

**BANK QUALIFIED
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 Notes 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 Notes are “qualified tax-exempt obligations” within the meaning of section 265(b)(3) of the Internal Revenue Code of 1986, as amended. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See “TAX MATTERS.”

\$ _____ *
**CITY OF EL CERRITO
2021-22 TAX AND REVENUE ANTICIPATION NOTES**

Dated: Date of Delivery

Due: July ____, 2022

The City of El Cerrito 2021-22 Tax and Revenue Anticipation Notes (the “Notes”) are to be delivered as fully registered notes without coupons and when delivered will be registered in the name of The Depository Trust Company, New York, New York (“DTC”), or its nominee. DTC will act as securities depository for the Notes. Individual purchases of an interest in the Notes will be made in book-entry form only in the principal amount of \$5,000 or integral multiples thereof. Purchasers of Notes will not receive the physical Notes when purchased. Principal and interest are payable at maturity. The principal and interest with respect to the Notes are payable when due by the City of El Cerrito (the “City”), as paying agent, to DTC, which will in turn remit such principal and interest to the actual purchasers of the Notes as described in this Official Statement. The Notes are not subject to redemption prior to maturity.

The Notes are, by statute, general obligations of the City, payable solely from taxes, income, revenue, cash receipts, and other moneys that are received by the City for the General Fund for fiscal year 2021-22 and that are generally available for the payment of current expenses and other obligations of the City (the “Unrestricted Moneys”). The Notes are secured by a pledge of Unrestricted Moneys to be received by the City in (a) an amount equal to 50% of the principal amount of the Notes in the month of January 2022; (b) an amount equal to 50% of the principal amount of the Notes in the month of May 2022; and (c) an amount sufficient to pay interest as due on the Notes at their maturity, in the month of June 2022 (such pledged amounts being hereinafter called the “Pledged Revenues”). The Pledged Revenues will be deposited into and held by the City in a special account to be designated the “2021-22 Tax and Revenue Anticipation Note Special Account,” and applied as directed in the City Council’s Resolution adopted June 1, 2021.

Certain important issues relating to the City’s financial condition are discussed under the headings “THE CITY – Auditor’s Statement Regarding Ability to Continue as a Going Concern” and “– State Audit of City as High Risk.”

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



Interest Rate
%

Reoffering
Yield
%

Price

CUSIP

The Notes are, to the extent more fully described in this Official Statement, legal investments for commercial banks in California and eligible to secure deposits in public monies in the State of California.

This cover page contains certain information for reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. See “RISK FACTORS.”

The Notes 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, as Disclosure Counsel. Kutak Rock LLP, Los Angeles, California, is acting as underwriter’s counsel. Certain legal matters will be passed upon for the City by

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 solicitation of an offer to buy nor will 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.

the City Attorney. It is anticipated that the Notes will be delivered in book-entry form through the facilities of DTC on or about July 8, 2021.

[Hilltop Securities]

Dated: _____, 2021

** Preliminary; subject to change.*

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GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

No dealer, broker, salesman or other person has been authorized by the City to give any information or to make any representations with respect to the Notes other than those contained in this Official Statement, and, if given or made, such information or representation must not be relied upon as having been authorized by the City. This Official Statement does not constitute an offer to sell nor the solicitation of an offer to buy, nor shall there be any sale of the Notes by any person to make such offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Notes. Statements contained in this Official Statement that involve estimates, forecasts or matters of opinion, whether or not expressly so described in this Official Statement, are intended solely as such and are not to be construed as a representation of facts.

The information set forth in this Official Statement has been obtained from sources that are believed to be reliable, but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Underwriter. The information and expressions of opinion stated in this Official Statement 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 information or opinions set forth in this Official Statement or in the affairs of the City since the date hereof. This Official Statement is submitted in connection with the sale of the Notes referred to in this Official Statement and may not be reproduced or used, in whole or in part, for any purpose, unless authorized in writing by the City.

The Notes have not been registered under the Securities Act of 1933, as amended (the "**Securities Act**"), in reliance upon an exemption contained in the Securities Act. The Notes have not been registered under the securities laws of any state.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE NOTES AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE NOTES TO CERTAIN DEALERS AND BANKS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICE STATED ON THE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICE MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as 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.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVES KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS THAT MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE CITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

Although the City maintains an internet website for various purposes, none of the information on that website is incorporated by reference in this Official Statement or is intended to assist investors in making any investment decision or to provide any continuing information with respect to the Notes or any other bonds or obligations of the City.

CITY OF EL CERRITO

City Council

Paul Fadelli, *Mayor*
Gabriel Quinto, *Mayor Pro Tem*
Janet Abelson, *Council Member*
Lisa Motoyama, *Council Member*
Tessa Rudnick, *Council Member*

City Officials

Karen Pinkos, *City Manager*
Sky Woodruff, *City Attorney*
Holly M. Charl y, *City Clerk*
Mark Rasiah, *Finance Director/City Treasurer*

Bonds Counsel and Disclosure Counsel

Jones Hall, A Professional Law Corporation
San Francisco, California

Municipal Advisor

NHA Advisors, LLC
San Rafael, California

Paying Agent

City of El Cerrito
El Cerrito, California

TABLE OF CONTENTS

INTRODUCTION	1
COVID-19 PANDEMIC.....	1
THE NOTES	4
Description of the Notes	4
Purpose of Issue.....	4
Book-Entry Only System.....	4
SECURITY FOR AND SOURCES OF PAYMENT OF THE NOTES	5
Security for the Notes	5
Available Sources of Repayment.....	6
Cash Flow	7
THE CITY	10
CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING CITY	
REVENUES AND APPROPRIATIONS.....	11
Limitations on Revenues	11
Expenditures and Appropriations.....	13
Future Initiatives	14
RISK FACTORS	14
Bankruptcy Considerations.....	14
Limitations on Remedies	15
TAX MATTERS.....	15
LEGAL MATTERS	17
RATING	17
LITIGATION.....	17
UNDERWRITING.....	17
MUNICIPAL ADVISOR	18
CONTINUING DISCLOSURE	18
ADDITIONAL INFORMATION.....	19
APPENDIX A - FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE CITY	
APPENDIX B - COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY FOR THE YEAR ENDED JUNE 30, 2020	
APPENDIX C - FORM OF OPINION OF BOND COUNSEL	
APPENDIX D - DTC AND THE BOOK-ENTRY ONLY SYSTEM	
APPENDIX E - FORM OF CONTINUING DISCLOSURE CERTIFICATE	

OFFICIAL STATEMENT

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CITY OF EL CERRITO 2021-22 TAX AND REVENUE ANTICIPATION NOTES

INTRODUCTION

This Official Statement provides information in connection with the issuance by the City of El Cerrito (the “**City**”) of its 2021-22 Tax and Revenue Anticipation Notes (the “**Notes**”). Issuance of the Notes will provide funds to meet fiscal year 2021-22 General Fund expenditures, including operating expenses, capital expenditures, and the discharge of other obligations of the City.

The Notes are issued in full conformity with the Constitution and laws of the State of California (the “**State**”), including Article 7.6 (commencing with section 53850) of Chapter 4 of Part 1 of Division 2 of Title 5 of the California Government Code (the “**Law**”), and are general obligations of the City payable solely from taxes, income, revenue, cash receipts, and other moneys that are received by the City for the General Fund for fiscal year 2021-22 and that are generally available for the payment of current expenses and other obligations of the City (the “**Unrestricted Moneys**”). The Notes are authorized by a resolution adopted by the City Council on June 1, 2021 (the “**Resolution**”). The City may, under the Law, issue the Notes only if the principal of and interest on the Notes will not exceed 85% of the estimated amount of the uncollected Unrestricted Moneys that will be available for the payment of said Notes. Proceeds from the sale of the Notes will be used and expended by the City for any purpose for which it is authorized to expend funds from the General Fund for the fiscal year 2021-22. See “SECURITY FOR AND SOURCES OF PAYMENT OF THE NOTES,” “APPENDIX A – Financial, Economic and Demographic Information for the City” and “APPENDIX B – Comprehensive Annual Financial Report of the City for the Year Ended June 30, 2020.”

Brief descriptions of the Notes, the security and sources of payment for the Notes, the City and its financial status follow. Such descriptions do not purport to be comprehensive or definitive. All references in this Official Statement to various documents are qualified in their entirety by reference to the forms thereof, all of which are available for inspection at the office of the Finance Director of the City.

COVID-19 PANDEMIC

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus (“**COVID-19**”), which was first detected in China and has spread to other countries, including the United States, was declared a pandemic by the World Health Organization, a national emergency by the President of the United States (the “**President**”) and a state of emergency by the Governor of the State (the “**Governor**”). There has been tremendous volatility in the financial markets in the United States and globally, resulting in the onset of a national and global recession.

**Preliminary; subject to change.*

Federal Response. The President's declaration of a national emergency on March 13, 2020, made available more than \$50 billion in federal resources to combat the spread of the virus. A multi-billion-dollar 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. In addition, the Federal Reserve 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 March 27, 2020, the United States Congress passed a \$2 trillion relief package, referred to as the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"). The package includes direct payments to taxpayers, jobless benefits, assistance to hospitals and healthcare systems, \$367 billion for loans to small businesses, a \$500 billion fund to assist distressed large businesses, including approximately \$30 billion to provide emergency grants to educational institutions and local educational agencies. Under the CARES Act, the City received \$14,398,739 from the federal and state governments to address the spread of COVID-19 and its economic impacts.

On April 9, 2020, the Federal Reserve took additional actions to provide up to \$2.3 trillion in loans to support the economy, including supplying liquidity to participating financial institutions in the Small Business Administration's Paycheck Protection Program, purchasing up to \$600 billion in loans through the Main Street Lending Program and offering up to \$500 billion in lending to states and municipalities.

On April 24, 2020, an additional \$484 billion federal aid package was signed into law to provide additional funding for distressed small businesses and to provide funds for hospitals and COVID-19 testing. The legislation adds \$310 billion to the Paycheck Protection Program, increases the small business emergency grant and loan program by \$60 billion, and directs \$75 billion to hospitals and \$25 billion to a new COVID-19 testing program.

On March 11, 2021, President Biden signed a \$1.9 trillion stimulus package (the "**American Rescue Package**") into law, authorizing a third round of one-time stimulus payments for qualifying Americans, extending additional unemployment benefits, and providing aid to cities and states facing budget shortfalls. The City has been allocated \$4.8 million in American Rescue Package funds to respond to the COVID-19 emergency and address its economic effects including assistance to small businesses, households, non-profits and hard-hit industries, offset the loss of revenue for the provision of government services, provide for premium pay for essential workers, and invest in water, sewer, and broadband infrastructure. These funds will be received 60 days after the effective date of the American Rescue Package and will be received in two payments separated by 12 months. All funds received by the City must be spent by December 31, 2024. Other resources that the City may qualify for are unknown at this time.

State Response. At the State level, on March 15, 2020, the Governor ordered the closing of California bars and nightclubs, the cancellation of gatherings of more than 250 and confirmed continued funding for school districts that close under certain conditions. On March 16, 2020, the State legislature passed \$1.1 billion in general purpose spending authority for emergency funds to respond to the Coronavirus crisis. On March 19, 2020, Governor Newsom issued Executive Order N-33-20, a blanket shelter-in-place order, ordering all California residents to stay home except for certain necessities and other essential purposes. On August 28, 2020, the Governor released a new system called "Blueprint for a Safer California," which places the State's 58 counties into four color-coded tiers – purple, red, orange, and yellow, in

descending order of severity – based on the number of new daily cases of COVID-19 and the percentage of positive tests.

Under the State’s “Blueprint for a Safer California,” counties must spend at least three weeks in each tier before advancing to the next one. [The County is currently assigned to the orange tier, which is the second least restrictive tier.]

On April 6, 2021, Governor Newsom announced that California will fully reopen its economy across the state on June 15, 2021 if (i) there is enough vaccine supply for Californians 16 years and older to be vaccinated and (ii) hospitalization rates remain stable and low, especially among fully vaccinated Californians. According to Governor Newsom, common sense health measures, including wearing masks will continue, and testing and vaccination requirements will remain for some businesses and industries.

The COVID-19 outbreak is ongoing, and the ultimate geographic spread of the virus, the duration and severity of the outbreak, the economic impacts and actions that may be taken by governmental authorities to contain the outbreak or to treat its impacts 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.*

Impacts of COVID-19 Pandemic on Global and Local Economies Cannot Be Predicted; Potential Declines in State and Local Revenues. The COVID-19 public health emergency will have negative impacts on global and local economies, including the economy of the State and in the region of the City. The extent and duration of the COVID-19 emergency is currently unknown, and the reach of its impacts uncertain.

The State’s revenue sources are anticipated to be materially impacted by the COVID-19 pandemic, including with respect to reductions in personal income tax receipts and capital gains tax receipts. Economic uncertainty caused by the outbreak will significantly affect California’s near-term fiscal outlook, with a likely recession due to pullback in activity across wide swaths of the economy. For more detail regarding the State’s current budget, and related reports and outlooks, see Appendix A under the heading “APPENDIX A – FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE CITY – State Budget and Its Impact on the City.”

Impacts of COVID-19 Pandemic on City’s General Fund. The City, like many other cities in California, saw immediate negative impacts in transient occupancy tax, charges for services, fines and forfeitures, development fees, franchise fees and other elastic revenue sources. Fortunately, Property Taxes, Sales Taxes and Real Property Transfer Taxes, which together account for about 70% of General Fund revenues, were not impacted, as was initially anticipated at the start of the pandemic.

These events led the City to implement budget reductions strategies immediately to maintain solvency and address the structural gap in anticipation of developing a revised forecast to understand the impacts from the recession. Starting in fiscal year 2020-21, the City implemented \$2.7 million in ongoing cost savings, as well as nearly \$1 million in one-time savings, to attempt to counteract the projected fiscal gap and the impacts of the pandemic-induced recession.

Impacts of COVID-19 Emergency Uncertain. The possible impacts that the COVID-19 emergency might have on the City's finances, programs, credit ratings on its debt obligations, local property values and the economy in general are uncertain at this time. In addition, there may be unknown consequences of the COVID-19 emergency, which the City is unable to predict.

The City expects to issue tax and revenue anticipation notes in future years to manage revenue and expenditure timing mismatches and budgeting issues.

THE NOTES

Description of the Notes

The Notes will be issued in the principal amount and bear interest at the interest rate shown on the cover page of this Official Statement. Principal of and interest on the Notes are payable in lawful moneys of the United States of America upon maturity, and interest on the Notes will be computed on the basis of a 360-day year comprised of twelve 30-day months and accrues from the date of delivery. The Notes shall be delivered in the form of fully registered Notes, without coupons, in denominations of \$5,000 or any integral multiple thereof, and shall be dated the date of delivery to the original purchaser thereof. The Notes will mature on the date set forth on the cover page of this Official Statement.

The Notes, when issued, will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York ("DTC"). So long as DTC, or Cede & Co. as its nominee, is the registered owner of all Notes, all payments on the Notes will be made directly to DTC, and disbursement of such payments will be the responsibility of DTC, and disbursement of such payments will be the responsibility of the Direct and Indirect Participants, as more fully described in "APPENDIX D – DTC and the Book-Entry Only System."

Purpose of Issue

Proceeds of the Notes will provide moneys to meet the City's General Fund cash flow requirements during the 2021-22 fiscal year commencing July 1, 2021, and ending June 30, 2022, including current expenses, capital expenditures, and the discharge of other obligations or indebtedness.

Book-Entry Only System

DTC will act as securities depository for the Notes. The Notes will be issued as fully-registered certificates registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered certificate will be issued for each maturity of the Notes, each in the aggregate principal amount of such maturity and will be deposited with DTC. See "APPENDIX E – BOOK-ENTRY ONLY SYSTEM."

So long as the Notes are registered in the name of Cede & Co., as nominee of DTC, all payments with respect to the principal and interest with respect to the Notes will be made to DTC as provided as in the representation letter delivered on the date of issuance of the notes. The City cannot and does not give any assurances that DTC, DTC Participants or others will

distribute payments of principal, interest or premium, if any, with respect to the Notes paid to DTC or its nominee as the registered owner, or will distribute any prepayment notices or other notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. The City is not responsible or liable for the failure of DTC or any DTC Participant to make any payment or give any notice to a Beneficial Owner with respect to the Notes or an error or delay relating thereto.

SECURITY FOR AND SOURCES OF PAYMENT OF THE NOTES

Security for the Notes

The principal amount of the Notes, together with the interest thereon, is payable from **“Unrestricted Moneys,”** which are taxes, income, revenue, cash receipts, and other moneys that are received by the City for the General Fund for Fiscal Year 2021-22 and which are generally available for the payment of current expenses and other obligations of the City. As security for the repayment of principal of and interest on the Notes, the City has pledged to deposit into a special account within the General Fund designated as the “2021-22 Tax and Revenue Anticipation Note Special Account” (the **“Special Account”**) the first Unrestricted Moneys to be received by the City in: (a) an amount equal to 50% of the principal amount of the Notes in the month of January 2022; (b) an amount equal to 50% of the principal amount of the Notes in the month of May 2022; and (c) an amount sufficient to pay interest as due on the Notes at their maturity, in the month of June 2022 (collectively, the **“Pledged Revenues”**). The Notes are equally and ratably secured by the City’s pledge of the Pledged Revenues.

The principal of the Notes and the interest thereon shall constitute a first lien and charge against and shall be paid from the first moneys received by the City from such Pledged Revenues and, to the extent not so paid, shall be paid from any other moneys of the City lawfully available therefor. In the event that there are insufficient Unrestricted Moneys received by the City to permit the deposit into the Special Account of the full amount of the Pledged Revenues to be deposited in any month by the last business day of such month, then the amount of any deficiency shall be satisfied and made up from any other moneys of the City lawfully available for the repayment of the Notes and interest thereon.

During the months of January, May and June 2022, all Pledged Revenues, shall be deposited by the City into the Special Account for the payment of the principal of and interest on the Notes at maturity. Amounts deposited by the City into the Special Account shall be applied solely for the purpose of paying the principal of and interest on the Notes. All moneys held by the City in the Special Account, if not invested, shall be held in time or demand deposits as public funds and shall be secured at all times by bonds or other obligations which are authorized by law as security for public deposits, of a market value at least equal to the amount required by law. Moneys in the Special Account shall, to the greatest extent possible, be invested by the City directly, or through an investment agreement, in investments as permitted by the laws of the State, and the proceeds of any such investments shall be deposited in the Special Account. See “APPENDIX A – Financial, Economic and Demographic Information for the City” and “APPENDIX B – Comprehensive Annual Financial Report of the City for the Year Ended June 30, 2020.”

Available Sources of Repayment

The Notes, in accordance with State law, are general obligations of the City, but are payable only out of Unrestricted Moneys. The City may, under existing law, issue the Notes only if the principal of, and interest on, the Notes will not exceed 85% of the estimated uncollected Unrestricted Moneys that will be available for the repayment of the Notes.

The Note coverage ratio is shown in the following table and is the ratio of estimated Unrestricted Moneys to the amount of Unrestricted Moneys needed to pay principal of and interest on the Notes.

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The table below gives detail as to the sources of estimated Unrestricted Moneys and the Note Coverage Ratio.

**City of El Cerrito
Estimated Unrestricted General Fund Moneys
Fiscal Year 2021-22**

<u>Source</u>	<u>Amount</u>
Available Cash Balance, July 1, 2021	\$2,119,704
Taxes	23,178,000
Other Revenue	16,243,000
Proceeds of Notes	6,118,620
Transfers In	954,000
Total Unrestricted Moneys ⁽¹⁾	\$48,613,324
 Principal + Interest for Note Repayment	 \$6,179,500*
 Note Coverage Ratio	 7.87x*

(1) Includes proceeds of Notes.

* Preliminary; subject to change.

See also “APPENDIX A – Financial, Economic and Demographic Information for the City” and “APPENDIX B – Comprehensive Annual Financial Report of the City for the Year Ended June 30, 2020.”

Cash Flow

The City has prepared the accompanying monthly General Fund cash flow statements covering fiscal year 2020-21 and the projected fiscal year 2021-22. The General Fund is used to finance the ordinary operations of the City and is available for any legal authorized purposes. While expenditures generally occur evenly throughout the fiscal year, cash receipts occur unevenly. As a result, the General Fund cash balance tends to show a deficit during parts of the fiscal year. The projections are based on the City’s budget as well as the City’s current financial condition.

The amounts shown in the following two tables reflect actual and projected cash receipts, as applicable. The financial information shown or discussed under the headings “THE CITY” and “APPENDIX A – Financial, Economic and Demographic Information for the City” (including but not limited to the discussion under the heading “– City General Fund Reserve Policy” therein) is presented on an accrual basis.

City of El Cerrito
Fiscal Year 2020-21 Actual/Projected General Fund Cash Flows*

	Actual										Projected		TOTAL
	July	August	September	October	November	December	January	February	March	April	May	June	
Beginning Balance	\$232,293	\$7,200,838	\$5,840,287	\$4,961,287	\$4,923,226	\$3,799,226	\$6,763,990	\$7,428,232	\$3,102,232	\$2,849,232	\$6,707,232	\$1,888,996	\$232,293
CASH RECEIPTS													
Property Tax	\$0	\$0	\$0	\$261,000	\$0	\$4,809,000	\$606,000	\$0	\$0	\$3,526,000	0	1,134,000	\$10,336,000
Transfer Tax	0	311,000	0	664,000	418,000	615,000	328,000	193,000	141,000	484,000	110,000	110,000	3,374,000
Sales Tax	0	585,000	556,000	554,000	845,000	486,000	469,000	695,000	472,000	510,000	510,000	500,000	6,182,000
Franchise Tax	0	0	95,000	29,000	253,000	0	0	133,000	0	207,000	134,000	100,000	951,000
Business Licenses	505,000	106,000	89,000	62,000	16,000	43,000	32,000	18,000	19,000	10,000	0	0	900,000
Utility Users Tax	87,000	173,000	134,000	342,000	234,000	258,000	349,000	313,000	325,000	533,000	350,000	310,000	3,408,000
Other Taxes & Revenues	0	8,000	0	22,000	64,000	0	3,000	117,000	14,000	99,000	20,000	15,000	362,000
Licenses and Permits	37,000	59,000	44,000	84,000	22,000	76,000	50,000	57,000	49,000	61,000	82,000	82,000	703,000
Fines and Forfeitures	13,000	1,000	6,000	17,000	14,000	17,000	29,000	11,000	20,000	21,000	0	0	149,000
Use of Property	15,000	33,000	14,000	40,000	12,000	20,000	35,000	22,000	37,000	34,000	33,000	34,000	329,000
In-Lieu Fees/Other													
Government Reimb.	0	0	742,000	766,000	108,000	589,000	1,501,000	874,000	645,000	524,000	603,000	1,409,000	7,761,000
Fees for Service	288,000	90,000	416,000	340,000	180,000	361,000	239,000	217,000	473,000	399,000	411,000	411,000	3,825,000
Loan Proceeds	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfers In	0	0	0	0	0	476,000	0	0	0	290,000	0	175,000	941,000
TRAN Proceeds	8,659,545	0	0	0	0	0	0	0	0	0	0	0	8,659,545
TOTAL RECEIPTS	\$9,604,545	\$1,366,000	\$2,096,000	\$3,181,000	\$2,166,000	\$7,750,000	\$3,641,000	\$2,650,000	\$2,195,000	\$6,698,000	\$2,253,000	\$4,280,000	\$47,880,545
CASH DISBURSEMENTS													
Personnel	\$2,129,000	\$2,343,000	\$2,593,000	\$2,462,000	\$2,379,000	\$3,758,000	\$2,377,000	\$2,235,000	\$2,094,000	\$2,043,000	\$2,041,000	\$3,063,000	\$29,517,000
Professional Services	91,000	213,000	222,000	249,000	109,000	279,000	262,000	295,000	122,000	364,000	335,000	335,000	2,876,000
Property/Other Services	408,000	105,000	141,000	315,000	66,000	601,000	203,000	135,000	151,000	368,000	290,000	287,000	3,070,000
Supplies	8,000	25,000	14,000	23,000	25,000	38,000	27,000	19,000	31,000	25,000	50,000	48,000	333,000
Fees & Charges	0	18,000	0	36,000	120,000	12,000	16,000	39,000	12,000	16,000	17,000	18,000	304,000
Debt Service Payments	0	22,551	0	9,061	0	65,236	25,758	0	0	0	65,236	0	187,842
Property and Capital	0	0	5,000	125,000	11,000	32,000	23,000	3,000	38,000	3,000	23,000	23,000	286,000
Transfers Out	0	0	0	0	580,000	0	43,000	0	21,000	0	0	21,000	665,000
TRAN Principal Payment	0	0	0	0	0	0	0	4,250,000	0	0	4,250,000	0	8,500,000
TRAN Interest Payment	0	0	0	0	0	0	0	0	0	0	0	254,292	254,292
TOTAL DISBURSEMENTS	\$2,636,000	\$2,726,551	\$2,975,000	\$3,219,061	\$3,290,000	\$4,785,236	\$2,976,758	\$6,976,000	\$2,448,000	\$2,840,000	\$7,071,236	\$4,049,292	\$45,993,134
Interfund Borrowings	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net Cash Flow	\$6,968,545	(\$1,360,551)	(\$879,000)	(\$38,061)	(\$1,124,000)	\$2,964,764	\$664,242	(\$4,326,000)	(\$253,000)	\$3,858,000	(\$4,818,236)	\$230,708	\$1,887,411
Ending Balance	\$7,200,838	\$5,840,287	\$4,961,287	\$4,923,226	\$3,799,226	\$6,763,990	\$7,428,232	\$3,102,232	\$2,849,232	\$6,707,232	\$1,888,996	\$2,119,704	\$2,119,704

* Actual cash flows through April 30, 2021.
Source: City of El Cerrito.

City of El Cerrito
Fiscal Year 2021-22 Projected General Fund Cash Flows
(Including Fiscal Year 2021-22 TRAN)

	July	August	September	October	November	December	January	February	March	April	May	June	TOTAL
Beginning Balance	\$2,119,704	\$6,414,652	\$4,948,213	\$4,056,394	\$3,778,577	\$3,249,676	\$5,797,393	\$3,213,336	\$3,041,435	\$2,729,762	\$6,465,958	\$2,773,935	\$2,119,704
CASH RECEIPTS													
Property Tax	\$0	\$0	\$0	\$263,778	\$0	\$4,860,179	\$612,449	\$0	\$0	\$3,563,525	\$0	\$1,146,068	\$10,446,000
Transfer Tax	0	276,526	0	590,397	371,666	546,829	291,642	171,606	125,370	430,350	97,807	97,807	3,000,000
Sales Tax	0	677,264	643,690	641,375	978,270	562,650	542,969	804,613	546,442	590,435	590,435	578,858	7,157,000
Franchise Tax	0	0	124,869	38,118	332,545	0	0	174,816	0	272,082	176,130	131,441	1,250,000
Business Licenses	505,000	106,000	89,000	62,000	16,000	43,000	32,000	18,000	19,000	10,000	0	0	900,000
Utility Users Tax	79,137	157,365	121,890	311,092	212,852	234,683	317,459	284,712	295,628	484,830	318,369	281,984	3,100,000
Other Taxes & Revenues	0	7,182	0	19,751	57,459	0	2,693	105,041	12,569	88,881	17,956	13,467	325,000
Licenses and Permits	33,474	53,377	39,807	75,994	19,903	68,757	45,235	51,568	44,330	55,186	74,185	74,185	636,000
Fines and Forfeitures	12,215	940	5,638	15,973	13,154	15,973	27,248	10,336	18,792	19,732	0	0	140,000
Use of Property	16,140	35,508	15,064	43,040	12,912	21,520	37,660	23,672	39,812	36,584	35,508	36,584	354,000
In-Lieu Fees/Other													
Government Reimb.	0	0	699,168	721,783	101,766	555,000	1,414,355	823,549	607,768	493,752	568,192	1,327,666	7,313,000
Fees for Service	361,412	112,941	522,039	426,667	225,882	453,020	299,922	272,314	593,569	500,706	515,765	515,765	4,800,000
Loan Proceeds	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfers In	0	0	0	0	0	482,576	0	0	0	294,006	0	177,418	954,000
TRAN Proceeds*	6,118,620	0	0	0	0	0	0	0	0	0	0	0	6,118,620
TOTAL RECEIPTS*	\$7,125,997	\$1,427,103	\$2,261,164	\$3,209,967	\$2,342,409	\$7,844,187	\$3,623,632	\$2,740,226	\$2,303,279	\$6,840,069	\$2,394,346	\$4,381,241	\$46,493,620
CASH DISBURSEMENTS													
Personnel	\$2,189,587	\$2,409,678	\$2,666,792	\$2,532,064	\$2,446,702	\$3,864,946	\$2,444,645	\$2,298,604	\$2,153,591	\$2,101,140	\$2,099,083	\$3,150,167	\$30,357,000
Professional Services	113,022	264,547	275,725	309,259	135,378	346,519	325,405	366,391	151,524	452,089	416,071	416,071	3,572,000
Property/Other Services	513,256	132,088	177,375	396,264	83,027	756,046	255,370	169,827	189,955	462,937	364,814	361,040	3,862,000
Supplies	15,183	47,447	26,571	43,652	47,447	72,120	51,243	36,060	58,835	47,447	94,895	91,099	632,000
Fees & Charges	0	17,230	0	34,461	114,868	11,487	15,316	37,332	11,487	15,316	16,273	17,230	291,000
Debt Service Payments	0	22,552	0	9,061	29,540	65,236	25,758	0	0	0	65,236	0	217,383
Property and Capital	0	0	6,521	163,024	14,346	41,734	29,997	3,913	49,559	3,913	29,997	29,997	373,000
Transfers Out	0	0	0	0	0	138,381	59,956	0	0	21,032	0	467,662	687,032
TRAN Principal Payment*	0	0	0	0	0	0	3,000,000	0	0	0	3,000,000	0	6,000,000
TRAN Interest Payment*	0	0	0	0	0	0	0	0	0	0	0	179,500	179,500
TOTAL DISBURSEMENTS	\$2,831,049	\$2,893,542	\$3,152,983	\$3,487,784	\$2,871,309	\$5,296,469	\$6,207,690	\$2,912,127	\$2,614,952	\$3,103,873	\$6,086,369	\$4,712,767	\$46,170,915
Interfund Borrowings	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net Cash Flow	\$4,294,948	(\$1,466,439)	(\$891,820)	(\$277,817)	(\$528,900)	\$2,547,717	(\$2,584,058)	(\$171,901)	(\$311,673)	\$3,736,196	(\$3,692,023)	(\$331,526)	\$322,705
Ending Balance	\$6,414,652	\$4,948,213	\$4,056,394	\$3,778,577	\$3,249,676	\$5,797,393	\$3,213,336	\$3,041,435	\$2,729,762	\$6,465,958	\$2,773,935	\$2,442,409	\$2,442,409

* Preliminary; subject to change.
Source: City of El Cerrito.

THE CITY

General. The City is a charter city that was incorporated in August 1917. It is located in the western portion of the County of Contra Costa (the “**County**”), approximately 17 miles northeast of San Francisco and 12 miles north of Oakland. It forms part of the highly urbanized area along the eastern shore of San Francisco Bay together with the cities of Richmond and Berkeley.

The City operates under the council-manager form of government. The City Council consists of five members elected at large for four-year, overlapping terms. The Mayor is selected by the City Council from among its members for a one-year term. The City Manager and the City Attorney are appointed by the City Council. The City Manager is responsible for administration of municipal affairs, and the City Attorney advises the City Council and the City staff on legal affairs. All municipal departments operate under the supervision of the City Manager. The City Clerk and Finance Director/City Treasurer are appointed by the City Manager.

For selected financial, economic and demographic information about the City, see “APPENDIX A – Financial, Economic and Demographic Information for the City.”

Auditor’s Statement Regarding Ability to Continue as a Going Concern. In the City’s audited financial statements for the fiscal year ended June 30, 2020, which are attached as APPENDIX B to this Official Statement, the City’s auditor, Badawi & Associates (the “**Auditor**”), included the following statement:

The accompanying financial statements have been prepared assuming that the City will continue as a going concern. As discussed in Note 21 to the financial statements, the City’s General Fund has a very limited fund balance that indicates that the City may not be able to continue as a going concern. These conditions raise substantial doubt about its ability to continue as a going concern. Management’s plans regarding those matters also are described in Note 21. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

The City has supplemented its cashflows with the revenues generated by the Real Property Transfer Tax approved by the electorate in November 2018, as discussed under the heading “APPENDIX A – Financial, Economic and Demographic Information for the City – Major Revenues – Property Taxes – Real Property Transfer Tax.” As of the date of the audited financial statements, the City had also already begun receiving its share of sales taxes from the City of Richmond, as discussed under the heading “APPENDIX A – Financial, Economic and Demographic Information for the City – Tax Sharing with City of Richmond.” Besides these sources of additional cash flow, several large development/building projects have been permitted, and they are expected to generate large one-time fees and ongoing property taxes on completion that will benefit the General Fund for years to come. The City has been taking steps to restore a positive fund balance position through the end of fiscal year 2020-21, and expects to be able to consolidate its reserves through fiscal year 2021-22 and beyond.

State Audit of City as High Risk. In November 2019, the State Auditor’s Office contacted the City regarding a report that the State Auditor’s Office had published regarding high-risk cities in the State. The City was listed seventh on the list of high risk cities, with serious liquidity issues. Because the City was included in the high-risk category, the State conducted an

assessment of the City's fiscal situation. Early in 2020, under the State Auditor's legislative authority to establish a high-risk local government agency audit program, the City was informed that the State Auditor's Office would be doing an audit to learn more about the City's finances and what actions the City has taken, and the City's plans to address the City's fiscal issues. The audit was conducted in early 2021 and identified five high risk areas for the City: continual diminishing of financial reserves through overspending; ineffective budget development and monitoring practices; lack of a formal financial recovery plan; insufficient reductions in ongoing costs; and missed opportunities to increase revenue.

The City agreed with a majority of the recommendations and responded with a draft Corrective Action Plan that addressed the recommendations with specific actions, including estimated timeframes for completion, and also assigned responsibility to City departments for execution of the plan. Overall, the Plan is meant to indicate that the City is committed to restoring the City to fiscal health, increase the General Fund reserves, and provide appropriate levels of service and employee compensation. City staff intends to continue monitoring revenues and expenditures closely and work with the City Council to take timely corrective action if needed. City staff are also committed to continuous improvement in implementing policies and procedures that conform with best practices in local government budgeting and to providing information to the City Council so that it can make educated decisions.

The State Auditor's report relating to the City can be found at the following website address: <https://www.auditor.ca.gov/reports/2020-803/index.html>. The City's response can be found at the following website address: www.el-cerrito.org/DocumentCenter/View/15430/El-Cerrito-Response-to-State-Auditor---PR. *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.*

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING CITY REVENUES AND APPROPRIATIONS

Limitations on Revenues

Article XIII A of the California Constitution. Article XIII A of the State Constitution, adopted and known as Proposition 13, was approved by the voters in June 1978 and has been amended on occasions, including most recently on November 7, 2000 to reduce the voting percentage required for the passage of school bonds. Section 1(a) of Article XIII A limits the maximum ad valorem tax on real property to one percent of "full cash value," and provides that such tax shall be collected by the counties and apportioned according to State statutes. Section 1(b) of Article XIII A provides that the one-percent limitation does not apply to ad valorem taxes levied to pay interest and redemption charges on (i) indebtedness approved by the voters prior to July 1, 1978, or (ii) bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast by the voters voting on the proposition, or (iii) bonded indebtedness incurred by a school district or 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% of the voters voting on the proposition. The tax for payment of the City's general obligation bonds falls within the exception for bonds approved by a two-thirds vote.

Section 2 of Article XIII A defines "full cash value" to mean the county assessor's valuation of real property as shown on the 1975-76 Fiscal Year tax bill, or thereafter, the

appraised value of real property when purchased, newly constructed, or a change in ownership has occurred. The full cash value may be adjusted annually to reflect inflation at a rate not to exceed two percent per year, or to reflect a reduction in the consumer price index or comparable data for the area under taxing jurisdiction, or may be reduced in the event of declining property value caused by substantial damage, destruction or other factors. See "Litigation Relating to Two Percent Limitation" below. Legislation implementing Article XIII A provides that, notwithstanding any other law, local agencies may not levy any ad valorem property tax except the 1% base tax levied by each County and taxes to pay debt service on indebtedness approved by the voters as described above. Such legislation further provides that each county will levy the maximum tax permitted by Article XIII A, which is \$1.00 per \$100 of assessed market value.

Since its adoption, Article XIII A has been amended a number of times. These amendments have created a number of exceptions to the requirement that property be reassessed when it is purchased, newly constructed or undergoes a change in ownership has occurred. These exceptions include certain transfers of real property between family members, certain purchases of replacement dwellings for persons over age 55 and by property owners whose original property has been destroyed in a declared disaster, and certain improvements to accommodate disabled persons and for seismic upgrades to property. These amendments have resulted in marginal reductions in the property tax revenues of the City.

Both the California State Supreme Court and the United States Supreme Court have upheld the validity of Article XIII A.

Articles XIII C and XIII D of the California Constitution.

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

On November 2, 2010, California voters approved Proposition 26, entitled the "Supermajority Vote to Pass New Taxes and Fees Act." Section 1 of Proposition 26 declares that Proposition 26 is intended to limit the ability of the State Legislature and local government to circumvent existing restrictions on increasing taxes by defining the new or expanded taxes as "fees." Proposition 26 amended Articles XIII A and XIII C of the State Constitution. The amendments to Article XIII A limit the ability of the State Legislature to impose higher taxes (as defined in Proposition 26) without a two-thirds vote of the Legislature. The amendments to Article XIII C define "taxes" that are subject to voter approval as "any levy, charge, or exaction of any kind imposed by a local government," with certain exceptions.

Taxes. Article XIII C requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the City ("**general taxes**") require a majority vote; taxes for specific purposes ("**special taxes**"), even if deposited into the City's General Fund, require a two-thirds vote. The voter approval requirements of Article XIII C reduce the flexibility of the City to raise revenues for the General Fund, and no assurance can be given that the City will be able to impose, extend or increase such taxes in the future to meet increased expenditure needs.

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

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

Reduction or Repeal of Taxes, 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 Notes 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.

Impact on City’s General Fund. The approval requirements of Articles XIIC and XIID reduce the flexibility of the City to raise revenues for the General Fund, and no assurance can be given that the City will be able to impose, extend or increase the taxes, fees, charges or taxes in the future that it may need to meet increased expenditure needs.

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

Judicial Interpretation. The interpretation and application of Articles XIIC and XIID will ultimately be determined by the courts with respect to a number of the matters discussed below, and it is not possible at this time to predict with certainty the outcome of such determination.

Expenditures and Appropriations

In addition to the limits Article XIIC imposes on property taxes that may be collected by local governments, certain other revenues of the State and local governments are subject to an annual “appropriations limit” or “Gann Limit” imposed by Article XIIB of the State Constitution, which effectively limits the amount of such revenues that government entities are permitted to spend. Article XIIB, 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” exclude 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 XIIB 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 cases of emergency; however, the appropriations limit for the 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 have their own appropriations limits. 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. Each school district is required to establish an appropriations limit each year. In the event that a school district's revenues exceed its spending limit, the district may increase its appropriations limit to equal its spending by taking appropriations limit from the State.

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 exceed the aggregate limit, the excess must be returned to the agency's taxpayers through tax rate or fee reductions over the following two years.

Future Initiatives

Article XIII A, Article XIIB, Article XIIC, Article XIID and Proposition 111 were each adopted as measures that qualified for the ballot pursuant to California's initiative process. From time to time, other initiative measures could be adopted, further affecting City revenues or the City's ability to expend revenues. The nature and impact of these measures cannot be predicted by the City.

RISK FACTORS

Bankruptcy Considerations

In 1994, Orange County, California issued its 1994-1995 Tax and Revenue Anticipation Notes (the "**Orange County Notes**") under the same statutory authority as the statutory authority for the Notes. On December 6, 1994, Orange County filed a petition in bankruptcy. Subsequently, Orange County declined to set aside the taxes and revenues it had pledged for the repayment of the Orange County Notes and a noteholder brought suit to compel Orange County to do so. A March 8, 1995, ruling of the United States Bankruptcy Court for the Central District of California held that the lien securing the Orange County Notes did not attach to revenues received by Orange County after the filing of its bankruptcy petition on December 6, 1994, and therefore, Orange County was not required to set aside the revenues pledged under the note resolution following the bankruptcy. The Bankruptcy Court ruled that under the United States Bankruptcy Code (the "**Bankruptcy Code**"), the lien did not attach to revenues received by Orange County after December 6, 1994, because the lien was a consensual security interest rather than a statutory lien. In July 1995, the United States District Court for the Central District of California reversed the decision of the Bankruptcy Court. Orange County appealed the decision of the District Court to the United States Court of Appeals for the Ninth Circuit. Before

the Ninth Circuit rendered a decision, the parties settled their disputes. Accordingly, if the City were to file for bankruptcy, it is not clear whether it would be required to set aside revenues pledged under the Resolution as described above.

In addition, the Pledged Revenues and other moneys that will be set aside to pay the Notes will be held in the City's General Fund, and these funds will be invested in the pooled investment fund. Should the City go into bankruptcy, a court might hold that the owners of the Notes do not have a valid lien on the Pledged Revenues. In that case, unless the owners could "trace" the funds, the owners would merely be unsecured creditors of the City. There can be no assurance that the owners of the Notes could successfully so "trace" the Pledged Revenues.

Limitations on Remedies

The rights of the owners of the Notes are subject to the limitations on legal remedies against local agencies in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest. Additionally, enforceability of the rights and remedies of the owners of the Notes and the obligations incurred by the City, may become subject to the following: the Bankruptcy Code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditor's rights generally, now or hereafter in effect; equity principles that may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the owners of the Notes to judicial discretion and interpretation of their rights in bankruptcy or otherwise and, consequently, may entail risks of delay, limitation, or modification of their rights.

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 Notes 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 Notes are "qualified tax-exempt obligations" within the meaning of section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the "**Tax Code**"), such that, in the case of certain financial institutions (within the meaning of section 265(b)(5) of the Tax Code), a deduction for federal income tax purposes is allowed for 80% of that portion of such financial institution's interest expense allocable to interest payable on the Notes.

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 Notes in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes, and in order for the Notes to be "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Tax Code. 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 Notes, or

may cause the Notes to not be “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Tax Code.

Tax Treatment of Original Issue Discount and Premium. If the initial offering price to the public at which a Note 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 at which a Note is sold is greater than the amount payable at maturity thereof, then such difference constitutes "bond premium" for purposes of federal income taxes and State of California personal income taxes.

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 Note 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 Notes to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such Note. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Notes who purchase the Notes after the initial offering of a substantial amount of such maturity. Owners of such Notes should consult their own tax advisors with respect to the tax consequences of ownership of Notes 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 Notes is sold to the public.

Under the Tax Code, bond premium is amortized on an annual basis over the term of the Note (said term being the shorter of the Note's maturity date or its call date). The amount of Note premium amortized each year reduces the adjusted basis of the owner of the Note for purposes of determining taxable gain or loss upon disposition. The amount of Note premium on a Note is amortized each year over the term to maturity of the Note on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized Note premium is not deductible for federal income tax purposes. Owners of premium Notes, 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 Notes.

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

Other Tax Considerations. Current and future legislative proposals, if enacted into law, clarification of the Tax Code or court decisions may cause interest on the Notes to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or cause the Notes to not be “qualified tax-exempt obligations,” or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals, clarification of the Tax Code or court decisions may also affect the market price for, or marketability of, the Notes. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, such legislation would apply to Notes issued prior to enactment.

The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of such

opinion, and Bond Counsel has expressed no opinion with respect to any proposed legislation or as to the tax treatment of interest on the Notes, or as to the consequences of owning or receiving interest on the Notes, as of any future date. Prospective purchasers of the Notes should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

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

A copy of the proposed form of opinion of Bond Counsel is attached hereto as APPENDIX C.

LEGAL MATTERS

Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, will render the opinion set forth in APPENDIX C with respect to the validity and enforceability of the Resolution and as to the validity of the Notes. Jones Hall is also serving as Disclosure Counsel in connection with the issuance of the Notes. Jones Hall will receive compensation from the City contingent upon the sale and delivery of the Notes.

RATING

The City has obtained a rating of “_____” on the Notes from S&P Global Ratings. Certain information was supplied by the City to the rating agency to be considered in evaluating the Notes. The rating issued reflects only the views of the rating agency, and any explanation of the significance of such rating should be obtained from the rating agency. There is no assurance that any rating will be retained for any given period of time or that the same will not be revised downward or withdrawn entirely by the rating agency if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of the rating obtained may have an adverse effect on the market price of the Notes.

LITIGATION

No litigation is pending or threatened concerning the validity of the Notes. In the opinion of the City, there are no lawsuits or claims pending against the City that would impair the ability of the City to repay the Notes.

UNDERWRITING

Hilltop Securities Inc. (the “**Underwriter**”) has entered into a Note Purchase Agreement with the City under which the Underwriter will purchase the Notes at a price of \$_____ (equal to the par amount of the Notes, plus/less an original issue premium/discount of \$_____, and less an Underwriter’s discount of \$_____).

The Underwriter will be obligated to take and pay for all the Notes if any are taken. The Underwriter intends to offer the Notes 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.

MUNICIPAL ADVISOR

The City has retained NHA Advisors, LLC, San Rafael, California, as the City's independent registered municipal advisor (the "**Municipal Advisor**") in connection with the preparation of this Official Statement and with respect to the issuance of the Notes. 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. NHA Advisors, LLC 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 Notes.

CONTINUING DISCLOSURE

The City has covenanted for the benefit of the holders of the Notes to provide notices of the occurrence of certain enumerated events. The notices of enumerated events will be filed by the City with the Municipal Securities Rulemaking Board. The specific nature of the information to be contained in the notices of enumerated events is summarized under the caption "APPENDIX E – Form of Continuing Disclosure Certificate." These covenants have been made in order to assist the purchaser of the Notes in complying with Securities and Exchange Commission (the "**SEC**") Rule 15c2-12(b)(5) (the "**Rule**").

Based upon a review of the City's filing obligations during the past five years, there have been no instances in the previous five years in which the City failed to comply, in all material respects, with any undertaking previously entered into by it pursuant to the Rule.

ADDITIONAL INFORMATION

The purpose of this Official Statement is to supply information to prospective buyers of the Notes. Quotations from and summaries and explanations of the Notes, the resolutions, statutes and documents contained in this Official Statement do not purport to be complete, and reference is made to said documents and statutes for full and complete statements of their provisions.

Any statement in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or owners of any of the Notes.

The execution and delivery of this Official Statement have been duly authorized by the City.

By: _____
City Manager

DRAFT

APPENDIX A

FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE CITY

General

The City. The City is a charter City that was incorporated on August 1, 1917. Located in western Contra Costa County (the “**County**”), it has a geographical area of approximately 3.9 square miles and forms part of the highly urbanized area along the eastern shore of San Francisco Bay. Interstate Highway 80 passes near the west boundary of the community; the crest of the Berkeley Hills and Wildcat Canyon Regional Park defines the eastern boundary. The community is served by the Bay Area Rapid Transit system with stations near both the north and south boundaries of the City.

The County. The City is located the County, one of the nine counties in the San Francisco-Oakland Bay Area. Situated northeast of San Francisco, the County is bounded by San Francisco and San Pablo Bays, the Sacramento River Delta, and Alameda County on the south. Ranges of hills effectively divide the County into three distinct regions. The western portion, with its access to water, contains much of the County’s heavy industry. The central section is rapidly developing from a suburban area into a major commercial and financial headquarters center. The eastern part is also undergoing substantial change, from a rural, agricultural area, to a suburban region. The County has extensive and varied transportation facilities-ports accessible to ocean-going vessels, railroads, freeways, and rapid transit lines connecting the area with Alameda County and San Francisco.

City Services and Government

The City provides a full range of services, including police and fire protection; building permits and inspections; parks and recreation facilities and services, planning and environmental services, construction and maintenance of streets, public buildings, and other infrastructure and operation of a state of the art Recycling Center.

The City is organized as a council-manager form of local municipal government. The City Council consists of five members elected at-large for four-year, overlapping terms. The Council selects the Mayor from among its members for a one-year term. The Mayor and City Council provide community leadership, develop policies to guide the City in delivering services and achieving community goals, and encourage citizen understanding and involvement.

The City Manager is appointed by the City Council and responsible for administration of municipal affairs. All municipal departments operate under the supervision of the City Manager. Through the City Manager, City staff, using the resources appropriated by the Council in the budget to achieve desired service results in the community, carries out the policies of the Council.

Budget Process

In accordance with applicable sections of the California Government Code and the City’s Charter, an annual budget is adopted by the City Council by June 30 of each year. The annual budget is the City’s service and financial plan for the fiscal year: a planning tool that matches the services desired by the community to the resources required in order to provide those

services. The development, adoption, and implementation of the City budget compose a major decision-making process with several phases.

At the initial stage of the budget process, department heads and division managers propose to the City Manager those programs designed to provide essential services that meet the City Council's expression of community goals. Staff also prepares estimates of available revenues for the same period. The City Manager and department directors balance the requested program expenditures with the anticipated resources, and develop a proposed budget and financial forecasts. The proposed document is reviewed by the City's Financial Advisory Board, a five-member board consisting of members of the community that are appointed by City Council as having demonstrated expertise in financial management and accounting. The recommendations and revisions of the Financial Advisory Board are considered during the budget process.

After presentation of the staff-prepared proposed budget, the City Council holds public meetings on the budget to review the staff recommendations. The City Council also receives public testimony and reviews the service, expenditure, and revenue proposals contained in the proposed budget. After discussing and making amendments, if any, to the proposed budget, the City Council adopts the budget for the next fiscal year and establishes appropriations. The appropriations are the legal authority to spend money. While the budget document for fiscal year 2018-19 and 2019-20 incorporates two fiscal years, the City Council is required per the El Cerrito Municipal Code to adopt and appropriate an annual budget for each fiscal year.

General Fund Budgets

General. A comparison of the City's budgeted General Fund revenues and expenditures for fiscal years 2018-19 and 2019-20 against the actual General Fund revenues and expenditures for the same period, are set forth in the following table. The City's audited financial statements for the fiscal year ended June 30, 2020, are included as APPENDIX B to this Official Statement.

**Table A-1
CITY OF EL CERRITO
General Fund Adopted Budgets
Fiscal Years 2018-19 and 2019-20**

	<u>Final Budget 2018-19</u>	<u>Audited 2018-19</u>	<u>Final Budget 2019-20</u>	<u>Audited 2019-20</u>
Revenues:				
Property taxes	\$10,068,000	\$10,182,035	\$10,489,640	\$10,091,133
Taxes other than property	16,512,000	16,812,948	17,940,740	19,104,059
Licenses and permits	875,000	775,876	992,720	784,982
Fines and forfeitures	310,000	218,684	300,600	226,597
Use of money and property	103,000	157,264	106,090	272,232
Intergovernmental	3,801,000	4,091,055	3,837,650	3,910,792
Charges for services	6,709,700	6,933,840	7,348,040	5,472,601
Other revenues	82,000	182,030	84,760	118,334
Total revenues	38,460,700	39,353,732	41,100,240	39,980,730
Expenditures:				
General government:				
City council	95,545	195,465	199,439	159,496
City manager	1,139,694	1,345,679	1,238,246	1,194,851
City attorney	300,000	519,482	309,000	334,216
Financial services	1,492,253	1,530,765	1,512,704	1,628,028
City clerk	399,079	346,335	442,958	477,609
Information services	854,538	848,768	846,414	871,895
Employee services	1,169,082	1,148,462	1,236,995	1,332,989
Public works	1,847,397	1,967,260	2,139,483	1,860,308
Recreation	5,393,176	5,794,027	5,861,578	5,351,137
Community development	2,284,615	2,522,098	2,640,959	2,505,481
Public safety:				
Police	11,842,040	12,121,461	12,745,173	12,199,388
Fire	10,156,212	11,257,758	11,177,828	11,182,414
Capital outlay	172,775	344,253	118,775	256,324
Debt service: principal	126,504	126,504	104,386	166,493
Debt service: interest and fiscal charges	29,728	134,436	26,319	165,654
Total expenditures	37,302,638	40,202,753	40,369,084	39,686,283
Excess of revenues over (under) expenditures	1,158,062	(849,021)	731,156	294,447
Other financing sources (uses):				
Transfers in	54,671	1,117,990	54,671	54,671
Transfers out	(1,289,473)	(1,330,107)	(608,328)	(607,522)
Capital lease financing	--	116,121	--	187,346
Total other financing sources (uses)	(1,234,802)	(95,996)	(553,657)	(365,505)
Special Items:				
Proceeds from sale of land from Contra Costa Co.	681,951	800,755	--	--
Net change in fund balance	605,211	(144,262)	177,499	(71,058)
Fund balance - July 1	87,570	87,570	(38,963)	(38,963)
Fund balance - June 30	\$692,781	\$(56,692)	\$(138,536)	\$(248,557)

Source: City of El Cerrito Comprehensive Annual Financial Reports.

Adopted Budget for Fiscal Year 2020-21

Following the onset of the COVID-19 pandemic, the City Council had directed staff to amend the fiscal year 2020-21 budget process by preparing a one-year budget that would be adopted prior to July 1, with the intention to perform a more detailed budget process during the summer months and present Council with proposed amendments by the end of October 2020. It was believed that this would allow City staff to have a much clearer picture of the sustained revenue losses and prepare an amended budget that would portray the City's rapidly evolving fiscal situation. Accordingly, staff prepared and presented an amended fiscal year 2020-21 budget that was adopted by the City Council on October 6, 2020 (such budget being the "**Adopted Budget**"). The budget represents staff's best efforts to provide the programs and services consistent with the City's Strategic Plan and other input received from the community and the City Council. The economic impacts of COVID-19 have created a significant amount of uncertainty relative to the City's ability to accurately project City revenues for fiscal year 2020-21, and therefore, the amended budget was based on providing sustainable levels of service at a reasonable cost.

The City's ability to maintain City services relies heavily on tax revenue, with property and sales taxes representing the largest percentage. Both had slowed during the economic downturn. Like most cities, the City has struggled to balance increasing expenses due in large part to health and pension costs with sluggish revenues that have not kept pace with the increase in expenditures. In addition, some revenues have been permanently lost as in the case of redevelopment. Staff estimates that about \$1 million annually has been lost as a result of redevelopment dissolution.

Approximately 76% of the General Fund expenditures are related to personnel costs. Within Personnel, salaries and benefits have traditionally been governed by the City Council's policy to provide median compensation, which is intended to act as a ceiling for salaries and benefits as agreed upon in the memorandums of understanding with the various benefit groups. Currently, all employees are now contributing between 8-12% of their salary towards the total pension costs. Of the remaining General Fund expenses, very few are discretionary and include costs related to contract services such as Public Safety dispatch, Animal Control services, legal services, independent audit services, election services and criminalist services that the City could not provide as efficiently as other organizations can on its behalf. When other non-discretionary items are factored in such as insurance, medical supplies, utilities, vehicles, and a minimal level of supplies, nearly 95% of the General Fund is non-discretionary.

City General Fund Reserve Policy

The City's General Fund Reserve Policy (the "**Reserve Policy**") forms a part of its Comprehensive Financial Policy, which the City Council approved on May 21, 2019 (the "**Comprehensive Financial Policy**"). The purpose of the Reserve Policy is to set aside funds to insure against events that would adversely affect the financial condition of the City and jeopardize the continuation of necessary public services. The Reserve Policy is designed to provide adequate cash flow, protect bond ratings, and offset economic downturns and revenue shortfalls. The reserve is also available to provide for one-time funding in the event of an emergency situation such as a natural disaster or unanticipated liability.

The Reserve Policy expresses the City's goal of achieving a General Fund annual operating reserve of 10% of projected General Fund operating expenditures in each fiscal year. As part of the annual budget process, the City Council will consider a Five-Year Plan that

attempts to maintain a reserve ratio of 10%. The City Council may adopt a deficit budget to deal with certain uses so long as the projected reserve does not go below 10% in any year of the Five-Year Plan. Should the General Fund reserve fall below 10%, each budget year the City will adopt a plan to restore the reserve percentage to 10% within five years and 15% within 10 years.

The Comprehensive Financial Policy is reviewed annually by the City's Financial Advisory Board and any proposed substantive revisions are submitted to the City Council for approval.

City Actions to Increase General Fund Reserve

The City is taking action to address budget challenges and restore General Fund reserves to levels as expressed in the Comprehensive Financial Policy. During the last recession and following the dissolution of the City's Redevelopment Agency in 2012, the City used General Fund reserves in order to preserve and maintain services. The City has not recovered its reserve levels from that time and has made doing so a priority. The City has taken steps to increase revenues by passing ballot measures for a real property transfer tax in 2018 (see "– Property Taxes – Real Property Transfer Tax") and a parks and recreation services parcel tax in 2019 and is taking action to reduce expenses in the current and future fiscal years.

The "baseline" for the 2020-21 General Fund budget was presented to the City Council in February 2020, along with the 5-year General Fund forecast. The baseline budget projected General Fund Revenues of \$42.7 million and Expenditures of \$42.6 million, which would have resulted in a small surplus. However, due to the COVID-19 pandemic and its effect on City revenues, staff presented City Council with expenditure reductions of approximately \$4 million in the months since February 2020. Staff revised the original baseline estimates for revenues for fiscal year 2020-21 based on Covid-19 impacts on revenues. With these adjustments staff proposed a General Fund Budget of \$39.3 million in revenues and \$38.7 million in expenses for fiscal year 2020-21. This represented a \$3.4 million (or 8%) reduction in revenues and \$3.9 million (or 9%) reduction in expenditures over the baseline budget and still yields a small General Fund surplus.

In response to the COVID-19 emergency, the City has taken more aggressive actions in fiscal year 2020-21 to mitigate the economic impacts of the public health crisis. This includes implementing unpaid furloughs for 90 part-time staff and 70 non-sworn full-time staff, instituting a hiring freeze, implementing a freeze on non-essential spending, deferring capital projects, and cancelling events and programs. The City has worked with each bargaining unit to defer cost of living adjustments (COLAs); implemented furloughs for non-sworn full-time staff that equate to a 5% - 10% salary reduction; required Management staff to increase employee contributions to CalPERS and suspended discretionary pay and benefits. The City is currently evaluating further expense reductions including reduced services and cuts in staffing. These budget reduction strategies will be implemented over the next 12 to 24 months.

State Budget and Its Impact on the City

The General Fund receives amounts from the State that could impact the services provided by the City. The City cannot predict what actions will be taken in future years by the State Legislature and the Governor to address a State budget deficit. Future State budgets will be affected by national and state economic conditions and other factors over which the City has no control. To the extent that the State budget process results in reduced revenues to the City,

the City will be required to make adjustments to its budget. Decreases in such revenues may have an adverse impact on the City's ability to pay the Notes.

Information about the fiscal year 2020-21 adopted State budget, the proposed fiscal year 2021-22 State budget, the May Revise for fiscal year 2021-22 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. In addition, various State official statements, many of which contain a summary of the current and past State budgets, may be found at the website of the State Treasurer, www.treasurer.ca.gov. *The information referred to in this paragraph is prepared by the respective State agency maintaining each website and not by the City or Underwriter, and the City and Underwriter take no responsibility for the continued accuracy of the Internet addresses or for the accuracy or timeliness of information posted there, and such information is not incorporated in this Official Statement by these references.*

Financial Statements

Certain important issues relating to the City's financial condition are discussed in the forefront of this Official Statement under the headings "THE CITY – Auditor's Statement Regarding Ability to Continue as a Going Concern" and "– State Audit of City as High Risk."

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

Accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. There are three groups of funds: governmental funds (which include the General Fund), proprietary funds (which include enterprise funds and internal service funds) and fiduciary funds (which are used to account for resources held for the benefit of parties outside the City). The City maintains 36 individual governmental funds. Information is presented separately in the governmental statement of revenues, expenditures, and changes in fund balances for the General Fund and the Street Maintenance and Construction Fund, both of which are considered to be major funds. Data for the 35 other funds are combined into a single aggregated presentation.

All governmental funds and fiduciary funds use the modified accrual basis of accounting. The proprietary funds use the accrual basis of accounting. The General Fund is the general operating fund of the City and is used to account for all financial resources except those required to be accounted for in a separate fund.

The City's most recent audited financial statements are included in the Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2020, which is attached as

APPENDIX B to this Official Statement. The financial statements were prepared by the City and audited by the Auditor.

The financial statements should be read in their entirety. *The City has neither requested nor obtained 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 General Fund. In addition, the Auditor has not reviewed this Official Statement.*

Set forth on the following pages are (i) a general fund balance sheet for fiscal years 2015-16 through 2019-20 and (ii) a statement of revenues, expenditures and changes in fund balance for the City's General Fund for the same period.

DRAFT

Table A-2
CITY OF EL CERRITO
General Fund Balance Sheet
(Audited)

	Fiscal Year 2015-16	Fiscal Year 2016-17	Fiscal Year 2017-18	Fiscal Year 2018-19	Fiscal Year 2019-20
ASSETS:					
Cash and investments	\$5,116,309	\$3,107,248	\$3,419,338	\$4,349,089	\$9,016,794
Cash with fiscal agents	10,187	10,205	--	--	--
Accounts receivable	155,287	3,743	9,530	--	633,574
Due from other governments	1,663,837	2,348,549	2,778,497	2,113,059	1,249,313
Due from other funds	1,270,421	1,671,263	385,338	951,617	374,902
Advance to other funds	--	--	988,351	317,967	315,306
Due from El Cerrito Redevelopment Agency Successor Agency	--	873,766	1,321,189	1,321,189	1,321,189
Interest receivable	--	--	--	--	32,158
Loans receivable	--	--	--	--	--
Inventory	110,975	23,595	11,537	11,772	27,737
Prepays	59,378	97,381	--	--	3,279
Land held for resale or redevelopment	--	--	--	--	--
Total assets	8,386,394	8,135,750	8,913,780	9,064,693	12,974,252
LIABILITIES:					
Accounts payable	883,120	524,897	346,261	888,579	844,519
Accrued liabilities	61,268	1,081,986	1,102,088	1,231,944	1,551,848
Due to other funds	--	--	--	--	--
Deposits payable	500,000	515,730	645,593	804,162	1,605,016
Deferred revenue	--	--	--	--	--
Unearned revenue	47,682	515,730	65,000	80,381	82,890
Note payable	5,000,000	5,000,000	6,000,000	6,000,000	9,000,000
Total liabilities	6,492,552	7,170,002	8,159,439	9,005,066	13,084,273
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - sales tax	--	147,028	666,771	116,319	--
Unavailable revenue - due from other governments	--	--	--	--	--
Unavailable revenue - loans receivable	--	--	--	--	--
Total deferred inflows of resources	--	147,028	666,771	116,319	--
Fund Balances:					
Nonspendable					
Advance to other funds	--	--	988,351	317,967	315,306
Due from El Cerrito Redevelopment Agency Successor Agency	--	873,766	1,321,189	1,321,189	1,321,189
Items not in spendable form:					
Prepays and Inventory	170,353	120,976	11,537	11,772	31,016
Restricted	--	--	--	--	--
Redevelopment projects & programs	--	--	--	--	--
Solar Project	10,187	10,205	--	--	--
Assigned to various contrast	--	--	--	--	--
Unassigned	1,713,302	(186,277)	(2,233,507)	(1,707,620)	(1,777,532)
Total fund balances	1,893,842	818,720	87,570	(56,692)	(110,021)
Total liabilities and fund balances	\$8,386,394	\$8,135,750	\$8,913,780	\$9,064,693	\$12,974,252

Source: City of El Cerrito Comprehensive Annual Financial Reports.

Table A-3
CITY OF EL CERRITO
Statement of General Fund Revenues, Expenditures and Changes in Fund Balance
(Audited)

	<u>Fiscal Year</u> <u>2015-16</u>	<u>Fiscal Year</u> <u>2016-17</u>	<u>Fiscal Year</u> <u>2017-18</u>	<u>Fiscal Year</u> <u>2018-19</u>	<u>Fiscal Year</u> <u>2019-20</u>
<u>Revenues:</u>					
Taxes and assessments	\$21,444,662	\$23,367,464	\$23,829,757	\$26,994,983	\$29,195,192
Licenses and permits	607,729	719,843	767,706	775,876	784,982
Fines and penalties	326,544	350,855	222,173	218,684	226,597
Use of money and property	311,786	345,665	373,954	157,264	272,232
Intergovernmental revenues	3,621,780	3,373,887	4,115,543	4,091,055	3,910,792
Charges for services	4,391,219	5,740,974	6,099,394	6,933,840	5,472,601
Other revenues	768,149	577,753	377,394	182,030	118,334
Total revenues	31,471,869	34,476,441	35,783,921	39,353,732	39,980,730
<u>Expenditures:</u>					
Current:					
General government	4,359,038	4,927,484	5,248,920	5,934,956	5,999,084
Public works	1,116,997	1,443,104	1,673,715	1,967,260	1,860,308
Recreation	4,465,879	4,818,238	5,183,872	5,794,027	5,351,137
Community development	1,769,422	2,157,162	2,405,103	2,522,098	2,505,481
Public safety	19,325,987	20,277,045	21,261,548	23,379,219	23,381,802
Payment of sales tax to City of Richmond	--	--	--	--	--
Capital outlay	182,594	45,770	276,683	344,253	256,324
Debt service: principal	93,373	95,959	98,616	126,504	166,493
Debt service: interest	--	106,389	103,732	134,436	165,654
Total expenditures	31,313,290	33,871,151	36,252,189	40,202,753	39,686,283
Excess of revenues over (under) expenditures	158,579	605,290	(468,268)	(849,021)	294,447
<u>Other financing sources (uses):</u>					
Proceeds from sale of capital assets	7,290	--	--	--	--
Issuance of debt	--	--	--	--	--
Transfers in	890,194	54,583	54,583	1,117,990	54,671
Transfers out	(623,733)	(456,668)	(317,465)	(1,330,107)	(607,522)
Capital lease financing	--	--	--	116,121	187,346
Total other financing sources (uses)	273,751	(402,085)	(262,882)	(95,996)	(365,505)
Proceeds of sale of land from Contra Costa County	--	--	--	800,755	--
Net change in fund balance	432,330	203,205	(731,150)	(144,262)	(71,058)
Fund balance - July 1	1,461,512	615,515 ⁽¹⁾	818,720	87,570	(38,963)
Fund balance - June 30	\$1,893,842	\$818,720	\$87,570	\$(56,692)	\$(110,021)

(1) As restated.

Source: City of El Cerrito Comprehensive Annual Financial Reports.

Major Revenues

General. Taxes and other sources of revenue received by the City are listed in the table below. Certain general taxes currently imposed by the City are affected by Proposition 218. See “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Proposition 218 – Article XIIC and Article XIID.”

The following table presents historical audited tax revenues for fiscal years 2015-16 through 2019-20 for the City’s General Fund.

**Table A-4
CITY OF EL CERRITO
Major Tax Revenues by Source
(Audited)**

	<u>Fiscal Year 2015-16</u>	<u>Fiscal Year 2016-17</u>	<u>Fiscal Year 2017-18</u>	<u>Fiscal Year 2018-19</u>	<u>Fiscal Year 2019-20</u>	<u>% of 2019-20 Total</u>
Property Taxes	\$7,908,458	\$9,082,380	\$9,486,999	\$12,428,008 ⁽⁴⁾	\$12,521,071	39.34%
Sales Taxes ⁽²⁾	5,750,190	6,144,993	6,458,292	8,318,511	8,134,818	25.56
Utility User Tax	3,291,251	3,360,277	2,965,675	3,207,892	3,165,974	9.95
Local Parcel Taxes	1,934,752	2,340,319	2,499,743	1,814,512	1,860,370	5.85
Franchise Taxes	1,453,351	1,375,048	1,279,037	1,244,897	1,637,666	5.15
Business License Tax	787,122	775,413	846,900	910,104	918,799	2.89
Other Taxes	319,531	289,034	293,111	1,252,048	3,589,234	11.28
Total Taxes	\$21,444,655	\$23,367,464	\$23,829,757	\$29,175,972	\$31,827,932	100.00%

- (1) Historical financial results may not be representative of future results due to the COVID-19 pandemic, among other factors.
- (2) Includes revenues from Measure A, a 1/2-cent transactions and use tax on certain retailers and other commercial enterprises within the City (“**Measure A**”). The revenues from Measure A are pledged to the payment of debt service on the City’s 2017 Sales Tax Revenue Bonds (“**Sales Tax Bonds**”) and will be unavailable for debt service on the Certificates. Measure A revenues for fiscal years 2015-16, 2016-17, 2017-18, 2018-19 and 2019-20 were \$1,800,598, \$1,278,472, \$1,529,550, \$1,630,826, and \$1,631,894 respectively.
- (3) Measure R sales tax was first levied on April 1, 2015. See “– Sales and Use Taxes – Sales Tax Rates.”
- (4) Of this amount, \$1,102,563 represents the City’s real property transfer tax revenues received from January through June 2019. The real property transfer tax was approved by the electorate in November 2018 and became effective in January 2019. See “– Property Taxes – Real Property Transfer Tax.”

Source: City of El Cerrito.

Property Taxes

General. This section describes property tax levy and collection procedures and certain information regarding historical assessed values and major property tax-payers in the City.

Property taxes represent the largest source of tax revenue to the City. See “ – Assessed Valuation” below. The City received \$16.1 million in property tax revenues (representing approximately 39% of total General Fund revenues) for fiscal year 2019-20, which included \$2.8 million in Vehicle Licensing Fees and \$3.5 million in revenues from the City’s real property transfer tax, which was approved by the electorate in November 2018 and first collected in January 2019. See “ – Real Property Transfer Tax.”

Property taxes have historically been the primary revenue source affected by voter initiatives and legislative actions. With approval of Proposition 13, property tax revenues were curtailed when they were reduced by two-thirds and thereafter limited to 2% annual increases or the CPI, whichever was less. See “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS.”

ERAF Shift Legislation. Certain property taxes have been shifted from local government agencies to schools by the State Legislature for deposit in the Education Revenue Augmentation Fund (“ERAF”), a shift that has resulted in diversion of City property taxes since fiscal year 1992-93. See “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Proposition 1A.” There can be no assurance that the State will not undertake future ERAF shifts.

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

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

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

Beginning in 1978-79, Proposition 13 and its implementing legislation shifted the function of property tax allocation to the counties, except for levies to support prior voted debt, and prescribed how levies on countywide property values are to be shared with local taxing entities within each county.

Assessed Valuation. All property is assessed using full cash value as defined by Article XIII A of the State Constitution. State law provides exemptions from ad valorem property taxation for certain classes of property such as churches, colleges, non-profit hospitals, and

charitable institutions. See “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS.”

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

Assessed Valuation History. The following table shows a ten-year history of the City’s assessed valuation.

**Table A-5
CITY OF EL CERRITO
Assessed Value of Taxable Property
Fiscal Years 2010-11 to 2019-20**

Fiscal Year	Local Secured	Utility	Unsecured	Total
2011-12	\$2,881,842,764	\$0	\$38,112,554	\$2,919,955,318
2012-13	2,811,186,014	0	37,430,254	2,848,616,268
2013-14	2,961,865,602	0	40,596,347	3,002,461,949
2014-15	3,222,404,322	0	41,830,854	3,264,235,176
2015-16	3,547,584,767	0	41,828,039	3,589,412,806
2016-17	3,789,900,085	0	40,622,301	3,830,522,386
2017-18	4,051,635,481	0	37,711,053	4,089,346,534
2018-19	4,304,672,359	0	39,306,939	4,343,979,298
2019-20	4,555,822,972	0	43,922,044	4,599,745,016
2020-21	4,862,260,473	0	42,091,289	4,904,351,762

Source: California Municipal Statistics, Inc.

Proposition 13 and Proposition 8 Property Value Adjustments. Proposition 13, passed in 1978, established the base year value concept for property tax assessments. Under Proposition 13, the 1975-76 fiscal year serves as the original base year used in determining the assessment for real property. Thereafter, annual increases to the base year value are limited to the inflation rate, as measured by the California Consumer Price Index, or 2%, whichever is less. A new base year value, however, is established whenever a property, or portion thereof, has had a change in ownership or has been newly constructed.

Proposition 8, enacted in 1978, allows for a temporary reduction in assessed value when a property suffers a “decline-in-value.” As of the January 1st (lien date) each year, the Assessor must enroll either a property’s Proposition 13 value (adjusted annually for inflation by no more than 2%) or its current market value, whichever is less. When the current market value replaces the higher Proposition 13 value, the lower value is commonly referred to as a “Proposition 8 Value.” “Proposition 8 values” are temporary and, once enrolled, must be reviewed annually by the assessor until the Proposition 13 adjusted base year value is enrolled.

Major Property Taxpayers. The following table shows the principal property taxpayers in the City as determined by their secured assessed valuations in fiscal year 2020-21.

**Table A-6
CITY OF EL CERRITO
Principal Property Taxpayers**

<u>Taxpayer</u>	Fiscal Year 2020-21		Percentage of Total City Taxable Assessed Value ⁽¹⁾
	Taxable Assessed Value	Rank	
MCD-RCCA-El Cerrito LLC ⁽²⁾	\$99,886,097	1	2.05%
KMF X El Cerrito LLC ⁽³⁾	60,097,879	2	1.24
Del Norte Place Apartments LP ⁽³⁾	50,857,698	3	1.05
El Cerrito Shopping Center LLC ⁽²⁾	47,470,741	4	0.98
Creekside Walk Ventures LLC ⁽³⁾	30,690,852	5	0.63
Lucky FLA Nocal Investor LLC	20,490,000	6	0.42
RB Del Norte LLC ⁽²⁾	17,711,552	7	0.36
Civic Plaza Riley Group LLC ⁽³⁾	17,539,223	8	0.36
East Bay Sierra School Inc. ⁽⁴⁾	14,361,085	9	0.30
El Cerrito Affordable Housing Partnership ⁽⁵⁾	<u>13,770,000</u>	10	<u>0.28</u>
Total	\$372,875,127		7.67%

(1) Fiscal Year 2020-21 Local Secured Assessed Valuation: \$4,862,260,473.

(2) Shopping center.

(3) Multifamily housing.

(4) Independent school.

(5) Commercial building.

Source: California Municipal Statistics, Inc.

Teeter Plan. The Board of Supervisors of the County has approved the implementation of the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the “**Teeter Plan**”), as provided for in Section 4701 et seq. of the California Revenue and Taxation Code. Under the Teeter Plan, the County apportions secured property taxes on an accrual basis when due (irrespective of actual collections) to local political subdivisions, including the City, for which the County acts as the tax-levying or tax-collecting agency. The Teeter Plan was effective beginning the fiscal year commencing July 1, 1993.

The Teeter Plan is applicable to all tax levies on secured property for which the County acts as the tax-levying or tax-collecting agency, or for which the County treasury is the legal depository of the tax collections.

The Teeter Plan is to remain in effect unless the Board of Supervisors of the County orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1), the Board of Supervisors 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 is to order discontinuance of the Teeter Plan effective at the commencement of the subsequent fiscal year. 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.

Real Property Transfer Tax. The City's real property transfer tax was approved by the electorate in November 2018, became effective in January 2019 and generated nearly \$3.5 million in fiscal year 2020 and is expected to generate at least \$3 million annually. The tax is \$12 for each \$1,000 of the value of consideration paid for a transfer of real property, or fractional part of each \$1,000 of the value of consideration.

Sales and Use Taxes

Sales and use taxes represent the second largest source of tax revenue to the City. This section describes the current system for levying, collecting and distributing sales and use tax revenues in the State of California. The City received \$6.9 million in sales tax revenue (representing approximately 17% of total General Fund revenues) for fiscal year 2019-20 .

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.

At an election held on November 2, 2010, the voters of the City approved Measure R (by a majority vote), a measure to increase the sales tax in the City by a half-cent, to be used by the City for general purposes. Measure R was set to expire after seven years; however, in November 2014, El Cerrito voters approved the extension and increase of Measure R at the one percent sales tax rate for 12 years. The new sales tax rate went into effect on April 1, 2015, and will end on March 31, 2027. This increased El Cerrito's sale tax rate to 10% and is expected to generate approximately an additional \$1.4 million per year.

At a February 2008 election, a majority of City voters approved Measure A, which increased sales tax by a one-half cent to be used exclusively for street improvements. Prior to 2008, the City faced a backlog of street maintenance and repairs. Measure A accelerated work plan was a multi-year, intensive pothole and street repair program designed to rapidly improve the City's street system and to complete the repairs in the most efficient and quickest way possible. As part of the Measure A Street Improvement Program, construction as completed on the 2013-14 Street Improvement Project, 2014 Pavement Rehabilitation Project, 2014 Patch Paving Program, and 2015 Slurry Seal and Curb Ramp Project to repair and resurface various streets as well as install related improvements to curb, gutter, sidewalk, curb ramps, storm drain facilities and traffic striping.

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:

**Table A-7
CITY OF EL CERRITO
Sales Tax Rates
As of April 1, 2020**

<u>Component</u>	<u>Rate</u>
Statewide	7.25%
Contra Costa County Transactions and Use Tax	0.50
Contra Costa County Transportation Authority	0.50
Bay Area Rapid Transit District	0.50
El Cerrito Measure A (Streets)	0.50
El Cerrito Measure R (General Fund)	<u>1.00</u>
Total Tax Rate	10.25%

Source: CDTFA.

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. For additional information, see Publication No. 44 (July 2019) entitled “District Taxes (Sales and Use Taxes)”, which can be found on the CDTFA’s website at <https://www.cdtfa.ca.gov/formspubs/pub44.pdf>. *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 or the Underwriter and is not incorporated in this Official Statement by reference.*

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 (March 2018) 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 or the Underwriter, 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 CDTFA. This process was formerly administered by the State Board of Equalization. The Taxpayer Transparency and Fairness Act of 2017, which took effect July 1, 2017,

restructured the State Board of Equalization and separated its functions among three separate entities: the State Board of Equalization, the CDTFA, and the Office of Tax Appeals. The State Board of Equalization will continue to perform the duties assigned to it by the state Constitution, while all other duties will be transferred to the newly established CDTFA and the Office of Tax Appeals. CDTFA will handle most of the taxes and fees previously collected by the State Board of Equalization, including sales and use tax.

Under the Sales and Use Tax Law, all sales and use taxes collected by the CDTFA under a contract with any city, city and county, redevelopment agency, or county are required to be transmitted by the CDTFA 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 CDTFA 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 CDTFA's quarterly projection. During the last month of each quarter, the CDTFA adjusts the amount remitted to reflect the actual receipts of the sales and use tax for the previous quarter.

According to the CDTFA, it distributes quarterly tax revenues to cities, counties, and special districts using the following method:

Using the prior year's quarterly tax allocation as a starting point, the CDTFA first eliminates nonrecurring transactions such as fund transfers, audit payments, and refunds, and then adjusts for growth, in order to establish the estimated base amount. The CDTFA disburses 90% 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 CDTFA receives an administrative fee based on the cost of services provided by the CDTFA 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.

Other Taxes and Revenues

Utility Users Tax. The utility users tax ("UUT") was initially approved by the voters of the City in 1991 and revised with voter approval of the ordinance in 2004. The tax has generated approximately \$3 million in revenues annually for the General Fund. The ordinance calls for an 8% tax to be assessed by providers of gas, electricity, water, telephone and video/television services to all City customers and then remitted to the City. These revenues are subject to changes in market conditions, weather, and/or pricing in the sectors subject to the utility user tax ordinance. Although use of these services is generally declining, prices and rates are generally increasing on these services. Therefore, a slight decrease in overall utility user revenues is projected for coming fiscal years.

Business License Tax. Business License Taxes are imposed on certain types of businesses in the City and has reflected about \$850,000 of General Fund revenue annually. The tax is based on factors such as a business's number of employees or vehicles, its annual gross receipts, or a property owner's number of residential rental units. A slight increase is projected in the new few years.

Franchise Taxes. Franchise taxes are paid by utilities based on various methodologies and represent over \$1 million in General Fund revenue. They are projected to increase slightly over the new few years.

Other Taxes. Other taxes include the Transient Occupancy Tax, a 10% tax on room rates for hotels and motels, and other minor taxes. Other taxes are a minor General Fund revenue source, projected to increase slightly over the new few years.

Tax Sharing with City of Richmond

Pursuant to an agreement dated November 18, 1991 (the "**Tax Sharing Agreement**"), between the City and the City of Richmond ("**Richmond**"), the City and Richmond agreed that, with respect to a Home Depot located on a site consisting of 8 parcels located in the City and 13 parcels located in Richmond, the City will be allocated 30%, and Richmond will be allocated 70%, of sales taxes, property taxes, utility users' taxes and business license taxes to be generated by the Home Depot ("**Home Depot Tax Revenues**"). Under the Tax Sharing Agreement, if either party receives more than its allocated share of aggregate Home Depot Tax Revenues, it must, within 30 days of each January 15 and July 15, transmit the excess above the allocated share to the other party.

Long-Term General Fund Obligations

Set forth below is a summary of long-term obligations payable from the City's General Fund.

2020-21 Tax and Revenue Anticipation Notes. On July 2, 2020, the City issued its 2020-21 Tax and Revenue Anticipation Notes (the "**2020-21 TRAN**"), in the aggregate principal amount of \$8,500,000. The 2020-21 TRAN matures on July 1, 2021, and is payable from taxes, income, revenue, cash receipts and other moneys that are received by the City for the General Fund for fiscal year 2020-21. As security for the payment of the principal of and interest on the 2020-21 TRAN, the City has pledged the first "unrestricted moneys" (as defined below) to be received by the City as follows: (a) an amount equal to 50% of the principal amount of the 2020-21 TRAN in January 2021; (b) an amount equal to 50% of the principal amount of the 2020-21 TRAN in May 2021; and (c) an amount sufficient to pay interest as due on the 2020-21 TRAN at maturity, in June 2021 (collectively, "**Pledged Revenues**"). The principal of and interest on the 2020-21 TRAN constitutes a first lien and charge on, and is payable from, the Pledged Revenues. To the extent not so paid from the Pledged Revenues, the 2020-21 TRAN will be paid from any other moneys of the City lawfully available for such purpose. The term "**unrestricted moneys**" means taxes, income, revenue, cash receipts, and other moneys intended as receipts for the General Fund for fiscal year 2020-21 and that are generally available for the payment of current expenses and other obligations of the City.

2017 Certificates of Participation. On January 26, 2017, the MUFJ Union Bank, N.A., executed and delivery 2017 Certificates of Participation (2006 City Hall

Lease Refinancing) (the “**2017 Certificates**”), in the original principal amount of \$7,040,000. The 2017 Certificates were outstanding in the principal amount of \$6,475,000 as of June 30, 2020. Principal payments are due annually on January 15, with interest payments payable semi-annually on January 15 and July 15 through January 15, 2036. The City has covenanted in the related Lease Agreement (payments under which are certificated by the 2017 Certificates) to take such action as may be necessary to include all estimated Lease Payments and all estimated Additional Payments due under the Lease Agreement in each of its final approved budgets.

Solar Photovoltaic Capital Lease. On December 5, 2012, the City entered into a lease agreement in the amount of \$1,595,300 at 2.75% interest with Green Campus Partners, LLC (the “**Solar Lease**”), to finance the purchase and installment of six solar photovoltaic electricity generation systems as six different sites in the City. Semiannual principal and interest payments of \$65,236 are due each December 1 and June 1 through December 1, 2027. The Solar Lease had an outstanding principal amount of \$898,797 as of June 30, 2020.

Employee Relations

The City had 174 authorized positions at the beginning of fiscal year 2020-21, of which 43 were sworn Police personnel and 36 were sworn Fire personnel. The City’s employees are represented by four labor groups, and Management, Confidential, and Aquatics employees are unrepresented.

<u>Labor Group</u>	<u>Number of Employees</u>	<u>Contract Expiration Date</u> ⁽¹⁾
Public Safety - Police	41	12/31/2022
Public Safety - Fire	31	6/30/2021
SEIU	45	6/30/2022
Public Safety Management	10	Varies by classification

(1) Upon expiration, contract continues on existing terms until renegotiated.

There have been no work stoppages by City employees.

Risk Management

The City is a member of the Municipal Pooling Authority of Northern California. The Authority provides coverage against loss risks under the terms of a joint-powers agreement with the City and several other cities and governmental agencies.

See Note 12 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 comprehensive annual financial reports of CalPERS are available on its Internet website at www.calpers.ca.gov. The CalPERS website also contains CalPERS' most recent actuarial valuation reports and other information concerning benefits and other matters. Such information is not incorporated by reference in this Official Statement. None of the Authority, City or Underwriter can guarantee the accuracy of such information. Actuarial assessments are "forward-looking" statements that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or may be changed in the future. Actuarial assessments will change with the future experience of the pension plans.

GASB Statement No. 68. In June 2012, the GASB adopted new standards (GASB Statement No. 68, or "**GASB 68**") with respect to accounting and financial reporting by state and local government employers for defined benefit pension plans. The new standards revise the accounting treatment of defined benefit pension plans, changing the way expenses and liabilities are calculated and how state and local government employers report those expenses and liabilities in their financial statements. Major changes include: (i) the inclusion of unfunded pension liabilities on the government's balance sheet (previously, such unfunded liabilities were typically included as notes to the government's financial statements); (ii) pension expense incorporates more rapid recognition of actuarial experience and investment returns and is no longer based on the employer's actual contribution amounts; (iii) lower actuarial discount rates that are required to be used for underfunded plans in certain cases for purposes of the financial statements; (iv) closed amortization periods for unfunded liabilities that are required to be used for certain purposes of the financial statements; and (v) the difference between expected and actual investment returns to will be recognized over a closed five-year smoothing period. The reporting requirements took effect in fiscal year 2014-15. Based on the adoption of the new accounting standards, beginning with the fiscal year 2014-15 actuarial valuation, the annual required contribution and the annual pension expense will be different. GASB 68 is a change in accounting reporting and disclosure requirements, but it does not change the City's pension plan funding obligations.

Information shown in this section that has been sourced from a CalPERS Actuarial Valuation Report has not been prepared in accordance with GASB 68. For a presentation of additional information that is required by GASB 68, see Note 10 to the City's Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2020, which is attached as APPENDIX B.

Plan Description. All qualified permanent and probationary employees are eligible to participate in the City's separate Safety (police and fire) and Miscellaneous (all other) Employee Pensions Plans (the "**Plans**"), cost-sharing multiple employer defined benefit pension plans administered by CalPERS. Benefit provisions under the Plans are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the 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 with

statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: 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.

The provisions and benefits of each plan that were in effect at June 30, 2020, are summarized as follows:

Miscellaneous Plan

	<u>Miscellaneous - Classic</u>	<u>Miscellaneous - PEPRA</u>
Hire Date	Prior to January 1, 2013	On or after January 1, 2013
Benefit	2.7% @ 55	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	50	52
Monthly benefits, as a % of eligible compensation	2.00% - 2.70%	1.00% - 2.50%
Required employee contribution rates	8.00%	6.75%
Required employer contributions rates	14.194%	7.732%

Safety Plan

	<u>Safety - Classic</u>	<u>Safety - PEPRA Police</u>	<u>Safety - PEPRA Fire</u>
Hire Date	Prior to January 1, 2013	On or after January 1, 2013	On or after January 1, 2013
Benefit	3% @ 50	2.7% @ 57	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	52	50	50
Monthly benefits, as a % of eligible compensation	3.00%	2.00% - 2.70%	2.00% - 2.70%
Required employee contribution rates	9.00%	13.00%	13.00%
Required employer contributions rates	23.674%	13.044%	13.044%

The City is required to contribute at an actuarially determined rate of annual covered payroll, plus a fixed payment of unfunded liability. The actuarially determined rates and amounts for each plan for the fiscal years ended June 30, 2020, through June 30, 2022, are as follows:

City's Required Employer Contribution Rate

	<u>Fiscal Year 2019-20</u>		<u>Fiscal Year 2020-21</u>		<u>Fiscal Year 2021-22</u>	
	<u>Employer Normal Cost Rate</u>	<u>Employer Payment of Unfunded Liability</u>	<u>Employer Normal Cost Rate</u>	<u>Employer Payment of Unfunded Liability</u>	<u>Employer Normal Cost Rate</u>	<u>Employer Payment of Unfunded Liability</u>
Miscellaneous Plan - Classic	13.182%	\$1,404,112	14.194%	\$1,542,149	14.020%	\$1,734,419
Miscellaneous Plan - PEPR	6.985	2,729	7.732	4,523	7.590	6,971
Safety Plan - Classic	21.927	2,955,657	23.674	3,306,700	23.710	3,789,412
Safety-Police Plan - PEPR	13.034	3,276	13.044	7,125	13.130	12,105
Safety-Fire Plan - PEPR	13.034	1,813	13.044	2,967	13.130	4,677

Source: CalPERS Actuarial Reports dated July 2020.

The City's total contributions to each plan in fiscal years 2018-19, 2019-20 and 2020-21 were as follows:

Miscellaneous Plan

<u>Fiscal Year</u>	<u>Total City Contribution</u>
2018-19	\$1,408,271
2019-20	1,663,598
2020-21	1,749,421

Safety-Police Plan

<u>Fiscal Year</u>	<u>Total City Contribution</u>
2018-19	\$1,999,602.
2019-20	2,200,658
2020-21	2,522,842

Safety-Fire Plan

<u>Fiscal Year</u>	<u>Total City Contribution</u>
2018-19	\$2,202,928
2019-20	2,527,500
2020-21	2,898,084

Funded Status. The following table sets forth the schedule of funding for the City's Miscellaneous and Safety pension plans for the fiscal years ended June 30, 2017, 2018 and 2019.

Miscellaneous Plan

Miscellaneous Plan - Classic

Valuation Date (June 30)	Accrued Liability	Market Value of Assets	Unfunded Liability	Funded Ratio ⁽¹⁾	Annual Covered Payroll
2017	\$52,784,582	\$34,734,477	\$18,050,105	65.8%	\$4,872,517
2018	57,323,516	37,269,868	20,053,648	65.0	4,978,297
2019	60,510,884	39,820,379	20,690,505	65.8	5,020,297

Miscellaneous Plan - PEPRA

Valuation Date (June 30)	Accrued Liability	Market Value of Assets	Unfunded Liability	Funded Ratio ⁽¹⁾	Annual Covered Payroll
2017	\$430,332	\$408,601	\$21,731	95.0%	\$1,282,271
2018	715,573	658,044	57,529	92.0	1,487,336
2019	1,029,551	939,572	89,979	91.3	2,107,811

(1) Based on the market value of assets.
Source: CalPERS Actuarial Report Dated July 2020.

Safety Plan

Safety Plan - Classic

Valuation Date (June 30)	Accrued Liability	Market Value of Assets	Unfunded Liability	Funded Ratio ⁽¹⁾	Annual Covered Payroll
2017	\$128,583,157	\$86,999,870	\$41,583,287	67.7%	\$7,158,298
2018	138,612,535	91,780,070	46,832,465	66.2	7,353,844
2019	146,218,995	97,388,993	48,830,002	66.6	6,956,438

Safety-Police Plan - PEPRA

Valuation Date (June 30)	Accrued Liability	Market Value of Assets	Unfunded Liability	Funded Ratio ⁽¹⁾	Annual Covered Payroll
2017	\$789,467	\$742,844	\$46,623	94.1%	\$1,617,401
2018	1,250,981	1,132,286	118,695	90.5	1,755,726
2019	1,675,612	1,487,307	188,305	88.8	2,087,105

(1) Based on the market value of assets.
Source: CalPERS Actuarial Report Dated July 2020.

Safety-Fire PEPRA Plan

Valuation Date (June 30)	Accrued Liability	Market Value of Assets	Unfunded Liability	Funded Ratio ⁽¹⁾	Annual Covered Payroll
2017	\$220,456	\$209,018	\$11,438	94.8%	\$550,581
2018	389,350	357,340	32,010	91.8	686,356
2019	546,388	491,118	55,270	89.9	874,387

(1) Based on the market value of assets.
Source: CalPERS Actuarial Report Dated July 2020.

Recent Actions Taken by CalPERS. 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 established 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 7.0%, by at least four percentage points. CalPERS staff modeling anticipates the policy will result in a lowering of the discount rate to 6.5% in about 21 years, improve funding levels gradually over time and cut risk in the pension system by lowering the volatility of investment returns. More information about the funding risk mitigation policy can be accessed through CalPERS' web site at the following website address:

<https://www.calpers.ca.gov/docs/funding-risk-mitigation-policy.pdf>

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 or the Underwriter, and is not incorporated in this Official Statement by reference.

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

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

For public agencies like the City, the new discount rate began increasing contribution costs in fiscal year 2018-19. Lowering the discount rate means employers that contract with CalPERS to administer their pension plans will see increases in their normal costs and unfunded actuarial liabilities and that active members hired after January 1, 2013, under PEPRA will see their contribution rates rise.

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.

Impact of CalPERS' Investment Returns on Pension Expenses. Any investment losses experienced by CalPERS due to the COVID-19 pandemic, or other factors, could give rise to additional liability of the City to CalPERS and, therefore, increase pension expense.

Other Post-Employment Benefits (“OPEB”)

The City does not provide health care benefits to its retired employees; however, the City provides post-retirement health care benefits to employees who retire in good standing from the City by allowing them to maintain their health plan benefit level at the time of retirement at the retiree’s own cost, if permitted by the health insurance carrier. The City’s medical insurance providers charge the City the same premiums for retirees who are not yet eligible for Medicare as they charge for active employees. Since retirees typically have higher health care costs than active employees, the retiree premium rates are being subsidized by the inclusion of active lives in setting rates. As of June 30, 2019, 192 employees (including inactive employees or beneficiaries currently receiving benefits and active employees) were covered by the benefit terms for the plan.

The City’s Comprehensive Annual Financial Report for the fiscal year ended June 30, 2020, and in particular Note 10 thereto, includes information about the City’s post-employment healthcare liabilities and funding.

Based on an actuarial valuation as of June 30, 2019, the City’s total OPEB liability as of June 30, 2020, was \$3,906,161.

For the fiscal year ended June 30, 2019, the City recognized an OPEB expense of \$388,454.

Investment Policies and Procedures

The City invests its funds in accordance with the City’s Investment and Portfolio 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 return on investments (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 manner which provides for safety of principal while providing sufficient liquidity to cover the City’s short and long-term needs while generating the appropriate yield.

The City Council receives monthly investment reports. According to the report for the month ended March 31, 2021, the City has invested funds as set forth in the table below.

**Table A-8
CITY OF EL CERRITO
Investment Portfolio as of March 31, 2021**

	Par Value	Cost Value	Market Value
LAIF	\$11,307,178	\$11,307,178	\$11,307,178
Mechanics Bank	1,419,259	1,419,259	1,419,259
Total	\$12,726,437	\$12,726,437	\$12,726,437

Source: City of El Cerrito Quarterly Cash & Investment Report for Period Ending March 31, 2021.

Population

As of January 1, 2021, the population of the City was estimated to be 24,846. The following table presents population data for the last five years for the City, County and State.

**Table A-9
COUNTY OF CONTRA COSTA
Population**

Year	City of El Cerrito	County of Contra Costa	State of California
2017	24,534	1,137,577	39,352,398
2018	24,645	1,143,188	39,519,535
2019	24,788	1,147,623	39,605,361
2020	24,835	1,149,853	39,648,938
2021	24,846	1,153,854	39,466,855

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

Employment and Industry

The Oakland-Hayward-Berkeley Metropolitan Division (“MD”) encompasses Alameda and Contra Costa Counties. The unemployment rate in the Oakland-Hayward-Berkeley MD was 6.6% in March 2021, down from a revised 6.9% in February 2021, and above the year-ago estimate of 3.6%. This compares with an unadjusted unemployment rate of 8.2% for California and 6.2% for the nation during the same period. The unemployment rate was 6.5% in Alameda County and 6.8% in the County.

The table below lists employment by industry group for the County for the years 2016 to 2020.

Table A-10
OAKLAND-HAYWARD-BERKELEY METROPOLITAN DIVISION
(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⁾	1,385,000	1,396,900	1,401,800	1,400,800	1,355,100
Employment	1,324,400	1,344,300	1,357,900	1,358,000	1,235,600
Unemployment	60,600	52,600	43,900	42,800	119,400
Unemployment Rate	4.4%	3.8%	3.1%	3.1%	8.8%
<u>Wage and Salary Employment:</u> ⁽²⁾					
Agriculture	1,300	1,400	1,300	1,400	1,500
Mining, Logging and Construction	68,200	71,400	75,100	75,700	70,600
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 and 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: Labor Division of the California State Employment Development Department.

Principal Employers

The following table shows the principal employers in the City, listed alphabetically, as shown in the City's Comprehensive Annual Financial Report for fiscal year ending June 30, 2020.

**Table A-11
CITY OF EL CERRITO
Principal Employers⁽¹⁾**

Employer	
Barnes and Noble	Nation's
Bed Bath & Beyond	Pastime Hardware
City of El Cerrito	Prospect Sierra School
CVS Pharmacy	Romano's Macaroni Grill
El Cerrito Royale	Safeway
Fat Apple's Restaurant	Shields Nursing Center
Home Depot	Tehiyah Day School
Honda of El Cerrito	Trader Joe's
Lucky's	US Post Office
Mira Vista Golf and Country Club	

(1) Data not available for total employees for each employer.

Source: *City Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2020.*

Effective Buying Income

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

The following table summarizes the total effective buying income for the City, the County, the State and the United States for the period 2017 through 2021:

**Table A-12
CITY OF EL CERRITO
Effective Buying Income
2017 through 2021**

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2017	City of El Cerrito	\$1,034,072	\$73,185
	Contra Costa County	39,248,375	69,967
	California	1,036,142,723	55,681
	United States	8,132,748,136	48,043
2018	City of El Cerrito	\$1,102,688	\$78,153
	Contra Costa County	42,543,271	74,398
	California	1,113,648,181	59,646
	United States	8,640,770,229	50,735
2019	City of El Cerrito	\$1,182,823	\$82,665
	Contra Costa County	46,121,254	79,603
	California	1,183,264,399	62,637
	United States	9,017,967,563	52,841
2020	City of El Cerrito	\$1,263,907	\$87,166
	Contra Costa County	48,775,464	83,242
	California	1,243,564,816	65,870
	United States	9,487,165,436	55,303
2021	City of El Cerrito	\$1,304,137	\$90,166
	Contra Costa County	51,959,070	87,804
	California	1,290,894,604	67,956
	United States	9,809,944,764	56,790

Source: The Nielsen Company (US), Inc for years 2017 and 2018; Claritas, LLC for 2019 through 2021.

Commercial Activity

Summaries of the historic taxable sales within the City and the County during the past five years in which data is available are shown in the following tables.

Total taxable sales during the first three quarters of calendar year 2020 in the City were reported to be \$156,661,236, a 17.94% decrease from the total taxable sales of \$190,902,495 reported during the first three quarters of calendar year 2019.

**TABLE A-13
CITY OF EL CERRITO
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)**

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2015 ⁽¹⁾	419	\$283,340	603	\$306,208
2016	417	243,393	612	264,739
2017	417	244,418	618	268,938
2018	398	246,120	621	265,240
2019	403	241,345	644	261,691

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

Source: State Department of Tax and Fee Administration.

Total taxable sales during the first three quarters of calendar year 2020 in the County were reported to be \$12,748,851,207, a 1.95% decrease from total taxable sales of \$13,002,550,077 reported during the first three quarters of calendar year 2019.

**TABLE A-14
CONTRA COSTA COUNTY
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)**

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2015 ⁽¹⁾	8,980	\$11,420,248	23,996	\$15,670,053
2016	14,920	11,756,808	24,064	15,924,592
2017	14,945	12,302,863	24,114	16,558,840
2018	15,095	13,163,891	25,317	17,607,890
2019	15,337	13,301,946	26,210	18,048,985

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

Source: State Department of Tax and Fee Administration.

Construction Activity

The following tables show a five-year summary of the valuation of building permits issued in the City and the County.

TABLE A-15
CITY OF EL CERRITO
Building Permit Valuation
(Valuation in Thousands of Dollars)

	2015	2016	2017	2018	2019
<u>Permit Valuation</u>					
New Single-family	\$1,250.0	\$1,195.0	\$2,650.0	\$5,569.8	\$4,142.7
New Multi-family	23,027.3	0.0	250.0	0.0	16,378.2
Res. Alterations/Additions	8,282.4	8,810.0	9,741.2	9,355.4	9,710.0
Total Residential	\$32,559.7	\$10,005.0	\$12,641.2	\$14,925.2	\$30,230.9
New Commercial	\$103.1	\$374.0	\$285.0	\$50.0	\$9,682.1
New Industrial	0.0	0.0	0.0	0.0	0.0
New Other	1,452.7	2,559.9	13,647.6	1,328.9	1,113.0
Com. Alterations/Additions	987.3	616.8	2,841.5	5,704.6	2,563.0
Total Nonresidential	\$2,543.1	3,550.7	\$16,774.1	\$7,083.5	13,358.1
<u>New Dwelling Units</u>					
Single Family	3	3	5	11	22
Multiple Family	<u>131</u>	<u>0</u>	<u>5</u>	<u>0</u>	<u>102</u>
TOTAL	134	3	10	11	124

Source: Construction Industry Research Board, Building Permit Summary.

TABLE A-16
CONTRA COSTA COUNTY
Building Permit Valuation
(Valuation in Thousands of Dollars)

	2015	2016	2017	2018	2019
<u>Permit Valuation</u>					
New Single-family	\$629,638.5	\$605,151.7	\$541,940.5	\$576,116.0	\$502,567.7
New Multi-family	123,088.7	155,051.9	55,154.8	169,461.5	213,697.9
Res. Alterations/Additions	301,221.7	312,967.0	354,340.6	337,089.0	300,066.4
Total Residential	\$1,053,948.9	\$1,073,170.6	\$951,435.9	\$1,082,666.5	\$1,016,332.0
New Commercial	\$122,256.4	\$144,878.8	\$133,930.0	\$200,592.4	\$148,405.7
New Industrial	15,020.1	11,624.8	3,552.0	52,919.3	2,974.5
New Other	170,219.6	309,861.2	108,530.0	189,246.6	81,032.5
Com. Alterations/Additions	219,320.4	333,717.2	361,757.0	287,139.5	240,543.0
Total Nonresidential	\$526,816.5	\$800,082.0	\$607,769.0	\$729,897.8	472,955.7
<u>New Dwelling Units</u>					
Single Family	1,909	1,853	1,732	1,647	1,573
Multiple Family	<u>629</u>	<u>1,043</u>	<u>272</u>	<u>1,161</u>	<u>1,229</u>
TOTAL	2,538	2,896	2,004	2,808	2,802

Source: Construction Industry Research Board, Building Permit Summary.

Education

The City is part of the West Contra Costa Unified School District (“**WCCUSD**”), which also serves other west Contra Costa County communities. In the City, WCCUSD operates one early intervention preschool, three public elementary schools, one public middle school, and one public high school. Nearby higher education institutions include Contra Costa College and the University of California-Berkeley.

Transportation

Highly developed transportation facilities of the San Francisco-Oakland Metropolitan area are readily available to the residents of the City. The City is traversed by Interstate 80 (Eastshore Freeway). Five miles north, California Highway 4 runs east from I-80 to Concord, where freeway connections can be made to San Jose (I-680), the Central Valley (I-580), and Los Angeles (I-5). The community is also served by the Bay Area Rapid Transit (BART) system with stations near both the north and south boundaries of the City, the East Bay Paratransit Service and the AC Transit bus system.

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APPENDIX B

**COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY
FOR THE YEAR ENDED JUNE 30, 2020**

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APPENDIX C
FORM OF OPINION OF BOND COUNSEL

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APPENDIX D

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 Notes, payment of principal, interest and other payments on the Notes to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Notes 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 issuer of the Notes (the “Issuer”) nor the trustee, fiscal agent or paying agent appointed with respect to the Notes (the “Agent”) take any responsibility for the information contained in this Appendix.

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 Notes, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Notes, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Notes, 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 (the “Securities”). The Securities 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 Security certificate will be issued for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue 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 and www.dtc.org. *The information contained on this Internet site is not incorporated herein by reference.*

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC’s records. The ownership interest of each actual purchaser of each Security (“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 Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities 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 Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Securities 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 Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities 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 notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Securities 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 any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer 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 Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities 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 Issuer or 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, Agent, or Issuer, 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 Issuer or 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 depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

10. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security 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 Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “**Disclosure Certificate**”) is executed and delivered by the City of El Cerrito (the “**City**”) in connection with the issuance by the City of the \$_____ City of El Cerrito 2021-22 Tax and Revenue Anticipation Notes (the “**Notes**”). The Notes are being issued pursuant to a resolution adopted by the City Council of the City on June 8, 2021, (the “**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 Notes and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

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

“**Dissemination Agent**” shall mean Willdan Group, Inc., or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

“**Listed Events**” shall mean any of the events listed in Section 3(a) of this Disclosure Certificate.

“**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 dated _____, 2021, executed by the District in connection with the issuance of the Notes.

“**Participating Underwriter**” shall mean Hilltop Securities Inc., the original purchaser of the Notes required to comply with the Rule in connection with offering of the Notes.

“**Rule**” shall mean 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. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 3, the City shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Notes:

- (1) Principal and interest payment delinquencies.
- (2) Non-payment related defaults, if material.

- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (5) Substitution of credit or liquidity providers, or their failure to perform.
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.
- (7) Modifications to rights of security holders, if material.
- (8) Bond calls, if material, and tender offers.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities, if material.
- (11) Rating changes.
- (12) Bankruptcy, insolvency, receivership or similar event of the City or other obligated person.
- (13) The consummation of a merger, consolidation, or acquisition involving the City or an obligated person, or the sale of all or substantially all of the assets of the City or an obligated person (other than in the ordinary course of business), the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.
- (15) Incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material.
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

(b) Whenever the City obtains knowledge of the occurrence of a Listed Event, the City shall, or shall cause the Dissemination Agent (if not the City) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event.

(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.” The City shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that the City determines the event’s occurrence is material for purposes of U.S. federal securities law.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(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 3(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 4. 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 Notes. If such termination occurs prior to the final maturity of the Notes, the City shall give notice of such termination in the same manner as for a Listed Event under Section 3(c).

Section 5. 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 such Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be Willdan Group, Inc.

Section 6. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

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

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

(c) the proposed amendment or waiver either (i) is approved by holders of the Notes, or (ii) does not, in the opinion of the Trustee or nationally recognized Bond Counsel, materially impair the interests of the holders or beneficial owners of the Notes.

Section 7. 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 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 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 notice of occurrence of a Listed Event.

Section 8. Default. In the event of a failure of the City to comply with any provision of this Disclosure Certificate any holder or beneficial owner of the Notes 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 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 9. Duties, Immunities and Liabilities of Dissemination Agent. 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 it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Notes.

Section 10. 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 Notes and shall create no rights in any other person or entity.

Date: _____, 2021

CITY OF EL CERRITO

By _____
City Manager

ACKNOWLEDGED AND ACCEPTED:

WILLDAN GROUP, INC.

By _____
Authorized Representative

DRAFT