PRELIMINARY OFFICIAL STATEMENT DATED __________, 2016

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

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SAN LEANDRO PUBLIC FINANCING AUTHORITY
2016 REFUNDING LEASE REVENUE BONDS

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

Authority for Issuance. The 2016 Refunding Lease Revenue Bonds (the "Bonds") are being issued by the San Leandro Public Financing Authority (the "Authority") under a resolution adopted by the Authority on October 17, 2016 and a resolution adopted by the City Council of the City of San Leandro (the "City) on October 17, 2016, and an Indenture of Trust dated as of December 1, 2016 (the "Indenture") by and between the Authority and U.S. Bank National Association, as trustee for the Bonds (the "Trustee"). See "THE BONDS – Authority for Issuance."

Use of Proceeds. The proceeds of the Bonds will be used to (i) refinance outstanding 2007 Certificates of Participation (Library and Fire Stations Refunding Project) (the "2007 Certificates"), and (ii) pay the costs of issuing the Bonds. See "REFINANCING PLAN."

Security for the Bonds. Under the Indenture, the Bonds will be payable solely from and secured by Revenues and certain funds and accounts held under the Indenture. 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 (the "Lease"), by and between the Authority and the City, 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). On the occurrence of an Event of Default under the Lease, the Trustee (as the Authority's assignee pursuant to an Assignment Agreement dated as of December 1, 2016 by and between the Authority and the Trustee) 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 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 or the Bonds.** See "SECURITY FOR THE BONDS."

Bond Terms; Book–Entry Only. The 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, 2017, and will be issued in fully–registered form without coupons in the denomination of $5,000 or any integral multiple of $5,000. The 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 Bonds will not receive certificates representing their interests in the Bonds. Payments of the principal of, premium, if any, and interest on the 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 Bonds. See "THE BONDS – General Provisions."

Redemption. **The Bonds are subject to redemption prior to maturity.** See "THE BONDS – Redemption."

THE BONDS ARE NOT SECURED BY A PLEDGE OF THE TAXING POWER OF THE CITY. THE AUTHORITY HAS NO TAXING POWER. NONE OF THE BONDS, NOR THE OBLIGATION OF THE AUTHORITY TO PAY PRINCIPAL OF OR INTEREST ON THE 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 BONDS ARE SECURED SOLELY BY THE PLEDGE OF REVENUES AND CERTAIN FUNDS HELD UNDER THE INDENTURE. SEE "SECURITY FOR THE 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, 2015." 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.

MATURITY SCHEDULE
(see inside cover)

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 BONDS.

The 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 the City Attorney, and for the Underwriter by Norton Rose Fulbright US LLP, Los Angeles, California. It is anticipated that the Bonds will be delivered in book–entry form through the facilities of DTC on or about ________, 2016.

[INSERT STIFEL LOGO]

The date of this Official Statement is: ________, 2016.

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* Preliminary, subject to change.

MATURITY SCHEDULE*
(Base CUSIP†: _____)

Maturity (November 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP†
2017					
2018					
2019					
2020					
2021					
2022					
2023					
2024					
2025					
2026					
2027					
2028					
2029					

* Preliminary, subject to change.

[MAP OF THE CITY]

SAN LEANDRO PUBLIC FINANCING AUTHORITY
(ALAMEDA COUNTY, CALIFORNA)

AUTHORITY BOARD/CITY COUNCIL

AUTHORITY/CITY OFFICIALS

BOND 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

DISCLOSURE COUNSEL

Jones Hall, A Professional Law Corporation
San Francisco, California

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 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 Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers or owners of the 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.

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.

In connection with the offering of the Bonds, the Underwriter may overallot 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 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 Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon an exemption contained in such act. The Bonds have not been registered or qualified under the securities laws of any state.

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.

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 Bonds.

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OFFICIAL STATEMENT

$___________*
SAN LEANDRO PUBLIC FINANCING AUTHORITY
2016 REFUNDING 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 2016 Refunding Lease Revenue Bonds (the "Bonds") under the following legal authority:

- 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"),

- an Indenture of Trust (the "Indenture"), dated as of December 1, 2016, by and between the Authority and U.S. Bank National Association, as trustee (the "Trustee"),

- a resolution adopted by the Board of Directors (the "Board") of the Authority on October 17, 2016 (the "Authority Resolution"), and

- a resolution adopted by the City Council (the "City Council") of the City of San Leandro (the "City") on October 17, 2016 (the "City Resolution").

Form of Bonds; Book–Entry Only. The 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 Bonds. Purchasers of the Bonds will not receive certificates representing the Bonds that are purchased. See "THE BONDS – Book–Entry Only System" and "APPENDIX E – DTC AND THE BOOK–ENTRY ONLY SYSTEM."

Purpose of the Bonds. The Bonds are being issued to provide funds to refund, on a current basis, (i) all of the outstanding 2007 Certificates of Participation (Library and Fire Stations Refunding Project) (the "2007 Certificates") which the City caused to be executed and delivered in 2007, together with related lease payment obligations of the City, and (ii) pay the costs of issuing the Bonds.

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* Preliminary, subject to change.

Security for the Bonds and Pledge of Revenues. The Bonds will be payable solely from and secured by Revenues and certain funds and accounts held under the Indenture. Revenues consist primarily of Lease Payments to be made by the City pursuant to a Lease Agreement, dated as of December 1, 2016, between the City and the Authority (the "Lease") for certain real property leased by the Authority to the City (as described herein, the "Leased Property"). The Leased Property will be simultaneously leased by the Authority from the City pursuant to a Site Lease, dated as of December 1, 2016, between the City and the Authority (the "Site Lease"), in exchange for an upfront rental payment that the City will use to refinance the 2007 Certificates. See "THE LEASED PROPERTY" and "THE REFINANCING PLAN." 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 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 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 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 (the "Assignment Agreement"), by and between the Authority and the Trustee, the Authority has assigned to the Trustee for the benefit of the Owners of the 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 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 or for the Bonds.

Additional Obligations. The City has 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 Owners of the 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.

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

Abatement. The Lease provides that, except to the extent of proceeds of insurance against accident to or destruction of the Leased Property collected by the City or the Authority, amounts in the Bond Fund available to pay Lease Payments which would otherwise be abated, 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. See “SECURITY FOR THE BONDS – Abatement,” and “RISK FACTORS – Abatement.”

Risks of Investment. The Bonds are repayable primarily from Lease Payments and other amounts payable by the City under the Lease. For a discussion of some of the risks associated with the purchase of the Bonds, see “RISK FACTORS.”

THE BONDS ARE SECURED SOLELY BY THE PLEDGE OF REVENUES AND CERTAIN FUNDS HELD UNDER THE INDENTURE. THE BONDS ARE NOT SECURED BY A PLEDGE OF THE TAXING POWER OF THE CITY. THE AUTHORITY HAS NO TAXING POWER. NONE OF THE BONDS, NOR THE OBLIGATION OF THE AUTHORITY TO PAY PRINCIPAL OF OR INTEREST ON THE 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. See “SECURITY FOR THE BONDS.”

THE REFINANCING PLAN

The Bonds are being issued to provide funds to (i) refinance all of the outstanding 2007 Certificates, and the City's related lease payment obligations, and (ii) pay the costs of issuing the Bonds.

The 2007 Certificates were executed and delivered for the primary purpose of refunding the City's lease payment obligations relating to the $26,000,000 original principal amount of 1999 Certificates of Participation (Library and fire Stations Financing) (the "1999 Certificates") that the City caused to be executed and delivered in 1999. The total principal amount of 2007 Certificates currently outstanding is $16,735,000, $910,000 of which will be paid as due on November 1, 2016 and the remaining amount ($15,825,000) will be prepaid with the proceeds of the Bonds and other amounts on hand related to the 2007 Certificates.

The outstanding 2007 Certificates that are expected to be prepaid are as follows:

2007 CERTIFICATES OF PARTICIPATION
(Library and Fire Stations Refunding Project)

Maturity Date (November 1)	Principal Amount to be Prepaid	CUSIP†	Prepayment Date*	Prepayment Price (% of Par Amount)
2017	$945,000	798432 DP7	12/02/2016	101.0%
2018	985,000	798432 DQ0	12/02/2016	101.0
2019	1,020,000	798432 DR8	12/02/2016	101.0
2020	1,060,000	798432 DS6	12/02/2016	101.0
2021	1,105,000	798432 DT4	12/02/2016	101.0
2022	1,150,000	798432 DU1	12/02/2016	101.0
2023	1,200,000	798432 DV9	12/02/2016	101.0
2024	1,250,000	798432 DW7	12/02/2016	101.0
2025	1,305,000	798432 DX5	12/02/2016	101.0
2026	1,360,000	798432 DY3	12/02/2016	101.0
2027	1,420,000	798432 DZ0	12/02/2016	101.0
2028	1,480,000	798432 EA4	12/02/2016	101.0
2029	1,545,000	798432 EB2	12/02/2016	101.0

** Preliminary; subject to change.*
† Copyright 2016, American Bankers Association. CUSIP data herein are provided by CUSIP Global Services, managed by Standard & Poor's Capital IQ, and are provided for convenience of reference only. Neither the District nor the Underwriter assumes any responsibility for the accuracy of these CUSIP data.

On the prepayment date set forth above, a portion of the proceeds of the Bonds, together with other available moneys held by U.S. Bank National Association, as trustee for the 2007 Certificates (the "2007 Certificates Trustee"), will be used to prepay, in full, the 2007 Certificates. Funds for this purpose will be held by the 2007 Certificates Trustee pursuant to Irrevocable Refunding Instructions for the 2007 Certificates dated as of December 1, 2016 and given by the Authority and the City to the 2007 Certificates Trustee. *The amounts held by the 2007 Certificates Trustee are pledged solely to the payment of the 2007 Certificates. Neither the funds so–deposited with the 2007 Certificates Trustee nor the interest on such funds will be available for the payment of debt service on the Bonds.*

Estimated Sources and Uses of Funds

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

SOURCES:	
Principal Amount of Bonds	$
Plus/Less Original Issue Premium/Discount	
Plus Available Funds Relating to the 2007 Certificates	
Total Sources	$
USES:	
Refunding of 2007 Certificates	
Costs of Issuance [1]	
Total Uses	$

[1] Represents funds to be used to pay Costs of Issuance, which include Underwriter's Discount, legal fees, printing costs, rating agency fees, trustee's fees, title insurance costs and other miscellaneous expenses.

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, approximately 44,000 square foot building 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 Leased Property has an insured value of approximately $32.7 million.

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. See "SECURITY FOR THE BONDS – Additional Bonds."

Modifications of Leased Property

Under the Lease, the City will have the right during the term of the Lease to make additions, modifications and improvements to the Leased Property or any portion thereof. Such additions, modifications and improvements may 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.

Assignment and Subleasing

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 the 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 (as defined in the Lease), 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 of California, 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, 2029, 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 of California.

After a substitution, the Former Property will be released from the leasehold, as appropriate. 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 Bondowners. 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; 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 Bondowners. The City is not entitled to any reduction, diminution, extension or other modification of the Lease Payments as a result of a release. See "APPENDIX B – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS."

THE BONDS

Authority for Issuance

The Bonds are being issued under the Bond Law and the Indenture.

General Provisions

Bond Terms. The Bonds will be dated their date of delivery and issued in fully registered form without coupons in integral multiples of $5,000. The 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 Bonds will be payable on May 1 and November 1 in each year, beginning May 1, 2017 (each an "Interest Payment Date"). Principal on the 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.

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

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

- a Bond is authenticated on or before an Interest Payment Date and after the close of business on the preceding fifteenth (15th) day of the month next preceding such Interest Payment Date (the "Record Date"), in which event it will bear interest from such Interest Payment Date,

- a Bond is authenticated on or before the first Record Date, in which event interest thereon will be payable from the Closing Date, or

- interest on any 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.

Principal and premium, if any, with respect to each Bond is payable upon surrender of such Bond at the Office of the Trustee in St. Paul, Minnesota, upon maturity or the earlier redemption thereof. The principal of, premium, if any, and interest on the Bonds will be payable in lawful money of the United States of America. Interest with respect to the 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 Bonds.

Redemption*

Optional Redemption. The Bonds maturing on or before November 1, 20__ are not subject to optional redemption prior to their stated maturity. The Bonds maturing on or after November 1, 20__ 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, 20__ and on any date thereafter, at a redemption price equal to 100% of the principal amount of Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

Special Mandatory Redemption From Insurance or Condemnation Proceeds. The 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 of insurance or an eminent domain award with respect to the Leased Property which are not applied to repair, rebuild or replace the Leased Property as provided in the Indenture, at a redemption price equal to 100% of the principal amount to be redeemed plus interest accrued thereon to the date fixed for redemption, without premium.

Mandatory Sinking Fund Redemption. The Bonds maturing on November 1, 20__ (the "Term Bonds") are subject to mandatory redemption in part by lot, at a redemption price equal to 100% of the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts and on November 1 in the respective years as set forth in the following tables; *provided, however,* that if some but not all of the Term Bonds have been redeemed pursuant to an optional redemption or special mandatory redemption from insurance or condemnation proceeds, the total amount of all future sinking fund payments shall be reduced by the aggregate principal amount of the Term Bonds so redeemed, to be allocated among such sinking fund payments on a pro rata basis in integral multiples of $5,000 (as set forth in a schedule provided by the Authority to the Trustee).

Mandatory Sinking Fund Redemption of
Term Bonds Maturing
November 1, 20__

Sinking Fund Redemption Date (November 1)	Principal Amount To Be Redeemed
	$

Notice of Redemption. Notice of redemption will be mailed by the Trustee, first class, postage prepaid, not more than 60 and not less than 30 days before any redemption date, to the respective registered Owners of any Bonds designated for redemption at their addresses appearing on the registration books maintained by the Trustee and to one or more Securities Depositories and the Municipal Securities Rulemaking Board. Neither the failure to receive any notice nor any defect therein will affect the proceedings for such redemption.

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 will select the Bonds to be redeemed from all 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,

* Preliminary, subject to change.

Bonds will be deemed to be comprised of $5,000 portions and each portion will be subject to redemption as if such portion were a separate Bond.

Effect of Redemption. If notice of redemption has been duly given and money for the payment of the redemption price of the Bonds called for redemption has been duly provided, such Bonds so called will cease to be entitled to any benefit under the Indenture other than the right to receive payment of the redemption price, and no interest will accrue thereon from and after the redemption date specified in such notice.

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 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 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 Bonds. Purchasers of the 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 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 District 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 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.

DEBT SERVICE SCHEDULE

The table below shows semiannual debt service payments on the Bonds, assuming no optional or extraordinary redemption.

Period Ending	Principal	Interest	Debt Service	Total Debt Service
Total				

Source: Underwriter.

SECURITY FOR THE BONDS

The principal of and interest on the 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 amounts pledged under the Indenture.

This section provides summaries of the security for the 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.

Pledge of Revenues

The Bonds are payable from and secured by a pledge of Revenues and certain funds and accounts established and held by the Trustee under the Indenture. Revenues, as defined in the Indenture, 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 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 Bonds and the right to pursue remedies in the event the City defaults under the lease.

THE 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. THE AUTHORITY HAS NO TAXING POWER. THE OBLIGATION OF THE CITY TO MAKE LEASE PAYMENTS UNDER THE LEASE 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. NEITHER THE BONDS NOR THE OBLIGATION OF THE CITY TO MAKE LEASE PAYMENTS UNDER THE LEASE CONSTITUTES AN INDEBTEDNESS OF THE CITY, THE COUNTY, THE STATE OF CALIFORNIA (THE "STATE") OR ANY OF ITS POLITICAL SUBDIVISIONS (INCLUDING ANY MEMBER OF THE AUTHORITY) IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATIONS.

Lease Payments; Covenant to Appropriate

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 Bonds when due. Lease Payments will be paid by the City semiannually 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 Bonds. The City covenants under the Lease to take such action as may be necessary to include all Lease Payments and Additional Rental Payments in its annual budgets and to make the necessary annual appropriations for all such rental payments.

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

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. In the case of abatement due to a partial or temporary taking of the Leased Property under the power of eminent domain, (i) the Lease shall continue in full force and effect with respect Leased Property not taken or not permanently taken and (ii) 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. If all of 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 ceases as of the day such possession is taken.

Notwithstanding the foregoing, under the Lease, 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.

Insurance; Condemnation

In the event of an abatement of Lease Payments, debt service on the Bonds may, to a certain extent, be covered by insurance proceeds. The City is required to procure and maintain 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 certain hazards pursuant to the Lease. Such insurance will be in an amount at least equal to the maximum amount of 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, will be paid to the Trustee and deposited in the Bond Fund, for application as a credit towards the payment of the Lease Payments allocable to the insured improvements as the same become due and payable.

The Lease also requires the City to maintain title insurance, standard commercial general liability insurance and casualty insurance with respect to the Leased Property. Any Net Proceeds under such title insurance policy will be deposited with the Trustee in the Bond Fund, to be credited towards the prepayment of the remaining Lease Payments under the Lease. The required casualty insurance will have a coverage 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 Bonds, and may be subject to such deductibles as the City deems adequate and prudent.

No assurance can be given that the proceeds of any insurance or condemnation award 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" for a description of provisions of the Lease Agreement and the Trust Indenture relating to the application of proceeds from the casualty insurance or condemnation awards.

See "RISK FACTORS – Abatement."

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 Bonds.

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. 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

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 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 [appraised] 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 between the City and the Redevelopment Agency (the "Joint Exercise of Power Agreement"). The Successor Agency has subsequently succeeded to the rights and obligations of the Redevelopment Agency under the Joint Exercise of Powers Agreement. The City Council sits as the board of the Successor Agency and the Successor Agency functions, in essence, as a department of the City.

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 of San Leandro (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 further developed by Spanish and Portuguese settlers. From 1856 until 1868, San Leandro served as the county seat of Alameda County (the "County") in the State of California (the "State"). The City presently occupies 15 square miles in the central part of the County, approximately 20 miles southeast of the City of San Francisco. Its neighboring cities include Oakland and Hayward and it is bordered on the west by the San Francisco Bay. The City offers its residents the quiet charm and character of a community that has been established for more than 130 years. The City is established as a charter city.

Once an agricultural community, San Leandro has been successful in attracting significant industrial, manufacturing and retail development to the area. The City has long been home to many food processing operations, and is home to many corporate businesses such as Ghirardelli and Otis Spunkmeyer and a Coca–Cola plant. There are five shopping centers: Bayfair Center, Westgate Center, Greenhouse Shopping Center, Marina Square Center, and Pelton Plaza. The industrial makeup of the City has been changing, moving away from its traditional manufacturing base toward more of an emphasis on services and warehousing industries.

As of January 1, 2016, the County had a population estimated at 1,627,865, 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, of which 737 square miles (or 89.82%) is land and 83.57 square miles (or 10.18%) is 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 Bay; it is home to 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.

The northern part of the County has direct access to San Francisco Bay and the City of San Francisco. It is highly diversified with residential areas, as well as traditional heavy industry, the University of California at Berkeley, the Port of Oakland, and sophisticated 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 seen strong growth in residential development and manufacturing. Many high–tech firms have moved from neighboring Silicon Valley in Santa Clara County to this area. The southwestern corner of the County has seen the most development in recent years due to land availability. Agriculture and the rural characteristics of this area are disappearing in favor of residential, commercial and industrial uses.

Population

The City's population at January 1, 2016, the most recent estimate, was 87,700 according to the State Department of Finance. The table below 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
2012	85,889	1,543,027	37,881,357
2013	85,847	1,566,339	38,239,207
2014	86,453	1,587,637	38,567,459
2015	87,209	1,610,765	38,907,642
2016	87,700	1,627,865	39,255,883

Source: State of California, Department of Finance, Population Estimates for Cities, Counties, and the State, 2012–2016.

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 functions 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 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.

Members of the City Council are set forth below:

Council Member	Title	Expiration of Term
Pauline Russo Cutter	Mayor	December 2018
Ursula Reed	Vice Mayor	December 2016
Deborah Cox	Councilmember	December 2018
Lee Thomas	Councilmember	December 2018
Benny Lee	Councilmember	December 2016
Corina Lopez	Councilmember	December 2018
Jim Prola	Councilmember	December 2016

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.

Biographies of certain senior managers of the City are as follows:

Chris Zapata, City Manager. Chris Zapata has served as the City Manager of the City since January 2012. During more than 30 years working in local government, he has held executive management positions with and managed complex projects for a number of California and Arizona municipalities including National City, California and the Arizona communities of Glendale, Superior, Eloy, Phoenix, Goodyear and Flagstaff. Mr. Zapata joined the City in 2012 after serving for seven years as City Manager of the southern San Diego County community of National City. In 2010 and while working in National City, he was the sole recipient of the League of California Cities Award for Advancement of Diverse Communities in recognition of his talents managing economic and cultural diversity. Prior to serving National City, Mr. Zapata was the Deputy City Manager for Glendale, Arizona. During the 1990s, he served as City Manager of Eloy and Superior, both in Arizona. Mr. Zapata holds a Bachelor's degree from the Northern Arizona University.

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 over 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. Mr. Baum holds a bachelor's degree in Economics from Stanford University.

***Labor Relations*.** For Fiscal Year 2016–17, the City has authorized 424.58 FTEs, of which 354.01 are full–time employees, 70.57 are part–time employees, and 93.00 are sworn police personnel. The City provides retirement and other post employment benefits to City employees. See " – Retirement System" herein.

The City's employees are represented by five labor organizations. The City is currently in bargaining with representatives of the San Leandro Police Officers Association labor organization for renegotiation of the labor agreement between the City and said organization. The terms and conditions of the current expired contract will remain in full force following the termination date of said agreement. At this time, the City does not anticipate the results of such renegotiations to cause a material fiscal impact upon the City's General Fund. 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

Association	**Number of Employees**	**Termination Date of Agreement**
San Leandro City Employees Ass'n	238.73	December 31, 2020
San Leandro Management Organization	33.00	June 30, 2020
San Leandro Police Officers Ass'n	84.00	December 31, 2015[1]
San Leandro Police Management Ass'n	8.00	December 31, 2019
Confidential Employee Group	8.38	June 30, 2020
City Manager	1.00	June 30, 2020
Assistant City Manager [2]	1.00	June 1, 2018
Police Chief [2]	1.00	June 1, 2018
City Council	7.00	N/A
Non–Represented	42.48	N/A
TOTAL FY 2016–17	**424.58**	

(1) Currently being negotiated. Terms and conditions of the current expired contract remain in full force following the termination date.
(2) Interim staff currently occupies position and new contract will be negotiated once permanent replacement is appointed.
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 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 or have included: operations of the Redevelopment Agency, the San Leandro Parking Authority, the Authority, and the San Leandro Economic Development Agency. During Fiscal Year 2014–15, the City opened one new component fund: the Measure BB Fund (which accounts for the City's share of revenues earned and expenditures incurred under the City paratransit, streets and roads, and bike and pedestrian programs). The City also has two proprietary utility and enterprise funds. The Water Pollution Control Plant Enterprise fund was established to account for the City's sewers, which protect public health and preserve water quality through collection, treatment and disposal of the community's wastewater and wastewater solids. The Shoreline Enterprise Fund was established in Fiscal Year 2002–03 to combine the Marina Enterprise and the Golf Course Enterprise Funds.

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.

***Financial Statements**.* Maze and Associates, Certified Public Accountants (the "Auditor"), audited the financial statements of the City for the Fiscal Year ended June 30, 2015. 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, 2015."

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 2011–12 through 2014–15 (Audited) and 2015–16 (Unaudited)[1]

	Audited 2011–12	Audited 2012–13	Audited 2013–14	Audited 2014–15	Unaudited 2015–16
ASSETS:					
Cash and cash equivalents	$25,106,104	$20,354,040	$24,098,263	$23,982,898	$27,357,454
Cash and investments with fiscal agent	65,310 [2]	—	—	—	—
Interest receivable	78,486	52,562	55,147	55,147	43,399
Taxes receivable	194,479	181,715	213,657	169,150	180,403
Accounts receivable – net	6,272,957	7,387,685	7,410,573	9,839,854	13,187,905
Due from other funds	371,551	2,073,461	1,593,152	1,545,220	2,497,667
Prepaid items	—	—	—	—	—
Special Assessments	74,965	61,742	71,712	74,215	66,390
Loans receivable – net	139	1,250,139	1,150,139	3,702,470	3,591,966
Other assets	7,247	10,785	13,554	439,374	482,873
Advances to other funds	8,106,392	8,106,392	8,106,392	8,106,392	8,106,392
Advances to the Successor Agency	2,040,768	2,040,768	2,040,768	2,040,768	432,632
Total Assets	$42,318,398	$41,519,289	$44,753,357	$49,955,488	$55,947,081
LIABILITIES:					
Accounts payable and other current liabilities	$9,863,561	$8,805,333	$8,365,951	$8,411,015	$6,590,951
Deferred revenue	1,985,355	—	—	—	—
Other liabilities	—	—	—	—	—
Advances from other funds	6,000,000	5,577,227	5,141,772	4,693,253	4,231,278
Compensated absences payable	—	—	—	—	—
Unearned revenue	—	—	—	2,039,764	2,265,912
Total Liabilities	$17,848,916	$14,382,560	$13,507,723	$15,144,032	$13,088,141
DEFERRED INFLOW OF RESOURCES:					
Unavailable revenue – grants receivable	—	—	—	—	—
Unavailable revenue – loans receivable	—	—	—	—	—
Unavailable revenue – miscellaneous receivables	—	1,838,450	1,623,278	—	—
Total Deferred Inflows of Resources	—	1,838,450	1,623,278	—	—
FUND BALANCES:					
Encumbrances/Assigned	$3,555,009	$264,275	$662,973	$1,766,700	$924,968
Due from other funds/Nonspendable	10,147,160	10,147,160	10,147,160	13,849,630	12,130,990
Restricted	50,000	50,000	50,000	50,000	50,000
Long–term notes/loans receivable	—	—	—	—	—
Unreserved, designated/Unassigned	10,717,313	14,836,844	18,762,223	19,145,226	29,163,483
Total Fund Balances	$24,469,482	$25,298,279	$29,622,356	$34,811,556	$42,858,940
TOTAL LIABILITIES AND FUND BALANCES	$42,318,398	$41,519,289	$44,753,357	$49,955,588	$55,947,081

(1) Redevelopment Agency funds are now accounted for and recorded in the City's Private Trust and Agency Fund. See APPENDIX A.

(2) Pertains to former funds and obligations of the Redevelopment Agency, which are funds and obligations of the Successor Agency.

Sources: City of San Leandro Audited Financial Statements; City of San Leandro.

TABLE 4
CITY OF SAN LEANDRO
STATEMENT OF GENERAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Fiscal Years 2011–12 through 2014–15 (audited) and 2015–16 (Unaudited)

	Audited 2011–12	Audited 2012–13	Audited 2013–14	Audited 2014–15	Unaudited 2015–16
Revenues:					
Property and Other Taxes	$60,433,688	$60,759,000	$68,910,957	$74,485,955	$84,174,586
Licenses and Permits	6,526,327	6,020,560	6,996,159	7,145,284	7,984,476
Intergovernmental	990,464	917,255	1,009,545	1,247,506	1,050,412
Charges for Services	2,971,755	2,661,000	2,853,823	3,174,722	2,923,776
Fines and Forfeitures	1,110,669	1,240,000	1,302,814	1,524,570	1,685,099
Use of Money and Property	972,735	1,051,455	1,198,556	1,164,676	1,709,774
Interdepartmental Charges	2,276,421	2,002,140	2,002,139	2,250,266	1,999,878
Other Revenues	796,575	447,000	668,000	713,559	430,493
Total Revenues	$76,078,634	$75,098,410	$84,941,993	$91,706,538	$101,958,494
Expenditures:					
General Government	$10,061,734	$9,945,231	$11,310,036	$11,720,994	$11,846,866
Public Safety	67,734,689	44,219,695	46,197,805	48,991,182	51,487,121
Engineering and Transportation	6,219,767	4,280,100	7,115,171	7,323,705	7,914,212
Recreation and Culture	8,108,265	8,670,190	9,177,006	9,416,607	9,861,200
Community Development	3,387,554	3,851,125	3,907,247	4,164,877	5,150,753
Debt service: Principal	483,035	2,518,061	1,195,828	1,413,833	1,408,397
Debt service: Interest and Fees	291,972	2,348,041	938,823	902,546	859,561
Total Expenditures	$96,287,016	$75,832,443	$79,841,91	$83,933,744	$88,528,110
Excess of Revenues Over (Under) Expenditures:	($20,208,382)	(734,033)	5,100,077	7,772,794	13,430,384
Other Financing Sources (Uses):					
Transfers In	$991,727	–	–	–	–
Transfers Out	(298,849)	(67,942)	(776,000)	(2,583,594)	(5,383,000)
Proceeds from Issuance of Debt	18,305,000	–	–	–	–
Total Other Financing Sources (Uses)	$18,997,878	(67,942)	(776,000)	(2,583,594)	(5,383,000)
Net Change in Fund Balance	($1,210,504)	(801,975)	4,324,077	5,189,200	8,047,384
Fund Balances:					
Beginning of the year, as previously reported	$25,679,986	$24,469,482	$25,298,279	$29,622,356	$34,811,556
End of the Year	$24,269,482	$23,667,507	$29,622,356	$34,811,556	$42,858,940

Sources: City of San Leandro Audited Financial Statements; City of San Leandro.

Budget Process. In accordance with applicable sections of the California Government Code and the City's Charter, an annual budget is adopted by the City Council no later than the first regular meeting in July for the Fiscal Year beginning July 1. As part of the budget process, all City departments submit budget requests for the next Fiscal Year. These requests are reviewed, and a final City Manager recommended budget showing estimated revenues and expenditures of the City is prepared. This proposed budget is transmitted to the City Council and made available to the public for review. Study sessions and a public hearing are conducted before final adoption of the budget by the City Council.

Currently, the City Manager and staff present a budget to the City Council that encompasses two Fiscal Years. Following approval, the City Council at least annually reviews this bi–annual budget.

The City Manager is authorized to approve appropriation transfers within any City department or fund up to a specified amount; however, any new appropriation or appropriation transfer between departments or funds requires approval by the City Council. Supplemental appropriations may be necessary during the year and are reflected in the budget amounts in the financial statements. Expenditures may not legally exceed appropriations at the department level.

Under the City Charter, all unexpended appropriations lapse at the end of the Fiscal Year unless they are lawfully committed, or are required by law to be continuously appropriated from year to year.

Lawfully committed amounts include amounts legally encumbered at year–end. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the governmental fund types. Encumbrances outstanding at year–end are reported as reservation of fund balances since they do not constitute expenditures or liabilities, and re–appropriations in the subsequent year provide authority to complete these transactions as expenditures.

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.

City Reserves. In 1989–90, the City Council adopted a policy for funding financial reserves and a series of financial values that were to be utilized in the development of the future budgets (the "Financial Goals Statement"). The Financial Goals Statement identifies and formalizes the financial principles by which the City is guided; it provides direction for preparing annual budget strategies and budgets and for conducting the day–to–day and long–term municipal affairs.

In part, the Financial Goals Statement stated that the City would maintain reserve fund or working capital balances of at least 20% of operating expenditures in the General Fund and Enterprise Funds. This was considered the minimum level necessary to maintain the City's credit worthiness and to adequately 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. Reflecting this policy goal, the City maintained a Major Emergencies Reserve Fund and an Economic Uncertainty Reserve Fund, the value of which Funds, together, were targeted to equal 20% of operating expenditures in the City's General Fund and Enterprise Fund, when possible.

In Fiscal Year 2015–16, realizing that unfunded liabilities for pensions and retiree healthcare were a significant problem that restricted the City's ability to provide services to its community, the City Council reduced the reserve fund policy to 16.67% and directed that up to 50% of any General Fund annual surpluses go towards paying down unfunded liabilities quicker. The targeted reserve level of 16.67% is equal to two months of operating expenses for the City. This is part of the City's new Prioritization Unfunded Liability Liquidation (PULL) Plan, which has a 5–year goal of allocating $5,000,000 towards reducing unfunded liabilities.

The amount of the Major Emergencies Reserve has remained at $5,000,000 since 2007–08. The Economic Uncertainty Reserve has been utilized for operations over the past several years, and as of June 30, 2015 was valued at $7,412,000. The City's Fiscal Year 2015–16 and 2016–17 budget was approved without any further draw–down of the Economic Uncertainty Reserve.

In Fiscal Year 2007–08, the Major Emergencies and the Economic Uncertainty Reserves together totaled about 19% of the General Fund operating expenditures. The aggregate Reserve amounts declined over the past several years and were recorded at $19,145,000, about 22.80% of the General Fund operating expenditures, as of June 30, 2015. As of June 30, 2016 aggregate Reverse amounts grew to approximately $29 million. These amounts are unassigned and available for spending in the future.

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.

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 Fund's balance sheet records the liability for Claims and Judgments for outstanding cases and claims. As of June 30, 2015, the City's total liability for Claims and Judgments amounted to $6,046,546 and the Self Insurance Fund reflected a fund balance of $2,228,601.

General Fund Budgets. The City's General Fund original and final budget figures and audited actual figures for Fiscal Year 2014–15, and the City's original and final budget figures and unaudited actual figures for Fiscal Year 2015–16, are set forth in the following table.

"Operating Transfers Out" in the following table 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.

"Debt Service" expenditures reflected in the table below are related to certain outstanding long–term obligations payable from the City's General Fund, not including the Bonds. See "– General Fund Obligations" below.

TABLE 5
CITY OF SAN LEANDRO
SCHEDULE OF GENERAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (BUDGET AND ACTUAL)
Fiscal Year 2015–16

	Original, Adopted Budget	Final Budget	Unaudited, Actual	Variance with Final Budget
Revenues:				
Property and other taxes	$79,640,078	$79,640,078	$84,174,586	$4,534,508
Licenses and permits	6,761,351	6,761,351	7,984,476	1,223,125
Fines and forfeitures	1,118,000	1,118,000	1,050,412	(67,588)
Service charges	2,863,574	2,902,574	2,923,776	21,202
Intergovernmental	1,018,547	1,018,547	1,685,099	666,552
Use of money and property	1,202,000	1,202,000	1,709,774	507,774
Interdepartmental charges	2,002,140	2,002,140	1,999,878	(2,262)
Other	601,500	631,429	430,493	(200,936)
Total Revenues	95,207,190	95,276,119	101,958,494	6,682,375
Expenditures:				
Current:				
General government	12,274,661	12,904,204	11,846,866	1,057,338
Public safety	52,835,274	53,751,400	51,487,121	2,264,279
Engineering and transportation	7,672,935	7,801,778	7,914,212	(112,434)
Recreation and culture	9,263,110	9,868,246	9,861,200	7,046
Community development	4,914,477	6,533,228	5,150,753	1,382,475
Debt service:				
Principal	1,870,372	1,870,372	1,408,397	461,975
Interest and fees	861,246	861,246	859,561	1,685
Total Expenditures	89,692,075	93,590,474	88,528,110	5,062,364
Revenues over (under) expenditures	5,515,115	1,685,645	13,430,384	11,744,739
Other financing sources (uses):				
Transfer in	—	—	—	—
Transfer out	(3,807,017)	(5,557,017)	(5,383,000)	174,017
Issuance of debt				
Total Other Financing Sources (Uses)	(3,807,017)	(5,557,017)	(5,383,000)	174,017
Net Change in Fund Balance	$1,708,098	$(3,871,372)	$8,047,384	$11,918,756

Sources: 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 2016-17

	Original, Adopted Budget	Final Budget
Revenues:		
Property and other taxes	$79,826,991	$84,407,140
Licenses and permits	6,856,454	7,272,454
Fines and forfeitures	1,127,280	1,127,280
Service charges	2,866,074	2,866,074
Intergovernmental	1,018,547	1,031,336
Use of money and property	1,210,524	1,210,524
Interdepartmental charges	2,002,140	2,002,140
Other	601,500	624,500
Total Revenues	95,509,510	100,541,448
Expenditures:		
Current:		
General government	12,045,251	12,725,322
Public safety	54,552,715	56,938,243
Engineering and transportation	7,929,220	8,618,581
Recreation and culture	9,433,856	10,206,480
Community development	4,842,465	6,801,777
Debt service:		
Principal	1,988,056	1,988,056
Interest and fees	813,135	813,135
Total Expenditures	91,604,698	98,091,594
Revenues over (under) expenditures	3,904,812	2,422,854
Other financing sources (uses):		
Transfer in		
Transfer out	(3,563,000)	(3,563,000)
Issuance of debt		
Total Other Financing Sources (Uses)	(3,563,000)	(3,563,000)
Net Change in Fund Balance	$314,812	$(1,140,146)

Sources: City of San Leandro.

General Economic Condition and Outlook of the City. Commencing in 2008, the City took a number of steps to address the negative impacts of the economic downturn of that time on the financial condition of the City. These changes remain in place and inform the future budgets of the City. The following discussion describes annual economic conditions of the City with measures taken recently, including projections and steps that were targeted for Fiscal Year 2015–16 and that are planned for Fiscal Year 2016–17.

Fiscal Year 2013–14. In Fiscal Year 2013–14, data indicated further recovery from the 2008 recession in the City, as median home prices rose to $435,000 and the unemployment rate dropped to 5.6%. Property taxes saw a slight increase to $883,000 compared to the 2012–13 Fiscal Year. Sales tax revenue continued to increase as well, growing by $2.8 million compared to that of the prior fiscal year, and was attributed to the growth of consumer confidence in the City. At the end of Fiscal Year 2013–14, the unassigned fund balance of the General Fund was $18.8 million, while the total fund balance was $29.6 million, an increase of $4.3 million over that of the prior fiscal year. These increases were due primarily to the growth of property taxes to 5% in addition to a raised sales tax of 10.6%.

Fiscal Year 2014–15. The City finished Fiscal Year 2014–15 with an assigned and unassigned General Fund balance of approximately $34,811,556. While there continued to be signs of an economic recovery in the City, median home prices remained at $500,000, still less than the median price at the 2006 peak. The unemployment rate in the City was less than 6%. Despite the improving housing market, which represents 63% of the City's tax roll, there was no growth in taxable assessed value for Fiscal Year 2014–15. Lower interest rates boosted purchases of large ticket items, such as automobiles and home improvements, which increased sales tax revenue by 13% in the City. With the passage of Measure HH and a 0.5% sales tax increase effective April 1, 2015, as described below, the half–cent sales tax added $2 million in sales tax revenue in the fiscal year. Additionally, key enterprise funds including the Water Pollution Control Plant and the Shoreline Enterprise Fund, saw revenues slightly improving over the last year. Program revenues to the Water Pollution Control Plan Enterprise fund totaled $13 million, an 8% increase from the prior year. Similarly revenues to the Shoreline Enterprise Fund total $2.04 million, a 6% increases from the prior year.

While the City has implemented considerable expenditure and service reductions to balance its budget, 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 a change in actuarial assumptions by CalPERS, with additional increases projected in future years. The City has offset some of these increases with reductions in staff in recent years, and will be working with employee groups over future years to address this growing cost. See "– Retirement System," below.

For Fiscal Year 2014–15, the City's General Fund had a net increase of revenues of approximately $7.2 million above the same year's final budget, projected revenues, largely attributed to the increase in property and other tax revenues. Current General Fund revenues grew 8.0% compared to the previous year. Actual revenues total $91.7 million, an increase of 8.6% from the final budget. The increase in property and other taxes, which included sales taxes, positively impact the City's General Fund revenues. The $3.9 million in decreased expenditures from the adjusted budget was caused by various factors that included vacant positions and grants that were not fully expended in Fiscal Year 2014–15.

Like most cities in the State, the City continues to face an uncertain local economy. City finances and the community services that depend on those resources have been strained by the recent recession and, most recently and significantly, the State's dissolution of the Redevelopment Agency, wherein City's net assets decreased by $3.5 million. As a result, the City saw steep reductions in programs and services over the past three years. Since then, the City has been able to approve budgets with no further reductions in program or services, in addition to presenting budgets balanced between revenues and expenditures.

Fiscal Years 2015–16 and 2016–17.

The 2015–16 and 2016–17 City budget continues to focus on essential services and maintaining a strong commitment to local neighborhoods. In 2015–16 and 2016–17, the General Fund expenditures total $93.5 million and $95.2 million. The City is prepared to finance these anticipated expenditures with expected revenues in the amount of $95.2 million and $95.5 million for Fiscal Years 2015–16 and 2016–17, respectively. The City continues to actively monitor expenditures and revenues so that adjustments can be made to keep its expenditures balanced against its revenues. The City may need to undertake further structural cost reductions in order to maintain a balanced budget in the future.

The following table shows General Fund tax revenue sources for the past five fiscal years.

TABLE 7
CITY OF SAN LEANDRO
GENERAL FUND TAX REVENUES BY SOURCE
Fiscal Years 2011-12 through 2015-16

	2011-12	**2012-13**	**2013-14**	**2014-15**	**2015-16**
Property Taxes	$22,357,186	$17,631,582	$18,514,127	$18,898,038	20,011,263
Sales Taxes	24,126,105	26,304,583	29,097,614	32,948,155	40,338,342
Franchise Fees	4,231,420	4,444,251	4,581,920	4,845,086	4,968,614
Utility Users Tax	9,968,546	9,888,123	10,157,762	10,359,050	10,807,583
Property Transfer Tax	2,981,685	2,956,419	3,282,026	4,112,030	4,235,952
911 Communication Access Tax	2,684,591	2,723,255	2,804,181	2,974,313	2,917,993
Other Takes	555,988	591,016	652,866	733,867	6,247,987
Total	$66,905,521	$64,539,229	$69,090,496	$74,870,539	89,527,734

Source: City of San Leandro.

The City's three largest sources of revenues are, in order, sales taxes, property taxes, and the utility users taxes for Fiscal Year 2015–16 are as follows.

Sales and Use Taxes. Sales and use taxes represent the largest source of tax revenue to the City (approximately 40.0% of general governmental tax revenues in 2015–16). The City expects to have received approximately $41.6 million in sales tax revenue for Fiscal Year 2015–16. Since 2011–12, sales tax revenues have seen 9–12% annual growth rates. Prior to the Great Recession than began in 2008, sales taxes were the City's largest source of tax receipts, and the City believes that reduced sales tax revenues for Fiscal Years 2007–08, through 2010–11 were part of a short–term (recessionary) trend.

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. As part of the State's Fiscal Year 2003–04 Budget, the State Legislature authorized, and the voters of the State approved, a redirection to the State from local jurisdictions (including the City) of sales revenues in the amount of 0.25% of the basic 1.0% local sales tax rate, starting July 1, 2004. The State of California uses such revenues to pay the State's economic recovery bonds. Under the California Economic Recovery Act, which includes legislation commonly referred to as the "Triple Flip," the State redirected certain property taxes in the ERAF to local governments, including the City, to compensate for this redirection of sales taxes on a "dollar for dollar" basis. The "Triple Flip" ended in Fiscal Year 2015-16. See also "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Proposition 22."

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 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. Measure HH increased the sales tax in the City by 0.50% (replacing the 0.25% increase effectuated by Measure Z), and expires on March 31, 2045.

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 8
CITY OF SAN LEANDRO
SALES TAX RATES
Fiscal Year 2016–17

State (General Fund)	3.9375%
State (Fiscal Recovery Fund)	0.250
State (Local Revenue Fund – Health and Social Svcs.)	0.500
State (Local Public Safety Fund)	0.500
State (Local Revenue Fund 2011 Public Safety)	1.0625
State (Education Protection Account – 2012 Prop 30)	0.250
Local (City and County Operations)	0.750
Local (County Transportation Funds)	0.250
Total State–Wide Tax Rate	7.500%
Alameda County Essential Health Care Services Transactions and Use Tax (ACHC)	0.500%
Alameda County Transportation Authority (ACTA)	0.500
Bay Area Rapid Transit District (BART)	0.500
City of San Leandro Transactions and Use Tax (Measure HH)	0.500
Total City of San Leandro Tax Rate	10.00%

Source: California State Board of Equalization.

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 of California. 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 of California where the use will occur within the State of California. 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 State Board of Equalization's July 2014 Publication No. 61 entitled "Sales and Use Taxes: Exemptions and Exclusions," which can be found on the State Board of Equalization's website at http://www.boe.ca.gov/.

Sales Tax Collection Procedures. Collection of the sales and use tax is administered by the California State Board of Equalization. According to the State Board of Equalization, 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 Board of Equalization 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 State Board of Equalization 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 State Board of Equalization under a contract with any city, city and county, or county are required to be transmitted by the Board of Equalization 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 State Board of Equalization projects receipts of the sales and use tax on a quarterly basis and remits an advance of the receipts of the sales and use tax to the City on a monthly basis. The amount of each monthly advance is based upon the State Board of Equalization's quarterly projection. During the last month of each quarter, the State Board of Equalization adjusts the amount remitted to reflect the actual receipts of the sales and use tax for the previous quarter.

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

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 19.8% of general governmental tax revenues in 2015–16). Property tax revenues expected to be received by the City for Fiscal Year 2015-16 are $20.2 million.

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 of California 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.

ERAF Shift and Triple Flip Legislation*.* Certain property taxes have been shifted from local government agencies to schools by the State Legislature for deposit in the State's the Education Revenue Augmentation Fund ("ERAF"), a shift that has resulted in diversion of City property taxes since Fiscal Year 1992–93. As discussed in "Sales and Use Taxes" above, on March 2, 2004, the State's voters approved a bond initiative known as the "California Economic Recovery Act" which includes provisions known as "Triple Flip" legislation, calling for a diversion of a portion of local governments' share of sales taxes to the State of California, and in return, a redirection of certain property taxes from the ERAF to local government. The "Triple Flip" ended in fiscal year 2015-16.

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.

Assessed Valuation*.* All property is assessed using full cash value as defined by Article XIIIA 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 XIIIA (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 following table shows a five–year history of the City's assessed valuation.

TABLE 9
CITY OF SAN LEANDRO
ASSESSED VALUATIONS OF ALL TAXABLE PROPERTY
Fiscal Years 2012–13 to 2016–17

Fiscal Year	Local Secured	Utility	Unsecured	Total
2012–13	$ 9,464,271,919	$1,594,417	$520,394,671	$ 9,986,261,007
2013–14	10,055,141,444	1,594,417	503,516,778	10,560,252,639
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

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 10
CITY OF SAN LEANDRO
SECURED TAX CHARGES AND DELINQUENCIES
Fiscal Years 2006–07 to 2015–16

Fiscal Year	Secured Tax Charge[1]	Amount Delinquent June 30	% Delinquent June 30
2006–07	$8,677,608.61	$351,554.44	4.05%
2007–08	9,257,507.78	493,915.90	5.34
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

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

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

TABLE 11
CITY OF SAN LEANDRO
TYPICAL TAX RATE PER $100 ASSESSED VALUATION
(TRA 10–001)[1]

	Fiscal Year 2012–13	Fiscal Year 2013–14	Fiscal Year 2014–15	Fiscal Year 2015–16	Fiscal Year 2016–17
General	1.0000	1.0000	1.0000	1.0000	1.0000
San Leandro Unified School District	.1085	.1188	.1310	.1215	.1179
Chabot–Las Positas Community College District	.0219	.0214	.0217	.0198	.0246
Bay Area Rapid Transit District	.0043	.0075	.0045	.0026	.0080
East Bay Regional Park District	.0051	.0078	.0085	.0067	.0032
TOTAL	1.1398	1.1555	1.1657	1.1506	1.1537

(1) 2016–17 assessed valuation of TRA 10–001 Is $2,958,247,502.
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 in 2016–17.

TABLE 12
CITY OF SAN LEANDRO
LARGEST LOCAL SECURED TAXPAYERS
FISCAL YEAR 2016–17

No.	Property Owner Name	Primary Land Use	2016–17 Assessed Valuation	% of Total [1]
1.	Ghirardelli Chocolate Company	Industrial	$ 124,898,550	1.12%
2.	Kaiser Foundation Hospitals	Hospital	118,103,584 [2]	1.05
3.	General Foods Corp.	Industrial	84,324,207	0.75
4.	BCI Coca Cola Bottling Co. of LA	Industrial	83,342,287	0.74
5.	Madison Bay Fair LLC	Shopping Center	82,673,787	0.74
6.	Safeway Stores Incorporated	Industrial	73,399,805	0.66
7.	AMB US Logistics Fund LP	Industrial	64,944,155	0.58
8.	WL Westgate Venture LLC	Shopping Center	56,600,187	0.51
9.	AMB–SGP CIF–I LLC	Industrial	53,438,667	0.48
10.	Georgia Pacific	Industrial	51,554,086	0.46
11.	Prologis USLV Newca 7 LLC	Industrial	51,089,917	0.46
12.	Chill Build San Leandro LLC	Industrial	51,066,362	0.46
13.	LBA CPT Industrial Co. II LLC	Industrial	47,402,543	0.42
14.	Waste Management of Alameda County Inc.	Industrial	46,729,001	0.42
15.	Creekside Plaza Partners LLC	Office Building	45,143,063	0.40
16.	Gateway Buena Park Inc.	Shopping Center	38,664,290	0.35
17.	AMB Property LP	Industrial	36,838,447	0.33
18.	FPA Woodchase Apartments LLC	Apartments	31,468,797	0.28
19.	World Savings & Loan Association	Office Building	31,359,766	0.28
20.	BRCP San Leandro Industrial LLC	Industrial	30,556,138	0.27
			$1,203,597,639	10.75%

(1) 2016–17 Local Secured Assessed Valuation: $11,199,815,366.
(2) Net Taxable Value.
Source: California Municipal Statistics, Inc.

Other Taxes and Revenues.

Utility User's Tax. The utility users tax is the third largest revenue source for the City. The utility users tax is comprised of a tax on utilities, including electric, wired telecom, wireless telecom, natural gas, and cable.

The City's history of enactments regarding its Utility Users Tax is summarized as follows:

TABLE 13
CITY OF SAN LEANDRO
UTILITY USERS TAX HISTORY

Utility Covered	Rate
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 City's initial Utility Users Tax (the 5% tax on electric, gas, cable television and telephone utilities with the exceptions noted above) became effective on July 1, 1970. Thereafter, the Utility Users Tax was increased without voter approval in 1993 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 updates the City's existing telephone tax 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 ("VOIP") services which are already taxed. Measure RR does not apply to digital downloads (e.g., games, ringtones, music and books). Federal court decisions in other states had recently created a concern as to whether the City's ordinance, as written prior to adoption of Measure RR, could be properly applied to long distance, cellular, VOIP and bundled telephone services. There is no sunset date for the changes effected by Measure RR.

Transient Occupancy Tax. The City currently levies a transient occupancy tax on hotel and motel bills equal to 10%. 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.

In the past, the operators of certain hotels in the City challenged the ordinance levying the transient occupancy tax, on various grounds including that it was unconstitutionally vague and a violation of equal protection. In a decision filed on September 18, 2007, the California Court of Appeals for the Sixth District upheld the validity of the ordinance against such challenge. No appeal was filed.

With the passage of Resolution No. 2016–105 on July 18, 2016, the City Council placed a measure on the November 8, 2016 ballot that would, if approved, increase the Transient Occupancy Tax from 10% to 14% to fund general services in the City. The City expects to generate an additional $200,000 of revenues per year from this increased tax. *However, there can be no assurance that this measure will pass.*

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 San Leandro an annual franchise fee of 5% of gross revenues.

In addition, the City of San Leandro 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% or 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.

***General Fund Obligations*.** Set forth below is a table presenting the long–term obligations payable from the City's General Fund, excluding the Bonds, followed by summary descriptions of each issuance. See also "APPENDIX A – AUDITED FINANCIAL STATEMENTS OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2015, Note 7" for additional information about the City's long–term General Fund obligations.

TABLE 14
CITY OF SAN LEANDRO
LONG–TERM GENERAL FUND DEBT OBLIGATIONS

Obligation	Original Principal Amount	Interest Rate Range	Amount Outstanding as of 6/30/2016	Final Maturity
2007 Certificates of Participation[1]	$23,435,000.00	4.00% to 4.375%	$16,735,000.00	2029
2012 Pension Obligation Bonds[2]	18,305,000.00	1.14% to 5.54%	14,345,000.00	2024
2012 Fire Truck Lease	971,090.00	Fixed at 2.20%	202,762.00	2017
2013 Refunding Lease Revenue Bonds[2]	883,000.00	2.00% to 5.00%	8,463,000.00	2028
2015 PNC Lease for Police Vehicles	720,000.00	Fixed at 1.91%	476,181.49	2018
2016 Equip. Lease Purchase Agreement	5,409,044.94	Fixed at 2.10%	5,409,045.00	2032

(1) Interest payable semiannually on each May 1 and November 1, principal payable annually on November 1. These obligations are expected to be refunded by the Bonds.
(2) Interest payable semiannually on each June 1 and December 1, principal payments payable annually on December 1.
Source: City of San Leandro.

2007 Certification of Participation. In 2007, the City issued $23,435,000 principal amount of 2007 Certificates of Participation (referred to herein as the 2007 Certificates). The purpose of the 2007 Certificates was to provide funds to refund the outstanding 1999 Certificates of Participation (Library and Fire Stations Project) of the City of San Leandro and the San Leandro Public Financing Authority. Interest rates vary from 4.00% to a maximum of 4.375% and are payable semiannually on each May 1 and November 1. Principal payments are payable annually on November 1. The 2007 Certificates evidence fractional interest of the owners in lease payment to be made by the City for use and occupancy of San Leandro Libraries and San Leandro Fire Stations. The principal balance outstanding as of June 30, 2016 was $16,735,000.

All of the outstanding 2007 Certificates are expected to be refunded in connection with the issuance of the Bonds.

2012 Fire Truck Lease. In 2011, the City entered into a Lease/Purchase Agreement with Oshkosh Capital to Lease/Purchase Equipment in the amount of $971,090. The Equipment was for the Fire Department's 2010 Triple Combination Pumper Truck. The interest is 2.20% payable over five years. The principal balance outstanding as of June 30, 2016 was $202,762.

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 PERS 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 PERS 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 principal balance outstanding as of June 30, 2016 was $14,345,000.

2013 Refunding Lease Revenue Bonds. In 2013, the City issued $8,883,000 principal amount of 3013 Refunding Lease Revenue Bonds (the "2013 RLRB"). The purpose of the 2013 RLRBs was to refund and retire the City's 2003 COPs and 2001 COPs. The 2013 RLRBs 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 principal balance outstanding as of June 30, 2016 was $8,463,000.

2015 PNC Lease for Police Vehicles. On September 18, 2015, the City entered into a Lease/Purchase Agreement with PNC Equipment Finance, LLC to for the purpose of leasing/purchasing certain equipment in the amount of $720,000. The equipment was for eleven Police SUV Ford Explorers, two Police Ford Interceptors, and two Police Ford Fusions. The interest rate is 1.91%, payable over 3 years. The principal balance outstanding as of June 30, 2016 was $476,181.49.

2016 Equipment Lease/Purchase Agreement. In 2016, the City entered into an Equipment Lease/Purchase Agreement with Bank of America, National Association in the amount of $5,409,044.94. The equipment financed was generally for energy efficiency improvements to public buildings throughout the City. The interest rate is 2.10% payable semi–annually on January 21 and July 21, commencing January 21, 2017, through July 21, 2032.

Estimated Direct and Overlapping Bonded Debt. The estimated direct and overlapping bonded debt of the City as of September 1, 2016 is set forth below.

TABLE 15
CITY OF SAN LEANDRO
DIRECT AND OVERLAPPING BONDED DEBT
as of September 1, 2016

2016–17 Assessed Valuation: $11,795,463,763

	% Applicable	Debt	
OVERLAPPING TAX AND ASSESSMENT DEBT:			
Bay Area Rapid Transit District	1.826%	$ 9,563,675	
Chabot–Las Positas Community College District	10.685	57,321,285	
San Leandro Unified School District	89.822	165,083,515	
San Lorenzo Unified School District	22.080	25,467,072	
East Bay Municipal Utility District, Special District No. 1	0.001	73	
East Bay Regional Park District	2.816	3,503,245	
City of San Leandro Cherrywood Community Facilities District	100.000	2,975,000	
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		$263,913,865	
DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
Alameda County General Fund Obligations	4.642%	$41,457,563	
Alameda County Pension Obligation Bonds	4.642	2,186,897	
Alameda–Contra Costa Transit District Certificates of Participation	5.498	969,023	
San Leandro Unified School District Certificates of Participation	89.822	4,491,100	
San Lorenzo Unified School District Certificates of Participation	22.080	1,816,080	
City of San Leandro General Fund Obligations	**100.000**	**25,198,000**	(1)
City of San Leandro Pension Obligation Bonds	**100.000**	**14,345,000**	
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		$90,463,663	
OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):			
San Leandro Tax Allocation Bonds	100.000 %	$13,822,000	
Alameda County – San Leandro Tax Allocation Bonds	57.052	13,395,810	
TOTAL OVERLAPPING TAX INCREMENT DEBT		$27,217,810	
COMBINED TOTAL DEBT		$381,595,338	(2)

Ratios to 2016–17 Assessed Valuation:
Total Overlapping Tax and Assessment Debt.................. 2.24%
Total Direct Debt ($39,543,000)…………………………..0.34%

Combined Total Debt 3.24%

Ratios to Redevelopment Successor Agency Incremental Valuation ($2,089,126,147):
Total Overlapping Tax Increment Debt 1.30%

(1) Excludes issue to be sold.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non–bonded capital lease obligations.
Source: California Municipal Statistics, Inc.

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, 2015, Note 12" for additional information about the City's risk management practices.

Retirement System. *This caption contains certain information relating to California Public Employees' Retirement System ("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:

- Miscellaneous (all other agent multiple–employer plan)
- Safety cost–sharing multiple–employer 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 Plan's provisions and benefits in effect at June 30, 2015, are summarized as follows:

	Miscellaneous		
	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% – 2.366%	1.000% – 2.000%
Required employee contribution rates	8.000%	7.000%	6.750%
Required employer contribution rates	24.998%	24.998%	24.998%

	Safety	
Hire Date	Prior to January 1, 2013	On or after January 1, 2013
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	9%	14.778%
Required employer contribution rates	29.556%	29.556%

Net Pension Liability. The City's net pension liability for each of its Miscellaneous Plan and Safety Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net position liability of each of the plans is measured as of June 30, 2014, using an annual actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard updated procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown in Note 14 to the City's audited financial statements. See APPENDIX B.

The changes in Net Pension Liability for the City's Miscellaneous Plan are as follows:

	Increase (Decrease)		
Miscellaneous Plan:	**Total Pension Liability**	**Plan Fiduciary Net Position**	**Net Pension Liability/(Asset)**
Balance at June 30, 2014	$255,554,562	$174,078,874	$81,475,688
Service cost	3,921,445	--	3,921,445
Interest on the total pension liability	18,796,998	--	18,796,998
Differences between actual and expected experience	--	--	--
Changes in assumptions	--	--	--
Changes in benefit terms	--	--	--
Contribution - employer	--	4,594,523	(4,594,523)
Contribution - employee (paid by employer)	--	--	--
Contribution - employee	--	2,010,061	(2,010,0610
Net investment income	--	29,807,971	(29,807,9710
Administrative expenses	--	--	--
Benefit payments, including refunds of employee contributions	(13,777,288)	(13,777,288)	--
Net Changes	8,941,155	22,635,267	(13,694,11)
Balance at June 30, 2015	$264,495,717	$196,714,141	$67,781,576

The Safety Plan net pension liability is measured as the proportionate share of the net pension liability in the State-wide pool. The City's proportion of the net pension liability is based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The City's proportionate share of the net pension liability for the Safety Plan as of June 30, 2014 was 0.77754%. As of June 30, 2015, the Safety Plan reported net pension liabilities for its proportionate share of the net pension liability at $48,381,880.

Funded Ratios. Based on information provided to the City from CalPERS, the funded ratio (which is equal to the plan's market value of assets divided by the entry-age normal accrued liability) for each of the Miscellaneous Plan and the Safety Plan was as set forth in the following table. *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	**Safety**
June 30, 2014	76.6%	79.9%
June 30, 2015	72.7	75.2

Source: CalPERS Actuarial Valuation as of June 30, 2015 for the San Leandro Miscellaneous Plan and San Leandro Safety Plan.

The City is also part of a second Safety Plan applicable to PEPRA 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.

Contributions. Section 20814(c) of the California public Employees' Retirement Law ("PERL") requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of the employees.

For the year ended June 30, 2015, the contributions recognized as part of pension expense for each Plan were as follows:

	Miscellaneous	**Safety**
Contributions – employer	$4,570,584	$4,176,203

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

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions. For the year ended June 30, 2015, the City recognized negative pension expense of $2,169,905. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Pension contributions subsequent to measurement date	$8,746,787	—
Differences between actual and expected experience	—	—
Changes in assumptions	—	—
Change in employer's proportion of differences between the employer's contributions and the employers proportionate share of contributions	1,176,957	—
Net differences between projected and actual earnings on plan investments	—	($28,248,128)
Total	$9,923,744	($28,248,128)

The $8,746,787 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	**Annual Amortization**
2015	($6,641,690)
2016	(6,641,690)
2017	(6,725,759)
2018	(7,062,032)

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

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

On November 18, 2015, the CalPERS Board 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.*

California Public Employees' Pension Reform Act of 2013. On September 12, 2012, the Governor signed into law the California Public Employees' Pension Reform Act of 2013 ("PEPRA"), which impacted various aspects of public retirement systems in the State, including the CalPERS programs. In general, PEPRA (i) increased the retirement age for public employees depending on job function, (ii) capped the annual pension benefit payouts for public employees hired after January 1, 2013, (iii) required public employees hired after January 1, 2013 to pay at least 50% of the costs of their pension benefits (as described in more detail below), (iv) required final compensation for public employees hired after January 1, 2013 to be determined based on the highest average annual pensionable compensation earned over a period of at least 36 consecutive months, and (v) attempted to address other perceived abuses in the public retirement systems in the State. PEPRA applies to all public employee retirement systems in the State, *except* the retirement systems of the University of California, and charter cities and charter counties whose pension plans are not governed by State law. PEPRA's provisions went into effect on January 1, 2013 with respect to new State, school, and city and local agency employees hired on or after that date; existing employees who are members of employee associations, including employee associations of the City, have a five–year window to negotiate compliance with PEPRA through collective bargaining.

CalPERS has predicted that the impact of PEPRA on employees and employers, including the City and other employers in the CalPERS system, will vary, based on each employer's current level of benefits. As a result of the implementation of PEPRA, new members must pay at least 50% of the normal costs of the plan, which can fluctuate from year to year. To the extent that the new formulas lower retirement benefits, employer contribution rates could decrease over time as current employees retire and employees subject to the new formulas make up a larger percentage of the workforce. This change would, in some circumstances, result in a lower retirement benefit for employees than they currently earn.

The City is unable to predict the amount of future contributions it will have to make to CalPERS as a result of the implementation of PEPRA, and as a result of negotiations with its employee associations, or, notwithstanding the adoption of PEPRA, resulting from any legislative changes regarding the CalPERS employer contributions that may be adopted in the future.

See also "APPENDIX A – AUDITED FINANCIAL STATEMENTS OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2015, Note 14" for additional information to the City's retirement plans.

Other Post–Employment Retirement Benefits.

General. In April 2004, the GASB issued "Statement No. 43, Financial Reporting for Post–employment Benefit Plans Other Than Pension Plans" ("Statement No. 43"). Statement No. 43 establishes uniform financial reporting standards for post–employment healthcare and other nonpension benefits ("OPEB") plans. The approach followed in Statement No. 43 is generally consistent with the approach adopted for defined benefit pension plans with modifications to reflect differences between pension plans and OPEB plans. Statement No. 43 became applicable to the City for the Fiscal Year ending June 30, 2009.

Subsequently, in June 2004, GASB issued "Statement No. 45, Accounting and Financial Reporting by Employers for Post–employment Benefits Other Than Pensions" ("Statement No. 45"), which addresses how state and local governments should account for and report their costs and obligations related to OPEB. Statement No. 45 generally requires that employers account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. Statement No. 45's provisions may be applied prospectively and do not require governments to fund their OPEB plans. An employer may establish its OPEB liability at zero as of the beginning of the initial year of implementation; however, the unfunded actuarial liability is required to be amortized over future periods. Statement No. 45 also establishes disclosure requirements for information about the plans in which an employer participates, the funding policy followed, the actuarial valuation process and assumptions, and, for certain employers, the extent to which the plan has been funded over time.

As required, the City adopted GASB 43/45 beginning with Fiscal Year 2008–09.

City Plan Description. The City's defined benefit Other Post Employment Benefit (OPEB) Plan (the "Plan") is a single–employer defined benefit healthcare plan administered by the City of San Leandro. Retirees who have at least ten 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 which is administered by Public Agency Retirement Services ("PARS"). The trust will be used to accumulate and invest assets necessary to reimburse retirees. Separate financial reports are issued by PARS for the OPEB Plan. The report can be obtained by writing to PARS at 5141 California Avenue, Suite 150, Irvine, CA. 92617–069, or by calling 800–540–6369.

Annual OPEB Cost and Net OPEB Obligation*.* Annual required contributions ("ARC") are actuarially determined in accordance with the parameters of GASB Statement No. 45, and the City's annual OPEB costs are thereafter calculated from ARC amounts. Annual required contribution amounts are established and may be amended by the City Council. Plan members do not make contributions to the Plan; the Plan is funded entirely by the employer contributions.

The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal OPEB costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for Fiscal Year 2014–15, the amount actually contributed to the Plan, and changes in the City's net OPEB obligation:

Annual required contribution	$1,377,000
Interest on net OPEB obligation	93,000
Adjustment to annual required contribution	(92,000)
Annual OPEB cost (expense)	1,378,000
Contributions (benefit payments)	(2,575,668)
Decrease in net OPEB obligation	(1,197,668)
Net OPEB obligation – beginning of year	1,619,999
Net OPEB obligation – end of year	$422,331

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the last four Fiscal Years are as follows:

Fiscal Year Ended	Annual OPEB Cost	Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2012	$1,452,000	$1,169,503	81%	$282,497
June 30, 2013	1,403,000	913,026	65	489,974
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)
Total Net OPEB Obligation				$422,331

Source: City of San Leandro.

Funded Status and Funding Progress. As of June 30, 2013, the latest valuation date, the funded status of the Plan, was as follows:

Actuarial Valuations	
Actuarial accrued liability (AAL)	$16,081,000
Actuarial value of Plan assets	1,505,000
Unfunded actuarial accrued liability (UAAL)	14,576,000
Funded ratio (actuarial value of Plan assets/AAL)	9%
Covered payroll (active Plan members)	28,131,000
UAAL as percentage of covered payroll	51.8%

Actuarial valuations of an ongoing 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 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. The following table presents information that shows whether the actuarial value of Plan assets to be decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B–A)	Funded Ratio (A/B)	Annual Covered Payroll (C)	UAAL as Percentage of Covered Payroll ((B–A)/C)
June 30, 2007	$0	$20,977,000	$20,977,000	0.00%	$32,564,000	64.4%
June 30, 2009	500,000	16,853,000	16,353,000	3.00	29,408,000	55.6
June 30, 2011	1,102,000	17,281,000	16,179,000	6.40	29,276,000	55.3
June 30, 2013	1,505,000	16,081,000	14,576,000	9.00	28,131,000	51.8

Source: *City of San Leandro.*

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the employer and the Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short–term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long–term perspective of the calculations.

In the June 30, 2013 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 5.5% investment rate of return. Assets in the Plan are invested in a moderately conservative portfolio that will provide current income with capital appreciation as a secondary objective. A 3.0% general rate of inflation was used, as well as 3.25% aggregate payroll increases. Healthcare cost trends utilized actual premium rates for 2014. Future years costs were thereafter reduced to an ultimate rate 5% for both HMO and PPO plans by 2021. The unfunded actuarial accrued liability ("UAAL") is being amortized as a level percentage of projected payroll over a 30 year closed amortization period. There is no assumed post retirement benefit increase.

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, 2016, the City has invested funds as set forth in the table below. There has been no material change to the amounts of invested funds set forth below as of the date hereof.

TABLE 16
CITY OF SAN LEANDRO
INVESTMENT PORTFOLIO
As of August 31, 2016(1)

	Par Value	Market Value	Cost	% of Portfolio(3)
Government Issues (2)	$43,173,000	$44,842,320	$44,370,605	40.7%
Money Market	9,854,368	9,854,368	9,854,368	9.0
Local Agency Investment Fund (LAIF)	55,318,619	55,318,619	55,318,619	50.3
TOTAL	$108,345,987	$110,015,307	$109,543,591	100.0%

(1) Most recent report available.
(2) Includes federal agency securities and U.S. Treasury notes.
(3) Market value of assets used.
Source: *City of San Leandro.*

City Economic and Demographic Information

Employment and Industry. The City has a diverse and strong 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 as a new downtown parking structure, a multi–family housing development, a new regional hospital, and the continued revitalization of downtown San Leandro.

The recession resulting from the global financial and credit market meltdown in late 2008 has had a direct and dramatic impact on the City's local revenues. While there are some signs of an economic recovery, it is very slow. The unemployment rate in the Oakland–Hayward–Berkeley Metropolitan Division, of which the City is a part, was 4.9 percent in July 2016, up from a revised 4.8 percent in June 2016, and below the year–ago estimate of 5.2 percent. This compares with an unadjusted unemployment rate of 5.9 percent for California and 5/1 percent for the nation during the same period. Tue unemployment rate was 4.8 percent in the County, and 5.0 percent in Contra Costa County.

Despite the recession, the City's economy has remained relatively strong. The City has 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. The City's industrial vacancy rates are among the lowest in the region and the City has become a hub for specialty and food manufacturing.

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 Redevelopment 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 Auto Mall consists of 12 dealerships, and it has benefitted from industry consolidation and remained almost completely occupied. 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 17
OAKLAND–HAYWARD–BERKELEY METROPOLITAN DIVISION
ALAMEDA, ALAMEDA COUNTIES
CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
(Annual Averages)

	2011	2012	2013	2014	2015
Civilian Labor Force (1)	1,316,300	1,336,300	1,344,100	1,355,600	1,374,800
Employment	1,182,400	1,218,700	1,245,500	1,275,000	1,308,100
Unemployment	133,900	117,500	98,600	80,600	66,700
Unemployment Rate	10.2%	8.8%	7.3%	5.9%	4.8%
Wage and Salary Employment: (2)					
Agriculture	1,500	1,500	1,400	1,300	1,200
Mining and Logging	1,000	900	900	800	900
Construction	47,600	52,000	56,400	58,600	62,400
Manufacturing	79,700	79,900	80,100	82,800	86,600
Wholesale Trade	42,200	43,700	45,200	46,200	47,600
Retail Trade	101,200	104,100	107,700	109,900	113,000
Transportation, Warehousing, Utilities	32,200	32,900	33,500	35,600	38,300
Information	22,600	22,100	21,500	21,300	22,400
Finance and Insurance	32,900	33,400	33,500	32,600	32,800
Real Estate and Rental and Leasing	14,900	15,400	16,200	16,800	16,800
Professional and Business Services	157,500	166,500	173,400	178,800	183,000
Educational and Health Services	158,900	164,700	170,500	173,100	178,400
Leisure and Hospitality	88,200	91,800	97,200	102,100	106,300
Other Services	35,700	36,400	37,000	37,500	38,000
Federal Government	14,600	14,200	13,800	13,800	13,800
State Government	38,300	38,500	38,900	39,300	39,800
Local Government	111,000	110,100	110,600	113,400	115,200
Total, All Industries (3)	980,100	1,008,000	1,037,500	1,063,600	1,096,300

(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, 2015.

TABLE 18
CITY OF SAN LEANDRO
PRINCIPAL EMPLOYERS
As of June 30, 2015

Business Name	Number of Employees	Percent of Total Employment
San Leandro Unified School District	1,380	3.13%
Permanente Medical Group	1,032	2.34
City of San Leandro	582	1.32
Ghirardelli Chocolate, Co.	487	1.10
San Leandro Hospital	460	1.04
OSI Soft, LLC	364	0.83
Costco Wholesale	358	0.81
BCI Coca–Cola Bottling Co–Service	325	0.74
Wal–Mart Store 2648	323	0.73
Paramedics Plus LLC	295	0.67

Source: City of San Leandro, Comprehensive Annual Financial Report, For The Fiscal Year Ended June 30, 2015.

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 period 2011 through 2015, which is the last year for which such information is available.

TABLE 19
CITY, COUNTY, STATE AND UNITED STATES
EFFECTIVE BUYING INCOME
As of January 1, 2011 through 2015

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2011	City of San Leandro	$1,831,193	$48,748
	Alameda County	39,064,683	54,542
	California	814,578,458	47,062
	United States	6,438,704,664	41,253
2012	City of San Leandro	$1,886,158	$48,664
	Alameda County	43,677,855	55,396
	California	864,088,828	47,307
	United States	6,737,867,730	41,358
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

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 2011 through 2015, which is the last year for which such information is available.

TABLE 20
CITY OF SAN LEANDRO
TOTAL BUILDING PERMIT VALUATIONS
(Valuations in Thousands)

	2011	2012	2013	2014	2015
Permit Valuation					
New Single–family	$905.9	$1,665.7	$897.1	$365.9	$0.0
New Multi–family	0.0	0.0	0.0	18,075.1	0.0
Res. Alterations/Additions	7,716.9	13,600.4	12,935.8	8,843.6	2,365.9
Total Residential	8,622.8	15,266.1	13,832.9	27,284.60	2,365.9
New Commercial	89,173.0	2,020.0	3,266.4	6,021.3	14.0
New Industrial	4,400.0	375.0	74.5	33,182.0	0.0
New Other	330.0	0.0	732.0	5,826.8	207.2
Com. Alterations/Additions	11,016.3	17,108.2	28,855.9	23,028.6	2,066.6
Total Nonresidential	104,919.3	19,503.2	32,928.8	68,058.7	2,287.8
New Dwelling Units					
Single Family	4	4	2	1	0
Multiple Family	0	0	0	115	0
TOTAL	4	4	2	116	0

Source: Construction Industry Research Board, Building Permit Summary for Calendar Years 2011 through 2015.

Taxable Sales. Total taxable sales during the calendar year 2014 in the City were reported to be $2,246,508,000, a 10.88 percent increase over the total taxable sales of $2,026,119,000 reported during the calendar year 2013. 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 21
CITY OF SAN LEANDRO
NUMBER OF PERMITS AND VALUATION OF
TAXABLE TRANSACTIONS
(Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2010	1,414	$1,110,136	2,448	$1,663,900
2011	1,312	1,203,146	2,309	1,775,210
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

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

Community Facilities. San Leandro 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, a Main Library and three outlying branch libraries, the Marina's Harbor Master Office, a Water Pollution Control Plant, a Boys and Girls Club with a pool and locker rooms, Farrelly Pool and the San Leandro Family Aquatics Center. The City maintains 17 City parks, which total approximately 110 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.

San Leandro Hospital is the City's full service hospital. The Alameda County Medical Center's psychiatric hospital, the John George Psychiatric Pavilion, is located in unincorporated San Leandro. Fairmont Hospital, located near the City, is an Acute Rehabilitation, Neuro–Respiratory and HIV care center. Also present within the City are Kindred SF Acute Care Hospital and All Saints Skilled Nursing Hospital. Kaiser Permanente had been working with the City for several years to develop a new hospital complex, which project will generate 3,000 new construction jobs in the City. The hospital opened in 2014 and replaced the Kaiser Permanente Hayward Hospital. The six–story, state–of the art, 425,000–square–foot hospital includes 264 acute care beds, 10 operating rooms, 24–hour emergency services with 40 treatment rooms and a newborn intensive care nursery. A medical office building houses 116 offices for primary care and specialty physicians, an outpatient procedure suite with six rooms, a pharmacy, a laboratory and radiology services.

Education. The San Leandro Unified School District provides K–12 and special education programs. The area also is served by several private and parochial schools. Berkeley City College, Canada College, the College of Alameda, City College of San Francisco, Chabot College, Contra Costa College, Diablo Valley College, Foothill College, Laney College, Los Medanos College, Merritt College, Ohlone College, the College of San Mateo, Skyline College and St. Mary's College are all within an hour's drive from the City. The University of California – Berkeley, California State University – East Bay, the University of San Francisco, San Francisco State University and Stanford University are also within an hour's drive from the City.

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.

San Leandro 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.

The Alameda–Contra Costa Transit District provides regional bus service and connects with the Greyhound Terminal and two San Leandro Bay Area Rapid Transit ("BART") stations. Two Bay Area Rapid Transit (BART) stations in the city connect San Leandro 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 10 miles north of the City. 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 City residents and its 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:

The City worked with Innisfree Ventures II to develop the Village marketplace, a high–quality, Mediterranean–style neighborhood retail center of roughly 25,000 square feet with retail and restaurant spaces, outdoor dining, and a public plaza. Tenants include CVS, Peet's Coffee & Tea, Habit Burger, and AT&T, with a new Chipotle across the street.

The first phase of the Westlake Urban's San Leandro Tech Campus will be completed in October 2016, to include 133,000 square feet of office, a 780 space parking garage, and a public plaza including the 55 foot tall Truth is Beauty statue. Located directly to the east of the Downtown BART station, the project brings high quality, modern architecture, sustainable building design, and high–tech amenities. Future phases will include two additional buildings with over 350,000 square feet of office and commercial space.

The Marea Alta housing development is also being completed at the Downtown BART station, to include 115 units of affordable workforce/family housing followed by 88 units of senior affordable housing, over 400 parking spaces (including BART parking), as well as retail, childcare, and community facilities.

Also near the BART station, Creekside Plaza is preparing plans for a fourth, 77,000 square foot building in the award–winning, 230,000 square foot, Class A office complex. Creekside's three existing buildings, accommodating over 1,000 employees, are 100% occupied.

In February of 2016, the City and CVS completed Purchase and Sale Agreements with Sansome Pacific Properties for a major mixed use development at the former CVS site at Callan and East 14th Streets. The development is proposed to include over 150 housing units, up to 20,000 square feet of retail and structured parking in a new, modern building.

Following the completion of a Long Range Property Management Plan, the Successor Agency to the Redevelopment Agency of the City of San Leandro is releasing Requests for Proposals for the sale and redevelopment of three sites. The Town Hall Square site includes up to 1.5 acres of land for transit–oriented development in the center of Downtown San Leandro at the northwest corner of East 14th and Davis Streets. The Parrott and Washington site includes 0.4 acres of land for mixed–use development adjacent to Downtown shopping and housing. The former Fire Station property is a 0.3 acre site available for neighborhood commercial development along the developing Marina corridor.

The industrial market remains strong in San Leandro, with redevelopment proposals underway for at least 4 major sites, including the 30 acre former Kraft/Yuban coffee roasting plant. These developments will improve outdated properties and have the potential to bring thousands of square feet of new, Class A flex industrial space, with the capacity to house the City's growing advanced manufacturing sector.

In November 2012, the City opened a 384–space, LEED–certified, four–story parking garage, replacing its outdated Estudillo garage. The garage was funded with Redevelopment Agency tax increment dollars and will serve new mixed–use development in Downtown San Leandro. The City is completing a Downtown Parking Management Plan, which promotes the garage as a central element in the downtown parking system. The City has also approved an agreement to utilize $600,000 in Redevelopment Agency Excess Bond Proceeds to make final improvements to the garage, to include installation new parking management technology following the bankruptcy of the company that installed the current technology.

The City is also working with Cal Coast Development as the master developer for the Monarch Bay Shoreline Development Project, a 52–acre comprehensive development project located near the City's marina. The project is proposed to include up to 150,000 square feet of office, a 200–room hotel with a 15,000–square–foot conference center, 354 units of housing, 3 restaurants, a parking structure, a branch library/meeting space, and pedestrian and recreational amenities, including a bike path, boardwalk, and picnic areas. Project planning and agency approvals are underway, with entitlement applications to be submitted in 2017. A $50 million renovation of the City's existing Water Pollution Control plant, which was constructed in 1939, was recently completed. The plant currently treats 5 million gallons of treated water per day, and this renovation will take the plant to a capacity of 7.6 million gallons of treated water per day, preparing the city for future commercial and residential growth. The project was funded by a $50 million low–interest loan from the State's Clean Water State Revolving Fund ("CWSRF") program.

The City also supports a number of public art initiatives in Downtown San Leandro and beyond. Recent projects include the installation of a public musical and art exhibit developed by the Exploratorium science museum. Called Chime Way, the exhibit includes 8 rocking chairs that sound chimes and encourage public interaction in centrally located Joaquin Plaza. Phase 2 of a utility box art project is also being completed, to include original art pieces on 25 additional utility boxes, for a total of 41 throughout the City. Following a public design process, new street banners have also been installed along East 14th and Davis Streets, with banners to be installed in additional areas in the future. Other projects underway include the installation of four murals on prominent buildings throughout the City, including along I–880 and at the BART station.

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 OSIsoft, 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 and is now operational. To date, over 250 businesses have been connected to Lit San Leandro, including the WestGate Center with almost 1 million building square feet and the Bayfair Shopping Center, with over 800,000 square feet connected.

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 a 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 create almost 10 additional miles of new conduit (Phase 2), bringing the Lit San Leandro fiber network to almost 20 miles total. The conduit expansion will provide service to industrial areas of San Leandro and potentially facilitate connections to the City of Oakland and its port. Approved by the City Council in January 2015, the City has executed an Amended License Agreement with San Leandro Dark Fiber to include the conduit expansion in the Lit San Leandro project.

A key element of the expansion proposal is connection to the City's Shoreline Development project. Fiber optics has been brought 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, will connect to the internet via Lit San Leandro's 10 gbps connection. Over 750K sf of Class A, LEED rated commercial office space, 850 space parking garage and possibly a hotel will be connected to Lit San Leandro, providing the fast speeds demanded by modern tech companies. The Tech Campus will also be the site of the City's first renewable energy micro grid – a powerful Smart City, data driven application enabled by Lit San Leandro.

SLDF owns the fiber that occupies the City's conduit. In exchange for this business relationship, the City receives 30 strands of fiber unrestricted as 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 contract approved by the City Council with Climatec is a Smart City application: the new LED lights will be installed with a wireless transmitter on top of each pole, sending data to Public Works that informs them of the operating status of each street light. Inoperable lights will be replaced more quickly, the new lights will cost less to operate and are brighter, improving service to the San Leandro Community.

San Leandro has a significant opportunity to realize its own potential as a nationally recognized Smart City, leveraged by the unique fiber optic network we know as Lit San Leandro.

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 XIIIA of the State Constitution

Section 1(a) of Article XIIIA 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 XIIIA), to be collected by counties and apportioned according to law. Section 1(b) of Article XIIIA 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 XIIIA 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 XIIIA 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 XIIIA. 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 XIIIA. 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 XIIIA 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 XIIIA 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 XIIIB 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 XIIIB 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 XIIIB 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 XIIIB 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 XIIIB 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 XIIIC and XIIID 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 XIIIC and XIIID to the California Constitution and contains a number of interrelated provisions affecting the ability of the City to levy and collect both existing and future taxes, assessments, fees and charges. 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 XIIIC 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, l994 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 XIIIC 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 XIIIC. Any future increases in these taxes, however, would be subject to the voter requirement of Article XIIIC.

Article XIIID 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 XIIID, over and above any general benefits conferred; (iii) a majority protest procedure for assessments which involves the mailing of notice and a ballot to the record owner of each affected parcel, a public hearing and the tabulation of ballots weighted according to the proportional financial obligation of the affected 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 XIIIC 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 XIIID. 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 XIIIC also removes limitations on the initiative power in matters of reducing or repealing local taxes, assessments, fees or charges. No assurance can be given that the voters of the City will not, in the future, approve an initiative or initiatives which reduce or repeal local taxes, assessments, fees or charges currently comprising a substantial part of the City's General Fund. If such repeal or reduction occurs, the City's 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 XIIIA; (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.

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 lA

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 XIIIA, Article XIIIB 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 itse ability to expend revenues.

RISK FACTORS

The following describes certain special considerations and risk factors affecting the payment of and security for the 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 Bonds are advised to consider the following special factors along with all other information in this Official Statement in evaluating the Bonds. There can be no assurance that other considerations will not materialize in the future.

Special Obligations of the Authority

The 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 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 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 XIIIC and Article XIIID 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 XIIIC and Article XIIID 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 XIIIC and Article XIIID 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 XIIIC and Article XIIID 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 XIIIC and Article XIIID 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 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 Bonds.

Default

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 Bonds or pay debt service on the Bonds. However, under the Indenture, the Trustee is empowered to declare the principal of all of the 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, condemnation or title defects 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 Bonds as and when due. See "SECURITY FOR THE 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 2015–16, 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 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 XIIIA 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

XIIIA 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%. Since Article XIIIA was approved, the annual adjustment for inflation has fallen below the 2% limitation in the following fiscal years: 1983–84 (1.010%); 1995–96 (1.194%); 1996–97 (1.115%); 1999–00 (1.853%); 2004–05 (1.867%); 2010–11 (0.998%); 2011–12 (1.008%); and 2012–13 (1.02%).

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 XIIIA 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 XIIIA.

The County Assessor may also unilaterally reduce assessed values under Proposition 8 and did so in fiscal years 2009–10, 2010–11 and 2011–12.

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.

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 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 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 is nearing completion of a multi–year program to retrofit unreinforced masonry buildings (URMBs), 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 San Leandro 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. Recent maps published by the Federal Emergency Management Agency (FEMA) 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.

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.

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.

Proposition 218

See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Article XIIIC and Article XIIID of the State Constitution," for information about certain risks to the City's General Fund revenues under Articles XIIIC and Article XIIID 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 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 Bondholder remedies contained in the Lease and the Indenture, the rights and obligations under the 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 of California 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 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 Bonds and the enforceability of the 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 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 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 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 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 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.

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 XIIIB 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 XIIB 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 XIIIA 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 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 it right to prepay the Lease Payments in whole or in part pursuant to the provisions of the Lease and the Indenture. See “THE 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 Bonds under Section 103 of the Internal Revenue Code of 1986. In the event either the City or the Authority fails to comply with the foregoing tax covenant, interest on the 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 Bonds or, if a secondary market exists, that any 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 Bonds will not be affected by the introduction or enactment of any future legislation (including without limitation amendments to the Internal Revenue Code), or changes in interpretation of the Internal Revenue Code, or any action of the Internal Revenue Service, including but not limited to the publication of proposed or final regulations, the issuance of rulings, the selection of the Bonds for audit examination, or the course or result of any Internal Revenue Service audit or examination of the Bonds or obligations that present similar tax issues as the Bonds. In addition, a number of local governments in the State have recently instituted bankruptcy or pre–bankruptcy proceedings. No assurance can be given that the market price for the Bonds will not be affected by the outcomes of these bankruptcy proceedings or the institution of bankruptcy or pre–bankruptcy proceedings for additional local governments in the State.

IRS Audit of Tax–Exempt Issues

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

TAX MATTERS

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

The opinions set forth in the preceding paragraph are subject to the condition that the Authority and the City comply with all requirements of the Tax Code that must be satisfied subsequent to the issuance of the Bonds. The Authority and the City have covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds.

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

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

Under the Tax Code, original issue premium is amortized on an annual basis over the term of the Bond (said term being the shorter of the Bond's maturity date or its call date). The amount of original issue premium amortized each year reduces the adjusted basis of the owner of the Bond for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a Bond is amortized each year over the term to maturity of the Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight–line interpolations between compounding dates). Amortized Bond premium is not deductible for federal income tax purposes. Owners of premium Bonds, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such Bonds.

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

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

CERTAIN LEGAL MATTERS

The 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 the City Attorney, and for the Underwriter by Norton Rose Fulbright US LLP, Los Angeles, California.

LITIGATION

The City is not aware of any pending or threatened litigation concerning the validity of the Bonds or challenging any action taken by the City with respect to the Bonds, the Indenture, the Lease, the Leased Property or any other agreements or actions undertaken in connection with the issuance of the 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 Bonds or actions taken with respect to the 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 Bonds.

RATING

S&P Global Ratings, a division of Standard & Poor's Financial Services LLC ("S&P"), has assigned its municipal bond rating of "___" to the Bonds.

This rating reflects only the view of the rating agency, and an explanation of the significance of this rating, and any outlook assigned to or associated with this rating, should be obtained from the rating agency.

Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. The City and the Authority have provided certain additional information and materials to the rating agency (some of which does not appear in this Official Statement).

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

CONTINUING DISCLOSURE

The City will covenant for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the City by 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 2015–16 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 Bonds in complying with Securities Exchange Commission Rule 15c2 12(b)(5) (the "Rule").

The City and its related governmental entities have previously entered into numerous disclosure undertakings under the Rule in connection with the issuance of long–term obligations. During the past five years, the City and/or its related governmental entities have failed to comply with their continuing disclosure undertakings under the Rule as follows:

- The late filing of audited financial statements for fiscal years 2010-11 and 2012-13 with respect to various undertakings;
- The late filing of certain budget information, fund balance summaries, and/or financial reports for fiscal years 2009-2010, 2010-11 and 2012-13 with respect to various undertakings;
- The late filing of taxable transactions information required to be included in the City's annual reports for fiscal years 2013-14 and 2014-15 with respect to the undertaking related to the Authority's 2013 Lease Revenue Bonds; and
- The late filing of a rating change in 2014 with respect to various undertakings.

Supplemental annual reports, notices of the rating changes and filings to correct all of known filing errors made by the City and the City's affiliated governmental entities in their attempts to fully comply with the City's continuing disclosure undertakings have been made as of the date hereof.

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 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 Bonds at a price of $_____ (equal to the par amount of the Bonds, plus/less 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 Bonds if any are taken. The Underwriter intends to offer the Bonds to the public at the offering prices set forth on the inside cover page of this Official Statement. 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 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 Bonds.

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 : ____________________________
Executive Director

CITY OF SAN LEANDRO

By : ____________________________
City Manager

APPENDIX A

AUDITED FINANCIAL STATEMENTS OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2015

APPENDIX B

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

The following is a brief summary of certain provisions of the Lease and the Indenture relating to the Bonds not otherwise included in the main body of the Official Statement. Such summary is not intended to be definitive, and reference is made to the complete documents for the complete terms thereof.

APPENDIX C

FORM OF OPINION OF BOND COUNSEL

________, 2016

Board of Directors
San Leandro Public Financing Authority
835 E. 14th Street
San Leandro, California 94577

OPINION: $_________ San Leandro Public Financing Authority
2016 Refunding Lease Revenue Bonds

Ladies and Gentlemen:

We have acted as bond counsel to the San Leandro Public Financing Authority (the "Authority") in connection with the issuance by the Authority of the above–captioned bonds dated the date hereof (the "Bonds"). In such capacity, we have examined such law and such certified proceedings, certifications, and other documents as we have deemed necessary to render this opinion.

The Bonds are issued pursuant to (i) 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"), (ii) the Indenture of Trust (the "Indenture"), dated as of December 1, 2016, by and between the Authority and U.S. Bank National Association, as trustee (the "Trustee"), (iii) a resolution adopted by the Board of Directors (the "Board") of the Authority on October 17, 2016 (the "Authority Resolution"), and (iv) a resolution adopted by the City Council (the "City Council") of the City of San Leandro (the "City") on October 17, 2016 (the "City Resolution"). Under the Indenture, the Authority has pledged certain revenues (the "Revenues") for the payment of principal, premium (if any), and interest on the Bonds when due, including lease payments to be made by the City pursuant to a Lease Agreement, dated as of December 1, 2016, between the City and the Authority (the "Lease").

Regarding questions of fact material to our opinion, we have relied on representations of the Authority contained in the Indenture and the City contained in the Lease, and in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

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

1. The Authority is a duly created and validly existing joint exercise of powers authority with the power to adopt the Authority Resolution, to enter into the Indenture, and to perform the agreements on its part contained therein, and issue the Bonds.

2. The City is a charter city and municipal corporation duly organized and existing under the Constitution and laws of the State of California, with power to adopt the City Resolution, to enter into the Lease, and to perform the agreements on its part contained therein.

3. The Indenture has been duly authorized, executed and delivered by the Authority, and constitutes a valid and binding obligation of the Authority, enforceable against the Authority.

4. The Lease has been duly authorized, executed and delivered by the Authority and the City, and constitutes a valid and binding obligation of the Authority and the City, enforceable against the Authority and the City.

5. The Indenture creates a valid lien on the Revenues and other funds pledged by the Indenture for the security of the Bonds.

6. The Bonds have been duly authorized and executed by the Authority, and are valid and binding limited obligations of the Authority, payable solely from the Revenues and other funds provided therefor in the Indenture.

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

8. Interest on the Bonds is exempt from personal income taxation imposed by the State of California.

The rights of the owners of the Bonds and the enforceability of the Bonds 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.

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

Respectfully submitted,

A Professional Law Corporation

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

$______
SAN LEANDRO PUBLIC FINANCING AUTHORITY
2016 REFUNDING 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 (the "Indenture") by and between the Authority and U.S. Bank National Association, as trustee (the "Trustee").

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, [____________], 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, 2017, 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. <u>Reporting of Significant Events</u>.

(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 the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The City's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the City shall give notice of such termination in the same manner as for a 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. Initially, [____________] shall act as dissemination hereunder.

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: ________, 2016

CITY OF SAN LEANDRO

By : ________________________
Finance Director

ACKNOWLEDGED AND ACCEPTED

____
, as Dissemination Agent

By:
____
Authorized Representative

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: San Leandro Public Financing Authority

Name of Issue: $____ 2016 Refunding Lease Revenue Bonds

Date of Issuance: _______, 2016

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 _______, 2016. The City anticipates that the Annual Report will be filed by ________________.

Dated: ________________

DISSEMINATION AGENT:

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 Bonds. The 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 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 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book–entry system for the 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 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 Bonds, such as redemptions, tenders, defaults and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

While the Bonds are in the book–entry–only system, redemption notices will be sent to DTC. If less than all of the 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 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from 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 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 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 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.