

City of Piedmont
COUNCIL AGENDA REPORT

DATE: November 1, 2021

TO: Mayor and Council

FROM: Sara Lillevand, City Administrator

SUBJECT: Consideration of a Resolution Authorizing the Issuance of the 2021 General Obligation Bonds and the Related Forms of a Preliminary Official Statement and a Bond Purchase Agreement.

RECOMMENDATION

Approve the attached resolution related to the issuance of bonds for the Piedmont Community Pool project, which approval accomplishes the following:

- Authorizes the issuance of the 2021 General Obligation Bonds in the maximum principal amount of \$19,500,000 for the purposes authorized by Measure UU; and
- Approves the forms of a Preliminary Official Statement and a Bond Purchase Agreement and authorizes certain other actions in connection with the issuance of the 2021 General Obligation Bonds.

BACKGROUND

On July 20, 2020, the City Council authorized the placement of a bond measure on the November 3, 2020 General Election ballot, subsequently named as Measure UU by the Alameda County Registrar of Voters. Measure UU authorized the sale of up to \$19.5 million in General Obligation Bonds for the purpose of preventing permanent closure of the Piedmont Community Pool by constructing new pool facilities, restrooms, and related areas, to conserve energy and water, and provide greater community access and safety (the “Bonds”).

On November 3, 2020, eligible voters in the City of Piedmont approved Measure UU with a ‘Yes’ vote by 68.52% of the citizens that voted in the General Election.

The City of Piedmont (the “City”) determined the need to close the existing Piedmont Community Pool or replace it with new pool facilities, restrooms, and related areas. The issuance of the Bonds allows the City to fund the replacement of the existing Piedmont Community Pool at a time of low interest rates on a historical basis. Based on current interest rates, the anticipated credit rating on the Bonds, and estimated costs of issuance, the projected tax rate is anticipated to be the same or lower than originally estimated in the election materials. The Tax Rate Statement provided to voters set forth a tax rate of \$0.0262 per \$100 or \$26.20 per \$100,000 of assessed value. Based on interest rates as of October 22, 2021 and the preceding assumptions, the proposed bond issue has a tax impact of \$25.40 per \$100,000 of assessed value

based on FY2021-22 assessed property valuation.

The City is planning to issue the Bonds as a single series bearing a tax-exempt fixed rate to maturity in an aggregate principal amount of \$19.5 million. The bonds will have a final maturity of September 1, 2051 and be subject to redemption at the option of the City by approximately September 1, 2031. Proceeds of the Bonds will fund (a) new pool facilities and related areas, (b) capitalized interest, and (c) costs of issuance of the Bonds.

As part of preparing for the 2020 Election, the City engaged Jones Hall as Bond and Disclosure Counsel to the City, and Hilltop Securities Inc. as Municipal Advisor to the City to assist in the election process, financial and tax analysis, and development of the financing structure.

Subsequent to approval of Measure UU by the citizens of the City, Hilltop Securities, on behalf of the City, issued Requests for Proposals for Underwriting Services and Registrar & Paying Agent Services. On the basis of the receipt of proposals pursuant to such Request for Proposal process, the City selected BofA Securities Inc. to provide underwriting services and The Bank of New York Mellon Trust Company to provide Registrar & Paying Agent Services.

PRELIMINARY OFFICIAL STATEMENT

The Preliminary Official Statement is a disclosure document used to market the bonds and provide the information necessary for a potential purchaser to make an informed investment decision. The attached Preliminary Official Statement has been reviewed and approved for transmittal to the City Council by the City's finance 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") has issued guidance as to the duties of governing bodies of local agencies (such as the City Council) with respect to its approval of the Preliminary Official Statement. The SEC has 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 and discuss any concerns with staff and consultants.

The bonds are payable solely from ad valorem property taxes levied by the City and collected by Alameda County, as described in the Preliminary Official Statement. 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. The City's Audited Financial Statements for the fiscal year ended June 30, 2020 will be included in Appendix B to the Preliminary Official Statement.

BOND PURCHASE AGREEMENT

The Bond Purchase Agreement is the legal document pursuant to which the Bonds will be sold by the City to BofA Securities as the Underwriter for re-sale to the ultimate investors in the Bonds. The Bond Purchase Agreement contains various standard representations, warranties and covenants of the City with respect to the Preliminary Official Statement and the Bonds; standard conditions precedent to BofA Securities' obligation to purchase the Bonds as well as standard provisions with respect to their ability to terminate such obligation; and will include the final interest rates, maturities, redemption terms and pricing-related information that will be finalized on the date of pricing the Bonds. Upon execution of the Bond Purchase Agreement by authorized City officials on the pricing date for the Bonds, which is planned to occur on or about November 18, the City will no longer be exposed to changes in interest rates.

FISCAL IMPACT

The Bonds are general obligations of the City, secured by and payable from ad valorem property taxes levied by the City and collected by Alameda County. There is no impact on the City's general fund.

In accordance with Government Code Section 5852.1, the following information has been obtained and is being disclosed to the City Council prior to the issuance of the Bonds. Based on interest rates as of October 22, 2021, assumed credit ratings of "AA" by Standard & Poor's, and estimated costs of issuance: (i) the estimated True Interest Cost of the Bonds (being the rate necessary to discount the amounts payable on the respective principal and interest payment dates to the purchase price received for the Bonds) is 3.06%, (ii) the estimated All-In True Interest Cost, or cost of capital to the City, is 3.15%, (iii) the estimated costs of issuance of the Bonds (being the sum of all fees and charges paid to third parties) is \$403,700, (iv) the estimated proceeds of the Bonds expected to be received, net of proceeds for finance charges in (iii) above to be paid from the principal amount of the Bonds and any reserves (\$0) or capitalized interest (\$705,569) paid or funded with Bonds is \$23,730,989, and (iv) the estimated total payment amount of the Bonds (being the sum of debt service to be paid to final maturity, plus any financing costs paid or not paid from proceeds of the Bonds) is \$37,424,000. This information is based on good-faith estimates provided by the City's municipal advisor.

By: Michael Szczech, Finance Director

Attachment A - Resolution

Attachment B – Draft Preliminary Official Statement

Attachment C – Draft Bond Purchase Agreement

RESOLUTION NO. _____**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PIEDMONT
AUTHORIZING THE ISSUANCE AND SALE OF GENERAL
OBLIGATION BONDS IN AN AGGREGATE PRINCIPAL AMOUNT
NOT TO EXCEED \$19,500,000, AND AUTHORIZING ACTIONS
RELATED THERETO**

WHEREAS, under Sections 3, 5, and 7 of Article XI of the California Constitution and Section 1.03 of the City Charter, the City of Piedmont is authorized to make and enforce all laws and regulations concerning municipal affairs and related matters; and

WHEREAS, as stated in said Section 1.03, the powers of the City under the City Charter shall be construed liberally in favor of the City; and

WHEREAS, an election was duly and regularly held in the City on November 3, 2020, for the purpose of submitting Measure UU (the “Bond Measure”) to the qualified electors of the City; and

WHEREAS, the abbreviated form of the Bond Measure was:

“Shall the measure to prevent permanent closure of Piedmont’s Community Pool by constructing new pool facilities, restrooms and related areas, to conserve energy and water, provide greater community access and safety, and authorize Piedmont to issue \$19,500,000 in bonds at legal rates, generating \$1,257,950 annually at an average rate of 2.6 cents per \$100 of assessed valuation while bonds are outstanding, with all money staying local and independent citizens’ oversight, be adopted?”; and

WHEREAS, the City is empowered under the California Constitution, the City Charter and the California Government Code 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 the election held on November 3, 2020 voted in favor of the Bond Measure, authorizing the issuance by the City of general obligation bonds in the aggregate principal amount of \$19,500,000 for the purpose of providing funds for the purposes specified in the Bond Measure; and

WHEREAS, on September 7, 2021, the City Council of the City of Piedmont (the “City Council”) enacted Ordinance 762 N.S. pursuant to, and in accordance with, the provisions of the City Charter to set forth certain terms and conditions upon which the general obligation bonds approved by the Bond Measure would be issued by the City; and

WHEREAS, the City Council wishes at this time to authorize the issuance and sale of a series of general obligation bonds in the aggregate principal amount of not to exceed \$19,500,000 (the “Bonds”) pursuant 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, as augmented and supplemented by Ordinance No. 762 N.S. (as such augmented and supplemented, the “Bond Law”) and this Resolution; and

WHEREAS, the information required to be obtained and disclosed by the City Council related to the Bonds by Government Code Section 5852.1 is set forth in the staff report accompanying this Resolution; 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 Piedmont, 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.

“Bondowner” or “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.

“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, as augmented and supplemented by Ordinance No. 762 N.S. adopted by the City Council of the City pursuant to the City Charter on September 7, 2021.

“Bond Measure” means Measure UU submitted to and approved by more than the requisite 2/3 of voters in the City on November 3, 2020, under which the issuance of the Bonds has been authorized.

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

“Bonds” means the bonds designated as the “City of Piedmont, California 2021 General Obligation Bonds,” or similar designation, authorized to be issued under this Resolution in the aggregate principal amount of not to exceed \$19,500,000.

“City” means the City of Piedmont, a charter 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 Administrator, the Finance Director and any other officer of the City authorized by resolution of the City Council 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 Alameda, 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, 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, 2022, and each succeeding September 1 and March 1 while the Bonds are Outstanding, 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.

“Paying Agent” means The Bank of New York Mellon Trust Company, N.A., as the initial 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, 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, 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 Council 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 BofA Securities, Inc., 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 \$19,500,000 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 costs and issuance and capitalized interest related thereto. 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 redemption premium, if any, on all Bonds which may be Outstanding hereunder, subject to the covenants, agreements, provisions and conditions herein contained.

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 \$19,500,000.

(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, or such other date 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 redemption 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 maturities of the Bonds designated as "Term Bonds" shall be subject to mandatory sinking fund redemption on September 1 in each of the years and in the respective principal amounts set forth in such agreement, 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 Electronic Municipal Market Access (EMMA) of 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 and interest rate, 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 redemption 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 of the same maturity and interest rate.

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 and interest rate. 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 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 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 to any Depository System Participant having Bonds credited to its DTC account or (b) arrange for another securities depository or its agent 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, interest rate 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, interest rate 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 California Government Code, 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
- (ii) the Underwriter's discount shall not exceed 0.40% of the principal amount of the Bonds.

Subject to the foregoing, 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 Sections 53508.7 and 53508.9 of the California Government Code, 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 California Government Code, after the sale of the Bonds, the City Council will present actual cost information of the sale at its next scheduled public meeting and submit an itemized summary of the costs of the Bond sale to the California Debt and Investment Advisory Commission (CDIAC).

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. *Payment of Costs of Issuance.* The City Council hereby authorizes a City Representative to execute on behalf of the City a costs of issuance custodian agreement or similar agreement with a custodian, which may be the Paying Agent, for the payment of costs of issuance of the Bonds. 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 or similar agreement with the Paying Agent regarding its services related to the Bonds.

Section 3.05. *Professional Services.* The City Council hereby approves and confirms the engagement of Hilltop Securities Inc., 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.* As set forth in the Bond Purchase Agreement, the proceeds of the sale of the Bonds, including any original issue premium and less the Underwriter's discount, 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) the City shall deposit an amount required to pay estimated capitalized interest on the Bonds for the time period determined by a City Representative in connection with the Bond pricing into the Debt Service Fund; and (c) after making the transfer described in the preceding clause (a) and (b), the City shall deposit the remainder of the sale proceeds into 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 net proceeds from the sale of the Bonds, as described in Section 4.01(c), 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 redemption 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. The amount of Bond proceeds deposited to pay capitalized interest on the Bonds pursuant to Section 4.01(b) and all taxes levied by the County, as directed by the City herein, for the payment of the principal of and interest on the Bonds in accordance with Section 5.03 shall be deposited in the Debt Service Fund by the City promptly upon receipt thereof. The Debt Service Fund is hereby pledged for the payment of the principal of and interest 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 on the Bonds. Alternatively, the City may direct the County to transfer the taxes levied for the Bonds, in whole or in part, directly to the Paying Agent for the purpose of making payments of principal of and interest 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 City Charter, the Bond Law and Section 43632 of the of the California Government Code. 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 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 Bondowners.* The City will preserve and protect the security of the Bonds and the rights of the Bondowners, 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 mandamus 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 Bondowners 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. If no successor Paying Agent has been appointed and accepted appointment within 60 days following giving notice of removal or notice of resignation as aforesaid, the resigning Paying Agent, at the expense of the City, or any Bondowner (on behalf of such Bondowner and all other Bondowners) may petition any federal or state court for the appointment of a successor Paying Agent, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Paying Agent. Any successor Paying Agent appointed under this Indenture shall signify its acceptance of such appointment by executing and delivering to the City and to its predecessor Paying Agent a written acceptance thereof, and to the predecessor Paying Agent an instrument indemnifying the predecessor Paying Agent for any costs or claims arising during the time the successor Paying Agent serves as Paying Agent hereunder, and such successor Paying Agent, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Paying Agent, with like effect as if originally named Paying Agent herein; but, nevertheless, upon the receipt by the predecessor Paying Agent of a request of the City or the request of the successor Paying Agent, such predecessor Paying Agent shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Paying Agent all the right, title and interest of such predecessor Paying Agent in and to any property held by it under this Indenture and shall pay over, transfer, assign and deliver to the successor Paying Agent any money or other property subject to the conditions herein set forth. Upon request of the successor Paying Agent, the City will execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Paying Agent all such moneys, estates, properties, rights, powers, duties and obligations. Upon acceptance of appointment by a successor Paying Agent as provided in this paragraph, the City will mail or cause the successor

Paying Agent to mail, by first class mail postage prepaid, a notice of the succession of such Paying Agent to the duties hereunder to each rating agency which then maintains a rating on the Bonds and to the Bondowners at the addresses shown on the Registration Books. If the City fails to mail such notice within 15 days after acceptance of appointment by the successor Paying Agent, the successor Paying Agent shall cause such notice to be mailed at the expense of the City.

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 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 deem 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 BONDOWNERS

SECTION 7.01. *Remedies of Bondowners.* Upon the happening and continuation of any default by the City hereunder or under the Bonds, any Bondowner has the right, for the equal benefit and protection of all Bondowners 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 Bondowners' 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 Bondowners.

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 Bondowners:

- (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 Bondowners, 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 and/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 Bonds will cease and be completely discharged, except only that thereafter the Owner thereof is entitled only to payment of the principal of and interest and redemption premium (if any) 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 and redemption premium (if any) 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 and redemption premium (if any) 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 Bondowners.* Any request, declaration or other instrument which this Resolution may require or permit to be executed by Bondowners may be in one or more instruments of similar tenor, and shall be executed by Bondowners in person or by their attorneys appointed in writing.

Except as otherwise herein expressly provided, the fact and date of the execution by any Bondowner 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 and redemption premium (if any) 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.

[END OF RESOLUTION]

APPENDIX A
FORM OF BOND

REGISTERED BOND NO. R-____

\$_____

CITY OF PIEDMONT, CALIFORNIA
2021 GENERAL OBLIGATION BOND

INTEREST RATE:	MATURITY DATE:	DATED DATE:	CUSIP
____% per annum	September 1, 20__	_____, 2021	_____

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: _____ DOLLARS

The CITY OF PIEDMONT, a charter 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, 2022 (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, 2022, 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 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 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 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 \$19,500,000 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 capitalized interest and 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 3, 2020, upon the question of issuing bonds in the aggregate principal amount of \$19,500,000, the Bond Law, and a resolution of the City Council of the City adopted on November 1, 2021 (the "Bond Resolution"). Capitalized terms used but not defined herein are defined in 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 redemption premium (if any) 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 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 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 Law and 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 and redemption premium (if any) 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 Law or the Bond Resolution until the Certificate of Authentication herein 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 Piedmont 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 PIEDMONT

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: _____, 2021

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

By _____
Authorized Signatory

FORM OF 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.

PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER __, 2021**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 “TAX MATTERS.”

\$19,500,000***CITY OF PIEDMONT, CALIFORNIA
2021 GENERAL OBLIGATION BONDS****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 above-captioned general obligation bonds (the “Bonds”), are being issued by the City of Piedmont, California (the “City”) pursuant to certain provisions of the California Government Code, a bond ordinance adopted by the City Council on September 7, 2021 and an authorizing resolution of the City Council of the City adopted on November 1, 2021. The Bonds were authorized at an election of the registered voters of the City held on November 3, 2020, which authorized the issuance of general obligation bonds for the purpose of constructing new pool facilities, restrooms and related areas. See “THE BONDS – Authority for Issuance” and “THE FINANCING PLAN” herein.

Security. The Bonds are general obligations of the City, payable from ad valorem property taxes levied by the City and collected by Alameda 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, 2022, 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.

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 by the City Attorney, and for the Underwriter by Katten Muchin Rosenman LLP, New York, New York. 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 December __, 2021.

BofA Securities

The date of this Official Statement is November __, 2021.

* 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.

MATURITY SCHEDULE

\$19,500,000*
CITY OF PIEDMONT, CALIFORNIA
2021 GENERAL OBLIGATION BONDS

(Base CUSIP†: _____)

Maturity Date (September 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP† No.
--------------------------------	---------------------	---------------	-------	-------	------------

\$ _____ % Term Bond due September 1, 20__; Yield: _____; Price: _____
 CUSIP† No. _____

\$ _____ % Term Bond due September 1, 20__; Yield: _____; Price: _____
 CUSIP† No. _____

**Preliminary; subject to change.*

† CUSIP Copyright 2021, 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.

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. 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 PIEDMONT, CALIFORNIA

MEMBERS OF THE CITY COUNCIL

Teddy Gray King, *Mayor*
Tim Rood, *Vice Mayor*
Betsy Smegal Andersen, *Councilmember*
Jennifer Cavanaugh, *Councilmember*
Conna McCarthy, *Councilmember*

CITY OFFICIALS AND STAFF

Sara Lillevand, *City Administrator*
John Tulloch, *Assistant City Administrator and City Clerk*
Michael Szczech, *Finance Director*
Michelle Marchetta Kenyon of Burke, Williams & Sorensen, LLP, *City Attorney*

PROFESSIONAL SERVICES

MUNICIPAL ADVISOR

Hilltop Securities Inc.
Dallas, Texas

BOND AND DISCLOSURE COUNSEL

Jones Hall, A Professional Law Corporation
San Francisco, California

BOND REGISTRAR, TRANSFER AGENT, AND PAYING AGENT

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

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION.....	1
THE FINANCING PLAN.....	4
Bond Measure and Purpose of Issue.....	4
Estimated Sources and Uses of Funds.....	4
THE BONDS.....	5
Authority for Issuance.....	5
Description of the Bonds.....	5
Payment.....	6
Redemption.....	6
Registration, Transfer and Exchange of Bonds.....	8
Defeasance.....	8
DEBT SERVICE SCHEDULE.....	10
SECURITY FOR THE BONDS.....	11
Ad Valorem Taxes.....	11
Debt Service Funds.....	11
Limited Obligation.....	12
Statutory Lien.....	12
COVID-19 Global Pandemic.....	12
PROPERTY TAXATION.....	14
Property Tax Collection Procedures.....	14
Taxation of State-Assessed Utility Property.....	15
Assessed Valuation.....	15
Alternative Method of Tax Apportionment – Teeter Plan.....	17
Appeals of Assessed Value.....	18
Tax Rates.....	19
Major Taxpayers.....	20
Direct and Overlapping Debt.....	21
CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING CITY REVENUES AND	
APPROPRIATIONS.....	22
Article XIII A of the State Constitution.....	22
Legislation Implementing Article XIII A.....	22
Article XIII B of the State Constitution.....	23
Articles XIII C and XIII D of the State Constitution.....	23
Proposition 62.....	24
Proposition 1A; Proposition 22.....	25
Proposition 19.....	25
Possible Future Initiatives.....	26
TAX MATTERS.....	26
CONTINUING DISCLOSURE.....	28
TAX MATTERS.....	28
RATING.....	28
MUNICIPAL ADVISOR.....	29
UNDERWRITING.....	29
EXECUTION.....	30
APPENDIX A - CERTAIN INFORMATION REGARDING THE CITY OF PIEDMONT AND COUNTY OF ALAMEDA	
APPENDIX B - AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2020	
APPENDIX C - PROPOSED FORM OF OPINION OF BOND COUNSEL	
APPENDIX D - FORM OF CONTINUING DISCLOSURE CERTIFICATE	
APPENDIX E - DTC AND THE BOOK-ENTRY ONLY SYSTEM	

OFFICIAL STATEMENT

\$19,500,000*
CITY OF PIEDMONT, CALIFORNIA
2021 GENERAL OBLIGATION BONDS

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 Piedmont, California 2021 General Obligation Bonds (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 of Piedmont (the “**City**”) is a small, residential community surrounded on all sides by the City of Oakland in the County of Alameda (the “**County**”) in the State of California (the “**State**”). The City, a charter city, is currently zoned almost entirely for single-family dwelling residential use, and has minimal commercial parcels compared with statistically similar cities. It is located in the San Francisco Bay Area, providing its residents access to job opportunities and recreational activities.

The City, which was incorporated in 1907, encompasses 1.7 square miles which includes various city parks and numerous landscaped areas which offer wooded paths, tennis courts, children’s playgrounds and picnic facilities. The City serves a population of approximately 11,296 residents and operates pursuant to its City Charter, City Code and applicable State laws. For more statistical and demographic information regarding the City and the County, as well as certain City financial information, 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.”

* Preliminary; subject to change.

Purpose for Issuance

The Bonds are being issued to provide funds to prevent the permanent closure of the Piedmont Community Pool by constructing new pool facilities and related improvements. 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, as augmented and supplemented by Ordinance 762 N.S. adopted by the City Council of the City on September 7, 2021 (as so augmented and supplemented, the “**Bond Law**”), and a resolution adopted by the City Council of the City on November 1, 2021 (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 opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, as bond counsel (“**Bond Counsel**”), to be delivered in substantially the form attached as APPENDIX C. Jones Hall, A Professional Law Corporation, San Francisco, California, is also serving as disclosure counsel to the City (“**Disclosure Counsel**”). Certain legal matters will also be passed upon for the City by the City Attorney, and for the Underwriter by Katten Muchin Rosenman LLP, New York, New York.

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 opinion to be delivered concurrently with the Bonds.

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 Piedmont City Clerk, 120 Vista Avenue, Piedmont, California 94611, (510) 420-3040. 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

Bond Measure and Purpose of Issue

The net proceeds of the Bonds will be used to finance the projects approved by more than the requisite two-thirds of City voters that voted at an election held in the City on November 3, 2020 (the “**Bond Election**”). The abbreviated form of the ballot measure, labeled Measure UU (the “**Bond Measure**”), is set forth below:

“Shall the measure to prevent permanent closure of Piedmont’s Community Pool by constructing new pool facilities, restrooms and related areas, to conserve energy and water, provide greater community access and safety, and authorize Piedmont to issue \$19,500,000 in bonds at legal rates, generating \$1,257,950 annually at an average rate of 2.6 cents per \$100 of assessed valuation while bonds are outstanding, with all money staying local and independent citizens’ oversight, be adopted?”

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

The City is currently undertaking preliminary design and engineering work with respect to the improvements being undertaken with respect to the Piedmont Community Pool, and anticipates final construction will be completed by the end of 2024. Although the final design may change, it is currently contemplated that there will be two new pools constructed – a rectangular deep-water competition pool and a shallow-water leisure pool (including play features and swim-lesson teaching space). In addition, the City anticipates constructing a 2-story building at the eastern end of the site that would include mechanical equipment, restrooms, locker rooms, office space and multi-purpose room(s).

Estimated 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	\$
Deposit to Debt Service Fund ⁽¹⁾	
Costs of Issuance ⁽²⁾	_____
Total Uses	\$

(1) To fund capitalized interest on the Bonds through September 1, 2022

(2) Includes 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 rating agency.

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 \$19.5 million of general obligation bonds to finance the projects described in the Bond Measure, all of which will be utilized with issuance of the Bonds.

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 (“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, 2022.

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 the first Record Date, 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)

\$_____ 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; Right to Rescind. 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.

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, nor (after issuance of the Bonds) any current authorization to issue future general obligation bonds.

Bond Year Ending September 1	Principal	Interest⁽¹⁾	Total Debt Service⁽¹⁾
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			
2051			
Total			

(1) Capitalized interest on the Bonds is being funded through September 1, 2022.

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. Proceeds of the Bonds used for capitalized interest on the Bonds and all taxes levied by the City pursuant to the Bond Resolution for the payment of the principal of and interest on the Bonds will be deposited in the Debt Service Fund by the City promptly upon receipt. The Debt Service Fund is pledged for the payment of the principal of and interest 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 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.

Statutory Lien

In accordance with Section 53515 of the California Government Code, the Bonds are secured by a statutory lien on all revenues received pursuant to the levy and collection of the ad valorem tax. This lien automatically arises without the need for any action or authorization by the City or the City Council, and shall be valid and binding from the time the Bonds are executed and delivered. The revenues received pursuant to the levy and collection of the ad valorem tax shall be immediately subject to the lien, and the lien shall immediately attach to the revenues and be effective, binding, and enforceable against the City, its successors, transferees, and creditors, and all others asserting rights therein, irrespective of whether those parties have notice of the lien and without the need for any physical delivery, recordation, filing, or further act.

COVID-19 Global Pandemic

General. In 2020, 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 and a state of emergency by the Governor of the State. Since that time, the pandemic has impacted local agencies such as the City throughout the United States and the world. The City cannot predict what additional impacts may occur in the future.

The President's declaration of a national emergency regarding COVID-19 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, known as the CARES Act. 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.

On April 24, 2020, an additional \$484 billion federal aid package was signed, providing additional funding for the paycheck protection program, the SBA disaster assistance loans and grant program, hospital grants and funding for a COVID-19 testing program. On December 27, 2020, the President signed the Coronavirus Response and Relief Supplemental Appropriations Act, an additional \$900 billion federal relief package intended to follow and expand on provisions of the CARES Act. The second largest stimulus bill in history, the measure included another round of direct stimulus payments to individuals and families, extended unemployment benefits, expanded the paycheck protection program, and provided approximately \$82 billion in supplemental aid to support state and local governments. On March 11, 2021, the President signed the American Rescue Plan Act of 2021, known as ARPA, a \$1.9 trillion economic stimulus

plan that provided another round of stimulus checks to individuals and families, extended federal supplemental unemployment benefits, provided more funding for state and local governments, expanded subsidies for healthcare insurance, and provided additional funding for COVID-19 testing, vaccination, and treatment.

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 restrictions initially began to be rolled back in May 2020 in accordance with State and local guidelines. Thereafter, on August 28, 2020, the Governor released a system entitled “Blueprint for a Safer California” (the “**State Blueprint**”) aimed at reducing the spread of COVID-19. The State Blueprint placed the State’s 58 counties into four color-coded tiers – purple, red, orange, and yellow, in descending order of severity – generally based on test positivity and adjusted case rate in the county. Each tier imposed restrictions on certain activities to reduce the spread. The tier system was ultimately terminated on June 15, 2021, following significant reductions in positivity and hospitalizations due to the availability of effective COVID-19 vaccines. On February 23, 2021, the Governor signed legislation providing \$7.6 billion in State funding aimed at helping individuals and businesses that were not included in federal aid.

Notwithstanding that several vaccines have been approved for public use with respect to COVID-19, the spread of COVID-19 and related variants is ongoing, and future actions to reduce its spread and its impact on global and local economies are uncertain and cannot be predicted. Additional information with respect to events surrounding the outbreak of COVID-19 and responses thereto can be found on State and local government websites, including but not limited to: the Governor’s office (<http://www.gov.ca.gov>) and the California Department of Public Health (<https://covid19.ca.gov/>). *The City has not incorporated by reference the information on such websites, and the City does not assume any responsibility for the accuracy of the information on such websites.*

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” and “APPENDIX A – CERTAIN INFORMATION REGARDING THE CITY OF PIEDMONT AND COUNTY OF ALAMEDA – State Budget and Its Impact on the City.”

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 PIEDMONT
Assessed Valuations of All Taxable Property
Fiscal Years 2008-09 to 2021-22

<u>Fiscal Year</u>	<u>Local Secured</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Total</u>	<u>Percent Change</u>
2008-09	\$2,926,864,211	\$0	\$3,922,696	\$2,930,786,907	--%
2009-10	3,013,260,726	0	3,886,636	3,017,147,362	2.9
2010-11	3,014,094,145	0	3,700,715	3,017,794,860	0.0
2011-12	3,081,529,298	0	3,428,903	3,084,958,201	2.2
2012-13	3,200,144,235	0	3,284,951	3,203,429,186	3.8
2013-14	3,378,910,933	0	3,558,461	3,382,469,394	5.6
2014-15	3,547,898,410	0	4,521,255	3,552,419,665	5.0
2015-16	3,840,794,553	0	5,141,847	3,845,936,400	8.3
2016-17	4,059,401,036	0	5,637,996	4,065,039,032	5.7
2017-18	4,280,632,412	0	5,380,452	4,286,012,864	5.4
2018-19	4,531,882,496	0	5,294,401	4,537,176,897	5.9
2019-20	4,737,858,832	0	6,232,424	4,744,091,256	4.6
2020-21	4,971,947,249	0	6,373,001	4,978,320,250	4.9
2021-22	5,182,732,425	0	6,266,315	5,188,998,740	4.2

Source: California Municipal Statistics, Inc.

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 PIEDMONT
Assessed Valuation and Parcels by Land Use
Fiscal Year 2021-22

	2021-22	% of	No. of	% of
Non-Residential:	Assessed Valuation⁽¹⁾	Total	Parcels	Total
Commercial	\$16,491,887	0.32%	12	0.30%
Vacant Commercial	14,717	0.00	1	0.03
Government/Social/Institutional	<u>1,097,630</u>	<u>0.02</u>	<u>52</u>	<u>1.31</u>
Subtotal Non-Residential	\$17,604,234	0.34%	65	1.63%
Residential:				
Single Family Residence	\$5,061,301,146	97.66%	3,775	94.90%
Condominiums	12,088,451	0.23	7	0.18
2-4 Residential Units	59,597,547	1.15	49	1.23
5+ Residential Units/Apartments	12,181,412	0.24	6	0.15
Vacant Residential	<u>19,959,635</u>	<u>0.39</u>	<u>76</u>	<u>1.91</u>
Subtotal Residential	\$5,165,128,191	99.66%	3,913	98.37%
Total	\$5,182,732,425	100.00%	3,978	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 PIEDMONT
Per Parcel 2021-22 Assessed Valuation
of Single-Family Homes

Single Family Residential	No. of Parcels	2021-22 Assessed Valuation		Average Assessed Valuation	Median Assessed Valuation
	3,775	\$5,061,301,146		\$1,340,742	\$1,086,210

2021-22 Assessed Valuation	No. of Parcels ⁽¹⁾	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
\$0 - \$199,999	397	10.517%	10.517%	\$ 48,853,850	0.965%	0.965%
\$200,000 - \$399,999	325	8.609	19.126	96,151,623	1.900	2.865
\$400,000 - \$599,999	376	9.960	29.086	188,939,702	3.733	6.598
\$600,000 - \$799,999	345	9.139	38.225	243,889,882	4.819	11.417
\$800,000 - \$999,999	299	7.921	46.146	271,317,721	5.361	16.777
\$1,000,000 - \$1,199,999	350	9.272	55.417	384,677,567	7.600	24.378
\$1,200,000 - \$1,399,999	266	7.046	62.464	345,117,462	6.819	31.196
\$1,400,000 - \$1,599,999	234	6.199	68.662	352,024,975	6.955	38.152
\$1,600,000 - \$1,799,999	209	5.536	74.199	355,084,655	7.016	45.167
\$1,800,000 - \$1,999,999	163	4.318	78.517	308,923,927	6.104	51.271
\$2,000,000 - \$2,199,999	147	3.894	82.411	307,239,198	6.070	57.341
\$2,200,000 - \$2,399,999	123	3.258	85.669	282,387,348	5.579	62.921
\$2,400,000 - \$2,599,999	104	2.755	88.424	259,712,168	5.131	68.052
\$2,600,000 - \$2,799,999	70	1.854	90.278	188,199,512	3.718	71.770
\$2,800,000 - \$2,999,999	78	2.066	92.344	225,754,815	4.460	76.231
\$3,000,000 - \$3,199,999	54	1.430	93.775	167,572,320	3.311	79.542
\$3,200,000 - \$3,399,999	44	1.166	94.940	144,352,283	2.852	82.394
\$3,400,000 - \$3,599,999	25	0.662	95.603	87,317,257	1.725	84.119
\$3,600,000 - \$3,799,999	31	0.821	96.424	114,341,935	2.259	86.378
\$3,800,000 - \$3,999,999	29	0.768	97.192	112,133,706	2.216	88.594
\$4,000,000 and greater	106	2.808	100.000	577,309,240	11.406	100.000
	3,775	100.000%		\$5,061,301,146	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 secured *ad valorem* property tax levy assessed by the County. The Teeter Plan will apply with respect to the *ad valorem* property taxes levied for the Bonds.

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 – CERTAIN INFORMATION REGARDING THE CITY OF PIEDMONT AND COUNTY OF ALAMEDA – 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. See “SECURITY FOR THE BONDS – COVID-19 Global Pandemic.”

All of the City’s property tax roll levies are covered by the Teeter Plan (including the levy for the Bonds), except for assessments levied to pay assessment district bonds previously issued by the City for which the Teeter Plan does not apply.

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 PIEDMONT
Typical Tax Rate Per \$100 Assessed Valuation

	Fiscal Year <u>2016-17</u>	Fiscal Year <u>2017-18</u>	Fiscal Year <u>2018-19</u>	Fiscal Year <u>2019-20</u>	Fiscal Year <u>2020-21</u>
Countywide	\$1.000000	\$1.000000	\$1.000000	\$1.000000	\$1.000000
Alameda County Bonds	--	--	.011200	.010800	.003600
Piedmont Unified School District Bonds	.124300	.193900	.152500	.169200	.098000
Peralta Community College District Bonds	.025600	.031000	.026900	.025700	.045200
Bay Area Rapid Transit District	.008000	.008400	.007000	.012000	.013900
East Bay Regional Park District	.003200	.002100	.005700	.006000	.001400
East Bay Municipal Utility District, Special District 1	.002800	.001100	--	--	--
Total Tax Rate	\$1.163900	\$1.236500	\$1.203300	\$1.223700	\$1.162100

Source: California Municipal Statistics, Inc.

Major Taxpayers

The following table shows the twenty largest property taxpayers in the City as determined by their secured assessed valuations in 2021-22.

Table 5
CITY OF PIEDMONT
Largest 2021-22 Local Secured Taxpayers

	<u>Property Owner Type</u>	<u>Primary Land Use</u>	<u>2021-22 Assessed Valuation</u>	<u>% of Total⁽¹⁾</u>
1.	Trust	Residence	\$12,210,847	0.24%
2.	Trust	Residence	11,809,749	0.23
3.	Trust	Residence	10,289,318	0.20
4.	Trust	Residence	9,486,711	0.18
5.	Individuals	Residence	8,795,522	0.17
6.	Trust	Residence	8,520,391	0.16
7.	Trust	Residence	8,229,945	0.16
8.	Trust	Residence	8,075,877	0.16
9.	Limited Liability Company	Residence	7,949,235	0.15
10.	Trust	Residence	7,592,078	0.15
11.	Trust	Residence	7,562,440	0.15
12.	Trust	Residence	7,542,339	0.15
13.	Trust	Residence	7,530,241	0.15
14.	Trust	Residence	7,484,330	0.14
15.	Limited Liability Company	Residence	7,463,306	0.14
16.	Corporation	Residence	7,425,886	0.14
17.	Trust	Residence	7,268,041	0.14
18.	Individuals	Residence	7,185,218	0.14
19.	Trust	Residence	7,078,297	0.14
20.	Individuals	Residence	<u>6,968,557</u>	<u>0.13</u>
			\$166,468,328	3.21%

(1) 2021-22 Local Secured Assessed Valuation: \$5,182,732,425.
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 PIEDMONT
STATEMENT OF DIRECT AND OVERLAPPING BONDED DEBT

2021-22 Assessed Valuation: \$5,188,998,740

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 9/1/21</u>
Alameda County	1.497%	\$ 2,750,663
Bay Area Rapid Transit District	0.583	10,697,117
Peralta Community College District	4.066	16,232,285
Piedmont Unified School District	100.000	110,853,678
City of Piedmont	100.000	0⁽¹⁾
East Bay Regional Park District	0.931	1,171,431
City of Piedmont 1915 Act Bonds	100.000	3,252,419
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$144,957,593
<u>OVERLAPPING GENERAL FUND DEBT:</u>		
Alameda County General Fund Obligations	1.497%	\$11,828,134
Alameda-Contra Costa Transit District Certificates of Participation	1.772	206,527
Peralta Community College District Pension and Benefit Obligation Bonds	4.066	5,204,668
TOTAL OVERLAPPING GENERAL FUND DEBT		\$17,239,329
COMBINED TOTAL DEBT		\$162,196,922 ⁽²⁾

Ratios to 2021-22 Assessed Valuation:

Direct Debt (\$0).....	0.00%
Total Direct and Overlapping Tax and Assessment Debt.....	2.79%
Combined Total Debt	3.13%

(1) Excludes the Bonds to be sold.

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

Source: California Municipal Statistics, Inc.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING CITY REVENUES AND APPROPRIATIONS

Principal and interest on the Bonds are payable from the proceeds of an *ad valorem* property 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.

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

Burden of Proof. Article XIIC 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 XIID 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 XIID.

Judicial Interpretation of Proposition 218. The interpretation and application of Articles XIIC and XIID will ultimately be determined by the courts, with various decisions already handed down, but none impacting the City’s ability to pay the Bonds.

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.

Proposition 19

On November 3, 2020, voters in the State approved "Proposition 19 – The Home Protection for Seniors, Severely Disabled, Families, and Victims of Wildfire or Natural Disasters Act" ("**Proposition 19**").

Prior Law. As described in the preceding sections of this Official Statement entitled "– Article XIII A" and "– Legislation Implementing Article XIII A," 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." Proposition 19 amends Article XIII A.

Prior to passage of Proposition 19, California law allowed certain "eligible homeowners" to move to a different home without paying higher property taxes. "Eligible homeowners" include those who are over 55 or severely disabled or whose property has been impacted by a natural disaster or contamination. An eligible homeowner can move within the same county and keep the same assessed value if their new home is not more expensive than their existing home. Also, certain counties allow these rules to apply when an eligible homeowner moves to their county from another county. Homeowners who are over 55 or severely disabled generally can use these special rules only once in their lifetime. This limit does apply to properties impacted by a natural disaster or contamination. Special rules also allowed certain "inherited properties" to pass between parents and children without an increase in their assessed value. These rules also apply to grandparents and grandchildren if the grandchildren's parents are deceased. The rules apply to a parent's or grandparent's home and a limited amount of other types of property.

Changes Implemented by Proposition 19. Effective April 1, 2021, Proposition 19 expanded the special rules for eligible homeowners described above. Specifically:

- Eligible homeowners can keep their lower property tax bill when moving to another home anywhere in the state.
- Eligible homeowners can use the special rules to move to a more expensive home. Their property tax bill would still go up but not by as much as it would for other homebuyers.
- Homeowners who are over 55 or severely disabled could use the special rules three times in their lifetime.

In addition, effective February 16, 2021, the special rules for inherited properties described above have been narrowed, specifically:

- The special rules now apply only to two kinds of inherited property: (1) properties used as a primary home by the child or grandchild and (2) farms. Properties used for other purposes can no longer use the special rules.
- The property tax bill for an inherited home or farm would go up if the price the property could be sold for exceeds the property's taxable value by more than \$1 million (adjusted for inflation every two years). In this case, the tax bill would go up but not as much as it would if the property were sold to someone else.

Impact of Proposition 19. Given its recent enactment, the long-term impact of Proposition 19 is not yet known. However, according to the Legislative Analyst's Office, property taxes for local governments and schools will probably increase as a result of the adoption of Proposition 19.

Possible Future Initiatives

Articles XIII A, XIII B, XIII C and XIII D and Propositions 62, 111, 218, 26, 1A, 22 and 19 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.

TAX MATTERS

Federal Tax Status. In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the 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; Contingent Compensation. The proposed form of opinion of Bond Counsel is attached hereto as APPENDIX C. Jones Hall will receive compensation from the City contingent upon the sale and delivery of the Bonds.

Other 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 2020-21 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 to assist the Underwriter (as defined below) in complying with Securities Exchange Commission Rule 15c2-12(b)(5) (the “**Rule**”).

In the past five years, the City has been in material compliance with its prior undertakings under the Rule. [**BofA Securities to review/confirm**]

NO 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

S&P Global Ratings, a division of Standard & Poor’s Financial Services LLC (“**S&P**”), has assigned its municipal bond rating on the Bonds of “_____.” There is no assurance that the rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P, if, in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

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.

The City has covenanted in a Continuing Disclosure Certificate to file on the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access website (“**EMMA**”) notices of

any ratings changes on the Bonds. See “CONTINUING DISCLOSURE.” Notwithstanding such covenant, information relating to ratings changes on the Bonds may be publicly available from the rating agency prior to such information being provided to the City and prior to the date the City is obligated to file a notice of rating change on EMMA. Purchasers of the Bonds are directed to the ratings agency and its website and official media outlets for the most current ratings changes with respect to the Bonds after the initial issuance of the Bonds.

MUNICIPAL ADVISOR

The City has retained Hilltop Securities Inc., Dallas, Texas, as its municipal advisor (the “**Municipal Advisor**”) in connection with 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

BofA Securities, Inc., as underwriter (the “**Underwriter**”), has entered into a bond purchase agreement with the City 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.

BofA Securities, Inc., the underwriter of the Bonds, has entered into a distribution agreement with its affiliate Merrill Lynch, Pierce, Fenner & Smith Incorporated (“**MLPF&S**”). As part of this arrangement, BofA Securities, Inc. may distribute securities to MLPF&S, which may in turn distribute such securities to investors through the financial advisor network of MLPF&S. As part of this arrangement, BofA Securities, Inc. may compensate MLPF&S as a dealer for their selling efforts with respect to the Bonds.

EXECUTION

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

CITY OF PIEDMONT, CALIFORNIA

By: _____
City Administrator

APPENDIX A

CERTAIN INFORMATION REGARDING THE CITY OF PIEDMONT AND COUNTY OF ALAMEDA

The Bonds are secured solely by an ad valorem property tax levied by the County, on behalf of the City, in an amount sufficient to pay principal and interest on the Bonds each year. The Bonds are not payable from any other funds or revenues. Information regarding the City and its General Fund finances is provided for informational purposes only; and does not constitute security for the repayment of the Bonds.

Introduction

The City of Piedmont (the “**City**”), incorporated in 1907, is a small, residential community surrounded on all sides by the City of Oakland in the County of Alameda (the “**County**”) in the State of California (the “**State**”). The City is currently zoned almost entirely for single-family dwelling residential use, and has minimal commercial parcels compared with statistically similar cities. The city encompasses 1.7 square miles which includes various city parks and numerous landscaped areas which offer wooded paths, tennis courts, children’s playgrounds and picnic facilities. The City serves a population of approximately 11,296 residents.

Population

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

**CITY OF PIEDMONT, COUNTY OF ALAMEDA
AND STATE OF CALIFORNIA
Population Estimates as of January 1**

Year	City of Piedmont	County of Alameda	State of California
2017	11,354	1,644,303	39,352,398
2018	11,311	1,651,760	39,519,535
2019	11,325	1,659,608	39,605,361
2020	11,297	1,663,114	39,648,938
2021	11,296	1,656,591	39,466,855

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

City Government

The City was incorporated in 1907 and become a charter city in 1923. The City Charter is essentially Piedmont’s constitution and reserves specific topics, legally known as municipal affairs, to city governance. The City operates under a council/administrator form of government, with five Councilmembers, including the Mayor. Under the City Charter, the City Administrator is responsible for supervising and coordinating all City departments to ensure that public services are efficiently delivered. The City provides its own fire and police services but does not have its own public library or federal post office; these services are found within the City of Oakland, which completely surrounds the City.

The City provides the following additional services to its residents: 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.

The current members of the City Council are shown in the following table:

<u>Member</u>	<u>Office</u>	<u>Term Expires</u>
Teddy Gray King	Mayor	November 2022
Tim Rood	Vice Mayor	November 2022
Betsy Smegal Andersen	Council Member	November 2022
Jennifer Cavanaugh	Council Member	November 2024
Conna McCarthy	Council Member	November 2024

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, 2020, are attached as "APPENDIX B – AUDITED FINANCIAL STATEMENTS OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2020" to this Official Statement, which were prepared by the City and audited by Mann, Urrutia, Nelson, CPAs & Associates, LLP, certified public accountants, Sacramento, California (the "**Auditor**").

The audited financial statements should be read in their 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.

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. The City has not experienced known cybersecurity breaches to date that have had a material adverse impact on the City; however, no assurances can be given that the security and operational control measures will be successful in guarding against all cyber threats.

Impact of COVID-19

To date, the impact of COVID-19 on the City's finances has been negligible; although certain revenue categories have declined, various one-time funds and other measures undertaken by the City have generally offset such reduction.

Overall, for Fiscal Year 2020-21, General Fund revenue and transfers in are projected to exceed the approved budget by \$5.8 million, while General Fund expenditures and operating transfers out are expected to be approximately \$1.0 million below the approved budget. The variance is primarily due to lower variable recreation expenses and lower overall personnel costs.

As a general practice, in years when revenues exceed budget estimates, the City Council prudently treats the surplus as "one-time" revenue and has directed that the funds be used to address facility maintenance, equipment replacement, and underfunded liabilities. This practice is and will continue to be extremely important to the long-term health of the City, especially when considering an expanded definition of "facilities maintenance" to include such critical civic infrastructure as the City's streets, sidewalks, storm drains and parks. For Fiscal Year 2020-21, the City Council approved General Fund transfers to the Facilities Maintenance Fund of \$3.5 million and to the Pension Stabilization Fund of \$1.0 million.

Financial Statements

The tables on the following pages provide a recent history of the City's General Fund balance sheet, and General Fund revenues, expenditures, transfers, and ending fund balances.

**CITY OF PIEDMONT
GENERAL FUND BALANCE SHEET
(Fiscal Year Ending June 30)**

	<u>Audited 2015-16</u>	<u>Audited 2016-17</u>	<u>Audited 2017-18</u>	<u>Audited 2018-19</u>	<u>Audited 2019-20</u>
ASSETS:					
Cash and investments	\$3,934,971	\$3,552,071	\$4,842,387	\$5,633,976	\$5,046,207
Restricted cash and investments	690,395	631,687	2,259,705	3,190,531	3,077,329
Receivables:					
Accounts	1,598,100	2,170,720	2,053,458	2,175,207	2,884,721
Interest	--	--	--	--	23,144
Prepaid expenses	--	--	32,739	42,016	83,302
Due from other funds	226,774	99,390	1,025,720	99,000	150,038
TOTAL ASSETS	6,450,240	6,453,862	10,214,009	11,140,730	11,264,741
LIABILITIES:					
Accounts payable	893,285	941,882	1,355,320	1,254,325	645,696
Accrued wages and benefits	183,089	238,407	339,640	305,150	511,436
Deposits payable	372,975	171,439	228,329	221,492	560,649
Unearned revenues	--	--	--	--	907,086
TOTAL LIABILITIES	1,449,349	1,351,728	1,923,289	1,780,967	2,624,867
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues	--	--	--	217,508	--
TOTAL DEFERRED INFLOWS OF RESOURCES	--	--	--	217,508	--
FUND BALANCES (DEFICIT)					
Nonspendable	--	--	32,739	42,016	83,302
Restricted	283,217	406,933	2,752,527	2,917,104	3,014,478
Assigned	--	--	--	905,378	--
Unassigned	4,717,674	4,695,201	5,505,454	5,277,757	5,542,094
TOTAL FUND BALANCES (DEFICIT)	5,000,891	5,102,134	8,290,720	9,142,255	8,639,874
TOTAL LIABILITIES AND FUND BALANCES	\$6,450,240	\$6,453,862	\$10,214,009	\$11,140,730	\$11,264,741

Source: City of Piedmont, Annual Financial Statements for Fiscal Years 2015-16 through 2019-20.

CITY OF PIEDMONT
GENERAL FUND REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
(Fiscal Year Ending June 30)

	Audited 2015-16	Audited 2016-17	Audited 2017-18	Audited 2018-19	Audited 2019-20
REVENUES:					
Property taxes	\$11,922,775	\$12,512,002	\$13,375,005	\$14,078,550	\$14,790,493
Sales tax	197,333	166,852	191,892	200,158	200,225
Franchise tax	450,961	444,841	407,820	543,336	566,786
Utility users tax	1,178,302	1,323,052	1,248,554	1,177,396	1,157,443
Real property transfer tax	3,117,999	3,522,078	3,845,198	3,819,816	3,602,634
Business licenses and rental tax	557,843	539,177	563,454	560,515	602,912
License and permits	585,132	577,032	588,652	512,131	548,288
Intergovernmental	1,639,091	1,813,407	2,017,433	1,961,993	1,886,074
Use of money and property	529,643	617,818	740,577	1,017,878	534,093
Current service charges	3,155,373	3,342,420	3,544,879	3,251,527	2,193,857
Parcel tax	1,628,601	1,745,533	2,197,571	2,261,531	2,353,308
Contribution and donations	--	--	--	33,931	29,286
Other revenues	1,202,225	184,555	1,036,323	343,298	267,914
TOTAL REVENUES	26,165,278	26,788,767	29,757,358	29,762,060	28,733,313
EXPENDITURES:					
Current:					
Administration	2,271,093	2,552,577	2,848,426	2,924,804	3,212,199
Public works	3,895,930	4,160,550	3,559,873	3,790,687	4,033,333
Public safety:					
Police services	5,513,915	5,757,401	6,203,836	6,333,033	6,359,642
Fire services	5,326,748	5,415,911	5,959,922	6,142,768	6,323,409
Recreation	2,613,677	2,771,370	2,855,222	2,912,559	2,666,206
Nondepartmental	2,155,836	3,660,911	2,364,371	2,453,552	2,570,229
Street improvement	--	--	--	--	--
Capital outlay	--	--	--	--	--
Debt service-principal	--	--	--	--	--
Debt service-interest	--	--	--	--	--
TOTAL EXPENDITURES	21,777,199	24,318,720	23,791,650	24,557,403	25,165,018
Excess Revenues Over (Under) Expenditures	4,388,079	2,470,047	5,965,708	5,204,657	3,568,295
OTHER FINANCING SOURCES (USES)					
Transfers in	1,145,465	1,109,886	881,295	23,366	20,643
Transfers out	(5,444,724)	(3,478,690)	(5,251,484)	(4,387,565)	(4,091,319)
TOTAL OTHER FINANCING SOURCES (USES)	(4,299,259)	(2,368,804)	(4,370,189)	(4,364,199)	(4,070,676)
Net Change in Fund Balance	88,820	101,243	1,595,519	840,458	(502,381)
Fund Balance, July 1	4,912,071	5,000,891	4,695,201	8,301,797	9,142,255
Prior Period Adjustment ⁽¹⁾	--	--	2,000,000	--	--
Fund Balance, July 1, Restated	--	--	6,695,201	--	--
Fund Balance, June 30*	<u>\$5,000,891</u>	<u>\$5,102,134</u>	<u>\$8,290,720</u>	<u>\$9,142,255</u>	<u>\$8,639,874</u>

(1) Prior period adjustment to fund balance in General Fund in Fiscal Year 2017-18 due to \$2,000,000 contribution made by the City to pension stabilization reserve.

Source: City of Piedmont, Audited Financial Statements for Fiscal Years 2015-16 through 2019-20.

General Fund Budgets

General. The City's annual budget serves as the foundation of the City's financial planning and control. On or before May 15, the Finance Director presents the draft budget to the City Council. To encourage public participation in the budget process, a budget meeting schedule is prepared by the Finance Director. Typically, City Council meets on one Saturday in May to review each City department's requests for funding and holds two public hearings on the first and third Mondays of June to allow further public comment. The City Charter requires that a balanced budget must be adopted on or before June 30.

Additionally, a citizens committee is appointed each year to review the need for major capital expenditures, such as construction projects, sidewalk repair, and maintenance of city buildings. Residents may suggest projects for the capital budget by completing a capital improvement project request form.

Impact of State Budget on City Finances. In general, the State budget does not have a material impact on the City's annual budgets. Instead, the City relies on local revenue sources, such as property taxes, real property transfer taxes, voter approved parcel taxes, and local business license and rental taxes to fund its operations.

Information about the Fiscal Year 2021-22 adopted State budget and other State budgets is regularly available at various State-maintained websites. An impartial analysis of the budget is posted by the Legislative Analyst Office at www.lao.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 Purchasers, and the City and Purchasers 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.*

Estimated Actuals for Fiscal Year 2020-21 and Budget for Fiscal Year 2021-22. The City is projecting Fiscal Year 2020-21 revenue to exceed (and expenses to be below) the approved budget. In March 2020, just prior to the start of Fiscal Year 2020-21, a shelter in place order was mandated by the County to deter the spread of COVID-19. A strict moratorium was placed on construction activity which resulted in a sharp downturn in building permits and related planning fees, as well as a slowdown in home sales. Faced with the uncertainty caused by the burgeoning pandemic and the risk of an economic recession, revenue was budgeted conservatively. Fortunately, the moratorium was lifted and the real estate and construction markets recovered quickly. In addition, business related taxes did not decline as expected. There were significant declines in recreation related revenues as rental facilities were forced to remain closed all year and programs were scaled back to conform to County health regulations.

The following table shows estimated actuals for Fiscal Year 2020-21 and budgeted amounts for Fiscal Year 2021-22. As noted above, COVID-19 has not had a material adverse impact on the City's finances, to date.

CITY OF PIEDMONT
GENERAL FUND REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES

	<u>2020-21</u> <u>Budgeted</u>	<u>2020-21</u> <u>Estimated</u>	<u>2021-22</u> <u>Budgeted</u>
<u>REVENUES:</u>			
Property Taxes	\$15,135,000	\$15,442,000	\$15,927,000
Real Property Transfer Tax ⁽¹⁾	2,200,000	6,287,000	2,800,000
Parcel Tax: Muni Tax	2,410,000	2,411,000	2,422,000
Other Taxes and Franchises	2,151,000	2,664,000	2,440,000
License and Permits	326,000	710,000	495,000
Revenue from Use of Money or Property	367,000	209,000	425,000
Revenue from Other Agencies	1,850,000	2,436,000	1,932,000
Charges for Current Services	2,708,500	2,993,000	3,161,500
Other Revenue	210,000	128,000	83,527
Total Revenues	27,357,500	33,280,000	29,686,027
<u>OPERATING TRANSFERS IN</u>			
Sewer Fund Reimbursement	945,000	800,000	815,000
Traffic Safety Fund Reimbursement	20,000	20,000	20,000
Measure D Reimbursement	17,000	51,000	20,000
Juvenile Officer Grant	140,000	137,000	--
	1,122,000	1,008,000	855,000
Total Income	28,479,500	34,288,000	30,541,027
<u>DEPARTMENTAL EXPENDITURES:</u>			
Administration	3,393,485	3,599,000	3,794,299
Public Works	3,767,200	3,788,000	3,929,074
Planning & Building	1,628,565	1,455,000	2,364,814
Recreation	2,691,179	2,403,000	2,686,816
Police	7,058,886	6,711,000	7,297,674
Fire	6,950,585	6,872,000	7,222,094
	25,489,900	24,828,000	27,294,771
<u>NON-DEPARTMENTAL EXPENDITURES:</u>			
Library	350,471	350,000	350,471
Unemployment Insurance	150,000	134,000	75,000
Workers Compensation	680,000	722,000	725,000
Liability Insurance	990,000	1,015,000	1,120,000
Pension Rate Stabilization	--	1,000,000	--
OPEB-Retiree Payments	700,000	654,000	825,000
OPEB-Contributions	80,000	--	--
	2,950,471	3,875,000	3,095,471
<u>OPERATING TRANSFERS-OUT</u>			
Aquatics	250,000	--	--
	250,000	--	--
Total Expenditures and Transfers-out	28,699,621	28,703,000	30,390,242
<u>OPERATING NET INCOME</u>	(220,121)	5,585,000	150,785
<u>CAPITAL TRANSFER-OUT</u>			
Facility Maintenance/Sidewalk	--	4,023,000	600,000
Equipment Replacement Fund	302,927	610,000	360,841
Total Capital Transfers	302,927	4,633,000	960,841
Net Income after Capital Transfers	(520,483)	952,000	(810,056)
General Fund Ending Fund Balance	\$4,725,135	\$6,544,000	\$5,129,865

(1) The increase in real property transfer taxes is attributed to larger-than-anticipated property turn-over and that the City budgets such amount conservatively each year due to its volatility..
Source: City of Piedmont Finance Department.

City Revenues

Taxes and other sources of revenue received by the City are listed in the table below, which presents the major revenues of the City's General Fund for the last five fiscal years for which audited financial statements are available. Certain taxes currently imposed by the City are affected by Proposition 218. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS –Article XIIC and Article XIID of the State Constitution."

As shown in the table, property taxes represent, by far, the largest source of General Fund revenues to the City for the past five fiscal years for which audited financial statements are available. Based on estimates for Fiscal Year 2020-21, which are not yet final, the City anticipates a similar break-down of revenues among the various revenue categories.

CITY OF PIEDMONT Major Revenues by Source – General Fund

REVENUES:	Audited 2015-16	Audited 2016-17	Audited 2017-18	Audited 2018-19	Audited 2019-20
Property taxes	\$11,922,775	\$12,512,002	\$13,375,005	\$14,078,550	\$14,790,493
Sales tax	197,333	166,852	191,892	200,158	200,225
Franchise tax	450,961	444,841	407,820	543,336	566,786
Utility users tax	1,178,302	1,323,052	1,248,554	1,177,396	1,157,443
Real property transfer tax	3,117,999	3,522,078	3,845,198	3,819,816	3,602,634
Business licenses and rental tax	557,843	539,177	563,454	560,515	602,912
License and permits	585,132	577,032	588,652	512,131	548,288
Intergovernmental	1,639,091	1,813,407	2,017,433	1,961,993	1,886,074
Use of money and property	529,643	617,818	740,577	1,017,878	534,093
Current service charges	3,155,373	3,342,420	3,544,879	3,251,527	2,193,857
Parcel tax	1,628,601	1,745,533	2,197,571	2,261,531	2,353,308
Contribution and donations	--	--	--	33,931	29,286
Other revenues	1,202,225	184,555	1,036,323	343,298	267,914
TOTAL REVENUES	\$26,165,278	\$26,788,767	\$29,757,358	\$29,762,060	\$28,733,313

Source: City of Piedmont Audited Financial Statements for Fiscal Years 2015-16 through 2019-20.

Property Taxes

General. This section describes property tax levy and collection procedures and certain information regarding historical assessed values and major property taxpayers in the City. Property taxes typically represent the largest source of tax revenue to the City. The City has projected to receive \$15.9 million in property tax revenue for Fiscal Year 2021-22, slightly higher than the estimates for the prior fiscal year. See " – Assessed Valuation" below.

Property taxes have historically been the primary revenue source affected by voter initiatives and legislative actions. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS" and "BOND OWNERS' RISKS – Limitations on Taxes and Fees."

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

opinion of the County Assessor, to secure payment of the taxes. Other property is assessed on the “unsecured roll.”

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year, and become delinquent on December 10 and April 10, respectively. A penalty of 10% attaches immediately to all delinquent payments. Property on the secured roll with respect to which taxes are delinquent become tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of a penalty of 1.5% per month to the time of redemption, plus costs and a redemption fee. If taxes are unpaid for a period of five years or more, the property may be sold at public auction.

Property taxes on the unsecured roll are due as of the January 1 lien dates and become delinquent on August 31. A 10% penalty attaches to delinquent unsecured taxes. If unsecured taxes are unpaid at 5:00 p.m. on October 31, an additional penalty of 1.5% attaches to them on the first day of each month until paid. The County has four ways of collecting delinquent unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a judgment in the office of the County Clerk specifying certain facts in order to obtain a lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee.

For additional information the levy and collection of property taxes, see the main body of this Official Statement.

Assessed Valuation. All property is assessed using full cash value as defined by Article XIII A of the State Constitution. State law provides exemptions from *ad valorem* property taxation for certain classes of property such as churches, colleges, non-profit hospitals, and charitable institutions. Future assessed valuation growth allowed under Article XIII A of the State Constitution (new construction, certain changes of ownership, 2% inflation) will be allocated on based on “situs” among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and schools will share the growth of “base” revenues from the tax rate area. Each year's growth allocation becomes part of each agency's allocation in the following year. See “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS.”

Assessed Valuation History. Table 1, in the main body of this Official Statement, shows a history of the City's assessed valuation since Fiscal Year 2008-09.

Major Property Taxpayers. Table 5, in the main body of this Official Statement, shows the principal property taxpayers in the City as determined by their secured assessed valuations in Fiscal Year 2021-22.

Property-Related Taxes

Property-related taxes that are part of the City's General Fund consist of (1) property tax revenues, (2) real property transfer tax revenues, (3) parcel tax revenues, and (4) MVLF (defined below). The City's budget for Fiscal Year 2021-22 consists of:

- **Property tax revenues**, which consists of tax on secured and unsecured property.

- ***Real property transfer tax revenue***, which consists of revenues on the transfers of single-family homes and other real property.
- ***Parcel tax revenue***, based on a parcel tax measure approved by 83% of voters in March 2020. The tax was approved for four years and future annual increases are limited to the lower of CPI or 4%.
- ***Property Tax In Lieu of Motor Vehicle License Fee (“MVLf”)***, which compensates cities and counties for certain revenue losses on motor vehicle licenses with a like amount of property taxes, dollar-for-dollar. Typically, the annual change in this tax corresponds with the change in property tax.

Recreation Revenues

Recreation related revenue consists of revenues generated from recreation programs and facility rentals and is budgeted at \$2,274,500 for Fiscal Year 2021-22, an increase of \$618,000 from the prior year. The major components are:

- Recreation programs revenues. Recreation program revenues have been severely impacted by cancelled programs and reduced capacity in varying degrees since March 2020 due to COVID-19. The fiscal year 2021-22 budget assumes limited recreation programs will continue throughout the year.
- Pre-school program revenue. Pre-school program revenue is budgeted to increase due to an increase from 4 day to 5 day programming and the offering of programs during the holiday breaks.
- Facility rental revenue. Facilities within the City have been closed due to COVID-19, but the budget anticipates that the facilities would open during the budget year in some form.

Utility User Taxes & Franchise Fees

Utility User Taxes are taxes collected from residents for the use of electric, gas, water and telephone. Franchise Fees are contractual obligations collected from PG&E, Republic Services, and Comcast for the right to operate in the City. Utility User Taxes are budgeted at \$1,105,000 which is slightly less (4%) than the current year projection. This revenue stream is expected to be reduced as the number of residents working from home declines along with utility usage. Franchise Fees are budgeted at \$555,000 which is relatively flat to Fiscal Year 2020-21.

Building Permits and Planning Fees

This category consists of the following construction related activities: building permits, planning fees, plan check fees, general plan maintenance fee, and records management fees. proposed revenue for Fiscal Year 2021-22 is proposed at \$1,312,000 compared to a projection of \$1,303,000 for the prior fiscal year. This category is budgeted for slight declines in revenue in all areas, except the general plan maintenance fee. Construction activities were brisk in Fiscal Year 2020-21 and the City anticipates a return to more “normal” levels. In addition, the general plan maintenance fee is increasing.

Business and Sales Taxes

Because the City is primarily residential, business and sales taxes are combined for budgeting purposes. Business taxes consist of business license and real estate rental taxes. Business licenses have been relatively stable over the past several years while rental taxes have been increasing approximately 6% per year. This category is being budgeted for Fiscal Year 2021-22 at \$780,000, an increase of \$35,000 or 5%, from the prior fiscal year for this category.

This section describes the current system for levying, collecting and distributing sales and use tax revenues in the State of California.

Sales Tax Rates. The City collects a percentage of taxable sales in the City (minus certain administrative costs imposed by the State Board of Equalization) pursuant to the Bradley-Burns Uniform Local Sales and Use Tax (the “**Sales Tax Law**”), as shown below. Currently, taxable transactions in the City are subject to the following sales and use tax, of which the City’s share is only a portion. The State collects and administers the tax, and makes distributions on taxes collected within the City, as follows:

CITY OF PIEDMONT Sales Tax Rates Fiscal Year 2021-22

<u>Component</u>	<u>Rate</u>
State-Wide Tax Rate	7.25%
Alameda County Children’s Health and Child Care Transactions and Use Tax (ACCT)	0.50
Alameda County Essential Health Care Services Transactions and Use Tax (ACHC)	0.50
Alameda County Transactions and Use Tax (ACTU)	0.50
Alameda County Transportation Improvement Authority (ACTI)	0.50
Alameda County Transportation Commission Transactions and Use Tax (ACTC)	0.50
Bay Area Rapid Transit District (BART)	0.50
Total City of Piedmont Tax Rate	10.25%

Source: California State Board of Equalization.

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

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

- food products for home consumption;
- prescription medicine;
- newspapers and periodicals;
- edible livestock and their feed;
- seed and fertilizer used in raising food for human consumption; and

- gas, electricity and water when delivered to consumers through mains, lines and pipes.

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

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

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

According to the State Board of Equalization, it distributes quarterly tax revenues to cities, counties and special districts using the following method:

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

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

Historical Composition of Sales Tax Revenue. A historical summary of sales tax composition by category is shown in the following table. Total taxable sales in the City during the first quarter of 2021 were reported to be \$1,667,784, a 46.29% decrease over the total taxable sales of \$3,105,181 reported during the first quarter of 2020.

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

	2016	2017	2018	2019	2020
Auto Dealers, Auto Supplies	\$--	\$--	\$--	\$--	\$--
Home Furnishings and Appliances	631	204	74	--	--
Bldg. Materials, Farm Implements	--	--	--	--	--
Food Stores	--	--	--	--	--
Gas/Service Stations	--	--	--	--	--
Apparel Stores	240	134	--	--	--
Gen. Merchandise Stores	--	--	--	--	--
Eating and Drinking Places	--	--	--	--	--
Other Retail Stores	12,436	13,021	12,959	12,181	13,937
Total Retail and Food Services	13,307	13,359	13,032	12,181	13,947
All Other Outlets	<u>2,140</u>	<u>2,933</u>	<u>3,851</u>	<u>4,490</u>	<u>2,963</u>
TOTAL ALL OUTLETS	<u>\$15,447</u>	<u>\$16,292</u>	<u>\$16,883</u>	<u>\$16,671</u>	<u>\$16,899</u>

Source: State Department of Tax and Fee Administration.

Other Revenue

Other revenue consists of the following miscellaneous items: other agency revenue, ambulance service charges, mutual aid assistance, and interest income. The City is budgeting \$953,000 for Fiscal Year 2021-22 compared to a projection of \$1,518,075 in the prior fiscal year, a decrease of \$565,075. The primary reason for the variance is the \$518,000 in mutual aid revenue for assistance in battling California wildfires in fiscal year 2020-21. Due to the unpredictable nature of such a revenue stream, this amount is not budgeted for.

Employee Relations

There are approximately 96 employees of the City, represented by formal labor organizations or not represented, as shown in the table below. The City also employs certain temporary seasonal workers and has elected officials and planning commission members, none of which are included in the table below. The City has never experienced a work stoppage and believes its relationship with its employees is good.

**CITY OF PIEDMONT
Employees and Contract Expiration Dates**

Labor Group	Number of Employees	Contract Expiration Date
Piedmont Police Officers Association	18	June 30, 2025
Piedmont Firefighters, Local 2683, IAFF	21	June 30, 2025
Piedmont Firefighters, Local 2683, IAFF - Captains	3	June 30, 2025
Service Employees International Union, Local 1021 (General)	9	June 30, 2025
Service Employees International Union, Local 1021 (PW)	7	June 30, 2025
Professional, Technical and Supervisory Unit	12	June 30, 2021*
Recreation/Childcare Employees Group Unit	11	June 30, 2021*
Confidential Unit	4	June 30, 2021*
Management (Individuals)	11	June 30, 2021*
Total	96	

* Extension anticipated to be approved by the City Council by end of 2021, extending contract through June 30, 2025. Current contracts are operative until new contracts are in place.

Source: City of Piedmont.

Risk Management

The City is a member of the Bay Cities Joint Powers Insurance Authority for general liability insurance and workers' compensation liability insurance and the Local Agency Workers' Compensation Excess Insurance Joint Powers Authority to cover workers' compensation claims in excess of \$1 million per claim up to \$300 million per claim.

See Note 11 in the City's Fiscal Year 2019-20 audited financial statements, which are attached to this Official Statement as APPENDIX B, for additional information about the City's risk management practices.

Employee Retirement System

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

The Audited Financial Statements of CalPERS are available on its Internet website at www.calpers.ca.gov. The CalPERS website also contains CalPERS' most recent actuarial valuation reports and other information concerning benefits and other matters. Such information is not incorporated by reference in this Official Statement. Neither the City nor the Purchaser can guarantee the accuracy of such information. Actuarial assessments are "forward-looking" statements that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or may be changed in the future. Actuarial assessments will change with the future experience of the pension plans.

Plan Description. All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (the "**Plan**") administered by CalPERS. The Plan consists of individual rate plans (benefit tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool (all other). Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under GASB Statement No. 68. The City sponsors six rate plans (three miscellaneous and three safety). Benefit provisions under the Plan are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided. CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 (age 62 for Miscellaneous Plan members if membership date is on or after January 1, 2013) with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 years of service. The death benefit is one of the following: the Special Death Benefit (Safety only), the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

A summary of the City's benefit formulas as of June 30, 2020 is provided below:

	Miscellaneous		
	Tier 1	Tier 2	PEPRA
Hire Date	Prior to January 1, 2013	Prior January 1, 2013	On or after January 1, 2013
Benefit formula	3.0% @ 60	2.0% @ 60	2.0% @ 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Retirement age	50 and up	60 and up	62 and up
Monthly benefits, as a % of eligible compensation	2.0% to 3.0%	2.0%	2.0%
Required employee contribution rates	8.000%	7.000%	6.250%
Required employer contribution rates*	31.428%	8.324%	7.209%

	Safety		
	Tier 1	Tier 2	PEPRA
Hire Date	Prior to January 1, 2013	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	3.0% @ 50	2.0% @ 50	2.7% @ 57
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Retirement age	50 and up	50 and up	57 and up
Monthly benefits, as a % of eligible compensation	3.0%	2.0%	2.70%
Required employee contribution rates	9.000%	9.000%	12.750%
Required employer contribution rates*	52.019%	18.410% (police) 18.724% (fire)	14.124%

* The required employer contribution rate includes the normal cost rate plus the employer unfunded liability.

CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability and side fund. The dollar amounts are billed on a monthly basis. In Fiscal Year 2021-22, the City is projecting that the employer contribution and unfunded liability payments will increase by 18%, from \$3,029,100 (22.5% of salaries) in 2020-21 to \$3,628,600 (26.8% of salaries) in 2021-22.

The City is required to contribute at an actuarially determined rate of annual covered payroll for normal cost and an actuarially determined dollar amount to amortized the unfunded liability. On July 15, 2020, CalPERS announced preliminary investment returns for the 12-month period ended June 30, 2020, of 4.7%. Performance improved in the second half of calendar year 2020, resulting in an announced return of 12.4% for calendar year 2020. Returns that are lower than CalPERS' current assumed rate of investment return (7.0%) and other factors (including future investment returns and contributions rates) may result in increased required contributions in the future. See "– Recent Actions Taken by CalPERS" below.

Recent Actions Taken by CalPERS. At its April 17, 2013, meeting, CalPERS' Board of Administration (the "Board of Administration") approved a recommendation to change the CalPERS amortization and smoothing policies. Prior to this change, CalPERS employed an amortization and smoothing policy that spread investment returns over a 15-year period with experienced gains and losses paid for over a rolling 30-year period. After this change, CalPERS

will employ an amortization and smoothing policy that will pay for all gains and losses over a 20-year period with a five-year ramp-up, and five-year ramp-down, period. The new amortization and smoothing policy was used for the first time in the June 30, 2013, actuarial valuations in setting employer contribution rates for fiscal year 2015-16.

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

On November 18, 2015, the CalPERS Board adopted a funding risk mitigation policy intended to incrementally lower its discount rate – its assumed rate of investment return – in years of good investment returns, help pay down the pension fund's unfunded liability, and provide greater predictability and less volatility in contribution rates for employers. The policy establishes a mechanism to reduce the discount rate by a minimum of 0.05 percentage points to a maximum of 0.25 percentage points in years when investment returns outperform the existing discount rate, currently 7.5%, by at least four percentage points. CalPERS staff modeling anticipates the policy will result in a lowering of the discount rate to 6.5% in about 21 years, improve funding levels gradually over time and cut risk in the pension system by lowering the volatility of investment returns. More information about the funding risk mitigation policy can be accessed through CalPERS' web site.

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

<u>Valuation Date</u>	<u>Fiscal Year Required Contribution</u>	<u>Discount Rate</u>
June 30, 2016	2018-19	7.375%
June 20, 2017	2019-20	7.250
June 30, 2018	2020-21	7.000

On February 13, 2018, the CalPERS Board voted to shorten the period over which CalPERS will amortize actuarial gains and losses from 30 years to 20 years for new pension liabilities, effective for the June 30, 2019, actuarial valuations. Amortization payments for all unfunded accrued liability bases will be computed to remain a level dollar amount throughout the amortization period, and certain five-year ramp-up and ramp-down periods will be eliminated. As a result of the shorter amortization period, the contributions required to be made by employers may increase beginning in fiscal year 2021-22.

Contributions. Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any

unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2020, the City's employer contributions to the Plan for the year ended June 30, 2020 was \$3,367,402.

Net Pension Liability. For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plans and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

As of June 30, 2020, the City reported a net pension liability for its proportionate share of the net pension liability of the Plan of \$28,550,576. For additional details see APPENDIX B.

Pension Rate Stabilization Reserve. The city maintains a pension rate stabilization trust fund, established in Fiscal Year 2017-18, held in a Section 115 Trust with the Public Agency Retirement Service ("PARS") to aid in funding future expense and allow the City to smooth the effect of rising costs. As of June 30, 2020, the City reported a reserve amount of \$3,014,478.

Piedmont Police and Fire Pension Plan (Closed Plan)

Plan Description. The Piedmont Police and Fire Pension Plan (the "Plan") is a single-employer defined benefit pension plan for the City's police and fire employees hired before July 1, 1971. The Plan is closed to new participants. Section 26.1 of the applicable City ordinance grants authority to establish and manage benefit terms to the Police and Fire Pension Board (the "Board"). The Board is comprised of the mayor, one member of the City Council, one member of the police department, one member of the fire department, and one community representative.

As of June 30, 2020, the Plan covers 12 retired City employees or surviving spouses, who receive monthly benefits, which will continue for life.

Funding Policy. Contributions are determined by an actuarial valuation. Currently, assets exceed the total pension liability, so the contribution rate is 0%.

Benefit Terms. Benefits for service retirement are 50% of final average salary ("FAS") (average over the 12 months before retirement, 36 months if advanced in rank during the last 3 years before retirement) plus $3 \frac{1}{3}\%$ x FAS for each year of service greater than 25 but less than 30 years. The maximum benefit is $66 \frac{2}{3}\%$ of pay. Benefits are payable for participant's lifetime with 50% of the benefit payable to eligible spouse upon the death of the participant. Benefits for duty related disability are 50% of FAS plus $3 \frac{1}{3}\%$ x FAS for each year of service greater than 25 but less than 30 years. The maximum benefit is $66 \frac{2}{3}\%$ of pay. Benefits are payable for participant's lifetime with 50% of the benefit payable to eligible spouse or minor children upon the death of the participant. A 2% cost-of-living adjustment is payable to certain retirees.

For the fiscal year ended June 30, 2020, the City had a net pension liability asset of approximately \$12,011,269, given that its total pension liability was \$1,629,200 and its plan fiduciary net position was \$13,640,469. See Note 8 in the City's fiscal year 2019-20 audited

financial statements, which are attached to this Official Statement as APPENDIX B, for additional information about the City's Police and Fire Pension Plan.

Other Post-Employment Benefits (OPEB)

Plan Description. The City of Piedmont Retiree Healthcare Plan (the “**Plan**”) is a single-employer defined benefit healthcare plan administered by the City. Effective January 1, 1997, all City employees were enrolled in the PERS Health Care Plan. The City provides postretirement healthcare benefits to eligible employees who retire directly from the City. The City pays healthcare coverage up to a cap for eligible retirees and their dependents. The City reports the financial activity of OPEB in the fiduciary OPEB Trust Fund, and no separate financial report is prepared. In fiscal year 2010, the City established an OPEB irrevocable trust with the City Administrator and Finance Director acting as trustees for the OPEB Trust Fund. Membership of the Plan as of the as of the June 30, 2020 actuarial valuation consisted of 90 active employees, 60 inactive employees receiving benefits, and 14 inactive employees entitled to, but not yet receiving benefits.

Benefits and Contributions. The Plan provides two tiers of eligibility for employees as well as two Kaiser Single Non-Medicare rate for 2 retirees hired before October 1, 1984 with special agreements. For the year ended June 30, 2020, the City recognized an OPEB expense of \$354,027.

Net OPEB Liability. As of June 30, 2020, the City had a Net OPEB Liability related to the Plan of \$9,575,372.

For more information regarding the City's OPEB benefits and contributions, actuarial methods and assumptions, and expense and related matters, see Note 9 of APPENDIX C to the Official Statement.

Long-Term Obligations

General Obligation Bonds. The Bonds will be the first series of general obligation bonds issued by the City. After issuance of the Bonds, the City will not have any remaining authorization for any other general obligation bonds.

Compensated Absences. As of June 30, 2020, compensated absences totaled \$1,002,071, of which \$581,876 was recorded as a current liability and the non-current portion totaled \$420,195.

Investment Policies and Procedures

The City invests its funds in accordance with the City's Investment Policy (the “**Investment Policy**”), which is subject to annual review and approval by the City Council. The purpose of the Investment Policy is to establish the investment goals of safety, liquidity, and yield (in that order). The Investment Policy complies with the provisions of the California Government Code, Sections 53600 through 53659 (the authority governing investments for municipal governments in the State). The Investment Policy limits the City to investments authorized by State law (Sections 53601 et seq). In addition, the Investment Policy establishes further guidelines.

It is the policy of the City to invest public funds in a prudent manner which will provide the highest yield consistent with the maximum security and preservation of invested principal, while

meeting the daily cash flow demands of the City, and conforming to all applicable federal, state and local statutes governing the investment of public funds.

Construction Activity

Provided below are the building permits and valuations for the City of Piedmont for calendar years 2016 through 2020.

CITY OF PIEDMONT Total Building Permit Valuations (Valuations in Thousands)					
Permit Valuation	2016	2017	2018	2019	2020
New Single-family	\$1,000.0	\$2,010.0	\$315.0	\$980.0	\$4,510.1
New Multi-family	0.0	0.0	0.0	0.0	0.0
Res. Alterations/Additions	<u>18,550.2</u>	<u>18,964.0</u>	<u>15,099.3</u>	<u>23,524.7</u>	<u>14,724.1</u>
Total Residential	19,550.2	20,974.0	15,414.3	24,504.7	19,234.2
 New Commercial	 1,271.9	 600.0	 0.0	 0.0	 35.2
New Industrial	0.0	0.0	0.0	0.0	0.0
New Other	4,270.3	2,705.0	2,897.8	1,117.9	758.6
Com. Alterations/Additions	<u>15.0</u>	<u>68.0</u>	<u>10.0</u>	<u>93.6</u>	<u>163.7</u>
Total Nonresidential	5,557.2	3,373.0	2,907.8	1,211.5	957.5
 New Dwelling Units	 1	 2	 2	 2	 8
Single Family	1	2	2	2	8
Multiple Family	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	1	2	2	2	8

Source: Construction Industry Research Board, Building

Employment

The City is included in the Oakland-Hayward-Berkeley Metropolitan Division (“MD”). The unemployment rate in the Oakland-Hayward-Berkeley MD was 6.3% in August 2021, down from a revised 6.6% in July 2021, and below the year-ago estimate of 10.5%. This compares with an unadjusted unemployment rate of 7.5% for the State and 5.3% for the nation during the same period. The unemployment rate was 6.2% in the County and 6.5% in Contra Costa County.

The table below list employment by industry group for Oakland-Hayward-Berkeley MD for the years 2016 to 2020.

OAKLAND-HAYWARD-BERKELEY MD
(Alameda and Contra Costa Counties)
Annual Averages Civilian Labor Force, Employment and Unemployment,
Employment by Industry
(March 2020 Benchmark)

	2016	2017	2018	2019	2020
Civilian Labor Force ⁽¹⁾	1,384,900	1,397,800	1,403,300	1,406,100	1,355,100
Employment	1,324,400	1,345,500	1,359,400	1,364,200	1,235,600
Unemployment	60,400	52,300	43,900	41,900	119,400
Unemployment Rate	4.4%	3.7%	3.1%	3.0%	8.8%
<u>Wage and Salary Employment: ⁽²⁾</u>					
Agriculture	1,300	1,400	1,300	1,400	1,500
Mining and Logging	300	200	200	200	200
Construction	67,900	71,200	74,900	75,500	70,400
Manufacturing	91,300	95,700	100,600	101,000	98,200
Wholesale Trade	48,100	48,700	47,500	45,400	42,000
Retail Trade	113,400	114,400	114,400	111,700	100,500
Transportation, Warehousing, Utilities	39,700	41,300	42,300	43,700	45,100
Information	26,500	26,900	27,600	27,600	25,800
Finance and Insurance	38,900	38,900	37,500	37,200	36,000
Real Estate and Rental and Leasing	16,900	17,400	17,800	18,100	16,700
Professional and Business Services	181,100	184,500	189,500	193,200	184,600
Educational and Health Services	185,900	191,500	194,300	198,400	189,800
Leisure and Hospitality	111,700	114,900	117,700	121,000	84,100
Other Services	39,100	40,200	41,000	41,200	32,900
Federal Government	13,900	13,800	13,400	13,400	14,100
State Government	39,700	39,300	39,400	39,600	38,000
Local Government	119,800	121,500	121,800	121,800	113,800
Total, All Industries ⁽³⁾	1,135,400	1,161,800	1,181,300	1,190,400	1,093,700

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

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

(3) Totals may not add due to rounding.

Source: State of California Employment Development Department.

Major Employers (County)

As a largely residential community, there are no significant employers located within the City. The table below lists the major employers in the County, listed alphabetically.

ALAMEDA COUNTY Major Employers (October 2021)

Employer Name	Location	Industry
Alameda County Law Enforcement	Oakland	Government Offices-County
Alameda County Sheriff's Dept	San Leandro	Government Offices-County
Alameda County Sheriff's Ofc	Oakland	Sheriff
Alta Bates Summit Med Ctr Alta	Berkeley	Hospitals
BART	Oakland	Transportation
California State Univ East Bay	Hayward	Schools-Universities & Colleges Academic
Cooper Vision Inc	Pleasanton	Optical Goods-Wholesale
Dell EMC	Pleasanton	Computer Storage Devices (mfrs)
East Bay Mud	Oakland	Water & Sewage Companies-Utility
Ebmud	Oakland	Utilities
Grifols Diagnostic Solutions	Emeryville	Pharmaceutical Research Laboratories
Highland Hospital	Oakland	Hospitals
Kaiser Permanente Oakland Med	Oakland	Hospitals
Lawrence Berkeley Lab	Berkeley	Laboratories-Research & Development
Lawrence Livermore Natl Lab	Livermore	University-College Dept/Facility/Office
Oakland Police Patrol Div	Oakland	Police Departments
San Francisco Bayarea Rapid	Oakland	Transit Lines
Transportation Dept-California	Oakland	Government Offices-State
UCSF Benioff Children's Hosp	Oakland	Hospitals
University of CA Berkeley	Berkeley	Schools-Universities & Colleges Academic
University of CA-BERKELEY	Berkeley	University-College Dept/Facility/Office
University-Ca-Berkeley Dept	Berkeley	University-College Dept/Facility/Office
Valley Care Health System	Livermore	Health Services
Washington Hospital Healthcare	Fremont	Hospitals
Western Digital Corp	Fremont	Computer Storage Devices (mfrs)

Source: State of California Employment Development Department, extracted from the America's Labor Market Information System (ALMIS) Employer Database, 2022 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 Piedmont, the County of Alameda, the State and the United States for the period 2018 through 2022.

**CITY OF PIEDMONT, COUNTY OF ALAMEDA,
STATE OF CALIFORNIA AND UNITED STATES
Effective Buying Income
2018 through 2022**

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2018	City of Piedmont	\$1,005,819	\$188,466
	Alameda County	61,987,949	73,633
	California	1,113,648,181	59,646
	United States	8,640,770,229	50,735
2019	City of Piedmont	\$993,373	\$188,155
	Alameda County	67,609,653	79,446
	California	1,183,264,399	62,637
	United States	9,017,967,563	52,841
2020	City of Piedmont	\$964,461	\$182,776
	Alameda County	72,243,436	84,435
	California	1,243,564,816	65,870
	United States	9,487,165,436	55,303
2021	City of Piedmont	\$1,039,447	\$214,754
	Alameda County	77,794,202	88,389
	California	1,290,894,604	67,956
	United States	9,809,944,764	56,790
2022	City of Piedmont	\$1,072,779	\$232,589
	Alameda County	85,225,529	99,940
	California	1,452,426,153	77,058
	United States	11,208,582,541	64,448

Source: The Nielsen Company (US), Inc for 2018; Claritas, LLC for 2019 through 2022.

APPENDIX B

AUDITED FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDED JUNE 30, 2020

APPENDIX C

FORM OF OPINION OF BOND COUNSEL

_____, 2021

City Council
City of Piedmont
120 Vista Avenue
Piedmont, CA 94611

OPINION: \$ _____ City of Piedmont, California 2021 General Obligation Bonds

Members of the City Council:

We have acted as bond counsel to the City of Piedmont (the "City") in connection with the issuance by the City of the above-captioned general obligation bonds (the "Bonds"). In such capacity, we have examined such law and such certified proceedings, certifications and other documents as we deem necessary to render this opinion.

The 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, as augmented and supplemented by Ordinance 762 N.S., adopted by the City Council of the City pursuant to the City Charter on September 7, 2021 (as so augmented and supplemented, the "Bond Law"), and a resolution adopted by the City Council of the City on November 1, 2021 (the "Resolution"). We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

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

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

1. The City is a duly created and validly existing charter city and municipal corporation with the power to adopt the Resolution, perform the agreements on its part contained therein, and issue the Bonds.
2. The Resolution has been duly adopted by the City Council and constitutes a valid and binding obligation of City, enforceable against the City in accordance with its terms.
3. The Bonds have been duly authorized and executed by City, and are valid and binding general obligations of City.
4. The City is obligated and authorized under the laws of the State of California to levy ad valorem taxes, without limit as to rate or amount (except with respect to certain personal

property that is taxable at limited rates), upon the taxable property in the City for the payment when due of the principal of and interest on the Bonds.

5. The 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 alternative minimum tax. The opinions set forth in the preceding sentence are subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986, as amended, relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. 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.

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

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

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

Respectfully submitted,

A Professional Law Corporation

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

\$ _____
CITY OF PIEDMONT, CALIFORNIA
2021 GENERAL OBLIGATION BONDS

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this “Disclosure Certificate”) is executed and delivered by the City of Piedmont (the “City”) in connection with the issuance of the above-captioned bonds (the “Bonds”). 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, as augmented and supplemented by Ordinance 762 N.S. adopted by the City Council of the City pursuant to the City Charter on September 7, 2021 (as so augmented and supplemented, the “Bond Law”), and a resolution adopted by the City Council of the City on November 1, 2021 (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 to assist the Participating Underwriter in complying with the Rule.

Section 2. Definitions. In addition to the definitions set forth above, 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.

“*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.

“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, 2022 with the report for the 2020-21 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, in a timely manner, 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 City in the form of Table 1 of the Official Statement;
- (ii) Top ten property tax assessesees 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 and limited to top ten assessesees);
- (iii) 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
- (iv) 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 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.
- (13) The consummation of a merger, consolidation, or acquisition involving the City, or the sale of all or substantially all of the assets of the City (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, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, 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, 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 a Listed Event described in subsection (a)(8) 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 Bond 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, if the City has received an opinion of counsel knowledgeable in federal securities laws to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

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

Date: _____, 2021

CITY OF PIEDMONT, CALIFORNIA

By: _____
City Administrator

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.

\$[_____]
CITY OF PIEDMONT, CALIFORNIA
2021 GENERAL OBLIGATION BONDS

BOND PURCHASE AGREEMENT

November [], 2021

City of Piedmont, California
 120 Vista Avenue
 Piedmont, California 94611

To the City of Piedmont:

BofA Securities, Inc. (the “Underwriter”) hereby offers to enter into this Bond Purchase Agreement (the “Purchase Agreement”) with the City of Piedmont, California (the “Issuer”), whereby the Underwriter will purchase and the Issuer will sell the Bonds (as defined and described below). The Underwriter is making this offer subject to the acceptance by the Issuer at or before 5:00 P.M., California Time, on the date hereof. If the Issuer accepts this Purchase Agreement, this Purchase Agreement shall be in full force and effect in accordance with its terms and shall bind both the Issuer and the Underwriter. The Underwriter may withdraw this Purchase Agreement upon written notice delivered by the Underwriter to the Issuer at any time before the Issuer accepts this Purchase Agreement. Terms used but not defined in this Purchase Agreement are defined in the Authorizing Resolution (as defined below).

1. PURCHASE AND SALE.

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 Issuer, and the Issuer hereby agrees to sell and deliver to the Underwriter, all (but not less than all) of the following bonds: City of Piedmont, California 2021 General Obligation Bonds (the “Bonds”), at the purchase price of \$[_____], representing the aggregate principal amount of the Bonds less an Underwriter’s discount of \$[_____] plus [net] original issue premium of \$[_____]. The Underwriter intends to make an initial bona fide public offering of the Bonds at the price or prices described in Schedule I hereto; provided, however, the Underwriter reserves the right to change such initial public offering prices as the Underwriter deems necessary or desirable, in its sole discretion, in connection with the marketing of the Bonds (but in all cases subject to the requirements of Section 4 hereof), and may offer and sell the Bonds to certain dealers, unit investment trusts and money market funds, certain of which may be sponsored or managed by the Underwriter at prices lower than the public offering prices or yields greater than the yields set forth therein (but in all cases subject to the requirements of Section 4 hereof).

The Issuer acknowledges and agrees that: (i) the Underwriter is not acting as a municipal advisor within the meaning of Section 15B of the Securities Exchange Act, as amended, (ii) the primary role of the Underwriter, as an underwriter, is to purchase securities, for resale to investors,

in an arm's length commercial transaction between the Issuer and the Underwriter and the Underwriter has financial and other interests that differ from those of the Issuer; (iii) the Underwriter is acting solely as a principal and is not acting as a municipal advisor, financial advisor or fiduciary to the Issuer and has not assumed any advisory or fiduciary responsibility to the Issuer with respect to the transaction contemplated hereby and the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter has provided other services or is currently providing other services to the Issuer on other matters); (iv) the only obligations the Underwriter has to the Issuer with respect to the transaction contemplated hereby expressly are set forth in this Purchase Agreement; and (v) the Issuer has consulted its own financial and/or municipal, legal, accounting, tax and other advisors, as applicable, to the extent it has deemed appropriate.

2. DESCRIPTION AND PURPOSE OF THE BONDS.

The Bonds have been authorized pursuant 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, commencing with Section 53506 of said Code, as augmented and supplemented by Ordinance No. 762 N.S. (the "Bond Ordinance") adopted by the City Council of the Issuer pursuant to the Piedmont City Charter on September 7, 2021 (as so augmented and supplemented, the "Bond Law") and in accordance with the provisions of a resolution adopted by the City Council of the Issuer on November 1, 2021 (the "Authorizing Resolution"), authorizing the issuance and providing security for the Bonds. The Bonds shall be dated their date of delivery.

The proceeds of the sale of the Bonds will be used to (i) finance the costs of the Issuer's facilities authorized to be financed by the Bonds pursuant to the authority granted by the voters at an election held in the City on November 3, 2020, known as Measure UU, (ii) pay capitalized interest on the Bonds through September 1, 2022, and (iii) pay certain costs of issuance associated with the Bonds.

The Bonds will be secured under the provisions of the Bond Law and the Authorizing Resolution. The Bonds shall mature in the years, bear interest, be purchased at the prices and be subject to redemption at the times and in the amounts, all as set forth in Schedule I attached hereto. The authorized denominations, record dates, interest payment dates, sinking fund payment dates, and other details and particulars of the Bonds shall be as described in the Authorizing Resolution and the Official Statement (as defined below) of the Issuer. The paying agent, registrar and authenticating agent for the Bonds, as designated by the Authorizing Resolution, shall be The Bank of New York Mellon Trust Company, N.A. (the "Paying Agent").

3. DELIVERY OF THE OFFICIAL STATEMENT AND OTHER DOCUMENTS.

(a) The Issuer has approved and delivered or caused to be delivered to the Underwriter copies of the Preliminary Official Statement dated November [], 2021, which, including the cover page and all appendices thereto, is herein referred to as the "Preliminary Official Statement." It is acknowledged by the Issuer that the Underwriter may deliver the Preliminary Official Statement and a final Official Statement (as hereinafter defined) electronically over the internet and in printed paper form. The Issuer deems the Preliminary Official Statement final as of its date and as of the date hereof for purposes of Rule 15c2-12 promulgated under the

Securities Exchange Act of 1934, as amended (“Rule 15c2-12”), except for any information which is permitted to be omitted therefrom in accordance with paragraph (b)(1) of Rule 15c2-12.

(b) Within seven (7) business days from the date hereof, and in any event not later than two (2) business days before the Closing Date, the Issuer shall deliver to the Underwriter a final Official Statement relating to the Bonds dated the date hereof (such Official Statement, including the cover page, and all appendices attached thereto, together with all information previously permitted to have been omitted by Rule 15c2-12 and any amendments or supplements and statements incorporated by reference therein or attached thereto, as have been approved by the Issuer, Bond Counsel, and the Underwriter, is referred to herein as the “Official Statement”) and such additional conformed copies thereof as the Underwriter may reasonably request in sufficient quantities to comply with Rule 15c2-12, rules of the Municipal Securities Rulemaking Board (“MSRB”) and to satisfy potential customer requests for copies of the Official Statement. The Underwriter agrees to file a copy of the Official Statement, including any amendments or supplements thereto prepared by the Issuer, with the MSRB on its Electronic Municipal Markets Access (“EMMA”) system. The Official Statement shall be executed by and on behalf of the Issuer by an authorized officer of the Issuer. The Official Statement shall be in substantially the same form as the Preliminary Official Statement and, other than information previously permitted to have been omitted by Rule 15c2-12, the Issuer shall only make such other additions, deletions and revisions in the Official Statement which are approved by the Underwriter, such approval to not be unreasonably withheld. The Issuer hereby agrees to deliver to the Underwriter an electronic copy of the Official Statement in a form that permits the Underwriter to satisfy its obligations under the rules and regulations of the MSRB and the U.S. Securities and Exchange Commission (“SEC”) including in a word-searchable pdf format including any amendments thereto. The Issuer hereby ratifies, confirms and consents to and approves the use and distribution by the Underwriter before the date hereof of the Preliminary Official Statement and hereby authorizes and consents to the use by the Underwriter of the Official Statement and the Authorizing Resolution in connection with the public offering and sale of the Bonds.

(c) In order to assist the Underwriter in complying with Rule 15c2-12, the Issuer will undertake, pursuant to the Continuing Disclosure Certificate, dated as of December [], 2021 (the “Disclosure Certificate”), to provide annual financial information and notices of the occurrence of specified events. A description of the Disclosure Certificate is set forth in, and a form of such agreement is attached as an appendix to, the Preliminary Official Statement and the Official Statement.

4. ESTABLISHMENT OF ISSUE PRICE.

(a) The Underwriter agrees to assist the Issuer in establishing the issue price of the Bonds and shall execute and deliver to the Issuer at Closing an “issue price” or similar certificate, substantially in the form attached hereto as Exhibit A, together with the supporting pricing wires or equivalent communications, with such modifications as may be deemed appropriate or necessary, in the reasonable judgment of the Underwriter, the Issuer and 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 Issuer under this section to establish the issue price of the Bonds may be taken on behalf of the Issuer by the Issuer’s municipal advisor

identified herein and any notice or report to be provided to the Issuer may be provided to the Issuer's municipal advisor.

(b) Except for the maturities set forth in Schedule A to Exhibit A attached hereto, the Issuer represents that it 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 (if different interest rates apply within a maturity, each separate CUSIP number within that maturity will be subject to the 10% Test). If, as of the date hereof, the 10% Test has not been satisfied as to any maturity of the Bonds for which the Issuer has elected to utilize the 10% Test, the Underwriter agrees to promptly report to the Issuer the prices at which Bonds of that maturity or maturities have been sold by the Underwriter to the public. That reporting obligation shall continue until the earlier of the date upon which the 10% Test has been satisfied as to the Bonds of that maturity or maturities or the Closing Date.

(c) The Underwriter confirms that it has offered the Bonds to the public on or before the date of this Purchase Agreement at the offering price or prices (the "initial offering price"), or at the corresponding yield or yields, set forth in Schedule A to Exhibit A attached hereto, except as otherwise set forth therein. Schedule A to Exhibit A also sets forth, as of the date of this Purchase Agreement, the maturities, if any, of the Bonds for which the 10% Test has not been satisfied and for which the Issuer and the Underwriter agree that the restrictions set forth in the next sentence shall apply (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.

(d) The Underwriter confirms that:

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

(A)(i) to report the prices at which it sells to the public the unsold Bonds of each maturity allocated to it 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 and (ii) to comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the Underwriter and as set forth in the related pricing wires, and

(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),

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

(ii) any selling group agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such third-party distribution agreement to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allocated to it until either all Bonds of that maturity allocated to it have been sold or it is notified by the Underwriter or such dealer that the 10% Test has been satisfied as to the Bonds of that maturity and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the Underwriter or the dealer and as set forth in the related pricing wires.

The Issuer 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 dealer who is a member of the selling group is a party to a third-party distribution agreement that 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, as set forth in the third-party distribution agreement and the related pricing wires. The Issuer further acknowledges that the Underwriter shall not be liable for the failure of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement, to comply with its corresponding agreement to comply with the requirements for establishing the 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.

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

- (i) “public” means any person other than an underwriter or a related party to an underwriter,
- (ii) “underwriter” means (A) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the

public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the public),

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

5. REPRESENTATIONS. The Issuer represents to and agrees with the Underwriter that:

(a) The Issuer is duly organized and validly existing, with full legal right, power and authority to issue, sell and deliver the Bonds to the Underwriter pursuant to the Bond Law and the Authorizing Resolution, and adopt, execute, deliver and perform its obligations, as the case may be, under this Purchase Agreement, the Authorizing Resolution, the Bonds and the Disclosure Certificate (collectively, the “Legal Documents”) and to perform and consummate all obligations and transactions required or contemplated by each of the Legal Documents and the Official Statement.

(b) The Authorizing Resolution approving and authorizing the execution, adoption and delivery, as the case may be, by the Issuer of this Purchase Agreement, the Bonds and the Disclosure Certificate, and the offering, issuance and sale of the Bonds upon the terms set forth herein and in the Official Statement, was duly adopted at a meeting of the City Council of the Issuer 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 is in full force and effect and has not been amended or repealed.

(c) The Authorizing Resolution and the Bonds conform to the descriptions thereof contained in the Preliminary Official Statement and the Official Statement and the Bonds, when duly issued and authenticated in accordance with the Bond Law and the Authorizing Resolution and delivered to the Underwriter as provided herein, will be validly issued and outstanding obligations of the Issuer, entitled to the benefits of the Bond Law and the Authorizing Resolution, and payable from the sources therein specified.

(d) The Issuer has executed, adopted and delivered, or will execute, adopt and deliver, as the case may be, on or before the Closing Date, each of the Legal Documents. Each of the Legal Documents constitutes, or will, as of the Closing Date, constitute, a legal, valid and binding obligation of the Issuer enforceable in accordance with its terms, subject to any applicable bankruptcy, insolvency or other laws affecting creditors' rights or remedies heretofore or hereafter enacted. Each of the Legal Documents has been executed, adopted and delivered, or will be executed, adopted and delivered, as the case may be, on or before the Closing Date, by each respective signatory and is currently in full force and effect or, as of the Closing Date, will be in full force and effect.

(e) The Issuer is not in breach of or default under any constitutional provision, law or administrative regulation of the State of California (the "State") or of the United States or any agency or instrumentality of either, or of any other governmental agency, or any Material Judgment or Agreement (as defined below) which would have a material adverse impact on its ability to fulfill its obligations under the Bonds, the Authorizing Resolution, the Bond Ordinance, or the Purchase Agreement, and no event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute a default or event of default under any Material Judgment or Agreement which would have a material adverse impact on its ability to fulfill its obligations under the Bonds, the Authorizing Resolution, the Bond Ordinance, or the Purchase Agreement; and the adoption of the Authorizing Resolution, the issuance, delivery and sale of the Bonds and the execution and delivery of the other Legal Documents and compliance with and performance of the Issuer's obligations therein and herein will not in any material respect conflict with, violate or result in a breach of or constitute a default under, any such constitutional provision, law, administrative regulation or any Material Judgment or Agreement, nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the Issuer (except as described in or contemplated by the Legal Documents and the Official Statement) or under the terms of any such law, administrative regulation or Material Judgment or Agreement. As used herein, the term "Material Judgment or Agreement" means any judgment or decree or any loan agreement, indenture, bond, note, ordinance or resolution or any material agreement or other instrument to which the Issuer is a party or to which the Issuer or any of its property or assets is otherwise subject (including, without limitation, the Bond Law, the Authorizing Resolution and the other Legal Documents).

(f) All approvals, consents and orders of any governmental authority, board, agency, council, commission or other body having jurisdiction which would constitute a condition precedent to the performance by the Issuer of its obligations hereunder and under the Legal Documents have been obtained; provided, that the Issuer makes no representations as to any approvals, consents or other actions which may be necessary to qualify the Bonds for offer and sale under Blue Sky or other state securities laws or regulations.

(g) Any certificates executed by any officer of the Issuer and delivered to the Underwriter pursuant hereto or in connection herewith shall be deemed a representation and warranty of the Issuer as to the accuracy of the statements therein made.

(h) Between the date hereof and the time of the closing on the Closing Date, the Issuer shall not, without the prior written consent of the Underwriter, offer or issue in any

material amount any bonds, notes or other obligations for borrowed money, similarly secured or payable from the General Fund of the Issuer, or incur any material liabilities, direct or contingent, except in the course of normal business operations of the Issuer or except for such borrowings as may be described in or contemplated by the Official Statement.

(i) The audited financial statements of the Issuer as of June 30, 2020 fairly represent the receipts, expenditures, assets, liabilities and cash balances of the Issuer and, insofar as presented, other funds of the Issuer as of the dates and for the periods therein set forth. Except as disclosed in the Official Statement or otherwise disclosed in writing to the Underwriter, there has not been any materially adverse change in the financial condition of the Issuer or in its operations since June 30, 2020 and there has been no occurrence, circumstance or combination thereof which is reasonably expected to result in any such materially adverse change.

(j) Except for information which is permitted to be omitted pursuant to Rule 15c2-12(b)(1), the Preliminary Official Statement (excluding therefrom information relating to The Depository Trust Company (“DTC”) and its book-entry system), as of its date and as of the date hereof was and is true and correct in all material respects and did not and does not contain any untrue or misleading statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(k) The Official Statement is, as of its date and at all times after the date of the Official Statement (excluding therefrom information relating to DTC and its book-entry system) up to and including the Closing Date will be, true and correct in all material respects and will not contain any untrue or misleading statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(l) If the Official Statement is supplemented or amended, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended) at all times subsequent thereto up to and including that date that is 25 days from the “end of the underwriting period” (as defined in Rule 15c2-12), the Official Statement as so supplemented or amended will be true and correct in all material respects and will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(m) If between the date hereof and the end of the underwriting period, any event shall occur which might or would cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the Issuer shall notify the Underwriter thereof, and if, in the reasonable opinion of the Underwriter, such event requires the preparation and publication of a supplement or amendment to the Official Statement, the Issuer shall promptly (and in any event before the Closing) prepare and furnish (at the expense of the Issuer) a reasonable number of copies of an amendment of or supplement to the Official Statement in form and substance reasonably satisfactory to the Underwriter.

(n) Except as described in the Preliminary Official Statement and Official Statement, no litigation, proceeding or official investigation of any governmental or judicial body is pending against the Issuer or against any other party of which the Issuer has notice or, to the knowledge of the Issuer, threatened against the Issuer: (i) seeking to restrain or enjoin the issuance, sale or delivery of any of the Bonds, or the payment or collection of any amounts pledged or to be pledged to pay the principal of and interest on the Bonds, (ii) in any way contesting or affecting any authority for the issuance of the Bonds or the validity or binding effect of any of the Legal Documents, (iii) which is in any way contesting the creation, existence, powers or jurisdiction of the Issuer or the validity or effect of the Authorizing Resolution or the Bond Law or any provision thereof or the application of the proceeds of the Bonds, (iv) contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto or (v) which, if adversely determined, could materially adversely affect the financial position or operating condition of the Issuer or the transactions contemplated by the Preliminary Official Statement and Official Statement or any of the Legal Documents. The Issuer shall advise the Underwriter promptly of the institution of any proceedings known to it by any governmental agency prohibiting or otherwise affecting the use of the Preliminary Official Statement or the Official Statement in connection with the offering, sale or distribution of the Bonds.

(o) During the last five years, the Issuer has not failed to materially comply with any previous undertaking relating to continuing disclosure of information pursuant to Rule 15c2-12.

(p) The Issuer, to the best of its knowledge, has never been and is not in default in the payment of principal of, premium, if any, or interest on, or otherwise is not nor has it been in default with respect to, any bonds, notes, or other obligations which it has issued, assumed or guaranteed as to payment of principal, premium, if any, or interest.

All representations, warranties and agreements of the Issuer shall remain operative and in full force and effect, regardless of any investigations made by the Underwriter or on the Underwriter's behalf, and shall survive the delivery of the Bonds.

6. CLOSING.

At 8:00 A.M., California Time, on December [], 2021, or at such other time or date as the Underwriter and the Issuer may mutually agree upon as the date and time of the closing (the "Closing Date"), the Issuer will deliver or cause to be delivered to the Underwriter at the offices of Jones Hall, A Professional Law Corporation ("Bond Counsel"), 475 Sansome Street, Suite 1700, San Francisco, California 94111, or at such other place as the Underwriter and the Issuer may mutually agree upon, the documents specified in Section 7. On the Closing Date, (a) upon satisfaction of the conditions herein specified, the Underwriter shall accept the delivery of the Bonds, and pay the purchase price therefor in federal funds payable as directed by the Issuer and (b) the Issuer shall deliver or cause to be delivered the duly executed and authenticated Bonds to the Underwriter through the facilities of DTC in definitive or temporary form, duly executed by the Issuer and in the authorized denominations as specified by the Underwriter at the closing and the Issuer shall deliver the other documents hereinafter mentioned. The Bonds shall be made

available to the Underwriter at least one (1) business day before the Closing Date for purposes of inspection.

7. CONDITIONS PRECEDENT.

The Underwriter has entered into this Purchase Agreement in reliance upon the representations and agreements of the Issuer contained herein and the performance by the Issuer of its obligations hereunder, both as of the date hereof and as of the Closing Date. The Underwriter's obligations under this Purchase Agreement are and shall be subject to the following further conditions:

(a) The representations of the Issuer contained herein shall be true, complete and correct in all material respects on the date of acceptance hereof and on and as of the Closing Date.

(b) At the time of the closing on the Closing Date, the Official Statement, the Authorizing Resolution and the other Legal Documents 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.

(c) The Issuer shall perform or have performed all of its obligations required under or specified in the Authorizing Resolution, the other Legal Documents and the Official Statement to be performed at or prior to the Closing Date.

(d) The Issuer shall have delivered to the Underwriter final Official Statements by the time, and in the numbers, required by Section 3 of this Purchase Agreement.

(e) As of the date hereof and at the time of closing on the Closing Date, all necessary official action of the Issuer relating to the Legal Documents and the Official Statement shall have been taken and shall be in full force and effect and shall not have been amended, modified or supplemented in any material respect absent the written agreement of the Underwriter.

(f) After the date hereof, up to and including the time of the closing on the Closing Date, there shall not have occurred any change in or affecting the Issuer, the Bond Law, the Authorizing Resolution or the other Legal Documents as the foregoing matters are described in the Preliminary Official Statement and the Official Statement, which in the reasonable professional judgment of the Underwriter materially and adversely affects the market price or marketability of the Bonds or the ability of the Underwriter to enforce contracts for the sale of the Bonds.

(g) At or prior to the Closing Date, the Underwriter shall receive the following documents (in each case with only such changes as the Underwriter shall approve in writing):

- i. The approving opinion of Bond Counsel relating to the Bonds, dated the Closing Date, substantially in the form attached as Appendix C to the Official Statement, and, if not otherwise directly addressed to the

Underwriter, a reliance letter with respect thereto addressed to the Underwriter;

ii. The supplemental opinion of Bond Counsel, addressed to the Underwriter, dated the Closing Date, to the effect that:

1. This Purchase Agreement has been duly executed and delivered by the Issuer and is a legal, valid and binding obligation of the Issuer enforceable in accordance with its terms, subject to laws relating to bankruptcy, insolvency, reorganization or creditors' rights generally, to the application of equitable principles, the exercise of judicial discretion and the limitations on legal remedies against public entities in the State;
2. The statements contained in the Preliminary Official Statement and the Official Statement on the cover page and in the sections entitled "INTRODUCTION," "THE BONDS," (other than the information concerning DTC and the book-entry system) "SECURITY FOR THE BONDS" insofar as such statements expressly summarize certain provisions of the Bond Law, the Authorizing Resolution, the Bonds, and the form and content of such counsel's opinion attached as Appendix C to the Preliminary Official Statement and the Official Statement, are accurate in all material respects; and
3. The Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended (the "1933 Act") and the Authorizing Resolution is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act");

iii. A letter, dated the Closing Date and addressed to the Underwriter, from Jones Hall, A Professional Law Corporation, as disclosure counsel to the City, to the effect that based upon the information made available to them in the course of their participation in the preparation of the Preliminary Official Statement and the Official Statement and without passing on and without assuming any responsibility for the accuracy, completeness and fairness of the statements in the Preliminary Official Statement and the Official Statement, and having made no independent investigation or verification thereof, nothing has come to their attention which would lead them to believe that the Preliminary Official Statement, as of its date, did not and does not, and the Official Statement as of its date and all times subsequent thereto during the period up to and including the Closing Date, did not and does not, contain an untrue statement of a material fact 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 in any material respect;

iv. The opinion of Burke, Williams & Sorensen, LLP, as Attorney to the Issuer, dated the date of the Closing and addressed to the Underwriter, to the effect that:

1. The Issuer has been duly organized and is validly existing under the Constitution and laws of the State, and has all requisite power and authority thereunder: (a) to adopt the Authorizing Resolution, and to enter into, execute, adopt, deliver and perform its covenants and agreements under the Legal Documents; (b) to approve and authorize the use, execution and distribution of the Preliminary Official Statement and the Official Statement; and (c) to carry on its activities as currently conducted;
2. The Issuer has taken all actions required to be taken by it before the Closing Date material to the transactions contemplated by the documents mentioned in paragraph (a) above, and the Issuer has duly authorized the execution, adoption and delivery of, as the case may be, and the due performance of its obligations under, the Legal Documents;
3. The Bond Ordinance and the Authorizing Resolution were duly adopted by the City Council of the Issuer at meetings of the City Council of the Issuer which were called and held pursuant to law and with all required notices and in accordance with all applicable open meetings laws and at which a quorum was present and acting at the time of the adoption of the Bond Ordinance and Authorizing Resolution, as applicable;
4. The adoption of the Bond Ordinance and the Authorizing Resolution, the execution and delivery by the Issuer of the other Legal Documents and the compliance with the provisions of the Legal Documents, do not and will not conflict with or violate any California constitutional, statutory or regulatory provision, or, to the best of such counsel's knowledge after due inquiry, conflict with or constitute on the part of the Issuer a breach of or default under any agreement or instrument to which the Issuer is a party or by which it is bound which would have a material adverse impact on its ability to fulfill its obligations under the Bonds, the Authorizing Resolution, the Bond Ordinance, or the Purchase Agreement;
5. The Legal Documents constitute legal, valid and binding obligations of the Issuer and are enforceable according to the terms thereof, except as enforcement thereof may be limited by bankruptcy, insolvency or other laws affecting enforcement of creditors' rights

generally, and by the application of equitable principles if equitable remedies are sought, by the exercise of judicial discretion and the limitations on legal remedies against public entities in the State;

6. No litigation is pending or, to the best of such counsel's knowledge after due inquiry, threatened against the Issuer in any court in any way affecting the titles of the officials of the Issuer to their respective positions, or seeking to restrain or to enjoin the issuance, sale or delivery of the Bonds, or the collection of revenues pledged or to be pledged to pay the principal of and interest on the Bonds, or in any way contesting or affecting the validity or enforceability of the Bond Ordinance, the Authorizing Resolution or the other Legal Documents, or contesting in any way the completeness or accuracy of the Official Statement, or contesting the powers of the Issuer or its authority with respect to the Bond Ordinance, the Authorizing Resolution or the other Legal Documents;
7. The information contained in the Preliminary Official Statement, as of its date and as of the date hereof and the Official Statement as of its date and as of the Closing Date under the captions "NO LITIGATION" does not contain any untrue statement of a material fact and does not omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;
8. To the best of such counsel's knowledge after due inquiry, no authorization, approval, consent or other order of the State or any local agency of the State, other than such authorizations, approvals and consents which have been obtained, is required for the valid authorization, execution and delivery by the Issuer of the Legal Documents and the authorization and distribution of the Preliminary Official Statement and the Official Statement (provided that no opinion need be expressed as to any action required under state securities or Blue Sky laws in connection with the purchase of the Bonds by the Underwriter); and
9. To the best of such counsel's knowledge after due inquiry, the Issuer is not in breach of or default under any applicable law or administrative regulation of the State or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Issuer is a party or is otherwise subject, which breach or default would materially adversely affect the Issuer's ability to adopt or enter into or perform its obligations under the Legal Documents, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or an event of default under any such instrument and which would materially

adversely affect the Issuer's ability to adopt, enter into or perform its obligations under the Legal Documents;

v. The opinion of Katten Muchin Rosenman LLP, counsel to the Underwriter, dated the Closing Date and addressed to the Underwriter, and covering such matters as the Underwriter may reasonably request;

vi. A certificate, dated the Closing Date, signed by an authorized officer of the Issuer to the effect that: (a) the representations and agreements of the Issuer contained herein are true and correct in all material respects as of the Closing Date; (b) the Legal Documents have been duly authorized, adopted and executed, as the case may be, and are in full force and effect; (c) except as described in the Preliminary Official Statement as of its date and the Official Statement as of its date, no litigation is pending or, to his or her knowledge, threatened (i) seeking to restrain or enjoin the issuance or delivery of the Bonds, (ii) in any way contesting or affecting any authority for the issuance of the Bonds or the validity of the Bonds, the Bond Ordinance, the Authorizing Resolution or any Legal Document, (iii) in any way contesting the creation, existence or powers of the Issuer or the validity or effect of the Bond Law or the Authorizing Resolution or any provision thereof or the application of the proceeds of the Bonds, or (iv) which, if adversely determined, could materially adversely affect the financial position or operating condition of the Issuer or the transactions contemplated by the Preliminary Official Statement as of its date and the Official Statement as of its date and as of the Closing Date or any Legal Document; and (d) the Official Statement is true and correct in all material respects and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, except that no review has been made of information in the Official Statement related to DTC and its book-entry system;

vii. Executed or certified copies of the Bond Ordinance and the Authorizing Resolution;

viii. Executed or certified copies of each other Legal Document;

ix. A Tax Certificate of the Issuer, in form satisfactory to Bond Counsel, executed by such officials of the Issuer as shall be reasonably satisfactory to the Underwriter;

x. Evidence that the Bonds have been assigned the rating from S&P Global Ratings as set forth in the Official Statement;

xi. A certificate of an authorized officer of the Paying Agent, in form and substance reasonably satisfactory to the Issuer, Bond Counsel, the Underwriter and counsel for the Underwriter.

xii. Evidence that a Form 8038-G relating to the Bonds has been executed by the Issuer and will be filed with the Internal Revenue Service (the “IRS”) within the applicable time limit:

xiii. A copy of the Blue Sky Survey with respect to the Bonds;

xiv. A copy of the Issuer’s executed Blanket Letter of Representation to DTC; and

xv. Such additional legal opinions, certificates, proceedings, instruments and other documents as the Underwriter, counsel for the Underwriter or Bond Counsel may reasonably request to evidence compliance by the Issuer with legal requirements, the truth and accuracy, as of the Closing Date, of the representations of the Issuer herein contained and the due performance or satisfaction by the Issuer at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by the Issuer and all conditions precedent to the issuance of the Bonds pursuant to the Bond Law and Authorizing Resolution shall have been fulfilled.

8. TERMINATION.

If the Issuer shall be unable to satisfy the conditions of the Underwriter’s obligations contained in this Purchase Agreement or if the Underwriter’s obligations shall be terminated for any reason permitted by this Purchase Agreement, this Purchase Agreement may be cancelled by the Underwriter at, or at any time before the Closing Date. Notice of such cancellation shall be given by the Underwriter to the Issuer in writing, or by telephone confirmed in writing. The performance by the Issuer of any and all conditions contained in this Purchase Agreement for the benefit of the Underwriter may be waived by the Underwriter.

(a) The Underwriter shall also have the right, before the Closing Date, to cancel its obligations to purchase the Bonds, by written notice to the Issuer, if between the date hereof and the Closing Date:

(i) Any event or circumstance occurs or information becomes known, which, in the professional judgment of the Underwriter, makes untrue any statement of a material fact set forth in the Preliminary Official Statement as amended or supplemented in accordance with the terms hereof or the Official Statement or results in an omission to state a material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading; or

(ii) The market for the Bonds or the market prices of the Bonds or the ability of the Underwriter to enforce contracts for the sale of the Bonds shall have been materially and adversely affected, in the professional judgment of the Underwriter, by:

(1) An amendment to the Constitution of the United States or the State shall have been passed or legislation shall have been introduced in or enacted by the Congress of the United States or the legislature of the State or legislation

pending in the Congress of the United States shall have been amended or legislation (whether or not then introduced) shall have been recommended to the Congress of the United States or otherwise endorsed for passage (by press release, other form of notice or otherwise) by the President of the United States, the Treasury Department of the United States, the Internal Revenue Service or the Chairman or ranking minority member of the Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States House of Representatives, or legislation shall have been proposed (whether or not then introduced) for consideration by either such Committee by any member thereof or presented as an option for consideration (whether or not then introduced) by either such Committee by the staff of such Committee or by the staff of the joint Committee on Taxation of the Congress of the United States, or legislation shall have been favorably reported for passage to either House of the Congress of the United States by a Committee of such House to which such legislation has been referred for consideration, or a decision shall have been rendered by a court of the United States or of the State or the Tax Court of the United States, or a ruling shall have been made or a regulation or temporary regulation shall have been proposed or made or any other release or announcement shall have been made by the Treasury Department of the United States, the Internal Revenue Service or other federal or State authority, with respect to federal or State taxation upon revenues or other income of the general character to be derived by the Issuer or upon interest received on obligations of the general character of the Bonds which, in the judgment of the Underwriter, may have the purpose or effect, directly or, indirectly, of affecting the tax status of the Issuer, its property or income, its securities (including the Bonds) or the interest thereon, or any tax exemption granted or authorized by State legislation; or

(2) The declaration of war or engagement in or escalation of military hostilities by the United States or the occurrence of any other national emergency or calamity or terrorism affecting the operation of the government of, or the financial community in, the United States; or

(3) The declaration of a general banking moratorium by federal, New York or California authorities; or

(4) The occurrence of a major financial crisis, a material disruption in commercial banking or securities settlement or clearance services, or a material disruption in the fixed income or municipal securities market; or

(5) Additional material restrictions not in force or being enforced as of the date hereof shall have been imposed upon trading in securities generally by any governmental authority or by any national securities exchange; or

(6) The general suspension of trading on any national securities exchange; or

(iii) Legislation enacted, introduced in the Congress or recommended for passage (whether or not then introduced) 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 Tax Court of the United States, or an order, ruling, regulation (final, temporary or proposed) or official statement issued or made by or on behalf of the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter shall have been made or issued to the effect that the Bonds, other securities of the Issuer or obligations of the general character of the Bonds are not exempt from registration under the 1933 Act, or that the Authorizing Resolution is not exempt from qualification under the Trust Indenture Act; or

(iv) Any change in or particularly affecting the Issuer, the Bond Law, the Authorizing Resolution or the other Legal Documents as the foregoing matters are described in the Preliminary Official Statement or the Official Statement, which in the professional judgment of the Underwriter materially impairs the investment quality of the Bonds; or

(v) An order, decree or injunction of any court of competent jurisdiction, 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, including any or all underlying obligations, as contemplated hereby or by the Preliminary Official Statement or the Official Statement, is or would be in violation of any applicable law, rule or regulation, including (without limitation) any provision of applicable federal securities laws as amended and then in effect; or

(vi) A stop order, ruling, regulation or official statement by the SEC or any other governmental agency having jurisdiction of the subject matter shall have been issued or made or any other event occurs, the effect of which is that the issuance, offering or sale of the Bonds, or the adoption, execution and delivery of any Legal Documents, as contemplated hereby or by the Preliminary Official Statement or the Official Statement, is or would be in violation of any applicable law, rule or regulation, including (without limitation) any provision of applicable federal securities laws, including the 1933 Act, the Securities Exchange Act of 1934 or the Trust Indenture Act, each as amended and as then in effect; or

(vii) Any litigation shall be instituted or be pending on the Closing Date to restrain or enjoin the issuance, sale or delivery of the Bonds, or in any way contesting or affecting any authority for or the validity of the proceedings authorizing and approving the Bond Ordinance, the Authorizing Resolution, the Legal Documents or the existence or powers of the Issuer with respect to its obligations under the Legal Documents; or

(vii) A reduction or withdrawal in the assigned rating to the Bonds as described above, or, as of the Closing Date, the failure by S&P Global Ratings to assign the rating described above to the Bonds.

9. AMENDMENTS TO OFFICIAL STATEMENT.

During the period commencing on the Closing Date and ending twenty-five (25) days from the end of the underwriting period, the Issuer shall advise the Underwriter if any event relating to or affecting the Official Statement shall occur as a result of which it may be necessary or appropriate to amend or supplement the Official Statement in order to make the Official Statement

not misleading in light of the circumstances existing at the time it is delivered to a purchaser or “potential customer” (as defined for purposes of Rule 15c2-12). If the Official Statement is supplemented or amended, at the time of each supplement or amendment thereto and at all times subsequent thereto up to and including that date that is 25 days from the end of the “underwriting period” (as defined in Rule 15c2-12), the Official Statement as supplemented or amended will not contain any untrue statement of a material fact or omit to state any 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 and shall amend or supplement the Official Statement (in form and substance reasonably satisfactory to counsel for the Underwriter) so that the Official Statement will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

10. EXPENSES.

All expenses and costs of the Issuer incident to the performance of its obligations in connection with the authorization, issuance and sale of the Bonds to the Underwriter, including the costs of printing or reproduction of the Bonds, the Legal Documents and the Official Statement in reasonable quantities, fees of consultants, fees of rating agencies, advertising expenses, fees and expenses of the Paying Agent and fees and expenses of counsel to the Issuer, including the City Attorney and Bond Counsel, shall be paid by the Issuer from the proceeds of the Bonds or other revenues of the Issuer. All expenses and costs of the Underwriter incurred with respect to the Bonds or under or pursuant to this Purchase Agreement, including, without limitation, the cost of preparing this Purchase Agreement and other Underwriter documents, travel expenses and the fees and expenses of counsel to the Underwriter, shall be paid by the Underwriter (which may be included as an expense component of the Underwriter’s discount). The Underwriter shall also be responsible for payment of the fee due to the California Debt and Investment Advisory Commission (CDIAC) related to the Bonds.

11. USE OF DOCUMENTS.

The Issuer hereby authorizes the Underwriter to use, in connection with the public offering and sale of the Bonds, this Purchase Agreement, the Preliminary Official Statement, the Official Statement and the Legal Documents, and the information contained herein and therein.

12. QUALIFICATION OF SECURITIES.

The Issuer will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate and to provide for the continuance of such qualification; *provided, however*, that the Issuer will not be required to qualify as a foreign corporation or to file any general or special consents to service of process under the laws of any state.

13. NOTICES.

Any notice or other communication to be given to the Issuer under this Purchase Agreement may be given by delivering the same in writing to City of Piedmont, California, 120 Vista Avenue, Piedmont, California 94611, Attention Michael Szczech, Finance Director and any such notice or other communication to be given to the Underwriter may be given by delivering the same in writing to BofA Securities, Inc., 555 California Street, Suite 1160, San Francisco, California 94104, Attention: Holly Vocal, Managing Director.

14. BENEFIT.

This Purchase Agreement is made solely for the benefit of the Issuer and the Underwriter (including their successors or assigns) and no other person, partnership, association or corporation shall acquire or have any right hereunder or by virtue hereof. Except as otherwise expressly provided herein, all of the agreements and representations of the Issuer contained in this Purchase Agreement and in any certificates delivered pursuant hereto shall remain operative and in full force and effect regardless of: (i) any investigation made by or on behalf of the Underwriter; (ii) delivery of and payment for the Bonds hereunder; or (iii) any termination of this Purchase Agreement, other than pursuant to Section 8.

15. GOVERNING LAW. THIS PURCHASE AGREEMENT SHALL BE DEEMED TO BE A CONTRACT UNDER, AND FOR ALL PURPOSES SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF CALIFORNIA WITHOUT REGARD TO CHOICE OF LAW RULES.

16. WAIVER OF JURY TRIAL. THE ISSUER HEREBY IRREVOCABLY WAIVES TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS PURCHASE AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

17. MISCELLANEOUS.

(a) This Purchase Agreement contains the entire agreement between the parties relating to the subject matter hereof and supersedes all oral statements, prior writings and representations with respect thereto.

(b) This Purchase Agreement may be executed in several counterparts, each of which shall be deemed an original hereof.

[Signature page follows]

Very truly yours,

BOFA SECURITIES, INC.,
as Underwriter

By: _____
Authorized Officer

Approved and Agreed to: November __, 2021

CITY OF PIEDMONT, CALIFORNIA

By: _____
Authorized Officer

SCHEDULE I**Maturities, Principal Amounts, Interest Rates, Yields, Prices and Redemption Provisions**

\$[_____]
**CITY OF PIEDMONT, CALIFORNIA
2021 GENERAL OBLIGATION BONDS**

<u>Maturity Date (September 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>
-----------------------------------------------	------------------------------------	---------------------------------	---------------------	---------------------

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 Issuer, in whole or in part among maturities on such basis as designated by the Issuer 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[___], 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
<hr/>	

(Maturity)

\$[_____] Term Bond Due September 1, 20[___]

Payment Date (September 1)	Payment Amount
<hr/>	

(Maturity)

\$[_____] Term Bond Due September 1, 20[___]

Payment Date (September 1)	Payment Amount
<hr/>	

(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.

EXHIBIT A

\$[_____]
CITY OF PIEDMONT, CALIFORNIA
2021 GENERAL OBLIGATION BONDS

ISSUE PRICE CERTIFICATE

The undersigned, on behalf of BofA Securities, Inc. (“BofAS”) hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the “Bonds”).

[Select appropriate provisions below]

1. [Alternative 1¹ – All Maturities Use General Rule: ***Sale of the Bonds***. As of the date of this certificate, for each Maturity of the Bonds, the first price at which at least 10% of such Maturity of the Bonds was sold to the Public is the respective price listed in Schedule A.][Alternative 2² – Select Maturities Use General Rule: ***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 of the Bonds was sold to the Public is the respective price listed in Schedule A.]

2. ***Initial Offering Price of the [Bonds] [Hold-the-Offering-Price Maturities]***.

a) [Alternative 1³ – All Maturities Use Hold-the-Offering-Price Rule: BofAS offered the Bonds 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.][Alternative 2⁴ – Select Maturities Use Hold-the-Offering-Price Rule: BofAS 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) [Alternative 1 – All Maturities use Hold-the-Offering-Price Rule: As set forth in the Bond Purchase Agreement, BofAS has agreed in writing that, (i) for each Maturity of the Bonds, it would neither offer nor sell any of the unsold Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “hold-the offering-price rule”), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. BofAS has not offered or sold any Maturity of the unsold Bonds at a price that is higher than the respective Initial

¹ If Alternative 1 is used, delete the remainder of paragraph 1 and all of paragraph 2 and renumber paragraphs accordingly.

² If Alternative 2 is used, delete Alternative 1 of paragraph 1 and use each Alternative 2 in paragraphs 2(a) and (b).

³ If Alternative 1 is used, delete all of paragraph 1 and renumber paragraphs accordingly.

⁴ Alternative 2(a) of paragraph 2 should be used in conjunction with Alternative 2 in paragraphs 1 and 2(b).

Offering Price for that Maturity of the Bonds during the Holding Period.] [Alternative 2 - Select Maturities Use Hold-the-Offering-Price Rule: As set forth in the Bond Purchase Agreement, BofAS 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 unsold Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “hold-the-offering-price rule”), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. BofAS has not offered or sold any unsold Bonds of any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.]

3. *Defined Terms.*

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

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

[(c) *Holding Period* means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date (November [], 2021), or (ii) the date on which the BofAS has sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.]

(d) *Issuer* means City of Piedmont, California.

(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 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 November [], 2021.

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

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents BofAS’ interpretation of any laws, including specifically Sections 103

and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Jones Hall, A Professional Law Corporation in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of Internal Revenue Service Form 8038-G, and other federal income tax advice it may give to the Issuer from time to time relating to the Bonds. The certifications contained herein are not necessarily based on personal knowledge of the undersigned but may instead be based on either inquiry deemed adequate by the undersigned or institutional knowledge (or both) regarding the matters set forth herein.

BOFA SECURITIES, INC.

By: _____

Name: _____

Dated: December [], 2021

SCHEDULE A

**[SALE PRICES OF THE GENERAL RULE MATURITIES AND
INITIAL OFFERING PRICES OF THE HOLD-THE-OFFERING-PRICE
MATURITIES]**

(Attached)

SCHEDULE B
PRICING WIRE OR EQUIVALENT COMMUNICATION
(Attached)

Item #6 – Issuance of General Obligation Bonds for Community Pool Project
Correspondence Received before Monday, November 1st at 3:30 p.m.

Hi Sara,

Thanks for sending me the proposed Bond Purchase Agreement.

I agree we should issue the bonds ASAP so the pool advisory committee knows what their true working capital is.

I would like to make some statements and observations about this proposed agreement and the general approach taken to date and some context of bonds issued in this city by PUSD:

1. PUSD uses the bond advisor KNN Public Finance. KNN used to be a subsidiary of an investment bank but then after public outcry over them issuing so many [Capital Appreciation Bonds](#) (CABs) by presenting a bond investor point-of-view instead of a taxpayer point-of-view, KNN Public Finance employees decided to buy themselves out and separate from their parent investment bank. Unfortunately, Hilltop Securities is what KNN used to be -- an investment bank serving [Tier I Institutional Investors](#). Trying to advise players on both sides of the transaction creates a conflict of perspectives. Ideally Hilltop should not be advising the City of Piedmont on public finance matters. Furthermore two of my friends who are very smart on bond finance watched the August BAFP meeting live where Hilltop's advisor gave very tortured explanations of how Premium Bonds work. My friends asked me to look into Premium Bonds from the taxpayer point-of-view. I recently watched the same meeting and agree that Hilltop's explanations were lacking in clarity.
2. Clarification of the nature of premium bonds to the public is very important. I explained some of the terminology in a written viewpoint (no drawings or math) for the Piedmont Post. Ideally this should have been done before the election but I wanted to at least get the conversation started before the bond oversight committee was formed as a favor to the new oversight committee members and the City Council who I thought would get bombarded with questions about this from Piedmont property taxpayers. The timing also makes sense to have this conversation before the bonds get issued.
3. The Bond Purchase Agreement is a document that should try to make the nature of Premium Bonds very clear. For example it could add a few words to clarify the amount of working capital available to design and build the aquatic center. It appears to be \$23.7 million but it should be made clear. The proceeds also seem to be reported net of \$705,569 in capitalized interest which is stated as "paid or funded by bonds". The why of this statement should be explained. Isn't capitalized interest collected via property taxes?
4. This document is also not reporting the coupon rate that applies to the \$19,500,000 face value of the bonds. Discussions on the August BAFP committee meeting ranged from 5% to 4% and so this should be made clear in this document. I suspect the coupon rate is close to 5% but that's just a guess. The reported "true interest cost" (TIC) applies to the total proceeds, not just the face value. This TIC interest rate is reported as 3.06%. Again this is an opportunity to really make

clear how the City is getting the premium. This equation could be added for clarity as to how this works:

\$19.5 million @ 5% coupon rate + \$4.2 million "premium" @ 0% = \$23.7 million @ 3.06% TIC rate

5. The bonds are not callable for 10-years and that information should be spelled out in the document at the very least under optional redemption (page 41) but ideally also early on in the document. A reminder for the City to call the bonds at that mark is also advised since the bond investors would have been compensated for the no-interest premium by the 10-year mark. Furthermore who is going to remind City Council to refinance in 10-years time?

6. Issuing Premium Bonds via negotiations with a single bond underwriter is harder to get right than issuing a regular current interest bond in the free market. Issuing a competitively bid current interest bond with a face value of \$23,730,989 and a premium of \$403,700 (to cover financing costs) would have been consistent with the types of bonds issued in this city by the school district. (PUSD never issued premium bonds to increase its working capital.) Issuing a competitively bid bond would have required informing the public the city needs to raise \$23.7 million as part of Measure UU. Since Measure UU barely passed (68.5% requiring 66.7%) with an advertised amount of \$19.5 million, changing the face value to \$23.7 million would have doomed the measure to failure. I am aware the City mentioned a \$23 million figure as a total cost but not as total proceeds from the bond issuance and not a figure that was discussed with the public.

7. During the August meeting, only one member of the Budget Advisory and Financial Planning (BAFP) committee made a comment about adhering to the \$19.5 million "top line" number and that member dropped the matter quickly. The Piedmont Post was more vested in this matter since they reported the "top line" number repeatedly and that number was the sole number being discussed in the debates. For detailed coverage of the premium bond disclosure / consent issue after many discussions and historical review, see: https://HariTitan.com/Premium_Bonds.pdf

8. I trust the successful politicians on City Council to know if the public is concerned by this new type of bond issuance. I have no idea. However, I recommend City Council not place their trust entirely in the hands of Jones Hall as Bond and Disclosure Counsel since they are the same lawyers PUSD used when issuing the CABs in 2013, see: https://harititan.com/A_0007.pdf Years later Doug Ireland told me he didn't expect someone from the community to "do the math" [from the taxpayer point-of-view] and get the public "hyper aware" of CABs.

9. However, is the current general obligation muni rate really 3.06%? The proposed agreement says this is for AA rated agencies. Pre-election disclosures from the City reported an expectation for the city to be rated AA+. Is this the cause of why the TIC went up from pre-election disclosures of 2.8%? The actual muni rates fell significantly since last year and Hilltop Securities reported 2.4% earlier in August 2021 to a reporter for Piedmont Exedra, see my Premium Bonds PDF linked above for a copy of that story. What happened over the last 3 months for the TIC to go from 2.4% up to 3.06% while the general muni market rates

dropped? My Premium Bonds PDF also shows the Bond Buyers Index creeping up 12 basis points since August 12, 2021 but not the 66 basis points being suggested in this proposal. Hilltop should provide a weekly or daily chart going back to early 2020 for a public bond price index to back up and support their TIC interest rate proposal.

10. I am also a bit concerned by the fact that the City went with B of A Securities while our recent mayor [Bob McBain was a 14-year managing director of B of A](#). The optics don't look good on this one and the 3.06% interest rate Piedmont taxpayers are being charged don't look good either. What were the criteria used to choose B of A Securities? This could be an issue of negotiating with a single bond underwriter is much harder than going to letting the free market choose the interest rate in a competitive bidding war. That's ultimately the approach PUSD took post-2013.

Thanks for considering my thoughts in your deliberations. I am happy to provide further assistance or clarity if needed.

Sincerely,

Hari Titan

Dear Mayor King and Council,

Preferable and more favorable to taxpayers would have been a competitive process to determine the Bond underwriter rather than essentially assigning it to Bank of America. With current AA Municipal Bonds being written at interest rates around 2.40%, has the non-competitive process resulted in taxpayers bearing an “all-in” interest rate of 3.15%?

While I supported UU, I would have preferred a more transparent process where a yes vote on \$19.5M would have meant \$19.5M rather than \$19.5 being a par value and the City being able to essentially write any amount above par, in this case \$23.7M.

Respectfully,

Rick Schiller
