damage to buildings, highways and bridges in the San Francisco Bay Area.

Enforcement of the UBC by the San Leandro Building Division helps ensure that new construction will withstand the forces associated with a major earthquake. However, many of the buildings in San Leandro pre-date the modern UBC and are susceptible to damage. The City has completed a multi-year program to retrofit unreinforced masonry buildings, most of which are located in and around downtown.

Periodically, the Working Group on California Earthquake Probabilities (a collaborative effort of the U.S. Geological Survey, the California Geological Society, and the Southern California Earthquake Center) report a significant chance that one or more quakes of magnitude 6.7 or larger will occur in the Bay Area in this century. Such earthquakes may be very destructive. The U.S.G.S. predicts a magnitude 7 earthquake occurring today on the Hayward Fault, would likely cause hundreds of deaths and approximately \$100 billion of damage. Property within the City could sustain extensive damage in a major earthquake, and a major earthquake could adversely affect the area's economic activity.

Flood. Flood hazards in the City are associated with overbank flooding of creeks and drainage canals, dam failure, tsunamis, and rising sea level.

During the last 40 years, urbanization in the watersheds has increased impervious surface area, which has resulted in faster rates of runoff and higher volumes of storm water in the channels. Maps published by the Federal Emergency Management Agency indicate that a 100-year storm (e.g., a storm that has a 1% chance of occurring in any given year) could cause shallow flooding in parts of southwest San Leandro.

The City's Floodplain Management Ordinance requires that new construction, additions and major home improvement projects are raised at least one foot above the base flood elevation. The City is also working with the Alameda County Flood Control and Water Conservation City to increase the carrying capacity of flood control channels. Measures being pursued include redesign of the channels, replacing undersized culverts, and keeping the channels well-maintained and free of debris.

Most of the City would be flooded in the event of dam failure at the Lake Chabot or Upper San Leandro Reservoirs, which reservoirs are owned, maintained and operated by the East Bay Municipal Utility District. Such a flood could produce catastrophic damage and casualties in the City. The dams at both reservoirs have been seismically strengthened during the last 30 years, although the risk of failure remains.

Wildfire. The area of the City east of Interstate 580 is classified as a "moderate" fire hazard by the California Department of Forestry. The lack of a dense tree canopy is a mitigating factor as are the relatively wide streets, gentle slopes and grassland vegetation. Nevertheless, the City lies adjacent to thousands of acres of potentially flammable coastal scrub and forested open space. There are also a number of locations in the City, particularly along San Leandro Creek, with large eucalyptus trees and other highly flammable vegetation and combustible litter. The Uniform Fire Code specifies fire mitigation requirements that are enforced by the City's Building Division. The City also requires fire-resistant roofing materials in new construction and major remodeling projects. Despite these requirements, the risk of damage from wildfire remains.

Tsunami. Tsunamis are long-period waves usually caused by off-shore earthquakes or landslides. Because the San Leandro shoreline does not face the open ocean, the City believes that its risk of experiencing a tsunami is very low. A 100-year frequency tsunami would generate a wave run-up of 4.4 feet at the San Leandro shoreline. Most of the shoreline is protected by rip-rap (boulders) and would not be seriously affected.

Sea Level Rise/Climate Change. Within the City, certain property may be vulnerable to property damage or reductions in assessed value as a result of future sea level rise in the San Francisco Bay or other negative impacts resulting from climate change.

The predictions for sea level rise in the San Francisco Bay vary. A report released by the San Francisco Bay Conservation Development Commission predicts sea levels in the San Francisco Bay to rise 16 inches by 2050 and 55 inches by 2100. The State of California's Fourth Climate Change Assessment, released in 2017, estimates sea level rise for the year 2100 in the range of 14 inches to 94 inches with an additional very low probability, worst-case estimate that exceeds 108 inches. A draft paper from the California Climate Change Center posits that increases in sea level will be a significant consequence of climate change over the next century.

Local impacts of climate change are not definitive, but parcels in the City could experience changes to local and regional weather patterns; rising bay water levels; increased risk of flooding; changes in salinity and tidal patterns of San Francisco Bay; coastal erosion; water restrictions; and vegetation changes.

Natural Gas Transmission Pipelines. On September 9, 2010 a Pacific Gas and Electric Company ("PG&E") high-pressure natural gas transmission pipeline exploded in San Bruno, California, with catastrophic results, including the destruction of 38 homes. There are two similar transmission pipelines and numerous other types of pipelines owned, operated and maintained by PG&E located throughout the City. PG&E has also indicated that it considers the proximity of its natural gas transmission pipelines to high-density populations, potential reliability impacts and environmentally sensitive areas, and uses the data it collects to help plan and prioritize future work. The City can provide no assurances as to the condition of PG&E pipelines in the City, or predict the extent of the damage to the surrounding property that would occur if a PG&E pipeline located within the City were to explode.

Hazardous Substances

Discovery of hazardous substances on parcels within the City could impact the City's ability to pay Lease Payments under the Lease when due and, therefore the Authority's ability to make payments of debt service on the 2018 Bonds.

In general, the owners and operators of a property may be required by law to remedy conditions of the property relating to releases or threatened releases of hazardous substances. The Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or the "Superfund Act" is the most well known and widely applicable of these laws, but California laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner (or operator) is obligated to remedy a hazardous substance condition of property whether or not the owner or operator has any thing to do with creating or handling the hazardous substance.

The effect, therefore, should any substantial amount of property within the City be affected by a hazardous substance, would be to reduce the marketability and value of the property by the costs of, and any liability incurred by, remedying the condition, since the purchaser, upon becoming an owner, will become obligated to remedy the condition just as is the seller. Reduction in the value of property in the City as a whole could reduce property tax revenues received by the City and deposited in the General Fund, which could significantly and adversely affect the ability of the City to pay Lease Payments under the Lease when due and, therefore the Authority's ability to make payments of debt service on the 2018 Bonds.

Proposition 218

See “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Article XIIC and Article XIID of the State Constitution,” for information about certain risks to the City’s General Fund revenues under Articles XIIC and Article XIID of the California Constitution.

Limitations on Remedies Available to Bond Owners; Bankruptcy

The ability of the City to comply with its covenants under the Lease may be adversely affected by actions and events outside of the control of the City, and may be adversely affected by actions taken (or not taken) by voters, property owners, taxpayers or payers of assessments, fees and charges. See “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS” above. Furthermore, any remedies available to the owners of the 2018 Bonds upon the occurrence of an event of default under the Lease or the Indenture are in many respects dependent upon judicial actions, which are often subject to discretion and delay and could prove both expensive and time consuming to obtain.

In addition to the limitations on remedies of Owners of the 2018 Bonds contained in the Lease and the Indenture, the rights and obligations under the 2018 Bonds, the Lease and the Indenture may be subject to the following: the United States Bankruptcy Code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors’ rights generally, now or hereafter in effect; usual equity principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State 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 2018 Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation or modification of their rights. The opinion of Bond Counsel notes that the rights of the owners of the 2018 Bonds and the enforceability of the 2018 Bonds and the Indenture 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.

The City is a governmental unit and therefore cannot be the subject of an involuntary case under the United States Bankruptcy Code (the “**Bankruptcy Code**”). However, the City is a municipality and therefore may seek voluntary protection from its creditors pursuant to Chapter 9 of the Bankruptcy Code for purposes of adjusting its debts. If the City were to become a debtor under the Bankruptcy Code, the City would be entitled to all of the protective provisions of the Bankruptcy Code as applicable in a Chapter 9 case. Among the adverse effects of such a bankruptcy might be: (i) the application of the automatic stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the City or the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the City and could prevent the Trustee from making payments from funds in its possession; (ii) the avoidance of preferential transfers occurring during the relevant period prior to the filing of a bankruptcy petition; (iii) the existence of unsecured or secured debt which may have a priority of payment superior to that of Owners of the 2018 Bonds; and (iv) the possibility of the adoption of a plan (an “**Adjustment Plan**”) for the adjustment of the City’s various

obligations over the objections of the Trustee or all of the Owners of the 2018 Bonds and without their consent, which Adjustment Plan may restructure, delay, compromise or reduce the amount of any claim of the Owners if the Bankruptcy Court finds that such Adjustment Plan is “fair and equitable” and in the best interests of creditors. The Adjustment Plans approved by the Bankruptcy Courts in connection with the bankruptcies of the cities of Vallejo, San Bernardino and Stockton resulted in significant reductions in the amounts payable by the cities in connection with lease revenue obligations substantially identical or similar to the 2018 Bonds. The City can provide no assurances about the outcome of the bankruptcy cases of other California municipalities or the nature of any Adjustment Plan if it were to file for bankruptcy.

In addition, the City could either reject the Site Lease or the Lease or assume the Site Lease or the Lease despite any provision of the Site Lease or the Lease that makes the bankruptcy or insolvency of the City an event of default thereunder. If the City rejects the Lease, the Trustee, on behalf of the Owners of the 2018 Bonds, would have a pre-petition unsecured claim that may be substantially limited in amount, and this claim would be treated in a manner under an Adjustment Plan over the objections of the Trustee or Owners of the 2018 Bonds. Moreover, such rejection would terminate the Lease and the City’s obligations to make payments thereunder. The City may also be permitted to assign the Lease (or the Site Lease) to a third party, regardless of the terms of the transaction documents.

In a bankruptcy of the City, if a material unpaid liability is owed to CalPERS, on the filing date, or accrues thereafter, such circumstances could create additional uncertainty as to the City’s ability to pay Lease Payments if the Lease is rejected. Given that the CalPERS is administered pursuant to State law, CalPERS may take the position, among other possible arguments, that its claims enjoy a higher priority than all other claims, that CalPERS has the right to enforce payment by injunction or other proceedings outside of a City bankruptcy case, and that CalPERS’ claims cannot be the subject of adjustment or other impairment under the Bankruptcy Code because that would purportedly constitute a violation of state statutory, constitutional and/or municipal law. CalPERS has unsuccessfully taken this position in recent bankruptcy cases in the State. However, it is uncertain how a bankruptcy judge in a City bankruptcy would rule on these matters.

Litigation

The City may be or become a party to litigation that has an impact on the City’s General Fund. Although the City maintains certain insurance policies that provide coverage under certain circumstances and with respect to certain types of incidents (see “THE CITY AND CITY FINANCIAL INFORMATION – Risk Management” for further information), the City cannot predict what types of liabilities may arise in the future and whether these may adversely affect the ability of the City to pay Lease Payments under the Lease when due. See also “CONCLUDING INFORMATION – Litigation.”

State Law Limitations on Appropriations

Article XIII B of the California Constitution limits the amount that local governments can appropriate annually. The ability of the City to pay Lease Payments and other payments due under the Leases may be affected if the City should exceed its appropriations limit. The State may increase the appropriation limit of cities in the State by decreasing the State’s own appropriation limit. The City does not anticipate exceeding its appropriations limit. See “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Article XI B of the State Constitution” above.

Property Tax Allocation by the State; Changes in Law

The responsibility for allocating general property taxes was assigned to the State by Proposition 13, which stated that property taxes were to be allocated “according to law.” The formula for such allocation was contained in Assembly Bill 8 (“**AB 8**”), adopted in 1978, which allocates property taxes among cities, counties, and school districts. The formulas contained in AB 8 were designed to allocate property taxes in proportion to the share of property taxes received by a local entity prior to Proposition 13. See “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS, Article XIII A of the State Constitution.”

Beginning in its fiscal year 1992–93, in response to its own budgetary shortfalls, the State began to permanently redirected billions of dollars of property taxes Statewide from cities, counties, and certain special districts to schools and community college districts. These redirected funds reduced the State’s funding obligation for K–14 school districts by a commensurate amount. In response, Proposition 1A of 2004, approved by State voters in November 2004 and generally effective in fiscal year 2006–07, provided that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain limitations. However, pursuant to Proposition 1A and beginning in fiscal year 2008–09, the State could, upon gubernatorial proclamation of fiscal hardship and following approval of two-thirds of both houses of the legislature, and it did, shift to schools and community colleges up to 8% of local government ad valorem property tax revenues, which amount must be repaid, with interest, within three years. The State could also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. In November 2010, State voters approved Proposition 22, which amends the State’s constitution to eliminate the State’s authority to temporarily shift additional ad valorem property taxes from cities, counties and special districts to schools, among other things. See “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS, Proposition 22.” The state last passed a redirection or property tax shift applicable to fiscal years 2004-05 and 2005-06.

No assurance can be given that the State, the County or the City electorate will not at some future time adopt initiatives, or that the State Legislature will not enact legislation that will amend the laws of the State in a manner that could result in a reduction of the City’s property tax allocations or its other revenues and therefore a reduction of the funds legally available to the City to pay Lease Payments and other payments due under the Leases.

Early Redemption Risk

Early payment of the Lease Payments and early redemption of the 2018 Bonds may occur in whole or in part, without premium, from the proceeds of title insurance, on any date, if the Leased Property, or a portion thereof, is lost, destroyed or damaged beyond repair or taken by eminent domain and if the City exercises its right to prepay the Lease Payments in whole or in part pursuant to the provisions of the Lease and the Indenture. See “THE 2018 BONDS – Redemption – Special Mandatory Redemption from Insurance or Condemnation Proceeds”.

Loss of Tax–Exemption

The City has covenanted in the Lease, and the Authority has covenanted in the Indenture, that each will not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of interest on the 2018 Bonds under Section 103 of the Internal Revenue Code of 1986, as amended (the “**Tax**

Code”). In the event either the City or the Authority fails to comply with the foregoing tax covenant, interest on the 2018 Bonds may be includable in the gross income of the Owners thereof for federal tax purposes retroactive to the date of issuance. See “TAX MATTERS”.

Secondary Market for Bonds

There can be no guarantee that there will be a secondary market for the 2018 Bonds or, if a secondary market exists, that any 2018 Bonds can be sold for any particular price. Prices of bond issues for which a market is being made will depend upon then-prevailing circumstances. Such prices could be substantially different from the original purchase price. No assurance can be given that the market price for the 2018 Bonds will not be affected by the introduction or enactment of any future legislation (including without limitation amendments to the Tax Code), or changes in interpretation of the Tax Code, or any action of the Internal Revenue Service (the “**IRS**”), including but not limited to the publication of proposed or final regulations, the issuance of rulings, the selection of the 2018 Bonds for audit examination, or the course or result of any IRS audit or examination of the 2018 Bonds or obligations that present similar tax issues as the 2018 Bonds.

IRS Audit of Tax-Exempt Issues

The IRS has a program for the auditing of tax-exempt issues, including both random and targeted audits. It is possible that the 2018 Bonds will be selected for audit by the IRS. It is also possible that the market value of the 2018 Bonds might be affected as a result of such an audit of the 2018 Bonds (or by an audit of similar obligations).

TAX MATTERS

Federal Tax Status. In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the 2018 Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax, although, in the case of tax years beginning prior to January 1, 2018, for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest earned by a corporation prior to the end of its tax year in 2018 is taken into account in determining certain income and earnings.

The opinions set forth in the preceding paragraph are subject to the condition that the City comply with all requirements of the Tax Code that must be satisfied subsequent to the issuance of the 2018 Bonds. 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 2018 Bonds.

Tax Treatment of Original Issue Discount and Premium. If the initial offering price to the public (excluding bond houses and brokers) at which a 2018 Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes “original issue discount” for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public (excluding bond houses and brokers) at which a 2018 Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes “original issue premium” for purposes of federal income taxes and State of California personal income taxes. De minimis original issue discount and original issue premium is disregarded.

Under the Tax Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the 2018 Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such 2018 Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such 2018 Bond. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the 2018 Bonds who purchase the 2018 Bonds after the initial offering of a substantial amount of such maturity. Owners of such 2018 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 2018 Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering, the allowance of a deduction for any loss on a sale or other disposition, and the treatment of accrued original issue discount on such 2018 Bonds under federal alternative minimum taxes.

Under the Tax Code, original issue premium is amortized on an annual basis over the term of the 2018 Bond (said term being the shorter of the 2018 Bond’s maturity date or its call date). The amount of original issue premium amortized each year reduces the adjusted basis of the owner of the 2018 Bond for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a 2018 Bond is amortized each year over the term to maturity of the 2018 Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates).

Amortized 2018 Bond premium is not deductible for federal income tax purposes. Owners of premium 2018 Bonds, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such 2018 Bonds.

California Tax Status. In the further opinion of Bond Counsel, interest on the 2018 Bonds is exempt from California personal income taxes.

Other Tax Considerations. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of such opinion, and Bond Counsel has expressed no opinion with respect to any proposed legislation or as to the tax treatment of interest on the 2018 Bonds, or as to the consequences of owning or receiving interest on the 2018 Bonds, as of any future date. Prospective purchasers of the 2018 Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Owners of the 2018 Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the 2018 Bonds may have federal or state tax consequences other than as described above. Other than as expressly described above, Bond Counsel expresses no opinion regarding other federal or state tax consequences arising with respect to the 2018 Bonds, the ownership, sale or disposition of the 2018 Bonds, or the amount, accrual or receipt of interest on the 2018 Bonds.

CERTAIN LEGAL MATTERS

The 2018 Bonds are offered when, as and if issued and received by the Underwriter and subject to the approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel. Certain legal matters will also be passed upon for the Authority and the City by Jones Hall, A Professional Law Corporation, as Disclosure Counsel. Certain legal matters will be passed upon for the City and the Authority by Meyers Nave, the City Attorney, and for the Underwriter by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California.

LITIGATION

The City is not aware of any pending or threatened litigation concerning the validity of the 2018 Bonds or challenging any action taken by the City with respect to the 2018 Bonds, the Indenture, the Lease, the Leased Property or any other agreements or actions undertaken in connection with the issuance of the 2018 Bonds. Furthermore, the City is not aware of any pending or threatened litigation to restrain, enjoin, question or otherwise affect the Indenture or the Lease or in any way contesting or affecting the validity or enforceability of any of the foregoing or any proceedings of the City taken with respect to any of the foregoing.

There are a number of lawsuits and claims pending and threatened against the City unrelated to the 2018 Bonds or actions taken with respect to the 2018 Bonds. It is the opinion of the City as of this date that such litigation, claims and threatened litigation will not materially affect the City's finances or impair its ability to make the Lease Payments under the Lease or the debt service payments on the 2018 Bonds.

RATING

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("**S&P**"), has assigned its municipal bond rating of "___" to the 2018 Bonds.

Such ratings reflect only the view of S&P, and any explanation of the significance of such ratings should be obtained from S&P. There is no assurance that such ratings will be retained for any given period of time or that it will not be revised downward or withdrawn entirely by S&P if, in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of any ratings obtained may have an adverse effect on the market price of the 2018 Bonds.

CONTINUING DISCLOSURE

The City will covenant for the benefit of owners of the 2018 Bonds to provide certain financial information and operating data relating to the City by the date that is nine months after the end of the City's fiscal year (currently March 31 based on the City's fiscal year end of June 30), commencing with the report for the 2017-18 fiscal year (the "**Annual Report**"), and to provide notices of the occurrence of certain enumerated events. Such reports are required to be filed with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system ("**EMMA**"). The specific nature of the information to be contained in the Annual Report or the notices of enumerated events is described in "APPENDIX D – FORM OF CONTINUING DISCLOSURE AGREEMENT," attached to this Official Statement. These covenants have been made in order to assist the underwriter of the 2018 Bonds in complying with Securities Exchange Commission Rule 15c2 12(b)(5) (the "**Rule**").

The City and its related governmental entities, including the Successor Agency, have previously entered into numerous disclosure undertakings under the Rule in connection with the issuance of long-term obligations. During the past five years, the City and/or its related governmental entities may have failed to comply with their continuing disclosure undertakings under the Rule as follows:

- The late filing of various annual financial information and/or operating data (for example, principal amount of bonds outstanding, information about property tax levies and collections, general fund budget information, balances in reserve accounts and statements of the reserve requirement) for fiscal years 2013-14 through 2016-17 with respect to various undertakings;
- The failure to file an official statement containing required financial information and/or operating data under the "Continuing Disclosure" section of EMMA, even though the information was available under the "Official Statement" section of EMMA; and
- The late filing of a rating change in 2014 with respect to various undertakings.

Several of the foregoing instances of non-compliance stem from the City filing information for the most recently completed fiscal year, although the undertaking makes reference to information for the fiscal year during which the annual report is filed. Supplemental filings to correct known filing errors made by the City and the City's related governmental entities have been made as of the date hereof. In addition, in 2018, the City and its related

entities have adopted policies and procedures relating to continuing disclosure. Among other things, the policy provides that the City and its related entities will periodically review the requirements of, and will remain in compliance with, any continuing disclosure undertakings entered into by them in accordance with the Rule.

MUNICIPAL ADVISOR

Kitahata & Company, San Francisco, California (the “**Municipal Advisor**”), has assisted the City with various matters relating to the planning, structuring and delivery of the 2018 Bonds. The Municipal Advisor is a financial advisory firm and is not engaged in the business of underwriting or distributing municipal securities or other public securities. The Municipal Advisor assumes no responsibility for the accuracy, completeness or fairness of this Official Statement.

UNDERWRITING

Stifel, Nicolaus & Company, Incorporated (the “**Underwriter**”), has entered into a bond purchase agreement with the Authority under which it will purchase the 2018 Bonds at a price of \$_____ (equal to the par amount of the 2018 Bonds, plus/less [net] original issue [premium]/[discount] of \$_____, and less an Underwriter’s discount of \$_____).

The Underwriter will be obligated to take and pay for all of the 2018 Bonds if any are taken. The Underwriter intends to offer the 2018 Bonds to the public at the offering prices set forth on the inside cover page of this Official Statement. After the initial public offering, the public offering price may be varied from time to time by the Underwriter.

PROFESSIONAL SERVICES

In connection with the issuance of the 2018 Bonds, all or a portion of the fees payable to Bond Counsel, Disclosure Counsel, Underwriter’s Counsel, the Municipal Advisor and the Trustee are contingent upon the issuance and delivery of the 2018 Bonds.

MISCELLANEOUS

All of the preceding summaries of the Indenture, the Bond Law, other applicable legislation, the Lease, the Site Lease, and other documents are made subject to the provisions of such documents respectively and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the City for further information in connection therewith.

This Official Statement does not constitute a contract with the purchasers of the 2018 Bonds. Any statements made in this Official Statement involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

EXECUTION

The execution and delivery of this Official Statement have been authorized by the Board of Directors of the Authority and the City Council of the City.

**SAN LEANDRO PUBLIC FINANCING
AUTHORITY**

By: _____
Jeff Kay,
Executive Director

CITY OF SAN LEANDRO

By: _____
Jeff Kay,
City Manager

APPENDIX A

**AUDITED FINANCIAL STATEMENTS OF THE CITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

APPENDIX B
SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

APPENDIX C
FORM OF OPINION OF BOND COUNSEL

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

\$ _____
SAN LEANDRO PUBLIC FINANCING AUTHORITY
2018 LEASE REVENUE BONDS

This CONTINUING DISCLOSURE CERTIFICATE (this “**Disclosure Certificate**”) is executed and delivered by the City of San Leandro (the “**City**”), on behalf of itself and the San Leandro Public Financing Authority (the “**Authority**”), in connection with the issuance of the bonds captioned above (the “**Bonds**”). The Bonds are being executed and delivered pursuant to an Indenture of Trust dated as of December 1, 2016, as supplemented and amended pursuant to a First Supplemental Indenture of Trust dated as of December 1, 2018, each by and between the Authority and the U.S. Bank National Association, as trustee (the “**Trustee**”) (as so supplemented and amended, the “**Indenture**”).

The City covenants and agrees as follows:

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

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

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

“*Annual Report Date*” means the date that is nine months after the end of the City’s fiscal year (currently March 31 based on the City’s fiscal year end of June 30).

“*Dissemination Agent*” shall mean, initially, the City, or any successor Dissemination Agent designed in writing by the City and which has been filed with the then current Dissemination Agent a written acceptance of such designation.

“*Fiscal Year*” means any twelve–month period beginning on July 1 in any year and extending to the next succeeding June 30, both dates inclusive, or any other twelve–month period selected and designated by the City as its official fiscal year period under a Certificate of the City filed with the Trustee.

“*MSRB*” means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

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

“*Participating Underwriter*” means Stifel, Nicolaus & Company, Incorporated, as the original underwriter of the Bonds.

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

“*Significant Events*” means any of the events listed in Section 5(a) of this Disclosure Certificate.

Section 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 31, 2019, with the report for fiscal year 2017-18 provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the City) has not received a copy of the Annual Report, the Dissemination Agent shall contact the City to determine if the City is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the City’s fiscal year changes, it shall give notice of such change in the same manner as for a Significant Event under Section 5(c). The City shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the City hereunder.

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

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

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the City, file a report with the City certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

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

(a) The City’s audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the City’s audited financial

statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

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

(i) general fund budget for the fiscal year during which the annual report is filed;

(ii) general fund balance sheet for the most recently-completed fiscal year;

(iii) general fund summary of revenues and expenditures for the most recently-completed fiscal year; and

(iv) assessed valuation of property in the City for the most recently-completed fiscal year and, provided the City is not currently on the Teeter Plan (or its equivalent) and such information is available from the County, information about property tax levies and collections for the most recently completed fiscal year.

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

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

Section 5. Reporting of Significant Events.

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

(i) Principal and interest payment delinquencies;

(ii) Non-payment related defaults, if material;

(iii) Unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) Unscheduled draws on credit enhancements reflecting financial difficulties;

- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) 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;
- (vii) Modifications to rights of security holders, if material;
- (viii) Bond calls, if material, and tender offers;
- (ix) Defeasances;
- (x) Release, substitution, or sale of property securing repayment of the securities, if material;
- (xi) Rating changes;
- (xii) Bankruptcy, insolvency, receivership or similar event of the City or other obligated person;
- (xiii) 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; and
- (xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) Whenever the City obtains knowledge of the occurrence of a Significant 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 Significant Event. Notwithstanding the foregoing, notice of Significant Events described in subsections (a)(viii) and (ix) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds under the Indenture.

(c) The City acknowledges that the events described in subparagraphs (a)(ii), (a)(vii), (a)(viii) (if the event is a bond call), (a)(x), (a)(xiii), and (a)(xiv) of this Section 5 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)(xii) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the

United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

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

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

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

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

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

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

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which

the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the City to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative.

The Dissemination Agent shall not be obligated to enter into any amendment increasing or affecting its duties or obligations hereunder.

A notice of any amendment made pursuant to this Section 9 shall be filed in the same manner as for a Significant Event under Section 5(c).

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

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

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. (a) Article VIII of the Indenture is hereby made applicable to this Disclosure Certificate as if this Disclosure Certificate were (solely for this purpose) contained in the Indenture. The Dissemination Agent shall be entitled to the protections and limitations from liability afforded to the Trustee thereunder. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the City hereunder, and shall not be deemed to be acting in any fiduciary capacity for the City, the Bond holders or any other party. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

(b) The Dissemination Agent shall be paid compensation by the City for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and

shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and the holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 14. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Date: _____, 2018

CITY OF SAN LEANDRO

By : _____
Finance Director

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: San Leandro Public Financing Authority

Name of Issue: \$_____ 2018 Lease Revenue Bonds

Date of Issuance: _____, 2018

NOTICE IS HEREBY GIVEN that the City has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate dated _____, 2018. The City anticipates that the Annual Report will be filed by _____.

Dated: _____

CITY OF SAN LEANDRO

By: _____
Its: _____

APPENDIX E

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The information in this section regarding DTC and its book-entry system has been obtained from DTC's website, for use in securities offering documents, and the City, the Authority and the Underwriter takes no responsibility for the accuracy or completeness thereof or for the absence of material changes in such information after the date hereof.

The Depository Trust Company ("DTC") acts as securities depository for the 2018 Bonds. The 2018 Bonds were issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate was issued for each maturity of each series of the 2018 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. 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 Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the 2018 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2018 Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2018 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2018 Bonds, except in the event that use of the book-entry system for the 2018 Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2018 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2018 Bonds, such as redemptions, tenders, defaults and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the 2018 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

While the 2018 Bonds are in the book-entry-only system, redemption notices will be sent to DTC. If less than all of the 2018 Bonds of a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2018 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2018 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the 2018 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee on the 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, the Trustee or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2018 Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such

circumstances, in the event that a successor depository is not obtained, certificates representing the 2018 Bonds are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book–entry–only transfers through DTC (or a successor securities depository). In that event, certificates representing the 2018 Bonds will be printed and delivered to DTC.

The information in this Appendix E concerning DTC and DTC’s book–entry system has been obtained from sources that the City and the Authority believe to be reliable, but neither the City, the Authority nor the Underwriter takes any responsibility for the accuracy thereof.

**SAN LEANDRO PUBLIC FINANCING AUTHORITY
2018 LEASE REVENUE BONDS**

BOND PURCHASE AGREEMENT

_____, 2018

San Leandro Public Financing Authority
c/of City of San Leandro
835 E. 14th Street
San Leandro, California 94577
Attention: Executive Director

City of San Leandro
835 E. 14th Street
San Leandro, California 94577
Attention: City Manager

Ladies and Gentlemen:

The undersigned, Stifel, Nicolaus & Company, Incorporated (the “Underwriter”), acting not as a fiduciary or agent for you, but on behalf of itself, offers to enter into this Bond Purchase Agreement (which, together with Exhibit A and Exhibit B, is referred to as the “Purchase Agreement”) with the San Leandro Public Financing Authority (the “Authority”) and the City of San Leandro, California (the “City”), which, upon the acceptance of the Authority and the City, will be binding upon the Authority, the City and the Underwriter. This offer is made subject to acceptance by the Authority and by the City by the execution of this Purchase Agreement and delivery of the same to the Underwriter prior to 11:59 P.M., Pacific Standard Time, on the date hereof, and, if not so accepted, will be subject to withdrawal by the Underwriter upon notice delivered to the Authority and the City at any time prior to the acceptance hereof by the Authority and the City. Capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Indenture of Trust, dated as of December 1, 2016, as supplemented and amended pursuant to a First Supplemental Indenture of Trust, dated as of December 1, 2018 (together, the “Indenture”), each by and between the Authority and U.S. Bank National Association, as trustee (the “Trustee”).

Section 1. Purchase and Sale. Upon the terms and conditions and upon the basis of the representations, warranties and agreements herein set forth, the Underwriter hereby agrees to purchase from the Authority, and the Authority hereby agrees to issue, sell and deliver to the Underwriter all (but not less than all) of the San Leandro Public Financing Authority 2018 Lease Revenue Bonds in the aggregate principal amount of \$_____ (the “Bonds”). The Bonds will be dated as of their date of delivery. Interest on the Bonds shall be payable semiannually on May 1 and November 1 in each year, commencing May 1, 2019 and will mature, bear interest and be subject to redemption prior to maturity as set forth in Exhibit A hereto. The purchase price for the Bonds shall be equal to \$_____ (being the aggregate principal amount thereof [plus][minus] a [net] original issue [premium][discount] of \$_____, less an underwriter’s discount of \$_____).

Section 2. The Bonds. The Bonds shall be secured by a pledge of Revenues consisting primarily of Lease Payments (“Lease Payments”) to be paid by the City pursuant to the Lease

Agreement, dated as of December 1, 2015, as supplemented and amended by the First Amendment to Lease Agreement, dated as of December 1, 2018 (together, the “Lease”), each by and between the City and the Authority. The Authority’s right to receive the Lease Payments due under the Lease and to exercise remedies upon default under such Lease shall be assigned to the Trustee for the benefit of the owners of the Bonds pursuant to the Assignment Agreement, dated as of December 1, 2016, as supplemented and amended by a First Amendment to Assignment Agreement, dated as of December 1, 2018 (the “Assignment Agreement”), each by and between the Authority and the Trustee.

The Bonds shall be as described in, and shall be secured under and pursuant to the Indenture substantially in the form previously submitted to the Underwriter with only such changes therein as shall be mutually agreed upon by the Authority, the City and the Underwriter.

The proceeds of the Bonds shall be used to: (i) finance the acquisition and construction of any real or personal property for which the City is authorized to expend funds subject to its control; and (ii) to pay the costs of issuance of the Bonds.

The Bonds, this Purchase Agreement, the Indenture, the Lease, the Site Lease, dated as of December 1, 2016, as supplemented and amended by the First Amendment to Site Lease, dated as of December 1, 2018 (together, the “Site Lease”), each by and between the Authority and the City, the Assignment Agreement, and the resolution of the Authority authorizing the issuance of the Bonds and the execution and delivery of the Authority Documents (hereinafter defined) are collectively referred to herein as the “Authority Documents.”

This Purchase Agreement, the Continuing Disclosure Certificate, dated as of _____, 2018 (the “Continuing Disclosure Certificate”), executed and delivered by the City, the Lease, the Site Lease and the resolution of the City authorizing the execution and delivery of the City Documents (hereinafter defined) are collectively referred to herein as the “City Documents.”

Section 3. Public Offering and Establishment of Issue Price.

(a) The Underwriter agrees to make an initial public offering of all of the Bonds at the public offering prices (or yields) set forth on Exhibit A attached hereto and incorporated herein by reference. Subsequent to the initial public offering, the Underwriter reserves the right to change the public offering prices (or yields) as the Underwriter deems necessary in connection with the marketing of the Bonds, provided that the Underwriter shall not change the interest rates set forth on Exhibit A. The Bonds may be offered and sold to certain dealers at prices lower than such initial public offering prices. The City and the Authority acknowledge and agree that: (i) the purchase and sale of the Bonds pursuant to this Purchase Agreement is an arm’s-length commercial transaction between the City and the Authority, on one hand, and the Underwriter, on the other; (ii) in connection therewith and with the discussions, undertakings and procedures leading up to the consummation of such transaction, the Underwriter is and has been acting solely as principal and is not acting as a Municipal Advisor (as defined in Section 15B of The Securities Exchange Act of 1934, as amended); (iii) the Underwriter has not assumed an advisory or fiduciary responsibility in favor of the City or Authority with respect to the offering contemplated hereby or the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter has provided other services or is currently providing other services to the City or Authority on other matters); (iv) the Underwriter has financial and other interests that differ from those of the City and the Authority; and (v) the City and Authority have consulted their own legal, financial and other advisors to the extent they have deemed appropriate.

(b) The Underwriter agrees to assist the Authority in establishing the issue price of the Bonds and shall execute and deliver to the Authority at Closing (as defined below) an “issue price” or similar certificate, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit B, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Underwriter, the Authority and Bond Counsel (as defined below), to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the Bonds. All actions to be taken by the Authority under this section to establish the issue price of the Bonds may be taken on behalf of the Authority by the Authority’s municipal advisor, Kitahata & Company (the “Municipal Advisor”) and any notice or report to be provided to the Authority may be provided to the Authority’s Municipal Advisor.

(c) [Except as otherwise set forth in Exhibit A attached hereto,] the Authority will treat the first price at which 10% of each maturity of the Bonds (the “10% test”), identified under the column “10% Test Used” in Exhibit A, is sold to the public as the issue price of that maturity. At or promptly after the execution of this Purchase Contract, the Underwriter shall report to the Authority the price or prices at which it has sold to the public each maturity of Bonds. If at that time the 10% test has not been satisfied as to any maturity of the Bonds, the Underwriter agrees to promptly report to the Authority the prices at which it sells the unsold Bonds of that maturity to the public. That reporting obligation shall continue, whether or not the Closing Date (as defined below) has occurred, until either (i) the Underwriter has sold all Bonds of that maturity or (ii) the 10% test has been satisfied as to the Bonds of that maturity, provided that, the Underwriter’s reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Authority or Bond Counsel. For purposes of this section, if Bonds mature on the same date but have different interest rates, each separate CUSIP number within that maturity will be treated as a separate maturity of the Bonds.

(d) [The Underwriter confirms that it has offered the Bonds to the public on or before the date of this Purchase Contract at the offering price or prices (the “initial offering price”), or at the corresponding yield or yields, set forth in Exhibit A attached hereto, except as otherwise set forth therein. Exhibit A also sets forth, identified under the column “Hold the Offering Price Rule Used,” as of the date of this Purchase Contract, the maturities, if any, of the Bonds for which the 10% test has not been satisfied and for which the Authority and the Underwriter agree that the restrictions set forth in the next sentence shall apply, which will allow the Authority to treat the initial offering price to the public of each such maturity as of the sale date as the issue price of that maturity (the “hold-the-offering-price rule”). So long as the hold-the-offering-price rule remains applicable to any maturity of the Bonds, the Underwriter will neither offer nor sell unsold Bonds of that maturity to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following.

(i) the close of the fifth (5th) business day after the sale date; or

(ii) the date on which the Underwriter has sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The Underwriter will advise the Authority promptly after the close of the fifth (5th) business day after the sale date whether it has sold 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.]

(e) The Underwriter confirms that:

(i) any selling group agreement and any third-party distribution agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each dealer who is a member of the selling group and each broker-dealer that is a party to such third-party distribution agreement, as applicable:

(A)(i) to report the prices at which it sells to the public the unsold Bonds of each maturity allocated to it, whether or not the Closing Date has occurred, until either all Bonds of that maturity allocated to it have been sold or it is notified by the Underwriter that the 10% test has been satisfied as to the Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Underwriter, and (ii) to comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Underwriter,

(B) to promptly notify the Underwriter of any sales of Bonds that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below), and

(C) to acknowledge that, unless otherwise advised by the dealer or broker-dealer, the Underwriter shall assume that each order submitted by the dealer or broker-dealer is a sale to the public.

(ii) any selling group agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such third-party distribution agreement to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allocated to it, whether or not the Closing Date has occurred, until either all Bonds of that maturity allocated to it have been sold or it is notified by the Underwriter or the dealer that the 10% test has been satisfied as to the Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Underwriter or the dealer, and (B) comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Underwriter or the dealer and as set forth in the related pricing wires.

(f) The Authority acknowledges that, in making the representations set forth in this section, the Underwriter will rely on (i) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in a selling group agreement and the related pricing wires, and (ii) in the event that a third-party distribution agreement was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in the third-party distribution agreement and the related pricing wires. The Authority further acknowledges that the Underwriter shall not be liable for the failure of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement, to

comply with its corresponding agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds.

(g) The Underwriter acknowledges that sales of any Bonds to any person that is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below) shall not constitute sales to the public for purposes of this section. Further, for purposes of this section:

(i) “public” means any person other than an underwriter or a related party;

(ii) “underwriter” means (A) any person that agrees pursuant to a written contract with the Authority (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the public);

(iii) a purchaser of any of the Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other)]; and

(iv) “sale date” means the date of execution of this Purchase Contract by the Authority and the Underwriter].

Section 4. The Official Statement. By its acceptance of this proposal, the Authority and the City ratify, confirm and approve of the use and distribution by the Underwriter prior to the date hereof of the preliminary official statement relating to the Bonds dated _____, 2018 (including the cover page, all appendices and all information incorporated therein and any supplements or amendments thereto and as disseminated in its printed physical form or in electronic form in all respects materially consistent with such physical form, the “Preliminary Official Statement”) that authorized officers of the City deemed “final” as of its date, for purposes of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended (“Rule 15c2-12”), except for certain information permitted to be omitted therefrom by Rule 15c2-12. The Authority and the City hereby agree to deliver or cause to be delivered to the Underwriter, within seven business days of the date hereof, copies of the final official statement, dated the date hereof, relating to the Bonds (including all information previously permitted to have been omitted by Rule 15c2-12), including the cover page, all appendices, all information incorporated therein and any amendments or supplements as have been approved by the Authority, the City and the Underwriter (the “Official Statement”) in such quantity as the Underwriter shall reasonably request to comply with Section (b)(4) of Rule 15c2-12 and the rules of the Municipal Securities Rulemaking Board (the “MSRB”).

The Underwriter hereby agrees that it will not request that payment be made by any purchaser of the Bonds prior to delivery by the Underwriter to the purchaser of a copy of the Official Statement. The Underwriter agrees: (i) to provide the Authority and the City with final pricing information on the Bonds on a timely basis; and (ii) to promptly file a copy of the Official Statement, including any supplements prepared by the Authority or the City with the MSRB at <http://emma.msrb.org>. The Authority and the City hereby approve of the use and distribution by the Underwriter of the Preliminary Official Statement in connection with the offer and sale of the Bonds. The Authority and the City will cooperate with the Underwriter in the filing by the Underwriter of the Official Statement with the MSRB.

Section 5. Closing. At 8:30 a.m., Pacific Standard Time, on _____, 2018, or at such other time or date as the Authority and the Underwriter agree upon (the “Closing Date”), the Authority shall deliver or cause to be delivered to the Trustee, the Bonds, in definitive form, registered in the name of Cede & Co., as the nominee of The Depository Trust Company (“DTC”), so that the Bonds may be authenticated by the Trustee and credited to the account specified by the Underwriter under DTC’s FAST procedures. Concurrently with the delivery of the Bonds, the Authority and the City will deliver the documents hereinafter mentioned at the offices of Jones Hall, A Professional Law Corporation, San Francisco, California (“Bond Counsel”), or another place to be mutually agreed upon by the Authority, the City and the Underwriter. The Underwriter will accept such delivery and pay the purchase price of the Bonds as set forth in Section 1 hereof by wire transfer in immediately available funds. This payment for and delivery of the Bonds, together with the delivery of the aforementioned documents, is herein called the “Closing.”

The Bonds shall be registered in the name of Cede & Co., as nominee of DTC in denominations of five thousand dollars (\$5,000) or any integral multiple thereof. The Authority and the City acknowledge that the services of DTC will be used initially by the Underwriter in order to permit the issuance of the Bonds in book-entry form, and agree to cooperate fully with the Underwriter in employing such services.

Section 6. Representations, Warranties and Covenants of the Authority. The Authority represents, warrants and covenants to the Underwriter and the City that:

(a) The Authority is a public body, duly organized and existing under the Constitution and laws of the State of California (the “State”), including Articles 1, 2 and 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the “JPA Act”) and the Joint Exercise of Powers Agreement, dated as of May 24, 1993 (the “JPA Agreement”), between the City and the former Redevelopment Agency of the City of San Leandro.

(b) The Authority has full legal right, power and authority to adopt or enter into, as the case may be, and to carry out and consummate the transactions on its part contemplated by the Authority Documents.

(c) By all necessary official action, the Authority has duly authorized and approved the Authority Documents, has duly authorized and approved the Preliminary Official Statement, will, by execution thereof, duly authorize and approve the Official Statement, and has duly authorized and approved the execution and delivery of, and the performance by the Authority of the obligations on its part contained in, the Authority Documents and the consummation by it of all other transactions contemplated by the Authority Documents in connection with the issuance of the Bonds. As of the date hereof, such authorizations and approvals are in full force and effect and have

not been amended, modified or rescinded. When executed and delivered, and assuming due execution and delivery by the other parties thereto, if applicable, the Authority Documents will constitute the legally valid and binding obligations of the Authority enforceable in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or affecting creditors' rights generally, or by the exercise of judicial discretion and the limitations on legal remedies against joint powers authorities in the State. The Authority has complied, and will at the Closing be in compliance in all material respects, with the terms of the Authority Documents.

(d) The Authority is not in any material respect in breach of or default under any applicable constitutional provision, law or administrative regulation of any state or of the United States, or any agency or instrumentality of either, or any applicable judgment or decree, or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Authority is a party which breach or default has or may have a materially adverse effect on the ability of the Authority to perform its obligations under the Authority Documents, and no event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute such a default or event of default under any such instrument; and the adoption, execution and delivery of the Authority Documents, if applicable, and compliance with the provisions on the Authority's part contained therein, will not conflict in any material way with or constitute a material breach of or a material default under any constitutional provision, law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Authority is a party, nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the Authority or under the terms of any such law, regulation or instrument, except as may be provided by the Authority Documents.

(e) All material authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matter which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by the Authority of its obligations in connection with the Authority Documents have been duly obtained or, when required for future performance, are expected to be obtained, other than such approvals, consents and orders as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Bonds; except as described in or contemplated by the Preliminary Official Statement and the Official Statement, all authorizations, approvals, licenses, permits, consents and orders of any governmental authority, board, agency or commission having jurisdiction of the matter which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by, the Authority of its obligations under the Authority Documents have been duly obtained.

(f) The Authority hereby agrees that it will notify the other parties hereto if, within the period from the date of this Purchase Agreement to and including the date twenty-five (25) days following the end of the underwriting period (as defined herein), the Authority discovers any pre-existing or subsequent fact or becomes aware of the occurrence of any event, in any such case, which might cause the Official Statement (as the same may have then been supplemented or amended) to contain any untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(g) As of the time of acceptance hereof and the Closing, except as disclosed in the Official Statement, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental authority, public board or body, pending, with service of process upon the Authority having been accomplished, or threatened in writing to the Authority: (i) in any way questioning the corporate existence of the Authority or the titles of the officers of the Authority to their respective offices; (ii) affecting, contesting or seeking to prohibit, restrain or enjoin the issuance or delivery of any of the Bonds, or the payment or collection of Lease Payments with respect to the Lease or any amounts pledged or to be pledged to pay the principal of and interest on the Bonds, or in any way contesting or affecting the validity of the Bonds or the other Authority Documents or the consummation of the transactions contemplated thereby or hereby, or contesting the exclusion of the interest on the Bonds from taxation or contesting the powers of the Authority or its authority to issue the Bonds; (iii) which would be likely to result in any material adverse change relating to the business, operations or financial condition of the Authority; or (iv) contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto or asserting that the Preliminary Official Statement or the Official Statement contained any untrue statement of a material fact or omitted to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(h) To the Authority's knowledge, there is no basis for any action, suit, proceeding, inquiry or investigation of the nature described in clauses (i) through (iv) of paragraph 6(g).

(i) The information in the Official Statement set forth under the captions "THE AUTHORITY" does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(j) The Authority will refrain from taking any action, or permitting any action to be taken, with regard to which the Authority may exercise control, that results in the loss of the tax-exempt status of the interest on the Bonds.

(k) The Authority will refrain from taking any action, or permitting any action to be taken, to reduce the amount of the Lease Payments while the Bonds are Outstanding, and the Authority will collect the Lease Payments in accordance with the Lease.

(l) Any certificate signed by any officer of the Authority authorized to execute such certificate in connection with the execution, sale and delivery of the Bonds and delivered to the Underwriter shall be deemed a representation and warranty of the Authority to the Underwriter and the City as to the statements made therein but not of the person signing such certificate.

Section 7. Representations, Warranties and Covenants of the City. The City represents, warrants and covenants to the Underwriter and the Authority that:

(a) The City is a charter city duly organized and existing under and by virtue of the Constitution and laws of the State.

(b) The City has full legal right, power and authority to adopt or enter into, as the case may be, and to carry out and consummate the transactions on its part contemplated by the City Documents.

(c) By all necessary official action, the City has duly authorized and approved the City Documents, has duly authorized and approved the Preliminary Official Statement and the Official Statement, and has duly authorized and approved the execution and delivery of, and the performance by the City of the obligations on its part contained in, the City Documents and the consummation by it of all other transactions contemplated by the City Documents in connection with the issuance of the Bonds. As of the date hereof, such authorizations and approvals are in full force and effect and have not been amended, modified or rescinded. When executed and delivered, and assuming due execution and delivery by the other parties thereto, if applicable, the City Documents will constitute the legally valid and binding obligations of the City enforceable in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or affecting creditors' rights generally, or by the exercise of judicial discretion and the limitations on legal remedies against municipal corporations in the State. The City has complied, and will at the Closing be in compliance in all material respects, with the terms of the City Documents.

(d) The City is not in any material respect in breach of or default under any applicable constitutional provision, law or administrative regulation of any state or of the United States, or any agency or instrumentality of either, or any applicable judgment or decree, or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the City is a party which breach or default has or may have a materially adverse effect on the ability of the City to perform its obligations under the City Documents, and no event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute such a default or event of default under any such instrument; and the adoption, execution and delivery of the City Documents, if applicable, and compliance with the provisions on the City's part contained therein, will not conflict in any material way with or constitute a material breach of or a material default under any constitutional provision, law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the City is a party nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the City or under the terms of any such law, regulation or instrument, except as may be provided by the City Documents.

(e) All material authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matter which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by the City of its obligations in connection with the City Documents have been duly obtained or, when required for future performance, are expected to be obtained, other than such approvals, consents and orders as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Bonds; except as described in or contemplated by the Preliminary Official Statement, all authorizations, approvals, licenses, permits, consents and orders of any governmental authority, board, agency or commission having jurisdiction of the matter which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by, the City of its obligations under the City Documents have been duly obtained.

(f) The Preliminary Official Statement was as of its date, and the Official Statement is, and at all times subsequent to the date of the Official Statement up to and including the Closing will be, true and correct in all material respects, and the Preliminary Official Statement and the Official Statement do not and will not contain and up to and including the Closing will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained therein, in the light of the circumstances under which they were made, not misleading (except that this representation does not include statements in the Official Statement under the captions “THE AUTHORITY” and “UNDERWRITING” and information regarding DTC and its book-entry only system, as to which no view is expressed).

(g) The City will advise the Underwriter promptly of any proposal to amend or supplement the Official Statement. The City will advise the Underwriter promptly of the institution of any proceedings known to it by any governmental authority prohibiting or otherwise affecting the use of the Official Statement in connection with the offering, sale or distribution of the Bonds.

(h) As of the time of acceptance hereof and the Closing, except as disclosed in the Official Statement, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental authority, public board or body, pending, with service of process upon the City having been accomplished, or threatened in writing to the City: (i) in any way questioning the corporate existence of the City or the titles of the officers of the City to their respective offices; (ii) affecting, contesting or seeking to prohibit, restrain or enjoin the issuance or delivery of any of the Bonds, or the payment or collection of Lease Payments with respect to the Lease or of any amounts pledged or to be pledged to pay the principal of and interest on the Bonds, or in any way contesting or affecting the validity of the Bonds, or the City Documents or the consummation of the transactions contemplated thereby or hereby, or contesting the exclusion of the interest on the Bonds from taxation, or contesting the powers of the Authority to issue the Bonds; (iii) which would be likely to result in any material adverse change relating to the business, operations or financial condition of the City; and (iv) contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto or asserting that the Preliminary Official Statement or the Official Statement contained any untrue statement of a material fact or omitted to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(i) To the City’s knowledge, there is no basis for any action, suit, proceeding, inquiry or investigation of the nature described in clauses (i) through (iv) of paragraph 7(h).

(j) Until the date which is twenty-five (25) days after the “end of the underwriting period” (as hereinafter defined), if any event shall occur of which the City is aware that would cause the Official Statement to contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements in the Official Statement, in light of the circumstances under which they were made, not misleading (except that this representation does not include information regarding DTC and its book entry only system, as to which no view is expressed), the City shall forthwith notify the Underwriter of any such event of which it has knowledge and shall cooperate fully in furnishing any information available to it for any supplement to the Official Statement necessary, in the Underwriter’s reasonable opinion, so that the statements therein as so supplemented will not be misleading in light of the circumstances existing at such time and the City shall promptly furnish to the Underwriter a reasonable number of copies of such supplement. As used herein, the term “end of the underwriting period” means the later of such time as: (i) the Authority delivers the Bonds to the Underwriter; or (ii) the Underwriter does not retain,

directly or as a member of an underwriting syndicate, an unsold balance of the Bonds for sale to the public. Unless the Underwriter gives notice to the contrary, the “end of the underwriting period” shall be deemed to be the Closing Date. Any notice delivered pursuant to this provision shall be written notice delivered to the Underwriter at or prior to the Closing Date of the Bonds and shall specify a date (other than the Closing Date) to be deemed the “end of the underwriting period.”

(k) Except as disclosed in the Preliminary Official Statement and the Official Statement, the City has not within the last five years failed to comply in any material respect with any continuing disclosure undertakings with regard to Rule 15c2-12, to provide annual reports or notices of material events specified in such rule.

(l) The City will refrain from taking any action, or permitting any action to be taken, with regard to which the City may exercise control, that results in the loss of the tax-exempt status of the interest on the Bonds.

(m) The financial statements relating to the receipts, expenditures and cash balances of the City as of June 30, 2017 attached as Appendix A to the Official Statement fairly represent the receipts, expenditures and cash balances of the City. Except as disclosed in the Official Statement or otherwise disclosed in writing to the Underwriter, there has not been any materially adverse change in the financial condition of the City or in its operations since June 30, 2017 and there has been no occurrence, circumstance or combination thereof which is reasonably expected to result in any such materially adverse change.

(n) To the extent required by law, the City will undertake, pursuant to the Continuing Disclosure Certificate and the other City Documents, to provide annual reports and notices of certain events, if material. A description of this undertaking is set forth in Appendix D to the Preliminary Official Statement and will also be set forth in the Official Statement.

(o) Except in connection with the issuance of refunding bonds pursuant to the terms of the Indenture or as permitted under the Lease due to damage, destruction, or substantial interference with the use and occupancy by the City of the Leased Property or any portion thereof, the City will refrain from taking any action, or permitting any action to be taken, to reduce the amount of the Lease Payments while the Bonds are Outstanding, and the City will pay the Lease Payments in accordance with the Lease.

(p) Any certificate signed by any officer of the City authorized to execute such certificate in connection with the execution, sale and delivery of the Bonds and delivered to the Underwriter shall be deemed a representation and warranty of the City to the Underwriter and the Authority as to the statements made therein but not of the person signing such certificate.

Section 8. Conditions to the Obligations of the Underwriter. The Underwriter has entered into this Purchase Agreement in reliance upon the representations and warranties of the Authority and the City contained herein. The obligations of the Underwriter to accept delivery of and pay for the Bonds on the Closing Date shall be subject, at the option of the Underwriter, to the accuracy in all material respects of the statements of the officers and other officials of the Authority and of the City, as well as authorized representatives of Bond Counsel and the Trustee made in any Bonds or other documents furnished pursuant to the provisions hereof; to the performance by the Authority and the City of their obligations to be performed hereunder at or prior to the Closing Date; and to the following additional conditions:

(a) The representations, warranties and covenants of the City and the Authority contained herein shall be true and correct at the date hereof and at the time of the Closing, as if made on the Closing Date.

(b) At the time of Closing, the City Documents and the Authority Documents shall be in full force and effect as valid and binding agreements between or among the various parties thereto, and the City Documents, the Authority Documents and the Official Statement shall not have been amended, modified or supplemented except as may have been agreed to in writing by the Underwriter.

(c) At the time of the Closing, no material default shall have occurred or be existing under the City Documents, Authority Documents, or any other agreement or document pursuant to which any of the City's financial obligations were executed and delivered, and the City shall not be in default in the payment of principal or interest with respect to any of its financial obligations, which default would materially adversely impact the ability of the City to pay the Lease Payments.

(d) In recognition of the desire of the Authority, the City and the Underwriter to effect a successful public offering of the Bonds, and in view of the potential adverse impact of any of the following events on such a public offering, this Purchase Agreement shall be subject to termination in the discretion of the Underwriter by notification, in writing, to the Authority and the City prior to delivery of and payment for the Bonds, if at any time prior to such time, regardless of whether any of the following statements of fact were in existence or known of on the date of this Purchase Agreement:

(i) any event shall occur which makes untrue any material statement or results in an omission to state a material fact necessary to make the statements in the Official Statement, in the light of the circumstances under which they were made, not misleading, which event, in the reasonable opinion of the Underwriter would materially or adversely affect the ability of the Underwriter to market the Bonds; or

(ii) the marketability of the Bonds or the market price thereof, in the opinion of the Underwriter, has been materially adversely affected by an amendment to the Constitution of the United States or by any legislation in or by the Congress of the United States or by the State, or the amendment of legislation pending as of the date of this Purchase Agreement in the Congress of the United States, or the recommendation to Congress or endorsement for passage (by press release, other form of notice or otherwise) of legislation by the President of the United States, the Treasury Department of the United States, the Internal Revenue Service or the Chairman or ranking minority member of the Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States House of Representatives, or the proposal for consideration of legislation by either such Committee or by any member thereof, or the presentment of legislation for consideration as an option by either such Committee, or by the staff of the Joint Committee on Taxation of the Congress of the United States, or the favorable reporting for passage of legislation to either House of the Congress of the United States by a Committee of such House to which such legislation has been referred for consideration, or any decision of any federal or state court or any ruling or regulation (final, temporary or proposed) or official statement on behalf of the United States Treasury Department, the Internal Revenue Service or other federal or State authority affecting the federal or State tax status of the Authority or the City, or the interest on or with respect to bonds or notes (including the Bonds); or

(iii) any legislation, ordinance, rule or regulation shall be enacted by any governmental body, department or authority of the State, or a decision by any court of competent jurisdiction within the State shall be rendered which materially adversely affects the market price of the Bonds; or

(iv) an order, decree or injunction issued by any court of competent jurisdiction, or order, ruling, regulation (final, temporary or proposed), official statement or other form of notice or communication issued or made by or on behalf of the Securities and Exchange Commission, or any other governmental authority having jurisdiction of the subject matter, to the effect that: (i) obligations of the general character of the Bonds, or the Bonds, including any or all underlying arrangements, are not exempt from registration under the Securities Act of 1933, as amended, or that the Indenture is not exempt from qualification under the Trust Indenture Act of 1939, as amended; or (ii) the issuance, offering or sale of obligations of the general character of the Bonds, or the issuance, offering or sale of the Bonds, including any or all underlying obligations, as contemplated hereby or by the Official Statement, is or would be in violation of the federal securities laws as amended and then in effect; or

(v) legislation shall be enacted by the Congress of the United States, or a decision by a court of the United States shall be rendered, to the effect that obligations of the general character of the Bonds, or the Bonds are not exempt from registration under or other requirements of the Securities Act of 1933, as amended and as then in effect, or the Securities Exchange Act of 1934, as amended and as then in effect, or that the Indenture is not exempt from qualification under or other requirements of the Trust Indenture Act of 1939, as amended and as then in effect; or

(vi) additional material restrictions not in force as of the date hereof shall have been imposed upon trading in securities generally by any domestic governmental authority or by any domestic national securities exchange, which are material to the marketability of the Bonds; or

(vii) a general banking moratorium shall have been declared by federal, State or New York authorities, or the general suspension of trading on any national securities exchange; or

(viii) there shall have occurred any outbreak or escalation of hostilities, declaration by the United States of a national emergency or war or other calamity or crisis the effect of which on financial markets is materially adverse such as to make it, in the sole judgment of the Underwriter, impractical or inadvisable to proceed with the purchase or delivery of the Bonds as contemplated by the Official Statement (exclusive of any amendment or supplement thereto); or

(ix) any rating of the Bonds or the rating of any obligations of the City secured by the City's general fund shall have been downgraded or withdrawn by a national rating service, which, in the opinion of the Underwriter, materially adversely affects the market price of the Bonds; or

(x) the commencement of any action, suit or proceeding described in Section 6(g) or Section 7(h).

(e) at or prior to the Closing, the Underwriter shall receive the following documents, in each case to the reasonable satisfaction in form and substance of the Underwriter:

(i) Resolution No. ___ adopted on November 5, 2018 relating to the Bonds and authorizing the execution and delivery of the Bonds and the Authority Documents and the Official Statement signed by an authorized official of the Authority;

(ii) Resolution No. ___ adopted on November 5, 2018 relating to the Bonds and authorizing the execution and delivery of the City Documents and the delivery of the Bonds and the Official Statement signed by an authorized official of the City;

(iii) The City Documents and the Authority Documents duly executed and delivered by the respective parties thereto, with only such amendments, modifications or supplements as may have been agreed to in writing by the Underwriter;

(iv) The approving opinion of Bond Counsel dated the Closing Date and addressed to the Authority and the City, in substantially the form attached as Appendix C to the Official Statement, and a reliance letter thereon addressed to the Underwriter;

(v) A supplemental opinion of Bond Counsel dated the Closing Date and addressed to the Underwriter, to the effect that:

(A) the statements on the cover of the Official Statement and in the Official Statement under the captions “INTRODUCTION,” “THE 2018 BONDS,” “SECURITY FOR THE 2018 BONDS,” and “TAX MATTERS,” and in Appendix B—“SUMMARY OF PRINCIPAL LEGAL DOCUMENTS” and Appendix C—“FORM OF OPINION OF BOND COUNSEL,” excluding any material that may be treated as included under such captions and appendices by any cross-reference, insofar as such statements expressly summarize provisions of the City Documents, the Authority Documents and Bond Counsel’s final opinion concerning certain federal tax matters relating to the Bonds, are accurate in all material respects as of the Closing Date, provided that Bond Counsel need not express any opinion with respect to any financial or statistical data contained therein or with respect to the book-entry system in which the Bonds are initially delivered;

(B) The Purchase Agreement and the Continuing Disclosure Certificate have been duly authorized, executed and delivered by the City and the Authority, as applicable, and are the valid, legal and binding agreements of the City and the Authority, as applicable, enforceable in accordance with their respective terms, except that the rights and obligations under the Purchase Agreement and the Continuing Disclosure Certificate are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors’ rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State, and provided that no opinion is expressed with respect to any indemnification or contribution provisions contained therein;

(C) The Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Indenture is exempt from qualification under the Trust Indenture Act of 1939, as amended; and

(vi) The Official Statement, executed on behalf of the Authority and the City, and the Preliminary Official Statement;

(vii) Evidence that the ratings on the Bonds are as described in the Official Statement;

(viii) A certificate, dated the Closing Date, signed by a duly authorized officer of the Authority satisfactory in form and substance to the Underwriter to the effect that: (i) the representations, warranties and covenants of the Authority contained in this Purchase Agreement are true and correct in all material respects on and as of the Closing Date with the same effect as if made on the Closing Date by the Authority, and the Authority has complied with, in all material respects, all of the terms and conditions of this Purchase Agreement required to be complied with by the Authority at or prior to the Closing Date; (ii) no event affecting the Authority has occurred since the date of the Official Statement which should be disclosed in the Official Statement for the purposes for which it is to be used or which is necessary to disclose therein in order to make the statements and information therein not misleading in any material respect; and (iii) the Authority is not, in any material respect, in breach of or default under any applicable law or administrative regulation of the State or the United States or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Authority is a party or is otherwise subject, which would have a material adverse impact on the Authority's ability to perform its obligations under the Authority Documents, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or event of default under any such instrument;

(ix) A certificate, dated the Closing Date, signed by a duly authorized officer of the City satisfactory in form and substance to the Underwriter to the effect that: (i) the representations, warranties and covenants of the City contained in this Purchase Agreement are true and correct in all material respects on and as of the Closing Date with the same effect as if made on the Closing Date by the City, and the City has complied with, in all material respects, all of the terms and conditions of the Purchase Agreement required to be complied with by the City at or prior to the Closing Date; (ii) no event affecting the City has occurred since the date of the Official Statement which should be disclosed in the Official Statement for the purposes for which it is to be used or which is necessary to disclose therein in order to make the statements and information therein not misleading in any material respect; (iii) the information and statements contained in the Official Statement (other than information in the Official Statement under the captions "THE AUTHORITY" and "UNDERWRITING" and information regarding DTC and its book entry only system) did not as of its date and do not as of the Closing contain an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading in any material respect; and (iv) the City is not, in any material respect, in breach of or default under any applicable law or administrative regulation of the State or the United States or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement (including but not limited to the Lease) or other instrument to which the City is a party or is otherwise subject, which would have a material adverse impact on the City's ability to perform its obligations under the City Documents, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute such a default or event of default under any such instrument;

(x) An opinion dated the Closing Date and addressed to the Underwriter, of Meyers Nave, Oakland, California, as Authority Counsel, to the effect that:

(A) The Authority is a public body, organized and existing under the Constitution and laws of the State, including the JPA Act and the JPA Agreement;

(B) Resolution No. ____ relating to the Bonds has been duly adopted by the Authority, is in full force and effect and has not been modified, amended, rescinded or repealed since its date of adoption;

(C) Except as otherwise disclosed in the Official Statement, there is no litigation, proceeding, action, suit, or investigation at law or in equity before or by any court, governmental authority or body, pending, with service of process upon the Authority having been accomplished, or threatened in writing against the Authority, challenging the creation, organization or existence of the Authority, or the validity of the Authority Documents or seeking to restrain or enjoin the collection of Lease Payments with respect to the Lease or the repayment of the Bonds or in any way contesting or affecting the validity of the Authority Documents or contesting the authority of the Authority to enter into or perform its obligations under any of the Authority Documents;

(D) The execution and delivery of the Authority Documents and the issuance of the Bonds and compliance with the provisions thereof, do not and will not in any material respect conflict with or constitute on the part of the Authority a breach of or default under any agreement or other instrument to which the Authority is a party or by which it is bound or any existing law, regulation, court order or consent decree to which the Authority is subject, which breach or default has or may have a material adverse effect on the ability of the Authority to perform its obligations under the Authority Documents; and

(xi) an opinion dated the Closing Date and addressed to the Underwriter, of Meyers Nave, Oakland, California, as City Attorney, to the effect that:

(A) The City is a charter city, duly organized and existing under and by virtue of the Constitution and laws of the State;

(B) Resolution No. ____ relating to the Bonds has been duly adopted by the City Council, is in full force and effect and has not been modified, amended, rescinded or repealed since its date of adoption;

(C) Except as otherwise disclosed in the Official Statement, there is no litigation, proceeding, action, suit, or investigation at law or in equity before or by any court, governmental authority or body, pending, with service of process upon the City having been accomplished, or threatened in writing against the City, challenging the creation, organization or existence of the City, or the validity of the City Documents or seeking to restrain or enjoin the payment of the Lease Payments or the repayment of the Bonds or in any way contesting or affecting the validity of the City Documents or contesting the authority of the City to enter into or perform its obligations under any of the City Documents, or which, in any manner, questions the right of the City to pay the Lease Payments under the Lease;

(D) The execution and delivery of the City Documents and compliance with the provisions thereof, do not and will not in any material respect conflict with or constitute on the part of the City a breach of or default under any agreement or other instrument to which the City is a party or by which it is bound or any existing law, regulation, court order or

consent decree to which the City is subject, which breach or default has or may have a material adverse effect on the ability of the City to perform its obligations under the City Documents; and

(xii) An opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, in its capacity as Disclosure Counsel, dated the Closing Date and addressed to the Authority, the City and the Underwriter, to the effect that, based upon the information made available to them in the course of their participation in the preparation of the Preliminary Official Statement and the Official Statement and without passing on and without assuming any responsibility for the accuracy, completeness and fairness of the statements in the Preliminary Official Statement and the Official Statement, and having made no independent investigation or verification thereof, and stated as a matter of fact and not opinion that, during the course of its representation of the Authority on this matter, no facts came to the attention of the attorneys in its firm rendering legal services in connection with the Preliminary Official Statement and the Official Statement which caused them to believe that the Preliminary Official Statement or the Official Statement, as of their respective dates or as of the Closing Date (except any CUSIP numbers, financial, accounting, statistical or economic, engineering or demographic data or forecasts, numbers, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion, management discussion and analysis, environmental litigation, environmental matters, information relating to The Depository Trust Company and its book-entry system, and the Appendices thereto, included or referred to therein, which shall be expressly excluded from the scope of this paragraph and as to which such firm will express no opinion or view) contained any untrue statement of a material fact or omitted to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(xiii) An opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, counsel to the Underwriter, in form and substance satisfactory to the Underwriter;

(xiv) An opinion of counsel to the Trustee, addressed to the Underwriter and dated the Closing Date, in form and substance satisfactory to the Underwriter and to Bond Counsel;

(xv) A certificate, dated the Closing Date, signed by a duly authorized official of the Trustee in form and substance satisfactory to the Underwriter;

(xvi) The preliminary and final Statement of Sale required to be delivered to the California Debt and Investment Advisory Commission pursuant to Section 53583 of the Government Code and Section 8855(g) of the Government Code;

(xvii) A copy of the executed Blanket Issuer Letter of Representations by and between the Authority and DTC relating to the book-entry system;

(xviii) The tax and nonarbitrage certificate of the Authority and the City in form and substance to the reasonable satisfaction of Bond Counsel and the Underwriter;

(xix) A certificate, dated the date of the Preliminary Official Statement, of the City, as required under Rule 15c2-12;

(xx) A certificate, dated the date of the Preliminary Official Statement, of the Authority, as required under Rule 15c2-12;

(xxi) Certified copies of the JPA Agreement and all amendments thereto and related certificates issued by the Secretary of State of the State;

(xxii) A certified copy of the general resolution of the Trustee authorizing the execution and delivery of certain documents by certain officers of the Trustee, which resolution authorizes the execution and delivery of the Indenture and the authentication and delivery of the Bonds by the Trustee;

(xxiii) a copy of an ALTA or CLTA title insurance policy in an amount equal to the principal amount of the Bonds, insuring the City's leasehold interest in the Leased Property, subject only to permitted encumbrances or such other encumbrances approved in writing by the Underwriter; and

(xxiv) Such additional legal opinions, certificates, proceedings, instruments or other documents as Bond Counsel or the Underwriter may reasonably request.

Section 9. Changes in Official Statement. After the Closing, neither the Authority nor the City will adopt any amendment of or supplement to the Official Statement to which the Underwriter shall reasonably object in writing. Within 90 days after the Closing or within 25 days following the "end of the underwriting period" (as defined in Rule 15c2-12), whichever occurs first, if any event relating to or affecting the Bonds, the Trustee, the City or the Authority shall occur as a result of which it is necessary, in the opinion of the Underwriter, to amend or supplement the Official Statement in order to make the Official Statement not misleading in any material respect in the light of the circumstances existing at the time it is delivered to a purchaser, the Authority will forthwith prepare and furnish to the Underwriter an amendment or supplement that will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time the Official Statement is delivered to purchaser, not misleading. The City and the Authority shall cooperate with the Underwriter in the filing by the Underwriter of such amendment or supplement to the Official Statement with the MSRB. The Underwriter acknowledges that the "end of the underwriting period" will be the Closing Date.

Section 10. Expenses. The Authority or the City will pay or cause to be paid the approved expenses incident to the performance of its obligations hereunder and certain expenses relating to the sale of the Bonds, including, but not limited to (a) the cost of the preparation and printing or other reproduction of the Authority Documents and the City Documents (other than this Purchase Agreement); (b) the fees and disbursements of Bond Counsel, Disclosure Counsel, the Municipal Advisor and any other experts or other consultants retained by the Authority or the City; (c) the costs and fees of the credit rating agencies; (d) the cost of preparing and delivering the definitive Bonds; (e) the cost of providing immediately available funds on the Closing Date; (f) the cost of the printing or other reproduction of the Preliminary Official Statement and Official Statement and any amendment or supplement thereto, including a reasonable number of certified or conformed copies thereof; (g) the Underwriter's out-of-pocket expenses (included in the expense component of the Underwriter's discount) incurred by the Underwriter on behalf of the City's employees which are incidental to implementing this Purchase Agreement; and (h) the fees for counsel to the Underwriter. The Underwriter will pay the expenses of the preparation of this Purchase Agreement, including CDIAC fees, CUSIP Services Bureau charges, regulatory fees imposed on new securities issuers and any and all other expenses incurred by the Underwriter in connection with the public offering and distribution of the Bonds.

Section 11. Notices. Any notice or other communication to be given to the Underwriter under this Purchase Agreement may be given by delivering the same in writing to Stifel, Nicolaus & Company, Incorporated, One Montgomery Street, 35th Floor, San Francisco, CA 94104, Attention: Eileen Gallagher. All notices or communications hereunder by any party shall be given and served upon each other party. Any notice or communication to be given the Authority under this Purchase Agreement may be given by delivering the same in writing to the San Leandro Public Financing Authority, c/o City of San Leandro, 835 E. 14th Street, San Leandro, California 94577, Attention: Executive Director. Any notice or communication to be given the City under this Purchase Agreement may be given by delivering the same in writing to the City of San Leandro, 835 E. 14th Street, San Leandro, California 94577, Attention: City Manager.

Section 12. Parties in Interest. This Purchase Agreement is made solely for the benefit of the Authority, the City and the Underwriter (including the successors or assigns thereof) and no other person shall acquire or have any right hereunder or by virtue hereof. All representations, warranties and agreements of the Authority and the City in this Purchase Agreement shall remain operative and in full force and effect regardless of any investigation made by or on behalf of the Underwriter and shall survive the delivery of and payment for the Bonds.

Section 13. Severability. In case any one or more of the provisions contained herein shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof.

Section 14. Counterparts. This Purchase Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

Section 15. Governing Law. This Purchase Agreement shall be governed by and construed in accordance with the laws of the State.

STIFEL, NICOLAUS & COMPANY,
INCORPORATED

By: _____
Title: Authorized Officer

Accepted as of the date first stated above:

CITY OF SAN LEANDRO

By: _____
Its: City Manager

Time of Execution: _____ a.m./p.m. Pacific Time

SAN LEANDRO PUBLIC FINANCING AUTHORITY

By: _____
Its: Executive Director

Time of Execution: _____ a.m./p.m. Pacific Time

EXHIBIT A

**SAN LEANDRO PUBLIC FINANCING AUTHORITY
2018 LEASE REVENUE BONDS**

MATURITY SCHEDULE

<i>Maturity Date (November 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Initial Offering Price</i>	<i>10% Test Used</i>	<i>Hold the Offering Price Rule Used</i>
	\$	%			

EXHIBIT B

SAN LEANDRO PUBLIC FINANCING AUTHORITY 2018 LEASE REVENUE BONDS

FORM OF ISSUE PRICE CERTIFICATE

The undersigned, on behalf of Stifel, Nicolaus & Company, Incorporated (“Stifel”) hereby certifies as set forth below with respect to the sale and issuance of the above-captioned bonds (the “Bonds”).

1. ***Sale of the General Rule Maturities.*** As of the date of this certificate, for each Maturity of the General Rule Maturities, the first price at which at least 10% of such Maturity was sold to the Public is the respective price listed in Schedule A.

2. ***[Initial Offering Price of the Hold-the-Offering-Price Maturities.***

(a) Stifel offered the Hold-the-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule A (the “Initial Offering Prices”) on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as Schedule B.

(b) As set forth in the Bond Purchase Contract, dated _____, 2018, by and between Stifel and the Issuer, Stifel has agreed in writing that, (i) for each Maturity of the Hold-the-Offering-Price Maturities, it would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “hold-the-offering-price rule”), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter (as defined below) has offered or sold any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.]

3. ***Defined Terms.***

(a) *General Rule Maturities* means those Maturities of the Bonds listed in Schedule A hereto as the “General Rule Maturities.”

(b) *[Hold-the-Offering-Price Maturities* means those Maturities of the Bonds listed in Schedule A hereto as the “Hold-the-Offering-Price Maturities.”

(c) *Holding Period* means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date (_____, 2018), or (ii) the date on which Stifel has sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.]

(d) *Issuer* means the San Leandro Public Financing Authority.

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

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

(g) [*Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is _____, 2018.

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

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

STIFEL, NICOLAUS & COMPANY,
INCORPORATED

By: _____

Name: _____

Dated: _____, 2018

SCHEDULE A

**SALE PRICES OF THE GENERAL RULE MATURITIES [AND INITIAL OFFERING
PRICES OF THE HOLD-THE-OFFERING-PRICE MATURITIES]**

(Attached)

[SCHEDULE B
PRICING WIRE OR EQUIVALENT COMMUNICATION
(Attached)



City of San Leandro

Meeting Date: November 5, 2018

Resolution - PFA

File Number: 18-547

Agenda Section: ACTION ITEMS

Agenda Number:

TO: City Council

FROM: Jeff Kay
City Manager

BY: David Baum
Finance Director

FINANCE REVIEW: David Baum
Finance Director

TITLE: RESOLUTION of the Board of Directors of the San Leandro Public Financing Authority Authorizing the Issuance and Sale of 2018 Lease Revenue Bonds to Finance Capital Improvement Projects for the City of San Leandro, and Approving Related Documents and Official Actions

WHEREAS, the San Leandro Public Financing Authority (the "Authority") has previously issued its \$14,125,000 San Leandro Public Financing Authority 2016 Refunding Lease Revenue Bonds (the "2016 Bonds") for the purpose of refinancing certain capital projects of the City of San Leandro (the "City"), including improvements to the City's main library building and the acquisition and construction of two fire stations (the "Prior Project"); and

WHEREAS, in connection with the issuance of the 2016 Bonds, the City leased the real property constituting its main library building, including both land and improvements (the "Leased Property"), to the Authority in consideration of the payment by the Authority of an upfront rental payment sufficient to provide funds to refinance the Prior Project, and the Authority leased the Leased Property back to the City under a Lease Agreement (the "Lease Agreement"), under which the City is obligated to pay semiannual lease payments as rental for the Leased Property, and the Authority has assigned substantially all of its rights under the Lease Agreement to U.S. Bank National Association, as trustee (the "Trustee"); and

WHEREAS, in order to finance additional capital projects of the City, the Authority is undertaking to issue its San Leandro Public Financing Authority 2018 Lease Revenue Bonds (the "2018 Bonds"), which will be payable from the lease payments, as increased following issuance of the 2018 Bonds, and certain other amounts payable by the City under the Lease Agreement for the Leased Property; and

WHEREAS, the Authority will issue the 2018 Bonds in the aggregate principal amount not to exceed \$22,000,000 under Article 4 of Chapter 5, Division 7, Title 1 of the Government Code of the State of California, commencing with Section 6584 of said Code (the "Bond Law"); and

WHEREAS, the staff report accompanying this resolution contains the information the Board of Directors of the Authority is required to obtain and disclose in a meeting open to the public prior to authorizing the issuance of the 2018 Bonds pursuant to Section 5852.1 of the Government Code; and

WHEREAS, the Board of Directors wishes at this time to approve all proceedings of the Authority relating to the issuance and sale of the 2018 Bonds.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the San Leandro Public Financing Authority as follows:

SECTION 1. Issuance of 2018 Bonds. The Board of Directors hereby approves the issuance of the 2018 Bonds under the Bond Law in the maximum principal amount not to exceed \$22,000,000, for the purpose of providing funds to finance capital improvement projects of the City. The 2018 Bonds shall be issued under the Bond Law and the Indenture of Trust dated as of December 1, 2016, by and among the Authority and the Trustee (the "Indenture"), as supplemented and amended by the First Supplemental Indenture of Trust approved below.

SECTION 2. Approval of Related Financing Agreements. The Board of Directors hereby approves each of the following agreements required for the issuance and sale of the 2018 Bonds, in substantially the respective forms on file with the Secretary, together with any changes therein or additions thereto (including the addition of a reserve account) deemed advisable by the Chairman, Executive Director or the Treasurer (each, an "Authorized Officer"), whose execution thereof shall be conclusive evidence of the approval of any such changes or additions. An Authorized Officer is hereby authorized and directed for and on behalf of the Authority to execute, and the Secretary is hereby authorized and directed to attest, the final form of each such agreement, as follows:

First Supplemental Indenture of Trust, between the Authority and the Trustee, setting forth the terms and provisions relating to the 2018 Bonds, and supplementing and amending the Indenture;

First Amendment to Site Lease, between the City, as lessor, and the Authority, as lessee, amending the Site Lease pursuant to which the City has leased the Leased Property to the Authority in consideration of the payment of an upfront amount which was applied by the City to refinance the Prior Project, and pursuant to which an additional payment will be made to finance the costs of the capital improvement projects;

First Amendment to Lease Agreement, between the Authority, as lessor, and the City, as lessee, amending the Lease Agreement pursuant to which the Authority has leased the Leased Property back to the City in consideration of the payment of semiannual lease payments to the Authority, which payments the Authority has assigned to the Trustee and which will be updated to reflect the increased lease payments due following issuance of the 2018 Bonds; and

First Amendment to Assignment Agreement, between the Authority and the Trustee, amending the Assignment Agreement pursuant to which the Authority has assigned certain of its rights under the Lease Agreement to the Trustee, including the right to receive semiannual lease payments.

SECTION 3. Negotiated Sale of 2018 Bonds. The Board of Directors hereby authorizes and directs the negotiated sale of the 2018 Bonds to Stifel, Nicolaus & Company, Incorporated, as underwriter (the "Underwriter"). The 2018 Bonds shall be sold pursuant to the terms and provisions of a Bond Purchase Agreement among the Authority, the City and the Underwriter in substantially the form on file with the Secretary, together with any changes therein or additions thereto deemed advisable by an Authorized Officer; provided, that the true interest cost of the 2018 Bonds shall not exceed 5.0% and the Underwriter's discount on the 2018 Bonds shall not exceed 0.5%.

SECTION 4. Official Statement. The Board of Directors hereby approves the preliminary Official Statement describing the 2018 Bonds in substantially the form on file with the Secretary. The Executive Director and the Treasurer, each acting alone, are hereby authorized and directed to approve any changes in or additions to said preliminary Official Statement and, if requested by the Underwriter, to execute an appropriate certificate stating the Authority's determination that the preliminary Official Statement (together with any changes therein or additions thereto) has been deemed nearly final within the meaning of Rule 15c2-12 of the Securities Exchange Act of 1934. Distribution of the preliminary Official Statement by the Underwriter is hereby approved. The Executive Director and the Treasurer, each acting alone, are hereby authorized and directed to approve any changes in or additions to a final form of said Official Statement, and the execution thereof by the Executive Director or the Treasurer shall be conclusive evidence of approval of any such changes and additions. The Board of Directors hereby authorizes the distribution of the final Official Statement by the Underwriter. The final Official Statement shall be executed on behalf of the Authority by the Executive Director or the Treasurer.

SECTION 5. Official Actions. The Authorized Officers and the General Counsel, the Secretary and all other officers of the Authority are each authorized and directed on behalf of the Authority to make and deliver any and all leases, assignments, certificates, requisitions, agreements, notices, consents, instruments of conveyance or termination, warrants and other documents, which they or any of them deem necessary or appropriate in order to consummate any of the transactions contemplated by the agreements and documents approved under this Resolution. An Authorized Officer may revise the identity of the Leased Property as necessary in order to accomplish the purposes of this Resolution. Whenever in this resolution any officer of the Authority is authorized to execute or countersign any document or take any action, such execution, countersigning or action may be taken on behalf of such officer by any person designated by such officer is absent or unavailable.

SECTION 6. Effective Date. This Resolution shall take effect immediately upon its passage and adoption.

Please refer to attachments for the City of San Leandro Resolution (File ID 18-540) for the same item, which are identical to the attachments to the Public Financing Authority Resolution.