



*City
Council
Report*

Item: 18
Category: NEW BUSINESS
Meeting Date: July 21, 2020

TITLE: Resolution Authorizing the Issuance and Sale of General Obligation Bonds in an Aggregate Principal Amount Not to Exceed \$20,000,000, Increasing the Revenue Estimate in Fund 448 (Measure O Capital Projects) to Account for Anticipated Measure O Bond Proceeds in Fiscal Year 2020-21, and Authorizing Actions Related Thereto

RECOMMENDED ACTION

That the City Council adopt a resolution authorizing the issuance and sale of General Obligation Bonds in an aggregate principal amount not to exceed \$20,000,000, increasing the revenue estimate in Fund 448 (Measure O Capital Projects) to account for anticipated Measure O bond proceeds in Fiscal Year 2020-21, and authorizing actions related thereto

BACKGROUND

On November 6, 2018, City of Campbell voters approved Measure O with a 'Yes' vote of 69.5% by the citizens that voted in the General Election. Bonds issued pursuant to Measure O are authorized to be issued in the aggregate amount of up to \$50 million to construct and/or renovate City facilities to house Police and Library services, as described in the Measure O ballot materials. On January 15, 2019, Council approved Resolution 12400 declaring the intent of the City of Campbell to reimburse City funds for certain expenditures for voter-approved projects from the future sale of tax-exempt bonds. That resolution was recommended by staff to allow for reimbursement of allowable Measure O project expenses prior to bond issuance in compliance with applicable law. Since then, staff has provided various project updates, received Council approval on design consultants, and met with key stakeholders. Staff last provided a project update to City Council on July 7, 2020.

DISCUSSION

Bond Sizing

Staff has identified Measure O projects that need immediate funding and the Measure O bond authorization provides the ability to issue bonds at any time, in multiple issuances, and in any amount up to \$50 million in aggregate. In previous meetings with City Council, staff has discussed a financing strategy of having a small first bond issuance of \$5 million to fund costs for preliminary technical studies, design, and Senior Public Works Project Manager staff time and a second larger issuance of \$45 million to fund

costs for construction. In the FY 2021 Adopted Budget, staff assumed a first bond issuance of \$10 million and a second bond issuance of \$40 million in the spring or summer of 2022. Additionally, the original financing plan, contemplated prior to the Measure O Election, assumed a first series of bonds issued in 2019 and a second series in 2021; both for \$25 million with an average interest rate of 4.25%. The City now anticipates issuing a first series of tax-exempt Measure O Bonds in or around September 2020 (“2020 Bonds”) with the second series of tax-exempt Measure O Bonds issued in the spring or summer of 2022 (depending on project bidding and construction timing). Pursuant to Federal tax law the City must have a reasonable expectation that it will spend at least 85% of its bond proceeds within three years of issuance. Based on estimated Measure O project cash flow needs previously discussed with Council, staff is confident that it can adhere to this requirement should the Council authorize the issuance of \$20 million of Measure O bonds in or around September 2020 and \$30 million of Measure O bonds in the spring or summer of 2022.

City staff, working with its financing team of Jones Hall (bond and disclosure counsel) and NHA Advisors, LLC (municipal advisor), has evaluated the option of issuing the first series of bonds between \$5 million and \$20 million and the second series of bond between \$30 million and \$45 million. There are a few considerations prior to deciding on the appropriate amount. First, current market rates are significantly below the cost of funds assumed in the election materials (4.25% down to 2.50%) and are at near historical lows. In the chart below, Council will find hypothetical interest rates for a 30-year “AAA” rated municipal bond over the last 10 years:

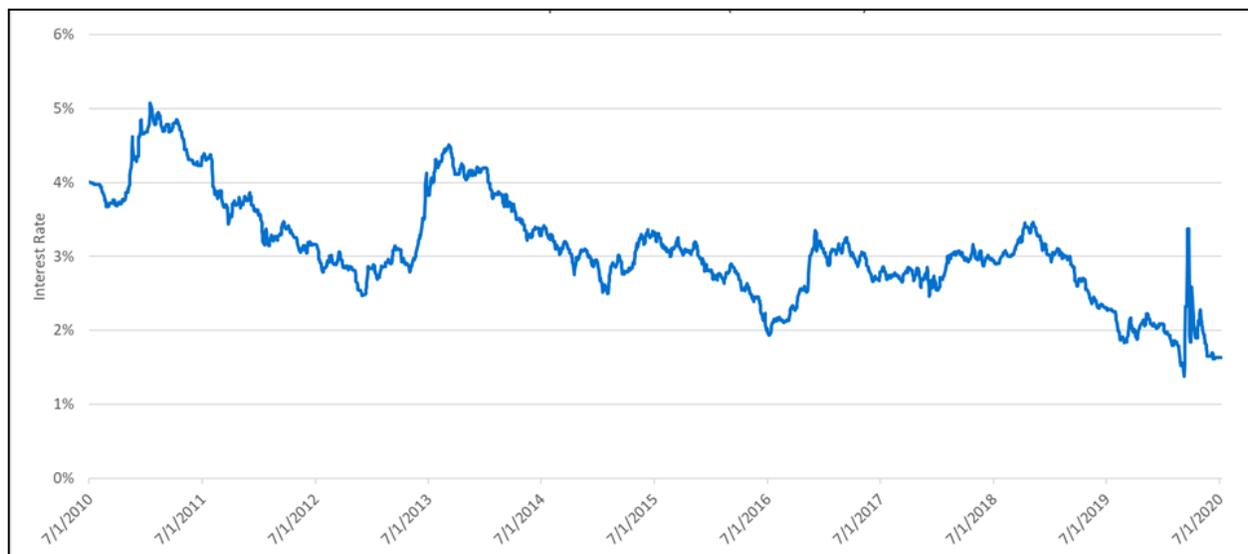


Chart 1 – 30 Year Municipal Market Index (“AAA” MMD)

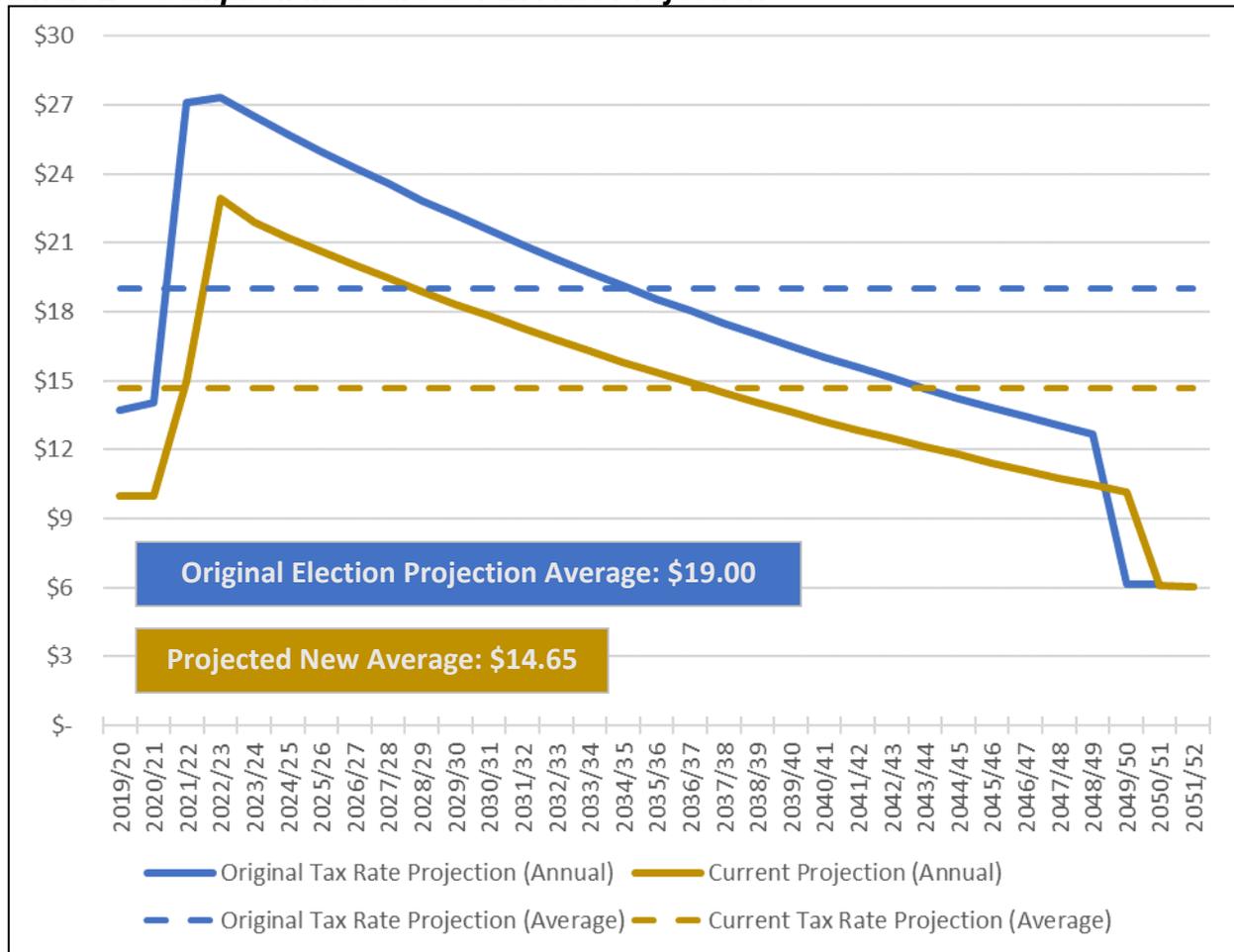
The Municipal Market Index (MMD) is the index that the municipal bond market normally uses to evaluate interest rates, and municipal bonds are priced based on a “spread” to MMD. At present and based on the municipal bond market as well as the City’s high credit quality, the City can expect a spread of approximately 100 basis points (1

percentage point) over the current MMD of 1.6% (as of July 6, 2020). This would equate to an average interest rate of approximately 2.6% through the maturity of the first Measure O Bond issuance in 2050. Please note though that the market will continue to fluctuate until the time of the sale of the 2020 Bonds and the City may realize different interest rates than what is currently expected. However, there is a 5% maximum allowable interest rate specified in the attached resolution and staff will be required to delay the bond issuance until such a time that interest rates fall below this threshold. Absent a drastic change in market conditions, staff expects interest rates to be very similar to the 2.6% rate currently projected.

Locking in a lower rate for the first Measure O bond issuance of \$20 million will ensure lower total debt service costs and reduce the tax rate required over the life of the outstanding bonds; justifying the larger issuance size than originally proposed. In addition, issuing a larger initial amount of bonds will also hedge the market uncertainty at the time the second series of bonds are issued.

The original financing plan and Tax Rate Statement provided to City of Campbell voters estimated an average tax rate of \$19 per \$100,000 of assessed valuation and a maximum tax rate of \$27.33 per \$100,000 of assessed valuation over the term of all Measure O bond issuances, with total debt service costs were estimated to be \$90.5 million. Under the current recommendation, City staff and the financing team now estimates an average tax rate of \$14.65 per \$100,000 of assessed valuation, a maximum tax rate of \$22.94 per \$100,000 of assessed valuation, and total debt service costs of \$81.3 million; an estimated savings to taxpayers of \$9.2 million. In the chart below, Council will find a comparison of originally projected tax rates and currently projected tax rates given City staff and the financing team's recommendations before Council:

Chart 2 – Campbell Measure O Tax Rate Projection



The second option is to issue Measure O bonds on an as-needed basis which may require multiple future bond issues. While this will delay the need to raise the tax rates until such time as the bonds are issued, it could potentially increase the overall cost through higher interest rates and more transaction costs. The original financing plan assumed two series of bonds, but a cash flow approach could suggest three or more series of bonds. Finally, State law prevents the use of tax revenues collected for Measure O to be used for anything other than bond debt service. In contrast, interest earned on the bond proceeds while they are being held by the City can be applied towards project costs.

Thus, city staff and the financing team are again recommending the first series of bonds be issued for \$20,000,000. These funds will cover current design, engineering, planning, relocation and project management costs through the projected project bid timeline as well as City project costs incurred to date. If a lower bond amount is approved, issuance of the second series may be required sooner than currently proposed. However, City staff and the financing team evaluated several financing scenarios as discussed previously and having a first issuance at \$20 million and a second issuance at \$30 million produce the lowest overall average tax rates, maximum

tax rates, and debt service costs while adhering to IRS tax laws. For reference, the second issuance is estimated to have an average interest rate of 100 basis points over the first issuance if it is issued in the spring or summer of 2022.

Underwriter Selection

As part of the bond issuance process over the past six months, City staff, working with NHA Advisors, on the City's behalf, informally solicited underwriter proposals and qualifications from several registered broker-dealers to serve as underwriter for the 2020 Bonds. After receiving and reviewing four proposals, City staff is recommending the selection of Stifel, Nicolaus & Company (Stifel) to serve as underwriter based on local government and General Obligation (GO) bond experience, the quality of their bond structuring and marketing plan, and their proven ability to sell the City's bonds at the best possible interest rates. Stifel is an industry leader in the municipal bond market with 275 unique GO bond issuances since 2016 and 15 unique GO bond issuances in progress. Other proposals were also received from Piper Sandler & Co., Raymond James & Associates, and RBC Capital Markets, but staff feels that Stifel is the best fit for the first issuance of Measure O bonds and has had positive experiences in working with them on prior debt issuances at other public agencies. Please note, the City has the ability to change underwriters or method of sale for the next bond issuances.

In addition, City staff and the financing team are also recommending that the first issuance of Measure O bonds be conducted through a negotiated sale with Stifel as opposed to a competitive sale. In a competitive sale, bonds are advertised for sale. The advertisement, by way of a notice of sale, includes both the terms of the sale and the terms of the bond issue. Any broker dealer or dealer bank may bid on the bonds at the designated date and time. The bonds are awarded to the bidder offering the lowest interest cost. In a negotiated sale, an underwriter is selected to purchase the bonds. The underwriter, in turn, sells the bonds to its investor customers. The terms of the bonds are tailored to meet the demands of the underwriter's investor clients, as well as the needs of the issuer. Negotiated sales also involve a process known as a presale in which underwriters seek customer indications of interest in the issue before establishing final bond pricing.

Negotiated and competitive sales each have their own advantages. The competitive nature and transparency of a competitive sale are its primary benefits. However, competitive underwriters build a risk premium into their bids because they go out and obtain investors after being awarded the deal. This risk premium tends to be larger in times of volatility or economic turmoil such as that which we are currently experiencing. Conversely, a negotiated underwriter is able to market specific interest rates to investors, get a sense of the demand at those interest rates, and adjust the interest rates to meet market demand before signing a bond purchase agreement. As a result, a negotiated sale carries less risk for the underwriter, resulting in very little risk premium for the underwriter. Given the uncertainty of the current economic climate surrounding COVID-19, it is assumed that the higher risk premium would outweigh any competitive benefits that a competitive sale may have. Therefore, City staff and the financing team are again recommending that the first issuance of Measure O bonds be conducted

through a negotiated sale with Stifel as opposed to a competitive sale. Other reasons for a negotiated sale are listed below:

- a) A negotiated sale provides more flexibility to choose the time and date of the sale which is often advantageous in the municipal bond market.
- b) The involvement of the Underwriter in preparing documents, rating agency presentations and structuring bonds generally enhances the quality and results of the bond offering.
- c) A negotiated sale will permit the time schedule for the issuance and sale of the Bonds to be expedited, if necessary.
- d) A negotiated sale provides the City access to the underwriter's trading desk for providing estimates of the cost of various bond structures (yields, discounts, premiums and maturities) for the purpose of evaluating alternative potential bond structures with the goal of producing the best match between City objectives and investor acceptance and demand.
- e) A negotiated sale provides time for underwriters to educate potential investors about the City and the Bonds with the goal of maximizing investor orders and reducing interest cost on the day of bond pricing.

While City staff and the financing team recommend a negotiated sale for the first issuance of Measure O bonds, based on future market conditions, the City may choose to issue the second series of Measure O bonds through a competitive sale in the spring or summer of 2022 as is not locked into a negotiated sale method for all for all Measure O bond issuances.

Cost of Issuance

Financing costs for the first issuance of Measure O bonds are estimated to be \$271,250 and are summarized in the table below:

Table 1 – Estimated Financing Costs of Issuance

<u>Service</u>	<u>Payee</u>	<u>Estimated Cost</u>
Bond Counsel	Jones Hall	\$65,000
Disclosure Counsel	Jones Hall	45,000
Counsel Expenses	Jones Hall	1,500
Municipal Advisor	NHA Advisors	57,500
Continuing Disclosure Compliance Audit	NHA Advisors	2,500
Underwriter	Stifel	67,000
Rating	S&P Global Ratings	22,750
Paying Agent & COI Custodian	BNY Mellon	1,250
Data	California Municipal Statistics	1,425
Printer	AVIA	2,500
Contingency		4,825
Total		\$271,250

These costs to be paid from bond proceeds. In addition, City staff and the financing team are recommending that the first issuance of Measure O bonds be issued at a premium over par as opposed to being issued at par when compared to their total principal amount. In a premium bond sale, investors purchase the bonds for an amount over the par (principal) value of the bonds. This has several benefits to both investors

and the issuers of bonds. In a bond sale, the goal is to create a structure that maximizes investor demand and minimizes borrowing costs. And for every bond issue, there are two interest components to each bond maturity, the coupon and the yield. It is common for investors to want semiannual interest payments (“coupons”) that exceed the market interest rate (“yield”). As a result, investors are willing to pay a premium (for example, \$1.02 for every \$1 of principal) to obtain these higher coupons. Structuring the bonds in a way that maximizes demand should generate the lowest borrowing costs to the City. A premium structure also maximizes bond proceeds available for projects because all or a portion of the transaction costs are paid out of the premium, rather than reducing the project fund. And in the bond structure being proposed to Council, it is estimated that bond premium for the 2020 Bonds will be approximately \$1.7 million. This will be more than sufficient to pay for estimated financing costs summarized above and will leave a balance of \$1.4 million. The remaining balance will then be placed in a Capitalized Interest Fund (CIF) to be held in trust with Paying Agent/Bond Custodian and will be used in the first three years of the 2020 Bonds to offset debt service costs and smooth necessary tax rate increases to support the debt service payments. Premiums can be used to pay for financing costs and debt service costs, but they cannot be used for project or furniture, fixture, and equipment (FFE) costs. The par (principal) value of Measure O Bond proceeds can also not be used for FFE costs.

Financing Schedule

For reference, the financing schedule of significant events for the first issuance of Measure O bonds is detailed in the table below:

Table 2 – Estimated Financing Schedule

<u>Date</u>	<u>Activity</u>	<u>Participants</u>
Friday, July 17	Credit Rating Presentation (<i>via remote conference call</i>)	All
Tuesday, July 21	City Council Consideration of Approval of Financing and FY 2020-21 Tax Rate Resolution	City
Friday, July 24	Rating Due	Municipal Advisor
July 27-29	Due Diligence Call	City / Underwriter / Municipal Advisor / Bond Counsel / Disclosure Counsel
Tuesday, August 4	Pre-pricing Call	City / Underwriter / Municipal Advisor
Wednesday, August 5	Price Bonds	City / Underwriter / Municipal Advisor
Wednesday, August 12	Release Final Official Statement (FOS) to Underwriter	Disclosure Counsel
August 12-17	Execute Closing Documents	All
Tuesday, August 18	Pre-Closing	All
Wednesday, August 19	Closing	All

Dates shown above are subject to change based on bond market conditions. As such, the attached resolution and staff report state that the bond issuance sale will occur in or

around September 2020, but it may occur mid-August 2020 if current favorable bond market conditions hold.

Bond Financing Documents

The following summarizes bond financing documents for Council review and/or approval, which is necessary for City staff and the financing team to move forward with the first issuance of Measure O bonds:

Resolution – In summary, the attached resolution, if approved by City Council, will authorize City staff and the financing team to take the primary actions listed below; within the provisions of Bond Law:

- To issue a first series of Measure O bonds for an amount not to exceed \$20 million with the following key characteristics:
 - Refundable prior to maturity should future interest rates provide refinancing opportunities.
 - An interest rate not to exceed 5.00% per annum
 - Final maturity not to exceed the limits contained in Bond Law. Staff and the financing team recommend a 30-year term consistent with Measure O provisions.
- For the City Manager to execute and deliver the final form of the Bond Purchase Agreement with the underwriters (Stifel). A draft Bond Purchase Agreement is attached and will be described in more detail in a subsequent section.
- To issue the first series of Measure O bonds using a negotiated sale to Stifel. Resolution also authorizes City staff to select Stifel as the City's chosen underwriter.
- Approval of the draft Preliminary Official Statement (POS) attached and deems it final. The POS will be converted to a final Official Statement and updated with final bond prices, rates, and terms after issuance and per the bond guidelines authorized by City Council and Measure O.
- To pay for cost of issuance out of bond proceeds. As described previously, it is anticipated that these costs will be paid entirely out of the bond premium.
 - For the City Manager to execute agreements with the Bank of New York Mellon Trust Company, N.A., (BNY) as Paying Agent and Cost of Issuance Custodian.
- To approve and confirm engagement with the City's Municipal Advisor, NHA Advisors, LLC and the City's Bond Counsel, Jones Hall.
- To amend the FY 2021 Budget to increase expected bond proceeds from \$10 million to \$20 million; a difference of \$10 million.

For reference, the resolution has been prepared by Bond Counsel and reviewed by City staff and the financing team.

Draft Bond Purchase Agreement – The attached document will enter the City into an agreement with Stifel, as the City's chosen underwriter, to purchase the first issuance of Measure O bonds and market and resell them to investors. Bonds that cannot be resold are retained by the underwriter until such time they can be sold, but the

underwriter's role, through the Bond Agreement, ensures that all bonds are purchased; either by the underwriter or through resale to investors. The Bond Purchase Agreement also confirms the terms that the bonds are to be sold for consistent with the conditions of the attached resolution summarized in the section above. In addition, the Bond Purchase agreement specifies other conditions that the underwriter must adhere to such as:

- Making a bona fide public offering of all the bonds and to establish issue pricing consistent with the bond authorization.
- To review the POS, make it available to potential investors, and file it with the Municipal Securities Rulemaking Board (MSRB) through its (Electronic Municipal Market Access) system.

The Bond Purchase Agreement has been reviewed by the City Attorney, Bond Counsel, Disclosure Counsel, and the Underwriter's Counsel. And as previously detailed, the attached resolution would authorize the City Manager to execute and deliver the final form of the Bond Purchase Agreement with Stifel.

Draft Preliminary Official Statement (POS) - The attached Preliminary Official Statement has been reviewed and approved for transmittal to the City Council by the City's financing team. The distribution of the Preliminary Official Statement by the City is subject to federal securities laws, including the Securities Act of 1933 and the Securities Exchange Act of 1934. These laws require the Preliminary Official Statement to include all facts that would be material to an investor in the proposed bonds. Material information is information that there is a substantial likelihood would have actual significance in the deliberations of the reasonable investor when deciding whether to buy or sell the bonds. If the City Council concludes that the Preliminary Official Statement includes all facts that would be material to an investor in the bonds, it must adopt a resolution that authorizes staff to execute a certificate to the effect that the Preliminary Official Statement has been "deemed final."

The Securities and Exchange Commission (the "SEC"), the agency with regulatory authority over the City's compliance with the federal securities laws, has issued guidance as to the duties of the City Council with respect to its approval of the Preliminary Official Statement. In its "Report of Investigation in the Matter of County of Orange, California as it Relates to the Conduct of the Members of the Board of Supervisors" (Release No. 36761 / January 24, 1996) (the "Release"), the SEC indicated that, if a member of the City Council has knowledge of any facts or circumstances that an investor would want to know about prior to investing in the bonds, whether relating to their repayment, tax-exempt status, undisclosed conflicts of interest with interested parties, or otherwise, he or she should endeavor to discover whether such facts are adequately disclosed in the Preliminary Official Statement. In the Release, the SEC indicated that the steps that a member of the City Council could take include becoming familiar with the Preliminary Official Statement and questioning staff and consultants about the disclosure of such facts.

The bonds are payable solely from ad valorem property taxes levied by the City and collected by Santa Clara County, as described in the section of the Preliminary Official Statement captioned "SECURITY FOR THE BONDS."

However, investors in the bonds consider information about the City's financial position to be material, and the City has included that information in Appendix A to the Preliminary Official Statement: "FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE CITY OF CAMPBELL AND SANTA CLARA COUNTY." The City's Comprehensive Annual Financial Report for fiscal year 2018-19 is included in Appendix B to the Preliminary Official Statement.

FISCAL IMPACT

The 2020 Bond debt service will be paid from tax revenues levied on all taxable properties within the City's jurisdiction. Proceeds from the 2020 Bonds will be used to fund Measure O project costs including design, engineering, project management, relocation and construction costs.

An exhibit to the Resolution includes information required to be disclosed in a meeting open to the public pursuant to SB 450. Such information includes the true interest cost of the bonds, finance charge of the bonds, amount of proceeds received by the City, and total payment amount.

In addition, since sizing for the first Measure O bond issuance was still being analyzed and developed at the time the FY 2020-21 Budget was adopted, only \$10 million was reflected in anticipated bond proceeds. Therefore, staff is also recommending increasing the bond proceed revenue estimate in account 448.518.6020 by \$10 million; thereby bringing it to \$20 million in total for FY 2020-21. However, staff is not recommending a budget adjustment at this time to account for debt service costs since a first interest only payment in March 2021 will likely be paid directly from the Capitalized Interest Fund (CIF) that will be held in trust with Paying Agent/Bond Custodian. Nevertheless, staff will return to Council at a later date to request a budget adjustment if any debt service costs need to be paid directly by the City in FY 2020-21. Currently, no Measure O debt service costs are reflected in the FY 2020-21 Adopted Budget.

Prepared by:



Will Fuentes, Finance Director

Approved by:



Brian Loventhal, City Manager

Attachment:

- a. Resolution - Approving Bond Issuance and Budget Adjustment
- b. Draft Bond Purchase Agreement
- c. Draft Preliminary Official Statement (POS)

RESOLUTION NO. _____

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
CAMPBELL AUTHORIZING THE ISSUANCE AND SALE OF
GENERAL OBLIGATION BONDS IN AN AGGREGATE
PRINCIPAL AMOUNT NOT TO EXCEED \$20,000,000,
INCREASING THE REVENUE ESTIMATE IN FUND 448
(MEASURE O CAPITAL PROJECTS) TO ACCOUNT FOR
ANTICIPATED MEASURE O BOND PROCEEDS IN FISCAL
YEAR 2020-21, AND AUTHORIZING ACTIONS RELATED
THERE TO**

WHEREAS, an election was duly and regularly held in the City of Campbell (the “City”) on November 6, 2018, for the purpose of submitting Measure O (the “Bond Measure”) to the qualified electors of the City; and

WHEREAS, the abbreviated form of the Bond Measure was:

“To provide a police emergency operations center that is fully operational during a disaster and an innovative library in seismically safe, accessible, and energy efficient facilities meeting current safety codes, shall the City of Campbell’s measure to issue \$50,000,000 in general obligation bonds with projected levies of \$0.019 per \$100 (\$19 per \$100,000) of assessed value, generating an estimated average of \$3,025,000 annually to repay bonds through maturity, with citizen oversight and all funds spent locally, be adopted?”; and

WHEREAS, the City is empowered under Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California (the “Bond Law”) to its issue general obligation bonds which are authorized by two-thirds of the electors voting on the proposition; and

WHEREAS, more than two-thirds of the electors voting at an election held on November 6, 2018, voted for the Bond Measure, authorizing the issuance by the City of general obligation bonds in the aggregate principal amount of \$50,000,000 for the purpose of providing funds for the acquisition and improvement of City facilities; and

WHEREAS, the City Council wishes at this time to authorize the issuance and sale of an initial series of general obligation bonds under such authority in the aggregate principal amount of not to exceed \$20,000,000 (the “Bonds”) under this Resolution and in conformity with the Bond Law; and

WHEREAS, as required by Government Code Section 5852.1 enacted January 1, 2018 by Senate Bill 450, attached hereto as Appendix B is the information relating to the Bonds that has been obtained by the City Council and is hereby disclosed and made public; and

WHEREAS, the City Council previously approved a Debt Management and Disclosure Policy which complies with Government Code Section 8855, and the delivery of the Bonds will be in compliance with said policy;

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

ARTICLE I

DEFINITIONS; AUTHORITY

SECTION 1.01. *Definitions.* The terms defined in this Section 1.01, as used and capitalized herein, shall, for all purposes of this Resolution, have the meanings given them below, unless the context clearly requires some other meaning.

“Bond Counsel” means (a) Jones Hall, A Professional Law Corporation, and (b) any other attorney or firm of attorneys nationally recognized for expertise in rendering opinions as to the legality and tax-exempt status of securities issued by public entities.

“Bond Law” means Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California, commencing with Section 53506 of said Code, or such other law pursuant to which the Bonds may be issued, as in effect on the date of adoption hereof and as amended hereafter.

“Bond Measure” means Measure O submitted to and approved by more than the requisite 2/3 of voters on November 6, 2018, under which the issuances of the Bonds has been authorized.

“Bond Purchase Agreement” means the Contract of Purchase between the City and the Underwriter, under which the Underwriter agrees to purchase the Bonds and pay the purchase price therefor.

“Bonds” means the City of Campbell Election of 2018 General Obligation Bonds, Series 2020, authorized to be issued under this Resolution in the aggregate principal amount of not to exceed \$20,000,000.

“City” means the City of Campbell, a general law city and municipal corporation organized under the Constitution and laws of the State of California, and any successor thereto.

“City Representative” means the Mayor, the City Manager, the Finance Director and any other officer of the City authorized by resolution of the City Council of the City to act on behalf of the City with respect to this Resolution and the Bonds.

“Closing Date” means the date upon which there is a delivery of the Bonds in exchange for the amount representing the purchase price of the Bonds by the Underwriter.

“Continuing Disclosure Certificate” means the Continuing Disclosure Certificate to be executed and delivered by a City Representative on the Closing Date.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the City and related to the authorization, issuance, sale and delivery of the Bonds, including but not limited to the costs of preparation and reproduction of documents, printing expenses, filing and recording fees, initial fees and charges of the Paying Agent and its counsel, legal fees and charges, fees and disbursements of consultants and professionals, rating agency fees, fees and charges for the preparation, execution and safekeeping of the Bonds, fees and charges for preparation, execution and safekeeping of the Bonds and any other cost, charge or fee in connection with the original issuance of the Bonds.

“County” means the County of Santa Clara, a political subdivision of the State of California, duly organized and existing under the Constitution and laws of the State of California.

“Debt Service Fund” means the account established and held by the City under Section 4.03.

“Depository” means (a) initially, DTC, and (b) any other Securities Depository acting as Depository under Section 2.09.

“Depository System Participant” means any participant in the Depository’s book-entry system.

“DTC” means The Depository Trust Company, New York, New York, and its successors and assigns.

“Federal Securities” means United States Treasury notes, bonds, bills or certificates of indebtedness, or any other obligations the timely payment of which is directly or indirectly guaranteed by the faith and credit of the United States of America.

“Interest Payment Date” means [March 1, 2021], and the first day of each succeeding March and September, or such other dates determined by a City Representative in connection with the pricing of the Bonds.

“Outstanding,” when used as of any particular time with reference to Bonds, means all Bonds except: (a) Bonds theretofore canceled by the Paying Agent or surrendered to the Paying Agent for cancellation; (b) Bonds paid or deemed to have been paid within the meaning of Section 9.02; and (c) Bonds in lieu of or in substitution for which other Bonds shall have been authorized, executed, issued and delivered by the City under this Resolution.

“Owner,” whenever used herein with respect to a Bond, means the person in whose name the ownership of such Bond is registered on the Registration Books.

“Paying Agent” means the Paying Agent appointed by the City and acting as paying agent, registrar and authenticating agent for the Bonds, its successors and assigns, and any other corporation or association which may at any time be substituted in its place, as provided in Section 6.01.

“Principal Office” means the office or offices of the Paying Agent for the payment of the Bonds and the administration of its duties hereunder, as such office or offices shall be identified in a written notice filed with the City by the Paying Agent.

“Project Fund” means the fund established and held by the City under Section 4.02.

“Record Date” means the 15th day of the month preceding an Interest Payment Date, whether or not such day is a business day.

“Registration Books” means the records maintained by the Paying Agent for the registration of ownership and registration of transfer of the Bonds under Section 2.08.

“Resolution” means this Resolution, as originally adopted by the City Council on July 21, 2020, and including all amendments hereto and supplements hereof which are duly adopted by the City Council from time to time in accordance herewith.

“Securities Depositories” means DTC; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other securities depositories as the City may designate.

“Supplemental Resolution” means any resolution supplemental to or amendatory of this Resolution, adopted by the City in accordance with Article VIII.

“Tax Code” means the Internal Revenue Code of 1986 as in effect on the Closing Date or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the Closing Date, together with applicable, temporary and final regulations promulgated, and applicable official public guidance published, under said Code.

“Underwriter” means Stifel, Nicolaus & Company, Incorporated, as original purchaser of the Bonds upon the negotiated sale thereof, as designated pursuant to Section 3.01.

“Written Request of the City” means an instrument in writing signed by a City Representative or by any other officer of the City duly authorized to act on behalf of the City under a written certificate of a City Representative.

SECTION 1.02. *Interpretation.*

(a) Unless the context otherwise indicates, words expressed in the singular shall include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and shall be deemed to include the neuter, masculine or feminine gender, as appropriate.

(b) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof.

(c) All references herein to “Articles,” “Sections” and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Resolution; the words

“herein,” “hereof,” “hereby,” “hereunder” and other words of similar import refer to this Resolution as a whole and not to any particular Article, Section or subdivision hereof.

SECTION 1.03. *Authority for this Resolution; Findings.* This Resolution is entered into under the provisions of the Bond Law. It is hereby certified that all of the things, conditions and acts required to exist, to have happened or to have been performed precedent to and in the issuance of the Bonds do exist, have happened or have been performed in due and regular time and manner as required by the laws of the State of California, and that the amount of the Bonds, together with all other indebtedness of the City, does not exceed any limit prescribed by any laws of the State of California.

ARTICLE II

THE BONDS

SECTION 2.01. *Authorization.* Bonds in the aggregate original principal amount of not to exceed \$20,000,000 are hereby authorized by the City to be issued by the City under and subject to the terms of the Bond Law and this Resolution, for the purpose of raising money to finance the acquisition and improvement of City facilities, as provided in the Bond Measure, and to pay the Costs of Issuance incurred in connection therewith. This Resolution constitutes a continuing agreement between the City and the Owners of all of the Bonds issued or to be issued hereunder and then Outstanding to secure the full and final payment of principal of and interest and premium, if any, on all Bonds which may be Outstanding hereunder, subject to the covenants, agreements, provisions and conditions herein contained. The Bonds may be issued in one or more series as tax-exempt and/or taxable bonds are designated the “City of Campbell Election of 2018 General Obligation Bonds, Series 2020.”

SECTION 2.02. *Terms of Bonds.*

(a) Principal Amount of Bonds. The Bonds are authorized to be issued in the aggregate principal amount of not to exceed \$20,000,000.

(b) Form; Numbering. The Bonds will be issued in fully registered form, without coupons, in authorized denominations of \$5,000 each or any integral multiple thereof. The Bonds will be lettered and numbered as the Paying Agent prescribes.

(c) Date of Bonds. The Bonds will be dated as of the Closing Date.

(d) CUSIP Identification Numbers. “CUSIP” identification numbers will be imprinted on the Bonds, but such numbers do not constitute a part of the contract evidenced by the Bonds and no error or omission with respect thereto will constitute cause for refusal of the Underwriter to accept delivery of and pay for the Bonds. In addition, failure on the part of the City to use such CUSIP numbers in any notice to Owners of the Bonds will not constitute an event of default or any violation of the City’s contract with such Owners and will not impair the effectiveness of any such notice.

(e) Determination of Maturities and Interest Rates. The Bonds shall mature (or, alternatively, be subject to mandatory sinking fund redemption as hereinafter provided) on September 1 in each year, as determined upon the sale thereof as provided in the

Bond Purchase Agreement. The exact principal amount of the Bonds maturing on September 1 in each year shall be determined upon the sale of the Bonds, in accordance with the Bond Purchase Agreement.

Each Bond will bear interest at the respective rates to be determined upon the sale of the Bonds in accordance with Article III. Interest on the Bonds is payable from the Interest Payment Date next preceding the date of authentication thereof unless:

- a Bond is authenticated as of an Interest Payment Date, in which event it will bear interest from such date,
- a Bond is authenticated prior to an Interest Payment Date and after the close of business on the preceding Record Date, in which event it will bear interest from such Interest Payment Date,
- a Bond is authenticated on or before the first Record Date, in which event it shall bear interest from the Closing Date, or
- at the time of authentication of a Bond, interest is in default thereon, in which event it will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

(f) Manner of Payment. Interest on the Bonds (including the final interest payment upon maturity) is payable by check of the Paying Agent mailed to the Owner thereof at such Owner's address as it appears on the Registration Books at the close of business on the preceding Record Date; except that at the written request of the Owner of at least \$1,000,000 aggregate principal amount of the Bonds, which written request is on file with the Paying Agent as of any Record Date, interest on such Bonds shall be paid by wire transfer on the succeeding Interest Payment Date to an account in the United States of America as shall be specified in such written request. Principal of and premium (if any) on the Bonds is payable in lawful money of the United States of America upon presentation and surrender at the Principal Office of the Paying Agent.

(g) Provisions of Bond Purchase Agreement to Control. Notwithstanding the foregoing provisions of this Section and the following provisions of Section 2.03, any of the terms of the Bonds may be established or modified under the Bond Purchase Agreement. In the event of a conflict or inconsistency between this Resolution and the Bond Purchase Agreement relating to the terms of the Bonds, the provisions of the Bond Purchase Agreement will be controlling.

SECTION 2.03. *Redemption.*

(a) Optional Redemption. The Bonds shall be subject to redemption prior to maturity, at the option of the City, in whole or in part among maturities on such basis as designated by the City and by lot within a maturity, from any available source of funds, on the dates and upon payment of a redemption price (equal to the principal amount of Bonds to be redeemed together with a redemption premium, if any) as determined upon the sale of the Bonds in accordance with the Bond Purchase Agreement.

(b) Mandatory Sinking Fund Redemption. If and to the extent specified in the Bond Purchase Agreement, any maturity of the Bonds will be designated as “Term Bonds” which are subject to mandatory sinking fund redemption on September 1 in each of the years and in the respective principal amounts set forth in such bid, at a redemption price equal to 100% of the principal amount of the Bonds to be redeemed, in each case without premium, together with interest accrued thereon to the redemption date. If some but not all of the Term Bonds have been redeemed under the preceding subsection (a) of this Section, the aggregate principal amount of Term Bonds to be redeemed in each year under this subsection (b) shall be reduced on a pro rata basis in integral multiples of \$5,000, as designated in written notice filed by the City with the Paying Agent.

(c) Selection of Bonds for Redemption. Whenever less than all of the Outstanding Bonds of any one maturity are designated for redemption, the Paying Agent shall select the Outstanding Bonds of such maturity to be redeemed by lot in any manner deemed fair by the Paying Agent. For purposes of such selection, each Bond shall be deemed to consist of individual Bonds of \$5,000 denominations which may be separately redeemed.

(d) Redemption Procedure. The Paying Agent shall cause notice of any redemption to be mailed, first class mail, postage prepaid, at least 20 days but not more than 60 days prior to the date fixed for redemption, (i) to the Securities Depositories and the Municipal Securities Rulemaking Board, and (ii) to the respective Owners of any Bonds designated for redemption, at their addresses appearing on the Registration Books. Such mailing shall not be a condition precedent to such redemption and failure to mail or to receive any such notice shall not affect the validity of the proceedings for the redemption of Bonds. The City is entitled to send a redemption notice that declares that the redemption is conditional upon the availability of moneys to accomplish the redemption, and the City may rescind any notice of optional redemption of the Bonds by written notice to the Paying Agent on or prior to the date fixed for redemption, and the Paying Agent shall mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent under this section. Any notice of redemption shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption. The City and the Paying Agent shall have no liability to the Owners or any other party related to or arising from such rescission.

Such notice shall state the redemption date and the redemption price and, if less than all of the then Outstanding Bonds are to be called for redemption, shall designate the serial numbers of the Bonds to be redeemed by giving the individual number of each Bond or by stating that all Bonds between two stated numbers, both inclusive, or by stating that all of the Bonds of one or more maturities have been called for redemption, and shall require that such Bonds be then surrendered at the Principal Office of the Paying Agent for redemption at the said redemption price, giving notice also that further interest on such Bonds will not accrue from and after the redemption date.

Upon surrender of Bonds redeemed in part only, the City shall execute and the Paying Agent shall authenticate and deliver to the Owner, at the expense of the City, a new Bond or Bonds, of the same maturity, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond or Bonds.

From and after the date fixed for redemption, if notice of such redemption has been duly given and funds available for the payment of the principal of and interest (and premium, if any) on the Bonds so called for redemption have been duly provided, such Bonds so called will cease to be entitled to any benefit under this Resolution other than the right to receive payment of the redemption price, and no interest will accrue thereon on or after the redemption date specified in such notice. The Paying Agent shall cancel all Bonds redeemed under this Section 2.03, and shall submit to the City a certificate of cancellation.

SECTION 2.04. *Form of Bonds.* The form of the Bonds, including the form of the Paying Agent's Certificate of Authentication and the form of Assignment to appear thereon, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Resolution, are set forth in Appendix A attached hereto.

SECTION 2.05. *Execution of Bonds.* The Bonds shall be executed on behalf of the City by the facsimile signatures of its Mayor and City Clerk, or officials acting in those roles, who are in office on the date of adoption of this Resolution or at any time thereafter. If any officer whose signature appears on any Bond ceases to be such officer before delivery of the Bonds to the Underwriter, such signature will nevertheless be as effective as if the officer had remained in office until the delivery of the Bonds to the Underwriter. Any Bond may be signed and attested on behalf of the City by such persons as at the actual date of the execution of such Bond are the proper officers of the City although at the nominal date of such Bond any such person does not serve as such officer of the City.

Only those Bonds bearing a Certificate of Authentication in the form set forth in Appendix A attached hereto, executed and dated by the Paying Agent, will be valid or obligatory for any purpose or entitled to the benefits of this Resolution, and such Certificate of Authentication of the Paying Agent constitutes conclusive evidence that the Bonds so registered have been duly authenticated, registered and delivered hereunder and are entitled to the benefits of this Resolution.

SECTION 2.06. *Transfer of Bonds.* Any Bond may, in accordance with its terms, be transferred, upon the Registration Books, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation at the Principal Office at the Paying Agent, accompanied by delivery of a written instrument of transfer in a form approved by the Paying Agent, duly executed. The City may charge a reasonable sum for each new Bond issued upon any transfer.

Whenever any Bond or Bonds is surrendered for transfer, the City shall execute and the Paying Agent shall authenticate and deliver a new Bond or Bonds, for like aggregate principal amount.

SECTION 2.07. *Exchange of Bonds.* Bonds may be exchanged at the Principal Office of the Paying Agent for a like aggregate principal amount of Bonds of authorized denominations and of the same maturity. The City may charge a reasonable sum for each new Bond issued upon any exchange.

SECTION 2.08. *Registration Books.* The Paying Agent shall keep or cause to be kept sufficient books for the registration and transfer of the Bonds, which shall at all times be open to inspection by the City upon reasonable notice; and, upon presentation

for such purpose, the Paying Agent shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, Bonds as herein before provided.

SECTION 2.09. *Book-Entry System.* Except as provided below, DTC will be the Owner of all of the Bonds, and the Bonds will be registered in the name of Cede & Co. as nominee for DTC. The Bonds shall be initially executed and delivered in the form of a single fully registered Bond for each maturity date of the Bonds in the full aggregate principal amount of the Bonds maturing on such date. The Paying Agent and the City may treat DTC (or its nominee) as the sole and exclusive owner of the Bonds registered in its name for all purposes of this Resolution, and neither the Paying Agent nor the City shall be affected by any notice to the contrary. The Paying Agent and the City shall not have any responsibility or obligation to any Depository System Participant, any person claiming a beneficial ownership interest in the Bonds under or through DTC or a Depository System Participant, or any other person which is not shown on the register of the City as being an owner, with respect to the accuracy of any records maintained by DTC or any Depository System Participant or the payment by DTC or any Depository System Participant by DTC or any Depository System Participant of any amount in respect of the principal or interest with respect to the Bonds. The City shall cause to be paid all principal and interest with respect to the Bonds only to DTC, and all such payments shall be valid and effective to fully satisfy and discharge the City's obligations with respect to the principal and interest with respect to the Bonds to the extent of the sum or sums so paid. Except under the conditions noted below, no person other than DTC shall receive a Bond. Upon delivery by DTC to the City of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., the term "Cede & Co." in this Resolution shall refer to such new nominee of DTC.

If the City determines that it is in the best interest of the beneficial owners that they be able to obtain Bonds and delivers a written certificate to DTC and the City to that effect, DTC shall notify the Depository System Participants of the availability through DTC of Bonds. In such event, the City shall issue, transfer and exchange Bonds as requested by DTC and any other owners in appropriate amounts. DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving notice to the City and discharging its responsibilities with respect thereto under applicable law. Under such circumstances (if there is no successor securities depository), the City shall be obligated to deliver Bonds as described in this Resolution. Whenever DTC requests the City to do so, the City will cooperate with DTC in taking appropriate action after reasonable notice to (a) make available one or more separate Bonds evidencing the Bonds to any Depository System Participant having Bonds credited to its DTC account or (b) arrange for another securities depository to maintain custody of certificates evidencing the Bonds.

Notwithstanding any other provision of this Resolution to the contrary, so long as any Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to the principal and interest with respect to such Bond and all notices with respect to such Bond shall be made and given, respectively, to DTC as provided as in the representation letter delivered on the date of issuance of the Bonds.

SECTION 2.10. *Bonds Mutilated, Lost, Destroyed or Stolen.* If any Bond becomes mutilated the City, at the expense of the Owner of said Bond, shall execute, and the Paying Agent shall thereupon authenticate and deliver, a new Bond of like

maturity and principal amount in exchange and substitution for the Bond so mutilated, but only upon surrender to the Paying Agent of the Bond so mutilated. The Paying Agent shall cancel every mutilated Bond so surrendered to it. If any Bond is lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the City and, if such evidence is satisfactory to the City and the City receives satisfactory indemnity, the City, at the expense of the Owner, shall execute, and the Paying Agent shall thereupon authenticate and deliver, a new Bond of like maturity and principal amount in lieu of and in substitution for the Bond so lost, destroyed or stolen.

The City may require payment of a sum not exceeding the actual cost of preparing each new Bond issued under this Section and of the expenses which may be incurred by the City and the Paying Agent. Any Bond issued under the provisions of this Section 2.10 in lieu of any Bond alleged to be lost, destroyed or stolen will constitute an original additional contractual obligation of the City whether or not the Bond so alleged to be lost, destroyed or stolen is at any time enforceable by anyone, and such Bond will be equally and proportionately entitled to the benefits of this Resolution with all other Bonds issued under this Resolution.

Notwithstanding any other provision of this Section 2.10, in lieu of delivering a new Bond for which principal has or is about to become due for a Bond which has been mutilated, lost, destroyed or stolen, the Paying Agent may make payment of such Bond in accordance with its terms.

ARTICLE III

SALE OF BONDS

SECTION 3.01. *Negotiated Sale of Bonds.* Pursuant to Section 53508.7 of the Bond Law, the City Council hereby authorizes the negotiated sale of the Bonds to the Underwriter. The Bonds shall be sold pursuant to the Bond Purchase Agreement in substantially the form on file with the City Clerk, with such changes therein, deletions therefrom and modifications thereto as a City Representative may approve, such approval to be conclusively evidenced by the execution and delivery by a City Representative of the Bond Purchase Agreement, provided that the Bond Purchase Agreement shall contain the following terms:

- (i) the Bonds shall bear a rate of interest of not to exceed 5.00% per annum and the final maturity shall not exceed the limits contained in the Bond Law; and
- (iii) the Underwriter's discount shall not exceed 0.375% of the principal amount of the Bonds.

The City Council hereby authorizes a City Representative to execute and deliver the final form of the Bond Purchase Agreement in the name and on behalf of the City.

In accordance with Section 53508.7 of the Bond Law, the City Council has determined to sell the Bonds at negotiated sale for the following reasons: (a) a negotiated sale provides more flexibility to choose the time and date of the sale which is

often advantageous in the municipal bond market; (b) the involvement of the Underwriter in preparing documents, rating agency presentations and structuring bonds generally enhances the quality and results of the bond offering; (c) a negotiated sale will permit the time schedule for the issuance and sale of the Bonds to be expedited, if necessary; (d) a negotiated sale provides the City access to the underwriter's trading desk for providing estimates of the cost of various bond structures (yields, discounts, premiums and maturities) for the purpose of evaluating alternative potential bond structures with the goal of producing the best match between City objectives and investor acceptance and demand; and (e) a negotiated sale provides time for underwriters to educate potential investors about the City and the Bonds with the goal of maximizing investor orders and reducing interest cost on the day of bond pricing.

As required pursuant to Section 53509.5 of the Bond Law, after the sale of the Bonds, the City Council will present actual cost information of the sale at its next scheduled public meeting.

SECTION 3.02. *Official Statement.* The City Council hereby approves and deems final within the meaning of Rule 15c2-12 of the Securities Exchange Act of 1934 (the "Rule"), the Preliminary Official Statement describing the Bonds in substantially the form on file with the City Clerk. A City Representative is hereby authorized to execute an appropriate certificate stating the City Council's determination that the Preliminary Official Statement has been deemed final within the meaning of such Rule. Distribution of the Preliminary Official Statement in connection with the sale of the Bonds is hereby approved. Each City Representative is hereby authorized and directed to approve any changes in or additions to a final form of said Official Statement, and the execution thereof by a City Representative shall be conclusive evidence of the approval of any such changes and additions. The City Council hereby authorizes the distribution of the final Official Statement. The final Official Statement shall be executed in the name and on behalf of the City by a City Representative.

SECTION 3.03. *Costs of Issuance Custodian Agreement.* The City shall pay the costs of issuing the Bonds from proceeds of the Bonds received from the Underwriter. The City Council hereby authorizes a City Representative to execute on behalf of the City a Costs of Issuance Custodian Agreement with a custodian for costs of issuance. As provided in said agreement, amounts provided for payment of the costs of issuing the Bonds shall be deposited thereunder and the payment of costs shall be requisitioned by a City Representative in accordance with said agreement.

SECTION 3.04. *Paying Agency Agreement.* The City Council hereby authorizes a City Representative to execute, on behalf of the City, a Paying Agency Agreement with the Paying Agent.

Section 3.05. *Professional Services.* The City Council hereby approves and confirms the engagement of NHA Advisors, LLC, to act as the City's municipal advisor in connection with the issuance and sale of the Bonds, and the engagement of Jones Hall, A Professional Law Corporation, to act as the City's bond counsel and disclosure counsel in connection with the issuance of the Bonds.

ARTICLE IV

FUNDS AND ACCOUNTS

SECTION 4.01. *Application of Proceeds of Sale of Bonds.* On the Closing Date, the proceeds of sale of the Bonds shall be paid by the Underwriter to the City, and shall be applied on the Closing Date as follows: (a) the City shall cause to be transferred an amount required to pay the estimated Costs of Issuance to a custodian, to be held and administered in accordance with the agreement which is approved under Section 3.03; (b) after making the transfer described in the preceding clause (a), the City shall deposit in the Debt Service Fund any remaining original issue premium received by the City on the sale of the Bonds; and (c) the City shall deposit the remainder of such proceeds in the Project Fund.

SECTION 4.02. *Project Fund.* The City Council hereby establishes a special fund to be held by the City separate and apart from all other funds of the City, to be known as the Project Fund. The proceeds from the sale of the Bonds, to the extent required under Section 4.01(b), shall be deposited by the City in the Project Fund, and shall be expended by the City solely for the payment of the costs of acquisition or improvement of real property for which the Bond proceeds are authorized to be expended under the Bond Measure. All interest and other gain arising from the investment of amounts deposited to the Project Fund shall be retained in the Project Fund and used for the purposes thereof. Any amounts remaining on deposit in the Project Fund and not needed for the purposes thereof shall be withdrawn from the Project Fund and transferred to the Debt Service Fund, to be applied to pay the principal of, interest and premium (if any) on the Bonds.

SECTION 4.03. *Debt Service Fund.* The City Council hereby establishes a special fund to be held by the City separate and apart from all other funds of the City, to be known as the Debt Service Fund. All taxes levied by the County, as directed by the City herein, for the payment of the principal of and interest and premium (if any) on the Bonds in accordance with Section 5.03 shall be deposited in the Debt Service Fund by the City promptly upon the receipt thereof from the County. The Debt Service Fund is hereby pledged for the payment of the principal of and interest and premium (if any) on the Bonds when and as the same become due. The City shall transfer amounts in the Debt Service Fund, to the extent necessary to pay the principal of and interest on the Bonds as the same become due and payable, to the Paying Agent as required to pay the principal of and interest and premium (if any) on the Bonds. Alternatively, the City may direct the County to transfer such taxes, in whole or in part, directly to the Paying Agent for the purpose of making payments of principal of and interest and premium (if any) on the Bonds.

If, after payment in full of the Bonds, any amounts remain on deposit in the Debt Service Fund, the City shall transfer such amounts to its general fund, to be applied solely in a manner which is consistent with the requirements of applicable state and federal tax law.

SECTION 4.04. *Investments.* The City shall invest all moneys held in any of the funds or accounts established with it hereunder in accordance with the investment

policies of the City, as such policies shall exist at the time of investment, and in accordance with Section 53601 of the California Government Code.

The City covenants that all investments of amounts deposited in any fund or account created by or under this Resolution, or otherwise containing proceeds of the Bonds, shall be acquired and disposed of at the Fair Market Value thereof. For purposes of this Section, the term "Fair Market Value" shall mean, with respect to any investment, the price at which a willing buyer would purchase such investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of Section 1273 of the Tax Code) and, otherwise, the term "Fair Market Value" means the acquisition price in a bona fide arm's length transaction (as described above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Tax Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Tax Code, or (iii) the investment is a United States Treasury Security - State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt.

ARTICLE V

OTHER COVENANTS OF THE CITY; SECURITY FOR THE BONDS

SECTION 5.01. *Punctual Payment.* The City shall punctually pay, or cause to be paid, the principal of and interest on the Bonds, in strict conformity with the terms of the Bonds and of this Resolution, and shall faithfully observe and perform all of the conditions, covenants and requirements of this Resolution and of the Bonds. Nothing herein contained prevents the City from making advances of its own moneys howsoever derived to any of the uses or purposes permitted by law.

SECTION 5.02. *Extension of Time for Payment.* In order to prevent any accumulation of claims for interest after maturity, the City will not, directly or indirectly, extend or consent to the extension of the time for the payment of any claim for interest on any of the Bonds and will not, directly or indirectly, approve any such arrangement by purchasing or funding said claims for interest or in any other manner.

SECTION 5.03. *Security for the Bonds.* The Bonds are general obligations of the City and the City has the power, is obligated and hereby covenants to levy ad valorem taxes upon all property within the City subject to taxation by the City, without limitation of rate or amount, for the payment of the Bonds and the interest thereon, in accordance with the Bond Law and Section 43632 of the of the Government Code of the State of California. Amounts in the general fund of the City are not pledged to the payment of the Bonds. However, nothing herein limits the ability of the City to provide for payment of the principal of and interest and premium (if any) on the Bonds from any source of legally available funds of the City. Any amounts so advanced by the City from legally

available funds may be reimbursed from ad valorem property taxes subsequently collected under this Section 5.03.

SECTION 5.04. *Books and Accounts; Financial Statement.* The City will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the City in which complete and correct entries are made of all transactions relating to the Bonds. Such books of record and accounts shall at all times during business hours be subject to the inspection of the Paying Agent and the Owners of not less than 10% in aggregate principal amount of the Bonds then Outstanding, or their representatives authorized in writing.

SECTION 5.05. *Protection of Security and Rights of Bond Owners.* The City will preserve and protect the security of the Bonds and the rights of the Bond Owners, and will warrant and defend their rights against all claims and demands of all persons. From and after the sale and delivery of any of the Bonds by the City, the City may not contest the authorization, issuance, sale or repayment of the Bonds.

SECTION 5.06. *Tax Covenants.*

(a) Private Activity Bond Limitation. The City shall assure that the proceeds of the Bonds are not so used as to cause the Bonds to satisfy the private business tests of Section 141(b) of the Tax Code or the private loan financing test of Section 141(c) of the Tax Code.

(b) Federal Guarantee Prohibition. The City shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause any of the Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Tax Code.

(c) No Arbitrage. The City shall not take, or permit or suffer to be taken by the Paying Agent or otherwise, any action with respect to the proceeds of the Bonds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date would have caused the Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Tax Code.

(d) Maintenance of Tax-Exemption. The City shall take all actions necessary to assure the exclusion of interest on the Bonds from the gross income of the Owners of the Bonds to the same extent as such interest is permitted to be excluded from gross income under the Tax Code as in effect on the Closing Date.

(e) Rebate of Excess Investment Earnings to United States. The City shall calculate or cause to be calculated excess investment earnings with respect to the Bonds which are required to be rebated to the United States of America under Section 148(f) of the Tax Code, and shall pay the full amount of such excess investment earnings to the United States of America in such amounts, at such times and in such manner as may be required under the Tax Code, if and to the extent such Section 148(f) is applicable to the Bonds. Such payments shall be made by the City from any source of legally available funds of the City. The City shall keep or cause to be kept, and retain or cause to be retained for a period of six years following the retirement of the Bonds, records of the determinations made under this subsection (e). In order to provide for the administration of this subsection (e), the City may provide for the employment of

independent attorneys, accountants and consultants compensated on such reasonable basis as the City may deem appropriate.

SECTION 5.07. *Continuing Disclosure.* The City hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate, which a City Representative is hereby authorized and directed to execute and deliver on the Closing Date. Notwithstanding any other provision of this Resolution, failure of the City to comply with the Continuing Disclosure Certificate will not be considered a default by the City hereunder or under the Bonds; however, any Participating Underwriter (as such term is defined in the Continuing Disclosure Certificate) or any holder or beneficial owner of the Bonds may, take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order. The City Council hereby authorizes a City Representative to execute and deliver the final form of the Continuing Disclosure Certificate in the name and on behalf of the City.

SECTION 5.08. *CDIAC Annual Reporting.* The City hereby covenants and agrees that it will comply with the provisions of California Government Code Section 8855 subdivision (k) with respect to annual reporting to the California Debt and Investment Advisory Commission. Said reporting will occur at the times and include the types of information as set forth therein. Notwithstanding any other provision of this Resolution, failure of the City to comply with said reporting does not constitute a default by the City hereunder or under the Bonds.

SECTION 5.09. *Further Assurances.* The City will adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Resolution, and for the better assuring and confirming unto the Owners of the Bonds of the rights and benefits provided in this Resolution.

ARTICLE VI

THE PAYING AGENT

SECTION 6.01. *Appointment of Paying Agent.* The Bank of New York Mellon Trust Company, N.A., is hereby appointed to act as Paying Agent for the Bonds. The Paying Agent undertakes to perform such duties, and only such duties, as are specifically set forth in this Resolution, and even during the continuance of an event of default with respect to the Bonds, no implied covenants or obligations shall be read into this Resolution against the Paying Agent. The Paying Agent shall signify its acceptance of the duties and obligations imposed upon it by this Resolution by executing and delivering to the City a certificate to that effect.

The City may remove the Paying Agent initially appointed, and any successor thereto, and may appoint a successor or successors thereto, but any such successor shall be a bank or trust company doing business and having an office in the State of California, having a combined capital (exclusive of borrowed capital) and surplus of at least \$50,000,000, and subject to supervision or examination by federal or state

authority. If such bank or trust company publishes a report of condition at least annually, under law or under the requirements of any supervising or examining authority above referred to, then for the purposes of this Section 6.01 the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The Paying Agent may at any time resign by giving written notice to the City and the Bond Owners of such resignation. Upon receiving notice of such resignation, the City shall promptly appoint a successor Paying Agent by an instrument in writing. Any resignation or removal of the Paying Agent and appointment of a successor Paying Agent becomes effective upon acceptance of appointment by the successor Paying Agent.

Any bank, national association, federal savings association, or trust company into which the Paying Agent may be merged or converted or with which it may be consolidated or any bank, national association, federal savings association, or trust company resulting from any merger, conversion or consolidation to which it shall be a party or any bank, national association, federal savings association, or trust company to which the Paying Agent may sell or transfer all or substantially all of its corporate trust business, provided such bank, federal savings association, or trust company shall be eligible as described in this Section 6.01 shall be the successor to such Paying Agent, without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

SECTION 6.02. *Paying Agent May Hold Bonds.* The Paying Agent may become the Owner of any of the Bonds in its own or any other capacity with the same rights it would have if it were not Paying Agent.

SECTION 6.03. *Liability of Paying Agent.* The recitals of facts, covenants and agreements herein and in the Bonds contained shall be taken as statements, covenants and agreements of the City, and the Paying Agent assumes no responsibility for the correctness of the same, nor makes any representations as to the validity or sufficiency of this Resolution or of the Bonds, nor shall incur any responsibility in respect thereof, other than as set forth in this Resolution. The Paying Agent is not liable in connection with the performance of its duties hereunder, except for its own negligence or willful default.

In the absence of bad faith, the Paying Agent may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Paying Agent and conforming to the requirements of this Resolution.

The Paying Agent has no liability for any error of judgment made in good faith by a responsible officer of its corporate trust department in the absence of the negligence of the Paying Agent.

No provision of this Resolution requires the Paying Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it has reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

The Paying Agent may execute any of the powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Paying Agent is not responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder.

SECTION 6.04. *Notice to Paying Agent.* The Paying Agent may rely and shall be protected in acting or refraining from acting upon any notice, resolution, request, consent, order, certificate, report, warrant, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or proper parties. The Paying Agent may consult with counsel, who may be of counsel to the City, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

Whenever in the administration of its duties under this Resolution the Paying Agent deems it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of bad faith on the part of the Paying Agent, be deemed to be conclusively proved and established by a certificate of the City, and such certificate will be full warrant to the Paying Agent for any action taken or suffered under the provisions of this Resolution upon the faith thereof, but in its discretion the Paying Agent may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

SECTION 6.05. *Compensation; Indemnification.* The City will pay to the Paying Agent from time to time reasonable compensation for all services rendered under this Resolution, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of their attorneys, agents and employees, incurred in and about the performance of their powers and duties under this Resolution. The City further agrees to indemnify the Paying Agent against any liabilities which it may incur in the exercise and performance of its powers and duties hereunder which are not due to its negligence or bad faith.

ARTICLE VII

REMEDIES OF BOND OWNERS

SECTION 7.01. *Remedies of Bond Owners.* Upon the happening and continuation of any default by the City hereunder or under the Bonds, any Bond Owner has the right, for the equal benefit and protection of all Bond Owners similarly situated:

- (a) by mandamus, suit, action or proceeding, to compel the City and its members, officers, agents or employees to perform each and every term, provision and covenant contained in this Resolution and in the Bonds, and to require the carrying out of any or all such covenants and agreements of the City and the fulfillment of all duties imposed upon it;

- (b) by suit, action or proceeding in equity, to enjoin any acts or things which are unlawful, or the violation of any of the Bond Owners' rights; or
- (c) by suit, action or proceeding in any court of competent jurisdiction, to require the City and its members and employees to account as if it and they were the trustees of an express trust.

SECTION 7.02. *Remedies Not Exclusive.* No remedy herein conferred upon the Owners of Bonds is exclusive of any other remedy. Each remedy is cumulative and shall be in addition to every other remedy given hereunder or thereafter conferred on the Bond Owners.

ARTICLE VIII

AMENDMENT OF THIS RESOLUTION

SECTION 8.01. *Amendments Effective Without Consent of the Owners.* For any one or more of the following purposes and at any time or from time to time, the City Council may by Supplemental Resolution amend this Resolution in whole or in part, without the consent of any of the Bond Owners:

- (a) to add to the covenants and agreements of the City in this Resolution, other covenants and agreements to be observed by the City which are not contrary to or inconsistent with this Resolution as theretofore in effect;
- (b) to confirm, as further assurance, any pledge under, and to subject to any lien or pledge created or to be created by, this Resolution, of any moneys, securities or funds, or to establish any additional funds or accounts to be held under this Resolution;
- (c) to cure any ambiguity, supply any omission, substitute any party or cure or correct any defect or inconsistent provision in this Resolution, which in any event does not materially adversely affect the interests of the Bond Owners, in the opinion of Bond Counsel filed with the City; or
- (d) if applicable, to make such additions, deletions or modifications as may be necessary to assure compliance with the applicable provisions of the Tax Code relating to the rebate of excess investment earnings to the United States or otherwise as may be necessary to assure that the interest on the Bonds remains excludable from gross income of the Owners thereof for federal income tax purposes, in the opinion of Bond Counsel filed with the City.

SECTION 8.02. *Amendments Effective With Consent to the Owners.* Any modification or amendment of this Resolution and of the rights and obligations of the City and of the Owners of the Bonds, in any particular, may be made by a Supplemental Resolution, with the written consent of the Owners of a majority in aggregate principal

amount of the Bonds Outstanding at the time such consent is given. Without the consent of the Owners of all affected Bonds, no such modification or amendment may (a) change the maturity of the principal of any Bonds or any interest payable thereon, (b) reduce the principal amount of the Bonds or the rate of interest thereon, (c) reduce the percentage of Bonds the consent of the Owners of which is required to effect any such modification or amendment, (d) change any of the provisions in Section 7.01 relating to a default by the City hereunder or under the Bonds, (e) reduce the amount of moneys pledged for the repayment of the Bonds. Without the consent of the Paying Agent, no such modification or amendment may change or modify any of the rights or obligations of the Paying Agent.

ARTICLE IX

MISCELLANEOUS

SECTION 9.01. *Benefits of Resolution Limited to Parties.* Nothing in this Resolution, expressed or implied, is intended to give to any person other than the City, the Paying Agent and the Owners of the Bonds, any right, remedy, claim under or by reason of this Resolution. Any covenants, stipulations, promises or agreements in this Resolution contained by and on behalf of the City shall be for the sole and exclusive benefit of the Owners of the Bonds.

SECTION 9.02. *Defeasance.*

(a) Discharge of Resolution. Bonds may be paid by the City, in whole or in part, in any of the following ways provided that the City also pays or causes to be paid any other sums payable hereunder by the City:

- (i) by paying or causing to be paid the principal of and interest on such Bonds, as and when the same become due and payable;
- (ii) by irrevocably depositing, in trust, at or before maturity, money or securities in the necessary amount to pay such Bonds as provided in Section 9.02(c); or
- (iii) by delivering such Bonds to the Paying Agent for cancellation by it.

If the City pays all Outstanding Bonds and also pays or causes to be paid all other sums payable hereunder by the City, then and in that case, at the election of the City (evidenced by a certificate of a City Representative filed with the Paying Agent, signifying the intention of the City to discharge all such indebtedness and this Resolution), and notwithstanding that any Bonds have not been surrendered for payment, this Resolution, all taxes and other assets pledged under this Resolution and all covenants, agreements and other obligations of the City under this Resolution shall cease, terminate, become void and be completely discharged and satisfied, except only as provided in Section 9.02(b). In such event, upon request of the City, the Paying Agent shall cause an accounting for such period or periods as may be requested by the City to be prepared and filed with the City and shall execute and deliver to the City all such instruments as may be necessary to evidence such discharge and satisfaction, and

the Paying Agent shall pay over, transfer, assign or deliver to the City all moneys or securities or other property held by it under this Resolution which are not required for the payment of Bonds not theretofore surrendered for such payment.

(b) Discharge of Liability on Bonds. Upon the deposit, in trust, at or before maturity, of money or securities in the necessary amount to pay any Outstanding Bond Bonds as provided in Section 9.02(c), then all liability of the City in respect of such Bond will cease and be completely discharged, except only that thereafter the Owner thereof is entitled only to payment of the principal of and interest on such Bond by the City, and the City remains liable for such payment, but only out of such money or securities deposited with the Paying Agent as aforesaid for such payment, provided further, however, that the provisions of Section 9.02(d) apply in all events.

The City may at any time surrender to the Paying Agent for cancellation by it any Bonds previously issued and delivered, which the City acquires in any manner whatsoever, and such Bonds, upon such surrender and cancellation, will be deemed paid and retired.

(c) Deposit of Money or Securities with Paying Agent. Whenever in this Resolution it is provided or permitted that there be deposited with or held in trust by the Paying Agent money or securities in the necessary amount to pay any Bonds, the money or securities so to be deposited or held may include money or securities held by the Paying Agent in the funds and accounts established under this Resolution and must be:

- (i) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity; or
- (ii) Federal Securities the principal of and interest on which when due, in the opinion of a certified public accountant delivered to the City, will provide money sufficient to pay the principal of and all unpaid interest to maturity on the Bonds to be paid, as such principal and interest become due.

(d) Payment of Bonds After Discharge of Resolution. Notwithstanding any provisions of this Resolution, any moneys held by the Paying Agent in trust for the payment of the principal of, or interest on, any Bonds and remaining unclaimed for two years after the principal of all of the Bonds has become due and payable, if such moneys were so held at such date, or two years after the date of deposit of such moneys if deposited after said date when all of the Bonds became due and payable, shall, upon request of the City, be repaid to the City free from the trusts created by this Resolution, and all liability of the Paying Agent with respect to such moneys shall thereupon cease. Before the repayment of such moneys to the City as aforesaid, the Paying Agent may (at the cost of the City) first mail to the Owners of all Bonds which have not been paid at the addresses shown on the Registration Books a notice in such form as may be deemed appropriate by the Paying Agent, with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the City of the moneys held for the payment thereof.

SECTION 9.03. *Execution of Documents and Proof of Ownership by Bond Owners.* Any request, declaration or other instrument which this Resolution may require or permit to be executed by Bond Owners may be in one or more instruments of similar tenor, and shall be executed by Bond Owners in person or by their attorneys appointed in writing.

Except as otherwise herein expressly provided, the fact and date of the execution by any Bond Owner or their attorney of such request, declaration or other instrument, or of such writing appointing such attorney, may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which he purports to act, that the person signing such request, declaration or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer.

Except as otherwise herein expressly provided, the ownership of registered Bonds and the amount, maturity, number and date of holding the same are proved by the Registration Books.

Any request, declaration or other instrument or writing of the Owner of any Bond binds all future Owners of such Bond in respect of anything done or suffered to be done by the City or the Paying Agent in good faith and in accordance therewith.

SECTION 9.04. *Waiver of Personal Liability.* No City Council member, officer, agent or employee of the City has any individual or personal liability for the payment of the principal of or interest on the Bonds. Nothing herein contained relieves any City Council member, officer, agent or employee from the performance of any official duty provided by law.

SECTION 9.05. *Destruction of Canceled Bonds.* Whenever in this Resolution provision is made for the surrender to the City of any Bonds which have been paid or canceled under the provisions of this Resolution, a certificate of destruction duly executed by the Paying Agent constitutes the equivalent of the surrender of such canceled Bonds and the City is entitled to rely upon any statement of fact contained in any certificate with respect to the destruction of any such Bonds therein referred to.

SECTION 9.06. *Partial Invalidity.* If any section, paragraph, sentence, clause or phrase of this Resolution is for any reason held illegal or unenforceable, such holding will not affect the validity of the remaining portions of this Resolution. The City hereby declares that it would have adopted this Resolution and each and every other section, paragraph, sentence, clause or phrase hereof and authorized the issue of the Bonds pursuant hereto irrespective of the fact that any one or more sections, paragraphs, sentences, clauses, or phrases of this Resolution may be held illegal, invalid or unenforceable.

SECTION 9.07. *Execution of Documents.* Each City Representative, and any and all other officers of the City, are each authorized and directed in the name and on behalf of the City to make any and all certificates, requisitions, agreements, notices, consents, warrants and other documents, which they or any of them might deem necessary or appropriate in order to consummate the lawful issuance, sale and delivery of the Bonds, including an agreement for paying agent services. Whenever in this Resolution any officer of the City is authorized to execute or countersign any document or take any

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

SECTION 9.08. *Effective Date of Resolution.* This Resolution becomes effective upon the date of its passage and adoption.

BE IT FURTHER RESOLVED that the City Council authorizes increase the FY 2020-21 revenue estimate in account 448.518.6020 by \$10,000,000 to account for anticipated Measure O Property bond proceeds in Fiscal Year 2020-21.

* * * * *

The foregoing resolution was adopted by the City Council of the City Campbell, California on July 21, 2020 by the following:

AYES:

NOES:

ABSTAIN:

ABSENT:

Susan M. Landry
Mayor

ATTEST:

Andrea Sanders
Acting City Clerk

Attachment: Resolution - Approving Bond Issuance and Budget Adjustment (Authorization to Issuance of Measure O Bonds in FY 2020-21)

APPENDIX A
FORM OF BOND

REGISTERED BOND NO. R-____

\$

CITY OF CAMPBELL
ELECTION OF 2018 GENERAL OBLIGATION BOND, SERIES 2020

INTEREST RATE:	MATURITY DATE:	DATED DATE:	CUSIP
____% per annum	September 1, 20__	_____, 2020	_____

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT:

The CITY OF CAMPBELL, a general law city and municipal corporation duly organized and existing under the Constitution and laws of the State of California (the "City"), for value received, hereby promises to pay to the Registered Owner named above, or registered assigns, the Principal Amount set forth above on the Maturity Date set forth above, together with interest thereon at the Interest Rate set forth above, calculated on a 30/360 day basis, until the Principal Amount hereof is paid or provided for, such interest to be paid on March 1 and September 1 of each year, commencing [March 1, 2021] (the "Interest Payment Dates"). This Bond will bear interest from the Interest Payment Date next preceding the date of authentication hereof, unless (a) it is authenticated as of a business day following the 15th day of the month immediately preceding any Interest Payment Date and on or before such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (b) it is authenticated on or before [February 15, 2021], in which event it shall bear interest from the Dated Date set forth above.

Principal, interest and redemption premium (if any) are payable in lawful money of the United States of America to the person in whose name this Bond is registered (the "Registered Owner") on the Bond registration books maintained by the Paying Agent, initially The Bank of New York Mellon Trust Company, N.A.. Principal hereof and any redemption premium hereon are payable upon presentation and surrender of this Bond at the principal corporate trust office of the Paying Agent. Interest hereon is payable by check mailed by the Paying Agent on each Interest Payment Date to the Registered Owner of this Bond by first-class mail at the address appearing on the Bond registration books at the close of business on the 15th day of the calendar month next preceding such Interest Payment Date (the "Record Date"); *provided, however*, that at the written request of the registered owner of Bonds in an aggregate principal amount of at least \$1,000,000, which written request is on file with the Paying Agent prior to any Record Date, interest on such Bonds shall be paid on each succeeding Interest Payment Date

Attachment: Resolution - Approving Bond Issuance and Budget Adjustment (Authorization to Issuance of Measure O Bonds in FY 2020-21)

by wire transfer in immediately available funds to such account of a financial institution within the United States of America as shall be specified in such written request.

This Bond is one of a series of \$_____ aggregate principal amount of bonds (collectively, the “Bonds”) issued for the purpose of raising money to finance the acquisition and improvement of City facilities, and to pay all necessary legal, financial, engineering and contingent costs in connection therewith. The Bonds have been issued under authority of and under the laws of the State of California, and the requisite two-thirds vote of the electors of the City cast at an election held on November 6, 2018, upon the question of issuing bonds in the aggregate principal amount of \$50,000,000, and under a resolution of the City Council of the City adopted on July 21, 2020 (the “Bond Resolution”). The Bonds are payable as to both principal and interest from the proceeds of the levy of ad valorem taxes on all property subject to such taxes in the City, which taxes are unlimited as to rate or amount.

The principal of and interest and redemption premium, if any, on this Bond do not constitute a debt of the County, the State of California, or any of its political subdivisions other than the City, or any of the officers, agents and employees thereof, and neither the County, the State of California, any of its political subdivisions other than the City, nor any of the officers, agents and employees thereof shall be liable hereon. In no event shall the principal of and interest and redemption premium, if any, on this Bond be payable out of any funds or properties of the City other than ad valorem taxes levied upon all taxable property in the City.

The Bonds are issuable only as fully registered bonds in the denominations of \$5,000 or any integral multiple thereof. This Bond is exchangeable and transferable for bonds of other authorized denominations at the principal corporate trust office of the Paying Agent, by the Registered Owner or by a person legally empowered to do so, upon presentation and surrender hereof to the Paying Agent, together with a request for exchange or an assignment signed by the Registered Owner or by a person legally empowered to do so, in a form satisfactory to the Paying Agent, all subject to the terms, limitations and conditions provided in the Bond Resolution. Any tax or governmental charges shall be paid by the transferor. The City and the Paying Agent may deem and treat the Registered Owner as the absolute owner of this Bond for the purpose of receiving payment of or on account of principal or interest and for all other purposes, and neither the City nor the Paying Agent shall be affected by any notice to the contrary.

The Bonds maturing on or before September 1, ____, are not subject to redemption prior to their respective stated maturities. The Bonds maturing on or after September 1, ____, are subject to redemption prior to maturity, at the option of the City, in whole or in part among maturities on such basis as designated by the City and by lot within a maturity, from any available source of funds, on September 1, ____, and on any date thereafter, at a redemption price equal to 100% of the principal amount of Bonds to be redeemed together with accrued interest thereon to the date fixed for redemption, without premium.

The Bonds maturing on September 1, 20__, September 1, 20__ and September 1, 20__ (the “Term Bonds”) are subject to redemption prior to their stated maturity date, without a redemption premium, in part by lot, from mandatory sinking fund payments on each September 1, on and after September 1, 20__ in the principal amounts as set forth in the following tables:

\$ _____ Term Bond Due September 1, 20__

Payment Date (September 1)	Payment Amount

\$ _____ Term Bond Due September 1, 20__

Payment Date (September 1)	Payment Amount

\$ _____ Term Bond Due September 1, 20__

Payment Date (September 1)	Payment Amount

The Paying Agent shall give notice of the redemption of the Bonds at the expense of the City. Such notice shall specify: (a) that the Bonds or a designated portion thereof are to be redeemed, (b) the numbers and CUSIP numbers of the Bonds to be redeemed, (c) the date of notice and the date of redemption, (d) the place or places where the redemption will be made, and (e) descriptive information regarding the Bonds including the dated date, interest rate and stated maturity date. Such notice shall further state that on the specified date there shall become due and payable upon each Bond to be redeemed, the portion of the principal amount of such Bond to be redeemed, together with interest accrued to said date, the redemption premium, if any, and that from and after such date interest with respect thereto shall cease to accrue and be payable.

Notice of any redemption of Bonds shall be mailed by first class mail, postage prepaid, at least 20 days but not more than 60 days prior to the date fixed for redemption, to the respective Owners of any Bonds designated for redemption, at their addresses appearing on the bond registration books maintained by the Paying Agent; but such mailing shall not be a condition precedent to such redemption and failure to mail or to receive any such notice shall not affect the validity of the proceedings for the redemption of such Bonds or the cessation of accrual of interest thereon from and after the redemption date.

The City may provide conditional notices of optional redemption, and the City is entitled to rescind any notice of optional redemption of the Bonds by written notice to the

Paying Agent on or prior to the date fixed for redemption, and the Paying Agent shall mail notice of such rescission of redemption in the same manner as the original notice of redemption. Any notice of redemption shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption. The City and the Paying Agent have no liability to the Owners or any other party related to or arising from such rescission.

Neither the City nor the Paying Agent will be required: (a) to issue or transfer any Bond during a period beginning with the opening of business on the 15th calendar day next preceding either any Interest Payment Date or any date of selection of any Bond to be redeemed and ending with the close of business on the Interest Payment Date or a day on which the applicable notice of redemption is given, or (b) to transfer any Bond which has been selected or called for redemption in whole or in part.

Reference is made to the Bond Resolution for a more complete description of the provisions, among others, with respect to the nature and extent of the security for the Bonds, the rights, duties and obligations of the City, the Paying Agent and the Registered Owners, and the terms and conditions upon which the Bonds are issued and secured. The owner of this Bond assents, by acceptance hereof, to all of the provisions of the Bond Resolution.

It is certified, recited and declared that all acts and conditions required by the Constitution and laws of the State of California to exist, to be performed or to have been met precedent to and in the issuing of the Bonds in order to make them legal, valid and binding general obligations of the City, have been performed and have been met in regular and due form as required by law; that payment in full for the Bonds has been received; that no statutory or constitutional limitation on indebtedness or taxation has been exceeded in issuing the Bonds; and that due provision has been made for levying and collecting ad valorem property taxes on all of the taxable property within the City in an amount sufficient to pay principal and interest when due, and for levying and collecting such taxes.

This Bond shall not be valid or obligatory for any purpose and shall not be entitled to any security or benefit under the Bond Resolution until the Certificate of Authentication below has been manually signed by the Paying Agent.

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

IN WITNESS WHEREOF, the City of Campbell has caused this Bond to be executed by the facsimile signature of its Mayor and attested by the facsimile signature of its City Clerk, all as of the date stated above.

CITY OF CAMPBELL

By _____
Mayor

Attest:

City Clerk

CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds described in the Bond Resolution referred to herein.

Date of Authentication: _____, 2020

**THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A.,**
as Paying Agent

By _____
Authorized Signatory

Attachment: Resolution - Approving Bond Issuance and Budget Adjustment (Authorization to Issuance of Measure O Bonds in FY 2020-21)

ASSIGNMENT

For value received, the undersigned do(es) hereby sell, assign and transfer unto

(Name, Address and Tax Identification or Social Security Number of Assignee)

the within Bond and do(es) hereby irrevocably constitute and appoint _____ attorney, to transfer the same on the registration books of the Bond Registrar, with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

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

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

APPENDIX B**REQUIRED DISCLOSURES PURSUANT TO
GOVERNMENT CODE SECTION 5852.1**

1. Estimated True Interest Cost of the Bonds: 2.60%
2. Estimated finance charge of the Bonds, being the sum of all fees and charges paid to third parties, in the amount of approximately \$271,250. Such amount consists of costs of issuing the Bonds in the amount of approximately \$204,250 together with estimated underwriter's compensation in the amount of \$67,000.
3. Estimated proceeds of the Bonds expected to be received by the City for deposit to the Project Fund, net of proceeds for Costs of Issuance in (2) above to paid, capitalized interest and reserves (if any) from the principal amount of the Bonds: \$20,000,000.
4. Estimated Total Payment Amount for the Bonds, being the sum of all debt service to be paid on the Bonds to final maturity: \$30,430,000.

**All amounts and percentages are estimates, and are made in good faith by the City based on information available as of the date of adoption of this Resolution. Estimates include certain assumptions regarding federally taxable interest rates available in the bond market at the time of pricing the Bonds.*

\$ _____
CITY OF CAMPBELL
Election of 2018 General Obligation Bonds, Series 2020

CONTRACT OF PURCHASE

_____, 2020

City Council
City of Campbell
70 N. First Street
Campbell, California 95008

Ladies and Gentlemen:

The undersigned, Stifel, Nicolaus & Company, Incorporated, as underwriter (the “Underwriter”), offers to enter into this Contract of Purchase (the “Contract of Purchase”) with the City of Campbell (the “City”), which, upon the City’s acceptance hereof, will be binding upon the City and the Underwriter. This offer is made subject to the written acceptance of this Contract of Purchase by the City and delivery of such acceptance to the Underwriter at or prior to 11:59 P.M., Pacific Time, on the date hereof. Capitalized terms used and not otherwise defined herein shall have the meanings ascribed to such terms in the Official Statement (as defined herein) or, if not defined in the Official Statement, in the Resolution (as defined herein).

The City acknowledges and agrees that (i) the purchase and sale of the Bonds (as defined herein) pursuant to this Contract of Purchase is an arm’s-length commercial transaction between the City and the Underwriter, (ii) in connection with such transaction, the Underwriter is acting solely as a principal and not as an agent or fiduciary of the City, (iii) the Underwriter has not assumed a fiduciary responsibility in favor of the City with respect to (x) the offering of the Bonds or the process leading thereto (whether or not the Underwriter has advised or is currently advising the City on other matters) or (y) any other obligation to the City except the obligations expressly set forth in this Contract of Purchase, and (iv) the City has consulted with its own legal, accounting, tax, financial, and other professional advisors to the extent it has deemed appropriate in connection with the offering of the Bonds. The City acknowledges that it has previously provided the Underwriter with an acknowledgement of receipt of the required disclosure under Rule G-17 of the Municipal Securities Rulemaking Board (the “MSRB”).

1. **Purchase and Sale of the Bonds.** Upon the terms and conditions and in reliance upon the representations, warranties and agreements herein set forth, the Underwriter hereby agrees to purchase from the City for reoffering to the public, and the City hereby agrees to sell to the Underwriter for such purpose, all (but not less than all) of \$ _____ aggregate principal amount of the City’s Election of 2018 General Obligation Bonds, Series 2020 (the “Bonds”).

The Bonds shall accrue interest at the rates, shall mature in the years and shall be subject to redemption as shown on Exhibit A hereto, which is incorporated herein by this reference. The Bonds

shall be dated the date of delivery thereof (the “Date of Delivery”) and shall bear interest from such date, payable semiannually on each March 1 and September 1, commencing March 1, 2021.

The Underwriter shall purchase the Bonds at a price of \$_____ (which is equal to the principal amount of the Bonds of \$_____, plus [net] original issue premium of \$_____, less an Underwriter’s discount of \$_____), and less costs of issuance of \$_____ to be used by the Underwriter to pay costs of issuance for the Bonds, as provided in Section 12 hereof.

2. **The Bonds.** The Bonds shall otherwise be as described in the Official Statement, and shall be issued and secured pursuant to the provisions of the Resolution of the City adopted on July 21, 2020 (the “Resolution”), this Contract of Purchase, and Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code (the “Act”).

The Bonds shall be executed and delivered under and in accordance with the provisions of this Contract of Purchase and the Resolution. The Bonds shall bear CUSIP numbers; be in fully registered book-entry form, registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). The Bonds shall initially be issued in authorized denominations of five thousand dollars (\$5,000) principal amount, or any integral multiple thereof.

3. **Use of Documents.** The City hereby authorizes the Underwriter to use, in connection with the offer and sale of the Bonds, the Continuing Disclosure Undertaking (as defined herein), this Contract of Purchase, the Preliminary Official Statement (as defined herein), the Official Statement, the Resolution and all information contained herein and therein and all of the documents, certificates or statements furnished by the City to the Underwriter in connection with the transactions contemplated by this Contract of Purchase.

4. **Public Offering of Bonds; Establishment of Issue Price.** The Underwriter agrees to make a bona fide public offering of all the Bonds at the initial public offering prices or yields to be set forth on the inside cover of the Official Statement and Exhibit A hereto.

(a) The Underwriter agrees to assist the City in establishing the issue price of the Bonds and shall execute and deliver to the City at Closing an “issue price” or similar certificate, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit B, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Underwriter, the City and Jones Hall, A Professional Law Corporation (“Bond Counsel”), to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the Bonds. All actions to be taken by the City under this section to establish the issue price of the Bonds may be taken on behalf of the City by NHA Advisors, LLC, the City’s municipal advisor (the “Municipal Advisor”) and any notice or report to be provided to the City may be provided to the Municipal Advisor.

(b) Except as otherwise set forth in Exhibit A attached hereto, the City will treat the first price at which 10% of each maturity of the Bonds (the “10% test”) is sold to the public as the issue price of that maturity. At or promptly after the execution of this Contract of Purchase, the Underwriter shall report to the City the price or prices at which it has sold to the public each maturity of Bonds. If at that time the 10% test has not been satisfied as to any maturity of the Bonds, the Underwriter agrees to promptly report to the City the prices at which it sells the unsold Bonds of that maturity to the public. That reporting obligation shall

continue, whether or not the Closing Date has occurred, until either (i) the Underwriter has sold all Bonds of that maturity or (ii) the 10% test has been satisfied as to the Bonds of that maturity, provided that, the Underwriter's reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the City or Bond Counsel. For purposes of this Section, if Bonds mature on the same date but have different interest rates, each separate CUSIP number within that maturity will be treated as a separate maturity of the Bonds.

(c) The Underwriter confirms that it has offered the Bonds to the public on or before the date of this Contract of Purchase at the offering price or prices (the "initial offering price"), or at the corresponding yield or yields, set forth in Exhibit A attached hereto, except as otherwise set forth therein. Exhibit A also sets forth, as of the date of this Contract of Purchase, the maturities, if any, of the Bonds for which the 10% test has not been satisfied and for which the City and the Underwriter agree that the restrictions set forth in the next sentence shall apply, which will allow the City to treat the initial offering price to the public of each such maturity as of the sale date as the issue price of that maturity (the "hold-the-offering-price rule"). So long as the hold-the-offering-price rule remains applicable to any maturity of the Bonds, the Underwriter will neither offer nor sell unsold Bonds of that maturity to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (1) the close of the fifth (5th) business day after the sale date; or
- (2) the date on which the Underwriter has sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The Underwriter will advise the City promptly after the close of the fifth business day after the sale date whether it has sold 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

(d) The Underwriter confirms that:

(1) any selling group agreement and any retail or other third-party distribution agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each dealer who is a member of the selling group and each broker-dealer that is a party to such third-party distribution agreement, as applicable:

(A) (i) to (1) report the prices at which it sells to the public the unsold Bonds of each maturity allocated to it, whether or not the Closing Date has occurred, until either all Bonds of that maturity allocated to it have been sold or it is notified by the Underwriter that the 10% test has been satisfied as to the Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Underwriter, and (ii) to comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Underwriter,

(B) to promptly notify the Underwriter of any sales of Bonds that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below), and

(C) to acknowledge that, unless otherwise advised by the dealer or broker-dealer, the Underwriter shall assume that each order submitted by the dealer or broker-dealer is a sale to the public.

(2) any selling group agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each dealer that is a party to a retail or other third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such retail or other third-party distribution agreement to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allocated to it, whether or not the Closing Date has occurred, until either all Bonds of that maturity allocated to it have been sold or it is notified by the Underwriter or the dealer that the 10% test has been satisfied as to the Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Underwriter or the dealer, and (B) comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Underwriter or the dealer and as set forth in the related pricing wires.

(e) The City acknowledges that, in making the representations set forth in this section, the Underwriter will rely on (i) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in a selling group agreement and the related pricing wires, and (ii) in the event that a retail or other third-party distribution agreement was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in the retail or other third-party distribution agreement and the related pricing wires. The City further acknowledges that the Underwriter shall not be liable for the failure of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail or other third-party distribution agreement, to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bond.

(f) The Underwriter acknowledges that sales of any Bonds to any person that is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below) shall not constitute sales to the public for purposes of this section. Further, for purposes of this section:

(1) “public” means any person other than an underwriter or a related party,

(2) “underwriter” means (A) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the public),

(3) a purchaser of any of the Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

(4) “sale date” means the date of execution of this Contract of Purchase by all parties.

5. **Review of Official Statement.** The Underwriter hereby represents that it has received and reviewed the Preliminary Official Statement with respect to the Bonds, dated _____, 2020 (the “Preliminary Official Statement”). The City represents that it has duly authorized and prepared the Preliminary Official Statement for use by the Underwriter in connection with the sale of the Bonds, and that it has deemed the Preliminary Official Statement to be final as of its date, except for either revision or addition of the offering price(s), interest rate(s), yield(s) to maturity, selling compensation, aggregate principal amount, principal amount per maturity, redemption provisions, delivery date, rating(s) and other terms of the Bonds which depend upon the foregoing as provided in and pursuant to Rule 15c2-12 of the Securities and Exchange Commission (the “SEC”) promulgated under the Securities Exchange Act of 1934, as amended (the “Rule”).

The Underwriter agrees that prior to the time the Official Statement relating to the Bonds is available, the Underwriter will send to any potential purchaser of the Bonds, upon the request of such potential purchaser, a copy of the most recent Preliminary Official Statement. Such Preliminary Official Statement shall be sent by first class mail or electronic distribution (or other equally prompt means) not later than the first business day following the date upon which each such request is received.

The Underwriter agrees to file the Official Statement with the MSRB through its Electronic Municipal Market Access system within one business day after receipt thereof from the City, but in no event later than the Closing.

6. **Closing.** At 9:00 A.M., Pacific Time, on _____, 2020 or at such other time or on such other date as shall have been mutually agreed upon by the City and the Underwriter (the “Closing”), the City will deliver or cause to be delivered to the Underwriter, through the facilities of DTC in New York, New York, or at such other place as the City and the Underwriter may mutually agree upon, the Bonds in fully registered book-entry form, duly executed and registered in the name of Cede & Co., as nominee of DTC, and at the offices of Bond Counsel in San Francisco, California, the other documents hereinafter mentioned; and the Underwriter will accept such delivery and pay the purchase price set forth in Section 1 hereof in immediately available funds by wire transfer to the account or accounts designated by the City.

7. **Representations, Warranties and Agreements of the City.** The City hereby represents, warrants and agrees with the Underwriter that:

(a) **Due Organization.** The City is a general law city duly organized and validly existing under the laws of the State of California (the “State”), with the power to issue the Bonds pursuant to the Act.

(b) **Due Authorization.** (i) At or prior to the Closing, the City will have taken all action required to be taken by it to authorize the issuance and delivery of the Bonds; (ii) the City has full legal right, power, and authority to enter into this Contract of Purchase and the Continuing Disclosure Undertaking, to adopt the Resolution, to perform its obligations under each such document or instrument, to approve the Official Statement, and to carry out and effectuate the transactions contemplated by this Contract of Purchase and the Resolution; (iii) the execution and delivery or adoption of, and the performance by the City of the obligations contained in, the Bonds, the Resolution, the Continuing Disclosure Undertaking and this Contract of Purchase have been duly authorized and such authorization shall be in full force and effect at the time of the Closing; (iv) this Contract of Purchase, assuming the due authorization, execution and delivery by the other party thereto, and the Continuing Disclosure Undertaking, constitute valid and legally binding obligations of the City, enforceable in accordance with their respective terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws relating to or affecting generally the enforcement of creditors’ rights and except as their enforcement may be subject to the application of equitable principles or the exercise of judicial discretion in appropriate cases if equitable remedies are sought, and by the limitations on legal remedies against public agencies in the State; and (v) the City has duly authorized the consummation by it of all transactions contemplated by this Contract of Purchase.

(c) **Consents.** No consent, approval, authorization, order, filing, registration, qualification, election or referendum, of or by any court or governmental agency or public body whatsoever is required in connection with the issuance, delivery or sale of the Bonds, the execution and delivery of this Contract of Purchase and the Continuing Disclosure Undertaking, the adoption of the Resolution, or the consummation of the other transactions effected or contemplated herein or hereby, which have not been taken or obtained, except for such actions as may be necessary to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and jurisdictions of the United States as the Underwriter may reasonably request, or which have not been taken or obtained; provided, however, that the City shall not be required to subject itself to service of process in any jurisdiction in which it is not so subject as of the date hereof.

(d) Internal Revenue Code. The City has complied with the requirements of the Internal Revenue Code of 1986, as amended, with respect to the Bonds.

(e) No Conflicts. To the best knowledge of the City, the issuance of the Bonds, and the execution, delivery and performance of this Contract of Purchase, the Continuing Disclosure Undertaking, the Resolution and the Bonds, and the compliance with the provisions hereof and thereof do not conflict with or constitute on the part of the City a violation of or default under the State Constitution or any existing law, charter, ordinance, regulation, decree, order or resolution and do not conflict with or result in a violation or breach of, or constitute a default under, any agreement, indenture, mortgage, lease or other instrument to which the City is a party or by which it is bound or to which it is subject.

(f) Litigation. As of the time of acceptance hereof, no action, suit, proceeding, hearing or investigation is pending or, to the best knowledge of the City, threatened against the City: (i) in any way affecting the existence of the City or in any way challenging the respective powers of the several offices of the City or of the titles of the officials of the City to such offices; or (ii) seeking to restrain or enjoin the sale, issuance or delivery of any of the Bonds, the application of the proceeds of the sale of the Bonds, the collection or levy of *ad valorem* property taxes contemplated by the Resolution, and the application thereof to pay the principal of and interest on the Bonds, or in any way contesting or affecting the validity or enforceability of the Bonds, this Contract of Purchase, the Continuing Disclosure Undertaking or the Resolution or contesting the powers of the City or its authority with respect to the Bonds, the Resolution, this Contract of Purchase, or the Continuing Disclosure Undertaking; or (iii) in which a final adverse decision could (a) materially adversely affect the operations or financial condition of the City or the consummation of the transactions contemplated by this Contract of Purchase, the Continuing Disclosure Undertaking or the Resolution, (b) declare this Contract of Purchase to be invalid or unenforceable in whole or in material part, or (c) adversely affect the exclusion of the interest paid on the Bonds from gross income for federal income tax purposes and the exemption of such interest on the Bonds from State personal income taxation.

(g) No Other Debt. Between the date hereof and the Closing, without the prior written consent of the Underwriter, neither the City, nor any other person or entity on behalf of the City, will have issued in the name and on behalf of the City, any bonds, notes or other obligations for borrowed money except for such borrowings as may be described in or contemplated by the Official Statement.

(h) Certificates. Any certificates signed by any officer of the City and delivered to the Underwriter shall be deemed a representation and warranty by the City to the Underwriter, but not by the person signing the same, as to the statements made therein.

(i) Continuing Disclosure. In accordance with the requirements of the Rule and pursuant to the Resolution, at or prior to the Closing, the City shall have duly authorized, executed and delivered a continuing disclosure undertaking with respect to the Bonds (the “Continuing Disclosure Undertaking”) on behalf of each obligated person for which financial and/or operating data is presented in the Official Statement. The Continuing Disclosure Undertaking shall be substantially in the form attached to the Official Statement as Appendix D. Except as otherwise disclosed in the Official Statement, the City has not, within the past five years, failed to comply in a material respect with any of its previous undertakings pursuant to the Rule to provide annual reports or notice of certain listed events.

(j) Official Statement Accurate and Complete. The Preliminary Official Statement, as of the date thereof, did not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading. As of the date hereof and as of the date of Closing, the Official Statement does not and will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading. The City makes no representation or warranty as to the information contained in or omitted from the Preliminary Official Statement or the Official Statement in reliance upon and in conformity with information furnished in writing to the City by or on behalf of the Underwriter through a representative of the Underwriter specifically for inclusion therein.

(k) Levy of Tax. The City hereby agrees to take any and all actions as may be lawfully required by Santa Clara County (the “County”) or otherwise necessary in order to arrange for the levy and collection of *ad valorem* property taxes, payment of the Bonds, and the deposit and investment of Bond proceeds.

(l) No Material Adverse Change. The financial statements of, and other financial information regarding, the City in the Official Statement fairly present the financial position and results of the City as of the dates and for the periods therein set forth. Prior to the Closing, there will be no adverse change of a material nature in such financial position, results of operations or condition, financial or otherwise, of the City.

8. **Covenants of the City.** The City covenants and agrees with the Underwriter that:

(a) Securities Laws. The City will furnish such information, execute such instruments, and take such other action in cooperation with the Underwriter if and as the Underwriter may reasonably request in order to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations or such states and jurisdictions, provided, however, that the City shall not be required to consent to service of process in any jurisdiction in which it is not so subject as of the date hereof;

(b) Application of Proceeds. The City will apply the proceeds from the sale of the Bonds for the purposes specified in the Resolution;

(c) Official Statement. The City hereby agrees to deliver or cause to be delivered to the Underwriter, not later than the seventh (7th) business day following the date this Contract of Purchase is signed, copies of a final Official Statement substantially in the form

of the Preliminary Official Statement, with only such changes therein as shall have been accepted by the Underwriter and the City (such Official Statement with such changes, if any, and including the cover page, inside front cover page, and all appendices, exhibits, maps, reports and statements included therein or attached thereto being herein called the “Official Statement”) in such quantities as may be requested by the Underwriter not later than seven (7) business days following the date this Contract of Purchase is signed, in order to permit the Underwriter to comply with paragraph (b)(4) of the Rule and with the rules of the MSRB. The City hereby authorizes the Underwriter to use and distribute the Official Statement in connection with the offering and sale of the Bonds;

(d) Subsequent Events. The City hereby agrees to notify the Underwriter of any event or occurrence that may affect the accuracy or completeness of any information set forth in the Official Statement relating to the City until the date which is twenty-five (25) days following the End of the Underwriting Period;

(e) References. References herein to the Preliminary Official Statement and the Official Statement include the cover, inside front cover page and all appendices, exhibits, maps, reports and statements included therein or attached thereto; and

(f) Amendments to Official Statement. During the period ending on the 25th day after the End of the Underwriting Period (or such other period as may be agreed to by the City and the Underwriter), the City (i) shall not supplement or amend the Official Statement or cause the Official Statement to be supplemented or amended without the prior written consent of the Underwriter and (ii) shall notify the Underwriter promptly if any event shall occur, or information comes to the attention of the City, that is reasonably likely to cause the Official Statement (whether or not previously supplemented or amended) to contain any untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. If, in the opinion of the Underwriter, such event requires the preparation and distribution of a supplement or amendment to the Official Statement, the City shall prepare and furnish to the Underwriter, at the City’s expense, such number of copies of the supplement or amendment to the Official Statement, in form and substance mutually agreed upon by the City and the Underwriter, as the Underwriter may reasonably request. If such notification shall be given subsequent to the Closing, the City also shall furnish, or cause to be furnished, at its own expense, such additional legal opinions, certificates, instruments and other documents as the Underwriter may reasonably deem necessary to evidence the truth and accuracy of any such supplement or amendment to the Official Statement.

For purposes of this Contract of Purchase, the “End of the Underwriting Period” is used as defined in the Rule and shall occur on the later of (A) the date of Closing or (B) when the Underwriter no longer retains an unsold balance of the Bonds; unless otherwise advised in writing by the Underwriter on or prior to the date of Closing, or otherwise agreed to by the City and the Underwriter, the City may assume that the End of the Underwriting Period is the date of Closing.

9. **Representations, Warranties and Agreements of the Underwriter.** The Underwriter represents to and agrees with the City that, as of the date hereof and as of the date of the Closing:

(a) The Underwriter is duly authorized to execute this Contract of Purchase and to take any action under this Contract of Purchase required to be taken by it.

(b) The Underwriter is in compliance with MSRB Rule G-37 with respect to the City, and is not prohibited thereby from acting as underwriter with respect to securities of the City.

(c) The Underwriter has, and has had, no financial advisory relationship, as that term is defined in Government Code Section 53590(c) or MSRB Rule G-23, with the City with respect to the Bonds, and no investment firm controlling, controlled by or under common control with the Underwriter has or has had any such financial advisory relationship.

10. Conditions to Closing. The Underwriter has entered into this Contract of Purchase in reliance upon the representations and warranties of the City contained herein and the performance by the City of its obligations hereunder, both as of the date hereof and as of the date of Closing. The Underwriter's obligations under this Contract of Purchase are, and shall be subject, at the option of the Underwriter, to the following further conditions at the Closing:

(a) Representations True. The representations and warranties of the City contained herein shall be true, complete and correct in all material respects at the date hereof and at and as of the Closing, as if made at and as of the Closing, and the statements made in all certificates and other documents delivered to the Underwriter at the Closing pursuant hereto shall be true, complete and correct in all material respects on the date of the Closing; and the City shall be in compliance with each of the agreements made by it in this Contract of Purchase;

(b) Obligations Performed. At the time of the Closing, (i) the Official Statement, this Contract of Purchase, the Continuing Disclosure Undertaking and the Resolution shall be in full force and effect and shall not have been amended, modified or supplemented except as may have been agreed to in writing by the Underwriter; (ii) all actions under the Act which, in the opinion of Bond Counsel, shall be necessary in connection with the transactions contemplated hereby, shall have been duly taken and shall be in full force and effect; and (iii) the City shall perform or have performed all of their obligations required under or specified in the Resolution, this Contract of Purchase or the Official Statement to be performed at or prior to the Closing;

(c) Adverse Rulings. No decision, ruling or finding shall have been entered by any court or governmental authority since the date of this Contract of Purchase (and not reversed on appeal or otherwise set aside), or shall be pending, or, to the best knowledge of the City, threatened, which has any of the effects described in Section 7(f) hereof or contesting in any way the completeness or accuracy of the Official Statement;

(d) Banking Moratorium. There has not been declaration of a general banking moratorium by federal, New York or State authorities, or a general suspension of trading on any national securities exchange;

(e) Exchange Trading Restrictions. There has been no imposition by the New York Stock Exchange, other national securities exchange, or any governmental authority, of

any material restrictions not now in force with respect to the Bonds, or obligations of the general character of the Bonds, or securities generally, or the material increase of any such restrictions now in force, including those relating to the extension of credit by, or the charge to the net capital requirements of, the Underwriter;

(f) No General Obligation Bond Offering Invalidation. No order, decree or injunction of any court of competent jurisdiction, or order, filing, regulation or official statement by the SEC, or any other governmental agency having jurisdiction over the subject matter thereof, issued or made to the effect that the issuance, offering or sale of obligations of the general character of the Bonds, or the issuance, offering or sale of the Bonds, as contemplated hereby or by the Official Statement, is or would be in violation of the federal securities laws, as amended and then in effect;

(g) Marketability. Between the date hereof and the Closing, the market price or marketability or the ability of the Underwriter to enforce contracts for the sale of the Bonds, shall not have been materially adversely affected, in the reasonable judgment of the Underwriter, by reason of any of the following:

(1) legislation enacted by the Congress of the United States, or passed by either House of Congress, or favorably reported for passage to either House of Congress by any Committee of such House to which such legislation has been referred for consideration, or introduced in the Congress or recommended for passage by the President of the United States, or a decision rendered by a court established under Article III of the Constitution of the United States or by the United States Tax Court, with the purpose or effect, directly or indirectly, of causing inclusion in gross income for purposes of federal income taxation of the interest received by the owners of the Bonds, or an order, ruling, regulation (final, temporary or proposed) or official statement issued or made:

(i) by or on behalf of the United States Treasury Department, or by or on behalf of the Internal Revenue Service, with the purpose or effect, directly or indirectly, of causing inclusion in gross income for purposes of federal income taxation of the interest received by the owners of the Bonds;
or

(ii) by or on behalf of the Securities and Exchange Commission, or any other governmental agency having jurisdiction over the subject matter thereof, to the effect that the Bonds, or obligations of the general character of the Bonds, including any and all underlying arrangements, are not exempt from registration under the Securities Act of 1933, as amended;

(2) legislation enacted by the State legislature or a decision rendered by a State Court, or a ruling, order, or regulation (final or temporary) made by a State authority, which would have the effect of changing, directly or indirectly, the State tax consequences of interest on obligations of the general character of the Bonds in the hands of the holders thereof;

(3) there shall have occurred or any notice shall have been given of any intended review, downgrading, suspension, withdrawal, or negative change in credit

watch status to any rating of the City's outstanding indebtedness (without regard to any insurance) by a national rating agency;

(4) there shall have occurred (i) an outbreak or escalation of hostilities or the declaration by the United States of a national emergency or war or (ii) any other calamity or crisis in the financial markets of the United States or elsewhere or the escalation of such calamity or crisis;

(5) a general suspension of trading on the New York Stock Exchange or other major exchange shall be in force, or minimum or maximum prices for trading shall have been fixed and be in force, or maximum ranges for prices for securities shall have been required and be in force on any such exchange, whether by virtue of determination by that exchange or by order of the SEC or any other governmental authority having jurisdiction;

(6) any event occurring, or information becoming known which, in the reasonable judgment of the Underwriter, makes untrue in any material adverse respect any statement or information contained in the Official Statement, or has the effect that the Official Statement contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading; or

(7) there shall have occurred any materially adverse change in the affairs or financial condition of the City.

(8) any amendment shall have been made to the federal or State Constitution or action by any federal or State court, legislative body, regulatory body, or other authority materially adversely affecting the tax status of the City, its property, income securities (or interest thereon) or the validity or enforceability of the levy of taxes to pay principal of and interest on the Bonds; or

(9) the purchase of and payment for the Bonds by the Underwriter, or the resale of the Bonds by the Underwriter, on the terms and conditions herein provided shall be prohibited by any applicable law, governmental authority, board, agency or commission;

(e) Delivery of Documents. At or prior to the date of the Closing, the Underwriter shall receive sufficient copies of the following documents in each case dated as of the date of Closing and satisfactory in form and substance to the Underwriter:

(1) Opinion of Bond Counsel. An approving opinion of Bond Counsel, as to the validity and tax-exempt status of the Bonds, dated the date of the Closing, and addressed to the City in substantially the form set forth in the Preliminary Official Statement as Appendix C;

(2) Reliance Letter. A reliance letter from Bond Counsel to the effect that the Underwriter can rely upon the opinion described in Section 10(e)(1) above;

(3) Supplemental Opinion of Bond Counsel. A supplemental opinion of Bond Counsel addressed to the City and the Underwriter, dated as of the date of Closing, substantially to the following effect: the Underwriter may rely on the approving opinion of Bond Counsel;

- (b) the description of the Bonds and the security for the Bonds and statements in the Official Statement on the cover page thereof and under the captions “INTRODUCTION,” “THE BONDS” (excluding any and all information contained with respect to the Book-Entry Only System of DTC), “LEGAL MATTERS - Tax Exemption” and “LEGAL MATTERS - Continuing Disclosure” to the extent they purport to summarize certain provisions of the Resolution, the Continuing Disclosure Undertaking, California law or federal law, fairly and accurately summarize the matters purported to be summarized therein, provided that Bond Counsel need not express any opinion with respect to any financial or statistical data or forecasts, numbers, charts, estimates, projections, assumptions or expressions of opinion, or information relating to DTC or its book-entry only system included therein, or with respect to Appendices A, B and E to the Official Statement;
- (c) assuming due authorization, execution and delivery by the parties to this Contract of Purchase other than the District, this Contract of Purchase and the Continuing Disclosure Undertaking have been duly authorized, executed and delivered by the District and constitute legal, valid and binding agreements of the District and are enforceable in accordance with their respective terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws relating to or affecting generally the enforcement of creditors’ rights and except as their enforcement may be subject to the application of equitable principles and the exercise of judicial discretion in appropriate cases if equitable remedies are sought; and
- (d) the Bonds are exempt from registration pursuant to the Securities Act of 1933, as amended, and the Resolution is exempt from qualification as an indenture pursuant to the Trust Indenture Act of 1939, as amended;

(4) Disclosure Counsel Letter. A letter of Jones Hall, A Professional Law Corporation, dated the date of Closing and addressed to the City and the Underwriter, substantially to the effect that based on such counsel’s participation in conferences with representatives of the Underwriter, the Municipal Advisor, counsel to the Underwriter and others, without having undertaken to determine independently the accuracy or completeness of the statements contained in the Preliminary Official Statement and the Official Statement, nothing has come to their attention which has led them to believe that the Preliminary Official Statement as of its date, and the Official Statement as of its date and as of the Closing Date, contained any untrue statement of a material fact or omitted to state a material fact required to be stated

therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading (except that no opinion or belief need be expressed as to any financial or statistical data, or information concerning DTC and the book-entry only system or the Bond Insurer and the Bond Insurance Policy contained in the Preliminary Official Statement or the Official Statement);

(5) Opinion of the City Attorney. An opinion of the City Attorney of the City, dated the date of Closing and addressed to the City and the Underwriter, to the effect that (i) the City is a general law city, duly organized and validly existing under the Constitution and laws of the State of California (ii) the Resolution authorizing the Bonds and execution and delivery of the Contract of Purchase, the Continuing Disclosure Undertaking, and the Official Statement (collectively, the “City Documents”), was duly adopted at a meeting of the City Council, which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout, and the Resolution is in full force and effect and has not been modified, amended, rescinded or repealed since the date of its adoption; (iii) City Documents have been duly authorized, executed and delivered by the City and (assuming due authorization, execution and delivery by and validity against the other parties thereto) constitute the legal, valid and binding obligations of the City enforceable against the City in accordance with their terms, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights, to the application of equitable principles where equitable remedies are sought and to the exercise of judicial discretion in appropriate cases; (iv) to the best knowledge of such counsel, the execution and delivery of the City Documents and compliance with the provisions thereof under the circumstances contemplated thereby: (a) do not in any material respect conflict with or constitute on the part of the City a breach of or default under any agreement or other instrument to which the City is a party or by which it is bound; and (b) do not and will not in any material respect or constitute on the part of the City a violation, breach of or default under any court order or consent decree to which the City is subject; (v) no authorization, approval, consent, or other order of the State of California or any other governmental body within the State of California is required for the valid authorization, execution and delivery of the City Documents or the consummation by the City of the transactions on its part contemplated therein, except such as have been obtained and except such as may be required under state securities or blue sky laws in connection with the purchase and distribution of the Bonds by the Underwriter; (vi) except as may be stated in the Official Statement, there is no action, suit, proceeding or investigation before or by any court, public board or body pending (notice of which has been served on the City) or, to the City Attorney's knowledge, threatened wherein an unfavorable decision, ruling or finding would: (a) affect the creation, organization, existence or powers of the City, or the titles of its members and officers to their respective offices; (b) enjoin or restrain the collection of the *ad valorem* tax or the pledge of revenues from the *ad valorem* tax; (c) in any way question or affect any of the rights, powers, duties or obligations of the City with respect to the *ad valorem* tax or the moneys and assets pledged or to be pledged to pay the principal of, premium, if any, or interest on the Bonds; (d) in any way affect, contest or seek to prohibit, restrain or enjoin the issuance, sale or delivery of the Bonds, or the validity or enforceability of the Bonds; or (e) in any way question or affect the City Documents or the transactions contemplated by the City Documents, or any activity regarding the

Bonds; and (vi) based on the information made available to the City Attorney, and without having undertaken to determine independently or assume any responsibility for the accuracy, completeness or fairness of the statements contained in the Official Statement, nothing has come to the attention of the City Attorney as of the date of Closing which would lead the City Attorney to believe that the Official Statement as of its date and as of the date of Closing (excluding therefrom the financial and statistical data and forecasts included therein, as to which no opinion is expressed and information relating to the DTC and its book entry system) contained or contains any untrue statement of a material fact or omitted or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(6) City Certificates. A certificate signed by appropriate officials of the City to the effect that (i) such officials are authorized to execute this Contract of Purchase, (ii) the representations, agreements and warranties of the City herein are true and correct in all material respects as of the date of Closing, (iii) the City has complied with all the terms of the Resolution, the Continuing Disclosure Undertaking and this Contract of Purchase to be complied with by the City prior to or concurrently with the Closing, and, as to the City, such documents are in full force and effect, (iv) such officials of the City have reviewed the Preliminary Official Statement and Official Statement and on such basis certify that the Preliminary Official Statement (other than information permitted to be omitted therefrom pursuant to Rule 15c2-12) as of its date and as of the date of the Contract of Purchase did not, and the Official Statement as of its date and as of the Closing Date does not, contain any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading; and, (v) the Bonds being delivered on the date of the Closing to the Underwriter under this Contract of Purchase substantially conform to the descriptions thereof contained in the Resolution, (vi) no event concerning the City has occurred since the date of the Official Statement which has not been disclosed therein or in any supplement thereto, but should be disclosed in order to make the statements in the Official Statement in light of the circumstances in which they were made not misleading, and (vii) there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court or public body, pending or, to the best knowledge of such officials, threatened against the City, contesting in any way the completeness or accuracy of the Official Statement, the issuance of the Bonds by the City on behalf of the City or the due adoption of the Resolution;

(7) Arbitrage. A nonarbitrage certificate of the City in form satisfactory to Bond Counsel, with respect to the Bonds;

(8) Rating. Evidence satisfactory to the Underwriter that (i) the Bonds shall have been rated “_____” by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC, and (ii) that such rating has not been revoked or downgraded;

(9) Resolution. A certificate, together with fully executed copies of the Resolution, of the Clerk of the City Council of the City to the effect that:

(i) such copies are true and correct copies of the Resolution; and

(ii) that the Resolution was duly adopted and has not been modified, amended, rescinded or revoked and is in full force and effect on the date of the Closing;

(10) Official Statement. A certificate of the appropriate official of the City evidencing his or her determinations respecting the Preliminary Official Statement in accordance with the Rule;

(11) Certificate of the Paying Agent. A certificate of The Bank of New York Mellon Trust Company, N.A., as the paying agent for the Bonds (the “Paying Agent”), signed by a duly authorized officer thereof, and in form and substance satisfactory to the Underwriter, substantially to the effect that no litigation is pending or, to the best of the Paying Agent’s knowledge, threatened (either in state or federal courts) (i) seeking to restrain or enjoin the delivery by the Paying Agent of any of the Bonds, or (ii) in any way contesting or affecting any authority of the Paying Agent for the delivery of the Bonds or the validity or enforceability of the Bonds or any agreement with the Paying Agent;

(12) Continuing Disclosure Undertaking. An executed copy of the Continuing Disclosure Undertaking, substantially in the form presented in the Official Statement as Appendix D thereto;

(13) Underwriter’s Counsel Opinion. The opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, as counsel to the Underwriter, in a form and substance satisfactory to the Underwriter; and

(14) Other Documents. Such additional legal opinions, certificates, proceedings, instruments and other documents as Bond Counsel or the Underwriter may reasonably request to evidence compliance (i) by the City with legal requirements, (ii) the truth and accuracy, as of the time of Closing, of the representations of the City herein contained and of the Official Statement, and (iii) the due performance or satisfaction by the City at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by the City.

(f) Termination. Notwithstanding anything to the contrary herein contained, if for any reason whatsoever the Bonds shall not have been delivered by the City to the Underwriter as provided in Section 6 herein, then the obligation to purchase Bonds hereunder shall terminate and be of no further force or effect except with respect to the obligations of the City and the Underwriter under Sections 12(c) and 14 hereof.

If the City is unable to satisfy the conditions to the Underwriter’s obligations contained in this Contract of Purchase or if the Underwriter’s obligations shall be terminated for any reason permitted by this Contract of Purchase, this Contract of Purchase may be cancelled by the Underwriter at, or at any time prior to, the time of Closing. Notice of such cancellation shall be given to the City in writing, or, if by telephone, confirmed in writing. Notwithstanding any provision herein to the contrary, the performance of any and all obligations of the City hereunder and the

performance of any and all conditions contained herein for the benefit of the Underwriter may be waived by the Underwriter in writing at its sole discretion.

11. **Conditions to Obligations of the City.** The performance by the City of its obligations is conditioned upon (i) the performance by the Underwriter of its obligations hereunder; and (ii) receipt by the City and the Underwriter of opinions and certificates being delivered at the Closing by persons and entities other than the City.

12. **Expenses.** (a) To the extent that the transactions contemplated by this Contract of Purchase are consummated, the Underwriter shall pay from net original issue premium retained for such purpose pursuant to Section 1 hereof, all costs of issuance of the Bonds up to \$_____, including but not limited to the following costs of issuance: (i) the fees and disbursements of the City's Bond Counsel and Disclosure Counsel; (ii) the cost of the preparation, printing and delivery of the Bonds; (iii) the fees for the Bond rating; (iv) the cost of the printing and distribution of the Preliminary Official Statement and Official Statement; (v) the initial fees of The Bank of New York Mellon Trust Company, N.A., as Paying Agent and Costs of Issuance Custodian (the "Costs of Issuance Custodian"); (vi) expenses for travel, lodging, and subsistence related to rating agency visits and other meetings connected to the authorization, sale, issuance and distribution of the Bonds; (vii) the fees and expenses of the Municipal Advisor; and (viii) all other fees and expenses incident to the issuance and sale of the Bonds. The balance of any costs of issuance not paid by the Underwriter shall be paid by the District. In the event that following payment of the expenses set forth above, there is any portion remaining, such remaining amount shall be deposited into the Project Fund (as defined in the Resolution) for the Bonds.

(b) Notwithstanding any of the foregoing, the Underwriter shall pay all out of pocket expenses of the Underwriter, including the California Debt and Investment Advisory Commission fee, CUSIP fees, the fees and disbursement of counsel to the Underwriter, and other expenses (except those expressly provided above) without limitation, except travel and related expenses attributable to City personnel in connection with the Bond rating.

(c) Notwithstanding Section 10(f) hereof, the City hereby agrees, in the event the purchase and sale of the Bonds does not occur as contemplated hereunder, to reimburse the Underwriter for any costs described in Subsection 12(a)(vi) above that are attributable to City personnel.

13. **Notices.** Any notice or other communication to be given under this Contract of Purchase (other than the acceptance hereof as specified in the first paragraph hereof) may be given by delivering the same in writing, if to the City, to City of Campbell, 70 N. First Street, Campbell, California 95008, Attention: Finance Director, or if to the Underwriter, to Stifel, Nicolaus & Company, Incorporated, One Montgomery Street, 35th Floor, San Francisco, CA 94104, attention: Eileen Gallagher, Managing Director.

14. **Parties in Interest; Survival of Representations and Warranties.** This Contract of Purchase when accepted by the City in writing as heretofore specified shall constitute the entire agreement between the City and the Underwriter. This Contract of Purchase is made solely for the benefit of the City and the Underwriter (including the successors or assigns of the Underwriter). No person shall acquire or have any rights hereunder or by virtue hereof. All the representations, warranties and agreements of the City in this Contract of Purchase shall survive regardless of (a) any investigation or any statement in respect thereof made by or on behalf of the Underwriter, (b)

delivery of and payment by the Underwriter for the Bonds hereunder, and (c) any termination of this Contract of Purchase.

15. **Execution in Counterparts.** This Contract of Purchase may be executed in several counterparts each of which shall be regarded as an original and all of which shall constitute but one and the same document.

[REMAINDER OF PAGE LEFT BLANK]

16. **Applicable Law.** This Contract of Purchase shall be interpreted, governed and enforced in accordance with the laws of the State applicable to contracts made and performed in such State.

Very truly yours,

**STIFEL, NICOLAUS & COMPANY,
INCORPORATED, as Underwriter**

By: _____
Authorized Representative

The foregoing is hereby agreed to and accepted at _____ p.m., Pacific Time, as of the date first above written:

CITY OF CAMPBELL

By: _____

Attachment: Draft Bond Purchase Agreement (Authorization to Issuance of Measure O Bonds in FY 2020-21)

EXHIBIT A

\$ _____
CITY OF CAMPBELL
Election of 2018 General Obligation Bonds, Series 2020

\$ _____ Serial Bonds

<u>Maturity (September 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>	<u>10% Rule Satisfied</u>	<u>Hold-the- Offering- Price Rule</u>
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\$ _____ Term Bonds

<u>Maturity (September 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>	<u>10% Rule Satisfied</u>	<u>Hold-the- Offering- Price Rule</u>
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Redemption Provisions

Optional Redemption. The Bonds maturing on or before September 1, 20__, are not subject to redemption prior to their respective stated maturities. The Bonds maturing on or after September 1, 20__, are subject to redemption prior to maturity, at the option of the City, in whole or in part among maturities on such basis as designated by the City and by lot within a maturity, from any available source of funds, on September 1, 20__, and on any date thereafter, at a redemption price equal to 100% of the principal amount of Bonds to be redeemed together with accrued interest thereon to the date fixed for redemption, without premium.

Mandatory Sinking Fund Redemption. The Term Bonds maturing on September 1, 20__ and September 1, 20__ (the “**Term Bonds**”) are subject to redemption prior to their stated maturity date, without a redemption premium, in part by lot, from mandatory sinking fund payments on each September 1, on and after September 1, 20__, in the principal amounts as set forth in the following tables:

Attachment: Draft Bond Purchase Agreement (Authorization to Issuance of Measure O Bonds in FY 2020-21)

\$_____ Term Bond Due September 1, 20__

Payment Date (September 1)	Payment Amount
-------------------------------	-------------------

(Maturity)

\$_____ Term Bond Due September 1, 20__

Payment Date (September 1)	Payment Amount
-------------------------------	-------------------

(Maturity)

If some but not all of the Term Bonds have been optionally redeemed, the aggregate principal amount of Term Bonds to be subject to Mandatory Sinking Fund Redemption in each year will be reduced on a pro rata basis in integral multiples of \$5,000, as designated in written notice filed by the City with the Paying Agent.

Attachment: Draft Bond Purchase Agreement (Authorization to Issuance of Measure O Bonds in FY 2020-21)

EXHIBIT B**FORM OF ISSUE PRICE CERTIFICATE**

\$ _____

CITY OF CAMPBELL**Election of 2018 General Obligation Bonds, Series 2020****ISSUE PRICE CERTIFICATE**

The undersigned, on behalf of STIFEL, NICOLAUS & COMPANY, INCORPORATED (“STIFEL”), hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the “Bonds”).

1. ***Sale of the General Rule Maturities.*** As of the date of this certificate, for each Maturity of the General Rule Maturities, the first price at which at least 10% of such Maturity was sold to the Public is the respective price listed in Schedule A.

2. ***Initial Offering Price of the Hold-the-Offering-Price Maturities.***

(a) Stifel offered the Hold-the-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule A (the “Initial Offering Prices”) on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as Schedule B.

(b) As set forth in the Contract of Purchase, Stifel has agreed in writing that, (i) for each Maturity of the Hold-the-Offering-Price Maturities, it would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “hold-the-offering-price rule”), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail or other third-party distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail or other third-party distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter (as defined below) has offered or sold any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.

3. ***Defined Terms.***

(a) *City* means City of Campbell.

(b) *General Rule Maturities* means those Maturities of the Bonds listed in Schedule A hereto as the “General Rule Maturities.”

(c) *Hold-the-Offering-Price Maturities* means those Maturities of the Bonds listed in Schedule A hereto as the “Hold-the-Offering-Price Maturities.”

(d) *Holding Period* means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date, or (ii) the date on which the Underwriter has sold at least 10% of such Hold-the-Offering-

Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.

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

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

(g) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is _____, 2020.

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

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

STIFEL, NICOLAUS & COMPANY
INCORPORATED

By: _____

Name: _____

Dated: _____, 2020

Attachment: Draft Bond Purchase Agreement (Authorization to Issuance of Measure O Bonds in FY 2020-21)

SCHEDULE A
IDENTIFICATION OF GENERAL RULE MATURITIES AND
HOLD-THE-OFFERING-PRICE MATURITIES

Attachment: Draft Bond Purchase Agreement (Authorization to Issuance of Measure O Bonds in FY 2020-21)

SCHEDULE B
PRICING WIRE OR EQUIVALENT COMMUNICATION
(see attached)

Attachment: Draft Bond Purchase Agreement (Authorization to Issuance of Measure O Bonds in FY 2020-21)

Agenda Draft

NEW ISSUE - FULL BOOK-ENTRY

RATING: S&P: “__”
See “RATING”.

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. Bond Counsel expresses no opinion regarding any other tax consequences caused by the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "LEGAL MATTERS – Tax Exemption."

\$20,000,000*
CITY OF CAMPBELL
ELECTION OF 2018 GENERAL OBLIGATION BONDS,
SERIES 2020

Dated: Date of Delivery

Due: September 1, as shown on inside cover

Cover Page. This cover page contains information for quick reference only. It is not a summary of all the provisions of the Bonds. Investors must read the entire official statement to obtain information essential to making an informed investment decision.

Authority and Purpose. The captioned Election of 2018 General Obligation Bonds, Series 2020 (the “Bonds”), are being issued by the City of Campbell (the “City”) pursuant to certain provisions of the California Government Code and resolutions of the City Council of the City adopted on July 21, 2020. The Bonds were authorized at an election of the registered voters of the City held on November 6, 2018, which authorized the issuance of general obligation bonds for the purpose of financing the acquisition and improvement of a police emergency operations center and a public library. See “THE BONDS – Authority for Issuance” and “THE FINANCING PLAN” herein.

Security. The Bonds are general obligations of the City, payable solely from ad valorem property taxes levied by the City and collected by Santa Clara County (the “County”). The City Council is empowered and is obligated to annually levy ad valorem taxes for the payment of interest on, and principal of, the Bonds upon all property subject to taxation by the City, without limitation of rate or amount (except certain personal property that is taxable at limited rates). See “SECURITY FOR THE BONDS.”

Payments. Interest on the Bonds accrues from the date of delivery and is payable semiannually on March 1 and September 1 of each year, commencing March 1, 2021, by check, draft or wire mailed to the person in whose name the Bond is registered. Payments of principal and interest on the Bonds will be paid by The Bank of New York Mellon Trust Company, N.A., as paying agent for the Bonds (the “Paying Agent”), to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Bonds. See “THE BONDS – Description of the Bonds.”

Redemption. The Bonds are subject to optional redemption and mandatory sinking fund redemption prior to maturity as described herein. See discussion of redemption under the heading “THE BONDS.”

Book-Entry Only. The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee of The Depository Trust Company (“DTC”). Purchasers will not receive physical certificates representing their interests in the Bonds. See APPENDIX E for additional information about the book-entry only system.

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



Maturity Schedules
(See inside cover)

The Bonds are offered when, as and if issued and received by the Underwriter and subject to the approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel. Certain legal matters will also be passed upon for the City by Jones Hall, A Professional Law Corporation, San Francisco, California, as Disclosure Counsel and for the Underwriter by Stradling Yocca Carlson & Rauth, A Professional Corporation, San Francisco, California. It is anticipated that the Bonds in definitive form will be available for delivery to Cede & Co., as nominee of The Depository Trust Company, on or about August __, 2020.

[Stifel Logo]

The date of this Official Statement is August __, 2020.

* Preliminary; subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor shall there be any 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.

Attachment: Draft Preliminary Official Statement (POS) (Authorization to Issuance of Measure O Bonds in FY 2020-21)

MATURITY SCHEDULE*

\$20,000,000*
CITY OF CAMPBELL
ELECTION OF 2018 GENERAL OBLIGATION BONDS,
SERIES 2020
(Base CUSIP†: _____)

Maturity Date (September 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP† No.
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*Preliminary; subject to change.

† CUSIP Copyright 2020, CUSIP Global Services, and a registered trademark of American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, which is managed on behalf of American Bankers Association by S&P Capital IQ. Neither the City nor the Underwriter take any responsibility for the accuracy of the CUSIP data.

Attachment: Draft Preliminary Official Statement (POS) (Authorization to Issuance of Measure O Bonds in FY 2020-21)

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

Use of Official Statement. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not a contract between any bond owner and the City or the Underwriter. This Official Statement and the information contained herein are subject to completion or amendment without notice.

No Offering Except by This Official Statement. No dealer, broker, salesperson or other person has been authorized by the City or the Underwriter to give any information or to make any representations relating to the Bonds other than those contained in this Official Statement and, if given or made, such other information or representation must not be relied upon as having been authorized by the City or the Underwriter.

No Unlawful Offers or Solicitations. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor may there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

Estimates and Projections. When used in this Official Statement and in any continuing disclosure by the City, in any press release and in any oral statement made with the approval of an authorized officer of the City, the words or phrases “will likely result,” “are expected to,” “will continue,” “is anticipated,” “estimate,” “project,” “forecast,” “expect,” “intend” and similar expressions identify “forward looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

Information in Official Statement. The information set forth in this Official Statement has been furnished by the City and other sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness by the City.

Involvement of Underwriter. The Underwriter (as defined in “UNDERWRITING”) has 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 this offering, the Underwriter may overallocate or effect transactions which stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Bonds to certain dealers and others at prices lower than the public offering prices set forth on the cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

Document Summaries. All summaries of the Bond Resolution or other documents referred to in this Official Statement are made subject to the provisions of such documents and qualified in their entirety to reference to such documents, and do not purport to be complete statements of any or all of such provisions.

No Securities Laws Registration. The Bonds have not been registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, in reliance upon exceptions therein for the issuance and sale of municipal securities. The Bonds have not been registered or qualified under the securities laws of any state.

Effective Date. This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Bonds will, under any circumstances, give rise to any implication that there has been no change in the affairs of the City, or the other parties described in this Official Statement, or the condition of the property within the City since the date of this Official Statement.

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

**CITY OF CAMPBELL
(SANTA CLARA COUNTY, CALIFORNIA)**

MEMBERS OF THE CITY COUNCIL

Susan M. Landry, Mayor
Elizabeth Gibbons, Vice Mayor
Anne Bybee, Councilmember
Paul Resnikoff, Councilmember
Rich Waterman, Councilmember

CITY OFFICIALS AND STAFF

Brian Loventhal, *City Manager*
Andrea Sanders, *Acting City Clerk*
William Seligmann, *City Attorney*
Will Fuentes, *Finance Director*

PROFESSIONAL SERVICES

BOND AND DISCLOSURE COUNSEL

Jones Hall, A Professional Law Corporation
San Francisco, California

MUNICIPAL ADVISOR

NHA Advisors, LLC
San Rafael, California

BOND REGISTRAR, TRANSFER AGENT, AND PAYING AGENT

The Bank of New York Mellon Trust Company, N.A.
Dallas, Texas

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Attachment: Draft Preliminary Official Statement (POS) (Authorization to Issuance of Measure O Bonds in FY 2020-21)

OFFICIAL STATEMENT

\$20,000,000*
CITY OF CAMPBELL
ELECTION OF 2018 GENERAL OBLIGATION BONDS,
SERIES 2020

INTRODUCTION

This Official Statement, which includes the cover page and appendices hereto, provides information in connection with the sale and delivery of the City of Campbell Election of 2018 General Obligation Bonds, Series 2020 (the “**Bonds**”).

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 hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Bonds to potential investors is made only by means of the entire Official Statement.

The City

The City is located in Santa Clara County (the “**County**”) contiguous with the City of San Jose and 50 miles south of San Francisco. The City encompasses 6.7 square miles, is substantially built out, and serves a population of approximately 42,288 residents. The City is a general law city and is comprised of a mix of residential, office and commercial retail businesses. For more information regarding the City and its finances, see APPENDIX A and APPENDIX B.

Sources of Payment for the Bonds

The Bonds are general obligations of the City payable solely from ad valorem property taxes levied by the City and collected by the County. The City Council is empowered and obligated to annually levy ad valorem taxes for the payment of interest on, and principal of, the Bonds upon all property subject to taxation by the City, without limitation of rate or amount (except with respect to certain personal property that is taxable at limited rates). See “SECURITY FOR THE BONDS” and “PROPERTY TAXATION.”

Purposes for Issuance

The net proceeds of the Bonds will be used to finance the acquisition and improvement of a police emergency operations center and a public library, as approved at an election of the City’s voters, and to pay costs of issuing the Bonds. See “THE FINANCING PLAN.”

Authority for Issuance

The Bonds are being issued under the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California, commencing with Section 53506 (the “**Bond Law**”), and pursuant to and consistent with a resolution adopted by the City Council of the City on July 21, 2020 (the “**Bond Resolution**”).

See “THE BONDS - Authority for Issuance.”

Description of the Bonds

Generally. The Bonds mature in the years and in the amounts as set forth on the inside cover page of this Official Statement. The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee for DTC. Purchasers will not receive physical certificates representing their interest in the Bonds. See “THE BONDS – Description of the Bonds” and APPENDIX E.

Redemption. The Bonds are subject to redemption prior to maturity as described under the heading “THE BONDS – Redemption.”

Legal Matters

Issuance of the Bonds is subject to the approving opinions of Jones Hall, A Professional Law Corporation, San Francisco, California, as bond counsel (“**Bond Counsel**”), to be delivered in substantially the respective forms attached hereto as APPENDIX C. Jones Hall, A Professional Law Corporation, San Francisco, California, will also serve as disclosure counsel to the City (“**Disclosure Counsel**”).

Tax Matters

In the opinion of Bond Counsel, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal individual alternative minimum tax. In the further opinion of Bond Counsel, interest on the Bonds is exempt from California personal income taxes. See “TAX MATTERS” for additional information, and APPENDIX C for the forms of Bond Counsel’s opinions to be delivered concurrently with the Bonds.

Offering and Delivery of the Bonds

The Bonds are offered when, as and if issued and received by the Underwriter, subject to approval as to the legality by Bond Counsel. It is anticipated that the Bonds will be available for delivery through the facilities of DTC on or about August __, 2020.

Continuing Disclosure

The City has covenanted and agreed that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. The form of the Continuing Disclosure Certificate is included in APPENDIX D. See also “CONTINUING DISCLOSURE.”

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of documents referred to in this Official Statement and information concerning the Bonds are available from the City of Campbell City Clerk, 70 North First Street, Campbell, California 95008, (408) 866-2117. The City may impose a charge for copying, mailing and handling.

This Official Statement is not to be construed as a contract between any bond owner and the City or the Underwriter. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. The summaries and references to documents, statutes and constitutional provisions referred to herein do not purport to be comprehensive or definitive, and are qualified in their entirety by reference to each of such documents, statutes and constitutional provisions.

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

THE FINANCING PLAN

Purpose of Issue

The proceeds of the Bonds will be used to finance projects approved by more than the requisite two-thirds of City voters that voted at an election held in the City on November 6, 2018 (the “**Bond Election**”). The abbreviated form of the ballot measure, labeled Measure O (the “**Bond Measure**”), is set forth below:

“To provide a police emergency operations center that is fully operational during a disaster and an innovative library in seismically safe, accessible, and energy-efficient facilities meeting current safety codes, shall the City of Campbell’s measure to issue \$50,000,000 in general obligation bonds with projected levies of \$0.019 per \$100 (\$19 per \$100,000) of assessed value, generating an estimated average of \$3,025,000 annually to repay bonds through maturity, with citizen oversight and all funds spent locally, be adopted?”

The Bonds will be the first series of bonds issued pursuant to the authority received at the Bond Election.

[Remainder of page intentionally left blank]

SOURCES AND USES OF FUNDS

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

Sources of Funds

Principal Amount of Bonds

Plus: Net Original Issue Premium

Total Sources

Uses of Funds

Deposit to Project Fund

Costs of Issuance*

Total Uses

**All estimated costs of issuance including, but not limited to, Underwriter's discount, printing costs, and fees of Bond Counsel, Disclosure Counsel, the Municipal Advisor, the Paying Agent and the rating agency.*

[Remainder of page intentionally left blank]

THE BONDS

Authority for Issuance

The Bonds are issued under the Bond Law and other applicable law. The City authorized the issuance of the Bonds pursuant to the Bond Resolution. The City received authorization at the Bond Election to issue \$50 million of general obligation bonds. The Bonds are the first series of Bonds to be sold and issued under the authorization received at the Bond Election.

Description of the Bonds

Book-Entry Form. The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“**DTC**”). Purchasers of the Bonds (the “**Beneficial Owners**”) will not receive physical certificates representing their interest in the Bonds. Payments of principal of and interest on the Bonds will be paid by the Paying Agent to DTC for subsequent disbursement to DTC Participants which will remit such payments to the Beneficial Owners of the Bonds.

As long as DTC’s book-entry method is used for the Bonds, the Paying Agent will send any notice of prepayment or other notices to owners only to DTC. Any failure of DTC to advise any DTC Participant, or of any DTC Participant to notify any Beneficial Owner, of any such notice and its content or effect will not affect the validity or sufficiency of the proceedings relating to the prepayment of the Bonds called for prepayment or of any other action premised on such notice.

The Paying Agent, the City, and the Underwriter have no responsibility or liability for any aspects of the records relating to or payments made on account of beneficial ownership, or for maintaining, supervising or reviewing any records relating to beneficial ownership, of interests in the Bonds. See APPENDIX E for additional information.

Interest. Interest on the Bonds is payable semiannually on March 1 and September 1 of each year (the “**Interest Payment Dates**”), commencing March 1, 2021.

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

1. a Bond is authenticated as of an Interest Payment Date, in which event it will bear interest from such date,
2. a Bond is authenticated prior to an Interest Payment Date and after the close of business on the 15th day of the month preceding the Interest Payment Date (each, a “**Record Date**”), in which event it will bear interest from such Interest Payment Date,
3. a Bond is authenticated on or before February 15, 2021, in which event it shall bear interest from the Closing Date, or
4. at the time of authentication of a Bond, interest is in default thereon, in which event it will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

Interest on the Bonds will be calculated on the basis of a 360-day year comprised of twelve 30-day months.

Denominations and Maturity. The Bonds shall be issued in the denomination of \$5,000 each or any integral multiple of \$5,000. The Bonds mature on September 1 in the years and amounts set forth on the inside cover page hereof.

See the maturity schedule on the inside cover page hereof and "DEBT SERVICE SCHEDULE" below.

Payment

Interest on the Bonds (including the final interest payment upon maturity) is payable by check of the Paying Agent mailed to the owner thereof at such owner's address as it appears on the Registration Books (as defined below) at the close of business on the preceding Record Date, except that at the written request of the Owner of at least \$1,000,000 aggregate principal amount of the Bonds, which written request is on file with the Paying Agent as of any Record Date, interest on such Bonds shall be paid by wire transfer on the succeeding Interest Payment Date to an account in the United States of America as shall be specified in such written request.

Principal of and premium (if any) on the Bonds is payable in lawful money of the United States of America upon presentation and surrender at the principal office of the Paying Agent.

Redemption*

Optional Redemption. The Bonds maturing on or before September 1, 20__, are not subject to redemption prior to their respective stated maturities. The Bonds maturing on or after September 1, 20__, are subject to redemption prior to maturity, at the option of the City, in whole or in part among maturities on such basis as designated by the City and by lot within a maturity, from any available source of funds, on September 1, 20__, and on any date thereafter, at a redemption price equal to 100% of the principal amount of Bonds to be redeemed together with accrued interest thereon to the date fixed for redemption, without premium.

Mandatory Sinking Fund Redemption. The Term Bonds maturing on September 1, 20__ and September 1, 20__ (the "Term Bonds") are subject to redemption prior to their stated maturity date, without a redemption premium, in part by lot, from mandatory sinking fund payments on each September 1, on and after September 1, 20__, in the principal amounts as set forth in the following tables:

\$ _____ Term Bond Due September 1, 20__

Payment Date (September 1)	Payment Amount
_____	_____

(Maturity)

* Preliminary; subject to change.

\$ _____ Term Bond Due September 1, 20__

Payment Date (September 1)	Payment Amount
-------------------------------	-------------------

(Maturity)

If some but not all of the Term Bonds have been optionally redeemed, the aggregate principal amount of Term Bonds to be subject to Mandatory Sinking Fund Redemption in each year will be reduced on a pro rata basis in integral multiples of \$5,000, as designated in written notice filed by the City with the Paying Agent.

Redemption Procedure. The Paying Agent will cause notice of any redemption to be mailed, first class mail, postage prepaid, at least 20 days but not more than 60 days prior to the date fixed for redemption, (i) to the Securities Depositories and the Municipal Securities Rulemaking Board, and (ii) to the respective Owners of any Bonds designated for redemption, at their addresses appearing on the Registration Books (as defined below) maintained by the Paying Agent. Such mailing will not be a condition precedent to such redemption and failure to mail or to receive any such notice will not affect the validity of the proceedings for the redemption of such Bonds.

The City is entitled to send a redemption notice that declares that the redemption is conditional upon the availability of moneys to accomplish the redemption, and the City may rescind any notice of optional redemption of the Bonds by written notice to the Paying Agent on or prior to the date fixed for redemption, and the Paying Agent shall mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent under this section. Any notice of redemption shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption. The City and the Paying Agent have no liability to the Owners or any other party related to or arising from such rescission.

A redemption notice will state the redemption date and the redemption price and, if less than all of the then Outstanding Bonds are to be called for redemption, will designate the serial numbers of the Bonds to be redeemed by giving the individual number of each Bond or by stating that all Bonds between two stated numbers, both inclusive, or by stating that all of the Bonds of one or more maturities have been called for redemption, and will require that such Bonds be then surrendered at the principal office of the Paying Agent for redemption at the said redemption price, giving notice also that further interest on such Bonds will not accrue from and after the redemption date.

Partial Redemption. Upon surrender of Bonds redeemed in part only, the City will execute and the Paying Agent will authenticate and deliver to the owner, at the expense of the City, a new Bond or Bonds, of the same maturity, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond or Bonds.

Effect of Redemption. From and after the date fixed for redemption, if notice of such redemption has been duly given and funds available for the payment of the principal of and interest (and premium, if any) on the Bonds so called for redemption have been duly provided, such Bonds so called will cease to be entitled to any benefit under the Bond Resolution other than the right to receive payment of the redemption price, and no interest will accrue thereon on or after the redemption date specified in such notice.

Attachment: Draft Preliminary Official Statement (POS) (Authorization to Issuance of Measure O Bonds in FY 2020-21)

Registration, Transfer and Exchange of Bonds

If the book-entry system as described above and in APPENDIX E is no longer used with respect to the Bonds, the following provisions will govern the registration, transfer, and exchange of the Bonds.

Registration Books. The Paying Agent will keep or cause to be kept sufficient books for the registration and transfer of the Bonds (the “**Registration Books**”), which will at all times be open to inspection by the City upon reasonable notice; and, upon presentation for such purpose, the Paying Agent shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, the Bonds.

Transfer. Any Bond may, in accordance with its terms, be transferred, upon the Registration Books, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation at the principal office of the Paying Agent, accompanied by delivery of a written instrument of transfer in a form approved by the Paying Agent, duly executed. The City may charge a reasonable sum for each new Bond issued upon any transfer.

Whenever any Bond or Bonds are surrendered for transfer, the City will execute and the Paying Agent will authenticate and deliver a new Bond or Bonds, for like aggregate principal amount.

Exchange. Bonds may be exchanged at the principal office of the Paying Agent for a like aggregate principal amount of Bonds of authorized denominations and of the same maturity. The City may charge a reasonable sum for each new Bond issued upon any exchange.

Defeasance

The City has the option to pay and discharge the entire indebtedness on all or any portion of the outstanding Bonds in any one or more of the following ways:

- (a) by paying or causing to be paid the principal of and interest on such Bonds, as and when the same become due and payable;
- (b) by irrevocably depositing, in trust, at or before maturity:
 - (i) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity; or
 - (ii) Federal Securities (as defined below), the principal of and interest on, which when due, in the opinion of a certified public accountant delivered to the City, will provide money sufficient to pay the principal of and all unpaid interest to maturity on the Bonds to be paid, as such principal and interest become due.
- (c) by delivering such Bonds to the Paying Agent for cancellation by it.

“Federal Securities” means United States Treasury notes, bonds, bills or certificates of indebtedness, or any other obligations, the timely payment of which is directly or indirectly guaranteed by the faith and credit of the United States of America.

[Remainder of page intentionally left blank.]

DEBT SERVICE SCHEDULE

The following table shows the debt service schedule with respect to the Bonds, assuming no optional redemptions. The City does not have any other general obligation bonds outstanding.

Bond Year Ending September 1	Principal	Interest	Total Debt Service
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
2048			
2049			
2050			
Total			

Attachment: Draft Preliminary Official Statement (POS) (Authorization to Issuance of Measure O Bonds in FY 2020-21)

SECURITY FOR THE BONDS

Ad Valorem Taxes

Bonds Payable from Ad Valorem Property Taxes. The Bonds are general obligations of the City, payable solely from ad valorem property taxes levied by the City and collected by the County. The City is empowered and is obligated, and under the Bond Resolution has covenanted, to annually levy ad valorem taxes for the payment of the Bonds and the interest thereon upon all property within the City subject to taxation by the City, without limitation of rate or amount (except certain personal property that is taxable at limited rates).

Levy and Collection. The City will levy and the County will collect such ad valorem taxes in such amounts and at such times as is necessary to ensure the timely payment of debt service. Such taxes, when collected, will be deposited into a debt service fund for the Bonds, which is maintained by the City and which is irrevocably pledged for the payment of principal of and interest on the Bonds when due.

City property taxes are assessed and collected by the County in the same manner, at the same time and in the same installments as other ad valorem taxes on real property and will have the same priority, become delinquent at the same times and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do the other ad valorem taxes on real property. As described below, the County has adopted a Teeter Plan and the City has elected to participate in the Teeter Plan. See “PROPERTY TAXATION – Alternative Method of Tax Apportionment – Teeter Plan.”

Annual Tax Rates. The amount of the annual ad valorem tax levied by the City to repay the Bonds will be determined by the relationship between the assessed valuation of taxable property in the City and the amount of debt service due on the Bonds. Fluctuations in the annual debt service on the Bonds and the assessed value of taxable property in the City may cause the annual tax rate to fluctuate.

Economic and other factors beyond the City’s control, such as economic recession, deflation of land values, a relocation out of the City or financial difficulty or bankruptcy by one or more major property taxpayers, or the complete or partial destruction of taxable property caused by, among other eventualities, earthquake, flood, fire, epidemic, or other natural disaster or event, could cause a reduction in the assessed value within the City and necessitate a corresponding increase in the annual tax rate. See “-COVID-19 Global Pandemic” below.

Debt Service Funds

Pursuant to the Bond Resolution, the City will establish a debt service fund for the Bonds (the “**Debt Service Fund**”), which will be established as a separate fund to be maintained distinct from all other funds of the City. All taxes levied by the City pursuant to the Bond Resolution for the payment of the principal of and interest and premium (if any) on the Bonds will be deposited in the Debt Service Fund by the City promptly upon receipt from the County. The Debt Service Fund is pledged for the payment of the principal of and interest and premium (if any) on the Bonds, when and as the same become due. The City will transfer amounts in the Debt Service Fund, to the extent necessary, to pay the principal of and interest on the Bonds as the same become due and payable, to the Paying Agent, as required to pay the principal of and interest and premium (if any) on the Bonds.

If, after payment in full of the Bonds, any amounts remain on deposit in the Debt Service Fund, the City shall transfer such amounts to its General Fund, to be applied solely in a manner that is consistent with the requirements of applicable state and federal tax law.

Limited Obligation

The Bonds are payable solely from the proceeds of an ad valorem tax levied by the City, and collected by the County, for the payment of principal and interest on the Bonds. Although the County is obligated to collect the ad valorem tax for the payment of the Bonds, the Bonds are not a debt of the County.

COVID-19 Global Pandemic

General. The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus (“**COVID-19**”), was declared a pandemic by the World Health Organization, a national emergency by the President of the United States (the “**President**”) and a state of emergency by the Governor of the State (the “**Governor**”). There has been tremendous volatility in the markets in the United States and globally, resulting in significant declines and the onset of a national and global recession.

The President’s declaration of a national emergency on March 13, 2020 made available more than \$50 billion in federal resources to combat the spread of the virus. A multibillion-dollar COVID-19 relief package was signed into law by the President on March 18, 2020 providing for Medicaid expansion, unemployment benefits and paid emergency leave during the crisis. On March 27, 2020, the United States Congress approved a \$2 trillion relief package, including economic stimulus in the form of direct payment to certain Americans and billions of dollars to hospitals. In addition, the Federal Reserve has lowered its benchmark interest rate to nearly zero, introduced a large bond-buying program and established emergency lending programs to banks and money market mutual funds.

At the State level, on March 16, 2020, the State legislature approved \$1.1 billion in emergency funds in response to the COVID-19 crisis. On March 19, 2020, the Governor issued a shelter-in-place order, Executive Order N-33-20, ordering all California residents to stay home except to get food, care for a relative, get necessary healthcare or go to an essential job. The shelter order went into effect immediately and will stay in effect until further notice.

Pursuant to the Governor’s Order N-60-20 of May 4, 2020, on May 7, 2020, the State’s Public Health Officer released an order supporting the gradual movement of the State from Stage 1 to Stage 2 of “California’s Pandemic Resilience Roadmap.” The Resilience Roadmap consists of four stages designed to incrementally ease the restrictions implemented pursuant to the shelter-in-place order and permit the gradual reopening of various businesses. Effective as of May 8, 2020, Order N-60-20 allows for the return of certain kinds of retail, manufacturing and other “low risk” businesses if physical distancing measures are implemented, and identifies procedures for local officers to reduce restrictions and move further ahead in the Pandemic Resilience Roadmap if certain criteria are met. However, local health jurisdictions may implement or continue more restrictive health measures as needed, and it is likely that the Governor will continue to issue new orders in response to changing conditions.

Covid-19 and the resulting economic impacts could adversely affect assessed values in the City and could adversely affect the willingness of property owners to pay their property taxes when due. See “PROPERTY TAXATION – Alternative Method of Tax Apportionment – Teeter Plan.”

Impacts on Global and Local Economies; Potential Declines in State Revenues. The COVID-19 public health emergency is altering the behavior of businesses and people in a manner

that will have negative impacts on global and local economies, including the economy of the State. See “APPENDIX A – FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE CITY OF CAMPBELL AND SANTA CLARA COUNTY – State Budget and Its Impact on the City” for additional information about the impact of COVID-19 on the State’s 2020-21 budget.

See “APPENDIX A – FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE CITY OF CAMPBELL AND SANTA CLARA COUNTY” for additional information about the impact of COVID-19 on the City.

[Remainder of page intentionally left blank.]

PROPERTY TAXATION

Property Tax Collection Procedures

In California, property which is subject to ad valorem taxes is classified as “secured” or “unsecured.” The “secured roll” is that part of the assessment roll containing state assessed public utilities’ property and property, the taxes on which are a lien on real property sufficient, in the opinion of the county assessor, to secure payment of the taxes. A tax levied on unsecured property does not become a lien against such unsecured property, but may become a lien on certain other property owned by the taxpayer. Every tax which becomes a lien on secured property has priority over all other liens arising pursuant to State law on such secured property, regardless of the time of the creation of the other liens. Secured and unsecured property are entered separately on the assessment roll maintained by the county assessor. The method of collecting delinquent taxes is substantially different for the two classifications of property.

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. In addition, property on the secured roll with respect to which taxes are delinquent is declared tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and a delinquency penalty, plus a redemption penalty of 1.5% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to sale by the County.

Property taxes are levied for each fiscal year on taxable real and personal property situated in the taxing jurisdiction as of the preceding January 1. A bill enacted in 1983, SB813 (Statutes of 1983, Chapter 498), however, provided for the supplemental assessment and taxation of property as of the occurrence of a change of ownership or completion of new construction. Thus, this legislation eliminated delays in the realization of increased property taxes from new assessments. As amended, SB813 provided increased revenue to taxing jurisdictions to the extent that supplemental assessments of new construction or changes of ownership occur subsequent to the January 1 lien date and result in increased assessed value.

Property taxes on the unsecured roll are due on the January 1 lien date and become delinquent, if unpaid on the following August 31. A 10% penalty is also attached to delinquent taxes in respect of property on the unsecured roll, and further, an additional penalty of 1.5% per month accrues with respect to such taxes beginning the first day of the third month following the delinquency date. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the county clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the county recorder’s office, in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee. The exclusive means of enforcing the payment of delinquent taxes in respect of property on the secured roll is the sale of the property securing the taxes for the amount of taxes which are delinquent.

Taxation of State-Assessed Utility Property

The State Constitution provides that most classes of property owned or used by regulated utilities are assessed by the State Board of Equalization (“SBE”) and taxed locally. Property valued by the SBE as an operating unit in a primary function of the utility taxpayer is known as “unitary property,” a concept designed to permit assessment of the utility as a going concern rather than assessment of each individual element of real and personal property owned by the utility taxpayer. State-assessed unitary and “operating nonunitary” property (which excludes nonunitary property of regulated railways) is allocated to the counties based on the situs of the various components of the unitary property. Except for unitary property of regulated railways and certain other excepted property, all unitary and operating nonunitary property is taxed at special county-wide rates and tax proceeds are distributed to taxing jurisdictions according to statutory formulae generally based on the distribution of taxes in the prior year.

Assessed Valuation

Assessed Valuation History. The following is a table summarizing the historical assessed valuation of the taxable property in the City.

Table 1
CITY OF CAMPBELL
Assessed Valuations of All Taxable Property
Fiscal Years 2011-12 to 2019-20

<u>Fiscal Year</u>	<u>Local Secured⁽¹⁾</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Total</u>	<u>Percent Change</u>
2011-12	\$6,088,878,105	\$145,750	\$253,185,951	\$6,342,209,806	--%
2012-13	6,200,714,942	145,750	280,367,332	6,481,228,024	2.2
2013-14	6,950,990,912	145,750	284,251,723	7,235,388,385	11.6
2014-15	7,407,865,106	172,250	288,458,347	7,696,495,703	6.4
2015-16	7,957,558,231	172,250	273,569,603	8,231,300,084	6.9
2016-17	8,567,685,262	172,250	290,398,591	8,858,256,103	7.6
2017-18	9,202,915,246	172,250	276,228,712	9,479,316,208	7.0
2018-19	9,910,024,537	238,500	276,847,459	10,187,110,496	7.5
2019-20	10,767,752,914	238,500	295,779,677	11,063,771,091	8.6

Source: Santa Clara County Auditor-Controller's Office

Assessed Valuation by Land Use. The following table shows the land use of parcels in the City, according to assessed valuation. As shown, the majority of land in the City is used for residential purposes.

Table 2
CITY OF CAMPBELL
Assessed Valuation and Parcels by Land Use
Fiscal Year 2019-20

	2019-20	% of	No. of	% of
	Assessed Valuation ⁽¹⁾	Total	Parcels	Total
Non-Residential:				
Commercial/Office	\$1,744,456,314	16.20%	517	4.20%
Industrial	573,140,284	5.32	259	2.10
Government/Social/Institutional	23,988,035	0.22	68	0.55
Miscellaneous	<u>55,155,645</u>	<u>0.51</u>	<u>41</u>	<u>0.33</u>
Subtotal Non-Residential	\$2,396,740,278	22.26%	885	7.19%
Residential:				
Single Family Residence	\$5,286,788,903	49.10%	7,642	62.04%
Condominium/Townhouse	1,538,721,521	14.29	2,838	23.04
Mobile home	11,584,826	0.11	100	0.81
2-4 Residential Units	476,773,913	4.43	641	5.20
5+ Residential Units/Apartments	<u>1,016,994,557</u>	<u>9.44</u>	<u>120</u>	<u>0.97</u>
Subtotal Residential	\$8,330,863,720	77.37%	11,341	92.08%
Vacant Parcels	\$40,148,916	0.37%	91	0.74%
Total	\$10,767,752,914	100.00%	12,317	100.00%

(1) Local Secured Assessed Valuation; excluding tax-exempt property.
Source: California Municipal Statistics, Inc.

Assessed Valuation of Single-Family Residential Parcels. The following table shows a breakdown of the assessed valuations of improved single-family residential parcels in the City, according to assessed valuation.

**Table 3
CITY OF CAMPBELL
Per Parcel 2019-20 Assessed Valuation
of Single-Family Homes**

	<u>No. of Parcels</u>	<u>2019-20 Assessed Valuation</u>	<u>Average Assessed Valuation</u>	<u>Median Assessed Valuation</u>
Single Family Residential	7,642	\$5,286,788,903	\$691,807	\$652,113

<u>2019-20 Assessed Valuation</u>	<u>No. of Parcels ⁽¹⁾</u>	<u>% of Total</u>	<u>Cumulative % of Total</u>	<u>Total Valuation</u>	<u>% of Total</u>	<u>Cumulative % of Total</u>
\$0 - \$99,999	840	10.992%	10.992%	\$ 61,680,770	1.167%	1.167%
\$100,000 - \$199,999	563	7.367	18.359	80,245,353	1.518	2.685
\$200,000 - \$299,999	530	6.935	25.294	133,298,512	2.521	5.206
\$300,000 - \$399,999	634	8.296	33.591	223,824,826	4.234	9.440
\$400,000 - \$499,999	541	7.079	40.670	241,684,460	4.571	14.011
\$500,000 - \$599,999	468	6.124	46.794	256,414,751	4.850	18.861
\$600,000 - \$699,999	514	6.726	53.520	335,699,597	6.350	25.211
\$700,000 - \$799,999	578	7.563	61.083	433,970,655	8.209	33.420
\$800,000 - \$899,999	598	7.825	68.909	507,290,489	9.595	43.015
\$900,000 - \$999,999	534	6.988	75.896	505,612,038	9.564	52.579
\$1,000,000 - \$1,099,999	392	5.130	81.026	410,303,379	7.761	60.340
\$1,100,000 - \$1,199,999	303	3.965	84.991	348,360,099	6.589	66.929
\$1,200,000 - \$1,299,999	263	3.442	88.432	328,405,259	6.212	73.141
\$1,300,000 - \$1,399,999	223	2.918	91.350	300,415,424	5.682	78.823
\$1,400,000 - \$1,499,999	168	2.198	93.549	242,795,567	4.592	83.415
\$1,500,000 - \$1,599,999	135	1.767	95.315	209,225,603	3.958	87.373
\$1,600,000 - \$1,699,999	102	1.335	96.650	168,399,657	3.185	90.558
\$1,700,000 - \$1,799,999	87	1.138	97.789	152,082,605	2.877	93.435
\$1,800,000 - \$1,899,999	63	0.824	98.613	116,658,702	2.207	95.642
\$1,900,000 - \$1,999,999	31	0.406	99.019	60,467,898	1.144	96.785
\$2,000,000 and greater	<u>75</u>	<u>0.981</u>	100.000	<u>169,953,259</u>	<u>3.215</u>	100.000
	7,642	100.000%		\$5,286,788,903	100.000%	

(1) Improved single family residential parcels. Excludes condominiums and parcels with multiple family units.
Source: California Municipal Statistics, Inc.

Alternative Method of Tax Apportionment - Teeter Plan

The County operates on a Teeter Plan whereby taxing entities, including the City, receive 100% of their *ad valorem* tax levy assessed by the County. The Teeter Plan will remain in effect unless the County orders its discontinuance or unless the County receives a petition for its discontinuance joined in by resolutions adopted by at least two-thirds of the participating revenue districts in the County, in which event the Board of Supervisors of the County shall order discontinuance of the Teeter Plan effective at the commencement of the subsequent fiscal year. Additionally, the County may discontinue the procedures under the Teeter Plan with respect to any political subdivision in the County if the rate of secured property tax delinquency in that political subdivision in any year exceeds 3% of the total of all taxes and assessments levied on the secured rolls for that political subdivision. If the Teeter Plan is discontinued subsequent to its implementation, only those secured property taxes actually collected would be allocated to political subdivisions (including the City) for which the County acts as the tax-levying or tax-collecting agency. For further information, please see APPENDIX A – “FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE CITY OF

CAMPBELL AND SANTA CLARA COUNTY – CITY FINANCIAL INFORMATION – Ad Valorem Property Taxes” herein.

Under the Teeter Plan, the County funds current year delinquencies from certain moneys in its treasury, including, currently, tax payments from prior years’ delinquencies. There can be no assurance that the County will continue to utilize the Teeter Plan with respect to the tax levy for the Bonds or for the City. Further, the amounts expected to be available to the County may not be sufficient to fund all delinquencies in current tax levies, in which case the City may not receive the full amount required for the payment of debt service on the Bonds on a timely basis.

Property tax delinquencies may be impacted by economic and other factors beyond the City’s control or the control of the County, including the ability or willingness of property owners to pay property taxes during an economic recession or depression. An economic recession or depression could be caused by many factors outside the control of the City, including high interest rates, reduced consumer confidence, reduced real wages or reduced economic activity as a result of the spread of COVID-19 or other pandemic or natural or manmade disaster.

Pursuant to Revenue and Taxation Code Section 4985.2, the Treasurer-Tax Collector of the respective County may cancel any penalty, costs or other charges resulting from tax delinquency upon a finding that the late payment is due to reasonable cause and circumstances beyond the taxpayer’s control, and occurred notwithstanding the exercise of ordinary care in the absence of willful neglect, provided the property taxes are paid within four fiscal years of such taxes coming due.

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

See “SECURITY FOR THE BONDS - COVID-19 Global Pandemic”.

Appeals of Assessed Value

There are two types of appeals of assessed values that could adversely impact property tax revenues within the City.

Appeals may be based on Proposition 8 of November 1978, which requires that for each January 1 lien date, the taxable value of real property must be the least of its base year value, annually adjusted by the inflation factor pursuant to Article XIII A of the State Constitution, or its full cash value, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value.

Under California law, property owners may apply for a Proposition 8 reduction of their property tax assessment by filing a written application, in form prescribed by the SBE, with the

County board of equalization or assessment appeals board. In most cases, the appeal is filed because the applicant believes that present market conditions (such as prevailing conditions in the residential home market) cause the property to be worth less than its current assessed value.

Proposition 8 reductions may also be unilaterally applied by the County Assessor.

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

A second type of assessment appeal involves a challenge to the base year value of an assessed property. Appeals for reduction in the base year value of an assessment, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. The base year is determined by the completion date of new construction or the date of change of ownership. Any base year appeal must be made within four years of the change of ownership or new construction date.

The City cannot predict the changes in assessed values that might result from pending or future appeals by taxpayers. Any reduction in aggregate City assessed valuation due to appeals, as with any reduction in assessed valuation due to other causes, will cause the tax rate levied to repay the Bonds to increase accordingly, so that the fixed debt service on the Bonds (and other outstanding general obligation bonds, if any) may be paid.

Tax Rates

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

Table 4
CITY OF CAMPBELL
TYPICAL TAX RATE PER \$100 ASSESSED VALUATION
(TRA 10-005 – 2019-20 Assessed Valuation: \$3,891,647,829⁽¹⁾)

	Fiscal Year <u>2015-16</u>	Fiscal Year <u>2016-17</u>	Fiscal Year <u>2017-18</u>	Fiscal Year <u>2018-19</u>	Fiscal Year <u>2019-20</u>
General	\$1.0000	\$1.0000	\$1.0000	\$1.0000	\$1.0000
County Retirement	.0388	.0388	.0388	.0388	.0388
County Hospital and Housing Bonds	.0088	.0086	.0209	.0177	.0169
County Library Retirement	.0024	.0024	.0024	.0024	.0024
City of Campbell	-	-	-	-	.0100
Campbell Union School District Bonds	.0552	.0552	.0672	.0672	.0672
Campbell Union High School District Bonds	.0257	.0252	.0519	.0487	.0436
West Valley-Mission CCD	.0232	.0196	.0200	.0198	.0296
Total Tax Rate	\$1.1541	\$1.1498	\$1.2012	\$1.1946	\$1.2085
Santa Clara Valley Water District					
- State Water Project	\$.0057	\$.0086	\$.0062	\$.0042	\$.0041
Total Land Only	\$.0057	\$.0086	\$.0062	\$.0042	\$.0041

(1) 35.17% of the City's total assessed valuation.
Source: California Municipal Statistics, Inc.

Major Taxpayers

The following table shows the twenty largest taxpayers in the City as determined by their secured assessed valuations in 2019-20.

Table 5
CITY OF CAMPBELL
Largest 2019-20 Local Secured Taxpayers

	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2019-20 Assessed Valuation</u>	<u>% of Total ⁽¹⁾</u>
1.	AG-SW Hamilton Plaza Owner LP	Office Building	\$145,385,491	1.35%
2.	Pruneyard Office Investors LLC	Office Building	128,252,929	1.19
3.	Revres LLC	Apartments	121,271,956	1.13
4.	CFEP Pruneyard LLC	Shopping Center	121,124,073	1.12
5.	Bravista Parcelco I, II, III & IV LLC	Industrial	115,566,000	1.07
6.	Parc Residences LLC	Apartments	106,152,832	0.99
7.	Campbell Technology Park LLC	Industrial	83,347,000	0.77
8.	Raintree Campbell LLC	Apartments	68,724,734	0.64
9.	SHI-III Campbell LP	Retail and Apartments	68,406,300	0.64
10.	Railway Campbell LLC	Apartments	68,324,331	0.63
11.	Hamilton Plaza Investors LLC	Shopping Center	58,454,718	0.54
12.	Marc W. Buzolich, Trustee	Shopping Center	57,824,622	0.54
13.	Bay Apartment Communities Inc.	Apartments	56,422,488	0.52
14.	CRB/SB Creekside @ 17 LLC	Office Building	56,024,630	0.52
15.	KBS SOR II Lincoln Court LLC	Office Building	54,652,211	0.51
16.	Essex The Commons LP	Apartments	48,850,385	0.45
17.	Nido Campbell LLC	Apartments	46,706,331	0.43
18.	PUR Kirkwood LLC	Apartments	46,184,606	0.43
19.	US BWG San Tomas Plaza LLC (Lessor)	Shopping Center	32,366,843	0.30
20.	Campbell Foothills Venture LLC	Hotel	<u>31,510,018</u>	<u>0.29</u>
			<u>\$1,515,552,498</u>	<u>14.07%</u>

(1) 2019-20 Local Secured Assessed Valuation: \$10,767,752,914.
Source: California Municipal Statistics, Inc.

Direct and Overlapping Debt

Set forth below is a direct and overlapping debt report (the “**Debt Report**”) prepared by California Municipal Statistics, Inc. The Debt Report is included for general information purposes only. The City has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the City in whole or in part. Such long-term obligations generally are not payable from revenues of the City (except as indicated) nor are they necessarily obligations secured by land within the City. In many cases, long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

The contents of the Debt Report are as follows: (1) the first column indicates the public agencies which have outstanding debt as of the date of the Debt Report and whose territory overlaps the City; (2) the second column shows the percentage that the City's assessed valuation represents of the total assessed valuation of each public agency identified in the first column; and (3) the third column is an apportionment of the dollar amount of each public agency's outstanding debt to property in the City, as determined by multiplying the total outstanding debt of each agency by the percentage of the City's assessed valuation represented in the second column.

**Table 6
CITY OF CAMPBELL
STATEMENT OF DIRECT AND OVERLAPPING BONDED DEBT**

2019-20 Assessed Valuation: \$11,063,771,091

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 7/1/20</u>
Santa Clara County	2.146%	\$ 18,916,024
West Valley-Mission Community College District	7.419	45,799,713
Campbell Union High School District	21.169	78,252,267
Cambrian School District	31.159	14,745,979
Campbell Union School District	31.116	68,100,550
Moreland School District	12.926	12,791,861
City of Campbell	100.000	- ⁽¹⁾
Midpeninsula Regional Open Space District	0.030	26,643
Santa Clara Valley Water District Benefit Assessment District	2.146	<u>1,405,523</u>
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		\$240,038,560

<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
Santa Clara County General Fund Obligations	2.146%	\$20,106,735
Santa Clara County Pension Obligation Bonds	2.146	7,446,548
Santa Clara County Board of Education Certificates of Participation	2.146	74,681
Santa Clara County Vector Control District Certificates of Participation	2.146	43,135
West Valley-Mission Community College District General Fund Obligations	7.419	3,767,368
Campbell Union High School District General Fund Obligations	21.169	4,233,800
Campbell Union School District General Fund Obligations	31.116	759,230
City of Campbell Certificates of Participation	100.000	6,970,843
Midpeninsula Regional Open Space District General Fund Obligations	0.030	<u>33,596</u>
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$43,435,936
Less: Santa Clara County supported obligations		<u>1,569,928</u>
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$41,866,008

<u>OVERLAPPING TAX INCREMENT DEBT (Successor Agency):</u>	100.000%	18,625,000
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GROSS COMBINED TOTAL DEBT	\$302,099,496 ⁽²⁾
NET COMBINED TOTAL DEBT	\$300,529,568

Ratios to 2019-20 Assessed Valuation:

Total Overlapping Tax and Assessment Debt.....	2.17%
Total Direct Debt (\$6,970,843)	0.06%
Gross Combined Total Debt.....	2.73%
Net Combined Total Debt.....	2.72%

Ratios to Redevelopment Successor Agency Incremental Valuation (\$1,200,434,863):

Total Overlapping Tax Increment Debt	1.55%
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(1) Excludes the Bonds issued for sale hereunder.
 (2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.
 Source: California Municipal Statistics, Inc.

Attachment: Draft Preliminary Official Statement (POS) (Authorization to Issuance of Measure O Bonds in FY 2020-21)

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING CITY REVENUES AND APPROPRIATIONS

Principal of and interest on the Bonds are payable from the proceeds of an ad valorem tax levied by the County, as directed by the City, for the payment thereof. See “THE BONDS” and “SECURITY FOR THE BONDS.” Articles XIII A, XIII B, XIII C and XIII D of the State Constitution, Propositions 62, 111, 218, 26, 1A and 22, and certain other provisions of law discussed below are included in this section to describe the potential effect of these Constitutional and statutory measures on the ability of the County to levy, and the City to spend, tax proceeds for operating and other purposes, and it should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the County to levy taxes for payment of the Bonds. The tax levied by the County, as directed by the City, for payment of the Bonds was approved by the City’s voters in compliance with Article XIII A and all applicable laws.

Article XIII A of the State Constitution

On June 6, 1978, California voters approved Proposition 13, which added Article XIII A to the State Constitution. Article XIII A, as amended, limits the amount of any ad valorem tax on real property to one percent of the full cash value thereof, except that additional ad valorem taxes may be levied to pay debt service (i) on indebtedness approved by the voters prior to July 1, 1978, (ii) on bonded indebtedness approved by a two-thirds vote on or after July 1, 1978, for the acquisition or improvement of real property or (iii) bonded indebtedness incurred by a school district, community college district or county office of education for the construction, reconstruction, rehabilitation or replacement of school facilities, including the furnishing and equipping of school facilities or the acquisition or lease of real property for school facilities, approved by 55 percent of the voters voting on the proposition. Article XIII A defines full cash value to mean “the county assessor’s valuation of real property as shown on the 1975-76 tax bill under ‘full cash value,’ or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment.” This full cash value may be increased at a rate not to exceed two percent per year to account for inflation.

Article XIII A has subsequently been amended to permit reduction of the “full cash value” base in the event of declining property values caused by damage, destruction or other factors, to provide that there would be no increase in the “full cash value” base in the event of reconstruction of property damaged or destroyed in a disaster, and in other minor or technical ways.

Legislation Implementing Article XIII A

Legislation has been enacted and amended a number of times since 1978 to implement Article XIII A. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The one percent property tax is automatically levied by the County and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1989.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the two percent annual adjustment are allocated among the various jurisdictions in the “taxing area” based upon their respective “situs.” Any such allocation made to a local agency continues as part of its allocation in future years.

All taxable property is shown at full market value on the tax rolls. Consequently, the tax rate is expressed as \$1 per \$100 of taxable value. All taxable property value included in this Official Statement is shown at 100 percent of market value (unless noted differently) and all tax rates reflect the \$1 per \$100 of taxable value.

Article XIII B of the State Constitution

In addition to the limits Article XIII A imposes on property taxes that may be collected by local governments, certain other revenues of the State and most local governments are subject to an annual “appropriations limit” imposed by Article XIII B which effectively limits the amount of such revenues those entities are permitted to spend. Article XIII B, approved by the voters in June 1979, was modified substantially by Proposition 111 in 1990. The appropriations limit of each government entity applies to “proceeds of taxes,” which consist of tax revenues, State subventions and certain other funds, including proceeds from regulatory licenses, user charges or other fees to the extent that such proceeds exceed “the cost reasonably borne by such entity in providing the regulation, product or service.” “Proceeds of taxes” excludes tax refunds and some benefit payments such as unemployment insurance. No limit is imposed on the appropriation of funds which are not “proceeds of taxes,” such as reasonable user charges or fees, and certain other non-tax funds. Article XIII B also does not limit appropriation of local revenues to pay debt service on Bonds existing or authorized by January 1, 1979, or subsequently authorized by the voters, appropriations required to comply with mandates of courts or the federal government, appropriations for qualified capital outlay projects, and appropriation by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990, levels. The appropriations limit may also be exceeded in case of emergency; however, the appropriations limit for the next three years following such emergency appropriation must be reduced to the extent by which it was exceeded, unless the emergency arises from civil disturbance or natural disaster declared by the Governor, and the expenditure is approved by two-thirds of the legislative body of the local government.

The State and each local government entity has its own appropriations limit. Each year, the limit is adjusted to allow for changes, if any, in the cost of living, the population of the jurisdiction, and any transfer to or from another government entity of financial responsibility for providing services. Proposition 111 requires that each agency’s actual appropriations be tested against its limit every two years.

If the aggregate “proceeds of taxes” for the preceding two-year period exceeds the aggregate limit, the excess must be returned to the agency’s taxpayers through tax rate or fee reductions over the following two years.

The City has never exceeded its appropriations limit.

Articles XIII C and XIII D of the State Constitution

General. On November 5, 1996, the voters of the State approved Proposition 218, known as the “Right to Vote on Taxes Act.” Proposition 218 adds Articles XIII C and XIII D to the California Constitution and contains a number of interrelated provisions affecting the ability of the City to levy and collect both existing and future taxes, assessments, fees and charges.

On November 2, 2010, California voters approved Proposition 26, entitled the “Supermajority Vote to Pass New Taxes and Fees Act.” Section 1 of Proposition 26 declares that Proposition 26 is intended to limit the ability of the State Legislature and local government to circumvent existing restrictions on increasing taxes by defining the new or expanded taxes as

“fees.” Proposition 26 amended Articles XIII A and XIII C of the State Constitution. The amendments to Article XIII A limit the ability of the State Legislature to impose higher taxes (as defined in Proposition 26) without a two-thirds vote of the Legislature. The amendments to Article XIII C define “taxes” that are subject to voter approval as “any levy, charge, or exaction of any kind imposed by a local government,” with certain exceptions.

Taxes. Article XIII C requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the City (“general taxes”) require a majority vote; taxes for specific purposes (“special taxes”), even if deposited in the City’s General Fund, require a two-thirds vote.

Property-Related Fees and Charges. Article XIII D also adds several provisions making it generally more difficult for local agencies to levy and maintain property-related fees, charges, and assessments for municipal services and programs.

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

Burden of Proof. Article XIII C provides that local government “bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor’s burdens on, or benefits received from, the governmental activity.” Similarly, Article XIII D provides that in “any legal action contesting the validity of a fee or charge, the burden shall be on the agency to demonstrate compliance” with Article XIII D.

Judicial Interpretation of Proposition 218. The interpretation and application of Articles XIII C and XIII D will ultimately be determined by the courts, and it is not possible at this time to predict with certainty the outcome of such determination.

Proposition 62

Proposition 62 was adopted by the voters at the November 4, 1986, general election and (a) requires that any new or higher taxes for general governmental purposes imposed by local governmental entities such as the City be approved by a two-thirds vote of the governmental entity’s legislative body and by a majority vote of the voters of the governmental entity voting in an election on the tax, (b) requires that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local governmental entity be approved by a two-thirds vote of the voters of the governmental entity voting in an election on the tax, (c) restricts the use of revenues from a special tax to the purposes or for the service for which the special tax was imposed, (d) prohibits the imposition of ad valorem taxes on real property by local governmental entities except as permitted by Article XIII A, (e) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities, and (f) requires that any tax imposed by a local governmental entity on or after August 1, 1985, be ratified by a majority vote of the voters voting in an election on the tax within two years of the adoption of the initiative or be terminated by November 15, 1988.

California appellate court cases have overturned the provisions of Proposition 62 pertaining to the imposition of taxes for general government purposes. However, the California Supreme Court upheld Proposition 62 in its decision on August 28, 1995, in *Fresno County Transportation Authority v. Guardino*. This decision reaffirmed the constitutionality of Proposition 62. Certain matters regarding Proposition 62 were not addressed in the Supreme Court's decision, such as what remedies exist for taxpayers subject to a tax not in compliance with Proposition 62, and whether the decision applies to charter cities. The City has not experienced any substantive adverse financial impact as a result of the passage of this initiative.

Proposition 1A; Proposition 22

Proposition 1A. Proposition 1A, proposed by the Legislature in connection with the State's Fiscal Year 2004-05 Budget, approved by the voters in November 2004 and generally effective in Fiscal Year 2006-07, 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 exceptions. Proposition 1A generally prohibited the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any Fiscal Year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county had to be approved by two-thirds of both houses of the Legislature.

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.

Split Roll Initiative

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

Possible Future Initiatives

Articles XIII A, XIII B, XIII C and XIII D and Propositions 62, 111, 218, 26, 1A and 22 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted, further affecting revenues of the City or the City's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the City.

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LEGAL MATTERS

Tax Exemption

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

The opinions set forth in the preceding paragraph are subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986, as amended (the "**Tax Code**") that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The City has made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of issuance of the Bonds.

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

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

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

State of California personal income tax and federal income tax consequences of owning such Bonds.

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

Form of Opinion. Copies of the proposed form of opinion of Bond Counsel are attached hereto as APPENDIX C.

Contingent Compensation. Jones Hall will receive compensation from the City contingent upon the sale and delivery of the Bonds.

Other Tax Considerations

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

In addition, future legislation, if enacted into law, or clarification of the Tax Code may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent owners of the Bonds from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislation or clarification of the Tax Code may also affect the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation, as to which Bond Counsel expresses no opinion.

Continuing Disclosure

The City will covenant for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the City by not later than April 1 after the end of each fiscal year of the City (currently June 30), commencing with the report for the 2019-20 fiscal year (the “**Annual Report**”), and to provide notices of the occurrence of certain enumerated events.

The specific nature of the information to be contained in an Annual Report or the notices of enumerated events is set forth in the form of Continuing Disclosure Certificate attached as APPENDIX D. These covenants will be made in order to assist the Underwriter (as defined below) in complying with Securities Exchange Commission Rule 15c2-12(b)(5) (the “**Rule**”).

The City and its related governmental entities have previously entered into numerous disclosure undertakings under the Rule in connection with the issuance of long-term obligations. See Note 8 of the City’s Comprehensive Annual Financial Report attached to this Official Statement as APPENDIX B.

During the last five years, the City and its related entities failed to comply in certain respects with continuing disclosure obligations related to outstanding bonded indebtedness. Such failures to comply included:

- the failure to file on a timely basis the City’s audited financial statements for fiscal year 2017-18;

- the failure to file on a timely basis certain required annual operating data for fiscal years 2014-15 and 2017-18; and
- the failure to file on a timely basis a significant event notice pertaining to a rating change in 2016.

Subsequently, the City has engaged NHA Advisors, LLC, as its dissemination agent, to remediate its prior instances of non-compliance, and to aid in compliance with its continuing disclosure undertakings. The City has made all remedial filings of all audited financial statements, annual operating data, and significant event notices covering the prior five-year period.

Neither the County nor any other entity other than the City shall have any obligation or incur any liability whatsoever with respect to the performance of the City's duties regarding continuing disclosure.

Absence of Material Litigation

No litigation is pending or threatened concerning the validity of the Bonds, and a certificate to that effect will be furnished to the purchasers at the time of the original delivery of the Bonds. The City is not aware of any litigation pending or threatened questioning the political existence of the City or contesting the City's ability to receive ad valorem taxes or to collect other revenues or contesting the City's ability to issue and repay the Bonds.

RATING

Upon issuance of the Bonds, S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("**S&P**"), will assign the Bonds a rating of "[____]."

The City has furnished to S&P information and material which has not been included in this Official Statement. Generally, rating agencies base their ratings on information and material so furnished and on investigations, studies and assumptions made by the rating agencies. The ratings reflect only the view of such organization and an explanation of the significance of such rating may be obtained from S&P.

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

MUNICIPAL ADVISOR

The City has retained NHA Advisors, LLC, San Rafael, California, as its municipal advisor (the "**Municipal Advisor**") in connection with the preparation of this Official Statement and with respect to the issuance of the Bonds. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. The Municipal Advisor is an independent registered municipal advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

The Municipal Advisor's compensation is contingent upon the delivery of the Bonds.

UNDERWRITING

Stifel, Nicolaus & Company, Incorporated (the “**Underwriter**”), has entered into a Bond Purchase Agreement with the Authority under which it will purchase the Bonds at a purchase price of \$_____ (which is equal to the par amount of the Bonds, less an Underwriter’s discount of \$_____, and plus/less a net original issue premium/discount of \$_____).

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

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EXECUTION

The execution of this Official Statement and its delivery have been approved by the City Council.

CITY OF CAMPBELL

By: _____
City Manager

Attachment: Draft Preliminary Official Statement (POS) (Authorization to Issuance of Measure O Bonds in FY 2020-21)

APPENDIX A

FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE CITY OF CAMPBELL AND SANTA CLARA COUNTY

Introduction

The City of Campbell (the "**City**") is located in Santa Clara County (the "**County**") contiguous with the City of San Jose and 50 miles south of San Francisco. The City encompasses 6.7 square miles, is substantially built out, and serves a population of approximately 42,288 residents. The City is comprised of a mix of residential, office and commercial retail businesses.

Population

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

CITY OF CAMPBELL Population Estimates As of January 1

Year	City of Campbell	County of Santa Clara	State of California
2016	42,112	1,931,565	39,131,307
2017	42,142	1,942,176	39,398,702
2018	41,866	1,951,088	39,586,646
2019	42,168	1,954,833	39,695,376
2020	42,288	1,961,969	39,782,870

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

City Government

The City was incorporated March 28, 1952 as a general law city, and operates under a Council-Manager form of government that includes five council members elected at-large for a term of four years. The Mayor is selected each year by majority vote of the other Council members. The Council appoints the City Manager, City Attorney and City Clerk. The City Council members also serve as the governing board members of the Authority, the Successor Agency to the dissolved City of Campbell Redevelopment Agency, the Campbell Industrial Development Authority and the Campbell Lighting and Landscape District.

The City provides the following services to its residents: police and contract fire protection; park and street lighting maintenance; recreational classes, services and cultural events; planning, zoning and building review and inspections; construction and maintenance of streets and roads; and leadership provided through general administrative services. Water, sewage, garbage and electric utilities are provided directly through other agencies not under the City's jurisdiction.

The City Council members are shown in the following table:

<u>Member</u>	<u>Office</u>	<u>Term Expires</u>
Susan M. Landry	Mayor	November 2020
Elizabeth Gibbons	Vice Mayor	November 2022
Anne Bybee	Council Member	November 2022
Paul Resnikoff	Council Member	November 2022
Rich Waterman	Council Member	November 2020

CITY FINANCIAL INFORMATION

Accounting Policies and Financial Reporting

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. City resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The City's most recent audited financial statements for the fiscal year ending June 30, 2019, are attached as "APPENDIX B – COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2019" to this Official Statement, which were prepared by the City and audited by White Nelson Diehl Evans LLP, certified public accountants, Irvine, California (the "Auditor").

The Comprehensive Annual Financial Report should be read in its entirety. 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 or the General Fund. In addition, the Auditor has not reviewed this Official Statement.

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

Cybersecurity

The City's information technology infrastructure continuously faces cyber threats, including, but not limited to, hacking, viruses, malware, ransomware, and data breaches. The City

takes cybersecurity very seriously and has operational controls and multiple security measures to safeguard City's data and infrastructure. There have been no known cybersecurity breaches so far; however, no assurances can be given that the security and operational control measures will be successful in guarding against all cyber threats.

For additional protection, the City carries cyber liability insurance through a joint powers authority, Plan JPA. The cyber liability program provides coverage for both first- and third-party claims. First-party coverage includes privacy regulatory claims, security breach response, business income loss, dependent business income loss, digital asset restoration costs, and cyber-extortion threats, while third-party coverage includes privacy liability, network security liability, and multimedia liability. Members work directly with the reinsurer to investigate and respond to claims.

Based on its protections and available insurance coverage, the City does not believe that a cyberattack on the City's information technology infrastructure would have a substantial impact on General Fund revenues.

Impact of COVID-19

General. See "SECURITY FOR THE BONDS –COVID-19 Global Pandemic" in the main body of the Official Statement.

Potential impacts to the City associated with the COVID-19 outbreak include, but are not limited to, disruption of the regional and local economy with corresponding decreases in the City's revenues from property taxes, sales taxes, charges for service and transient occupancy taxes (in that order, the City's top four revenue sources in fiscal year 2018-19), and increased costs of City operations. In addition, the City may experience delays in receipt of various revenue sources as a result of policies and rules enacted at the federal, State or County level.

Impact on Fiscal Year 2019-20 Revenues and Reserves. On March 3, 2020, City staff provided the City Council with a mid-year update on the City's financial status, and reported that the City's General Fund was projected to finish fiscal year 2019-20 with an operating deficit of \$400,000 due to some unexpected building maintenance repairs at its City Hall campus and other mid-year budget adjustments for special project consulting time.

However, since March 3, 2020, COVID-19 and the related remedial actions such as shelter-in-place have significantly impacted the City's finances. On April 21, 2020, City staff reported to the City Council that the City could experience \$5.75 million in revenue losses due to COVID-19 in fiscal year 2019-20, with a potential net impact to the general fund of \$5.0 million. On May 22, 2020, City staff reported to the City Council that, as a result of implementing Citywide cost containment efforts including a limited vacancy hiring freeze, the release of all temporary staff, and reduction of ongoing supply and services expenses, City staff expects a general fund operating deficit of \$4.0 million for fiscal year 2019-20. To cover the General Fund operating deficit in fiscal year 2019-20, the City will draw down upon its available General Fund reserves. See "- General Fund Reserves" below.

Impact on Fiscal Year 2019-20 Expenses. On May 22, 2020, City staff reported to the City Council that it was projecting fiscal year 2019-20 expenses directly related to COVID-19 of \$2.1 million, although most of those costs were already included in the City's budget.

Impact on Future Fiscal Years. As a result of uncertainty about the timing and level of recovery from the COVID-19 pandemic, the City has revised its five-year financial plan. See “General Fund Budget” and “Long-Term Financial Plan” below.

Comparative Financial Statements

The following tables provide a recent history of the City’s Comparative Balance Sheet, and both a recent history of General Fund revenues, expenditures, transfers, and ending fund balances. *As a result of the recent COVID-19 pandemic, the City does not believe that its recent history is representative of likely future results.*

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

	Actual <u>2015-16</u>	Actual <u>2016-17</u>	Actual <u>2017-18</u>	Actual <u>2018-19</u>
ASSETS:				
Cash and investments	\$26,709,847	\$27,651,308	\$27,037,378	\$27,105,975
Receivables:				
Accounts	478,086	543,766	533,663	588,595
Taxes	4,184,934	2,845,977	2,917,189	3,423,278
Interest	56,241	85,304	147,084	162,568
Notes and loans	--	--	--	--
Due from other funds	3,079,966	3,143,481	1,536,465	1,030,724
Advance to Campbell Successor Agency	--	--	--	--
Total assets	<u>34,509,074</u>	<u>34,269,836</u>	<u>32,171,779</u>	<u>32,311,140</u>
LIABILITIES:				
Accounts payable	1,699,083	2,630,226	1,890,612	1,751,383
Accrued payroll	925,876	945,081	1,364,519	1,555,197
Deposits payable	1,644,703	1,770,415	2,407,099	1,976,738
Due to other funds	17,200	--	28,776	--
Unearned revenue	--	9	9	--
Total liabilities	<u>4,286,862</u>	<u>5,345,731</u>	<u>5,691,015</u>	<u>5,283,318</u>
Deferred Inflows of Resources	--	--	--	--
FUND BALANCES (DEFICIT)				
Restricted	--	--	--	--
Committed	25,392,112	23,896,221	21,592,089	21,743,948
Assigned	3,830,100	4,027,890	4,528,546	4,257,115
Unassigned	1,000,000	999,994	360,129	1,026,759
Total fund balances (Deficit)	<u>30,222,212</u>	<u>28,924,105</u>	<u>26,480,764</u>	<u>27,027,822</u>
Total liabilities and fund balances	\$34,509,074	\$34,269,836	\$32,171,779	\$32,311,140

Source: City of Campbell, Comprehensive Annual Financial Reports for 2015-16 through 2018-19.

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

	Actual <u>2015-16</u>	Actual <u>2016-17</u>	Actual <u>2017-18</u>	Actual <u>2018-19</u>
REVENUES:				
Property taxes	\$12,097,447	\$13,052,321	\$14,037,856	\$15,646,867
Sales and use taxes	14,818,495	14,297,751	14,859,014	15,684,222
Other taxes	9,344,440	9,279,306	9,698,919	9,539,163
Special assessments	--	--	--	--
Licenses and permits	4,890,190	3,873,976	3,214,847	3,232,524
Fines and forfeitures	324,137	320,193	345,627	704,030
Investment income	161,163	171,220	180,905	998,446
Rents and leases	2,746,371	2,829,484	2,845,241	2,949,774
Intergovernmental	253,576	191,665	243,496	307,567
Charges for services	3,600,024	3,743,089	3,968,561	3,730,189
Project revenues	--	--	--	--
Donations	59,423	74,342	66,585	65,516
Parkland dedication fees	--	--	--	--
Miscellaneous revenues	122,436	177,867	225,765	211,569
TOTAL REVENUES	<u>48,417,702</u>	<u>48,011,214</u>	<u>49,686,816</u>	<u>53,069,867</u>
EXPENDITURES:				
General government	5,918,370	7,129,171	6,832,027	7,245,353
Recreation	5,611,544	6,080,395	6,235,452	6,663,662
Community development	2,482,059	2,947,508	2,991,056	3,114,633
Public safety	22,897,488	24,426,410	25,711,074	27,275,040
Public works	5,133,110	5,377,822	5,855,400	5,212,141
Capital outlay	--	--	--	--
Debt service-principal	--	--	--	--
Debt service-interest and fiscal charges	--	--	--	--
TOTAL EXPENDITURES	<u>42,042,571</u>	<u>45,961,306</u>	<u>47,625,009</u>	<u>49,510,829</u>
Excess Revenues Over (Under) Expenditures	6,375,131	2,049,908	2,061,807	3,559,038
OTHER FINANCING SOURCES (USES)				
Transfers in	1,429,914	1,399,558	1,462,489	1,294,226
Transfers out	(3,651,048)	(4,747,573)	(5,967,637)	(4,306,206)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(2,221,134)</u>	<u>(3,348,015)</u>	<u>(4,505,148)</u>	<u>(3,011,980)</u>
Net Change in Fund Balance	4,153,997	(1,298,107)	(2,443,341)	547,058
Fund Balance, July 1	26,068,215	30,222,212	28,924,105	26,480,764
Prior Period Adjustment	--	--	--	--
Fund Balance, June 30*	<u>\$30,222,212</u>	<u>\$28,924,105</u>	<u>\$26,480,764</u>	<u>\$27,027,822</u>

* Totals may not add due to rounding.

Source: City of Campbell Comprehensive Annual Financial Reports

Attachment: Draft Preliminary Official Statement (POS) (Authorization to Issuance of Measure O Bonds in FY 2020-21)

General Fund Budget

Annual Budget Process. The annual budget serves as the foundation of the City's financial planning and control. The budget process begins in December with each City department receiving a budget packet. Initial appropriation requests are made in mid-February; study sessions are later held with the City Council between March and May to discuss department goals and work plans as well as to obtain Council's input on special priorities or concerns that should be considered in developing the budget. Subsequently, the City Manager meets with each department director to discuss the budget requests and make changes where necessary. The City Manager then prepares and presents the recommended budget in late May or early June for Council's preliminary consideration.

The City's financial policies authorize the City Manager to administratively approve budget adjustments within the adopted budget under \$10,000 or requiring transfers from reserves under \$5,000 per transaction. Requests for increase in appropriations over these amounts or any adjustments to capital projects require approval by the City Council.

Previous Years and Fiscal Year 2020-21 Budget. The table below shows recent revenue and expenditures history as well as estimates and budgeted projections of the City, as of the date of this Official Statement. The following estimates and projections are based on the most current and reliable information in the City's possession at this time. The City is unable to predict the total impact that COVID-19 may have on the City's finances or operations.

The adopted fiscal year 2020-21 General Fund budget includes \$55.1 million of expenditures, including \$500,000 for a new COVID-19 Response budget unit. Related General Fund revenue sources total \$53.8 million, which results in an operating deficit of \$1.3 million (before any potential savings realized from ongoing labor discussions as well as any share of anticipated CARES Act funds from the State of California). Fiscal year 2020-21 General Fund expenditures are budgeted to be 2.0% lower when compared to the fiscal year 2019-20 adopted budget. In addition, fiscal year 2020-21 General Fund revenues are budgeted to be 3.6% lower when compared to the fiscal year 2019-20 adopted budget.

To cover the potential General Fund operating deficit in fiscal year 2020-21 and absent sufficient savings from ongoing labor discussions, staff proposes that the City draw down upon its available General Fund reserves. See "- General Fund Reserves" below.

The adopted budget seeks to minimize service level reductions, and provides for staff to return to the City Council at a later date to implement alternate reduction measures if the severity of the economic impacts of COVID- 19 increase.

**CITY OF CAMPBELL
GENERAL FUND
REVENUES, EXPENDITURES, and FUND BALANCES
(Fund Balance, July 1)**

	<u>2017-18 Actual</u>	<u>2018-19 Actual</u>	<u>2019-20 Estimated</u>	<u>2020-21 Proposed</u>
Fund Balance, July 1	\$28,924,111	\$26,480,764	\$27,027,819	\$22,995,104
<u>REVENUES:</u>				
Property Taxes	14,037,856	15,646,864	17,213,100	18,004,700
Sales and Use Taxes	14,859,014	15,684,222	14,433,090	14,172,118
Franchise and other taxes	9,698,920	9,539,163	8,443,240	8,229,914
License and permits	2,411,868	2,062,086	2,090,252	3,265,000
Fines and forfeitures	303,382	274,478	149,600	125,000
Investment income	180,905	998,446	478,000	384,400
Intergovernmental revenues	241,485	721,568	842,770	838,475
Charges for services	4,927,321	5,037,369	3,826,005	4,536,262
Other revenues	3,026,065	3,105,671	2,849,866	2,963,178
Operating Fund Reserves (Beg. Fund Balance)	--	--	1,966,198	--
Operating transfers-in	1,462,489	1,294,226	1,006,088	1,248,626
Bond sales	--	20	--	--
Total Revenues	51,149,304	54,364,113	53,298,209	53,767,673
<u>EXPENDITURES:</u>				
Benefits	9,661,058	11,052,287	13,154,772	11,780,957
Other charges	1,927,483	1,928,975	1,597,604	1,693,453
Rents and Leases	881,806	579,176	528,851	643,950
Salaries	18,395,040	18,977,226	18,728,753	20,591,963
Supplies and Services	16,759,627	16,973,186	17,236,465	17,635,256
Operating transfers out	2,971,131	3,096,268	2,909,545	3,771,545
Total Operating Expenditures	50,596,145	52,607,119	54,155,991	56,117,124
Capital transfers-out	2,996,506	1,209,938	3,174,933	565,000
Total Expenditures	53,592,651	53,817,057	57,330,924	56,682,124
<u>FUND BALANCES:</u>				
Committed	21,592,179	21,743,975	18,195,104	15,580,653
Assigned	4,528,456	4,257,115	3,800,000	3,500,000
Unassigned	360,129	1,026,729	1,000,000	1,000,000
Total reserves or designations	26,480,764	27,027,819	22,995,104	20,080,653

* Totals may not add due to rounding.

Source: City of Campbell Proposed Fiscal Year 2020-21 Operating and Capital Budget.

Ad Valorem Property Taxes

Tax Levies and Collections. Property taxes increased \$1.6 million for fiscal year 2018-19. All property taxes and special assessments are levied and collected by the County of and paid upon collection to the various taxing entities including the City, Successor Agency of the former Redevelopment Agency, and Lighting and Landscape District. Secured taxes are levied on July 1 and are due in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured taxes are due on July 1 and become delinquent on August 31. The lien date for secured and unsecured property taxes is January 1 of the preceding fiscal year.

The County is permitted by State law to levy taxes at 1% of full market value at time of purchase plus other increases approved by the voters, and can increase the assessed value of taxable property in the City in accordance with State law (see “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING CITY REVENUES AND APPROPRIATIONS – Article XIII A”).

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

The County operates on a Teeter Plan whereby taxing entities, including the City, receive 100% of their *ad valorem* tax levy assessed by the County, although there is no guarantee that the County will continue to operate on a Teeter Plan. The City receives payments as a series of advances made by the County throughout the year. Secured property tax levy is recognized as revenue upon receipt, including the final payment, which generally is received within 60 days after the fiscal year end.

The term “unsecured” refers to taxes on personal property other than real estate, land and buildings. Property tax revenues are recognized by the City in the fiscal year they are assessed, provided they become available as defined above.

Because the lien date for the 2020-21 tax year is January 1, 2020, prior to the impact of COVID-19, the City does not expect property tax revenues to decline in 2020-21. However, property tax revenues could level off or decrease in future fiscal years if property values decline as a result of COVID-19.

In the City’s seven-year financial forecast, which extends to fiscal year 2026-27, the City estimates slow growth for property tax revenues in fiscal year 2021-22, up to the maximum 2% allowed by state law. However, the City estimates that property tax will start returning to normal growth levels in fiscal year 2022-23 and show 4% growth due to increased turnover of property and reassessment of values at current sales prices. By fiscal year 2026-27, the City estimates that property tax growth will have returned fully to pre-recessionary levels of approximately 7% growth.

In addition to property taxes, the City has several other major tax and fee revenue sources, as described below.

Sales and Use Tax. Sales tax is the City’s second largest revenue source. While the City has not yet received complete sales tax numbers for all of fiscal year 2019- 20 and won’t until late August 2020, it is conservatively estimating a 1.8% decrease in fiscal year 2020-20 when compared to the year-end estimate for fiscal year 2019-20, which already assumed an 8% decrease from the year-end actuals for fiscal year 2018-19. In total, this represents a 9.6% reduction over two fiscal years starting in March 2020 and is entirely due to current and ongoing COVID-19 shelter in place orders and the assumption that lower consumer confidence and comfort with being in public may slow retail and other spending. In the City’s seven-year financial forecast, the City estimates slow growth for sales taxes revenues in fiscal year 2021-22 of 2% above fiscal year 2020-21. However, the City estimates that sales tax will start returning to normal growth levels in fiscal year 2022-23 and show 3% growth due to increased consumer confidence, demand, and spendable income. By fiscal year 2026-27, the City estimates that sales tax revenue growth will have returned fully to pre-recessionary levels of approximately 5% growth.

The sales tax is an excise tax imposed on retailers for the privilege of selling or leasing tangible personal property. The use tax is an excise tax imposed for the storage, use, or other consumption of tangible personal property purchased from any retailer. The total sales tax rate within the City is currently 9.25%. The proceeds of sales and uses taxes imposed within the City are distributed by the State to various agencies, with the City receiving 1.25% (125 basis points) of the 9.25% amount collected.

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

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

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

Total taxable sales in the City during fiscal year 2018-19 were reported to be \$997,712,856, a 0.79% increase over the total taxable sales of \$989,858,953 reported during fiscal year 2018.

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

	2015	2016	2017	2018	2019
Retail and Food Services:					
Auto Dealers, Auto Supplies	\$28,971	\$31,277	\$33,191	\$32,439	\$30,791
Home Furnishings and Appliances	82,594	83,839	75,015	60,493	39,060
Bldg. Materials, Farm Implements	121,315	126,757	136,617	144,630	146,436
Food Stores	51,924	51,460	51,071	50,117	52,945
Gas/Service Stations	107,965	94,677	98,364	104,973	107,708
Apparel Stores	52,315	51,923	51,010	50,801	48,282
Gen. Merchandise Stores	22,861	23,653	23,788	23,121	23,321
Eating and Drinking Places	172,459	186,664	190,932	209,168	232,978
Other Retail Stores	84,458	94,934	93,538	94,720	91,473
Total Retail and Food Services	724,863	745,183	753,525	770,462	772,994
All Other Outlets	<u>208,343</u>	<u>190,543</u>	<u>206,973</u>	<u>219,397</u>	<u>224,719</u>
TOTAL ALL OUTLETS	<u>933,206</u>	<u>935,726</u>	<u>960,498</u>	<u>989,859</u>	<u>997,713</u>

Source: State Department of Tax and Fee Administration.

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

Charges for Service. Charges for service is the City's third-largest revenue source and is expected to be negatively impacted by COVID-19. However, the biggest impact will be felt in fiscal year 2019-20 due to recreation camp, class, program, and event revenue for the summer months. This revenue would have normally been mostly received and recorded in the last quarter of fiscal year 2019-20 and has been largely non-existent due to County public health orders limiting such programs. However, with new County orders effective as of June 5, some of these programs are allowed on a limited basis. Thus, staff expects a partial recovery of these revenues in the last month of fiscal year 2019-20 and the first two months of fiscal year 2020-21 followed by a likely near full recovery in the last quarter of fiscal year 2020-21 to account for summer 2021 camps, classes, programs and events. As a whole in Charges for Service, staff is estimating a 14.5% increase in fiscal year 2020-21 when compared to the year-end estimate for fiscal year 2019-20, which had assumed a 21.9% decrease from the year-end actuals for fiscal year 2018-19. As a result, fiscal year 2020-21 estimates of \$6.0 million are still below fiscal year 2018-19 year-end actuals of \$6.7 million by 10.6%. In the City's seven-year financial forecast, the City estimates that revenues from Charges for Service will partially return to pre-recessionary levels in fiscal year 2021-22 as more fee-based recreation classes, programs, and events return. However, the City estimates that revenues from Charges for Services won't fully return to pre-recessionary levels until fiscal year 2022-23 due to possible lingering public health impacts relating to COVID-19. Thereafter, through fiscal year 2026-27, the City estimates level 3% annual growth in revenues from Charges for Service.

Transient Occupancy Tax ("TOT"). TOT is collected by City hotels on behalf of the City and must be reported on and remitted within 30 days of the close of the month being reported. Given reduced personal and business travel due to COVID-19, which is expected to continue into fiscal year 2020-21 and fiscal year 2021-22, staff has estimated a 37% decrease when fiscal year

2020-21 is compared to the Adopted Budget for fiscal year 2019-20. However, while staff estimated that occupancy rates for all hotels would average 15% and room rates would decrease by at least 10% from April through June 2020, staff does expect that some travel activity will begin to resume once shelter in place orders are eased further in fiscal year 2020-21. In the City's seven-year financial forecast, the City estimates that TOT revenue growth will remain depressed for several fiscal years due to decreased consumer comfort regarding leisure travel and an increased reliance of businesses on remote as opposed to in-person meetings. The City estimates that TOT revenues won't fully return to pre-recessionary levels until fiscal year 2026-27 and then show level 3% annual growth thereafter.

License and Permits and Other Taxes. Licenses and permits and other taxes are the City's fifth-largest revenue source. With easing of restrictions by the County on construction, the Community Development Department's Building Division resumed processing building and related permits in early May 2020. And based on actual permits processed thus far as well as conversations with local developers, staff expects that most major anticipated development projects will continue in fiscal year 2020-21. Only one developer indicated that they would not be pursuing their original plans. Thus, staff has projected 56.2% growth in fiscal year 2020-21 when compared to year-end estimates for fiscal year 2019-20. In the City's seven-year financial forecast, the City estimates that revenues from licenses and permits and other taxes will decrease slightly in fiscal year 2021-22 since fiscal year 2020-21 includes one-time development revenue that is not expected to continue into the future. However, when that one-time development revenue is removed, the City estimates level 3% annual growth in revenues from licenses and permits and other taxes through fiscal year 2026-27.

Bond and Loans. Bonds and loans is a new revenue category for fiscal year 2020-21 and reflects an anticipated \$20 million first issuance of a Measure O bond in August 2020 to support the construction of a new police station and a remodeled City library. This will be followed by a second and final bond issuance in the spring or summer of 2022 for \$30 million.

General Fund Reserves

Reserve Policies. The City's financial policies mandate the levels at which reserves shall be maintained. The General Fund Emergency Reserve shall be maintained at a level of 10% of General Fund revenues and used only in case of dire need as a result of physical or financial emergencies as determined by the City Council. The General Fund Operating Reserve shall be maintained at a level of \$1 million. This reserve may be used to meet necessary, but unbudgeted, expenditures during the fiscal year, including mid-year budget adjustments, and/or to cover minor unanticipated revenue shortfalls. Funds drawn from this reserve during the year shall be replenished with the adoption of the ensuing fiscal year budget.

An Economic Fluctuations Reserve shall be maintained, with a target of two months (16.67%) of General Fund operating expenditures, to provide budget stabilization during an economic downturn that could otherwise result in significant reductions in service levels and/or organizational staffing. This reserve shall not be less than \$2 million. However, if the reserve balance falls below \$4 million, or the City's five-year financial projections indicate the reserve will fall below this minimum requirement at any time during this period, City staff shall present to Council, by the following year's budget adoption, a plan to return to the target amount within five years.

A Capital Improvement Program Reserve shall be maintained at a level to cover unbudgeted capital improvement costs, to fund future capital and infrastructure improvements,

and to fund anticipated one-time expenditures in the operating budget. This reserve shall be targeted at \$5 million, including an annual funding target of \$1.5 million specifically for infrastructure needs. Any unappropriated General Fund surplus, not needed to fund other reserves at fiscal year-end, shall be applied to this reserve.

The City's Emergency, Economic Fluctuations, and Undesignated, Unassigned Reserves had a combined balance of \$15.8 million as of the end of the fiscal year ending June 30, 2019. With a draw of \$4.0 million in fiscal year 2019-20 to resolve the City's fiscal year 2019-20 operating deficit, the City's Emergency, Economic Fluctuations, and Undesignated, Unassigned Reserves will have a remaining balance of \$11.8 million as of June 30, 2020. With a proposed draw of \$1.3 million in fiscal year 2020-21 to resolve the City's fiscal year 2020-21 operating deficit, the Reserves are projected to have a remaining balance of \$10.5 million by June 30, 2021, which is equal to 19.1% of the fiscal year 2020-21 General Fund budget. These numbers are reflected in the Budget Message for the fiscal year 2020-21 Adopted General Fund Budget and include the City's Economic Fluctuations, Emergency, and Undesignated, Unassigned Reserves only. However, due to its intended purpose, the City's PERS Retirement Reserve of \$2.3 million, as of the fiscal year ending June 30, 2019, can also be utilized and drawn upon in the future to mitigate any increases in employer retirement contribution rates. When the PERS Retirement Reserve is included as well as anticipated labor concessions and the City's share of CARES Act funding in fiscal year 2020-21, the City's discretionary General Fund reserves are estimated to equal \$13.8 million and 25.4% of expenditures by the end of fiscal year 2020-21.

In the City's seven-year financial forecast, the City estimates a General Fund operating deficit averaging \$2.2 million from fiscal year 2021-22 to fiscal year 2024-25. Absent future state or federal stimulus funds or additional revenue sources, this would require the City to draw upon its discretionary General Fund reserves in those fiscal years and could leave a balance of \$5.1 million, which would be equal to 8.1% of expenditures by the end of fiscal year 2024-25. However, the City has also discussed additional revenue sources such as a new Utility Users Tax ("UUT"), an increase to TOT rates, enforcement of TOT requirements for short-term rentals, and a modernization of Business License tax rates as strategies to bridge potential future General Fund operating deficits. Voter approval would be required for all measures identified except enforcement of TOT requirements for short-term rentals. The City will also look at future cost reduction measures should additional revenue sources not be viable options to balance the General Fund.

Historical General Fund Major Reserve Balances. The following table sets forth historical General Fund reserves for fiscal years 2016-17, 2017-18 and 2018-19, and estimated General Fund reserves for fiscal years 2019-20 and 2020-21.

**CITY OF CAMPBELL
GENERAL FUND MAJOR RESERVES
(Fiscal Year Ending June 30)**

Reserves	Actual 2017	Actual 2018	Actual 2019	Estimated 2020	Estimated 2021
Operations	\$ 1,000,000	\$ 1,000,000	\$ 1,026,759	\$ 1,026,759	\$ 1,026,759
Emergencies	4,941,078	5,114,900	5,586,316	1,553,601	1,553,601
PERS/OPEB Retirement	2,552,000	2,552,000	2,552,000	2,552,000	2,552,000
Capital Improvements	5,410,890	5,000,000	1,984,450	1,579,450	1,579,450

Compensated Absences	1,161,310	1,202,912	1,117,642	1,117,642	1,117,642
Economic Fluctuations	6,000,000	6,000,000	9,192,787	9,192,787	7,885,949
Carryover Capital Projects	3,954,042	1,853,968	1,001,003	1,001,003	1,001,003

State Budget and Its Impact on the City

Fiscal Year 2020-21 State Budget. The Governor signed the fiscal year 2020-21 State Budget (the “2020-21 State Budget”) on June 29, 2020. The 2020-21 State Budget notes that the COVID-19 pandemic has impacted every sector of the State's economy and has caused record high unemployment, and further action from the federal government is needed as a result of the crisis. The Governor is pursuing \$1 trillion in flexible federal aid to state and local governments across the country, which support will be critical to mitigate the effects of the public health crisis, encourage recovery, and support persons in need.

At the time of the Governor's proposed 2020-21 State Budget in January, the State was projecting a surplus of \$5.6 billion. At the time of the May Revision with respect to the 2020-21 State Budget, the State had a budget deficit of \$54.3 billion. The 2020-21 State Budget includes measures to close the gap and bring the State's resources and spending into balance while preserving reserves for future years.

To reduce the structural deficit in the coming years, the 2020-21 State Budget sustains the January 1, 2022 suspension of several ongoing programmatic expansions that were made in the 2019 Budget Act. In addition, the 2020-21 State Budget accelerates the suspension of most Proposition 56 (2016 tobacco tax measure) tax rate increases to July 1, 2021. Despite these measures, the State forecasts an operating deficit of \$8.7 billion in 2021-22, after accounting for reserves.

Closing the Budget Gap. The 2020-21 State Budget uses the following strategies to close the budget gap:

- **Reserve Draw Down:** Draws down \$8.8 billion in reserves, including from the State's Rainy Day Fund (\$7.8 billion), the Safety Net Reserve (\$450 million), and all of the funds in the Public School System Stabilization Account.
- **Triggers:** Includes \$11.1 billion in funding reductions and deferrals that will be restored if at least \$14 billion in federal funds are received by October 15, 2020. If the State receives a lesser amount between \$2 billion and \$14 billion, the reductions and deferrals will be partially restored. The trigger includes \$6.6 billion in deferred funding for schools.
- **Federal Funds:** Relies on \$10.1 billion in federal funds that provide State general fund relief, including \$8.1 billion already received.
- **Revenues:** Temporarily suspends the use of net operating losses for medium and large businesses and temporarily limits to \$5 million the amount of business incentive credits a

taxpayer can use in any given tax year. These short-term limitations will generate \$4.4 billion in new revenues in the 2020-21 fiscal year.

- Borrowing/Transfers/Deferrals: Relies on \$9.3 billion in special fund borrowing and transfers, as well as other deferrals for K-14 schools. Approximately \$900 million in additional special fund borrowing is associated with the reductions to employee compensation and is contained in the trigger.
- Other Solutions: Cancelling multiple program expansions and anticipating increased government efficiencies, higher ongoing revenues above the May Revision forecast and lower health and human services caseload costs than the May Revision estimated.

General Budget Highlights. Certain highlights of the 2020-21 State Budget are:

- Emergency Response. COVID-19 and other emergency response efforts included in the 2020-21 State Budget are:
 - Responding to COVID-19: The State expects to receive over \$72 billion in federal assistance to State programs, of which unemployment insurance represents about \$52 billion of this total. Under the CARES Act, the State received \$9.5 billion for various uses including \$4.4 billion to mitigate K-14 learning loss. The amount of \$5.9 million of General Fund spending for 2020-21 and \$4.8 million ongoing is allocated to support the State Department of Health's response to COVID-19.
 - Enhancements to Emergency Responses and Preparedness: \$117.6 million is allocated to the State Office of Emergency Services to enhance emergency preparedness and response capabilities, including with respect to power outages, earthquakes, wildfires and cybersecurity.
 - Forestry and Fire Protection: \$90 million is allocated to enhance CAL FIRE's fire protection capabilities, including for wildfire prediction and modeling technology.
- Revenue Solutions. Revenue measures which are expected to net \$4.3 billion in 2020-21, \$3.1 billion in 2021-22 and \$1.3 billion in 2022-23, include:
 - Certain Tax Measure Extensions. Extending certain tax measures including certain sales tax exemptions through the end of 2022-23, extending the carryover period for film credits from 6 years to 9 years, and extending the current exemption from the minimum tax for first year corporations to first year limited liability corporations, partnerships, and limited liability partnerships.
 - Expansion of Earned Income Tax. Expanding the Earned Income Tax Credit to certain taxpayers.
 - Changes to Tax Laws and Sales Tax. Changes in tax law including suspending net operating losses for 2020, 2021, and 2022 for medium and large businesses, and limiting certain business incentive tax credits, and with respect to closing the sale tax loss gap, requiring used car dealers to remit sales tax to the Department of Motor Vehicles with registration fees.

- Recovery for Small Businesses. The 2020-21 State Budget includes a waiver of the minimum franchise tax for the first year of operation, \$100 million budgeted for the State's small business loan program, \$25 million to provide capital to enable the origination of more loans in underbanked communities, and adding funding of \$758,000 ongoing for positions relating to small business support.
- Housing. Up to \$500 million is allocated in State tax credits for low-income housing in 2021, under certain conditions. The 2020-21 State Budget provides \$331 million in National Mortgage Settlement funds to help prevent avoidable foreclosures and evictions, and \$8.3 billion across multiple departments and programs to address housing throughout the State.

As described above, the adopted 2020-21 State Budget is still subject to change for a variety of reasons and the City can provide no assurances about the final condition of the 2020-21 State Budget or the impact of the State's financial condition on the City's General Fund.

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

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

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

Dissolution of Redevelopment Agencies. State legislation enacted as part of the 2011 Budget Act, and upheld by the California Supreme Court, resulted in the formal dissolution of redevelopment agencies, including the Campbell Redevelopment Agency (the "**Former Redevelopment Agency**"), effective as of February 1, 2012. The City created a private-purpose trust fund to account for the assets and liabilities.

Long-Term Financial Plan

Shown below is a summary of the City's seven-year financial forecast, which includes an estimate of General Fund revenues and expenditures:

CITY OF CAMPBELL SEVEN-YEAR FINANCIAL FORECAST (Fiscal year 2020-21 through 2026-27)

	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Revenues	54,349,394	54,471,700	56,777,400	59,102,600	61,826,800	64,800,900	67,973,500
Expenditures	54,539,332	57,316,800	59,327,400	61,108,400	63,118,100	64,616,700	66,627,100
Surplus/(Deficit)	(189,938)	(2,845,100)	(2,550,000)	(2,005,800)	(1,291,300)	184,200	1,346,400

As discussed above, absent future state or federal stimulus funds or additional revenue sources, operating deficits shown would require the City to draw upon its discretionary General Fund reserves in those fiscal years and could leave a balance of \$5.1 million, which would be equal to 8.1% of expenditures by the end of fiscal year 2024-25.

The City's seven-year financial forecast includes the revenue assumptions for property taxes, sales and use tax, Charges for Service, TOT, license and permits and other taxes described above in this Appendix A under "CITY FINANCIAL INFORMATION – Ad Valorem Property Taxes".

All other General Fund revenue sources are anticipated to have level 3% annual growth through fiscal year 2026-27.

Additionally, the City's seven-year financial forecast includes the following significant assumptions for expenditures:

- Employee Costs** – The City estimates average annual salary growth of 2.8% through fiscal year 2026-27 and the return of some frozen vacant permanent positions and some released temporary positions in fiscal year 2021-22; with a full return in fiscal year 2022-23. The City is also accounting for normal medical and dental increases of 4% and 1.5%, respectively, as well as anticipated increases in PERS retirement UAAL rates starting in fiscal year 2022-23 due to PERS missing its investment target in fiscal year 2019-20 by approximately 300 basis points. Additionally, while labor concessions of approximately \$595,000 are expected for fiscal year 2020-21, these savings are not anticipated to continue into the future and a temporary deferral of allowable vacation and sick leave cash outs of approximately \$350,000 will need to be paid back to employees starting in fiscal year 2021-22.
- Supplies and Services** – The City estimates supplies and services costs that were reduced in fiscal year 2020-21 will partially return in fiscal year 2021-22, with a full return in fiscal year 2022-23. The City is also estimating that it may need to continue some expenditures for COVID-19 related activities through fiscal year 2021-22, but at 50% of the \$500,000 level shown in the fiscal year 2020-21 General Fund budget. Some of these costs may be reimbursable through state or federal funding and the City estimates that they will no longer be necessary after fiscal year 2021-22. For all other supplies and services costs, the City is estimating level 3% annual growth through fiscal year 2026-27, consistent with average inflationary growth levels.

As discussed above, the City will also look at future cost reduction measures should additional revenue sources not be viable options to balance the General Fund.

Retirement Programs

PERS Plan Description. All qualified permanent and probationary employees are eligible to participate in the City's Safety (police) cost-sharing multiple-employer defined benefit plan or the Miscellaneous (all other) Plan, agent multiple-employer defined benefit pension plans administered by the California Public Employees' Retirement System ("**PERS**"), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and City resolution. PERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the PERS website.

PERS Plan Eligibility. For a more detailed discussion of the eligibility requirements for the City's PERS retirement plans, see Note 9.a. of APPENDIX B to this Official Statement.

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

<u>Miscellaneous Plan</u>		<u>Safety Plan</u>	
<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>
2017-18	27.900%	2017-18	56.600%
2018-19	30.500	2018-19	60.800
2019-20	30.414	2019-20	64.729
2020-21	32.908	2020-21	68.667

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

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

For a more detailed discussion of the eligibility requirements for the City's retirement plans, see Note 9.a. of APPENDIX B to this Official Statement for detailed information about the actuarial assumptions underlying the contributions.

The City is required to contribute at an actuarially determined rate of annual covered payroll, plus a fixed payment of unfunded liability. The actuarially determined rates and amounts for each plan for the fiscal years ended June 30, 2019, through June 30, 2021, are as follows:

City's Required Employer Contribution Rate

	<u>Fiscal Year 2018-19</u>		<u>Fiscal Year 2019-20</u>		<u>Fiscal Year 2020-21</u>	
	<u>Employer Normal Cost Rate</u>	<u>Employer Payment of Unfunded Liability</u>	<u>Employer Normal Cost Rate</u>	<u>Employer Payment of Unfunded Liability</u>	<u>Employer Normal Cost Rate</u>	<u>Employer Payment of Unfunded Liability</u>
Miscellaneous Plan	10.514%	\$1,685,383	10.628%	\$2,027,459	11.364%	\$2,265,429
Safety Plan - PEPRA	12.141	6,491	13.034	7,199	13.044	29,441

Source: CalPERS Actuarial Reports dated August 2017, August 2018, and July 2019.

The City's total contributions to each plan in fiscal years 2017-18, 2018-19 and 2019-20 (estimated) were as follows:

Miscellaneous Plan

<u>Fiscal Year</u>	<u>Total City Contribution</u>
2017-18	\$2,606,519
2018-19	3,124,037
2019-20	3,448,774

Safety Plan

<u>Fiscal Year</u>	<u>Total City Contribution</u>
2017-18	\$3,180,698
2018-19	3,579,757
2019-20	4,032,987

Funded Status. The following table sets forth the schedule of funding for the City's Miscellaneous and Safety Plan pension plans for the fiscal years ended June 30, 2016, 2017, 2018.

Miscellaneous Plan

<u>Valuation Date (June 30)</u>	<u>Miscellaneous Plan - Classic</u>				
	<u>Accrued Liability</u>	<u>Market Value of Assets</u>	<u>Unfunded Liability</u>	<u>Funded Ratio ⁽¹⁾</u>	<u>Annual Covered Payroll</u>
2016	\$98,052,522	\$69,744,698	\$28,307,824	71.1%	11,999,064
2017	103,646,561	76,401,527	27,245,034	73.7	12,283,145
2018	113,121,107	81,618,443	31,502,664	72.2	12,400,300

Safety Plan

Safety Plan - PEPRA

Valuation Date (June 30)	Accrued Liability	Market Value of Assets	Unfunded Liability	Funded Ratio ⁽¹⁾	Annual Covered Payroll
2016	\$151,721	\$136,022	\$15,699	89.7%	\$619,241
2017	304,429	286,195	18,234	94.0	989,607
2018	640,294	583,300	56,994	91.1	1,411,085

(1) Based on the market value of assets.

Source: CalPERS Actuarial Report Dated July 2019.

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

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

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

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

<u>Fiscal Year</u>	<u>Discount Rate</u>
--------------------	----------------------

2018-19	7.375%
2019-20	7.250
2020-21	7.000

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

COVID-19 Impacts: Recent investment losses in the PERS portfolios as a result of the general market downturn caused by the COVID-19 outbreak may result in increases in the City's required contributions in future years. At this time, the City cannot predict the level of such increases, if any. However, the City has made certain assumptions in its seven-year financial forecast as described above in this Appendix A under "CITY FINANCIAL INFORMATION – Long-Term Financial Plan".

Other Post-Employment Benefits ("OPEB")

Plan Description. The City administers a Retiree Award Program which provides medical insurance benefits on a reimbursement basis to eligible retirees in accordance with various labor agreements. The City pays up to \$325 per month for retiree only medical insurance premiums or the actual cost of the retiree premium, whichever is less. Eligible retirees must be retired from the City with at least 17 years of service with the City and be at least 50 years of age. The City has established a trust with the California Employers Retiree Benefit Trust, an agent multiple-employer trust, for the purpose of holding assets accumulated for plan benefits. Copies of the PERS' annual financial reports for its OPEB Trust may be obtained from its executive office at 400 "P" Street, Sacramento, California 95814. Membership of the plan as of the 2018-19 fiscal year consisted of 75 retirees and beneficiaries receiving benefits and 184 active plan members.

Contribution requirements of plan members and the City are established by the City and may be amended by City Council. The contribution required to be made under City Council and labor agreement requirements is based on the most recent actuarial study using a 10-year phase-in option. The annual contribution is based on the actuarially determined contribution. For the year ended June 30, 2019, the City's cash contributions were \$1,158,000 in payments to a trust, \$278,022 of cash benefits payments and an estimated implied subsidy of \$130,000, resulting in payments of \$1,566,022.

Based on an actuarial valuation as of June 30, 2017, the City's net OPEB liability as of the fiscal year ending June 30, 2019, was \$4,283,560.

For the fiscal year ended June 30, 2019, the City recognized an OPEB expense of \$639,590.

For more information regarding the City's OPEB, see Note 11 of the City's Comprehensive Annual Financial Report, which is attached as APPENDIX B to the Official Statement.

Defined Contribution Plan

The Omnibus Budget Reconciliation Act of 1990 mandates that public sector employees who are not members of their employer's existing retirement system as of January 1, 1992 be covered by either Social Security or an alternative plan. Effective July 1, 2004, the City contracted with the Public Agency Retirement System ("**PARS**"), a defined contribution plan. PARS covers employees that are part-time, seasonal or temporary and all other employees that are not covered by another retirement system. All eligible employees covered by PARS are fully vested. Employer liabilities are limited to the amount of current contributions.

Under PARS, employees contribute 6.2% and the City contributes 1.3% of the employees' salary each pay period. For the fiscal year ended June 30, 2019, total contributions of \$138,526 (\$114,513 employee and \$24,013 employer) were made based on covered compensation of \$1,846,951.

Labor Relations

As of July 1, 2020, the City employed approximately 173.67 full-time equivalent budgeted employees. There are six (6) labor groups as shown below. In addition, the City employs approximately 10.5 unrepresented employees that include Executive Management and City Council positions. The City has not experienced any work stoppages or strikes by its employees.

CITY OF CAMPBELL Labor Relations

<u>Labor Organization</u>	<u>Employees</u>	<u>Contract Expiration Date</u>
Campbell Municipal Employees Association	55.35	June 30, 2021
Confidential employees	4.00	June 30, 2021
Campbell Police Civilian Employees Association	21.92	June 30, 2021
Campbell Police Officers Association	43.00	December 31, 2021
Management employees	17.00	June 30, 2021
Northern California Carpenters Regional Council	21.90	June 30, 2021

Source: City of Campbell.

Risk Management

General Liability. Risk management activity for City exposure to torts (general liability) is accounted for as a liability on the Statement of Net Position. The City is self-insured for the first \$100,000 of liability for each occurrence, and the excess (up to \$20,000,000) is covered through the City's participation in the Pooled Liability Assurance Network Joint Powers Authority ("**PLAN JPA**") general liability risk pool. PLAN JPA also provides \$1,000,000 of employee theft coverage in the excess of the City's \$5,000 deductible. PLAN JPA pool consists of twenty-eight member agencies within the San Francisco Bay Area. The stated purpose of the PLAN JPA pool is to provide certain levels of liability insurance coverage, claims management, risk management services, and legal defense to each participating city within the pool. Each city was required to make an initial deposit premium based on an actuarial study of each City's risk exposure. The

premium consists of a risk portion and administrative portion. The premium is revised each year based on claims experience and risk exposure.

Workers' Compensation. The City has a risk financing fund to account for work related injuries and accidents to City employees. This fund is accounted for as an internal service fund in which assets are set aside for claim payments. Under the California Workers' Disability and Compensation laws, the City, as an employer, is permissibly self-insured for the first \$1,000,000 of claims arising from each occurrence. The City obtains excess Workers' Compensation insurance through a policy up to statutory limits. A premium is charged to each fund and program that budgets for part-time or full-time employees. The total charge allocated is based upon the percentage of each fund's current-year payroll as it relates to total payroll of the City.

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claims liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts and other economic and social factors. For the past three fiscal years, no claims were settled in excess of commercial insurance coverage.

City Debt Structure

Outstanding General Obligation Bonds. The City does not have any outstanding general obligation bonds other than the Bonds.

Outstanding General Fund Obligations. The City currently has outstanding long-term General Fund debt and lease obligations described below. The City has never defaulted on the payment of principal of or interest on any of its indebtedness.

2002 Refunding Certificates of Participation - Civic Center Project. Net proceeds of \$9,678,751 from the City's 2002 Refunding Certificates of Participation were used to prepay and refund the City's 1993 Certificates of Participation. An additional \$1,830,975 of proceeds was used to provide partial funding or renovation and expansion of the City's Police Department and construction of an animal shelter.

Capital Appreciation Certificates in the amount of \$1,245,844 bear interest at rates ranging from 5.80% to 5.83%. Capital Appreciation Certificate maturities begin October 1, 2029 and continue annually through 2032. The Capital Appreciation Certificates are not subject to optional prepayment prior to their stated maturity dates. Each year the outstanding principal balance is increased for the accretion of interest associated with the Capital Appreciation Certificates. The accumulated accreted interest at June 30, 2019 is \$2,005,943. Principal and interest payments are guaranteed under an insurance policy issued by Ambac Assurance Corporation. As of June 30, 2019, the principal balance outstanding was \$3,251,787.

The certificates represent fractional interests in lease payments made by the City from its general fund.

2016 Refunding Lease Revenue Bonds. In August of 2016, the Campbell Joint Public Finance Authority issued 2016 Refunding Lease Revenue Bonds (the 2016 PFA Bonds), in the aggregate principal amount of \$8,085,000. The bonds pay interest at a rate from 2.0% to 4.0% payable semiannually on April 1 and October 1, commencing on

April 1, 2016. The bonds were issued to prepay a portion of the 1997 Refunding Certificates of Participation (Civic Center Project) (the 1997 Certificates) of the City of Campbell (the City), prepay a portion of the 2002 Refunding Certificates of Participation (Civic Center Project) (the 2002 Certificates) of the City, and pay the costs of bond issuance. There is no reserve requirement on bonds. As of June 30, 2019, the principal balance outstanding was \$6,260,000. The bonds are payable from lease payments made by the City from its general fund.

Employment

The City is part of the San José-Sunnyvale-Santa Clara Metropolitan Statistical Area (“MSA”), which is comprised of Santa Clara and San Benito Counties. The unemployment rate in the San José-Sunnyvale-Santa Clara MSA was 11.2% in May 2020, down from a revised 12.0% in April 2020, and above the year- ago estimate of 2.2%. This compares with an unadjusted unemployment rate of 15.9% for California and 13.0% for the nation during the same period. The unemployment rate was 15.5% in San Benito County, and 11.0% in Santa Clara County.

The table below list employment by industry group for the years 2015 through 2019.

SAN JOSÉ-SUNNYVALE-SANTA CLARA MSA
(San Benito and Santa Clara Counties)
Annual Average Civilian Labor Force, Employment and Unemployment,
Employment by Industry
Calendar Years 2015 through 2019
(March 2019 Benchmark)

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Civilian Labor Force ⁽¹⁾⁽²⁾	1,042,000	1,058,200	1,069,300	1,074,900	1,085,200
Employment	997,700	1,017,400	1,034,100	1,045,600	1,057,400
Unemployment	44,200	40,800	35,200	29,300	27,800
Unemployment Rate	4.2%	3.9%	3.3%	2.7%	2.6%
<u>Wage and Salary Employment:</u> ⁽³⁾					
Agriculture	5,500	6,100	5,800	5,800	5,500
Mining and Logging	200	300	200	200	200
Construction	43,900	48,300	49,300	49,900	52,500
Manufacturing	164,800	166,700	166,900	172,100	173,000
Wholesale Trade	35,800	35,500	33,500	32,200	31,700
Retail Trade	86,600	85,800	85,800	85,700	83,600
Transportation, Warehousing, Utilities	14,600	15,500	15,400	15,800	16,200
Information	68,800	75,200	85,200	92,200	100,800
Finance and Insurance	21,100	21,500	21,600	21,600	21,900
Real Estate and Rental and Leasing	13,500	14,200	14,500	15,200	15,800
Professional and Business Services	223,700	232,600	236,600	237,000	242,900
Educational and Health Services	156,600	162,900	169,200	173,400	175,500
Leisure and Hospitality	96,800	100,600	103,400	105,700	106,500
Other Services	26,900	27,600	28,900	28,900	29,200
Federal Government	9,900	10,000	10,200	9,900	10,000
State Government	6,700	6,700	6,800	7,100	6,900
Local Government	76,400	77,400	78,600	79,700	80,300
Total all Industries	1,051,900	1,086,700	1,111,900	1,132,300	1,152,300

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

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

(3) Totals may not add due to rounding.

Source: State of California Employment Development Department.

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

**CITY OF CAMPBELL
Major Employers
2019**

<u>Employer</u>	<u>Number of Employees</u>	<u>% of Total Employment</u>
Daley's Drywall & Taping, Inc.	557	2.11%
Barracuda Networks Inc.	350	1.33
Net Polarity, Inc.	341	1.29
Dewinter Group	300	1.14
Saama Technologies	274	1.04
Safeway	248	0.94
On-Site.com	230	0.87
Home Depot	228	0.86
Whole Foods	226	0.86
Chargepoint, Inc.	225	0.85

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

**COUNTY OF SANTA CLARA
Major Employers (Listed Alphabetically)
June 2020**

<u>Employer Name</u>	<u>Location</u>	<u>Industry</u>
Adobe Inc	San Jose	Publishers-Computer Software (mfrs)
Advanced Micro Devices Inc	Santa Clara	Semiconductor Devices (mfrs)
Alphabet Inc	Mountain View	Internet Search Engines
Apple Inc	Cupertino	Computers-Electronic-Manufacturers
Applied Materials Inc	Santa Clara	Semiconductor Manufacturing Equip (mfrs)
California's Great America	Santa Clara	Amusement & Theme Parks
Christopher Ranch LLC	Gilroy	Garlic (mfrs)
Cisco Systems Inc	San Jose	Computer Peripherals (mfrs)
eBay Inc	San Jose	E-Commerce
Flextronics International	Milpitas	Semiconductor Devices (mfrs)
Fujitsu Laboratories of Amer	Sunnyvale	Laboratories-Research & Development
HP Inc	Palo Alto	Computers-Electronic-Manufacturers
Intel Corp	Santa Clara	Semiconductor Devices (mfrs)
Intuitive Surgical Inc	Sunnyvale	Physicians & Surgeons Equip & Supls-Mfrs
Lockheed Martin Corp	San Jose	Aerospace Industries (mfrs)
Lockheed Martin Space Systems	Sunnyvale	Satellite Equipment & Systems-Mfrs
Lucile Packard Children's Hosp	Palo Alto	Hospitals
Lumileds Lighting Co	San Jose	Lighting Fixtures-Supplies & Parts-Mfrs
Maxim Integrated Products Inc	San Jose	Printed & Etched Circuits-Mfrs
NASA	Mountain View	Federal Government-Space Research/Tech
Netapp Inc	Sunnyvale	Computer Storage Devices (mfrs)
Prime Materials	San Jose	Semiconductors & Related Devices (mfrs)
SAP Center	San Jose	Stadiums Arenas & Athletic Fields
Stanford School of Medicine	Stanford	Schools-Medical
Super Micro Computer Inc	San Jose	Computers-Electronic-Manufacturers

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

Effective Buying Income

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

The following table summarizes the total effective buying income for the City of Campbell, the County of Santa Clara, the State and the United States for the period 2016 through 2020.

CITY OF CAMPBELL AND COUNTY OF SANTA CLARA Effective Buying Income As of January 1, 2016 through 2020

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2016	Campbell	\$1,779,365	\$76,988
	Santa Clara County	73,637,380	79,345
	California	981,231,666	53,589
	United States	7,757,960,399	46,738
2017	Campbell	\$1,828,108	\$77,277
	Santa Clara County	77,917,425	81,466
	California	1,036,142,723	55,681
	United States	8,132,748,136	48,043
2018	Campbell	\$2,113,276	\$87,366
	Santa Clara County	85,859,495	88,243
	California	1,113,648,181	59,646
	United States	8,640,770,229	50,735
2019	Campbell	\$2,293,245	\$93,077
	Santa Clara County	91,332,099	92,773
	California	1,183,264,399	62,637
	United States	9,017,967,563	52,841
2020	Campbell	\$2,428,444	\$98,152
	Santa Clara County	97,710,060	98,882
	California	1,243,564,816	65,870
	United States	9,487,165,436	55,303

Source: The Nielsen Company (US), Inc for years 2016 through 2018; Claritas, LLC for 2019 and 2020.

Construction Activity

Provided below are the building permits and valuations for the City of Campbell for calendar years 2015 through 2019.

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

Permit Valuation	2015	2016	2017	2018	2019
<u>Permit Valuation</u>					
New Single-family	\$15,240.9	\$7,878.1	\$7,011.9	\$21,300.3	\$18,298.9
New Multi-family	0.0	29,492.0	8,698.9	0.0	0.0
Res. Alterations/Additions	8,386.0	4,228.6	12,744.5	13,867.8	4,166.1
Total Residential	23,626.9	41,598.7	28,455.3	35,168.1	22,465.0
New Commercial	793.1	40,460.7	2,091.9	73.3	37.1
New Industrial	0.0	0.0	0.0	0.0	0.0
New Other	1,522.1	802.5	1,015.9	449.1	122.8
Com. Alterations/Additions	<u>10,474.4</u>	<u>4,368.0</u>	<u>16,379.2</u>	<u>15,501.0</u>	<u>5,047.4</u>
Total Nonresidential	12,789.6	45,631.20	19,487.00	16,023.4	5,207.3
<u>New Dwelling Units</u>					
Single Family	49	23	20	69	53
Multiple Family	<u>0</u>	<u>164</u>	<u>42</u>	<u>0</u>	<u>0</u>
TOTAL	49	187	62	69	53

Source: Construction Industry Research Board, Building

APPENDIX B
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR YEAR ENDED JUNE 30, 2019

Attachment: Draft Preliminary Official Statement (POS) (Authorization to Issuance of Measure O Bonds in FY 2020-21)

APPENDIX C
FORM OF OPINION OF BOND COUNSEL

Attachment: Draft Preliminary Official Statement (POS) (Authorization to Issuance of Measure O Bonds in FY 2020-21)

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

§ _____
CITY OF CAMPBELL
ELECTION OF 2018 GENERAL OBLIGATION BONDS,
SERIES 2020

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this “Disclosure Certificate”) is executed and delivered by the City of Campbell (the “City”) in connection with the issuance of the bonds captioned above (the “Bonds”). The Bonds are being issued under the Constitution and laws of the State of California, including but not limited to, Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California, under a resolution adopted by the City Council of the City on July 21, 2020 (the “Bond Resolution”).

The City hereby covenants and agrees as follows:

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

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

“*Annual Report*” means any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4.

“*Annual Report Date*” means the date not later than April 1 after the end of each fiscal year of the City (currently June 30th).

“*Dissemination Agent*” means the City or any other Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation. As of the date of this Disclosure Certificate, NHA Advisors, LLC is acting as Dissemination Agent.

“*Listed Events*” means any of the events listed in Section 5(a).

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

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

“*Participating Underwriter*” means the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds, initially Stifel, Nicolaus & Company, Incorporated.

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

Section 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing April 1, 2021 with the report for the 2019-20 fiscal year, provide to the MSRB in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the City) has not received a copy of the Annual Report, the Dissemination Agent shall contact the City to determine if the City is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the City’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(b). The City shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the City hereunder.

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

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

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

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

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

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

- (i) Assessed value of taxable property within the jurisdiction of the City;
- (ii) Summary of property tax rates for all taxing entities within the City expressed as a percentage of assessed valuation in the form of Table 4 of the Official Statement;
- (iii) Top ten property tax assesses for current fiscal year, taxable value and percentage of total assessed value in substantially the form of Table 5 of the Official Statement (excluding land use);
- (iv) A statement of whether the Teeter Plan remains in effect. If the Teeter Plan is no longer in effect and to the extent such information is available from the County, property tax collection delinquencies for the City; and
- (v) Amount of all general obligation debt of the City outstanding, and total scheduled debt service on such general obligation debt.

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

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

Section 5. Reporting of Significant Events.

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

- (1) Principal and interest payment delinquencies.
- (2) Non-payment related defaults, if material.
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (5) Substitution of credit or liquidity providers, or their failure to perform.
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.

- (7) Modifications to rights of security holders, if material.
- (8) Bond calls, if material, and tender offers.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities, if material.
- (11) Rating changes.
- (12) Bankruptcy, insolvency, receivership or similar event of the City or other obligated person.
- (13) The consummation of a merger, consolidation, or acquisition involving the City or an obligated person, or the sale of all or substantially all of the assets of the City or an obligated person (other than in the ordinary course of business), the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.
- (15) Incurrence of a financial obligation of the City or an obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City or an obligated person, any of which affect security holders, if material.
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City or an obligated person, any of which reflect financial difficulties.

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

(c) The City acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), (a)(14), and (a)(15) of this Section 5 contain the qualifier "if material" and that subparagraph (a)(6) also contains the qualifier "material" with respect to certain notices, determinations or other events affecting the tax status of the Bonds. 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 it determines the event's occurrence is material for purposes of U.S. federal securities law.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

(e) For purposes of Section 5(a)(15) and (16), “financial obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

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

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

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

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

- (a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;
- (b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and
- (c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Bond Resolution for amendments to the Bond Resolution with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

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

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the City to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be filed in the same manner as for a Listed Event under Section 5(b).

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

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

Section 12. Duties, Immunities and Liabilities of Dissemination Agent.

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

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

Section 13. Notices. Any notice or communications to be among any of the parties to this Disclosure Certificate may be given as follows:

To the City: City of Campbell
70 North First Street
Campbell, California 95008
Attention: Finance Director

To the Dissemination Agent: NHA Advisors, LLC
4040 Civic Center Drive, Suite 200
San Rafael, CA 94903
Attention: Rob Schmidt

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

Section 14. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 15. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Date: _____, 2020

CITY OF CAMPBELL

By: _____
Director of Finance

Attachment: Draft Preliminary Official Statement (POS) (Authorization to Issuance of Measure O Bonds in FY 2020-21)

APPENDIX E

DTC AND THE BOOK-ENTRY ONLY SYSTEM

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

Neither the City nor the Paying Agent take any responsibility for the information contained in this Section.

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

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

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

companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. *The information contained on this Internet site is not incorporated herein by reference.*

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

4. 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 nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

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

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

8. Redemption proceeds, distributions, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from City or Paying Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Paying Agent, or City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of City or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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