PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER __, 2018

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

NEW ISSUE – FULL BOOK–ENTRY **RATING: S&P: "____"**
See "RATING"

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

$_____________*

SAN LEANDRO PUBLIC FINANCING AUTHORITY
2018 LEASE REVENUE BONDS

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

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

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

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

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

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

Redemption. **The 2018 Bonds are subject to redemption prior to maturity.** See "THE 2018 BONDS – Redemption."

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

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

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

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

STIFEL

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

* *Preliminary; subject to change.*

MATURITY SCHEDULE*

$____________
SAN LEANDRO PUBLIC FINANCING AUTHORITY
2018 LEASE REVENUE BONDS

(Base CUSIP†:____________)

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

$______ ______% Term Bond due November 1, 20___, Yield: ________%, CUSIP† No. ______

$______ ______% Term Bond due November 1, 20___, Yield: ________%, CUSIP† No. ______

* *Preliminary; subject to change.*

[MAP OF THE CITY]

SAN LEANDRO PUBLIC FINANCING AUTHORITY
(ALAMEDA COUNTY, CALIFORNIA)

AUTHORITY BOARD/CITY COUNCIL

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

AUTHORITY/CITY OFFICIALS

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

FINANCING SERVICES

Bond and Disclosure Counsel

Jones Hall, A Professional Law Corporation
San Francisco, California

Municipal Advisor

Kitahata & Company
San Francisco, California

Trustee

U.S. Bank National Association
San Francisco, California

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

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

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

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

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

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

Stabilization of Prices. In connection with the offering of the 2018 Bonds, the Underwriter may 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 2018 Bonds to certain dealers and dealer banks and banks acting as agents at prices lower than the public offering prices stated on the cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

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

Estimates and Forecasts. Certain statements included or incorporated by reference in this Official Statement constitute "forward–looking statements." Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words. Such forward–looking statements include but are not limited to certain statements contained in the information in "THE CITY AND CITY FINANCIAL INFORMATION" in this Official Statement. The achievement of certain results or other expectations contained in such forward–looking statements involves known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward–looking statements. Neither the Authority nor the City plans to issue any updates or revisions to those forward–looking statements if or when its expectations or events, conditions or circumstances on which such statements are based occur.

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

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INTRODUCTION

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

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

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

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

Form of Bonds; Book–Entry Only. The 2018 Bonds will be issued in fully registered form, registered in the name of The Depository Trust Company ("**DTC**"), or its nominee, which will act as securities depository for the 2018 Bonds. Purchasers of the 2018 Bonds will not receive certificates representing the 2018 Bonds that are purchased. See "THE 2018 BONDS – Book–Entry Only System" and "APPENDIX E – DTC AND THE BOOK–ENTRY ONLY SYSTEM."

* *Preliminary; subject to change.*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

THE FINANCING PLAN

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

The Project

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

- **Police Headquarters and South Office Building**
  - Improvements to the existing headquarters of the City's Police Department, including American with Disabilities Act improvements;
  - Reconfiguration of existing headquarters of the City's Police Department to expand the dispatch center;
  - Build out of South office building of the City's Policy Headquarters for use as office space by the City's Policy Department;

- **Marina Mulford Branch Library**
  - Construction of a new branch library building for the Marina Mulford Branch Library totaling approximately 2,500 square feet at the same location as the existing Marina Mulford Branch Library;
  - New building will offer expanded seating, computer access, and space to host community programs;

- **Manor Park Competition Pool**
  - Construction of a competition pool and additional parking;

- **Farrelly Pool**
  - Reconstruction of a the Farrelly Pool and related improvements, including modificatins of restroom facilities as required to meet existing code requirements;

- **Casa Peralta**
  - Repairs and improvements to Casa Peralta, a historic house museum where descendants of the original land grant of Rancho San Antonio lived in the early 20th century;

Estimated Sources and Uses of Funds

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

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

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

Scheduled Debt Service

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

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

THE LEASED PROPERTY

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

Description

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

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

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

Modifications and Subleasing of Leased Property

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

The City may assign the Lease or sublease the Leased Property, or any portion thereof, without limitation, provided that the Lease and the obligation of the City to make Lease Payments remain obligations of the City and the City provides certain notices, legal opinions and assurances required by the Lease. See "APPENDIX B – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS."

Substitution

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

- No Event of Default under the Lease has occurred and is continuing.

- The City has obtained a CLTA or ALTA policy of title insurance insuring the City's leasehold estate under the Lease in the Substitute Property, subject only to Permitted Encumbrances, in an amount at least equal to the estimated value thereof.

- The City has certified in writing to the Authority and the Trustee that the Substitute Property serves the municipal purposes of the City and constitutes property which the City is permitted to lease under the laws of the State, and has been determined to be essential to the proper, efficient and economic operation of the City and to serve an essential governmental function of the City.

- The Substitute Property does not cause the City to violate any of its covenants, representations and warranties made in the Lease.

- The City has filed with the Authority and the Trustee a written certificate of the City or other written evidencing stating that the useful life of the Substitute Property at least extends to November 1, [2048], that the estimated value of the Leased Property, after substitution of the Substitute Property and release of the Former Property, is at least equal to the aggregate Outstanding principal amount of the Bonds, and the fair rental value of the Leased Property, after substitution of the Substitute Property and release of the Former Property, is at least equal to the Lease Payments thereafter coming due and payable under the Lease.

- The City has mailed written notice of the substitution to each rating agency that then maintains a rating on the Bonds.

- The City has furnished to the Authority and the Trustee a written opinion of Bond Counsel stating that such substitution does not cause the interest on the Bonds to become included in gross income for purposes of federal income taxation or to become subject to personal income taxation by the State.

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

Release of Leased Property

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

- No Event of Default under the Lease has occurred and is continuing.

- The City has certified in writing to the Authority and the Trustee that the value of the property which remains subject to the Lease following such release is at least equal to the aggregate outstanding principal amount of the Bonds, and the fair rental value of the property which remains subject to the Lease following such release is at least equal to the Lease Payments thereafter coming due and payable.

- The City has mailed written notice of the release to each rating agency that then maintains a rating on the Bonds.

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

THE 2018 BONDS

Authority for Issuance

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

General Provisions

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

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

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

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

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

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

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

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

Transfer, Registration and Exchange

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

Redemption*

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

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

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

Each notice of redemption shall state the date of the notice, the redemption date, the place or places of redemption, whether less than all of the Bonds (or all Bonds of a single maturity) are to be redeemed, the CUSIP numbers and (in the event that not all Bonds within a maturity are called for redemption) Bond numbers of the Bonds to be redeemed and the maturity or maturities of the Bonds to be redeemed, and in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on the redemption date there will become due and payable on each of said Bonds the redemption price thereof, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Bonds be then surrendered to the Trustee. Neither the failure to receive any notice nor any defect therein shall affect the sufficiency of the proceedings for such redemption or the cessation of accrual of interest from and after the redemption date.

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* *Preliminary; subject to change.*

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

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

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

Book–Entry Only System

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

The Authority and the Trustee cannot and do not give any assurances that DTC, DTC Participants or others will distribute payments of principal, interest or premium with respect to the 2018 Bonds paid to DTC or its nominee as the registered owner, or will distribute any redemption notices or other notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. The Authority and the Trustee are not responsible or liable for the failure of DTC or any DTC Participant to make any payment or give any notice to a beneficial Owner with respect to the 2018 Bonds or an error or delay relating thereto. See “APPENDIX E – DTC AND THE BOOK–ENTRY ONLY SYSTEM” for further information regarding DTC and the book–entry system.

SECURITY FOR THE 2018 BONDS

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

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

Revenues; Pledge of Revenues

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

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

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

- all interest, profits or other income derived from the investment of amounts in any fund or account established under the Indenture.

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

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

No Reserve Account

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

Lease Payments

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

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

Additional Rental Payments

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

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

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

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

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

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

Fair Rental Value

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

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

Covenant to Appropriate Funds for Lease Payments

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

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

Abatement

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

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

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

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

Covenants to Maintain Insurance

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

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

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

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

Application of Proceeds of Hazard and Other Insurance

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

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

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

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

Condemnation

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

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

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

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

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

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

Application of Eminent Domain Proceeds

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

- If the City has not given written notice to the Trustee, within 45 days following the date on which such Net Proceeds are deposited with the Trustee, of its determination that such Net Proceeds are needed for the replacement of the Leased Property or such portion thereof, the Trustee shall transfer such Net Proceeds to the Redemption Fund to be applied towards the redemption of the Bonds under the Indenture.

- If the City has given written notice to the Trustee, within 45 days following the date on which such Net Proceeds are deposited with the Trustee, of its determination that such Net Proceeds are needed for replacement of the Leased Property or such portion thereof, the Trustee shall pay to the City, or to its order, from said proceeds such amounts as the City may expend for such replacement, upon the filing of Written Requisitions of the City as agent for the Authority.

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

Remedies

If the City defaults in performance of its obligations under the Lease, the Authority or the Trustee, as assignee of the Authority, may either terminate the Lease and re–enter and re–let all or a portion of the Leased Property or may retain the Lease and hold the City liable for all payments on an annual basis and still have the right to re–enter and re–let the Leased Property without effecting a surrender of the Lease. If the Authority terminates the Lease at its option and in the manner provided therein on account of default by the City (and notwithstanding any re-entry upon the Leased Property by the Authority in any manner whatsoever or the re-leasing of the Leased Property), the City nevertheless agrees to pay to the Authority all costs, loss or damages howsoever arising or occurring payable at the same time and in the same manner as provided in the Lease in the case of payment of Lease Payments and Additional Rental Payments. Additionally, the Trustee may pursue remedies at law or in equity to enforce the Lease.

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

Additional Bonds

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

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

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

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

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

THE AUTHORITY

The Authority was formed on May 24, 1993 pursuant to a Joint Exercise of Powers Agreement (the "**Joint Exercise of Power Agreement**"), between the City and the former

Redevelopment Agency of the City of San Leandro (the "**Former Agency**"). The Successor Agency to the Redevelopment Agency of the City of San Leandro (the "**Successor Agency**") has subsequently succeeded to the rights and obligations of the Former Agency under the Joint Exercise of Powers Agreement. The City Council acts as the board of directors of the Successor Agency.

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

THE CITY AND CITY FINANCIAL INFORMATION

General

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

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

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

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

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

Population

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

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

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

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

Municipal Government

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

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

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

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

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

- The power to pass ordinances,
- The authority to establish and modify operating and capital budgets,
- The power to appoint voting members to other governing authorities and commissions,
- The power to appoint the City Manager, City Clerk and City Attorney,
- The ability to plan and direct operations, and
- The authority to veto, modify, and overrule decisions.

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

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

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

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

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

TABLE 2
CITY OF SAN LEANDRO
LABOR ORGANIZATIONS

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

Source: City of San Leandro.

City Financial Information

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

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

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

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

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

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

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

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

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

	Audited 2013-14	Audited 2014-15	Audited 2015-16	Audited 2016-17	Unaudited 2017-18
Assets:					
Cash and investments	$24,098,263	$23,982,898	$29,251,287	$36,342,532	$41,543,719
Cash and investments with fiscal agent	--	--	--	63	--
Receivables:					
Property Taxes	213,657	169,150	180,403	203,342	--
Accounts	7,410,573	9,839,854	14,256,737	13,088,457	12,121,744
Federal, State, and local grants	--	--	--	17,442	22,113
Interest	55,147	55,147	43,399	62,741	(19,263)
Special Assessment	71,712	74,215	66,390	58,363	53,902
Loans	1,510,139	3,702,470	3,610,335	2,146,919	2,357,667
Due from other funds	1,593,152	1,545,220	1,364,825	917,277	--
Other assets	13,554	439,474	458,193	--	--
Advances to other funds	8,106,392	8,106,392	8,106,392	8,106,392	6,914,407
Advances to the Successor Agency	2,040,768	2,040,768	2,731,947	2,299,315	1,995,631
Total Assets	**$44,753,357**	**$49,955,588**	**$60,069,908**	**$63,242,843**	**$64,989,920**
Liabilities:					
Accounts payable and accruals	$8,365,951	$8,411,015	$6,566,272	$5,953,974	$5,466,396
Advances from other funds	5,141,772	4,693,253	4,231,278	3,755,443	3,265,334
Unearned revenue	--	2,039764	2,265,912	2,571,533	2,783,787
Total Liabilities	**$13,507,723**	**$15,144,032**	**$13,063,462**	**$12,280,950**	**$11,515,517**
Deferred inflow of resources:					
Unavailable revenue – miscellaneous receivables (1)	1,623,278	--	--	--	--
Total Deferred Inflows of Resources	**$1,623,278**	**--**	**--**	**--**	**--**
Fund balances:					
Nonspendable	$10,147,160	$13,849,630	$14,448,674	$12,552,626	$11,267,705
Restricted	50,000	50,000	50,000	50,000	50,000
Assigned	662,973	1,766,700	3,128,977	4,577,831	5,909,206
Unassigned	18,762,223	19,145,226	29,378,795	33,781,436	36,247,492
Total Fund Balances	**$29,622,356**	**$34,811,556**	**$47,006,446**	**$50,961,893**	**$53,474,403**
Total liabilities and fund balances	**$44,753,357**	**$49,955,588**	**$60,069,908**	**$63,242,843**	**$64,989,920**

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

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

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

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

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

Budget Process. The City Council is required to adopt a final budget through the passage of a resolution no later than June 30, the close of the fiscal year, following a public hearing process conducted to obtain taxpayer comments. This annual budget serves as the foundation for the City's financial planning and control. The budget is prepared by fund, function (e.g., public safety) and department (e.g., police). The legal level of budgetary control is at the fund level. The City Manager is authorized to transfer budgeted amounts between departments and line items within any fund; however, any revisions which alter the total expenditures of any fund must be approved by the City Council. Transfers between funds must be approved by the City Council. At the end of the fiscal year, encumbered appropriations are carried forward and become part of the following year's budget while appropriations that have not been encumbered lapse, unless otherwise authorized by the City Council and the City Manager.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(1) Represents final budget as a result of mid-year review.
(2) Represent debt service elated to certain outstanding long–term obligations payable from the City's General Fund, not including the 2018 Bonds. See "– General Fund Obligations" below.
(3) Generally represent transfers to the City's Public Education and Government Fund, and costs relating to a refuse contract and the construction of a sound wall as part of the City's Capital Improvement Program.

Source: City of San Leandro.

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

	Original, Adopted Budget	Final Budget (1)
Revenues:		
Property and other taxes	$90,237,909	$90,237,909
Licenses and permits	8,866,800	8,866,800
Fines and forfeitures	1,565,000	1,565,000
Service charges	3,247,674	3,247,674
Intergovernmental	1,112,090	1,112,090
Use of money and property	1,267,300	1,267,300
Interdepartmental charges	2,000,000	2,000,000
Other	1,914,300	1,914,300
Total Revenues	110,211,073	110,211,073
Expenditures:		
Current:		
General government	13,119,132	13,974,633
Public safety	63,674,277	64,114,215
Engineering and transportation	10,434,678	10,470,710
Recreation and culture	11,160,157	11,192,503
Community development	6,725,177	7,121,649
Debt service: (1)		
Principal	2,358,350	2,358,350
Interest and fees	795,817	795,817
Total Expenditures	108,267,588	110,027,877
Revenues over (under) expenditures	1,943,485	183.196
Other financing sources (uses):		
Transfer in	–	–
Transfer out (2)	(9,048,333)	(9,048,333)
Total Other Financing Sources (Uses)	(9,048,333)	(9,048,333)
Net Change in Fund Balance	(7,104,848)	(8,865,137)

(1) Represents final budget as a result of mid-year review.
(2) Represent debt service elated to certain outstanding long–term obligations payable from the City's General Fund, not including the 2018 Bonds. See "– General Fund Obligations" below.
(3) Generally represent transfers to the City's Public Education and Government Fund, and costs relating to a refuse contract and the construction of a sound wall as part of the City's Capital Improvement Program.

Source: City of San Leandro.

General Economic Condition and Outlook of the City

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

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

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

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

While the City has been able to approve balanced budgets with noreductions in program or services, it continues to face increased operating costs. For example, as described below, the City's contribution rates for employee pensions continue to rise due to prior portfolio losses and changes in actuarial assumptions by the California Public Employees' Retirement System ("**CalPERS**"), with additional increases projected in future years. See "– Employee Retirement System" below.

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

Tax Revenues By Source

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

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

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

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

Sales and Use Taxes

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

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

Measure HH. At an election held on November 2, 2010, the voters of the City approved by a majority vote "Measure Z," which increased the sales tax in the City by 0.25%, to be used by the City for general purposes. The Measure Z tax was scheduled to expire in 2018. However, at an election held on November 4, 2014, the voters of the City approved by a majority vote "Measure HH," which superseded and replaced Measure Z. Pursuant to Measure HH, the sales tax in the City was increased by 0.50% (replacing the 0.25% increase effectuated by Measure Z) (the "**Measure HH Tax**"). The Measure HH Tax is scheduled to expire on March 31, 2045. Measure HH Tax revenues totaled approximately $11 million or 13% of the City's total General Fund revenues for fiscal year 2016-17. Measure HH Tax revenues are available to available to support general municipal services of the City and infrastructure needs.

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

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

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

(1) Permit figures for calendar year 2015 are not comparable to that of prior years due to outlet counts in these reports including the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers.
Source: California State Board of Equalization, Taxable Sales in California (Sales & Use Tax).

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

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

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

Source: City of San Leandro.

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

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

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

Source: California Department of Tax and Fee Administration.

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

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

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

This is not an exhaustive list of exempt transactions. A comprehensive list can be found in the California Department of Tax and Fee Administration March 2018 Publication No. 61 entitled "Sales and Use Taxes: Exemptions and Exclusions," which can be found on the California Department of Tax and Fee Administration's website at http://www.cdtfa.ca.gov/. *The reference to this Internet website is provided for reference and convenience only. The information contained within the website may not be current, has not been reviewed by the City and is not incorporated in this Official Statement by reference.*

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

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

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

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

The California Department of Tax and Fee Administration receives an administrative fee based on the cost of services provided by the California Department of Tax and Fee Administration to the City in administering the City's sales tax, which is deducted from revenue generated by the sales and use tax before it is distributed to the City. See "– City Economic and Demographic Information, Taxable Sales" herein for further detail regarding the City's sales tax receipts.

Property Taxes

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

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

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

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

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

***Assessed Valuation**.* All property is assessed using full cash value as defined by Article 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 assessed valuation of taxable property within the City has increased approximately 39% since fiscal year 2007-08. The following table shows a five–year history of the City's assessed valuation of taxable property. According to the City, the growth in the assessed valuation of taxable property within the City is due to new construction, the inflationary growth of 2% pursuant to Proposition 13 and restorations of assessed values pursuant to Proposition 8.

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

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

Source: California Municipal Statistics, Inc.

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

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

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

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

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

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

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

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

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

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

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

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

(1) Fiscal year 2018-19 Local Secured Assessed Valuation: $11,199,815,366
(2) Ghirardelli Chocolate Company has operated in the City since 1967. The City anticipates that it will relocate to the San Leandro Tech Campus Phase 2 space in early 2019.
(3) Net Taxable Value.
Source: California Municipal Statistics, Inc.

Other Taxes and Revenues

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

TABLE 15
CITY OF SAN LEANDRO
UTILITY USERS TAX RATES

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

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

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

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

1. Electric or Gas Franchise Ordinance: 2% 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.

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

Parking and Warehouse Taxes. The City levies a tax on gross receipts from parking lots of 10% and a business tax of $100 per 1,000 square feet of warehouse within the City (collectively, the "**Parking and Warehouse Taxes**"). The Parking and Warehouse Taxes were approved by a majority of the voters in the City on November 6, 2016 pursuant to Measure OO. On December 19, 2016, the City Council adopted Ordinance No. 2016-025, which amended the City's Municipal Code to include the Parking and Warehouse Taxes. The City projects that revenues from the new Parking and Warehouse Taxes totaled approximately $1,150,000 for fiscal year 2017-18. Parking and Warehouse Taxes are not subject to a sunset date.

Collectively, revenues attributable to the increase in the TOT approved pursuant to Measure PP, and the revenues from the Cannabis Tax and the Parking and Warehouse Taxes approved pursuant to Measures NN and OO, respectively, are anticipated to generate an additional $1.15 million in revenues for the City each fiscal year commencing fiscal year 2017-18.

General Fund Obligations

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

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

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

(1) Interest payable on each June 1 and December 1; principal payments payable annually on December 1.
(2). Unaudited.
Source: City of San Leandro.

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

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

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

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

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

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

Estimated Direct and Overlapping Bonded Debt

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

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

	% Applicable	As of 9/1/2018
OVERLAPPING TAX AND ASSESSMENT DEBT:		
Alameda County	4.60%	$11,028,000
Bay Area Rapid Transit District	1.772	14,347,175
Chabot-Las Positas Community College District	10.651	70,446,779
San Leandro Unified School District	89.117	188,379,150
San Lorenzo Unified School District	22.311	25,146,728
East Bay Regional Park District	2.806	5,038,313
City of San Leandro Cherrywood Community Facilities District	100.000	2,450,000
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		$316,836,145
DIRECT AND OVERLAPPING GENERAL FUND DEBT:		
Alameda County General Fund Obligations	4.60%	$41,590,838
Alameda County Pension Obligation Bonds	4.595	410,670
Alameda-Contra Costa Transit District Certificates of Participation	5.440	623,696
San Leandro Unified School District Certificates of Participation	89.117	4,037,000
San Lorenzo Unified School District Certificates of Participation	22.311	2,299,149
City of San Leandro General Fund Obligations	**100.000**	**25,593,766 (2)**
City of San Leandro Pension Obligation Bonds	**100.000**	**11,625,000**
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		$86,180,119
OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):		
San Leandro Tax Allocation Bonds	**100.000%**	$13,415,000
Alameda County – San Leandro Tax Allocation Bonds	**56.718**	10,810,451
TOTAL OVERLAPPING TAX INCREMENT DEBT		$24,225,451
COMBINED TOTAL DEBT		$427,241,715 (2)

Ratios to 2018-19 Assessed Valuation:
Total Overlapping Tax and Assessment Debt........................ 2.38%
Total Direct Debt ($37,218,766).. 0.28%
Combined Total Debt 3.21%
Ratios to Redevelopment Successor Agency Incremental Valuation ($3,014,705,950):
Total Overlapping Tax Increment Debt 0.80%

(1) The secured assessed values within the City for fiscal year 2018-19 totaled $13,315,574,856.
(2) Excludes the 2018 Bonds.
(3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.
Source: California Municipal Statistics, Inc.

Risk Management

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

CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2017, Note 11" for additional information about the City's risk management practices.

Employee Retirement System

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

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

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

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

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

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

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

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

	Safety Plan	
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	8.987%	12.250%
Required employer contribution rates	48.418%	13.242%

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

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

Total City Contribution Rates (1)

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

(1) The rates shown are for July 1 of each year; however it may not be the rate in effect for the complete fiscal year. Changes in plan benefits, the funding period, prepayments, or other contract changes may not be reflected in these rates.
(2) Projected as of July 1, 2017.
Source: City of San Leandro Comprehensive Annual Financial Report for fiscal year ended June 30, 2017; CalPERS Actuarial Report Dated August 2016.

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

Miscellaneous Plan

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

Safety Plan

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

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

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

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

Miscellaneous Plan

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

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

Safety Plan

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

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

The City also maintains a second safety plan applicable to 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.

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

Miscellaneous and Safety Plans

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

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

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

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

Miscellaneous and Safety Plans

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

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

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

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

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

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

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

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

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

Other Post–Employment Retirement Benefits

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

Annual maximum reimbursement amounts differ depending on when an employee retired from City service. The majority of retirees may be eligible for a maximum of $4,320 in annual reimbursements. Amendments to benefit provisions are negotiated by various bargaining units at the City and must be approved by the City Council. In fiscal year 2008–09, the City established an irrevocable exclusive agent multi–employer benefit trust (the "**OPEB PARS Trust**") which is administered by PARS. The PARS Trust is used to accumulate and invest assets necessary to reimburse retirees. As of September 30, 2018, the balance in OPEB PARS Trust was approximately $16 million. Separate financial reports are issued by PARS for the OPEB Plan. The report issued by PARS can be obtained by writing to PARS at 5141 California Avenue, Suite 150, Irvine, CA. 92617, or by calling 800–540–6369. *The references to this address and telephone* *number are provided for reference and convenience only; the reports are issued by PARS for the OPEB Plan are not incorporated herein by reference.*

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

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

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

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

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

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

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

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

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

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

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

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

Investment Policies and Procedures

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

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

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

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

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

(1) Most recent report available.
(2) Market value of assets used.
Source: *City of San Leandro.*

City Economic and Demographic Information

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

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

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

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

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

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

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

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

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

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

* Includes full and part-time employees.
** Includes part-time and substitutes.
Source: City of San Leandro, Comprehensive Annual Financial Report for fiscal year ended June 30, 2017.

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

The following table summarizes the total effective buying income for the City, the County, the State and the United States for the calendar years 2013 through 2017, which is the last year for which such information is available.

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

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

Source: *The Nielsen Company (US), Inc.*

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

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

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

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

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

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

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

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

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

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

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

- *San Leandro Tech Campus:* Phase I of the San Leandro Tech Campus project was completed in the fall of 2016 consisting of OSIsoft's 133,000 square foot state-of-the art office building and 780 space parking garage. The San Leandro Tech Campus project is a multi-phase project on the site of the former Del Monte cannery, near Downtown San Leandro BART station. Phase 2 of the project is underway, which is anticpated to add two six-story buildings with over 350,000 sq. ft. Future phases are planned. The City cannot provide any assurance when Phase 2 or future phases of this project will be completed, if ever.

- *San Leandro Business Center:* Trammel Crow is redeveloping the former 30 acre site of Kraft Foods/Yuban Coffee plant (which operated from 1949 to 2015) into a business campus for warehous, office, industrial and research uses. In totoal, this project is anticipated to consist of 3 buildings totaling 535,000 square fee of Class A industrial space.

- *Expansion of Craft Breweries:* Craft breweries such as Sons of Liberty Alehouse, 21st Amendment, Drake's and Cleophus Quealy have opened in the City.

- *Torani Headquarters:* Torani, the manufacturer of flavored syrups, relocated its corporate headquarters from San Francisco to the Gateway Industrial Center in the City. Its new headquarters consist of 330,000 square feet of a manufacturing, distribution and showroom on site of the former Georgia-Pacific Plant.

- *Frian Headquarterst:* Friant, a manufacturer of custom furniture, opened its corporate headquarters in a new building on site of the former Sears warehouse.

- *Shoreline Development Project:* The Shoreline Development Project consists of the development of 75-acres (52-acres of land and 23-acres of water). It is planned to include a 200-room hotel, 354 housing untis, a 150,000 square foot office campus and restaurants. The City cannot provide any assurance when the Shoreline Development Project will be completed, if ever.

Lit San Leandro. On October 17, 2011, the City Council unanimously approved a license agreement with San Leandro Dark Fiber ("**SLDF**") allowing installation of a fiber optic loop, known as "Lit San Leandro," through several areas of the City using existing conduit. The City's private partner in creating both San Leandro Dark Fiber and Lit San Leandro is Dr. Patrick Kennedy, CEO and Founder of 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. In December 2012, the City of San Leandro won a $2.12 million matching federal grant from the U.S. Economic Development Administration to expand the fiber optic loop for businesses, offering data transmission speeds of 10 gigabits per second, which is 2,000 times faster than the average U.S. connection. This grant money leveraged City resources to expand the fiber optic conduit by adding 7 miles to the original 11-mile loop. Over 150 San Leandro companies and non-profits have connected to Lit San Leandro and the City provided $90,000 in forgivable loans to 11 businesses and non-profits to finance the connection to Lit San Leandro.

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

SLDF owns the fiber that occupies the City's conduit. In exchange for this business relationship, the City receives 30 strands of fiber unrestricted to use throughout the original and expanded network. Within the expansion conduit, the City receives an additional 42 strands of fiber "solely for internal communication needs and public projects". These additional 42 strands cannot be used for resale or other commercial ventures other than with SLDF.

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

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

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

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

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

Article 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.

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

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

Proposition 1A

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

Proposition 22

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

Unitary Property

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

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

Future Initiatives

Article 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 its ability to expend revenues.

RISK FACTORS

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

Special Obligations of the Authority

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

No Pledge of Taxes

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

Limitations on Taxes and Fees. Certain taxes, assessments, fees and charges presently imposed by the City could be subject to the voter approval requirements of Article 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 2018 Bonds. To the extent that additional obligations are incurred by the City, the funds available to pay Lease Payments may be decreased.

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

No Reserve Account

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

Default; No Acceleration

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

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

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

Abatement

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

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

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

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

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

Assessed Value of Taxable Property; Delinquent Payment of Property Taxes

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

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

Reduction in Inflationary Rate. Article 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%. During the ten previous fiscal years, the inflation factor has been less than 2% on five occasions.

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

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

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

> Proposition 8 Appeals. Most of the appeals that might be filed in the City would be based on Section 51 of the Revenue and Taxation Code, which requires that for each lien date the value of real property must be the lesser of its base year value annually adjusted by the inflation factor pursuant to Article 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.
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> 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 has on certain occasions unilaterally reduce assessed values under Proposition 8 and did so in fiscal years 2009–10, 2010–11 and 2011–12, for example.
>
> Base Year Appeals. A second type of assessment appeal is called a base year appeal, where the property owners challenge the original (basis) value of their property. Appeals for reduction in the "base year" value of an assessment, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. The completion date of new construction or the date of change of ownership determines the base year. Any base year appeal must be made within four years of the change of ownership or new construction date.

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

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

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

Natural Calamities

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Hazardous Substances

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

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

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

Proposition 218

See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Article 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 2018 Bonds upon the occurrence of an event of default under the Lease or the Indenture are in many respects dependent upon judicial actions, which are often subject to discretion and delay and could prove both expensive and time consuming to obtain.

In addition to the limitations on remedies of Owners of the 2018 Bonds contained in the Lease and the Indenture, the rights and obligations under the 2018 Bonds, the Lease and the Indenture may be subject to the following: the United States Bankruptcy Code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; usual equity principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose.

Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the Owners of the 2018 Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation or modification of their rights. The opinion of Bond Counsel notes that the rights of the owners of the 2018 Bonds and the enforceability of the 2018 Bonds and the Indenture are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

The City is a governmental unit and therefore cannot be the subject of an involuntary case under the United States Bankruptcy Code (the "**Bankruptcy Code**"). However, the City is a municipality and therefore may seek voluntary protection from its creditors pursuant to Chapter 9 of the Bankruptcy Code for purposes of adjusting its debts. If the City were to become a debtor under the Bankruptcy Code, the City would be entitled to all of the protective provisions of the Bankruptcy Code as applicable in a Chapter 9 case. Among the adverse effects of such a bankruptcy might be: (i) the application of the automatic stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the City or the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the City and could prevent the Trustee from making payments from funds in its possession; (ii) the avoidance of preferential transfers occurring during the relevant period prior to the filing of a bankruptcy petition; (iii) the existence of unsecured or secured debt which may have a priority of payment superior to that of Owners of the 2018 Bonds; and (iv) the possibility of the adoption of a plan (an "**Adjustment Plan**") for the adjustment of the City's various obligations over the objections of the Trustee or all of the Owners of the 2018 Bonds and without their consent, which Adjustment Plan may restructure, delay, compromise or reduce the amount of any claim of the Owners if the Bankruptcy Court finds that such Adjustment Plan is "fair and equitable" and in the best interests of creditors. The Adjustment Plans approved by the Bankruptcy Courts in connection with the bankruptcies of the cities of Vallejo, San Bernardino and Stockton resulted in significant reductions in the amounts payable by the cities in connection with lease revenue obligations substantially identical or similar to the 2018 Bonds. The City can provide no assurances about the outcome of the bankruptcy cases of other California municipalities or the nature of any Adjustment Plan if it were to file for bankruptcy.

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

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

Litigation

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

State Law Limitations on Appropriations

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

Loss of Tax–Exemption

The City has covenanted in the Lease, and the Authority has covenanted in the Indenture, that each will not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of interest on the 2018 Bonds under Section 103 of the Internal Revenue Code of 1986, as amended (the "**Tax Code**"). In the event either the City or the Authority fails to comply with the foregoing tax covenant, interest on the 2018 Bonds may be includable in the gross income of the Owners thereof for federal tax purposes retroactive to the date of issuance. See "TAX MATTERS".

Secondary Market for Bonds

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

IRS Audit of Tax–Exempt Issues

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

TAX MATTERS

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

The opinions set forth in the preceding paragraph are subject to the condition that the City comply with all requirements of the Tax Code that must be satisfied subsequent to the issuance of the 2018 Bonds. The City has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the 2018 Bonds.

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

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

Under the Tax Code, original issue premium is amortized on an annual basis over the term of the 2018 Bond (said term being the shorter of the 2018 Bond's maturity date or its call date). The amount of original issue premium amortized each year reduces the adjusted basis of the owner of the 2018 Bond for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a 2018 Bond is amortized each year over the term to maturity of the 2018 Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized 2018 Bond premium is not deductible for federal income tax purposes. Owners of premium 2018 Bonds, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such 2018 Bonds.

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

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

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

CERTAIN LEGAL MATTERS

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

LITIGATION

The City is not aware of any pending or threatened litigation concerning the validity of the 2018 Bonds or challenging any action taken by the City with respect to the 2018 Bonds, the Indenture, the Lease, the Leased Property or any other agreements or actions undertaken in connection with the issuance of the 2018 Bonds. Furthermore, the City is not aware of any pending or threatened litigation to restrain, enjoin, question or otherwise affect the Indenture or the Lease or in any way contesting or affecting the validity or enforceability of any of the foregoing or any proceedings of the City taken with respect to any of the foregoing.

There are a number of lawsuits and claims pending and threatened against the City unrelated to the 2018 Bonds or actions taken with respect to the 2018 Bonds. It is the opinion of the City as of this date that such litigation, claims and threatened litigation will not materially affect the City's finances or impair its ability to make the Lease Payments under the Lease or the debt service payments on the 2018 Bonds.

RATING

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("**S&P**"), has assigned its municipal bond rating of "___" to the 2018 Bonds.

Such ratings reflect only the view of S&P, and any explanation of the significance of such ratings should be obtained from S&P. There is no assurance that such ratings will be retained for any given period of time or that it will not be revised downward or withdrawn entirely by S&P if, in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of any ratings obtained may have an adverse effect on the market price of the 2018 Bonds.

CONTINUING DISCLOSURE

The City will covenant for the benefit of owners of the 2018 Bonds to provide certain financial information and operating data relating to the City by the date that is nine months after the end of the City's fiscal year (currently March 31 based on the City's fiscal year end of June 30), commencing with the report for the 2017-18 fiscal year (the "**Annual Report**"), and to provide notices of the occurrence of certain enumerated events. Such reports are required to be filed with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system ("**EMMA**"). The specific nature of the information to be contained in the Annual Report or the notices of enumerated events is described in "APPENDIX D – FORM OF CONTINUING DISCLOSURE AGREEMENT," attached to this Official Statement. These covenants have been made in order to assist the underwriter of the 2018 Bonds in complying with Securities Exchange Commission Rule 15c2 12(b)(5) (the "**Rule**").

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

- The late filing of various annual financial information and/or operating data (for example, principal amount of bonds outstanding, information about property tax levies and collections, general fund budget information, balances in reserve accounts and statements of the reserve requirement) for fiscal years 2013-14 through 2016-17 with respect to various undertakings;

- The failure to file an official statement containing required financial information and/or operating data under the "Continuing Disclosure" section of EMMA, even though the information was available under the "Official Statement" section of EMMA; and

- The late filing of a rating change in 2014 with respect to various undertakings.

Several of the foregoing instances of non-compliance stem from the City filing information for the most recently completed fiscal year, although the undertaking makes reference to information for the fiscal year during which the annual report is filed. Supplemental filings to correct known filing errors made by the City and the City's related governmental entities have been made as of the date hereof. In addition, in 2018, the City and its related entities have adopted policies and procedures relating to continuing disclosure. Among other things, the policy provides that the City and its related entities will periodically review the requirements of, and will remain in compliance with, any continuing disclosure undertakings entered into by them in accordance with the Rule.

MUNICIPAL ADVISOR

Kitahata & Company, San Francisco, California (the "**Municipal Advisor**"), has assisted the City with various matters relating to the planning, structuring and delivery of the 2018 Bonds. The Municipal Advisor is a financial advisory firm and is not engaged in the business of underwriting or distributing municipal securities or other public securities. The Municipal Advisor assumes no responsibility for the accuracy, completeness or fairness of this Official Statement.

UNDERWRITING

Stifel, Nicolaus & Company, Incorporated (the "**Underwriter**"), has entered into a bond purchase agreement with the Authority under which it will purchase the 2018 Bonds at a price of $_____________ (equal to the par amount of the 2018 Bonds, plus/less [net] original issue [premium]/[discount] of $____________, and less an Underwriter's discount of $_____________).

The Underwriter will be obligated to take and pay for all of the 2018 Bonds if any are taken. The Underwriter intends to offer the 2018 Bonds to the public at the offering prices set forth on the inside cover page of this Official Statement. After the initial public offering, the public offering price may be varied from time to time by the Underwriter.

PROFESSIONAL SERVICES

In connection with the issuance of the 2018 Bonds, all or a portion of the fees payable to Bond Counsel, Disclosure Counsel, Underwriter's Counsel, the Municipal Advisor and the Trustee are contingent upon the issuance and delivery of the 2018 Bonds.

MISCELLANEOUS

All of the preceding summaries of the Indenture, the Bond Law, other applicable legislation, the Lease, the Site Lease, and other documents are made subject to the provisions of such documents respectively and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the City for further information in connection therewith.

This Official Statement does not constitute a contract with the purchasers of the 2018 Bonds. Any statements made in this Official Statement involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

EXECUTION

The execution and delivery of this Official Statement have been authorized by the Board of Directors of the Authority and the City Council of the City.

SAN LEANDRO PUBLIC FINANCING AUTHORITY

By: ______________________________

Jeff Kay,
Executive Director

CITY OF SAN LEANDRO

By: ______________________________

Jeff Kay,
City Manager

APPENDIX A

AUDITED FINANCIAL STATEMENTS OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2017

APPENDIX B

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

APPENDIX C

FORM OF OPINION OF BOND COUNSEL

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

$____________
SAN LEANDRO PUBLIC FINANCING AUTHORITY
2018 LEASE REVENUE BONDS

This CONTINUING DISCLOSURE CERTIFICATE (this "**Disclosure Certificate**") is executed and delivered by the City of San Leandro (the "**City**"), on behalf of itself and the San Leandro Public Financing Authority (the "**Authority**"), in connection with the issuance of the bonds captioned above (the "**Bonds**"). The Bonds are being executed and delivered pursuant to an Indenture of Trust dated as of December 1, 2016, as supplemented and amended pursuant to a First Supplemental Indenture of Trust dated as of December 1, 2018, each by and between the Authority and the U.S. Bank National Association, as trustee (the "**Trustee**") (as so supplemented and amended, the "**Indenture**").

The City covenants and agrees as follows:

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

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

"*Annual Report*" means any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"*Annual Report Date*" means the date that is nine months after the end of the City's fiscal year (currently March 31 based on the City's fiscal year end of June 30).

"*Dissemination Agent*" shall mean, initially, the City, or any successor Dissemination Agent designed in writing by the City and which has been filed with the then current Dissemination Agent a written acceptance of such designation.

"*Fiscal Year*" means any twelve–month period beginning on July 1 in any year and extending to the next succeeding June 30, both dates inclusive, or any other twelve–month period selected and designated by the City as its official fiscal year period under a Certificate of the City filed with the Trustee.

"*MSRB*" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

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

"*Participating Underwriter*" means Stifel, Nicolaus & Company, Incorporated, as the original underwriter of the Bonds.

"*Rule*" means Rule 15c2–12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as it may be amended from time to time.

"*Significant Events*" means any of the events listed in Section 5(a) of this Disclosure Certificate.

Section 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 31, 2019, with the report for fiscal year 2017-18 provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the City) has not received a copy of the Annual Report, the Dissemination Agent shall contact the City to determine if the City is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the City's fiscal year changes, it shall give notice of such change in the same manner as for a Significant Event under Section 5(c). The City shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the City hereunder.

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

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

(i) determine each year prior to the Annual Report Date the then–applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the City, file a report with the City certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

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

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

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

(i) general fund budget for the fiscal year during which the annual report is filed;

(ii) general fund balance sheet for the most recently-completed fiscal year;

(iii) general fund summary of revenues and expenditures for the most recently-completed fiscal year; and

(iv) assessed valuation of property in the City for the most recently-completed fiscal year and, provided the City is not currently on the Teeter Plan (or its equivalent) and such information is available from the County, information about property tax levies and collections for the most recently completed fiscal year.

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

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

Section 5. Reporting of Significant Events.

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

(i) Principal and interest payment delinquencies;

(ii) Non–payment related defaults, if material;

(iii) Unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) Unscheduled draws on credit enhancements reflecting financial difficulties;

(v) Substitution of credit or liquidity providers, or their failure to perform;

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

(vii) Modifications to rights of security holders, if material;

(viii) Bond calls, if material, and tender offers;

(ix) Defeasances;

(x) Release, substitution, or sale of property securing repayment of the securities, if material;

(xi) Rating changes;

(xii) Bankruptcy, insolvency, receivership or similar event of the City or other obligated person;

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

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

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

(c) The City acknowledges that the events described in subparagraphs (a)(ii), (a)(vii), (a)(viii) (if the event is a bond call), (a)(x), (a)(xiii), and (a)(xiv) of this Section 5 contain the qualifier "if material." The City shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that the City determines the event's occurrence is material for purposes of U.S. federal securities law.

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

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

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

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

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

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

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

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

The Dissemination Agent shall not be obligated to enter into any amendment increasing or affecting its duties or obligations hereunder.

A notice of any amendment made pursuant to this Section 9 shall be filed in the same manner as for a Significant Event under Section 5(c).

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

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

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. (a) Article VIII of the Indenture is hereby made applicable to this Disclosure Certificate as if this Disclosure Certificate were (solely for this purpose) contained in the Indenture. The Dissemination Agent shall be entitled to the protections and limitations from liability afforded to the Trustee thereunder. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the City hereunder, and shall not be deemed to be acting in any fiduciary capacity for the City, the Bond holders or any other party. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

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

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and the holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 14. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Date: ___________, 2018

CITY OF SAN LEANDRO

By : ___________________________
Finance Director

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: San Leandro Public Financing Authority

Name of Issue: $___________ 2018 Lease Revenue Bonds

Date of Issuance: ____________, 2018

NOTICE IS HEREBY GIVEN that the City has not provided an Annual Report with respect to the above–named Bonds as required by the Continuing Disclosure Certificate dated _____________, 2018. The City anticipates that the Annual Report will be filed by ________________.

Dated: ________________

CITY OF SAN LEANDRO

By: _________________________
Its: _________________________

APPENDIX E

DTC AND THE BOOK–ENTRY ONLY SYSTEM

The information in this section regarding DTC and its book–entry system has been obtained from DTC's website, for use in securities offering documents, and the City, the Authority and the Underwriter takes no responsibility for the accuracy or completeness thereof or for the absence of material changes in such information after the date hereof.

The Depository Trust Company ("DTC") acts as securities depository for the 2018 Bonds. The 2018 Bonds were issued as fully–registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully–registered bond certificate was issued for each maturity of each series of the 2018 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited–purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non–U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post–trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book–entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non–U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly–owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non–U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the 2018 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2018 Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2018 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2018 Bonds, except in the event that use of the book–entry system for the 2018 Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2018 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2018 Bonds, such as redemptions, tenders, defaults and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the 2018 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

While the 2018 Bonds are in the book–entry–only system, redemption notices will be sent to DTC. If less than all of the 2018 Bonds of a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2018 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2018 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the 2018 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2018 Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, certificates representing the 2018 Bonds are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book–entry–only transfers through DTC (or a successor securities depository). In that event, certificates representing the 2018 Bonds will be printed and delivered to DTC.

The information in this Appendix E concerning DTC and DTC's book–entry system has been obtained from sources that the City and the Authority believe to be reliable, but neither the City, the Authority nor the Underwriter takes any responsibility for the accuracy thereof.