PRELIMINARY OFFICIAL STATEMENT DATED _________, 2020

NEW ISSUE - FULL BOOK-ENTRY | **RATINGS:**
________: "___"
________: "___"

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California ("Bond Counsel"), under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest (and original issue discount) on the Bonds is exempt from State of California personal income tax. See "LEGAL MATTERS - Tax Exemption" herein with respect to tax consequences relating to the Bonds.

$___________*
CITY OF FOSTER CITY
General Obligation Bonds, Series 2020
(Levee Protection Planning and Improvements Project)
(Green Bonds)

Dated: Date of Delivery | **Due August 1, as shown on inside front cover**

Issuance. The general obligation bonds captioned above (the "Bonds") are being issued by the City of Foster City (the "City") under provisions of the California Government Code and under a Resolution adopted by the City Council of the City (the "City Council") on July 6, 2020 (the "Bond Resolution"). The Bonds were authorized at an election of the registered voters of the City held on June 5, 2018, at which more than two-thirds of the persons voting on the proposition voted to authorize the issuance and sale of not to exceed $90,000,000 principal amount of general obligation bonds. The Bonds are the first series of bonds to be sold and issued under this authorization. See "THE BONDS – Authority for Issuance."

Purpose. The Bonds are being issued to finance the improvement of the City's levee system. See "PLAN OF FINANCE – Purpose of Issue."

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

Book-Entry Only. The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"). The Bonds are issuable as fully registered securities in denominations of $5,000 or any integral multiple of $5,000. Purchasers of the Bonds will not receive physical certificates representing their interest in the Bonds. See "THE BONDS" and "APPENDIX E – DTC AND THE BOOK-ENTRY ONLY SYSTEM."

Payments. Interest on the Bonds accrues from the date of delivery and is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2021. Payments of principal and interest on the Bonds will be paid by U.S. Bank, National Association, as Paying Agent, to DTC for subsequent disbursement to DTC Participants, which will remit such payments to the owners of the Bonds. See "THE BONDS – Description of the Bonds."

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

Maturity Schedule
(See inside cover)

Cover Page. This cover page contains certain information for general reference only. It is not a summary of all the provisions of the Bonds. Prospective investors must read the entire Official Statement to obtain information essential to making an informed investment decision.

The Bonds are offered when, as and if issued and received by the Underwriter and subject to the approval as to their legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, Bond Counsel. Certain legal matters will also be passed upon for City by Jones Hall, A Professional Law Corporation, as Disclosure Counsel. Certain legal matters will be passed upon for the City by the City Attorney. Certain legal matters will be passed upon for the Underwriter by its counsel, Nixon Peabody LLP. It is anticipated that the Bonds will be delivered in book-entry form through the facilities of DTC on or about ______ __, 2020.

BofA SECURITIES

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* Preliminary; subject to change.

The date of this Official Statement is _________, 2020.

MATURITY SCHEDULE
(Base CUSIP†: ______)

$_________ Serial Bonds

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

$________ ____% Term Bond Due August 1, 20__, Yield: ____%, Price: ____; CUSIP†: ___

$________ ____% Term Bond Due August 1, 20__, Yield: ____%, Price: ____; CUSIP†: ___

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

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

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

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

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

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

Involvement of Underwriter. The Underwriter (as defined in "UNDERWRITING") has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the Federal Securities Laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

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

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

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

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

CITY OF FOSTER CITY

ELECTED OFFICIALS

Catherine Mahanpour, Mayor
Sanjay Gehani, Vice Mayor
Richa Awasthi, Councilmember
Jon Froomin, Councilmember
Sam Hindi, Councilmember

CITY OFFICIALS

Dante Hall, Acting *City Manager*
Edmund Suen, *Finance Director*
Fiti Rusli, *Assistant Finance Director*
Norman Dorais, *Public Works Director*
Laura Galli, *Public Works Engineering Manager*
Aaronson, Dickerson, Cohn & Lanzone, *City Attorney*

PROFESSIONAL SERVICES

BOND COUNSEL

Stradling Yocca Carlson & Rauth, a Professional Corporation
San Francisco, California

DISCLOSURE COUNSEL

Jones Hall, A Professional Law Corporation
San Francisco, California

MUNICIPAL ADVISORS

Kitahata & Company
San Francisco, California

William Euphrat Municipal Finance, Inc.
San Francisco, California

BOND REGISTRAR, TRANSFER AGENT, AND PAYING AGENT

U.S. Bank National Association
San Francisco, California

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OFFICIAL STATEMENT

$__________*
CITY OF FOSTER CITY
General Obligation Bonds, Series 2020
(Levee Protection Planning and Improvements Project)
(Green Bonds)

The purpose of this Official Statement, which includes the cover page, inside cover page and attached appendices, is to set forth certain information concerning the sale and delivery of the bonds captioned above (the "**Bonds**") by the City of Foster City. All capitalized terms used in this Official Statement, unless noted otherwise, have the meanings set forth in the Bond Resolution (as defined below).

INTRODUCTION

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

The City. The City of Foster City (the "**City**"), a general law city located in San Mateo County (the "**County**"), was incorporated on April 27, 1971. Located on the San Francisco Peninsula, ten miles south of the San Francisco International Airport, the City encompasses a geographic area of 19.8 square miles, of which 16.1 square miles are part of San Francisco Bay and Belmont Slough, and 3.8 square miles are land. The total area of the City is comprised of approximately 81% water.

See "APPENDIX A – FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE CITY OF FOSTER CITY AND SAN MATEO COUNTY" and "APPENDIX B – COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR YEAR ENDED JUNE 30, 2019," for demographic and financial information regarding the City.

Authority for Issuance. The Bonds represent a sale of bonds approved by more than two-thirds of the qualified voters in the City voting at a municipal election on June 5, 2018, to approve the issuance of up to $90,000,000 of general obligation bonds. The Bonds are the first series of bonds issued under the 2018 authorization. See "THE BONDS – Authority for Issuance."

The Bonds are being issued under Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California. The City authorized the issuance of the

* Preliminary; subject to change.

Bonds under a Resolution adopted by the City Council of the City (the "**City Council**") on July 6, 2020 (the "**Bond Resolution**").

Purpose of Issuance. The Bonds are being issued to finance the improvement of the City's levee system. See "PLAN OF FINANCE – Purpose of Issue."

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

Tax-Exempt Status of the Bonds. In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, Bond Counsel, based on existing statutes, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest (and original issue discount) on the Bonds is exempt from State of California personal income tax. See "LEGAL MATTERS – Tax Exemption" herein.

Designation as Green Bonds. On July __, 2020, S&P Global Ratings ("S&P") assigned its Green Evaluation score of E__/__ (the "**Green Evaluation Score**") to the Bonds. See "THE BONDS – Designation as Green Bonds."

Payment and Registration of the Bonds. The Bonds will be dated their date of original issuance and delivery (the "**Dated Date**") and will be issued as fully registered bonds, without coupons, in the denominations of $5,000 or any integral multiple of $5,000, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("**DTC**"), and will be available under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants as described below. Owners of the Bonds will not be entitled to receive physical delivery of the Bonds. See "THE BONDS" and "APPENDIX E – DTC AND THE BOOK-ENTRY ONLY SYSTEM."

Interest on the Bonds accrues from the Dated Date and is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2021. See "THE BONDS – Description of the Bonds."

Early Redemption. The Bonds are subject to optional and mandatory redemption prior to their maturity as described in "THE BONDS - Redemption."

Continuing Disclosure. The City will covenant for the benefit of bondholders to make available certain financial information and operating data relating to the City and to provide notices of the occurrence of certain enumerated events, in compliance with the Securities Exchange Commission Rule 15c2-12(b)(5) (the "Rule"). See "LEGAL MATTERS - Continuing Disclosure" and APPENDIX D – FORM OF CONTINUING DISCLOSURE CERTIFICATE."

Other Information. This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of documents referred to in this Official Statement and information concerning the Bonds are available from the City of Foster City, Attn.: City Clerk, 610 Foster City Blvd., Foster City, CA 94404, (650) 286-3200. The City may impose a charge for copying, mailing and handling.

PLAN OF FINANCE

Purpose of Issue

Voter Authorization. The net proceeds of the Bonds will be used to finance the improvement of the City's levee system, as approved by more than the requisite number of registered voters in the City. The abbreviated form of the Measure P ballot measure is set forth below:

> *"To improve the levee protecting essential city services, including fire, police, water, sewer, transportation infrastructure; protect Foster City homes, schools, businesses from flooding; avoid both Foster City being designated a FEMA special flood hazard area and flood insurance requirements for residents/businesses; shall Foster City issue $90,000,000 in bonds at legal rates, levy approximately $40 per $100,000 assessed valuation, averaging $5,171,000 collected annually while bonds are outstanding, with citizens' oversight, no funds for administrators, all funds staying local?"*

The Bonds will be the first series of bonds issued pursuant to the authorization. Following the issuance of the Bonds, $_____[*] of authorization will remain unissued.

Existing Levee. The City maintains an approximately 43,000-linear-foot (8 miles) levee along the San Francisco Bay, which surrounds the majority of the outer perimeter of the City. The original perimeter of the levee was installed in the early 1900s and was formed with dredged Bay mud deposited on the outboard side of the perimeter channel systems. The levee system provides protection from flood hazards and storms and is a valuable safety element.

Approximately 9,000 properties in the City are protected from the 100-year flood by the levee system. In addition, properties in the City are protected from the 100-year flood by the City of San Mateo's levee and floodwall systems south of San Mateo Creek.

The current levee was permitted by the U.S. Army Corp of Engineers on February 20, 1976 to protect the City from flooding due to level overtopping from high tides/stillwater or storm surge and/or wave runup. It has been improved over time and was last re-accredited by the Federal Emergency Management Agency ("**FEMA**") in 2007. FEMA conducted a coastal flood hazard study in 2014, which determined that roughly 85% of the City's levee system does not meet new FEMA requirements. FEMA granted the City a temporary "seclusion mapping" designation in 2015 to remain classified as having a moderate or minimal flooding risk, so long as progress was made to address the deficiencies of the levee. The City of San Mateo also has a short segment of levee (south of San Mateo Creek) that protects Foster City. This short segment of San Mateo levee is currently accredited by FEMA and is shown on the FEMA Flood Insurance Rate Map.

Levee Protection Improvements Project. An Environmental Impact Report for the levee improvements to be financed by the Bonds (the "**Levee Protection Improvements Project**") was certified the City Council on May 8, 2017 by Resolution No. 2017-27.

The purpose of the Levee Protection Improvements Project is to retain FEMA accreditation for the levee system and provide flood protection in accordance with updated FEMA guidelines.

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[*] Preliminary; subject to change.

In addition, the Project would provide some level of sea level rise protection (as well as flexibility to adapt to increased levels of protection in the future) while maintaining public access along the levee system and protection for sensitive species and habitat.

The total expected budget for the Levee Protection Improvements Project is $______, and the City expects to have sufficient funds with the combination of Bond proceeds and available reserves ($19,265,000).

The City has requested bids for the Levee Protection Improvements Project, expects to receive bids on June 30, 2020, and expects to award a contract on July 20, 2020.

The City expects to begin construction on September 1, 2020 and to complete the Levee Improvements Project by September 1, 2023.

Risks Addressed by Levee Protection Improvements Project. The Levee Protection Improvements Project is intended to protect the City against certain risks.

Flooding***.*** The levee system provides protection for very short-term duration, extreme high tides coupled with infrequent storm events.

Climate Change. Numerous relevant government studies have been released to document the risk of climate change faced by the City, most notably:

- A 2018 San Mateo County report, entitled "County of San Mateo Sea Level Rise Vulnerability Assessment," which states that more than 30,000 residential and 3,000 commercial parcels in the County with an assessed aggregate value of $39 billion may be vulnerable to the impacts of sea-level rise in the long-term. The County infrastructure and facilities at risk include airports, electric substations, wastewater treatment plants, healthcare facilities, police stations, fire stations, and miles of levees.

- A March 2020 report from the Bay Conservation Development Commission ("**BCDC**"), entitled "Adapting to Rising Tides Bay Area: Regional Sea Level Rise Vulnerability and Adaptation Study," which outlines the worst-case scenario for impacts and consequences to four critical regional systems – transportation networks, vulnerable communities, future growth areas, and natural lands – for ten different flooding scenarios in the absence of action.

- Two reports issued by the California Ocean Protection Council, including a 2018 report entitled "State of California Sea Level Rise Guidance" ("**2018 State Guidance**"), and a February 26, 2020 report entitled "Strategic Plan to Protect California's Coast and Ocean 2020–2025" ("**2020 State Guidance**"). The 2020 State Guidance established a new goal of ensuring California's coast is resilient to at least 3.5 feet of sea-level rise by 2050 based on its finding that warming seas and rapidly melting ice sheets are projected to increase sea levels by 3.5 feet or more by the end of the 21st century.[1]

The City adopted a Climate Action Plan ("**CAP**") in September 2015 that contained strategies to reduce emissions to 15% below 2005 levels by 2021. The City is in the process of updating its current CAP to incorporate the specific programs, initiatives, and policies contained in the "Sustainable Foster City Plan." The City expects to complete this update of its CAP by the end of by the end of fiscal year 2020-21.

Climate change concerns are leading to new laws and regulations at the federal, State and local levels. Research suggests that the State will experience hotter and drier conditions, reductions in winter snow and increases in winter rains, sea level rise, significant changes to the water cycle, increased occurrences of extreme and unpredictable weather events, and increased catastrophic wildfires and severity of flood events.

The City is designing the levee improvements to provide protection against 24 inches of sea level rise. The City designed the levee improvements to protect against the combined 100-year flood hazard (tides, wind waves, and wave runup) with the probability of a 0.5% (1 in 200 chance) that Sea Level Rise will exceed 1.9 Feet by 2050, based on the 2018 State Guidance. The design provides for the maximum protective vertical elevation possible within existing foundational soil limitations at reasonable cost in the current regulatory setting.

As part of its permit application to the BCDC for the Levee Protection Improvements Project, the City prepared a risk assessment and adaptive management plan ("**Adaptation Plan**") that outlines a suite of feasible adaptation measures, including landward ecotone levees, traditional shoreline revetments with landward expansion, ecotone levees with Bay fill, adaptive offshore structures, and traditional shoreline revetments, given site conditions, and establishes a pathways approach for future adaptation through 2100. The Project's permit conditions require that the City perform an update to the Adaptation Plan every five years in order to monitor and anticipate the actual and projected amount of sea level rise that actually occurs in the future.

Risks to the Levee and other Property in the City. Property in the City, including the levee system, is subject to risks from certain seismic conditions.

Earthquake. There are several geological faults in the greater San Francisco Bay Area that have the potential to cause serious earthquakes that could result in damage to property in the city, including taxable property, buildings, roads, bridges and the levee. There are no known active, potentially active, or inactive faults located within the City. However, the San Andreas fault, located approximately two miles west of the City, and the Hayward fault, located approximately 14 miles east of the City, are both active. Historic earthquakes have caused strong ground shaking and damage in the San Francisco Bay Area, the most recent being the magnitude 6.9 Loma Prieta earthquake on the San Andreas Fault in October 1989. The epicenter was approximately 50 miles south of the City. The risk posed by an earthquake to the existing levee system is that an earthquake, for example of greater magnitude than the Loma Prieta earthquake, would damage the levee system so that it would be vulnerable to overtopping or breach during a subsequent

[1] The California Ocean Protection Council was created pursuant to the California Ocean Protection Act (2004). The Council is a cabinet-level state agency that consists of the Secretary of the Natural Resources Agency, the Secretary for Environmental Protection, the Chair of the State Lands Commission, two members of the public appointed by the Governor and two members of the Legislature.

flood event. The City designed the levee based on expected ground motions for seismic events that have a 100-year return period.

Liquefaction. Liquefaction occurs when ground shaking causes the mechanical properties of some fine grained, saturated soils to liquefy and act as a fluid (liquefaction). In order for liquefaction to occur, three general geotechnical characteristics are present: (i) ground water is within the potentially liquefiable zone, (ii) the potentially liquefiable zone is granular and meets a specific range in grain-size distribution, and (iii) the potentially liquefiable zone is of low relative density. If those criteria are present and strong ground motion occurs, then those soils could liquefy, depending upon the intensity and duration of the strong ground motion. The larger the earthquake magnitude, and the longer the duration of strong ground shaking, the greater the potential there is for liquefaction to occur.

Maps prepared by the Association of Bay Area Governments and the United States Geological Survey (the "**USGS**") indicate that the City is located in a high- to very-high area for the potential of experiencing earthquake-induced liquefaction. However, site-specific geotechnical investigations conducted for the Levee Protection Improvements Project found that the project site is primarily underlain by soft to stiff clays with some medium dense to dense sandy soils. Based on the cohesion and density of these subsurface deposits, the project-specific geotechnical investigations concluded that the potential for liquefaction and lateral spreading is low at the project site. Based on this conclusion, the risk of liquefaction and localized slope failure at the project site was deemed to be less than significant.

All of the risks described above – climate change, earthquakes and liquefaction – pose a risk to taxable property in the City and, if not addressed, could adversely impact the City's ability to pay debt service on the Bonds.

Sources and Uses of Funds

The estimated sources and uses of funds with respect to the Bonds will be applied as follows:

Sources of Funds	
Principal Amount of Bonds	
Plus: Net Original Issue Premium	
Less: Underwriter's Discount	
Total Sources	
Uses of Funds	
Deposit to Project Fund	
Deposit to Debt Service Fund	
Costs of Issuance(1)	
Total Uses	

(1) Includes Municipal Advisor fees, Paying Agent fees, Bond Counsel and Disclosure Counsel fees, printing costs, rating agency fees and other related costs.

THE BONDS

Authority for Issuance

The Bonds are being issued under Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California (the "**Act**") and other applicable law. The City authorized the issuance of the Bonds with the adoption of the Bond Resolution.

The City received authorization at an election held on June 5, 2018, by an affirmative vote of 86.6% of the eligible voters within the City (the "**Authorization**") to issue $90,000,000 of general obligation bonds. The Bonds are the first series of Bonds to be sold and issued under the Authorization.

Description of the Bonds

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

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

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

See "APPENDIX E – DTC AND THE BOOK-ENTRY ONLY SYSTEM."

Interest. Interest on the Bonds is payable semiannually on February 1 and August 1 of each year (the "**Interest Payment Dates**"), commencing February 1, 2021. Interest on each Bond shall be paid by the Paying Agent on the Interest Payment Date to the owner of the Bonds the fifteenth day of the month preceding an Interest Payment Date (each, a "**Record Date**").

Each Bond shall bear interest from the Interest Payment Date next preceding the date of authentication with respect to which interest has been paid or provided for, unless:

i. the date of authentication is prior to the first Record Date, in which event it shall bear interest from the date of delivery of the Bonds,

ii. the date of authentication is after a Record Date and before the following Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or

iii. it is authenticated as of an Interest Payment Date, in which event it shall bear interest from such date) until the principal hereof shall have been paid.

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

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

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

Payment

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

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

Application of Bond Proceeds

The proceeds of the sale from the Bonds, net of costs of issuance and any premium received upon the sale thereof, will be deposited by the City to the credit of the improvement fund created by the Resolution (the "**Project Fund**"), and will be applied solely for the purposes for which the Bonds are being issued. Interest earnings in the Project Fund will be retained therein.

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

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

Statutory Liens

Pursuant to California Government Code Section 53515, the Bonds will be secured by a statutory lien on all revenues received pursuant to the levy and collection of *ad valorem* property taxes for the payment thereof. The lien automatically attaches, without further action or authorization by the City Council, and is valid and binding from the time the Bonds are executed and delivered. The revenues received pursuant to the levy and collection of the *ad valorem* property tax will be immediately subject to the lien, and such lien will be enforceable against the City, its successor, transferees and creditors, and all other parties asserting rights therein, irrespective of whether such parties have notice of the lien and without the need for physical delivery, recordation, filing or further act.

Redemption

Optional Redemption. The Bonds maturing on or before August 1, 20__ are not subject to redemption prior to maturity. The Bonds maturing on or after August 1, 20__ are subject, at the option of the City, to redemption prior to their stated maturities in whole or in part on any date commencing August 1, 20__, at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption, without premium.

Mandatory Sinking Fund Redemption. The Bonds maturing on August 1, 20__, and August 1, 20__ ("**Term Bonds**"), are subject to mandatory sinking fund redemption, in part by lot, prior to their stated maturity, on each August 1 on and after August 1, 20__, at a redemption price equal to 100% of the principal amount thereof called for redemption, without premium, plus accrued interest thereon to the date of redemption in the aggregate respective principal amounts set forth in the following table:

$_______ Bond Due August 1, 20__

Redemption Date (August 1)	Principal Amount to be Redeemed
(Maturity)	

$_______ Bond Due August 1, 20__

Redemption Date (August 1)	Principal Amount to be Redeemed
(Maturity)	

Selection of Bonds for Redemption. If less than all of the Bonds outstanding are to be redeemed, the portion of any Bond of a denomination of more than $5,000 to be redeemed shall be in the principal amount of $5,000 or an integral multiple thereof, and, in selecting portions of such Bond for redemption, the Paying Agent shall treat each such Bond as representing that number of Bonds of $5,000 denominations which is obtained by dividing the principal amount of such Bond to be redeemed in part by $5,000. The Paying Agent shall promptly notify the City in writing of the Bonds, or portions thereof, selected for redemption.

Whenever provision is made for the optional redemption of Bonds and less than all Outstanding Bonds are to be redeemed, the Paying Agent, upon written instruction from the City, will select Bonds for redemption as so directed and if not directed, in inverse order of maturity. Within a maturity, the Paying Agent will select Bonds for redemption as directed by the City and, if not so directed, by lot. Redemption by lot shall be in such manner as the Paying Agent shall determine; provided, however, that the portion of any Bond to be redeemed in part shall be in the principal amount of $5,000 or any integral multiple thereof.

In the event that a portion of any Term Bond is optionally redeemed prior to maturity, the remaining mandatory sinking fund payments with respect to such Term Bonds will be reduced proportionately, or as otherwise directed by the City, in integral multiples of $5,000 principal amount, in respect of the portion of such Bonds optionally redeemed.

Notice of Redemption. The Paying Agent will cause notice of any redemption to be mailed, first class mail, postage prepaid, at least 20 days but not more than 45 days prior to the date fixed for redemption, (i) to the Securities Depositories and the Municipal Securities Rulemaking Board, and (ii) to the respective owners of any Bonds designated for redemption, at their addresses appearing on the Registration Books (as defined below) maintained by the Paying Agent. Such mailing will not be a condition precedent to such redemption and failure to mail or to receive any such notice will not affect the validity of the proceedings for the redemption of such Bonds.

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

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

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

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

Registration, Transfer and Exchange of Bonds

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

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

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

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

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

Defeasance

All or any portion of the outstanding maturities of the Bonds may be defeased at any time prior to maturity in the following ways:

(a) Cash: an amount of cash which together with amounts then on deposit in the Debt Service Fund, is sufficient, without reinvestment, to pay and discharge all or part of the Bonds outstanding (including all principal, interest and premium, if any) at or before their stated maturity date; or

(b) Government Obligations: Government Obligations not subject to call, together with cash, if required, in such amount as will, without reinvestment, in the opinion of an independent certified public accountant, together with interest to accrue thereon and moneys transferred from the Debt Service Fund together with the interest to accrue thereon, be fully sufficient to pay and discharge all of the corresponding Bonds (including all principal and interest and premium, if any) to be defeased at or before their stated maturity date.

then, notwithstanding that any such maturities of Bonds shall not have been surrendered for payment, all obligations of the City with respect to all such outstanding Bonds designated for defeasance shall cease and terminate, except only the obligation of the independent escrow agent selected by the City to pay or cause to be paid from funds deposited pursuant to paragraphs (a) or (b) above, to the owners of such designated Bonds not so surrendered and paid all sums due with respect thereto; provided that the City shall have received an opinion of bond counsel for said Bonds, that said Bonds have been defeased.

"**Government Obligations**" means direct and general obligations of the United States of America, or obligations that are unconditionally guaranteed as to principal and interest by the United States of America (which may consist of obligations of the Resolution Funding Corporation that constitute interest strips), or otherwise guaranteed, directly or indirectly, as to principal and interest by a pledge of the full faith and credit of the United States of America. In the case of direct and general obligations of the United States of America, Government Obligations shall include evidences of direct ownership of proportionate interests in future interest or principal payments of such obligations. Investments in such proportionate interests must be limited to circumstances where (a) a bank or trust company acts as custodian and holds the underlying United States obligations; (b) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying United States obligations; and (c) the underlying United States obligations are held in a special account, segregated from the custodian's general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated; provided that such obligations are rated or assessed by S&P Global Ratings ("S&P") or Moody's Investors Service ("Moody's") at least as high as direct or general obligations of the United States of America.

Designation as Green Bonds

The Bonds will finance improvements to the City's levee system (see "PLAN OF FINANCE" above). To designate this issuance as "Green Bonds", a green evaluation was sought from one of the rating agencies.

On July __, 2020, S&P Global Ratings ("**S&P**") assigned its Green Evaluation score of E__/__ (the "Green Evaluation Score") to the Bonds, which Green Evaluation Score is an asset-level environmental credential based on the use of proceeds and governance and transparency associated with the Bonds and not a credit rating. E1 is the strongest Green Evaluation Score on a scale of E1 (the highest) to E4 (the lowest) and reflects a point-in-time assessment by S&P reflecting the information available to S&P at the time the Green Evaluation Score was assigned and published. The Green Evaluation Score is based solely on S&P's evaluation criteria described in its Green Evaluation Report (the "**Green Evaluation Report**"), and does not and is not intended to, make any representation or give any assurance with respect to any other matter relating to the Bonds. S&P's assignment of the Green Evaluation Score to the Bonds is not a recommendation to purchase, hold or sell the Bonds, and such evaluation does not address the market price or suitability of the Bonds to a particular investor.

The purpose of labeling the Bonds as Green Bonds is to allow purchasers of the Bonds to invest directly in bonds that finance such environmentally beneficial purposes. The holders of the Bonds do not assume any specific project risk or economic benefit related to any of the funded project as a result of the Green Bonds designation.

The City undertakes no responsibility for the accuracy or completeness of the information in the Green Evaluation Report or the Green Evaluation Score or to report changes to or withdrawals thereof. There is no assurance that the Green Evaluation Score will remain unchanged for any given period of time or that it will not be revised or withdrawn entirely by S&P.

Furthermore, the City has not agreed to provide any future information relating to the Bonds' status as Green Bonds, including information that would reasonably expected to materially adversely affect the Green Evaluation Score or the matters described in the Green Evaluation Report.

The Green Evaluation Score reflects only the views of S&P and an explanation of the significance of such score may only be obtained from S&P.

DEBT SERVICE SCHEDULE

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

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

SECURITY FOR THE BONDS

Ad Valorem Taxes

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

Levy and Collection. Each year, the City Council, so far as is practicable, shall fix such rate for a tax to be levied in the City as will result in revenues which will pay the interest on the Bonds, and provide a sinking or other fund for the payment of the principal of the Bonds as such principal may become due. The City Council shall determine the fiscal year for all of the amounts above set forth, and shall fix the rate of tax to be levied which will raise the amounts of money required by the City for such purposes, and as required by the provisions of the law, the City Council shall certify to the County Auditor of the County (the "County Auditor") the rate so fixed. The City shall furnish to the County Auditor a statement in writing containing the following: (a) an estimate of the minimum amount of money required to be raised by taxation during the fiscal year for the payment of the principal of and interest on the Bonds, as will become due before the proceeds of a tax levied at the next general tax levy will be available; and (b) such other items required by the provisions of the Law. The County Auditor shall compute and enter in the County assessment roll the respective sums to be paid as a City tax on the property within the City using the rate or rates of levy as fixed by the City Council and the assessed value on the assessment roll for the property subject to the tax.

The City will levy and the County will collect such *ad valorem* taxes in such amounts and at such times as is necessary to ensure the timely payment of debt service. Such taxes, when collected, will be deposited into the Debt Service Fund.

City property taxes are assessed and collected by the County in the same manner and at the same time, and in the same installments as other *ad valorem* taxes on real property, and will have the same priority, become delinquent at the same times and in the same proportionate amounts, and bear the same proportionate penalties and interest after delinquency, as do the other *ad valorem* taxes on real property.

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

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

COVID-19 Global Pandemic. The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus (**"COVID-19"**), was declared a pandemic by the World Health

Organization, a national emergency by the President of the United States (the "**President**") and a state of emergency by the Governor of the State (the "**Governor**"). There has been tremendous volatility in the markets in the United States and globally, resulting in significant declines and the onset of a national and global recession.

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

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

Impacts on Global and Local Economies; Potential Declines in State Revenues. The COVID-19 public health emergency is altering the behavior of businesses and people in a manner that will have negative impacts on global and local economies, including the economy of the State. Under the State's 2019-20 budget, approximately 70% of the State's general fund revenue is projected to be derived from personal income tax receipts. Additionally, capital gains tax receipts are budgeted to account for about 10% of such receipts in fiscal year 2019-20. The State's Legislative Analyst's Office published a report on June __, 2020 which [**TO COME FOLLOWING RELEASE OF REPORT**].

See "APPENDIX A – FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE CITY OF FOSTER CITY AND SAN MATEO COUNTY" for additional information about the impact of COVID-19 on the City.

Limited Obligation

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

PROPERTY TAXATION

Property Tax Collection Procedures

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

Property taxes on the secured roll are due in two installments, on November 1 and April 1 of each fiscal year. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. In addition, property on the secured roll with respect to which taxes are delinquent is declared tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and a delinquency penalty, plus a redemption penalty of 1-1/2% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to sale by the County.

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

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

Taxation of State-Assessed Utility Property

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

Assessed Valuation

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

Table 1
CITY OF FOSTER CITY
Assessed Valuations of All Taxable Property
Fiscal Years 2010-11 to 2019-20

Fiscal Year	Local Secured[1]	Utility	Unsecured	Total	Percent Change
2010-11	$6,389,667,764	$0	$234,474,145	$6,624,141,909	--%
2011-12	6,433,410,118	0	226,067,249	6,659,477,367	0.5
2012-13	6,626,005,985	0	250,130,330	6,876,136,315	3.3
2013-14	7,194,315,878	0	321,146,194	7,515,462,072	9.3
2014-15	7,565,650,168	0	248,396,208	7,814,046,376	4.0
2015-16	8,340,748,666	0	237,511,041	8,578,259,707	9.8
2016-17	9,160,702,418	0	206,783,986	9,367,486,404	9.2
2017-18	9,952,381,987	0	200,383,775	10,152,765,762	8.4
2018-19	10,712,449,293	0	225,162,754	10,937,612,047	7.7
2019-20	11,765,308,526	0	280,862,898	12,046,171,424	10.1

(1) Amounts are net of homeowners' exemption.
Source: California Municipal Statistics, Inc.

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

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

Non-Residential:	**2019-20 Assessed Valuation (1)**	**% of Total**		**No. of Parcels**	**% of Total**
Commercial/Office	$2,028,140,513	17.24%		98	1.07%
Hotel	78,076,555	0.66		3	0.03
Industrial	1,872,191,342	15.91		48	0.52
Government/Social/Institutional	71,946,392	0.61		43	0.47
Miscellaneous 1,231,026	0.01	620.68			
Subtotal Non-Residential	$4,051,585,828	34.44%		254	2.77%
Residential:					
Single Family Residence	$5,233,147,202	44.48%		6,724	73.33%
Condominium/Townhouse	1,210,367,137	10.29		2,054	22.40
2-4 Residential Units	15,559,538	0.13		20	0.22
5+ Residential Units/Apartments	1,154,363,893	9.81	39	0.43	
Subtotal Residential	$7,613,437,770	64.71%		8,837	96.37%
Vacant	$100,284,928	0.85%		79	0.86%
Total	$11,765,308,526	100.00%		9,170	100.00%

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

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

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

	No. of Parcels	2019-20 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	6,724	$5,233,147,202	$778,279	$698,504

2019-20 Assessed Valuation	No. of Parcels (1)	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $99,999	56	0.833%	0.833%	$ 4,965,655	0.095%	0.095%
$100,000 - $199,999	790	11.749	12.582	111,942,219	2.139	2.234
$200,000 - $299,999	388	5.770	18.352	99,090,496	1.894	4.128
$300,000 - $399,999	524	7.793	26.145	183,881,786	3.514	7.641
$400,000 - $499,999	593	8.819	34.964	267,838,984	5.118	12.759
$500,000 - $599,999	550	8.180	43.144	301,690,772	5.765	18.524
$600,000 - $699,999	473	7.035	50.178	307,264,826	5.872	24.396
$700,000 - $799,999	469	6.975	57.153	350,752,303	6.703	31.098
$800,000 - $899,999	464	6.901	64.054	394,746,601	7.543	38.642
$900,000 - $999,999	414	6.157	70.211	392,022,413	7.491	46.133
$1,000,000 - $1,099,999	373	5.547	75.758	391,186,099	7.475	53.608
$1,100,000 - $1,199,999	310	4.610	80.369	355,865,936	6.800	60.408
$1,200,000 - $1,299,999	258	3.837	84.206	323,151,618	6.175	66.583
$1,300,000 - $1,399,999	213	3.168	87.374	287,380,741	5.492	72.075
$1,400,000 - $1,499,999	229	3.406	90.779	330,934,910	6.324	78.399
$1,500,000 - $1,599,999	175	2.603	93.382	270,880,757	5.176	83.575
$1,600,000 - $1,699,999	127	1.889	95.271	209,306,979	4.000	87.575
$1,700,000 - $1,799,999	73	1.086	96.356	127,555,416	2.437	90.012
$1,800,000 - $1,899,999	66	0.982	97.338	121,516,637	2.322	92.334
$1,900,000 - $1,999,999	46	0.684	98.022	89,637,752	1.713	94.047
$2,000,000 and greater	133	1.978	100.000	311,534,302	5.953	100.000
	6,724	100.000%		$5,233,147,202	100.000%	

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

Alternative Method of Tax Apportionment - Teeter Plan

General. The Board of Supervisors of the County has adopted 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, each entity levying property taxes in the County may draw on the amount of uncollected secured taxes credited to its fund, in the same manner as if the amount credited had been collected. The City participates in the Teeter Plan, and thus receives 100% of secured property taxes levied in exchange for foregoing any interest and penalties collected on delinquent taxes. However, under the statute creating the Teeter Plan, the Board of Supervisors could under certain circumstances terminate the Teeter Plan in its entirety and, in addition, the Board of Supervisors could terminate the Teeter Plan if the delinquency rate for all *ad valorem* property taxes levied within the City in any year exceeds 3%. In the event that the Teeter Plan were terminated, the amount of the property taxes received by the City would depend upon the collections of the *ad valorem* property taxes and delinquency rates experienced with respect to the parcels within the City.

Recent Actions by San Mateo County. On June 12, 2020, the San Mateo County Controller notified the public agencies participating in the County's Teeter Plan of the following:

Executive Order N-61-20. On May 6, 2020, the Governor signed Executive Order N-61-20 ("Order") which suspended until May 6, 2021, the assessment of penalties and interest that would normally be applied to late property tax payments. This Order impacts next tax year's payments in December 2020 and April 2021, with respect to residential real property occupied by the taxpayer, and real property owned and operated by a taxpayer that qualifies as a small business. To qualify for relief, taxpayers must demonstrate, to the satisfaction of the tax collector, that the taxpayer has suffered economic hardship or was otherwise unable to tender payment of taxes in a timely fashion, due to the COVID-19 pandemic, or any local, state or federal government response to COVID-19.

Impact on the County's Teeter Plan. Because the Governor has provided for the waiver of penalties and interest on late property tax payments, it is unclear how many taxpayers will pay their taxes in a timely way. As such, it is unclear whether the County will have cash flow sufficient to pay the levied amounts to all taxing entities participating in the County's Teeter Plan. In an attempt to avoid the potentially negative impact of terminating its Teeter Plan, the County plans for fiscal year 2020-21 to modify the historical apportionment schedule, while still guaranteeing that taxing entities receive 100% of the taxes levied on their behalf by June 30. The modified apportionment plan is set forth below:

1. Historically, under the current schedule based on most taxes being paid on time, taxing agencies receive 50% of their total annual property tax revenues by December 15, an additional 40% of their total annual taxes (for a total of 90%) by April 15, and the remaining 10% of their annual property tax revenues (for a total of 100%) by June 30.

2. Because of the unprecedented nature of the COVID-19 pandemic and Executive Order N-61-20, it is not possible for the County to estimate the amount of taxes that may not be paid in a timely manner, especially the secured tax installment payments that will be due on December 10, 2020, and April 10, 2021.

3. The County will follow the historical distribution schedule for all special charges and taxes levied to pay debt service for fiscal year 2020-21 so that agencies can make their payments of those outstanding obligations on time.

4. The County plans to distribute the 1% general taxes levied as historically scheduled unless there are insufficient funds to cover the distribution amounts, in which case the distributions of the 1% general tax for fiscal year 2020-21 will be based on actual collections. The 1% general tax distributions throughout the year could be 10-20% less than normally expected because of the unprecedented nature of the pandemic and the Executive Order, but the reduction in distributions could potentially be higher.

5. Importantly, as required by the Teeter statute, the County will still distribute, by June 30, 2021, 100% of the property taxes levied for the 2020-21 tax year to each taxing agency regardless of the actual collections. Fulfilling this potential obligation may require temporary borrowing by the County from the County Treasury Pool or other sources.

Future Participation in the Teeter Plan. There can be no assurance that the County will always maintain the Teeter Plan or will have sufficient funds available to distribute the full amount of the City's share of property tax collections to the City. The ability of the County to maintain the Teeter Plan may depend on its financial resources and may be affected by future property tax delinquencies. It may also be affected by State and County action. Property tax delinquencies may be impacted by economic and other factors beyond the City's or the County's control, including the ability or willingness of property owners to pay property taxes during an economic recession or depression. An economic recession or depression could be caused by many factors outside the control of the City, including high interest rates, reduced consumer confidence, reduced real wages or reduced economic activity as a result of the spread of COVID-19 or other pandemic or natural or manmade disaster.

However, notwithstanding any possible future change to or discontinuation of the Teeter Plan, State law requires the City to levy *ad valorem* property taxes sufficient to pay the Bonds when due.

Appeals of Assessed Value

Under California law, property owners may apply for a reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization (the "**SBE**"), with the appropriate county board of equalization or assessment appeals board. The County Assessor may independently reduce assessed values as well based upon the above factors or reductions in the fair market value of the taxable property. In most cases, an appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value. Any reduction in the assessment ultimately granted as a result of such appeal applies to the year for which application is made and during which the written application was filed. A second type of assessment appeal involves a challenge to the base year value of an assessed property. Appeals for reduction in the base year value of an assessment, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. The base year is determined by the completion date of new construction or the date of change of ownership. Any base year appeal must be made within four years of the change of ownership or new construction date.

In addition to the above-described taxpayer appeals, county assessors may independently reduce assessed valuations based on changes in the market value of property, or for other factors such as the complete or partial destruction of taxable property caused by natural or man-made disasters such as earthquakes, floods, drought, fire, or toxic contamination pursuant to relevant provisions of the State Constitution.

Whether resulting from taxpayer appeals or county assessor reductions, adjustments to assessed value are subject to yearly reappraisals by the county assessor and may be adjusted back to their original values when real estate market conditions improve. Once property has regained its prior assessed value, adjusted for inflation, it once again is subject to the annual inflationary growth rate factor allowed under Article XIIIA. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING CITY REVENUES AND APPROPRIATIONS" herein.

No assurance can be given that property tax appeals currently pending or in the future, actions by the County assessor, or other factors in the future will not significantly reduce the assessed valuation of property within the City.

Assembly Bill 102. On June 27, 2017, the Governor signed into law Assembly Bill 102 ("**AB 102**"). AB 102 restructures the functions of the SBE and creates two new separate agencies: (i) the California Department of Tax and Fee Administration, and (ii) the Office of Tax Appeals. Under AB 102, the California Department of Tax and Fee Administration will take over programs previously in the SBE Property Tax Department, such as the Tax Area Services Section, which is responsible for maintaining all property tax-rate area maps and for maintaining special revenue district boundaries. Under AB 102, the SBE will continue to perform the duties assigned by the State Constitution related to property taxes, however, beginning January 1, 2018, the SBE will only hear appeals related to the programs that it constitutionally administers and the Office of Tax Appeals will hear tax appeals on all other taxes and fee matters, such as sales and use tax and other special taxes and fees. AB 102 obligates the Office of Tax Appeals to adopt regulations as necessary to carry out its duties, powers, and responsibilities.

Tax Rates

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

Table 5
CITY OF FOSTER CITY
TYPICAL TAX RATE PER $100 ASSESSED VALUATION
(TRA 20-013 – 2019-20 Assessed Valuation: $3,170,496,791 (1))

	2015-16	2016-17	2017-18	2018-19	2019-20
General Tax Rate	$1.0000	$1.0000	$1.0000	$1.0000	$1.0000
San Mateo-Foster City School District	.0402	.0546	.0542	.0530	.0437
San Mateo Union High School District	.0466	.0415	.0433	.0407	.0385
San Mateo Community College District	.0250	.0247	.0235	.0175	.0266
Total Tax Rate	$1.1118	$1.1208	$1.1210	$1.1112	$1.1088

(1) 26.32% of the City's assessed valuation.
Source: California Municipal Statistics, Inc.

Major Taxpayers

The following table shows the twenty largest taxpayers in the City as determined by their secured assessed valuations in 2019-20. A large concentration of ownership in a single individual or entity results in a greater amount of tax collections which are dependent upon that property owner's ability or willingness to pay property taxes.

Table 6
CITY OF FOSTER CITY
Largest 2019-20 Local Secured Taxpayers

	Property Owner	Primary Land Use	2019-20 Assessed Valuation	% of Total (1)
1.	Gilead Sciences Inc.	Industrial	$2,192,428,532	18.63%
2.	BMR Lincoln Center LP	Industrial	351,813,918	2.99
3.	Hudson Metro Center LLC, Lessee	Office Building	342,151,356	2.91
4.	Visa USA Inc.	Office Building	230,789,688	1.96
5.	TR Parkside Towers Corp.	Office Building	225,289,700	1.91
6.	BEX FMCA LLC	Apartments	192,752,647	1.64
7.	SF Hillsdale 20102012 LLC	Apartments	152,958,838	1.30
8.	AREOF VI US Pilgrim Triton LLC	Apartments	147,103,256	1.25
9.	CV Triton LLC	Apartments	113,732,805	0.97
10.	Northwestern Mutual Life Insurance Co.	Apartments	91,421,166	0.78
11.	Bayside Towers Inc.	Office Building	80,548,282	0.68
12.	PWM Residential Venture LLC	Apartments	71,390,874	0.61
13.	Foster City Propco LP	Assisted Living Facility	68,920,989	0.59
14.	St. Paul Fire & Marine Insurance Co.	Office Building	62,380,962	0.53
15.	1149 Chess Drive LP	Industrial	55,514,901	0.47
16.	Lennar Homes of California Inc.	Apartments	51,889,979	0.44
17.	PREG SCG A LP	Apartments	47,055,399	0.40
18.	BMR Lincoln Centre II LP	Industrial	45,480,707	0.39
19.	DWF IV Century Plaza LLC	Office Building	42,993,640	0.37
20.	Grupe Real Estate Inv 16	Apartments	42,181,727	0.36
			$4,608,799,366	39.17%

(1) 2019-20 Local Secured Assessed Valuation: $11,765,308,526.
Source: California Municipal Statistics, Inc.

Concentration of Ownership. The top twenty taxpayers in the City account for 39.17% of the assessed valuation in the City, with the top secured taxpayer, Gilead Sciences Inc. ("**Gilead**"), accounting for approximately 18.63% of the City's assessed valuation. Non-payment of property taxes by a large owner in the City could reduce the City's local property tax receipts. Gilead is a biopharmaceutical company headquartered in the City, with operations in more than 35 countries. See also "APPENDIX A – FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE CITY OF FOSTER CITY AND SAN MATEO COUNTY - CITY FINANCIAL INFORMATION - Property Taxes."

Direct and Overlapping Debt

Set forth on the following page is a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics, Inc. as of June 1, 2020. The Debt Report is included for general information purposes only. The City has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

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

The table shows the percentage of each overlapping entity's assessed value located within the boundaries of the City. The table also shows the corresponding portion of the overlapping entity's existing debt payable from property taxes levied within the City. The total amount of debt for each overlapping entity is not given in the table.

The first column in the table names each public agency which has outstanding debt as of the date of the report and whose territory overlaps the City in whole or in part. The second column shows the percentage of each overlapping agency's assessed value located within the boundaries of the City. This percentage, multiplied by the total outstanding debt of each overlapping agency (which is not shown in the table) produces the amount shown in the third column, which is the apportionment of each overlapping agency's outstanding debt to taxable property in the City.

Table 7
CITY OF FOSTER CITY
STATEMENT OF DIRECT AND OVERLAPPING BONDED DEBT
(As of June 1, 2020)

2019-20 Assessed Valuation: $12,046,171,424

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	**% Applicable**	**Debt 6/1/20**
San Mateo Community College District	5.034%	$ 38,594,848
San Mateo Union High School District	14.408	76,024,766
Sequoia Union High School District	0.011	56,179
San Mateo-Foster City School District	29.015	82,033,191
Belmont-Redwood Shores School District	0.077	46,260
Midpeninsula Regional Open Space District	0.004	3,552
City of Foster City	**100.000**	**--**(1)
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$196,758,796
OVERLAPPING GENERAL FUND DEBT:		
San Mateo County General Fund Obligations	5.034%	$26,710,920
San Mateo County Board of Education Certificates of Participation	5.034	377,802
Midpeninsula Regional Park District General Fund Obligations	0.004	4,479
TOTAL OVERLAPPING GENERAL FUND DEBT		$27,093,201
COMBINED TOTAL DEBT		$223,851,997(2)

Ratios to 2019-20 Assessed Valuation:
Direct Debt ($0) 0.00%
Total Direct and Overlapping Tax and Assessment Debt....................1.63%
Combined Total Debt...1.86%

(1) Excludes the Bonds offered for sale in this Official Statement.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.
Source: California Municipal Statistics, Inc.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING CITY REVENUES AND APPROPRIATIONS

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

Article XIIIA of the State Constitution

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

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

Legislation Implementing Article XIIIA

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

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

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

Article XIIIB of the State Constitution

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

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

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

The City has never exceeded its appropriations limit. Because the issuance of the Bonds has been approved by the voters, the tax levy that is required to pay debt service on the Bonds is not subject to the limitations of Article XIIIB.

Articles XIIIC and XIIID of the State Constitution

On November 5, 1996, the voters of the State approved Proposition 218, known as the "Right to Vote on Taxes Act." Proposition 218 adds Articles XIIIC and XIIID to the California Constitution and contains a number of interrelated provisions affecting the ability of the City to levy and collect both existing and future taxes, assessments, fees and charges. The interpretation and application of Proposition 218 will ultimately be determined by the courts with respect to a number of the matters discussed below, and it is not possible at this time to predict with certainty the outcome of such determination.

Article XIIIC requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the City require a majority vote and taxes for specific purposes, even if deposited in the City's General Fund, require a two-thirds vote. The voter approval requirements of Proposition 218 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.

Article XIIID 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 XIIID, over and above any general benefits conferred, (iii) a majority protest procedure for assessments which involves the mailing of notice and a ballot to the record owner of each affected parcel, a public hearing and the tabulation of ballots weighted according to the proportional financial obligation of the affected 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. If the City is unable to continue to collect these revenues, the services and programs funded with these revenues would have to be curtailed and/or the City's General Fund might have to be used to support them. The City is unable to predict whether or not in the future it will be able to continue all existing services and programs funded by the fees, charges and assessments in light of Proposition 218 or, if these services and programs are continued, which amounts (if any) would be used from the City's General Fund to continue to support these activities.

Article XIIIC also removes limitations on the initiative power in matters of reducing or repealing local taxes, assessments, fees or charges. No assurance can be given that the voters of the City will not, in the future, approve an initiative or initiatives which reduce or repeal local taxes, assessments, fees or charges currently comprising a substantial part of the City's General Fund.

Proposition 62

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

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

Proposition 1A

On November 2, 2004, California voters approved Proposition 1A, which amends the State constitution to significantly reduce the State's authority over major local government revenue sources. Under Proposition 1A, the State cannot (i) reduce local sales tax rates or alter the method of allocating the revenue generated by such taxes, (ii) shift property taxes from local governments to schools or community colleges, (iii) change how property tax revenues are shared among local governments without two-thirds approval of both houses of the State Legislature or (iv) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding.

Proposition 22

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

Split Roll Initiative

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

Possible Future Initiatives

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

LEGAL MATTERS

Tax Exemption

In the opinion of Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income tax.

The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of the same series and maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Bond (to the extent that the redemption price at maturity is greater than the issue price) constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bond owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by the Bond owner will increase the Bond owner's basis in the applicable Bond. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the owner of the Bond is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals, and is exempt from State of California personal income tax.

Bond Counsel's opinion as to the exclusion from gross income of interest (and original issue discount) on the Bonds is based upon certain representations of fact and certifications made by the City and others and is subject to the condition that the City complies with all requirements of the Code, that must be satisfied subsequent to the issuance of the Bonds to assure that interest (and original issue discount) on the Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause the interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The City has covenanted to comply with all such requirements.

The amount by which a Bond owner's original basis for determining loss on sale or exchange in the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Bond premium, which must be amortized under Section 171 of the Code; such amortizable Bond premium reduces the Bond owner's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Bond owner realizing a taxable gain when a Bond is sold by the owner for an amount equal to or less (under certain circumstances) than the original cost of the

Bond to the owner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable Bond premium.

The Internal Revenue Service (the "IRS") has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Bonds will be selected for audit by the IRS. It is also possible that the market value of the Bonds might be affected as a result of such an audit of the Bonds (or by an audit of similar bonds). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the Bonds to the extent that it adversely affects the exclusion from gross income of interest on the Bonds or their market value.

SUBSEQUENT TO THE ISSUANCE OF THE BONDS THERE MIGHT BE FEDERAL, STATE, OR LOCAL STATUTORY CHANGES (OR JUDICIAL OR REGULATORY CHANGES TO OR INTERPRETATIONS OF FEDERAL, STATE, OR LOCAL LAW) THAT AFFECT THE FEDERAL, STATE, OR LOCAL TAX TREATMENT OF THE BONDS OR THE MARKET VALUE OF THE BONDS. PROPOSED LEGISLATIVE CHANGES OR OTHER CHANGES WHICH MIGHT BE INTRODUCED IN CONGRESS COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE BONDS. IT IS POSSIBLE THAT LEGISLATIVE CHANGES WILL BE INTRODUCED WHICH, IF ENACTED, WOULD RESULT IN ADDITIONAL FEDERAL INCOME OR STATE TAX BEING IMPOSED ON OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE BONDS. NO ASSURANCE CAN BE GIVEN THAT SUBSEQUENT TO THE ISSUANCE OF THE BONDS STATUTORY CHANGES WILL NOT BE INTRODUCED OR ENACTED OR INTERPRETATIONS WILL NOT OCCUR. BEFORE PURCHASING ANY OF THE BONDS, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING POSSIBLE STATUTORY CHANGES OR JUDICIAL OR REGULATORY CHANGES OR INTERPRETATIONS, AND THEIR COLLATERAL TAX CONSEQUENCES RELATING TO THE BONDS.

Bond Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Resolution and the Tax Certificate relating to the Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on the exclusion from gross income of interest (and original issue discount) on the Bonds for federal income tax purposes with respect to any Bond if any such action is taken or omitted based upon the advice of counsel other than Stradling Yocca Carlson & Rauth.

Although Bond Counsel has rendered an opinion that interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes provided that the City continues to comply with certain requirements of the Code, the ownership of the Bonds and the accrual or receipt of interest (and original issue discount) with respect to the Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the Bonds.

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

Continuing Disclosure

The City will covenant for the benefit of owners of the Bonds to provide to the Electronic Municipal Market Access System (“**EMMA System**”) certain financial information and operating data relating to the City by not later than April 1 after the end of each fiscal year of the City (currently June 30th), commencing not later than April 1, 2021 with the report for the 2019-20 fiscal year (the “**Annual Report**”), and to provide notices of the occurrence of certain listed events. The specific nature of the information to be contained in the Annual Report or the notices of listed events is summarized in “APPENDIX D – FORM OF CONTINUING DISCLOSURE CERTIFICATE.” These covenants have been made in order to assist the Underwriter in complying with the Rule. The Paying Agent has no obligation to enforce the undertakings of the City in the Continuing Disclosure Certificate, and a failure by the City to provide any information required thereunder shall not constitute an Event of Default under the Paying Agency Agreement or the Resolution.

During the previous five year period, the City was not a party to a continuing disclosure undertaking. However, the Estero Municipal Improvement District (the “**District**”) executed a continuing disclosure undertaking in connection with a wastewater financing in 2019.[2] The District has not failed to comply with its continuing disclosure undertaking in any material respect.

Absence of Material Litigation

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

RATINGS

Upon issuance of the Bonds, __________ (“____”), will assign the Bonds a rating of “___” and __________ (“____”), will assign the Bonds a rating of “___.”

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

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

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[2] The District, although a separate governmental entity, encompasses the same basic geographical area, is inhabited by the same citizens and is governed, administered and budgeted by the same governmental body, staff and procedures as the City and is included with the operations of the City in the City’s Comprehensive Annual Financial Report.

MUNICIPAL ADVISORS

The City has retained Kitahata & Company, San Francisco, California and William Euphrat Municipal Finance, Inc, San Francisco, California, as its municipal advisors (together, the "**Municipal Advisors**") in connection with the preparation of this Official Statement and with respect to the issuance of the Bonds. The Municipal Advisors are not obligated to undertake, and have not undertaken to make, an independent verification or assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. Each of the Municipal Advisors 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 Advisors' compensation is contingent upon the delivery of the Bonds.

UNDERWRITING

BofA Securities, Inc. (the "**Underwriter**"), has entered into a Bond Purchase Agreement with the Authority under which they will purchase the Bonds at a purchase price of $________________ (which is equal to the par amount of the Bonds, less an Underwriter's discount of $_____________, and plus (less) a net original issue premium (discount) of $____________).

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

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

EXECUTION

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

CITY OF FOSTER CITY

By: ____
City Manager

APPENDIX A

FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE CITY OF FOSTER CITY AND SAN MATEO COUNTY

Introduction

The Estero Municipal Improvement District (the "**District**") was created by the California State Legislature in 1960 as a general-purpose district with municipal power, including the power to issue municipal bonds. The Board of Directors of the District was created and issued over $80 million in bonds to provide the infrastructure for a new, master-planned community, which was to be built on what then were a dairy farm and salt ponds adjacent to the San Francisco Bay. The bond proceeds were used to fill and reclaim the land and to finance construction of a man-made lagoon for storm drainage and recreation, a water system, a sewer system, a street system that included roads, bridges and streetlights, a parks system, and a fire station. The first residents of this new community known as "Foster City" moved into their homes in 1964.

The City of Foster City (the "**City**"), a general law city located in San Mateo County "(the "**County**"), was incorporated on April 27, 1971. Located on the San Francisco Peninsula, ten miles south of the San Francisco International Airport, the City encompasses a geographic area of 19.8 square miles, of which 16.1 square miles are part of San Francisco Bay and Belmont Slough, and 3.8 square miles are land. The total area of the City is comprised of approximately 81% water.

Population

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

CITY OF FOSTER CITY
Population Estimates
As of January 1

Year	City of Foster City	County of San Mateo	State of California
2015	32,724	760,679	38,952,462
2016	32,763	766,649	39,214,803
2017	32,944	769,570	39,504,609
2018	33,094	772,372	39,740,508
2019	33,693	774,485	39,927,315

Source: State Department of Finance.

City Government

The City is a general law city and has a Council-Manager form of government. Policy-making and legislative authority are vested in a governing council consisting of the City Mayor and four other members. There are five City Council Members elected by seat number for staggered four-year terms, with a two-term limit. The City Manager is responsible for carrying out the policies and ordinances of the Council, for overseeing day-to-day operations of the City, and for appointing the heads of the various departments. The City Council appoints the City Manager, City Attorney, Planning Commissioners, and Citizen Advisory Committee Members. The City Council is financially accountable for City operations. The Comprehensive Annual Financial Report includes all funds of the City.

CITY FINANCIAL INFORMATION

Accounting and Budgeting Systems

The City's financial picture is more readily understood with a general introduction to its accounting and budgeting systems. These systems provide the means for allocating available resources and for the proper control and recording of revenues and expenditures.

As part an effort to maintain fiscal stewardship and financial accountability, the City uses a fully computerized accounting system. The accounting system is updated regularly to keep abreast of changing accounting techniques and principles. In developing, evaluating and maintaining the City's accounting system, consideration is given to the adequacy of internal controls. Internal controls are designed to provide reasonable, but not absolute, assurance regarding: 1) the safeguarding of assets against loss from unauthorized use or disposition, and 2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: 1) the cost of a control should not exceed the benefits likely to be derived, and 2) the evaluation of costs and benefits requires estimates and judgments by management. All internal control evaluations occur within the above framework. The City's internal accounting controls are designed to adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

The City's budget is a detailed operating plan that identifies estimated costs and results in relation to estimated revenues. The budget includes: 1) the programs, projects, services and activities to be carried on during the fiscal year; 2) the estimated revenue available to finance the operating plan; and, 3) the estimated spending requirements of the operating plan. The budget represents a process where policy decisions by the City Council are made and then implemented. The City is required to adopt an annual budget on or before June 30 for the ensuing fiscal year. From the effective date of the budget, the amounts stated therein as proposed expenditures become appropriations to the various departments. All appropriations, with the exception of those for the Capital Improvement Projects funds lapse and must be re-authorized at the end of the fiscal year if they have not been spent or legally committed.

The City maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embedded in the annual appropriated budget approved by the City Council. The City Council may amend the budget by resolution. The budget is adopted at the object level of expenditure within departments. The City Manager may transfer appropriations from one program, activity, or object to another within a department within the same fund but not between departments or funds. Accordingly, the lowest level of budgetary control established by the City Council is at the department level. The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered amounts lapse at year-end with the exception of the Capital Improvement Projects funds.

The City, all its funds and the funds of certain other component entities of the City are audited annually by an accountancy corporation. The firm of Maze & Associates, Pleasant Hill, California, is the City's current auditor (the "**Auditor**"). The comprehensive annual financial report of the City for fiscal year 2018-19 is attached hereto as APPENDIX B. *The City's financial statements are public documents and are included within this Official Statement without the prior approval of the Auditor.*

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

Cybersecurity

The City's information technology infrastructure continuously faces cyber threats, including, but not limited to, hacking, viruses, malware, ransomware, and data breaches. The City takes cybersecurity very seriously and has operational controls and multiple security measures to safeguard City's data and infrastructure. There have been no known cybersecurity breaches so far; however, no assurances can be given that the security and operational control measures will be successful in guarding against all cyber threats.

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

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

Impact of COVID-19

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

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

Impact on Fiscal Year 2019-20 Revenues and Reserves. On February 10, 2020, City staff provided the City Council with an update on the City's financial status, and reported that the City's General Fund was projected to finish fiscal year 2019-20 with a $1.8 million surplus and that the City would maintain General Fund reserves at 100% of operating expenditures.

However, COVID-19 and the related remedial actions such as shelter-in-place have significantly impacted the City's finances, and the City is now expected to end fiscal year 2019-20 with a $173,600 surplus by keeping certain job vacancies unfilled and instituting a hiring freeze.

Impact on Fiscal Year 2019-20 Expenses. As of the date of this Official Statement, the City has not experienced significant increases in General Fund (Funds 001 to 003) expenses as a result of COVID-19. The City has provided over $500,000 for various community support programs from its separate Community Benefits Fund (Fund 005).

Impact on Future Fiscal Years. As a result of uncertainty about the timing and level of recovery from the COVID-19 pandemic, the City has revised its five-year financial plan, and is now projecting annual deficits in each of the next five years. See "General Fund Budget" and "Long-Term Financial Plan" below.

Comparative Financial Statements

The following tables provide a recent history of the City's Comparative Balance Sheet, and both a recent history of General Fund revenues, expenditures, and changes in fund balances and recently budgeted amounts. As a result of the recent COVID-19 pandemic, the City does not believe that its recent history is representative of likely future results. See "General Fund Budget" and "Long-Term Financial Plan" below.

CITY OF FOSTER CITY
BALANCE SHEET
GENERAL FUND
(Fiscal Year Ended June 30)

	Actual 2015-16	Actual 2016-17	Actual 2017-18	Actual 2018-19
ASSETS:				
Cash and investments	$43,061,174	$50,330,581	$41,726,673	$54,473,796
Receivables (net of allowance):				
Accrued interest	255,277	453,489	808,207	1,082,984
Intergovernmental	27,114	27,515	20,126	25,135
Taxes	1,673,418	912,137	1,139,599	2,839,404
Other	353,572	222,666	264,566	182,460
Due from other funds	--	4,214	13,477,305	--
Prepaids and deposits	22,830	31,695	39,129	31,331
Inventory	16,900	16,900	16,900	16,900
Restricted cash and investments	265,121	240,410	234,973	295,118
Loans receivables, net of allowance	1,138,484	1,321,676	1,355,147	1,250,485
Total assets	46,813,890	53,561,283	59,082,625	60,197,613
LIABILITIES:				
Accounts payable	840,994	924,939	1,186,964	864,586
Accrued payroll	1,140,914	1,140,865	1,532,472	948,172
Refundable deposits	2,259,152	4,188,436	1,270,337	1,538,948
Unearned revenue	248,531	302,607	289,372	318,976
Total liabilities	4,489,591	6,556,847	4,279,145	3,670,682
Deferred inflows of resources				
Unavailable -loan receivable	1,138,484	1,321,676	1,355,147	1,250,485
FUND BALANCES				
Non-spendable	39,730	48,595	56,029	48,231
Restricted	99,481	5,675	21,252	26,384
Committed	1,279,731	2,202,807	2,265,890	3,013,410
Assigned	138,174	28,093	125,010	8,240
Unassigned	39,628,699	43,397,590	50,980,152	52,180,181
Total fund balances	41,185,815	45,682,760	53,448,333	55,276,446
Total liabilities, deferred inflows of resources and fund balances	$46,813,890	$53,561,283	$59,082,625	$60,197,613

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

CITY OF FOSTER CITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GENERAL FUND
(Fiscal Year Ended June 30)

	Actual 2015-16	Actual 2016-17	Actual 2017-18	Actual 2018-19
REVENUES:				
Property taxes	$25,029,881	$27,234,888	$29,697,500	$33,612,508
Sales and use and sales tax in lieu	3,222,062	3,152,191	3,431,867	3,672,915
Transient occupancy tax	2,820,879	2,914,905	3,518,966	4,389,794
Franchise tax	1,182,060	1,190,454	1,178,643	1,151,822
Property transfer tax	271,173	258,370	311,960	318,825
License and permits	3,399,578	4,564,176	5,066,971	3,687,802
Intergovernmental	446,909	662,254	498,286	439,720
Charges for current services	2,671,725	2,355,462	2,042,687	1,972,511
Fines and forfeitures	80,673	106,924	139,968	40,694
Investment and rental income	1,135,318	953,273	1,179,469	3,203,612
Other	3,297,647	684,784	761,786	552,950
TOTAL REVENUES	43,557,905	44,077,681	47,828,103	53,043,153
EXPENDITURES:				
General Government	3,417,705	3,824,917	3,854,625	4,331,645
Public Safety-Police	10,489,900	11,209,401	11,877,933	14,500,953
Public Safety-Fire	8,240,844	9,188,620	9,214,622	11,269,360
Public works	1,260,267	1,760,924	2,203,229	2,368,294
Community development	2,411,176	2,361,436	2,557,812	2,619,519
Parks and recreation	7,228,313	7,904,625	8,134,119	8,773,920
Capital outlay	--	165,660	--	--
TOTAL EXPENDITURES	33,048,205	36,415,583	37,842,340	43,863,691
Revenues Over (Under) Expenditures	10,509,700	7,662,098	9,985,763	9,179,462
OTHER FINANCING SOURCES (USES)				
Transfers in	35,591	17,679	17,649	17,963
Transfers out	(1,593,000)	(3,182,832)	(2,237,839)	(7,369,312)
Total other financing sources (uses)	(1,557,409)	(3,165,153)	(2,220,190)	(7,351,349)
Net Change in Fund Balance	8,952,291	4,496,945	7,765,573	1,828,113
Fund Balance, July 1	32,233,524	41,185,815	45,682,760	53,448,333
Fund Balance, June 30	$41,185,815	$45,682,760	$53,448,333	$55,276,446

Source: City of Foster City Comprehensive Annual Financial Reports.

General Fund Budget

Budgetary Process and Administration. The following procedures are performed by the City in establishing the budgetary data reflected in the basic financial statements:

The City Manager submits to the City Council a proposed budget for the coming fiscal year. The budget includes proposed expenditures and the means of financing them. Public hearings are conducted to obtain taxpayers' comments. The budget is legally adopted through the passage of a resolution. The transfer of budget amounts between funds or departments are approved by the City Council. Transfer of budget amounts within one fund or one department must be approved by the City Manager. Formal budgetary integration is employed as a management control device during the fiscal year for the General Fund and Special Revenue Funds.

The City uses the cash and encumbrance basis of accounting for budgetary purposes. Total expenditures of each governmental fund may not exceed fund appropriations at the department level. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of the budgetary process. Fund appropriations lapse at the end of each year. The City closes out all purchase orders, contracts and other commitments at year-end. Encumbrances are expected to be reappropriated in the following fiscal year.

Fiscal Year 2020-21 Budget; Impacts of COVID-19 Pandemic. Forecasting revenues in a time of the uncertainty surrounding COVID-19 is difficult; however, the City has developed projections of the COVID-19 impact on the City based on information from permit applications, reports from hotels and other local businesses, and regional reporting from San Mateo County and other cities.

The following table shows projected revenues for fiscal year 2020-21 compared to projections for fiscal year 2019-20. The table reflects a number of factors, including:

- Transient occupancy tax ("**TOT**") and sales tax revenues have been severely impacted because the three hotels in the City are effectively closed. The City is projecting a 50% reduction in budgeted TOT revenues to $2.4 million from pre-COVID-19 projections.
- Sales tax revenues have been impacted by decreased business at restaurants and gas stations. The City is projecting a 20% decline in revenues from pre-COVID-19 projections to $2.8 million in fiscal year 2020-21.
- In fiscal year 2019-20, the California Legislative Analyst Office issued a report on "**excess ERAF**" with a different interpretation of calculating excess ERAF performed in various counties, including San Mateo County.[3] As a result, the City is reducing its estimated ERAF refund in fiscal year 2019-20 from $2.14 million to

[3] In the early 1990s, the California Legislature permanently redirected a significant portion of property tax revenue from cities, counties, and special districts to schools and community colleges. The redirected revenue is deposited into a countywide account known as the "Educational Revenue Augmentation Fund" ("**ERAF**"). In the mid-1990s, the State Legislature enacted a law shifting the portion of ERAF not needed for schools and community colleges to other agencies. The revenue shifted through this process is known as "excess ERAF".

$1.79 million and by an additional $760,000 to $1.03 million in fiscal year 2020-21 to cushion for further State findings and/or potential State takeaways.

- Property tax revenues in fiscal year 2020-21 are not expected to be materially impacted by COVID-19 because they are primarily based on assessed values as of January 1, 2020.

Revenues by Source	Mid-Year Projection FY 2019-2020	Projected FY 2020-2021	Revenue Variance (Shortfall)
Property tax	$ 27,972,100	$ 29,176,800	$ 1,204,700
Excess ERAF	2,141,100	1,035,520	(1,105,580)
Transient occupancy tax	4,848,900	2,424,450	(2,424,450)
Property tax in-lieu of Vehicle License Fee	3,463,600	3,743,640	280,040
Sales tax	3,510,000	2,797,500	(712,500)
Business License Tax	1,768,100	1,588,400	(179,700)
Charges for current services - Recreation	1,645,800	1,248,225	(397,575)
Charges for current services - CDD	415,700	558,648	142,948
Permits	1,384,900	1,373,105	(11,795)
Franchise tax	1,195,600	1,076,000	(119,600)
Interest Income	652,300	434,200	(218,100)
Rentals - City/EMID	582,000	606,990	24,990
Rentals - Parks and Recreation	396,000	297,000	(99,000)
Other (Reimbursements, Street Sweeping, Fines, Other)	368,000	389,100	21,100
Other taxes (real property transfer tax)	304,900	274,400	(30,500)
Intergovernmental (SB90, Grants, etc.)	150,000	130,000	(20,000)
Total Revenues	$ 50,799,000	$ 47,153,978	$ (3,645,022)

Source: City of Foster City.

In response to a projected General Fund budget deficit of approximately $3.77 million for fiscal year 2020-21, the City's fiscal year 2020-21 budget reflects the following actions:

Measure	Impact	Cumulative Projected Deficit
Projected General Fund Deficit		($3,767,947)
Hiring freeze	$467,461	
Reduction of travel and training	113,078	
Reduction of contract services	384,710	
Total	965,249	
Reduction of Transfer In - summer concerts	(13,500)	
Reduction of non-profit funding	22,260	
Deferral of CIP transfer	2,150,000	
Use of General Fund Reserves	643,938	
Grand Total	$3,767,947	$00.00

The City's policy on the General Fund Reserve targets a range of 33 1/3% to 50% of the budgeted annual General Fund operating expenditures. The current General Fund Reserve balance ($45 million) is 100% of the fiscal year 2019-20 budgeted General Fund operating expenditures. The use of General Fund Reserve will allow the City to balance its fiscal year 2020-21 budget, remain compliant with the City's General Fund Reserve target and maintain service levels to the community. The City intends to partially replenish the Reserve with surplus revenues remaining at the end of fiscal year 2019-20.

These cost reduction measures were made to minimize impacts to essential services and to current employees. The City will continue to monitor fiscal conditions and may take additional actions as necessary.

Set forth on the following page is a table showing the fiscal year 2020-21 budget (adopted by the City Council on June 15, 2020) and, for purposes of comparison, the fiscal year 2019-20 budget. The City Council held special budget study sessions on February 10, March 23, and May 11, 2020 to review various aspects of the preliminary budget for fiscal year 2020- 21. A public hearing was then held on June 1, 2020, and the final fiscal year 2020-21 budget was adopted on June 15, 2020.

CITY OF FOSTER CITY
GENERAL FUND BUDGETS
(Fiscal Years 2019-20 and 2020-21)

	Adopted Budget		
Revenues by Source:	**2019-2020**	**2020-2021**	**Variance**
Property tax	$ 27,133,300	$ 29,176,800	$ 2,043,500
Educational Revenue Augmentation Fund (ERAF) Refund	$ 2,141,100	$ 1,035,520	$ (1,105,580)
Transient occupancy tax	$ 4,697,200	$ 2,424,450	$ (2,272,750)
Property tax in-lieu of Vehicle License Fee	$ 4,202,000	$ 3,743,640	$ (458,360)
Sales tax	$ 3,391,100	$ 2,797,500	$ (593,600)
Business License Tax	$ 1,768,100	$ 1,588,400	$ (179,700)
Charges for current services - Recreation	$ 1,645,800	$ 1,248,225	$ (397,575)
Charges for current services - CDD	$ 415,700	$ 558,648	$ 142,948
Permits	$ 1,384,900	$ 1,373,105	$ (11,795)
Franchise tax	$ 1,195,600	$ 1,076,000	$ (119,600)
Interest Income	$ 652,300	$ 434,200	$ (218,100)
Rentals - City/EMID	$ 582,000	$ 606,990	$ 24,990
Rentals - Parks and Recreation	$ 396,000	$ 297,000	$ (99,000)
Other (Reimbursements, Street Sweeping, Fines, Other)	$ 368,000	$ 389,100	$ 21,100
Other taxes (real property transfer tax)	$ 304,900	$ 274,400	$ (30,500)
Intergovernmental (SB90, Grants, Other)	$ 130,000	$ 130,000	$ -
Total Revenues	$ 50,408,000	$ 47,153,978	$ (3,254,022)
Expenditures (see below)	$ 45,403,951	$ 46,447,916	$ 1,043,965
Net revenues over (under) expenditures before transfers	$ 5,004,049	$ 706,062	$ (4,297,987)
Net Transfers In (Out)	$ (3,482,000)	$ (1,350,000)	$ 2,132,000
Net Increase (Decrease) in Fund Balance	$ 1,522,049	(643,938)	(2,165,987)
Use of Reserves in FY 2020-2021 to balance budget	$ -	$ 643,938	$ 643,938
Net Budget	$ 1,522,049	$ -	$ (1,522,049)

	Adopted Budget 2019-2020	2020-2021	Variance
Department Expenses			
Employee Services			
Salaries and wages	$ 16,367,282	$ 16,754,661	$ 387,379
PERS	$ 7,263,860	$ 8,014,259	$ 750,399
Flex allowance (Health)	$ 2,601,980	$ 2,582,800	$ (19,180)
Workers compensation	$ 1,135,340	$ 768,551	$ (366,789)
Other employee benefits	$ 1,023,340	$ 810,886	$ (212,454)
Total Employee services	$ 28,391,802	$ 28,931,157	$ 539,355
Supplies and other	$ 13,543,895	$ 13,979,527	$ 435,632
Total department expenses	$ 41,935,697	$ 42,910,684	$ 974,987
Internal Services Charges	$ 7,033,495	$ 7,075,790	$ 42,295
Reallocation	$ (3,565,241)	$ (3,538,558)	$ 26,683
Net Expenditures	$ 45,403,951	$ 46,447,916	$ 1,043,965

Source: City of Foster City.

General Fund Reserves

The City fiscal policies establish the framework upon which short and long-term financial decisions are made. In particular, it identifies the long-range goals needed for fiscal sustainability and guides the development of strategies necessary to achieve these goals. The City has established a reserve policy for its General Fund at a minimum level of 33 1/3 % to 50.0% of annual operating expenditures and for the Water and Wastewater Enterprise Funds a level of 25% of annual operating expenses. The reserve policy serves as a method to deter the City from spending beyond its sustainable means during periods of economic growth, while also providing the City a mechanism to maintain services at desired levels during economic downturns. In addition, a $2 million emergency reserve is established for each of the three Capital Projects Funds programs – City, Water and Wastewater. The emergency reserve provides a level of financial resources for business continuity in the event of a catastrophic occurrence. Moreover, since fiscal year 2011-2012, the City has provided long-term funding of capital improvement projects over a 10-year horizon.

As described above, the City expects to rely on a $634,938 transfer from the General Fund Reserve to balance its fiscal year 2020-21 budget, and the Reserve will remain above the minimum level of 33 1/3 % to 50.0% of annual operating expenditures following the transfer. See "-Long-Term Financial Plan" below for information about the City's projected use of the General Fund Reserve in future fiscal years.

Long-Term Financial Plan

General. The City has also established internal services funds to accumulate funding for vehicle and equipment replacement, information and technology equipment maintenance and replacement, building repairs and maintenance, self-insurance for legal liability, and post-employment medical benefits. This is another layer of the City long-term plan, not only to budget the true cost of operations from year-to-year, but also to accumulate resources to continue the high level of quality services for the future. The City has adopted a five-year financial projection model as its basis for developing a long-term financial plan. The plan takes into consideration various financial and economic factors received from multiple sources. Such information includes residential and commercial property value trends, assessed valuation data, unemployment rates, consumer spending trends, consumer price indices, interest rates, investment performance of the CalPERS investment portfolio, State budget and financial forecasts, and qualitative data received from discussions and interviews with key business leaders in the City.

The City uses long-term financial planning to ensure stability through the ups-and-downs within economic cycles. It also allows decision makers to better understand the true effects of policy decisions. Through the City's long-term financial planning, the City has built up its current General Fund Reserves to 100% of fiscal year 2019-20 operating expenditures.

Current Revenue Forecast. The five-year financial forecast set forth below was approved by the City Council on June 15, 2020 and reflects the revenue assumptions described in "Property Taxes" and "Other General Fund Revenues and Transfers."

Five-Year Expense Forecast. The City used the following expense assumptions in the five-year financial plan:

Full-time Employees. An increase of 3.0 full-time employees ("**FTEs**") for a Citywide total of 167 FTEs is recommended for fiscal year 2020-21. For the remaining years in the forecast, the City assumes adding a 3-year limited term Planning Permit Technician in fiscal year 2021-22.

Pension Costs. In December 2016, CalPERS announced a reduction in its Discount Rate (rate of return on its investment portfolio) from 7.5% to 7.0%. Then in February 2018, CalPERS modified its amortization policy for prospective investment gains and losses from 30 years to 20 years effective fiscal year 2021-22. Each of these changes are expected to add significant costs to the City. In an abundance of caution, the City has estimated a CalPERS 10% investment loss in fiscal year 2019-20. With this assumption, the forecasted employer pension costs in the General Fund's 5-year financial plan is $8.01 million for fiscal year 2020-21; $8.75 million for fiscal year 2021-22; $9.92 million for fiscal year 2022-23; $11.15 million for fiscal year 2023-24; and $12.39 million for fiscal year 2024-25.

Over the previous two years, the City has taken various actions to address the increase in CalPERS pension costs. In June, 2019, the City made an additional discretionary payment of $3.48 million to reduce its unfunded pension liability with CalPERS, and in March of 2020, the City transferred $3.5 million from the General Fund to the Pension Stabilization Fund. The $3.5 million in the Pension Stabilization Fund may be used to further reduce the City's unfunded pension liability or to help supplement future General Fund payments in the event of increases in required contributions to CalPERS. Based on CalPERS' 2019 Annual Valuation Reports as of June 30, 2018, the City's aggregate Unfunded Accrued Liability was approximately $84.7 million.

Labor Agreements. Much of the City's workforce falls under collective bargaining agreements. In 2019, all city employees (AFSCME, POA, and management employees) agreed to a one-year extension of expiring labor agreements with a 2% increase in wages and medical benefits for fiscal year 2019-20. Negotiations are currently in progress and the City has assumed a 2% annual wage adjustment, in addition to applicable step increases in fiscal year 2020-21 through fiscal year 2024-2025 for all bargaining units.

Supplies and Services, Capital Outlay, Internal Service Charges, and Reallocations. The five-year forecast assumes annual increases of 2% for the majority of ongoing expenditures.

CITY OF FOSTER CITY
GENERAL FUND (FUND 001 to 003)
FIVE YEAR FINANCIAL PLAN FOR THE YEARS ENDED June 30, 2025

	Projected	Five Year Financial Plan				
Revenues by Source:	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025
Property tax	$27,972,100	$29,176,800	$30,043,200	$30,950,200	$32,091,300	$33,043,898
ERAF Refund	$1,795,970	$1,035,520	$1,056,230	$1,077,350	$1,098,900	$1,120,880
Transient occupancy tax*	$3,401,300	$2,424,450	$3,879,120	$4,848,900	$4,945,900	$5,044,800
Property tax in-lieu of VLF	$4,159,600	$3,743,640	$3,818,510	$3,894,880	$3,972,780	$4,052,240
Sales tax	$2,819,100	$2,797,500	$3,159,000	$3,510,000	$3,580,200	$3,651,800
Business License Tax	$1,768,100	$1,588,400	$1,620,170	$1,652,570	$1,685,620	$1,719,330
Charges for current services - Recreation	$1,076,011	$1,248,225	$1,650,300	$1,683,306	$1,716,973	$1,751,311
Charges for current services - Community Development Dept.	$433,835	$558,648	$500,116	$514,122	$528,560	$543,444
Permits	$1,279,427	$1,373,105	$981,392	$1,016,883	$1,053,202	$1,091,286
Franchise tax	$1,084,500	$1,076,000	$1,135,820	$1,195,600	$1,219,500	$1,244,000
Interest Income	$755,964	$434,200	$434,200	$434,200	$434,200	$434,200
Rentals - City/EMID	$604,916	$606,990	$437,129	$267,372	$272,720	$278,174
Rentals - Parks and Recreation	$272,272	$297,000	$396,000	$403,920	$411,998	$420,238
Other (Reimbursements, Street Sweeping, Fines, Other)	$361,500	$389,100	$395,800	$402,200	$409,100	$416,310
Other taxes (real property transfer tax)	$304,900	$274,400	$279,890	$ 304,900	$314,050	$323,470
Intergovernmental (SB90, Grants, Other)	$150,000	$130,000	$130,000	$130,000	$130,000	$130,000
Total Revenues	$48,239,495	$47,153,978	$49,916,877	$52,286,403	$53,865,003	$55,265,381
Projected Expenditures	$44,583,881	$46,447,916	$48,431,542	$50,183,361	$52,039,232	$53,964,922
Net revenues over (under) expenditures before transfers	$3,655,614	$706,062	$1,485,335	$2,103,042	$1,825,771	$1,300,459
Net Transfers In (Out)	$(3,482,000)	$(1,350,000)	$(5,632,000)	$(3,482,000)	$(3,482,000)	$(3,482,000)
Net Increase (Decrease) in Fund Balance	$173,614	$(643,938)	$(4,146,665)	$(1,378,958)	$(1,656,229)	$(2,181,541)
Use of Reserves in FY 2020-2021 to balance budget	$ -	$643,938	$ -	$ -	$ -	$ -
Opening Fund Balance	$45,403,951	$45,577,565	$44,933,627	$40,786,962	$39,408,004	$37,751,775
Reduction of Reserves for Use in FY 2020-2021	$ -	$(643,938)	$ -	$ -	$ -	$ -
FY 2018-19 Operating Surplus (Rollover Surplus)	$6,773,154	$ -	$ -	$ -	$ -	$ -
Use of FY 2018-19 Rollover Surplus	$(6,773,154)	$ -	$ -	$ -	$ -	$ -
Change in Fund Balance	$45,577,565	$44,933,627	$40,786,962	$39,408,004	$37,751,775	$35,570,234
Reserve Balance as % of Next Year's Operating Expenditures	98.1%	92.8%	81.3%	75.7%	70.0%	64.6%

* Includes voter approved TOT Revenue Measure in November 2018. 11% effective January 1, 2019, then 12% effective July 1, 2019.

(1) Expenditures for fiscal year 2019-2020 represent budgeted appropriations; expenditures for fiscal year 2020-2021 to fiscal year 2024-2025 are projections.

(2) The City is able to meet the City Council Reserve Policy of 33 1/3% to 50% in each year of the 5-year financial plan.

CITY OF FOSTER CITY
GENERAL FUND (FUND 001 TO 003) EXPENDITURES DETAIL
FIVE YEAR FINANCIAL PLAN FOR THE YEARS ENDED JUNE 30, 2025

	Projected	Five Year Financial Plan				
	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025
Department Expenses						
Employee Services	$27,159,302	$28,931,157	$30,821,541	$32,380,526	$33,978,485	$35,472,190
Salaries and wages	$15,334,782	$16,754,661	$17,744,463	$18,101,082	$18,440,567	$18,702,082
PERS	$7,176,360	$8,014,259	$8,746,626	$9,921,697	$11,153,140	$12,386,433
Flex allowance (Health)	$2,527,980	$2,582,800	$2,672,108	$2,672,108	$2,672,108	$2,646,248
Workers compensation	$1,096,540	$768,551	$814,529	$830,920	$847,216	$863,364
Other	$1,023,640	$810,886	$843,815	$854,719	$865,454	$874,063
Supplies and other	$13,971,635	$13,979,527	$14,491,124	$14,637,070	$14,847,916	$15,234,646
Total department expenses	$41,130,937	$42,910,684	$45,312,665	$47,017,596	$48,826,401	$50,706,836
Internal Services Charges	$7,018,185	$7,075,790	$7,216,795	$7,353,558	$7,492,942	$7,632,786
Reallocation	$(3,565,241)	$(3,538,558)	$(3,608,718)	$(3,680,893)	$(3,754,511)	$(3,829,600)
Net Expenditures	$44,583,881	$46,447,916	$48,920,742	$50,690,261	$52,564,832	$54,510,022
Less: Expected Expenditure Savings (1%)	$ -		$(489,200)	$(506,900)	$(525,600)	$(545,100)
Projected Expenditures	$44,583,881	$46,447,916	$48,431,542	$50,183,361	$52,039,232	$53,964,922

Source: City of Foster City fiscal year 2020-21 five-year forecast.

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 the current or future years by the State Legislature and the Governor to address a State budget deficit, particularly in response to COVID-19. 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 Bonds.

There can be no certainty that budget-cutting strategies, such as those used in prior recessions, will not be used in the future, should the State budget again be stressed.

Property Taxes

Over the past 10 fiscal years, from fiscal year 2009-10 to fiscal year 2018-19, property tax revenues (excluding ERAF refunds) grew annually in the range of 2.5% to 22.3%. Under the provisions of Proposition 13, County Assessors make increases to the assessment rolls based on an inflation factor, the California Consumer Price Index, not to exceed 2%. The inflation factors for both fiscal year 2019-20 and fiscal year 2020-21 is 2%.

The City is projecting fiscal year 2020-21 property tax revenues to increase 4.3% to $29.18 million from its fiscal year 2019-20 estimate of $27.97 million based on preliminary assessed values tracked by the San Mateo County Assessor's Office and the anticipated completion of the Lennar Foster Square condominium project in fiscal year 2020-21. In the five-year financial plan, the City has assumed a 3% annual increase in property tax revenues for fiscal years 2021-22 to 2024-25 plus the addition of the Gilead Sciences well-being facility and the Pilgrim Triton Phase C housing project to the assessment roll starting in fiscal year 2023-24. The 3% increases for fiscal years 2021-22 to 2024-25 also include property tax revenues from a forecasted $4 million of annual tenant improvements by Gilead. The City acknowledges that there is high uncertainty on the outlook of many General Fund revenue categories including property taxes and have committed to provide at a minimum, quarterly budgetary updates to the City Council in fiscal year 2020-21 as economic and fiscal conditions change.

See Table 1 in the main body of the Official Statement for a history of assessed values in the City.

The County levies (except for levies to support prior voter-approved indebtedness) and collects all property taxes for property falling within the County's taxing boundaries.

Other General Fund Revenues and Transfers

Sales and Use Tax. The sales tax is an excise tax imposed on retailers for the privilege of selling or leasing tangible personal property. The use tax is an excise tax imposed for the storage, use, or other consumption of tangible personal property purchased from any retailer. The total sales tax rate within the City is currently 9.25%. The proceeds of sales and uses taxes imposed within the City are distributed by the State to various agencies, with the City receiving 1.0% of the amount collected.

Collection of the sales and use tax is administered by the California Department of Tax and Fee Administration ("**CDTFA**"). 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. 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.

Total taxable sales during calendar year 2019 in the City were reported to be $287.9 billion, a 7.1% decrease from the total taxable sales of $309.9 billion reported during calendar year 2018.

CITY OF FOSTER CITY
TAXABLE TRANSACTIONS
(Figures in Thousands)

	2015	2016	2017	2018	2019
Retail and Food Services:					
Motor Vehicle and Parts Dealers	n/a (1)	n/a (1)	n/a (1)	n/a (1)	n/a (1)
Home Furniture and Appliances	22,712	18,563	28,661	25,988	18,114
Bldg. Materials, Farm Implements	8,568	n/a (1)	n/a (1)	n/a (1)	n/a (1)
Food and Beverage Stores	16,990	16,974	16,723	14,452	15,827
Gasoline Stations	24,497	23,658	26,139	29,455	28,631
Apparel Stores	233	539	364	179	104
General Merchandise Stores	n/a (1)	n/a (1)	n/a (1)	n/a (1)	n/a (1)
Food Services and Drinking Places	47,181	48,944	51,243	58,811	60,701
Other Retail Stores	81,956(2)	85,510(2)	93,493(2)	117,381	116,660(2)
Total Retail and Food Services	204,185	194,189	216,622	247,266	240,036
All Other Outlets	56,607	50,357	60,951	62,645	47,841
TOTAL ALL OUTLETS	260,791	244,547	277,574	309,911	287,877

(1) Sales omitted because their publication would result in the disclosure of confidential information.
(2) Adjusted for disclosures.
Source: State Department of Tax and Fee Administration.

Factors that have historically affected sales tax revenues include the overall economic growth of the Bay Area, competition from neighboring cities, the growth of specific industries within the City, the City's business attraction and retention efforts, and catalog and Internet sales. Revenues from sales and use taxes is projected to decrease by $691,000 to $2.82 million from a pre-COVID-19 estimate of $3.51 million for fiscal year 2019-20.

The City suffered a $1 million annual loss in its sales tax revenues in fiscal year 2012-13 when the largest sales tax producer shifted its sales operations to its other corporate facilities. Since then, sales tax revenue growth has been marginal. In fiscal year 2018-19, several businesses closed including Orchard Supply Hardware. The Charter Square shopping center was demolished for the construction of a new elementary school.

The City is projecting a decline in revenues of $2.80 million in fiscal year 2020-21 as restaurants and gasoline stations are among the hardest hit by COVID-19. For the remaining years in the five-year forecast, the City is assuming a gradual recovery to pre-COVID-19 level by fiscal year 2022-23 and then 2% annual growth thereafter.

Transient Occupancy Tax. The City imposes a TOT of 12% on temporary guests staying at the City's three hotels: Crowne Plaza, Marriott Courtyard, and Towne Place Suites. Based on voter passage of Measure TT in November 2018, the City's TOT rate is 12%.

The City is projecting a 50% decline in fiscal year 2020-21 TOT revenues from a pre-pandemic projection of $4.8 million to $2.4 million. Occupancy rates had fallen to as low as single digits during March 2020 and all three hotels are effectively closed. For the remaining years in the forecast, the City is assuming a gradual revenue recovery to pre-COVID-19 levels by fiscal year 2022-2023 and annual increases of 2% thereafter.

Business License Tax. The Business License Tax Ordinance was updated in November 2013 based on voter approval. The increased minimum tax rates and maximum revenue caps upon which the tax is calculated was phased in over a 3-year period from calendar year 2014 to 2016.

The City's five-year forecast includes a 10% reduction in business license tax revenue in fiscal year 2020-2021. For the remaining years in the forecast, the City is assuming 2% annual revenue growth.

Investment Earnings. As of March 31, 2020, the average yield on the City's investment portfolio was 1.76%. Yields are anticipated to fall as the Federal Reserve has lowered the federal funds rate to essentially zero in its efforts to provide monetary stimulus to combat the economic downturn.

The City is projecting a 1% annual investment yield over the five-year period.

Employee Retirement System

The City participates in two pension plans administered by the California Public Employees Retirement System ("**CalPERS**"). The first is an agent multiple-employer defined benefit plan for its miscellaneous employees (the "**Miscellaneous Plan**") and the second is its cost-sharing multiple-employer defined benefit pension plan for its safety employees (the "**Safety Plan**"). An agent multiple-employer plan is one in which the assets of the participating government employers are pooled for investment purposes but separate accounts are maintained for each individual employer. A cost-sharing multiple-employer defined benefit pension plan is a plan in which the pension obligations to the employees of more than one employer are pooled and pension plan assets can be used to pay benefits of the employees of any employer that provides pensions through the plan.

Plan Descriptions. All qualified permanent employees are eligible to participate in the City's Safety Plan (police and fire employees) and the Miscellaneous Plan (all other employees) agent multiple employer defined benefit pension plans administered by CalPERS.

The Miscellaneous Plan is an agent multiple-employer defined benefit pension plan which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and City resolution. 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.

The City's Safety Plan is a cost-sharing multiple-employer defined benefit pension plan administered by CalPERS since the plan has less than 100 active members, commonly referred to as risk pool. The City has three retirement benefit tiers in the Safety Plan. Tier 1 is for employees hired prior to January 1, 2012. Tier 2 is for employees hired between January 1, 2012 to December 31, 2012. Tier 3 is for employees hired on or after January 1, 2013.

Benefits Provided. CalPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees, and their beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment, age and the average of the final 3 years' compensation. 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 1959 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 plans provisions and benefits in effect at June 30, 2019, are summarized in the following tables.

	Miscellaneous -Classic-	**Miscellaneous -PEPRA-**
Hire date	Prior to 1/1/2013	On or after 1/1/2013
Benefit formula	2.7%@55	2%@62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Final Compensation period	Three year	Three year
Monthly benefits, as a % of annual salary	2% to 2.7%	1% to 2.5%
Required employee contribution rate	8.00%	6.25%
Required employer contribution rate*	30.291%	30.291%
Total employee contribution rate FY 2018-19	$709,854	$215,000
Total employer contribution rate FY 2018-19	$2,557,004	$991,361

*Including Unfunded Actuarial Liability contribution rate.
Source: City of Foster City.

	Safety -Classic-	**Safety -Classic- (Police)**	**Safety -PEPRA-**
Hire date	Prior to 1/1/2012	On or after 1/1/2012	On or after 1/1/2013
Benefit formula	3%@50	2%@50	2.7%@57
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Retirement age	50	50	57
Final Compensation period	Three year	Three year	Three year
Monthly benefits, as a % of annual salary	3%	2% to 2.7%	2% to 2.7%
Required employee contribution rate	9.00%	9.00%	12.00%
Required employer contribution rate*	51.913%	16.249%	12.533%(Police) 12.599%(Fire)
Total employee contribution rate FY 2018-19	$415,854	$20,665	$297,948
Total employer contribution rate FY 2018-19	$6,712,743	$37,800	$305,086

*Including Unfunded Actuarial Liability contribution rate.
Source: City of Foster City.

Employees Covered. The following employees were covered by the benefit terms of the Miscellaneous Plan as of the most recent actuarial valuation date of June 30, 2017; information for the Safety Plans was not provided from CalPERS for cost-sharing multiple-employer defined benefit pension plans.

	Miscellaneous*
Inactive Employees or Beneficiaries Currently Receiving Benefits	195
Inactive Employees Entitled to but not yet Receiving Benefits	162
Active Employees	129
Total	486

* All tiers of the Miscellaneous Plan were combined together on GASB 68 report by CalPERS.

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

For the year ended June 30, 2019, the contributions to the Plans were as follows:

	Miscellaneous*	**Safety Plans***	**Total**
Contributions-employer	$3,548,365	$7,055,629	$10,603,994
Contributions-employee	924,854	734,467	1,659,321

* All tiers of the Miscellaneous and Safety Plans were combined together on GASB 68 report by CalPERS.

Actuarial Assumptions and Other Inputs. The City's total pension liabilities of $33,523,099 was measured as of June 30, 2018 and was determined by an actuarial valuation as of June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified: inflation 2.63%, discount rate 7.25%, payroll growth 2.88%, and an investment rate of return of 7.25%, net of pension plan investment and administrative expense, including inflation. Projected salary increases vary by entry age and service. Mortality rates were derived using CalPERS membership data for all funds and the mortality table used was developed based on CalPERS specific data. The table includes 15 years of mortality improvement using Society of Actuaries Scale 90% of Scale MP 2016.

Pension Expense. At June 30, 2019, the City recognized pension expense of $6,099,915 for the Miscellaneous Plan and pension expense of $10,774,127 for the Safety Plan, with a total pension expense of $16,874,042.

For more information regarding the City's pension plans, see Note 9 of APPENDIX B to the Official Statement.

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

On November 18, 2015, the CalPERS Board adopted a funding risk mitigation policy intended to incrementally lower its discount rate – its assumed rate of investment return – in years of good investment returns, help pay down the pension fund's unfunded liability, and provide greater predictability and less volatility in contribution rates for employers. The policy 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, 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 20, 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.

COVID-19 Impacts. Recent investment losses in the PERS portfolios as a result of the general market downturn caused by the COVID-19 outbreak may result in increases in the City's required contributions in future years. The City cannot predict the level of such increases, if any.

Other Post-Employment Retirement Benefits (OPEB)

Plan Description. All City employees, their surviving spouses, and eligible dependents can continue to participate in the health care program under the provisions of the formal City-sponsored single employer plan at their own cost (the "**Plan**"). The City will only contribute the minimum amount provided under Government Code Section 22825 of the Public Employee Medical and Hospital Care Act by which, the City paid $133 and $136 per month per family for the period from July 1, 2018 to December 31, 2018 and January 1, 2019 to June 30, 2019, respectively. The City's contribution for fiscal year 2019 amounted to $445,069 which included $294,668 implied subsidy benefit payment. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Governmental Accounting Standards Board Statement No. 75.

Membership of the Plan consists of 169 active employees, 96 inactive employees receiving benefits, and 62 inactive employees entitled to but not yet receiving benefits.

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

For the March 1, 2019 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 3.13% discount rate and a 2.50% general inflation assumption. The healthcare cost trend rate minimum was assumed to annually increase by 2.75%. The valuation includes implied subsidy as required by Actuarial Standards of Practice No. 6 for measurement after March 31, 2015. The UAAL is amortized as a level percentage of projected payrolls over 15 years on a closed basis commencing in 2014.

Changes in Total OPEB Liability. The components of the total OPEB liability of the were as follows:

CITY OF FOSTER CITY
Total OPEB Liability

	Total OPEB Liability
Balance as of June 30, 2018	$11,812,000
Service Cost	646,076
Interest on the Total OPEB liability	473,515
Differences between expected and actual experience	(1,981,229)
Changes of assumptions	(544,791)
Benefit Payments	(150,401)
Implicit Rate Subsidy Fulfilled	(294,668)
Net Changes	(1,851,498)
Balance as of June 30, 2019	9,960,502

Source: City of Foster City.

OPEB Expense. For the year ended June 30, 2019, the City recognized an OPEB expense of $225,661.

For more information regarding the City's OPEB and assumptions used in its most recent actuarial study, see Note 9 of Appendix B to the Official Statement.

Labor Relations

As of May 1, 2020, the City employed approximately 158 full-time and 19 part-time budgeted employees. There are two employee unions as shown below. In addition, the City employs approximately 51 unrepresented management employees. The City has not experienced any work stoppages or strikes by its employees. Negotiations are currently in progress with the two unions for a new contract beginning July 1, 2020.

CITY OF FOSTER CITY
Labor Relations

Labor Organization	Employees	Contract Expiration Date
American Federation of State, County and Municipal Employees (AFSCME)	67	June 30, 2020
Foster City Police Officers Association (FCPOA)	40	June 30, 2020

(1) Terms of contract remain in effect after expiration until new contract becomes effective.
Source: City of Foster City.

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is self-insured for general liability claims up to $100,000. General liability claims in excess of

$100,000 are insured with PLAN JPA, a joint powers agency for the funding and pooling of insurance coverage. PLAN JPA is a self-insured public-entity risk pool. Workers' compensation claims are insured with The Cities Group, a joint powers agency for the funding and pooling of insurance coverage. The Cities Group purchases third-party commercial insurance to cover for the claims at the limit $2,500,000 with an excess layer of $10,000,000 per incident by reinsurance contracts for all employees. Charges to the General Fund for general liability claims are determined from an analysis of self-insured claim costs. Such charges are recorded as expenditures in the General Fund and revenues in the Self-Insurance Internal Service Fund. The City considers incurred but not reported claims in determining if an accrual for loss contingencies is required for claims.

Settled claims have not exceeded the City's excess coverage in any of the past three fiscal years. Claims expenses and liabilities are reported for self-insured deductibles when it is probable that a loss has occurred, the amount of that loss can be reasonably estimated and includes incremental claim expenses. Allocated and unallocated claims adjustment expenses are included in the claims liability balance. These losses include an estimate of claims that have been incurred but not reported. At June 30, 2019, the liability for general liability self-insurance claims was $63,000.

City Debt

The City does not have any outstanding general obligation bonds or long-term obligations payable from its general fund.

Employment

The City is included in the San Francisco-Redwood City-South San Francisco Metropolitan Division ("**MD**"). The unemployment rate in the MD was 2.9% in March 2020, up from a revised 2.2% in February 2020, and above the year-ago estimate of 2.4%. This compares with an unadjusted unemployment rate of 5.6% for California and 4.5% for the nation during the same period. The unemployment rate was 2.8% in San Mateo County.

The following table summarizes the civilian labor force, employment, and unemployment in the MD for the calendar years 2015 through 2019.

SAN FRANCISCO-REDWOOD CITY-SOUTH SAN FRANCISCO METROPOLITAN DIVISION
(SAN FRANCISCO AND SAN MATEO COUNTIES)
Civilian Labor Force, Employment and Unemployment
(March 2019 Benchmark)

	2015	2016	2017	2018	2019
Civilian Labor Force (1)	975,700	997,000	1,009,300	1,018,800	1,043,200
Employment	941,100	965,300	980,700	994,900	1,021,100
Unemployment	34,600	31,800	28,600	23,900	22,200
Unemployment Rate	3.5%	3.2%	2.8%	2.3%	2.1%
Wage and Salary Employment: (2)					
Agriculture	1,900	1,900	1,800	1,600	1,600
Mining and Logging	100	100	100	100	100
Construction	36,000	38,600	39,800	42,400	43,700
Manufacturing	36,400	38,200	39,400	39,000	39,200
Wholesale Trade	25,600	25,900	26,100	26,500	26,000
Retail Trade	80,800	81,100	81,200	80,300	78,100
Transportation, Warehousing, Utilities	36,200	40,500	43,900	47,300	50,300
Information	63,200	70,300	76,600	85,400	97,100
Finance and Insurance	56,900	59,400	59,300	61,000	62,400
Real Estate and Rental and Leasing	20,400	21,000	21,600	22,200	23,700
Professional and Business Services	251,900	262,100	267,200	277,900	291,100
Educational and Health Services	129,900	133,400	136,000	138,900	145,100
Leisure and Hospitality	137,100	141,400	142,400	143,600	147,700
Other Services	40,000	40,700	41,100	41,400	41,600
Federal Government	17,700	17,800	17,600	16,900	16,600
State Government	34,100	35,300	36,100	37,000	38,200
Local Government	72,600	74,600	76,200	77,500	77,200
Total, All Industries (3)	1,040,800	1,082,200	1,106,500	1,138,900	1,179,600

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

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

CITY OF FOSTER CITY
Major Employers
June 30, 2019

Employer	Number of Employees	% of Total Employment
Gilead Sciences, Inc.	8,268	36.83%
Visa U.S.A. Inc.	2,152	9.59
Visa Technology & Operations LLC, FKA Inovant LLC	867	3.86
Guidewire Software, Inc.	670	2.98
Zoox Inc	530	2.36
Cybersource Corporation	409	1.82
Illumina Inc.	389	1.73
IBM Corporation	367	1.63
CSG Consultants, Inc.	364	1.62
Brightedge Technologies	356	1.59

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

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COUNTY OF SAN MATEO
Major Employers
(Listed Alphabetically)
May 2020

Employer Name	Location	Industry
Bart Daly City Station	Daly City	Transit Lines
Electric Charging Station	Menlo Park	Research Service
Electronic Arts Inc	Redwood City	Game Designers (mfrs)
Facebook Inc	Menlo Park	Social Media
Fisher Investments	Woodside	Investment Management
Fisher Investments	San Mateo	Investment Management
Forced Dump Debris Box Svc	Burlingame	Garbage Collection
Genentech Inc	South SF	Biotechnology Products & Services
Gilead Sciences Inc	Foster City	Biological Products (mfrs)
Guckenheimer Inc	Foster City	Marketing Programs & Services
Kaiser Permanente Redwood City	Redwood City	Hospitals
Kaiser Permanente South Sn	South SF	Hospitals
Lpch	Menlo Park	Health Care Facilities
Lsa Global	Redwood City	Training Consultants
Mills-Peninsula Medical Ctr	Burlingame	Hospitals
Motif Inc	San Mateo	Business Services NEC
Oracle Corp	Redwood City	Computer Software-Manufacturers
Plateau Systems	San Mateo	Computer Software
San Mateo County Behavior	San Mateo	Government Offices-County
San Mateo County Tax Collector	Redwood City	Tax Return Preparation & Filing
San Mateo Medical Ctr	San Mateo	Hospitals
Sciex LLC	Redwood City	Scientific Apparatus & Instruments-Mfrs
SRI International Inc	Menlo Park	Engineers-Research
Visa Inc	Foster City	Credit Card & Other Credit Plans
YouTube, LLC	San Bruno	Online Services

Source: State of California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database, 2020 1st Edition.

Effective Buying Income

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

The following table summarizes the total effective buying income for the City of Foster City, the County of San Mateo, the State and the United States for the period 2016 through 2020.

CITY OF FOSTER CITY AND COUNTY OF SAN MATEO
Effective Buying Income
As of January 1, 2016 through 2020

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2016	Foster City	$1,681,653	$94,092
	San Mateo County	30,989,833	77,717
	California	981,231,666	53,589
	United States	7,757,960,399	46,738
2017	Foster City	$1,920,734	$98,860
	San Mateo County	33,690,067	81,795
	California	1,036,142,723	55,681
	United States	8,132,748,136	48,043
2018	Foster City	$2,053,139	$109,220
	San Mateo County	35,362,153	87,101
	California	1,113,648,181	59,646
	United States	8,640,770,229	50,735
2019	Foster City	$2,206,166	$116,601
	San Mateo County	39,578,320	93,319
	California	1,183,264,399	62,637
	United States	9,017,967,563	52,841
2020	Foster City	$2,317,301	$122,613
	San Mateo County	40,511,605	96,614
	California	1,243,564,816	65,870
	United States	9,487,165,436	55,303

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

Construction Activity

Provided below are the building permits and valuations for the City of Foster City for calendar years 2014 through 2018. Annual figures are not yet available for calendar year 2019.

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

	2014	2015	2016	2017	2018
Permit Valuation					
New Single-family	$0.0	$0.0	$0.0	$0.0	$0.0
New Multi-family	36,277.0	79,453.0	27,767.7	0.0	0.0
Res. Alterations/Additions	15,491.4	10,623.8	11,654.4	10,670.2	12,004.4
Total Residential	51,768.4	90,076.8	39,422.1	10,670.2	12,004.4
New Commercial	61,690.6	75,531.3	35,698.3	73,903.7	0.0
New Industrial	0.0	0.0	4,954.8	0.0	0.0
New Other	39,993.8	45,632.7	25,316.7	606.4	1,421.8
Com. Alterations/Additions	134,216.7	18,105.6	115,789.1	110,877.4	191,290.7
Total Nonresidential					
New Dwelling Units					
Single Family	0	0	0	0	0
Multiple Family	273	346	74	0	0
TOTAL	273	346	74	0	0

Source: Construction Industry Research Board, Building Permit Summary.

APPENDIX B

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR YEAR ENDED JUNE 30, 2019

APPENDIX C

PROPOSED FORM OF OPINION OF BOND COUNSEL

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this "Disclosure Certificate") is executed and delivered by the City of Foster City (the "City") in connection with the issuance of the bonds captioned above (the "Bonds"). The Bonds are being issued under the Constitution and laws of the State of California, including but not limited to, Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California, under a resolution adopted by the City Council of the City on July 6, 2020 (the "Bond Resolution").

The City hereby covenants and agrees as follows:

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

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

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

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

"*Dissemination Agent*" means the City or any other Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation. Urban Futures, Inc. has been appointed as the initial Dissemination Agent.

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

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

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

"*Participating Underwriter*" means the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds, initially BofA Securities, Inc.

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

Section 3. Provision of Annual Reports.

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

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

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

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

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

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

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

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

(i) Assessed value of taxable property within the jurisdiction of the City;

(ii) Summary of property tax rates for all taxing entities within the City expressed as a percentage of assessed valuation in the form of Table 5 of the Official Statement;

(iii) Top twenty property taxpayers for current fiscal year, taxable value and percentage of total assessed value in substantially the form of Table 6 of the Official Statement;

(iv) If and to the extent such information is available from the County, property tax collection delinquencies for the City; and

(v) Amount of all general obligation debt of the City outstanding, and total scheduled debt service on such general obligation debt.

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

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

Section 5. <u>Reporting of Significant Events</u>.

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

(1) Principal and interest payment delinquencies.
(2) Non-payment related defaults, if material.
(3) Unscheduled draws on debt service reserves reflecting financial difficulties.
(4) Unscheduled draws on credit enhancements reflecting financial difficulties.
(5) Substitution of credit or liquidity providers, or their failure to perform.
(6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.
(7) Modifications to rights of security holders, if material.
(8) Bond calls, if material, and tender offers.
(9) Defeasances.
(10) Release, substitution, or sale of property securing repayment of the securities, if material.

(11) Rating changes.

(12) Bankruptcy, insolvency, receivership or similar event of the City or other obligated person.

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

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

(15) Incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City or an obligated person, any of which affect security holders, if material.

(16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

To the City: City of Foster City
601 Foster City Blvd.
Foster City, California 94404
(650) 286-3200

To the Dissemination Agent: Urban Futures, Inc.
17821 17th Street, Suite 245
Tustin, CA 92780
Attention: Chief Executive Officer
Phone: 714-283-9334

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

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

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

Date: ______________, 2020

CITY OF FOSTER CITY

By: ________________________________
Director of Finance

ACKNOWLEDGED AND ACCEPTED:

URBAN FUTURES, INC.

By: ________________________________
Michael Busch
Chief Executive Officer

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	City of Foster City (the "City")
Name of Bond Issue:	City of Foster City General Obligation Bonds, Series 2020 (Levee Protection Planning and Improvements Project) (Green Bonds)
Date of Issuance:	_______________, 2020

NOTICE IS HEREBY GIVEN that the City has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate, dated _______________, 2020. The City anticipates that the Annual Report will be filed by ______________.

Date: [DISSEMINATION AGENT]

By: ___________________________________
Name:
Title:

APPENDIX E

DTC AND THE BOOK-ENTRY ONLY SYSTEM

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

*Neither the issuer of the Bonds (the “**Issuer**”) nor the trustee, fiscal agent or paying agent appointed with respect to the Bonds (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 Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "**Rules**" applicable to DTC are on file with the Securities and Exchange Commission and the current "**Procedures**" of DTC to be followed in dealing with DTC Participants are on file with DTC.*

1. The Depository Trust Company (“**DTC**”), New York, NY, will act as securities depository for the securities (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.

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 affect 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 such 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 interest 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 securities 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.