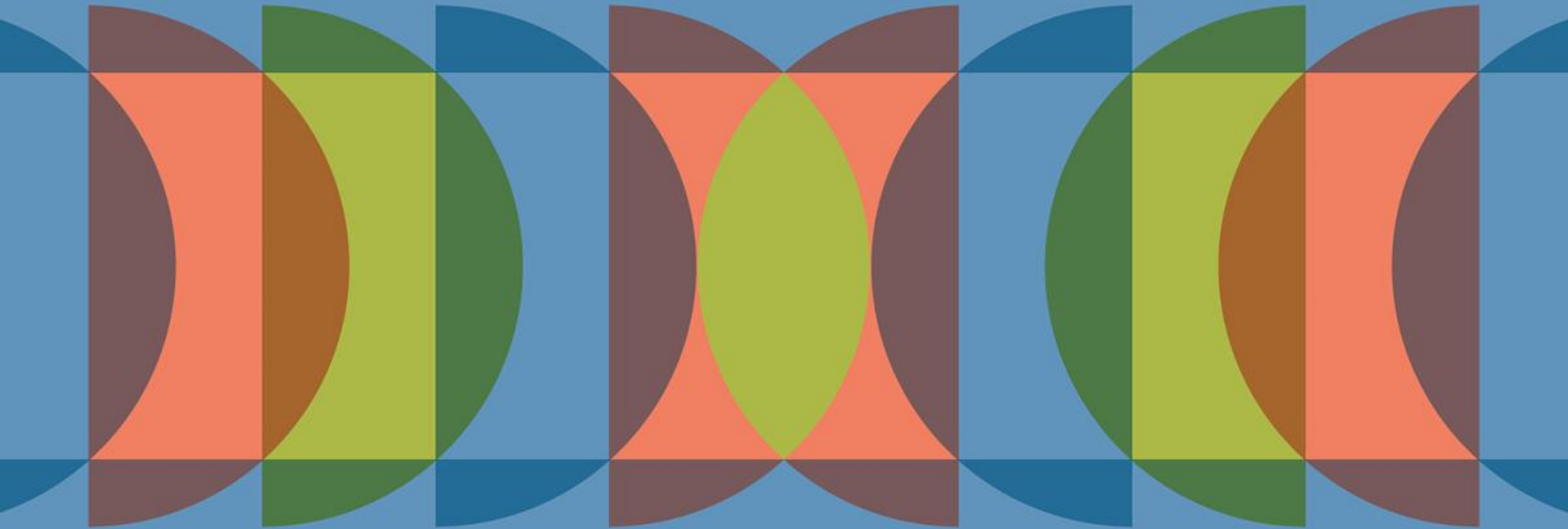




MUNICIPAL DEBT ESSENTIALS

SEPTEMBER 15-17, 2026 | SAN JOSE, CALIFORNIA

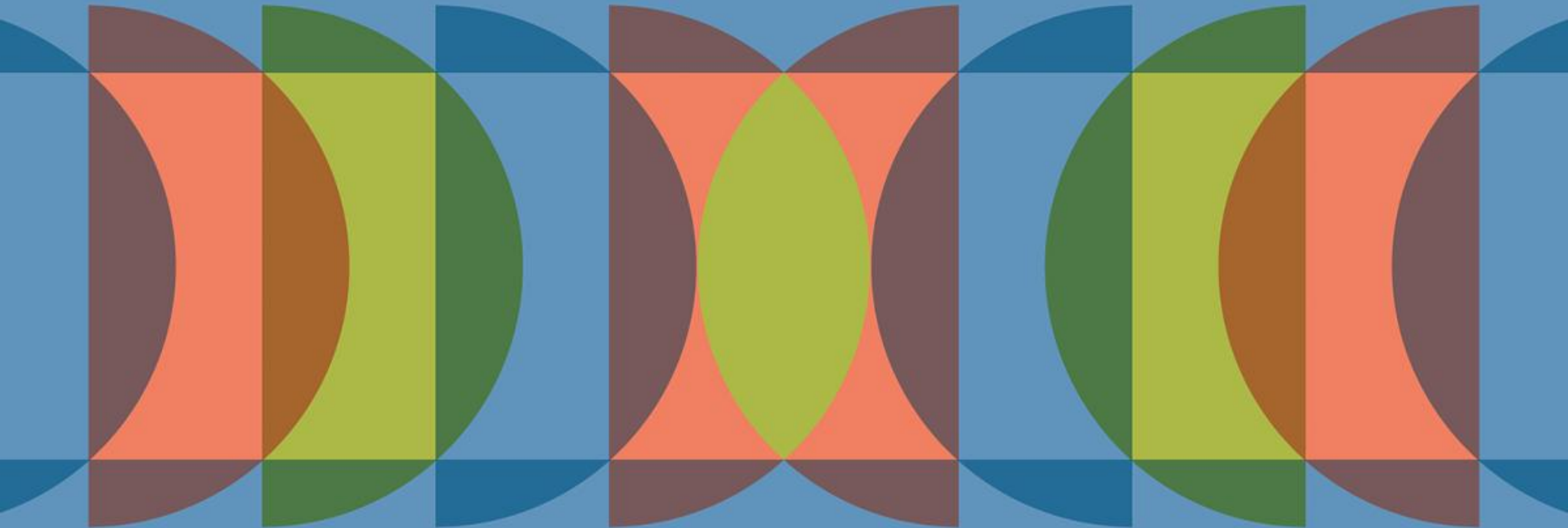
SESSION ONE

Bond Concepts

CRAIG HILL

Managing Principal
NHA Advisors





INTRODUCTION TO BONDS

TABLE OF CONTENTS

- Introduction to Bonds
- Process of Issuing Bonds
- Basic Bond Characteristics
- Basic Bond Math
- Fun Stats

PURPOSE OF MUNICIPAL BONDS

Infrastructure

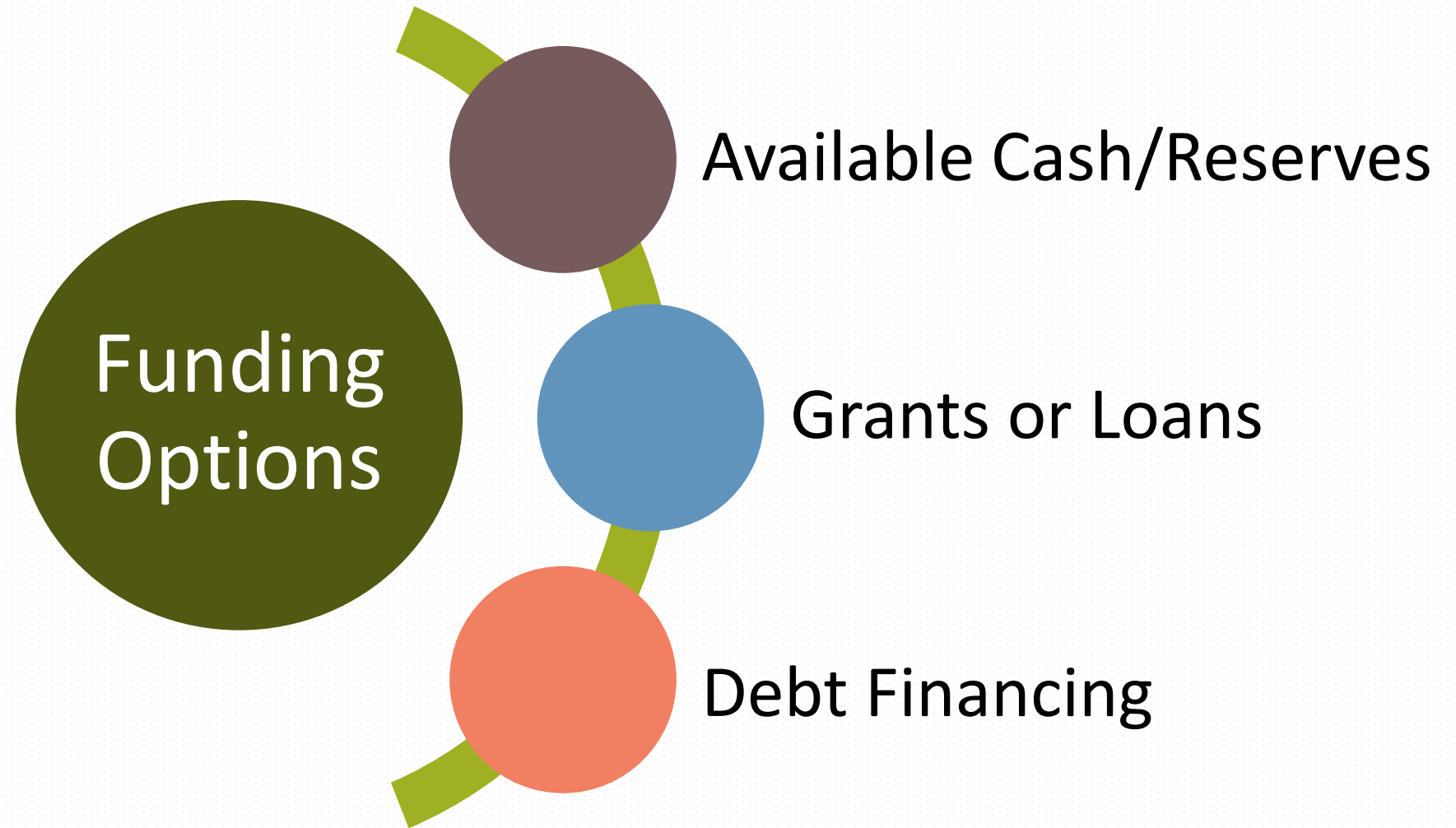


Capital Improvement Projects

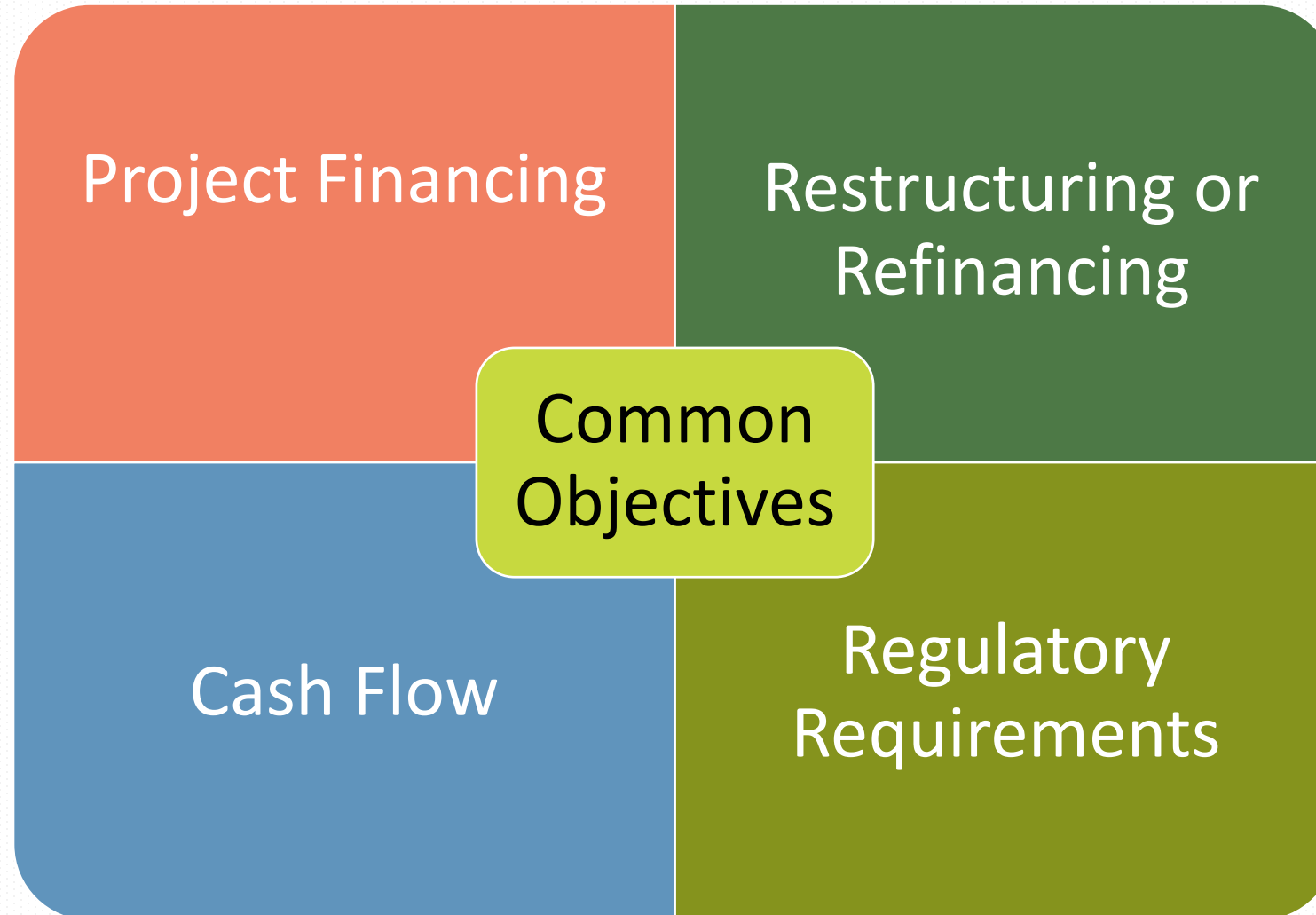


- Spread out the cost of constructing the asset over the life of the asset
- Ensures the benefits are paid for by those who enjoy them

WAYS TO FUND PROJECTS

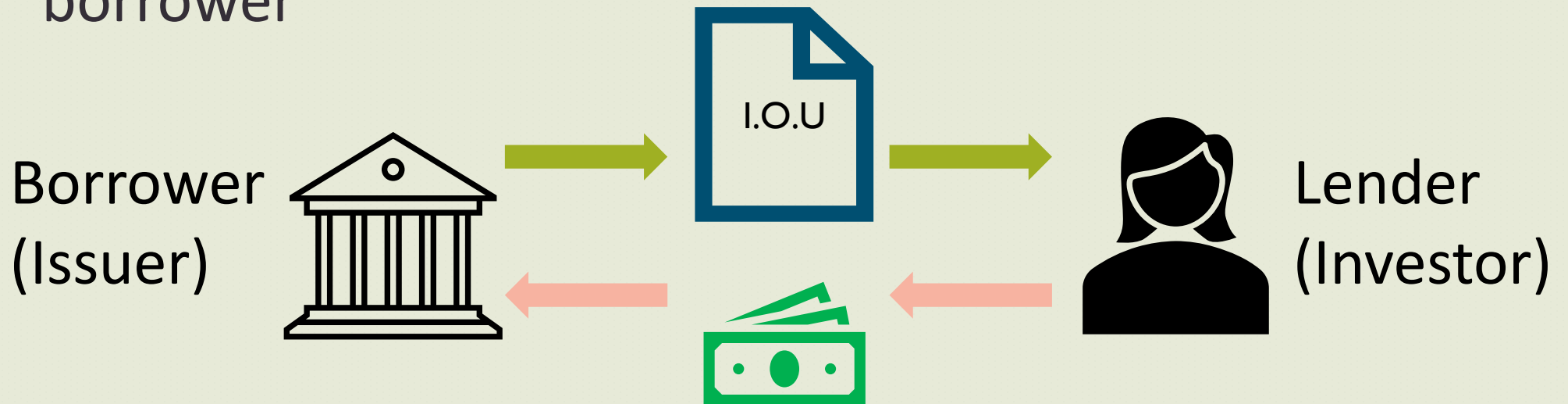


WAYS TO FUND PROJECTS (CONTINUED)



WHAT IS A BOND?

- Financing mechanism whereby the borrower (“issuer”) receives upfront funds from a lender (“bondholder”) in exchange for future repayments
- Can be thought of as an **IOU** between lender and borrower



ELEMENTS OF A BOND

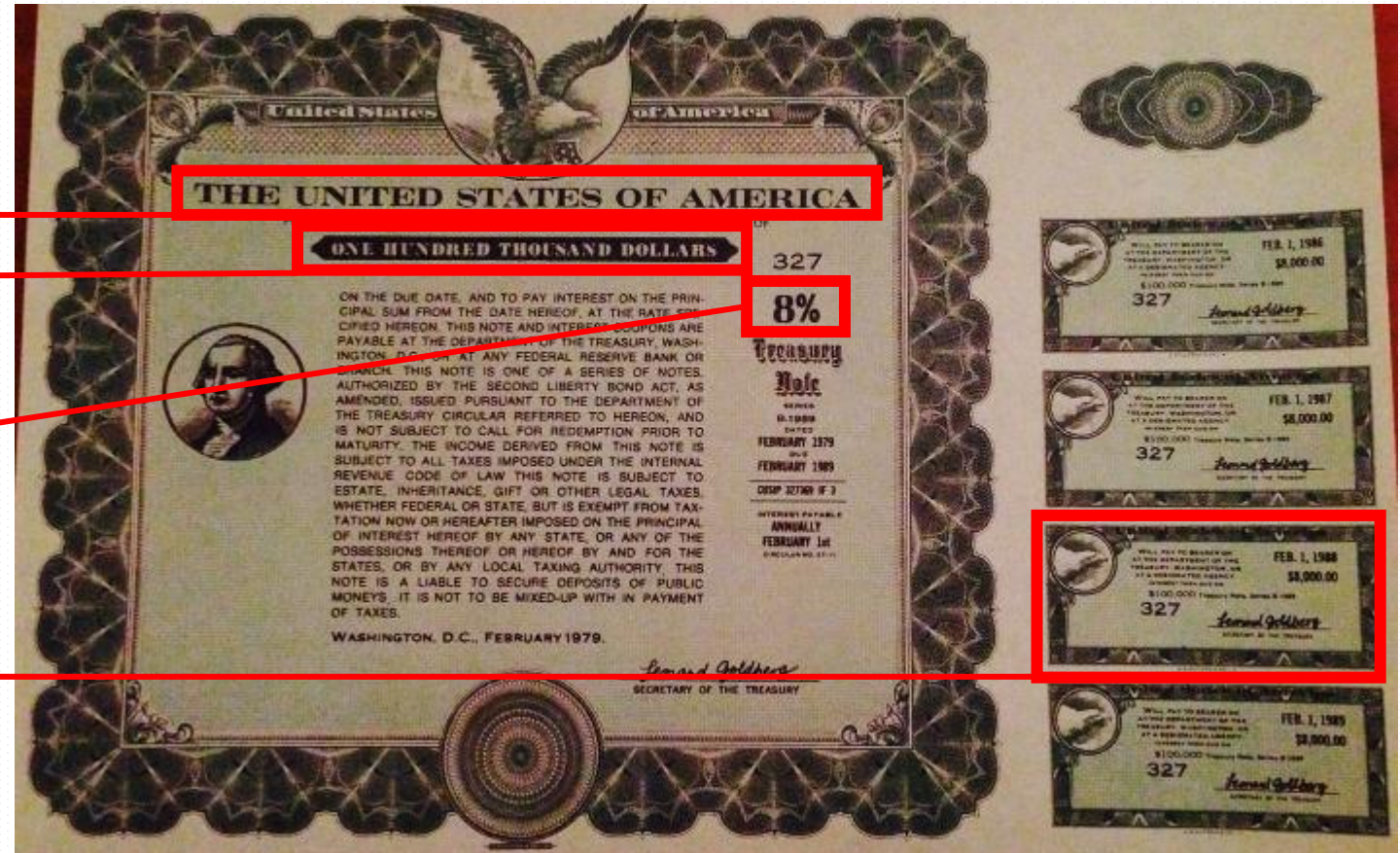
Issuer

Face Value

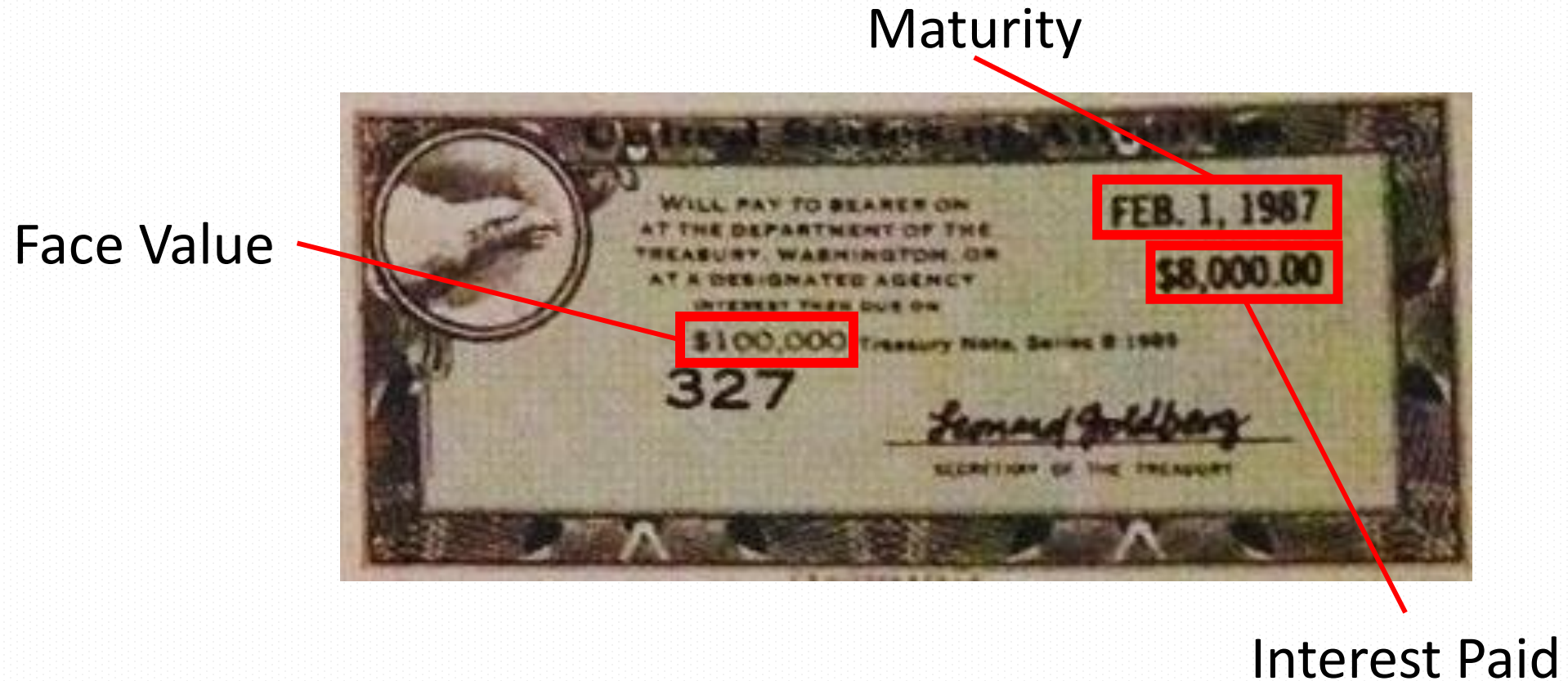
Interest Rate

Coupon

“Clipping the Coupon”



ELEMENTS OF A BOND (CONTINUED)



MATURITY SCHEDULE

Issuer	Issuer	Gotham City		
Type of Bond	Deal	2026 Revenue Bonds		
Size of Bond	Par	\$32,500,000		
	Tax Status	Tax-Exempt		
	Rating	AAA		
	Par Call Date	December 1, 2036		
Credit Rating	Maturity	PAR AMOUNT	COUPON RATE	YIELD
	2027	\$1,750,000	5.00%	2.85%
	2028	\$2,000,000	5.00%	2.95%
	2029	\$2,250,000	5.00%	3.10%
	2030	\$2,500,000	5.00%	3.20%
	2031	\$3,000,000	5.00%	3.40%
	2032			
	2033			
	2034			
	2035			
	2036	\$21,000,000	4.25%	4.50%

MATURITY SCHEDULE (CONTINUED 2/3)

Issuer Deal Par Tax Status Rating Par Call Date		Gotham City 2026 Revenue Bonds \$32,500,000 Tax-Exempt AAA December 1, 2036		
Maturity		PAR AMOUNT	COUPON RATE	YIELD
Serial Bonds	2027	\$1,750,000	5.00%	2.85%
	2028	\$2,000,000	5.00%	2.95%
	2029	\$2,250,000	5.00%	3.10%
	2030	\$2,500,000	5.00%	3.20%
	2031	\$3,000,000	5.00%	3.40%
Term Bond	2032			
	2033			
	2034			
	2035			
	2036	\$21,000,000	4.25%	4.50%

MATURITY SCHEDULE (CONTINUED 3/3)

Issuer Deal Par Tax Status Rating Par Call Date	Gotham City 2026 Revenue Bonds \$32,500,000 Tax-Exempt AAA December 1, 2036		
Maturity	PAR AMOUNT	COUPON RATE	YIELD
2027	\$1,750,000	5.00%	2.85%
2028	\$2,000,000	5.00%	2.95%
2029	\$2,250,000	5.00%	3.10%
2030	\$2,500,000	5.00%	3.20%
2031	\$3,000,000	5.00%	3.40%
2032	\$3,250,000	4.25%	4.50%
2033	\$3,750,000	4.25%	4.50%
2034	\$4,250,000	4.25%	4.50%
2035	\$4,750,000	4.25%	4.50%
2036	\$5,000,000	4.25%	4.50%

Sinking Fund

SOURCES AND USES

Sources Of Funds

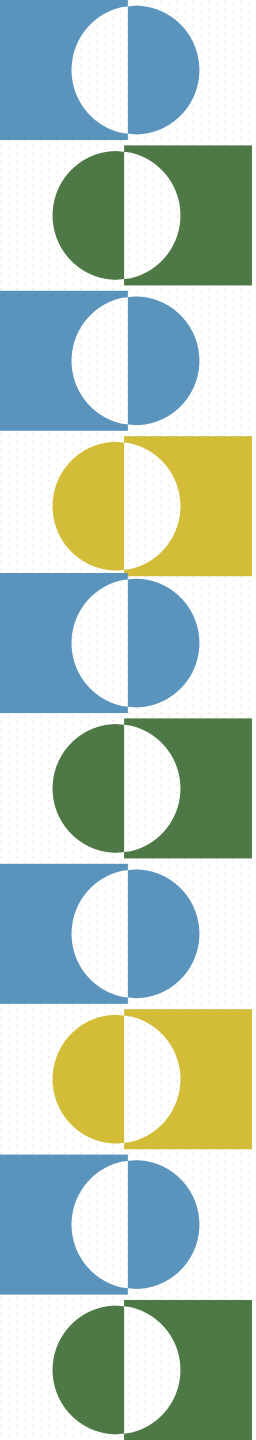
Bond Principal	\$32,500,000
Reoffering Premium	\$325,000

Total Sources	\$32,825,000
----------------------	---------------------

Uses Of Funds

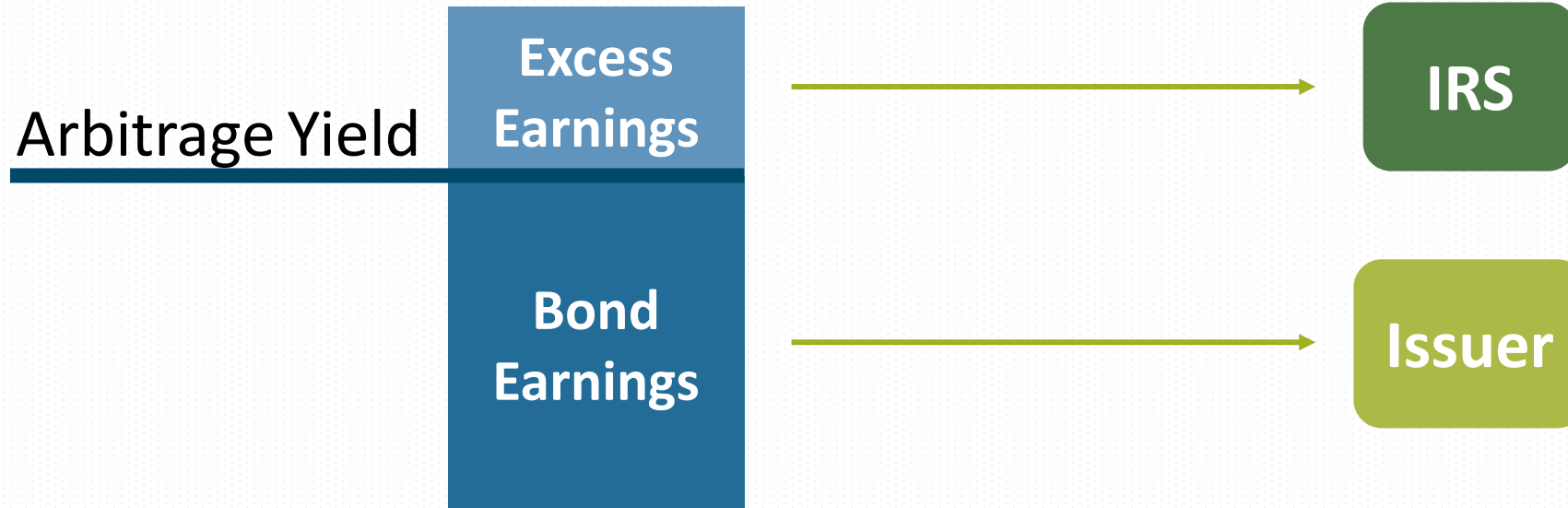
Project Fund	\$32,625,000
Financing Costs	\$200,000

Total Uses	\$32,825,000
-------------------	---------------------

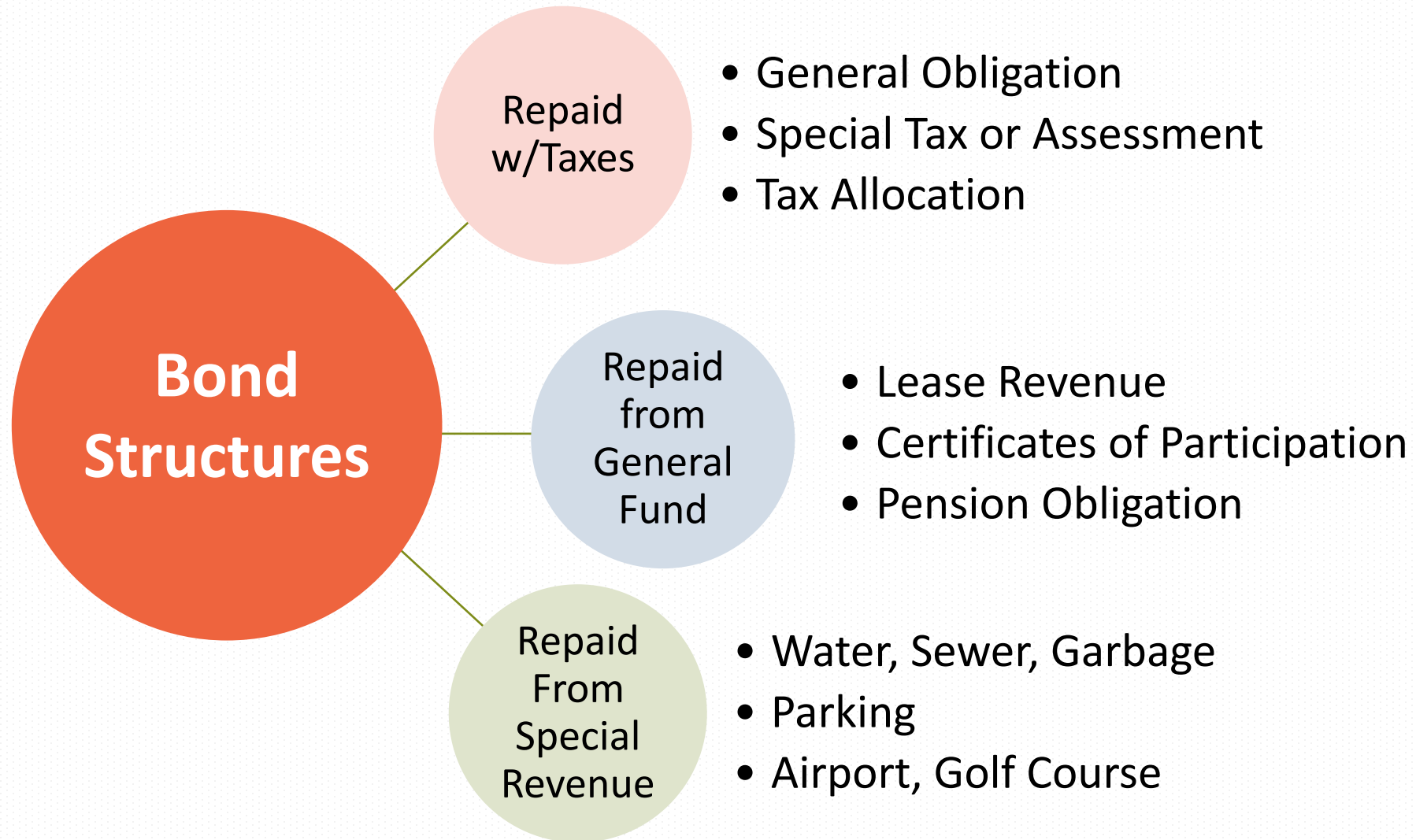


TAX-EXEMPT NATURE OF MUNICIPAL BONDS

- Majority of Municipal Bonds are issued for public improvement projects and are issued Tax-Exempt
- Bonds issued for “private purposes” are not tax-exempt
- Issuers are not allowed to earn more on the bond proceeds than the calculated bond yield (“arbitrage yield”)

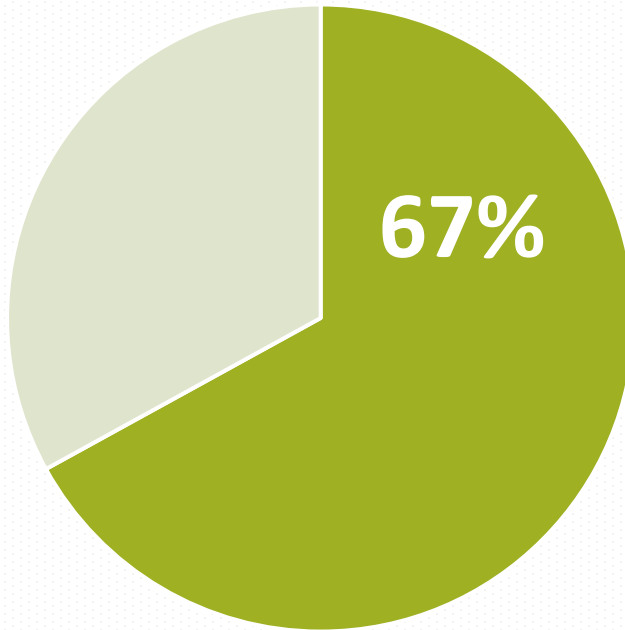


BOND STRUCTURES

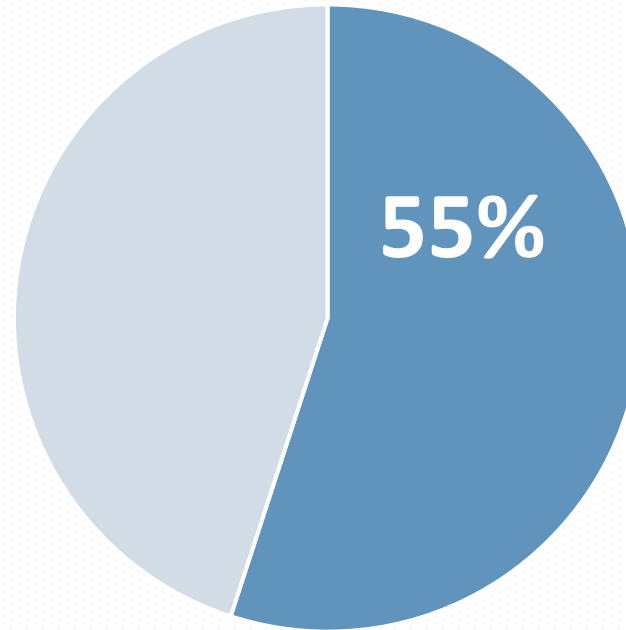


VOTER APPROVAL REQUIREMENTS

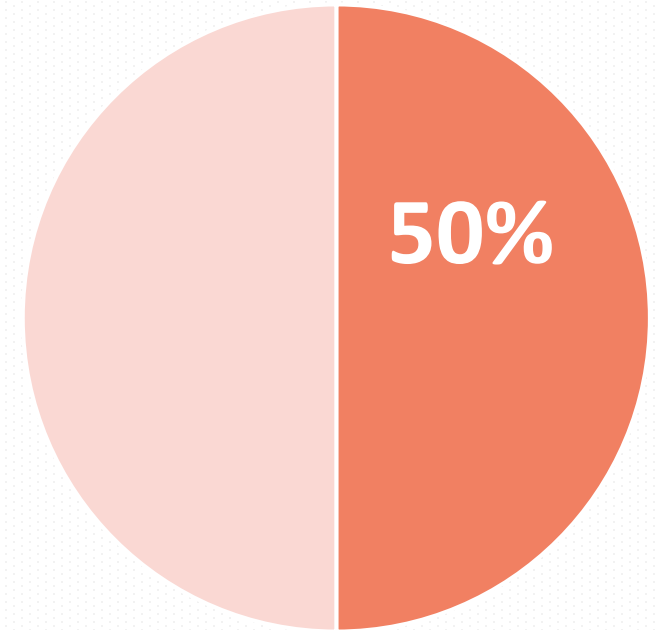
Local Agencies



School District Bonds



State Bonds



VOTER APPROVAL EXCEPTIONS

General Fund
Lease Obligations

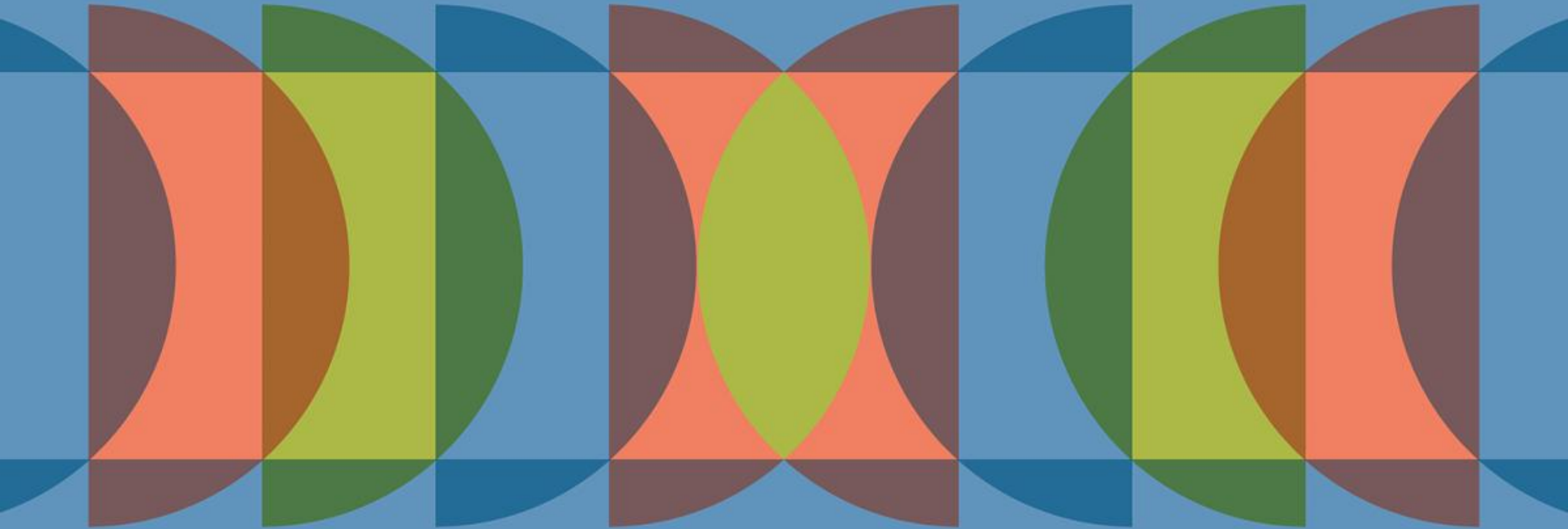


Utility Revenue
Bonds



Obligations
Imposed by Law





PROCESS OF ISSUING BONDS

DEVELOPING THE FINANCING PLAN

Identify Project Costs

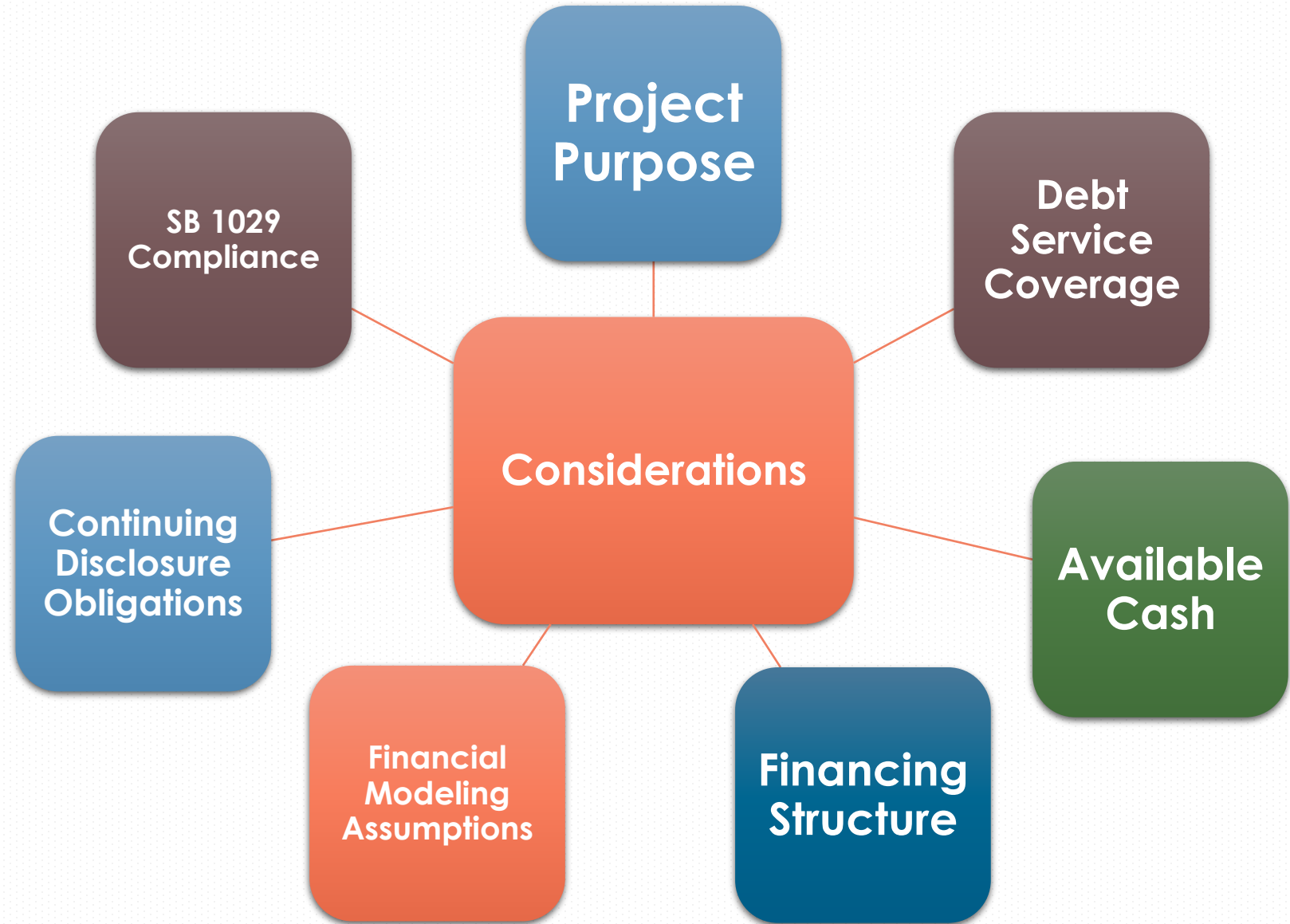
```
graph TD; A[Identify Project Costs] --> B[Quantify Available Cash]; B --> C[Identify Repayment Sources]; C --> D[Develop Financial Model];
```

Quantify Available Cash

Identify Repayment Sources

Develop Financial Model

**DEBT POLICY
CONSIDERATIONS**



ASSEMBLING THE FINANCING TEAM (PUBLIC OFFERING)

Issuer/Borrower



Municipal Advisor



Bond/Disclosure Counsel



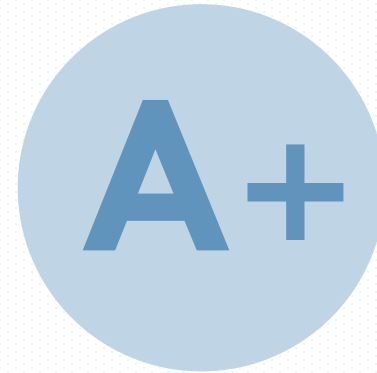
Underwriter



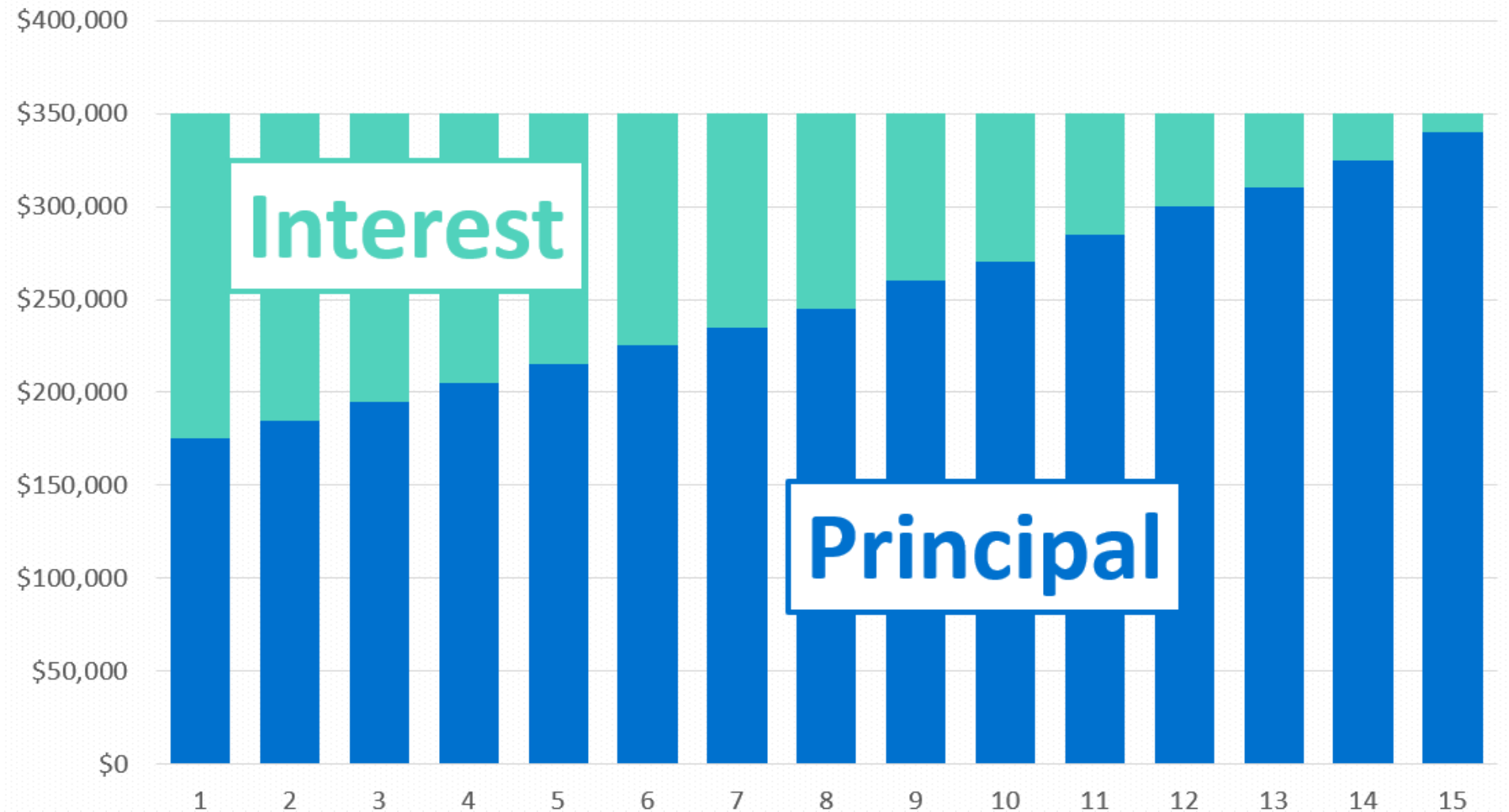
Trustee/Paying Agent



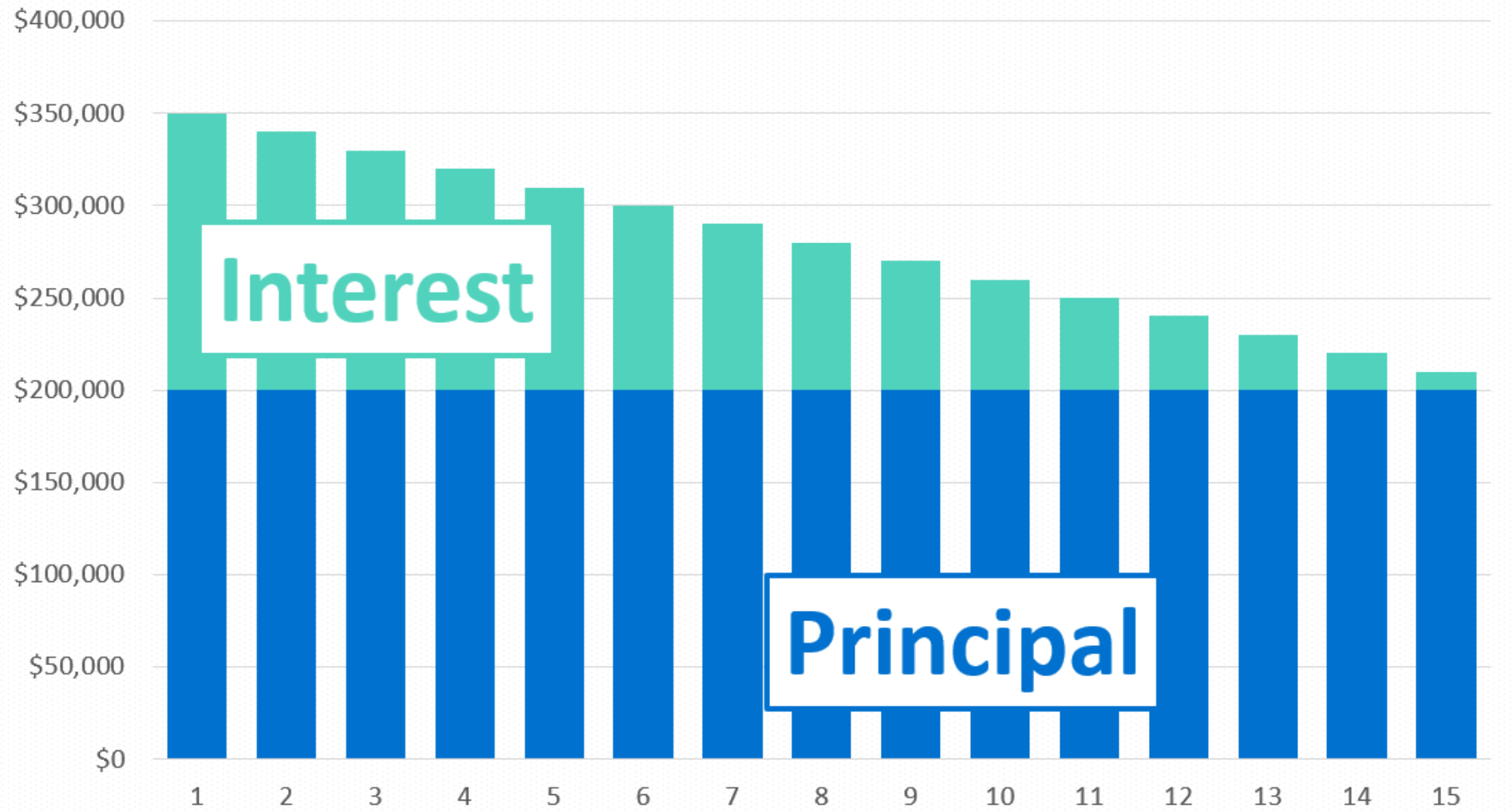
Rating Agency



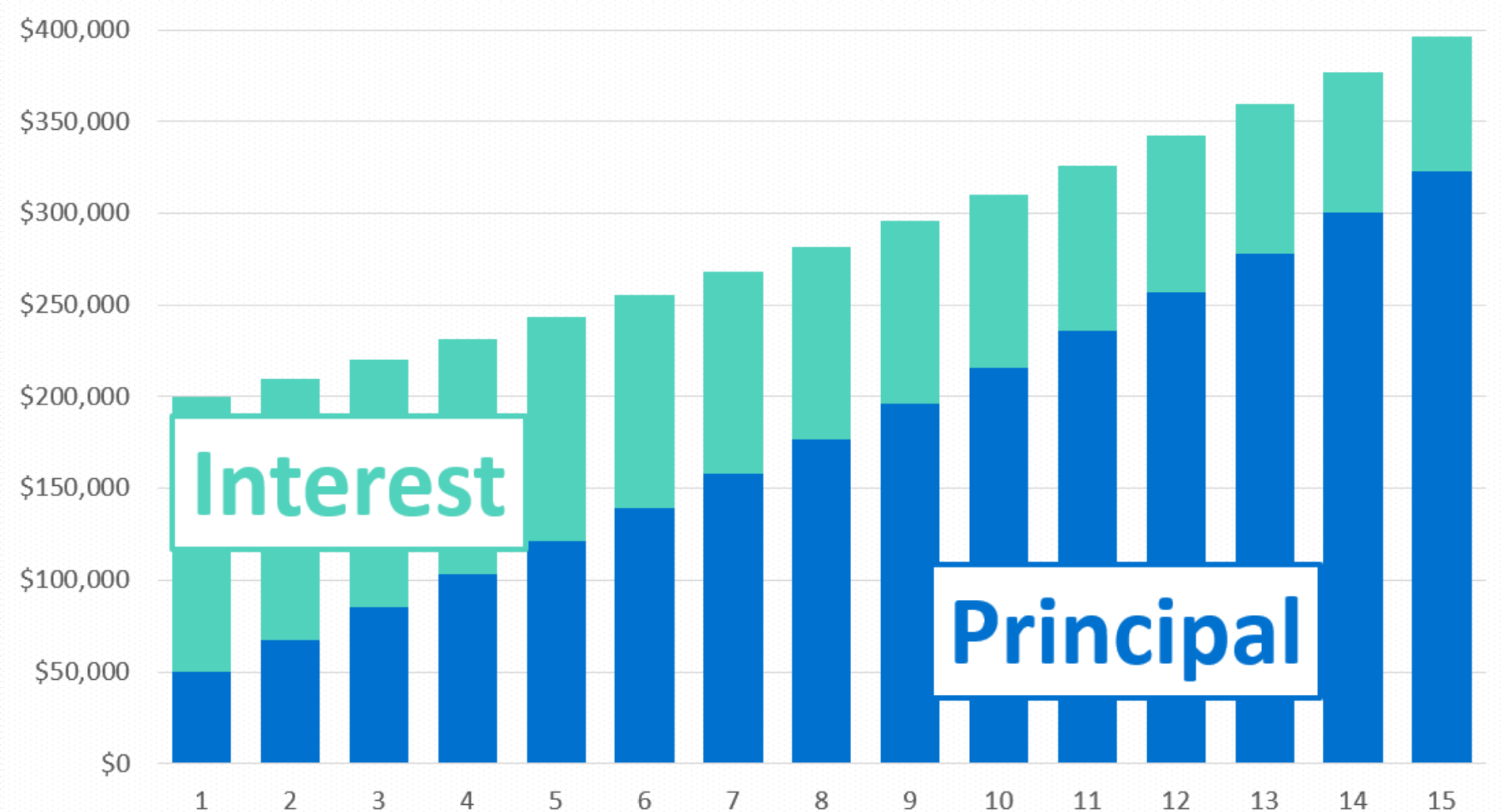
DEBT AMORTIZATION — LEVEL PAYMENTS



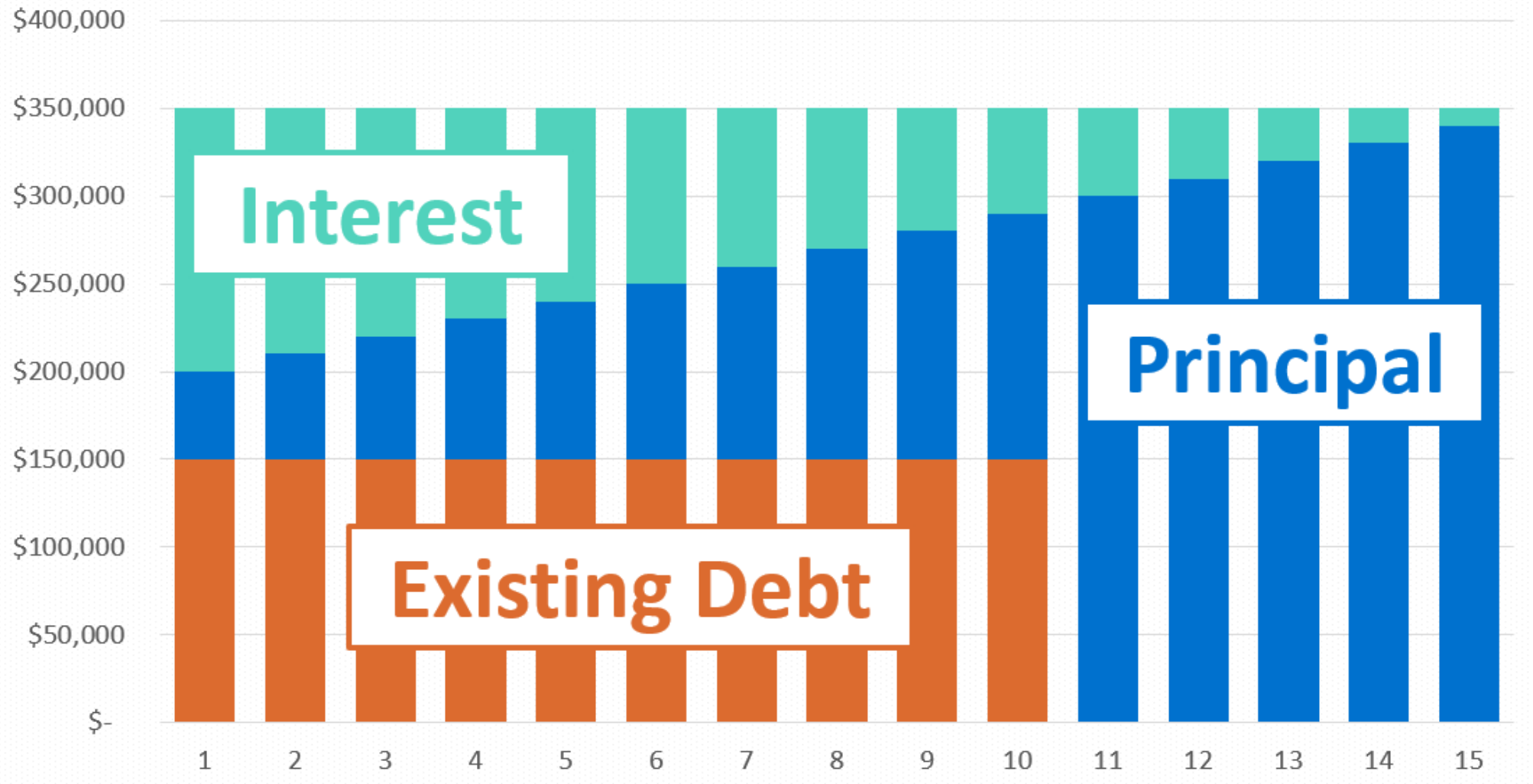
DEBT AMORTIZATION — EQUAL PRINCIPAL PAYMENTS



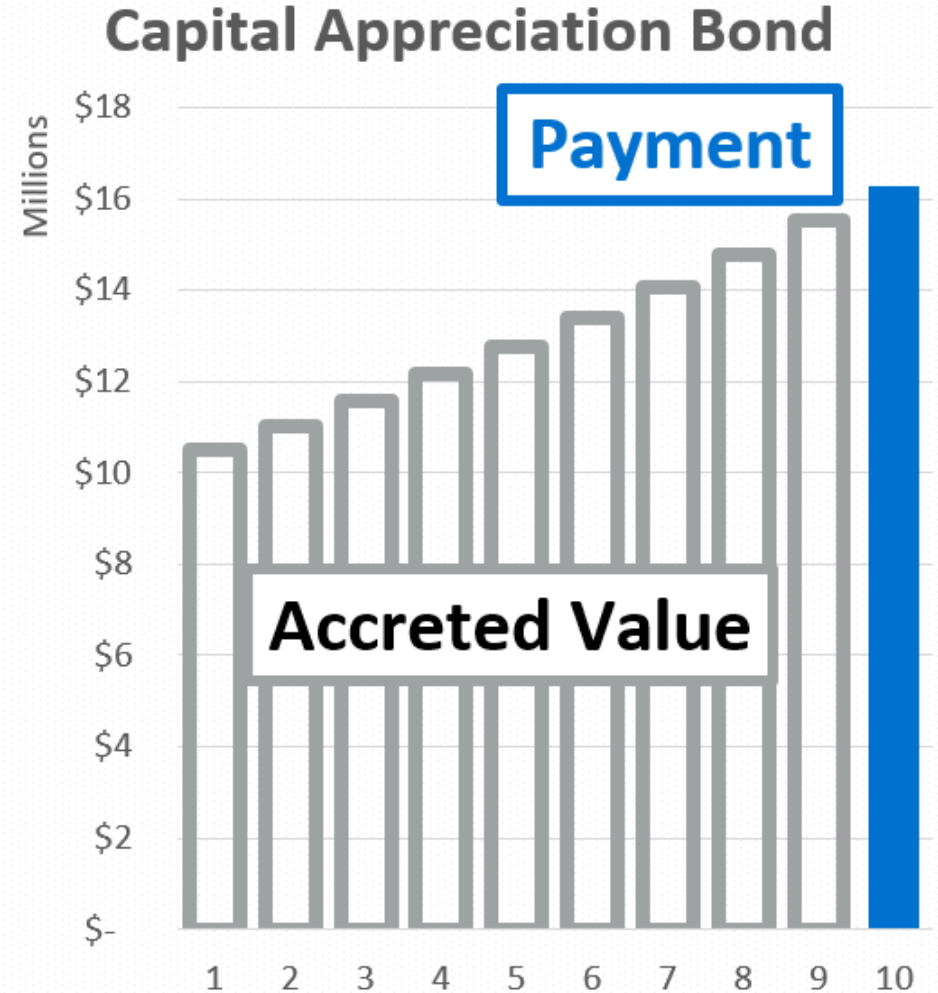
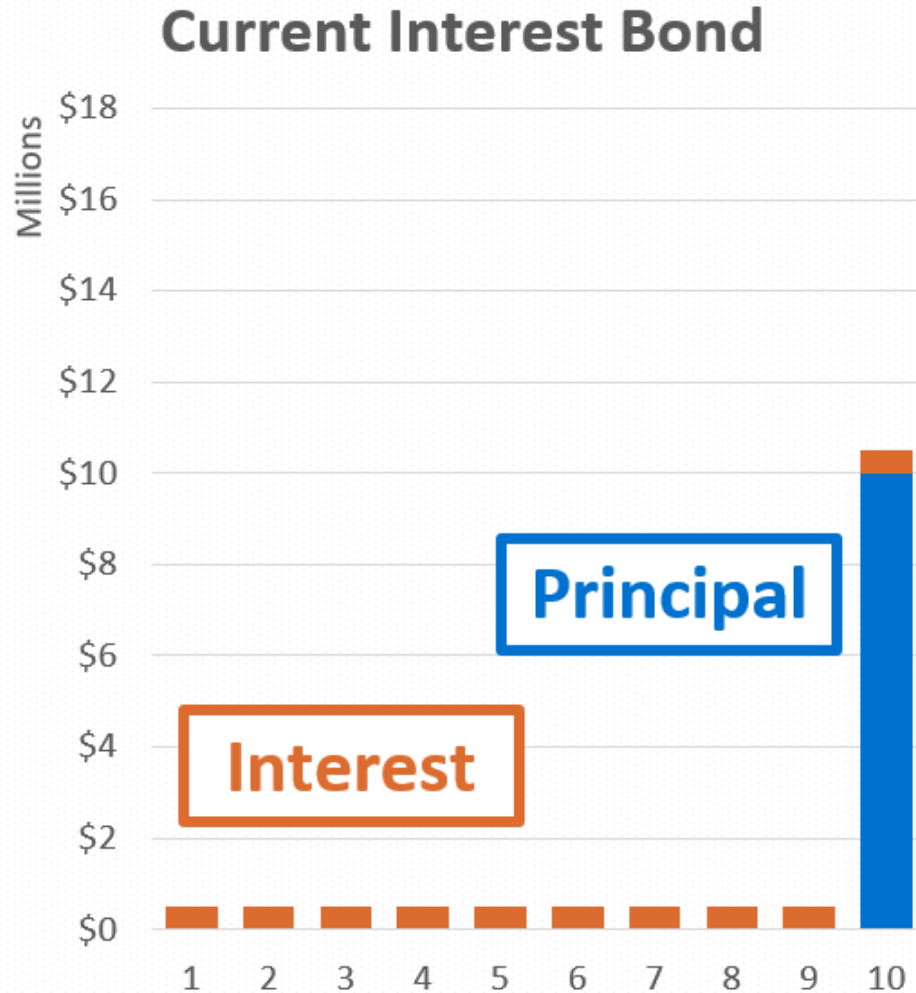
DEBT AMORTIZATION — ASCENDING PAYMENTS

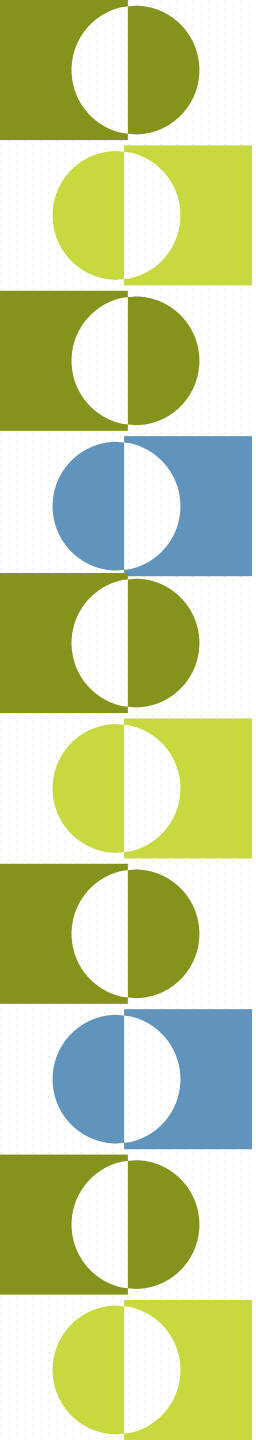


DEBT AMORTIZATION — WRAP SOLUTION PAYMENT STRUCTURE



BOND TYPES





BOND ISSUANCE STRATEGIES

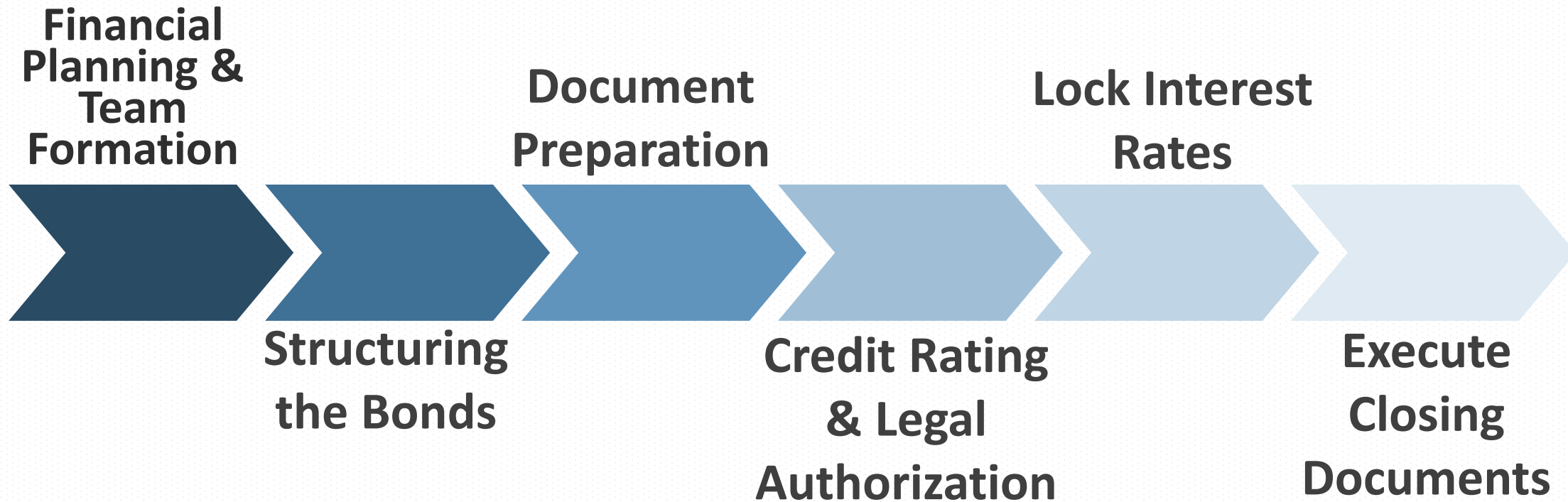
Competitive Bond Sale

- Structured Prior to Bond Sale
- Underwriter Bids to Purchase All Bonds
- Best Strategy for Highly Rated or Frequent Issuers

Negotiated Bond Sale

- Underwriter assists in Bond Structure
- Underwriter Pre-Markets Bonds Before Setting Interest Rate
- Best Strategy for Complex Structures or Infrequent Issuers

BOND SALE PROCESS



PRELIMINARY OFFICIAL STATEMENT

PRELIMINARY OFFICIAL STATEMENT DATED _____, 2022

NEW ISSUE - FULL BOOK-ENTRY

RATING: S&P: "____"
See "RATING".

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

\$30,000,000*

ELECTION OF 2018 GENERAL OBLIGATION BONDS, SERIES 2022

Dated: Date of Delivery

Due: September 1, as shown on inside cover

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

Authority and Purpose. The captioned Election of 2018 General Obligation Bonds, Series 2022 (the "Bonds"), are being issued by the City of Campbell (the "City") pursuant to certain provisions of the California Government Code and resolutions of the City Council of the City adopted on May 17, 2022. The Bonds were authorized at an election of the registered voters of the City held on November 6, 2018, which authorized the issuance of general obligation bonds for the purpose of financing the acquisition and improvement of a police emergency operations center and a public library. The initial series of bonds under the 2018 authorization was issued in 2020. See "THE BONDS - Authority for Issuance" and "THE FINANCING PLAN" herein.

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

Payments. Interest on the Bonds accrues from the date of delivery and is payable semiannually on March 1 and September 1 of each year, commencing September 1, 2022, by check, draft or wire mailed to the person in whose name the Bond is registered. Payments of principal and interest on the Bonds will be paid by The Bank of New York Mellon Trust Company, N.A., as paying agent for the Bonds (the "Paying Agent"), to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Bonds. See "THE BONDS - Description of the Bonds."

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

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

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

NHA | ADVISORS
Financial & Policy Strategies.
Delivered.

Maturity Schedules
(See inside cover)

The Bonds are offered when, as and if issued and received by the Underwriter and subject to the approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel. Certain legal matters will also be passed upon for the City by Jones Hall, A Professional Law Corporation, San Francisco, California, as Disclosure Counsel and for the Underwriter by Stradling Yocca Carlson & Rauth, A Professional Corporation, San Francisco, California. It is anticipated that the Bonds in definitive form will be available for delivery to Cede & Co., as nominee of The Depository Trust Company, on or about June 22, 2022.

STIFFEL

The date of this Official Statement: May __, 2022.

This Preliminary Official Statement is subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time this Preliminary Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

OFFICIAL STATEMENT

NEW ISSUE - FULL BOOK-ENTRY

RATING: S&P: "AAA"
See "RATING".

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

\$30,000,000
CITY OF CAMPBELL
ELECTION OF 2018 GENERAL OBLIGATION BONDS,
SERIES 2022

Dated: Date of Delivery

Due: September 1, as shown on inside cover

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Maturity Schedules
(See inside cover)

The Bonds are offered when, as and if issued and received by the Underwriter and subject to the approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel. Certain legal matters will also be passed upon for the City by Jones Hall, A Professional Law Corporation, San Francisco, California, as Disclosure Counsel and for the Underwriter by Stradling, Yocca Carlson & Rauth, A Professional Corporation, San Francisco, California. It is anticipated that the Bonds in definitive form will be available for delivery to Cede & Co., as nominee of The Depository Trust Company, on or about June 22, 2022.

STIFEL

The date of this Official Statement is May 24, 2022.

OFFICIAL STATEMENT (CONTINUED)

MATURITY SCHEDULE*

\$30,000,000*
CITY OF CAMPBELL
ELECTION OF 2018 GENERAL OBLIGATION BONDS,
SERIES 2022
(Base CUSIP†: 134105)

Maturity Date (September 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP† No.
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**PRELIMINARY
OFFICIAL STATEMENT**

*Preliminary; subject to change.

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MATURITY SCHEDULE

\$30,000,000
CITY OF CAMPBELL
ELECTION OF 2018 GENERAL OBLIGATION BONDS,
SERIES 2022
(Base CUSIP†: 134105)

Maturity Date (September 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP† No.
2022	\$2,000,000	5.000%	1.600%	100.644	JF3
2023	1,710,000	5.000	1.900	103.632	JG1
2024	1,010,000	5.000	2.150	106.066	JH9
2025	495,000	5.000	2.310	108.227	JJ5
2026	520,000	5.000	2.380	110.389	JK2
2027	545,000	5.000	2.470	112.253	JL0
2028	575,000	5.000	2.580	113.762	JM8
2029	605,000	5.000	2.710	114.868	JN6
2030	635,000	5.000	2.780	116.159	JP1
2031	665,000	5.000	2.860	115.525 ^C	JQ9
2032	700,000	5.000	2.910	115.131 ^C	JR7
2033	730,000	5.000	3.020	114.269 ^C	JS5
2034	770,000	5.000	3.090	113.725 ^C	JT3
2035	805,000	5.000	3.180	113.030 ^C	JU0
2036	850,000	5.000	3.250	112.492 ^C	JV8
2037	890,000	5.000	3.300	112.110 ^C	JW6
2038	935,000	5.000	3.350	111.730 ^C	JX4
2039	980,000	5.000	3.400	111.351 ^C	JY2
2040	1,030,000	5.000	3.460	110.898 ^C	JZ9
2041	1,080,000	5.000	3.500	110.597 ^C	KA2
2042	1,135,000	5.000	3.520	110.448 ^C	KB0

\$6,585,000 – 5.000% Term Bonds maturing September 1, 2047; Yield: 3.550%; Price: 110.223^C; CUSIP†: KC8

\$4,750,000 – 4.000% Term Bonds maturing September 1, 2050; Yield: 4.050%; Price: 99.159; CUSIP†: KD6

FINAL OFFICIAL STATEMENT

^C Priced to the first optional redemption date of September 1, 2030.

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein are provided by CUSIP Global Services ("CGS"), managed on behalf of the American Bankers Association by FactSet Research Systems Inc. © 2022 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience only. Neither of the City nor the Underwriter takes any responsibility for the accuracy of such numbers.



CONTINUING DISCLOSURE

- SEC Rule 15c2-12 requires annual reporting of financial information
- Disclosures are submitted through the Electronic Municipal Market Access (EMMA) website
- Continuing disclosure exemptions:
 - Bond issued before July 1995
 - Issues less than \$1 million
 - Short-term debt (18 months or less)
 - Private placements
 - Sold with minimum denominations of \$100,000
 - 35 or fewer sophisticated investors

BOND CLOSING FLOW OF FUNDS

Issuer



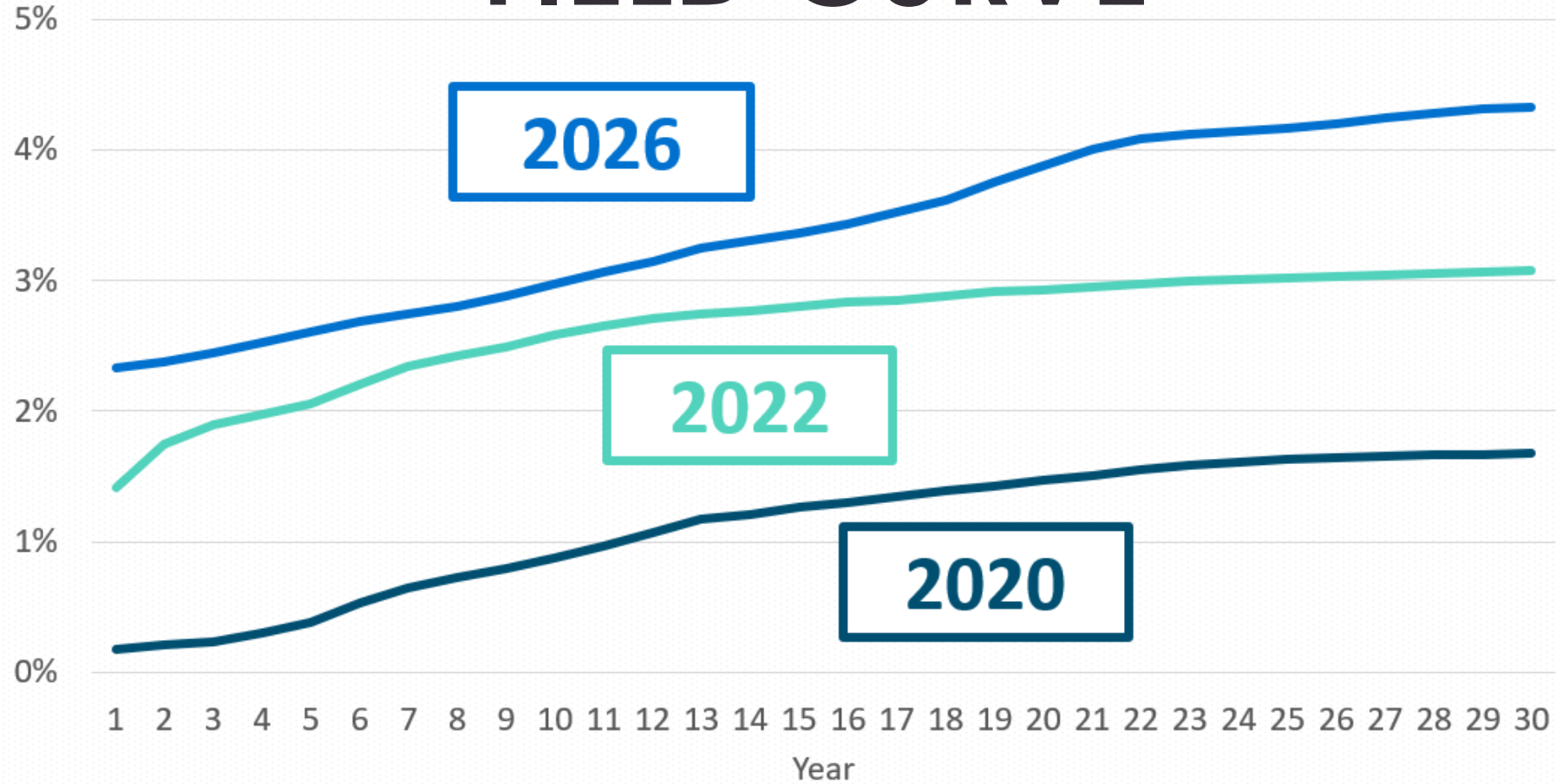
Underwriter



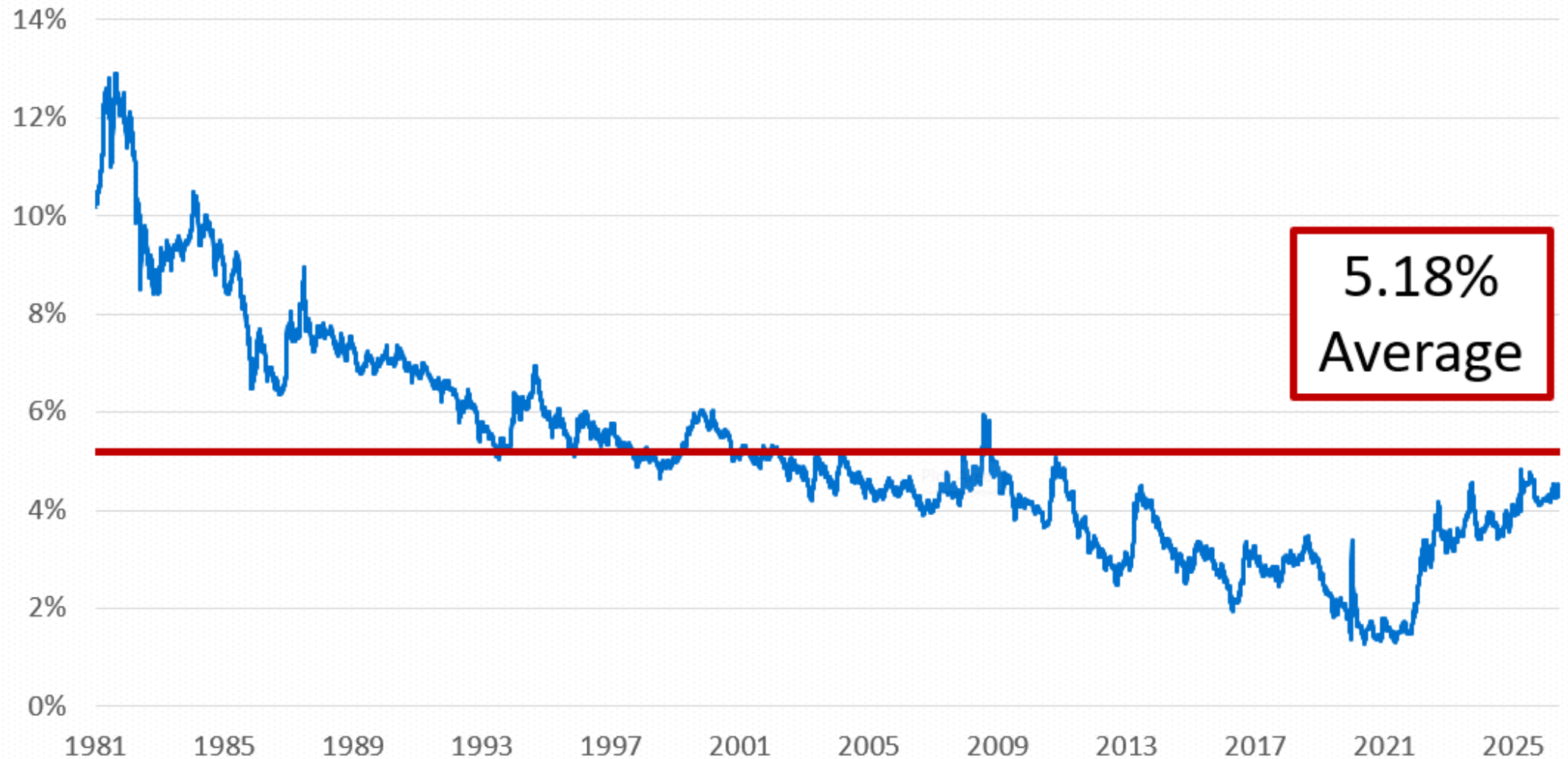
Bondholders



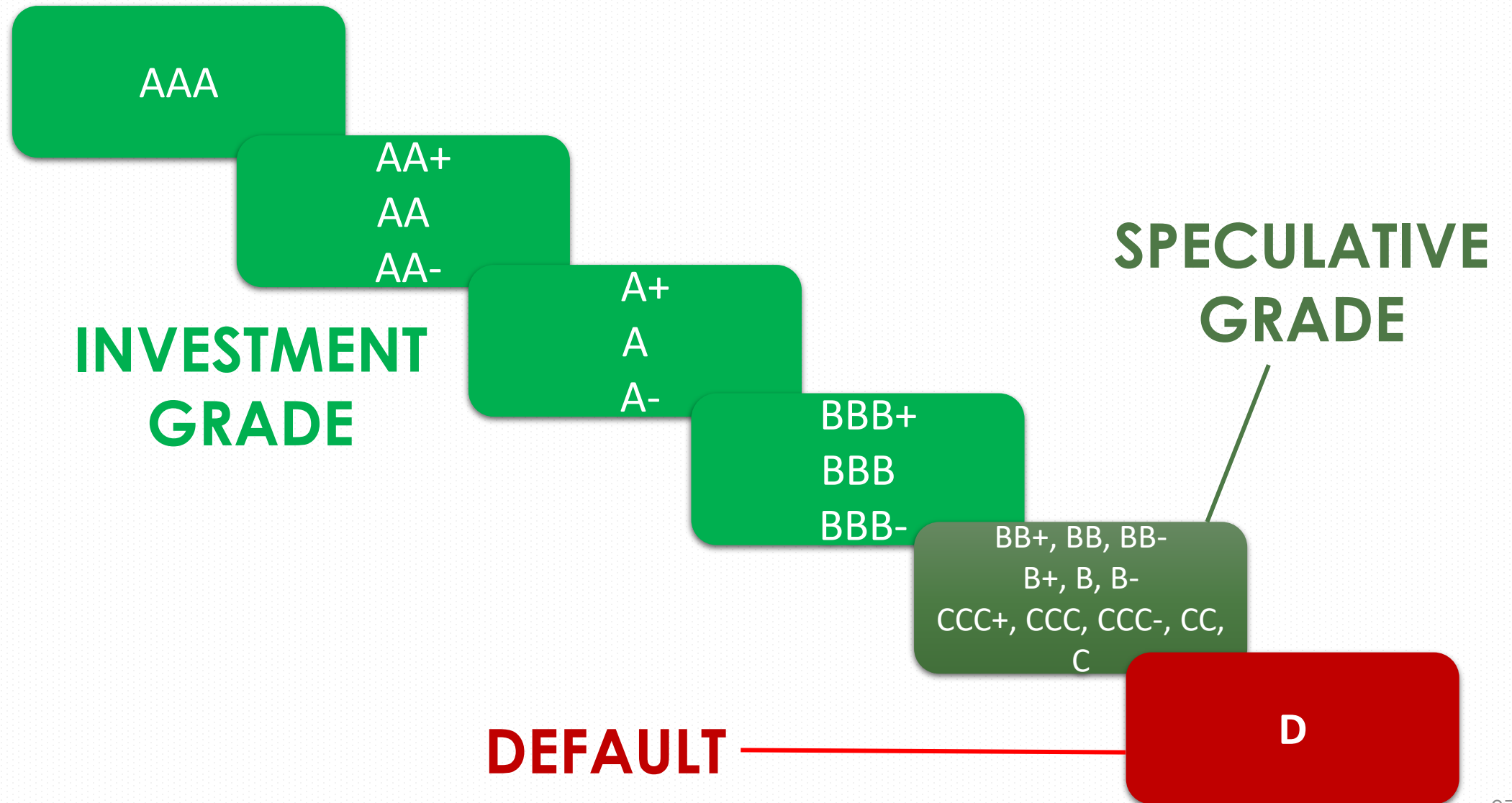
MUNICIPAL MARKET DATA (MMD) YIELD CURVE



HISTORICAL 30-YEAR MMD

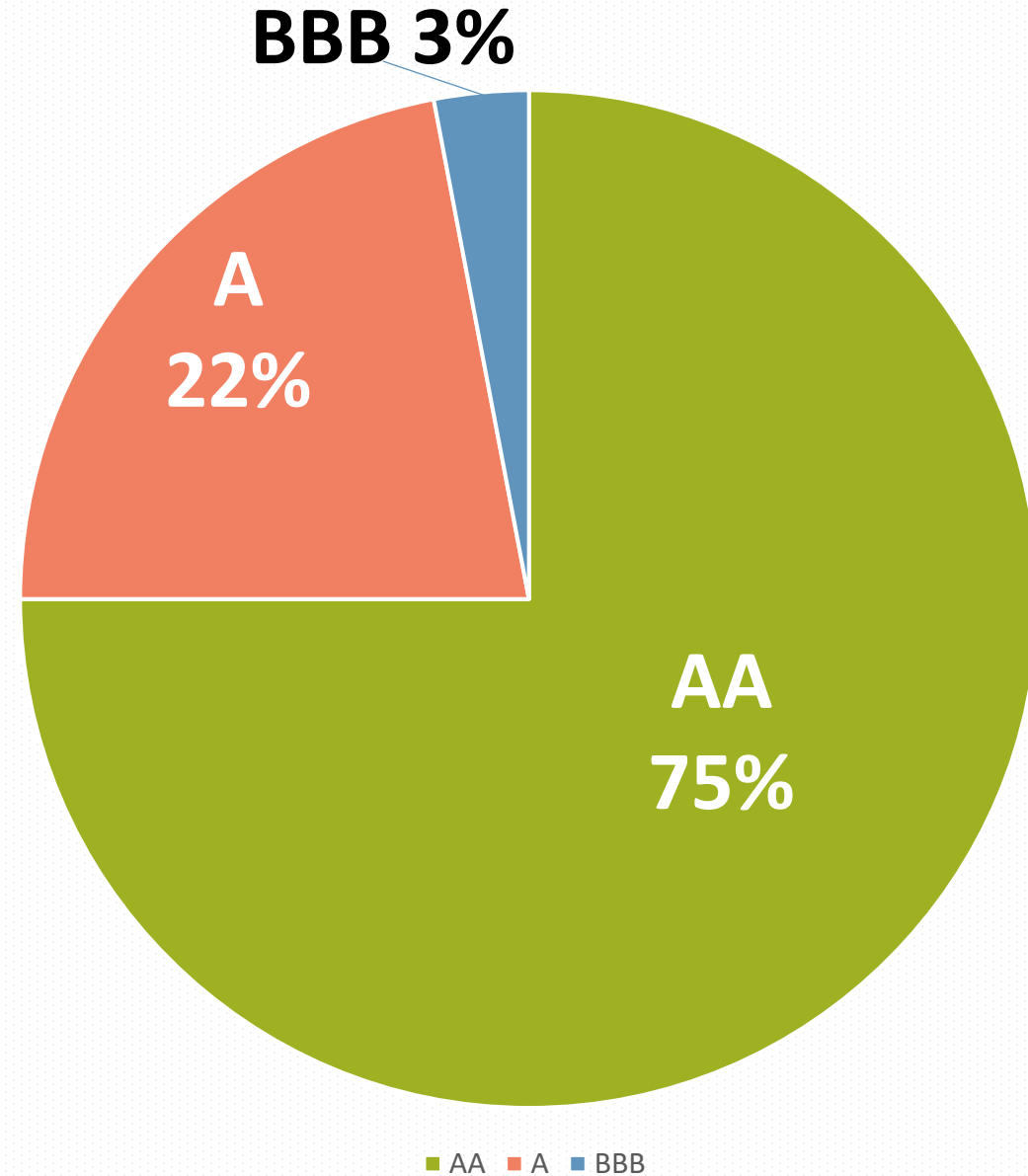


CREDIT RATINGS



S&P RATINGS: CA COUNTIES

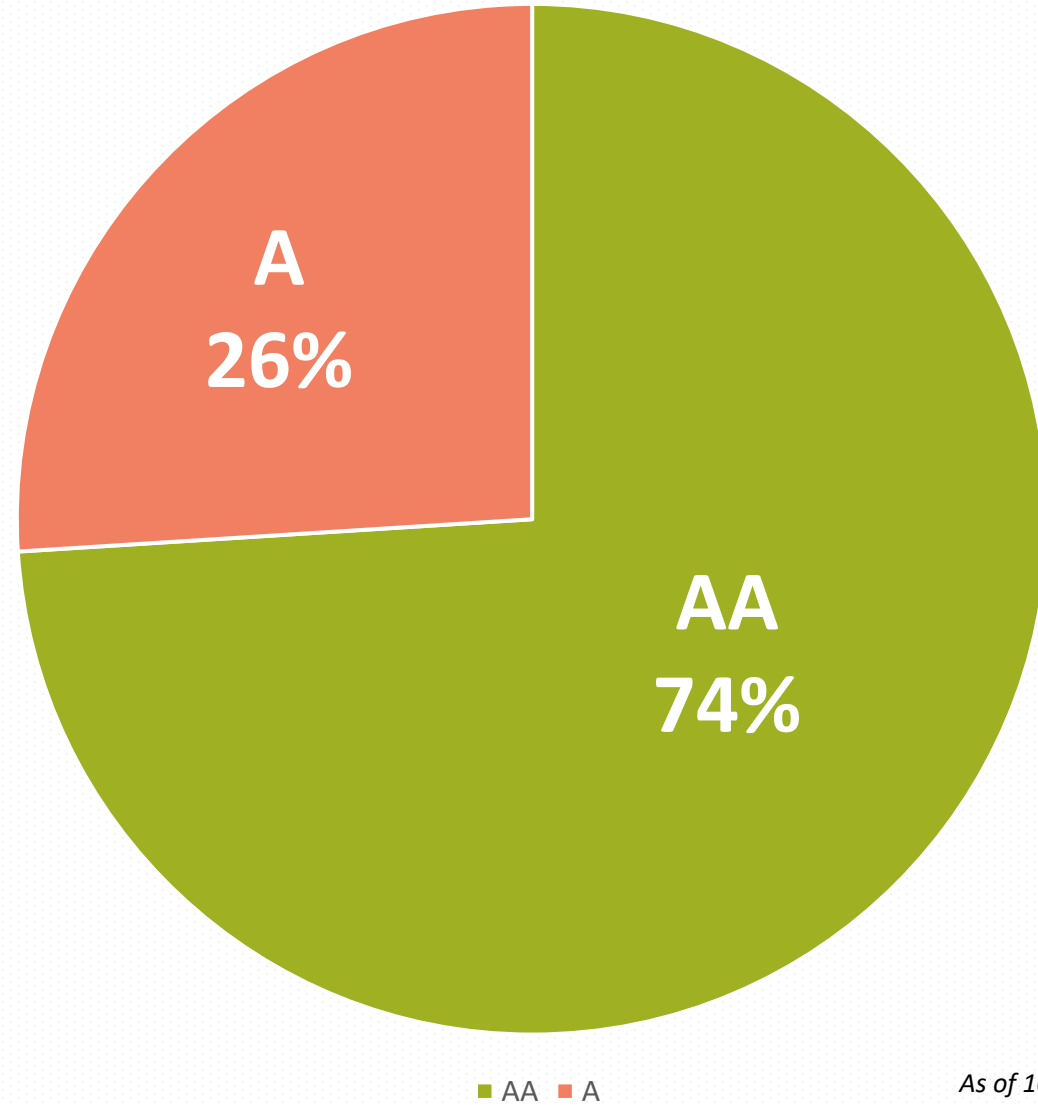
36 RATINGS



As of 10/31/2025

186 RATINGS

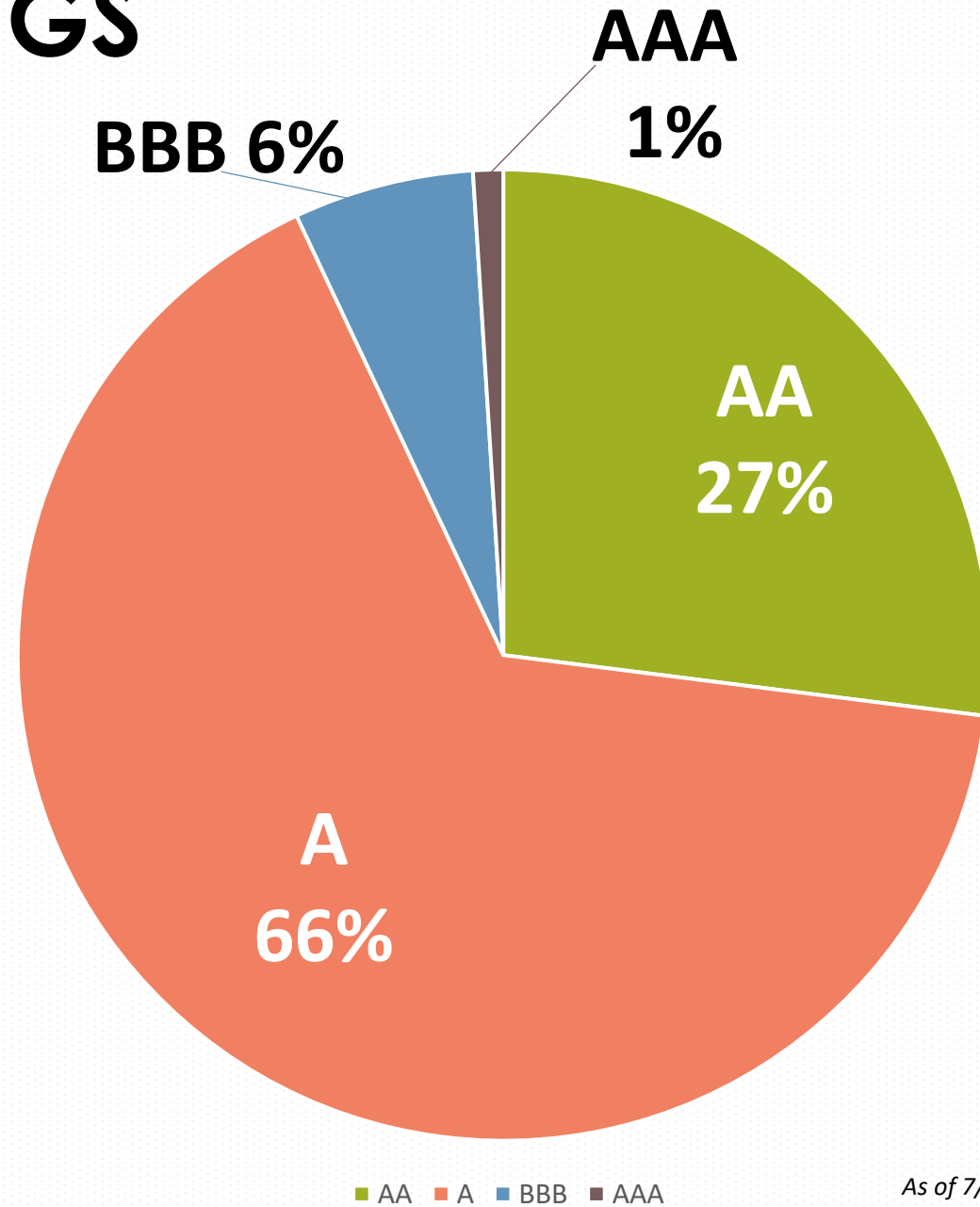
**S&P
RATINGS:
CA
MUNICIPALITIES**



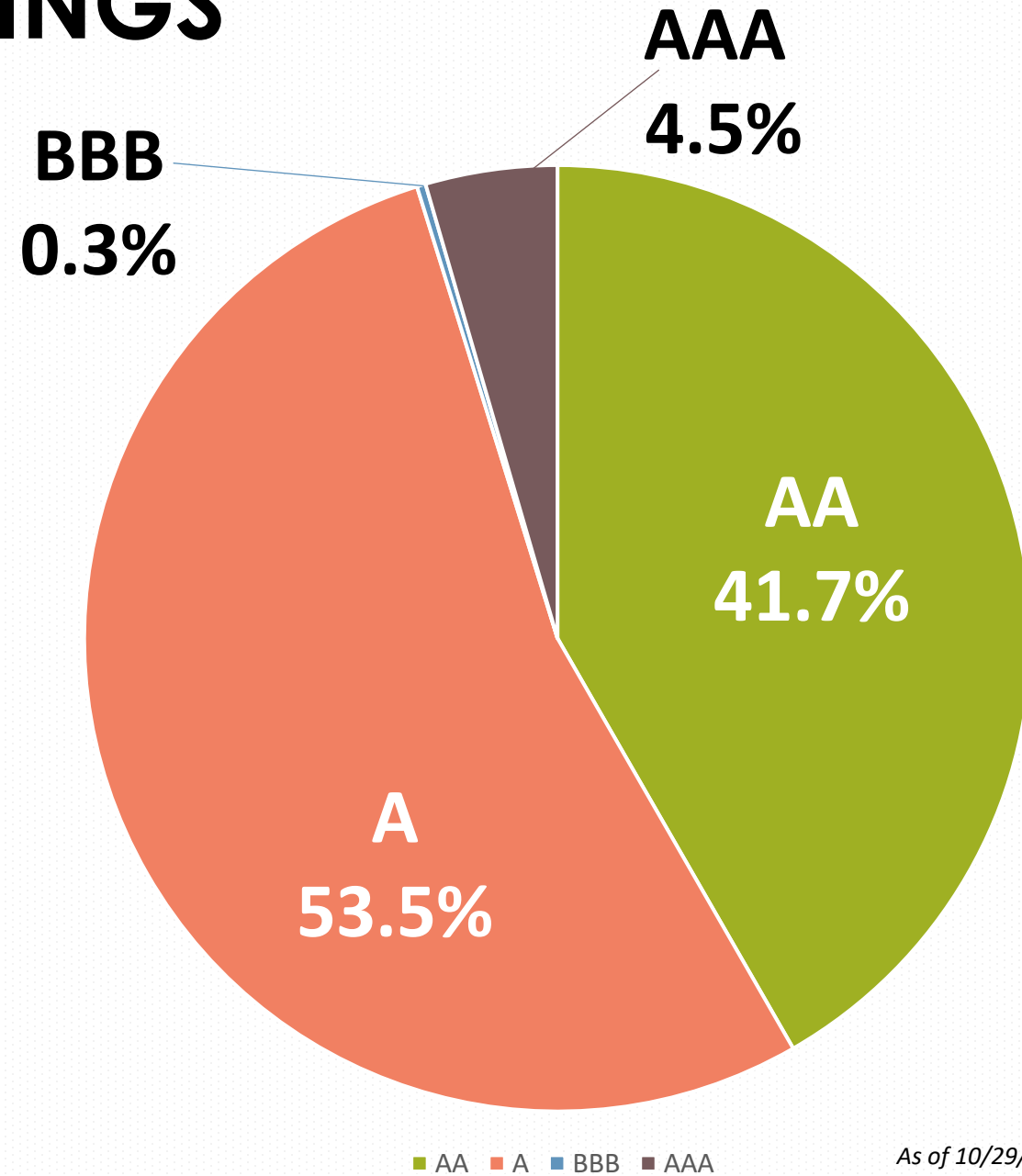
As of 10/31/2025

S&P RATINGS: CA SPECIAL DISTRICTS

217 RATINGS



643 RATINGS

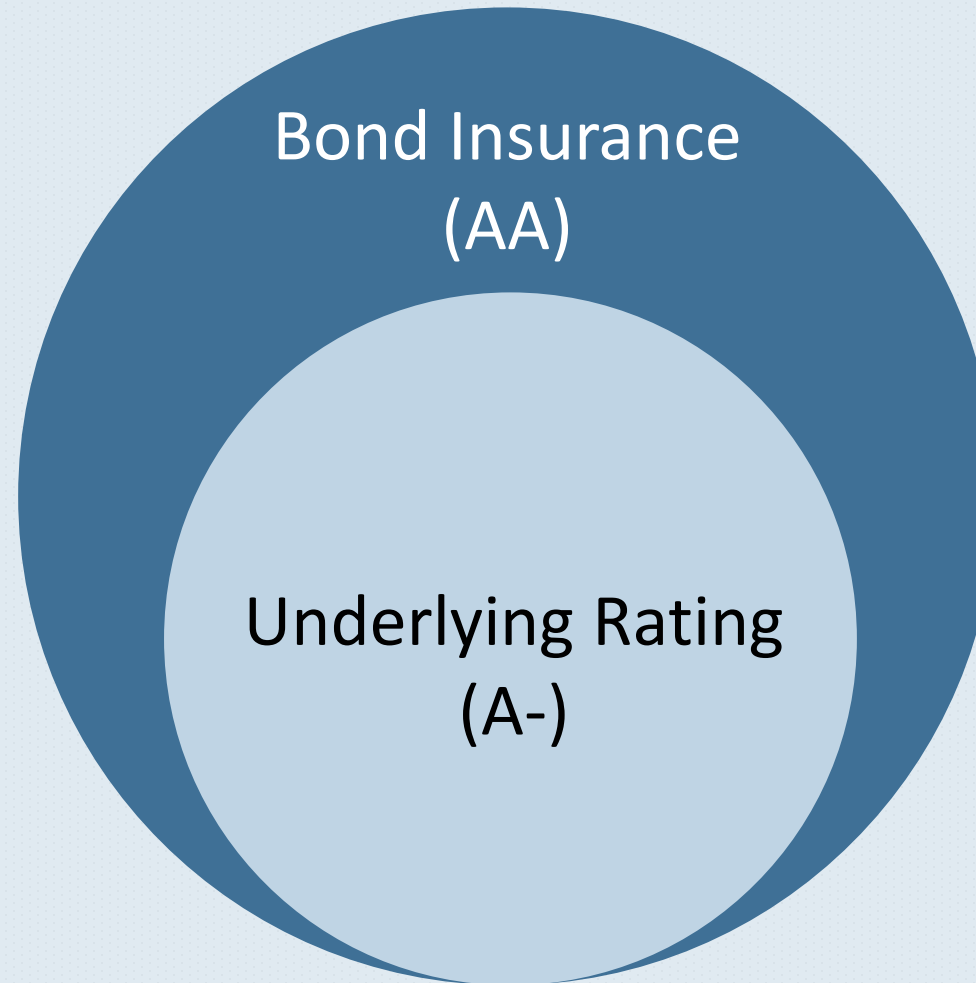


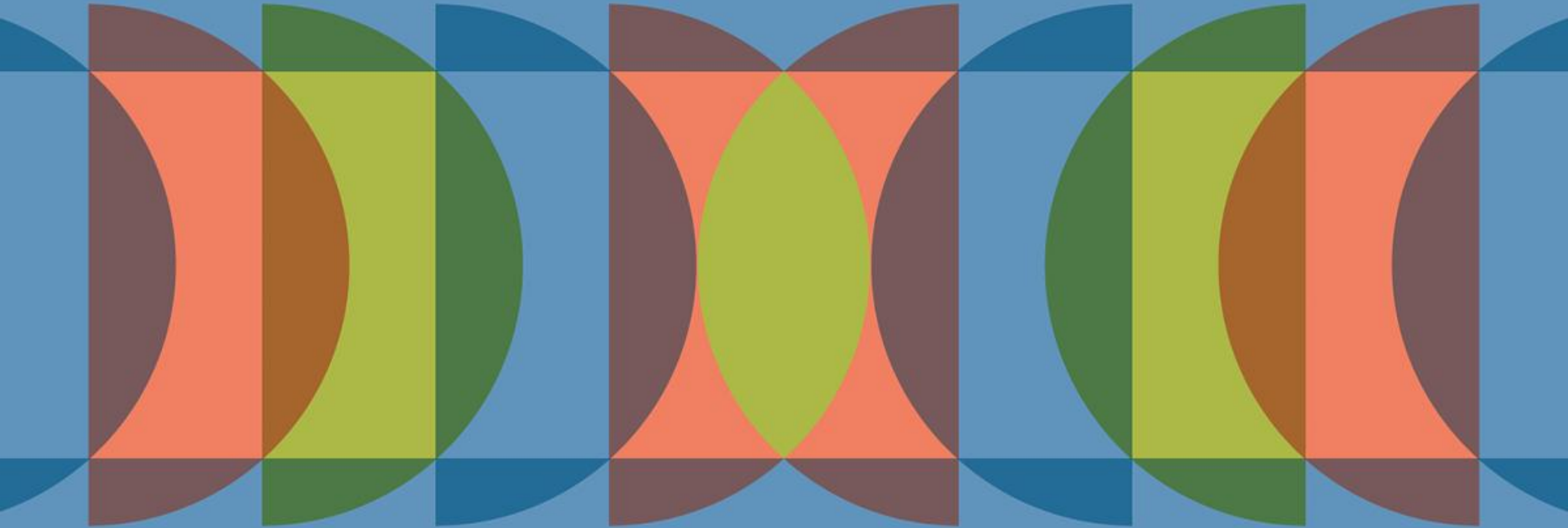
**S&P
RATINGS:
CA
SCHOOLS**

CAN YOU IDENTIFY THE “AAA” CREDIT RATING?



CREDIT ENHANCEMENTS

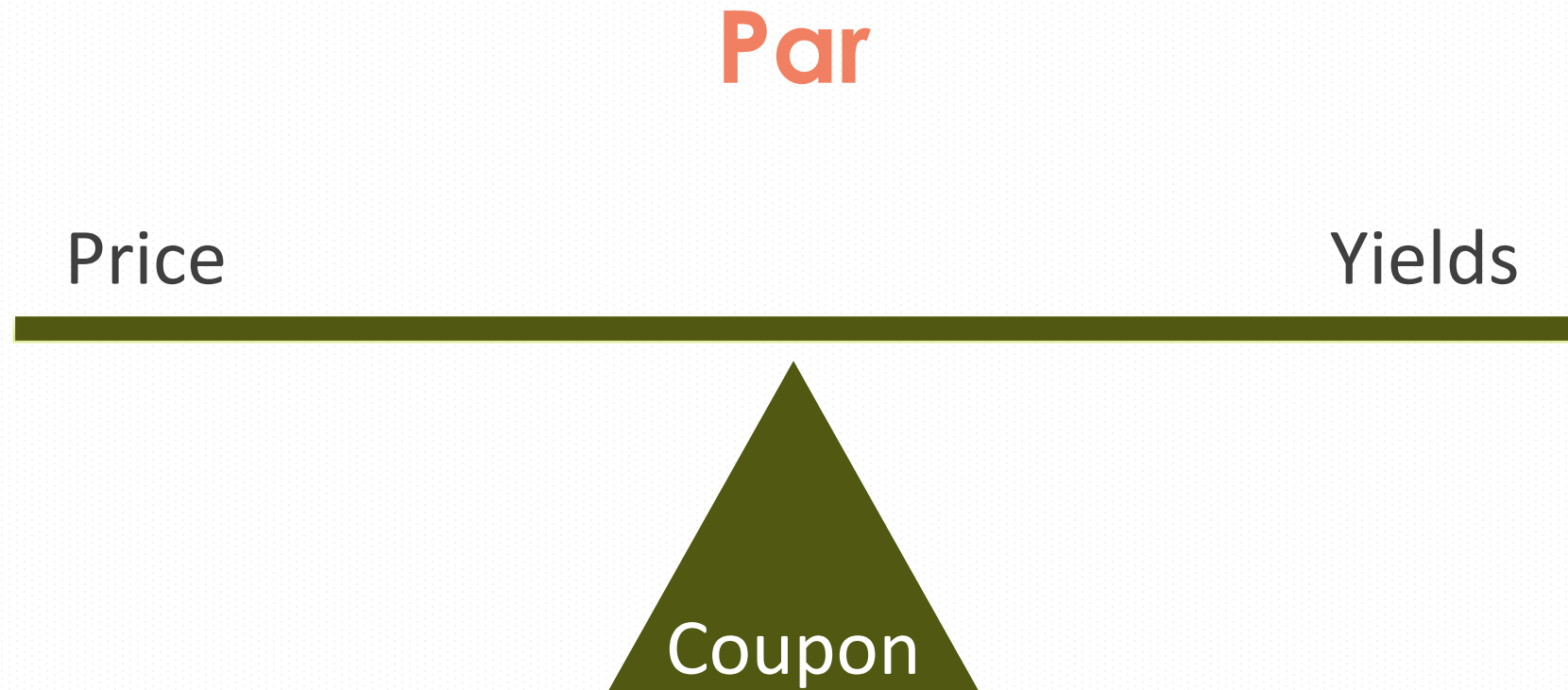




BASIC BOND CHARACTERISTICS

PRICE AND YIELD RELATIONSHIP

- Prices and yields are inversely correlated



PRICE AND YIELD RELATIONSHIP

(CONTINUED 2/3)

- Prices and yields are inversely correlated



PRICE AND YIELD RELATIONSHIP

(CONTINUED 3/3)

- Prices and yields are inversely correlated



PRICING THE BONDS

	Maturity Date	Coupon	Market Yield	Price
	12/1/2028	5.00%	4.50%	101.156
Par	12/1/2028	5.00% = 5.00%		100.000
	12/1/2028	5.00%	5.50%	98.857

100.000

5.00%

5.00%

Price

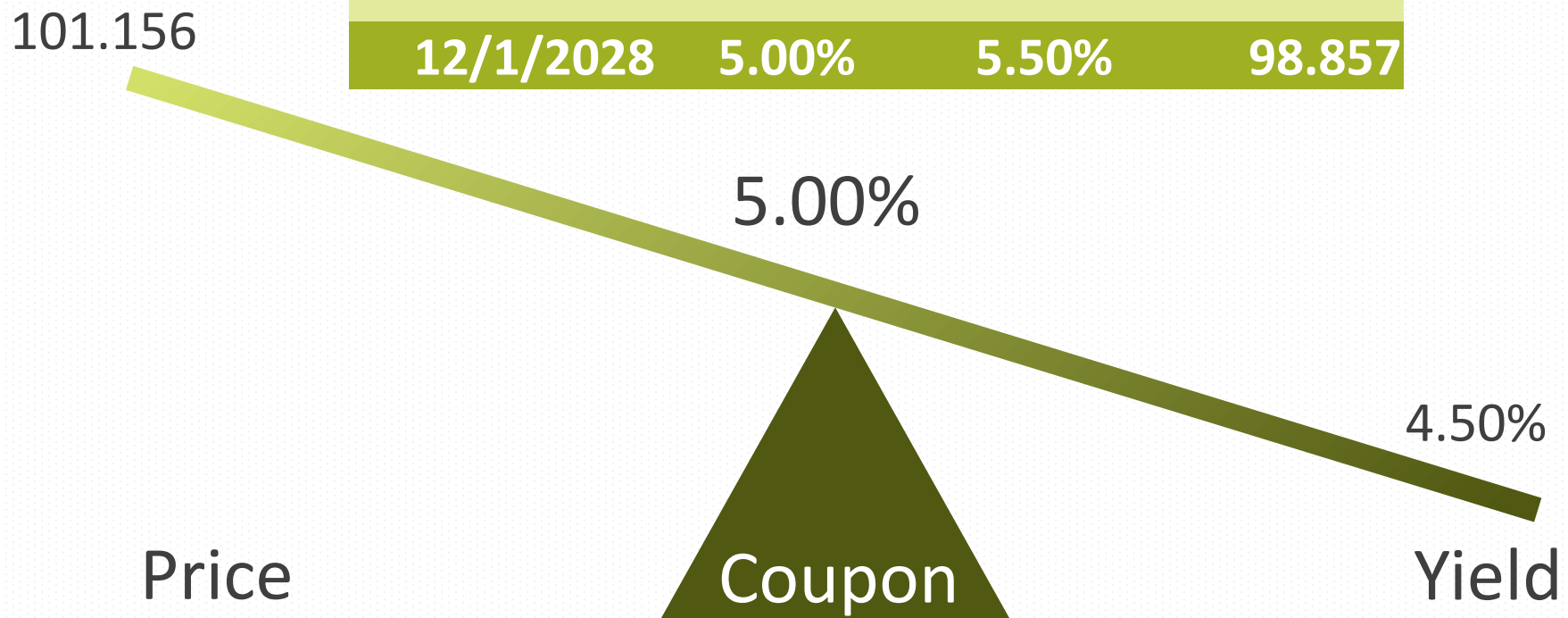
Coupon

Yield

PRICING THE BONDS

(CONTINUED 2/3)

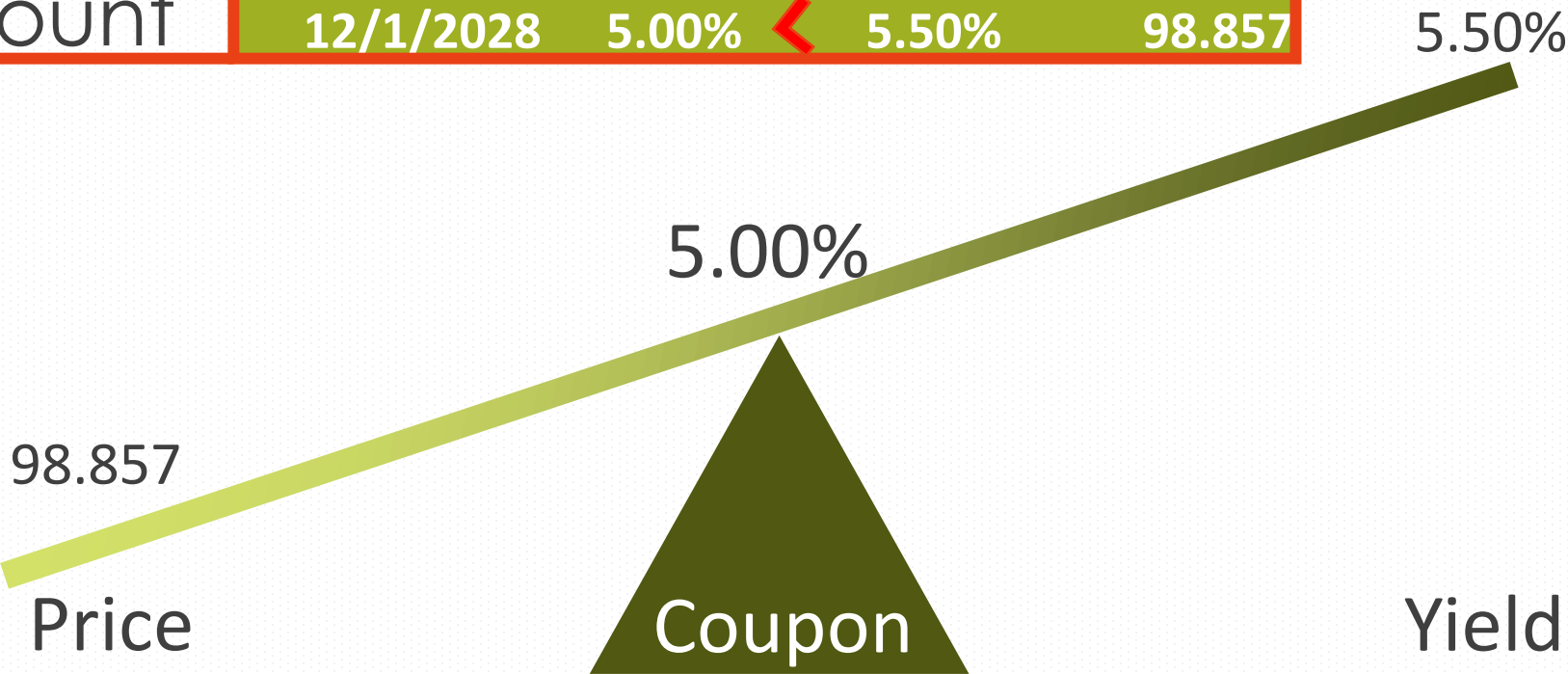
	Maturity		Market	
	Date	Coupon	Yield	Price
Premium	12/1/2028	5.00%	> 4.50%	101.156
	12/1/2028	5.00%	5.00%	100.000
101.156	12/1/2028	5.00%	5.50%	98.857



PRICING THE BONDS (CONTINUED 3/3)

Discount

Maturity Date	Coupon	Market Yield	Price
12/1/2028	5.00%	4.50%	101.156
12/1/2028	5.00%	5.00%	100.000
12/1/2028	5.00%	5.50%	98.857



INVESTOR PREFERENCES

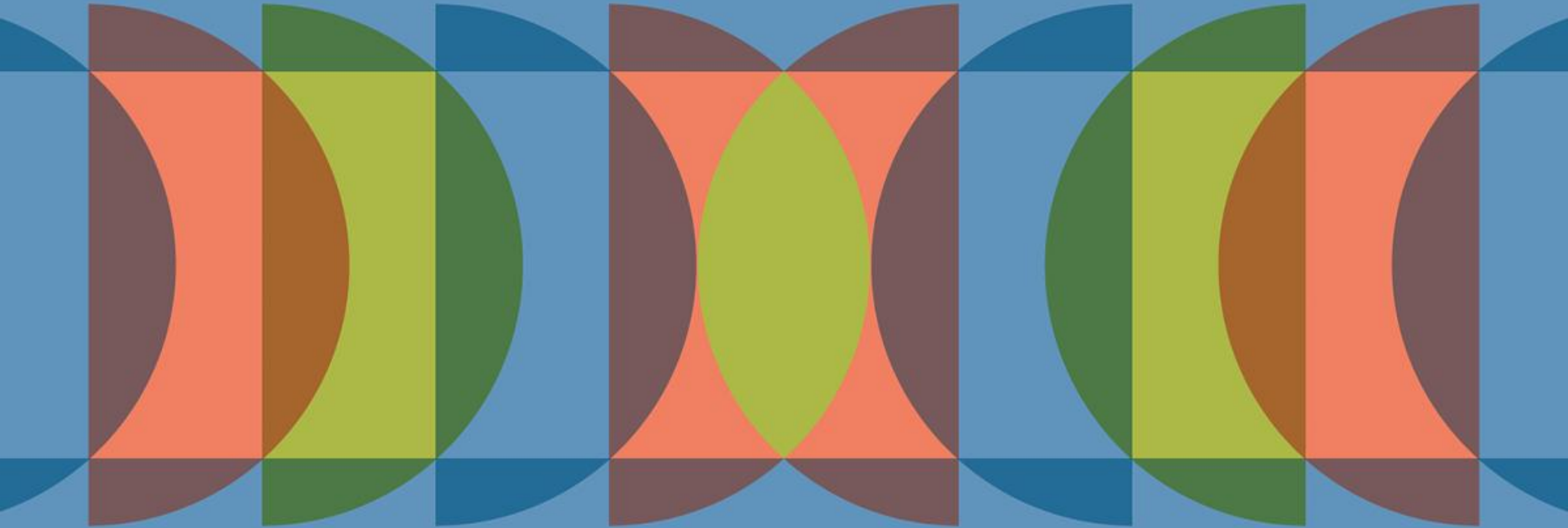
Issuer	Gotham City		
Deal	2026 General Obligation Bonds		
Par	\$2,960,000		
Tax Status	Tax-Exempt		
Rating	AAA		
Par Call Date	12/1/2036		
MATURITY	PAR AMOUNT	COUPON RATE	YIELD
2027	\$175,000	5.00	2.85
2028	\$185,000	5.00	2.95
2029	\$190,000	5.00	3.10
2030	\$200,000	5.00	3.20
2031	\$210,000	5.00	3.40
2032			
2033			
2034			
2035			
2036	\$2,000,000	4.25	4.50

**Serial
vs Term**

**Premium
vs
Discount**

INVESTOR PREFERENCES (CONTINUED)

Issuer		Gotham City		
Deal		2026 General Obligation Bonds		
Par		\$2,960,000		
Tax Status		Tax-Exempt		
Rating		AAA		
Par Call Date		12/1/2036		
MATURITY		PAR AMOUNT	COUPON RATE	YIELD
Retail	2027	\$175,000	5.00	2.85
	2028	\$185,000	5.00	2.95
	2029	\$190,000	5.00	3.10
Professional Retail/SMA	2030	\$200,000	5.00	3.20
	2031	\$210,000	5.00	3.40
	2032			
Institutional	2033			
	2034			
	2035			
	2036	\$2,000,000	4.25	4.50



BASIC BOND MATH

BOND PRICE

- **Bond Price:** Price at which the bond is sold to investors

- **Equation:**

$$\text{Bond Price} = \frac{C}{(1+i)} + \frac{C}{(1+i)^2} + \dots + \frac{C}{(1+i)^n} + \frac{M}{(1+i)^n}$$

- **C** = Coupon payment
 - **i** = Interest rate (required yield)
 - **M** = Value at maturity
 - **n** = Number of payments
- **Excel 'PRICE' Function:**
=PRICE(delivery date, maturity date, coupon, yield, value at maturity, frequency of coupons, day count basis)

Inputs	Values
Delivery Date (settlement)	9/1/2026
Maturity Date	9/1/2036
Coupon (rate)	5.00%
Yield	4.50%
Maturity Value (redemption)	\$100
Coupon Payments/Year	2
Day Count Basis	0
PRICE function	\$103.99

- **Yield to Maturity (YTM):** Total return anticipated on a bond if held until maturity

- **Equation:**

$$\text{Bond Price} = \frac{\text{Cashflow 1}}{(1 + \text{yield})^1} + \frac{\text{Cashflow 2}}{(1 + \text{yield})^2} + \dots + \frac{\text{Last Cashflow}}{(1 + \text{yield})^n}$$

- Back-solves bond price equation to determine yield, given bond price and coupon:
- **Excel 'YIELD' Function:**
 =YIELD(delivery date, maturity date, coupon, price, value at maturity, coupon payments per year, day count basis)

YIELD TO MATURITY (YTM)

Inputs	Values
Delivery Date (settlement)	9/1/2026
Maturity Date	9/1/2036
Coupon (rate)	5.00%
Purchase Price	\$110
Maturity Value (redemption)	\$100
Coupon Payments/Year	2
Day Count Basis	0
YIELD function	3.79%

TRUE INTEREST COST (TIC)

- **True Interest Cost (TIC):** Rate necessary to discount the amounts payable on the bond to the purchase price received
 - Effective borrowing rate on Bond inclusive of P&I and all costs associated with Bond issuance
 - Proxied by internal rate of return (IRR)
- **Excel 'IRR' function:**
=IRR(values, guess)
 - Values: Series of payments (first cash inflow must have negative value)
 - Guess: Gives Excel a place to start solving

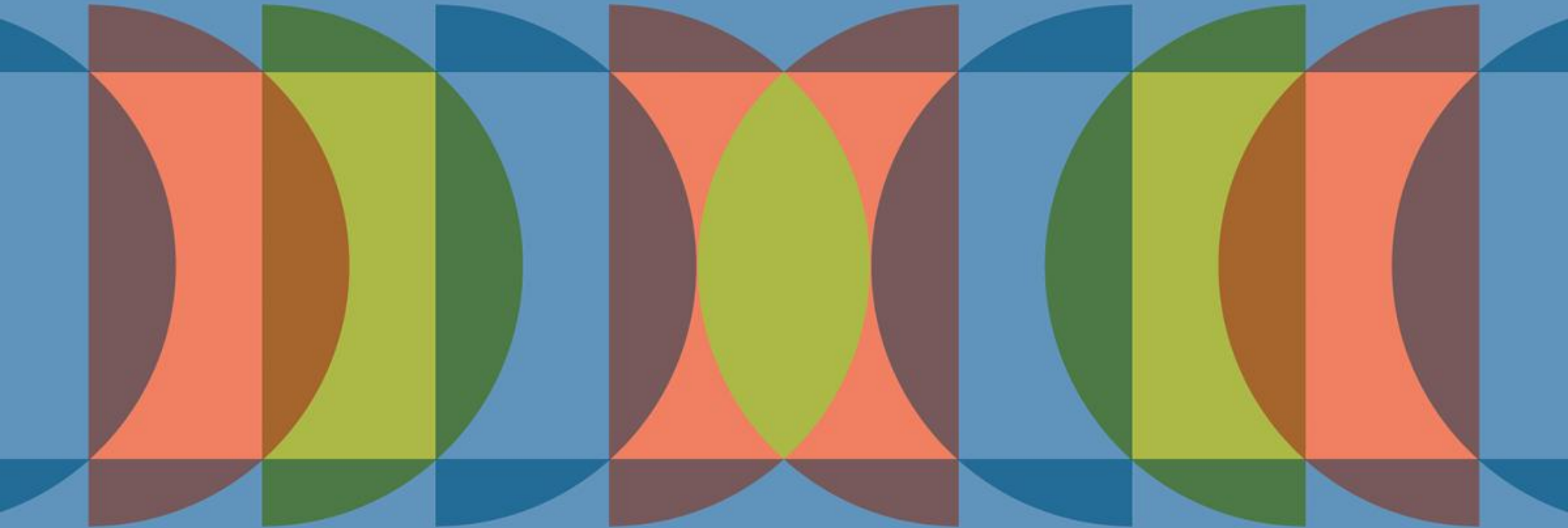
Principal and Interest Payment Date	Annual Debt Service Amount
Issue Bonds	\$(5,000,000)
12/1/2027	\$1,250,000
12/1/2028	\$1,250,000
12/1/2029	\$1,250,000
12/1/2030	\$1,250,000
12/1/2031	\$1,250,000
IRR Function (TIC)	7.93%

DEBT SERVICE PAYMENTS

If public agency needs to issue Bonds to pay for a police station, knowing the expected cost of the station, how can you approximate the yearly debt service?

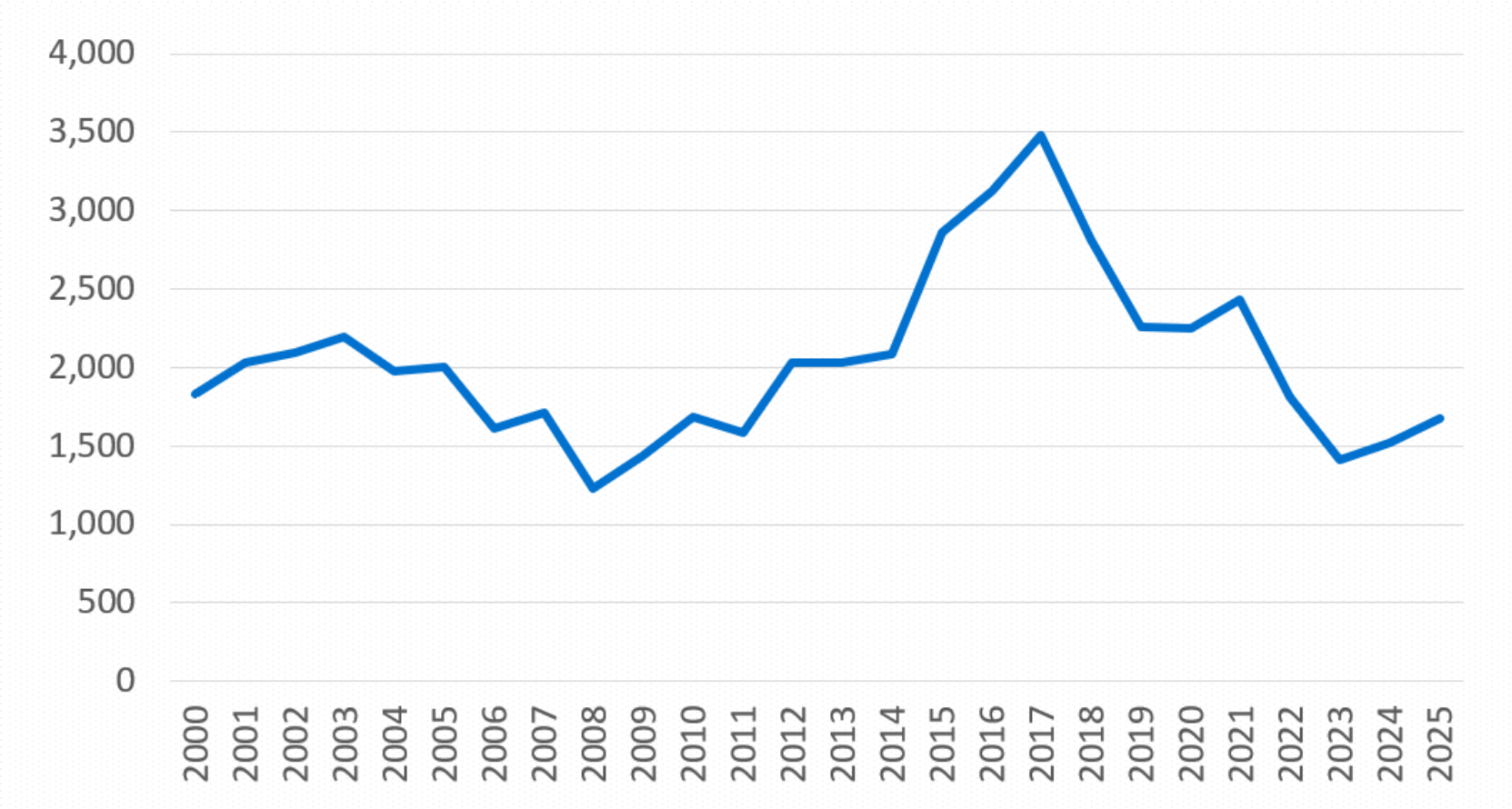
- **Excel Function:**
=PMT(Interest rate, Number of Periods, Present Value, Future Value, Payment Due Period)
- “PMT” value returned is negative to show cash payments going out
- Includes both principal and interest component

Inputs	Values
Coupon (rate)	5.00%
Years to Maturity (nper)	30
Present Value (PV)	\$30,000,000
Face Value (FV)	\$0
Payment Due period	0
PMT Function (Annual DS)	(\$1,951,543)

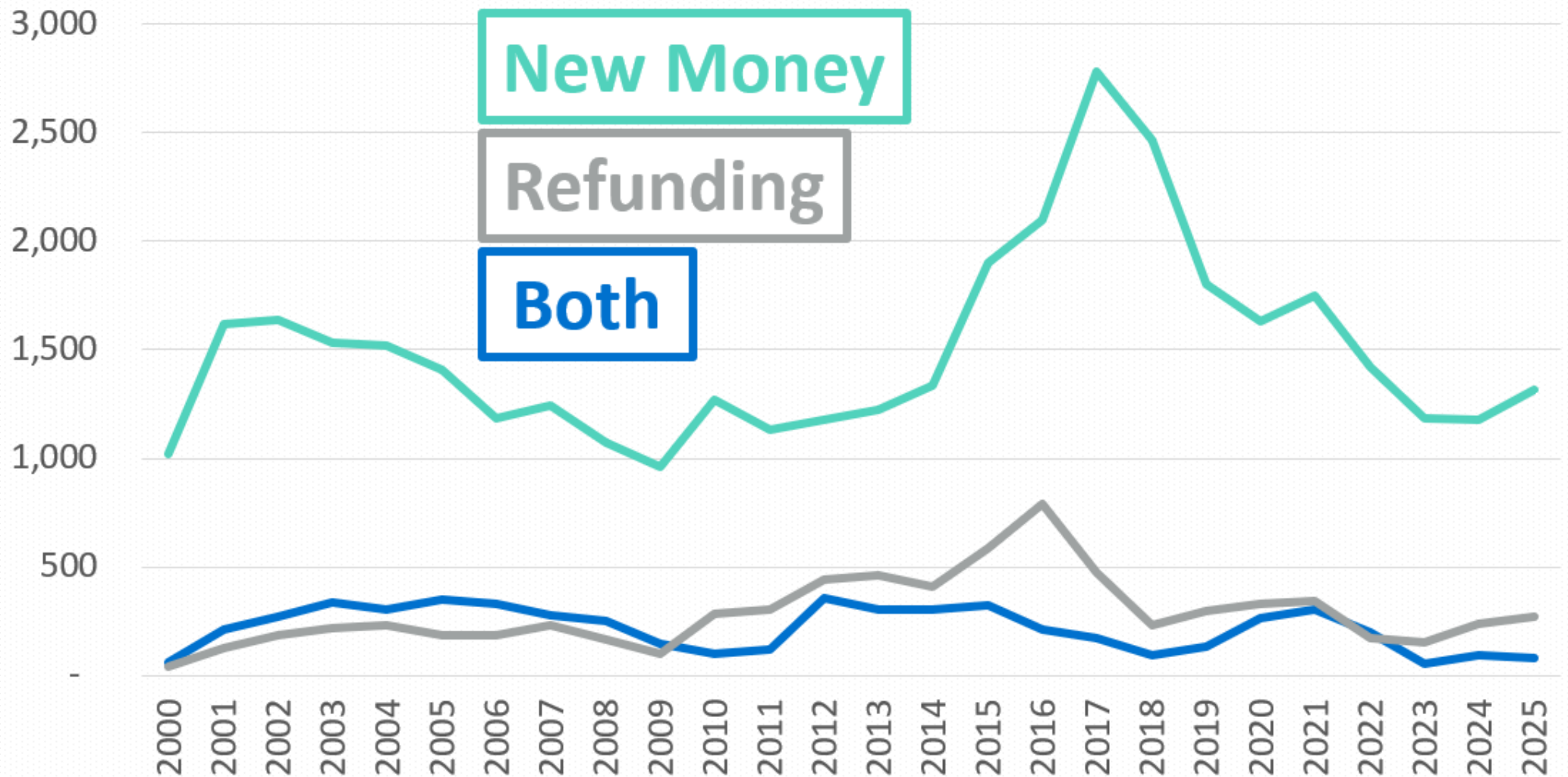


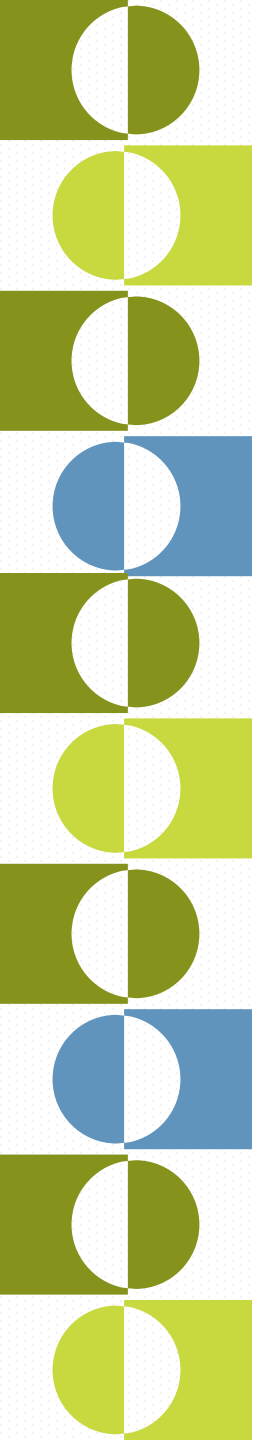
FUN STATS

HISTORICAL CALIFORNIA TRANSACTIONS

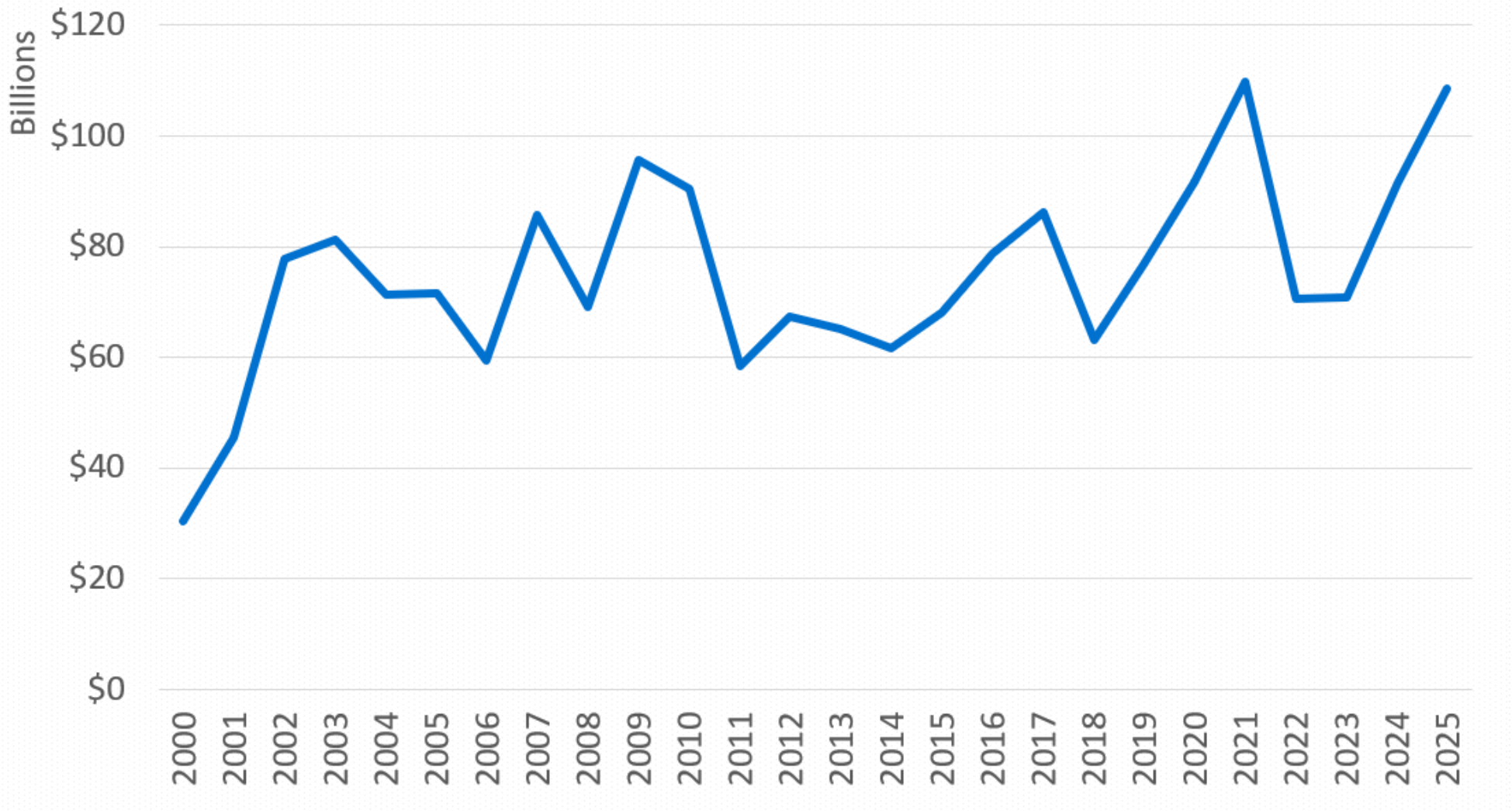


TRANSACTION TYPES

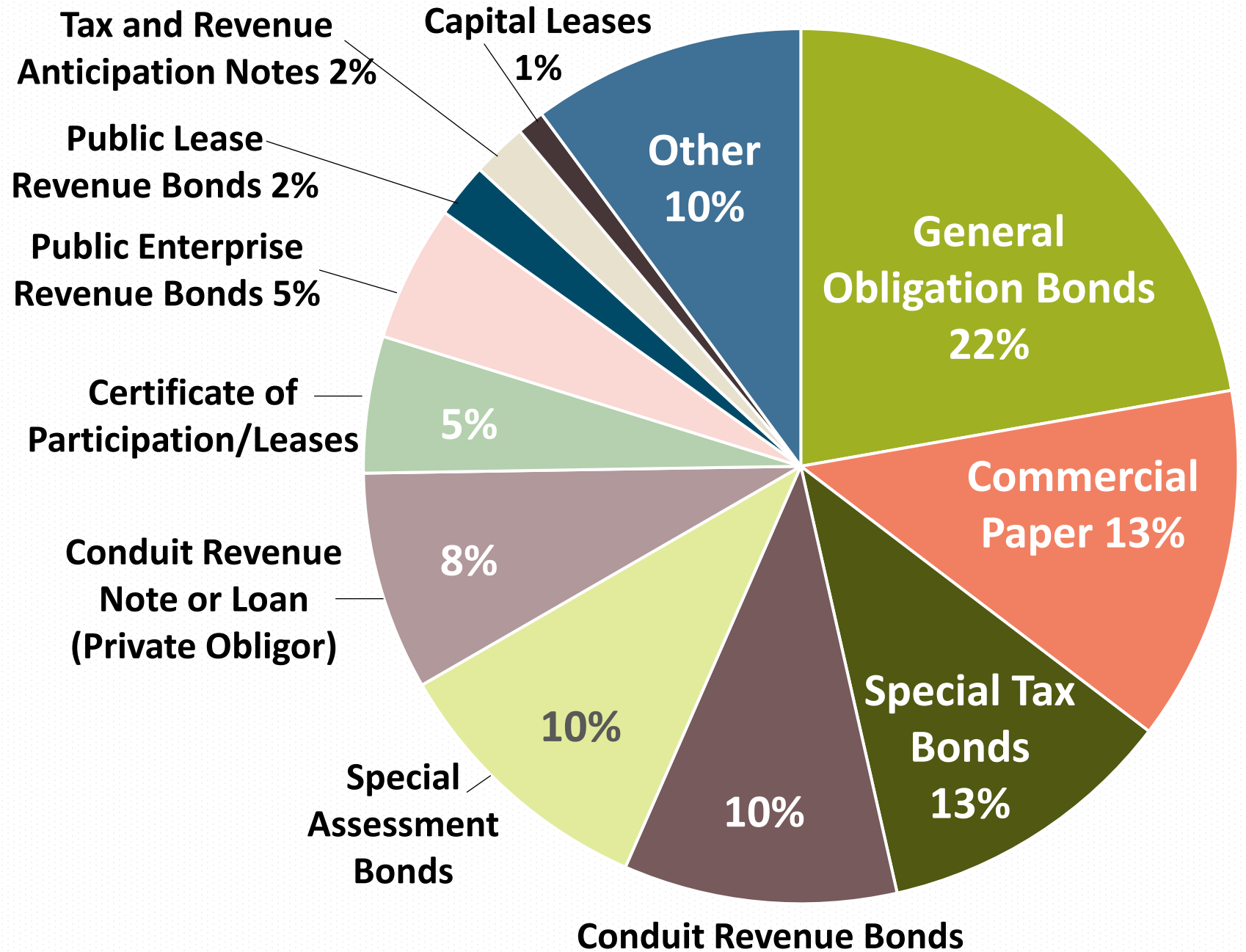




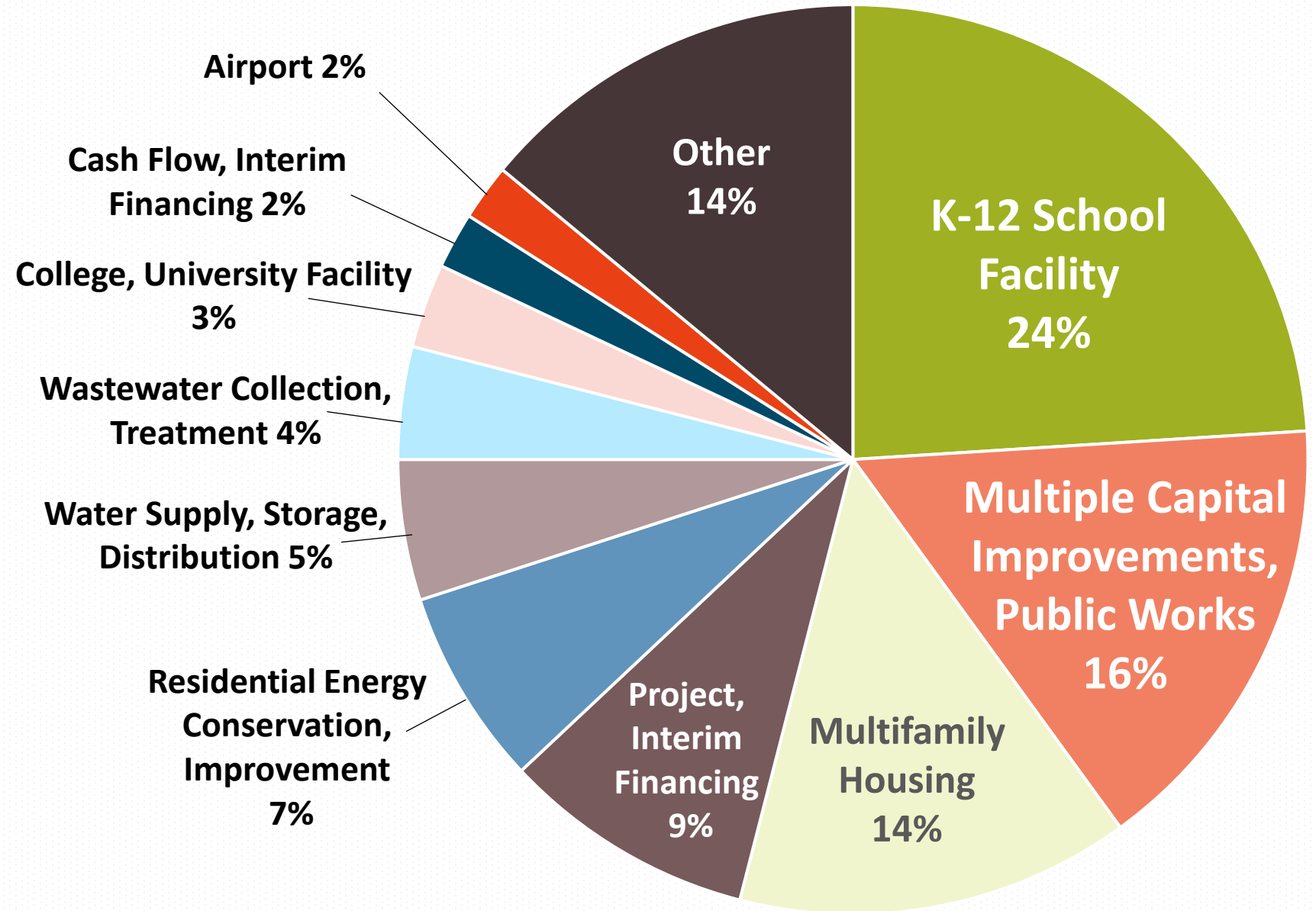
ANNUAL VOLUME (PRINCIPAL)



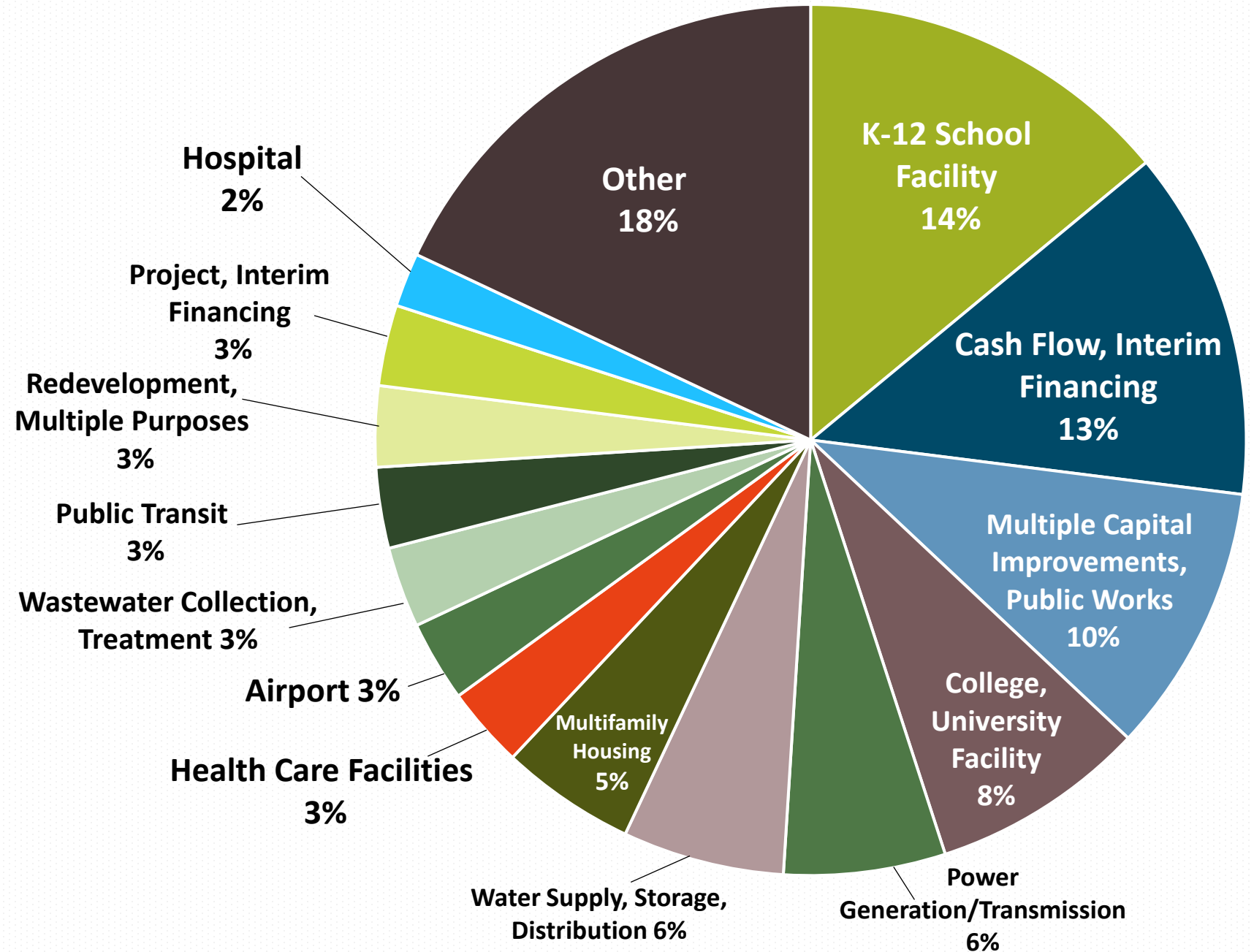
2025 TRANSACTIONS



2025 ISSUER TRANSACTIONS

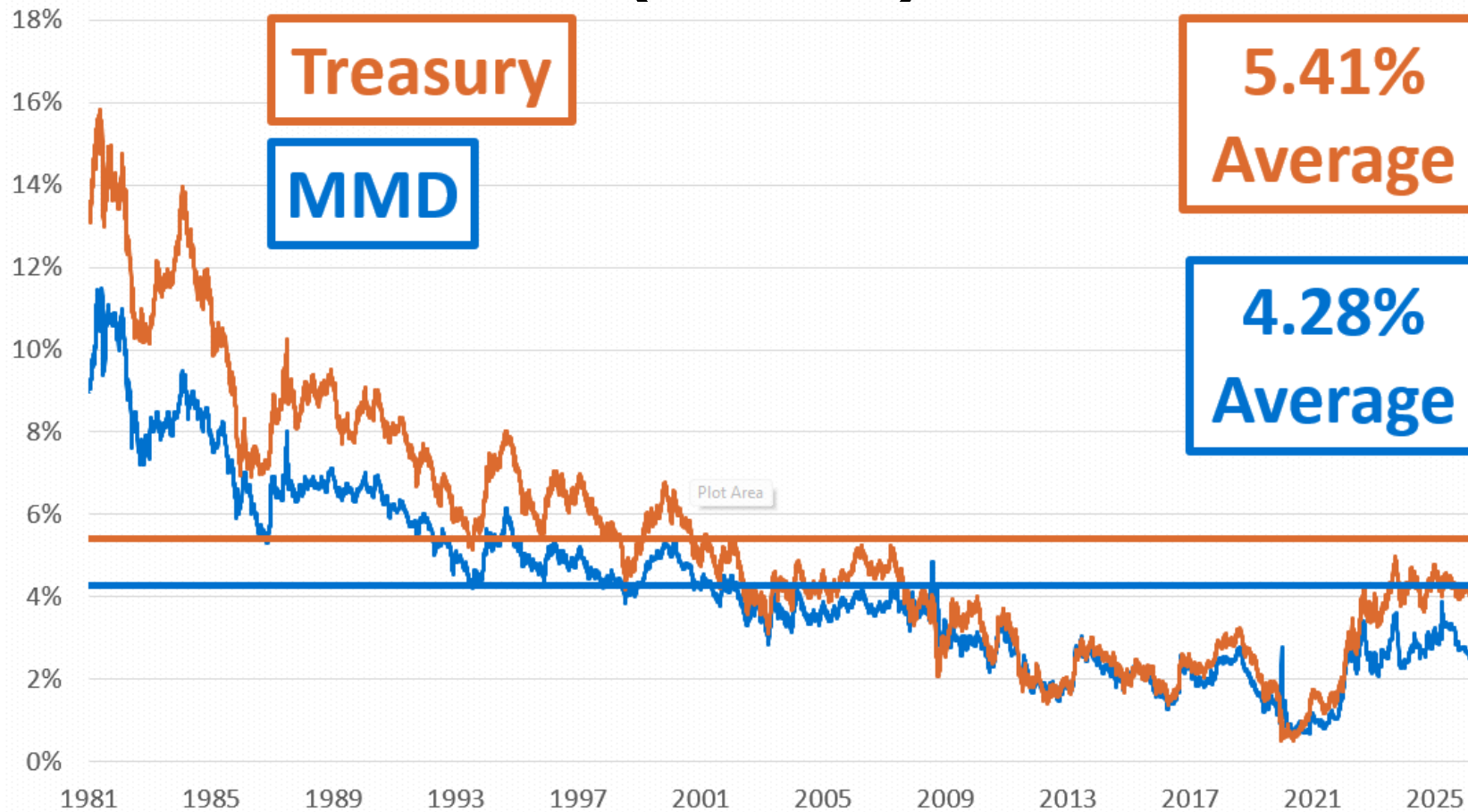


2025 VOLUME (BY PAR)



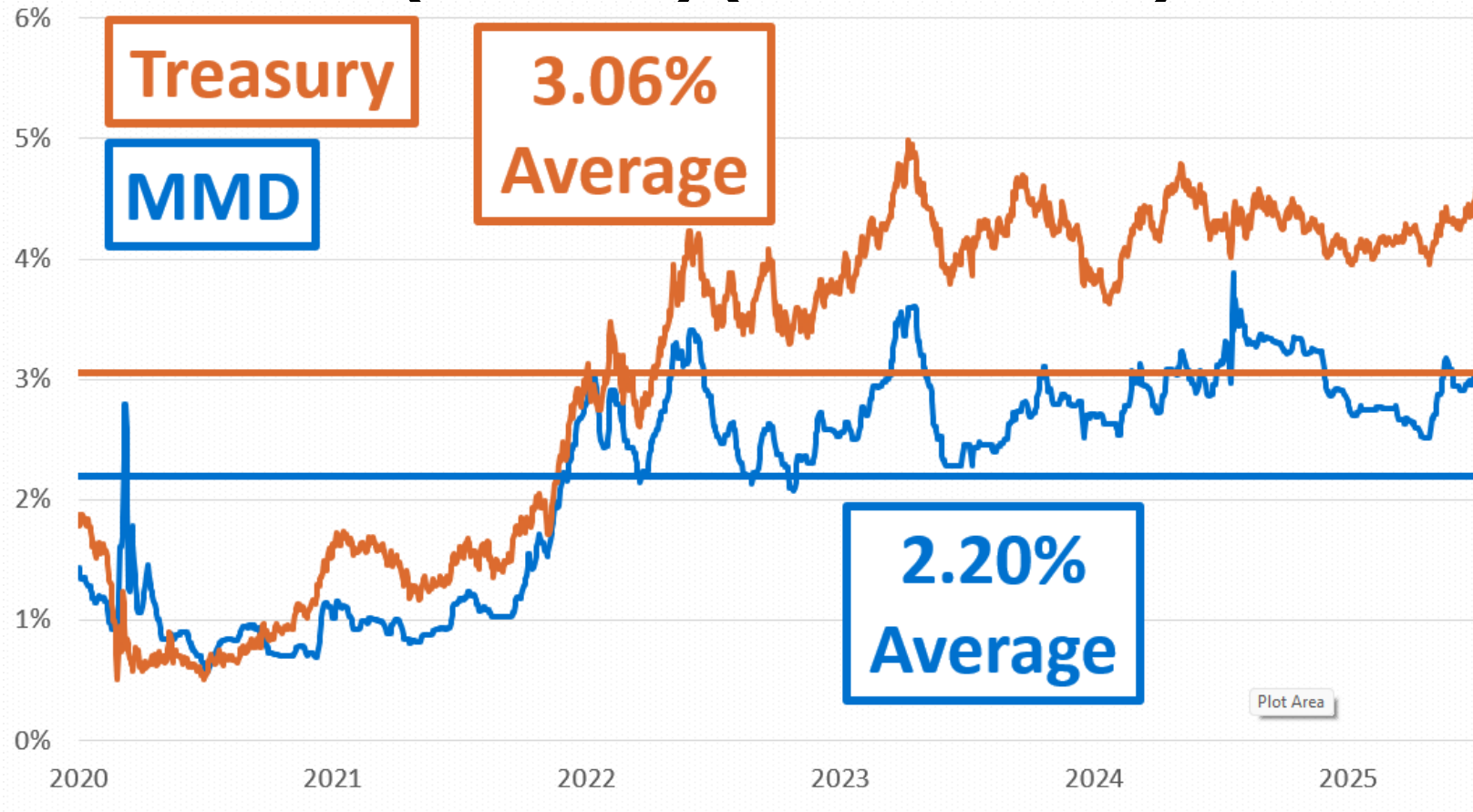
MMD VS. TREASURY

(10-YEAR)



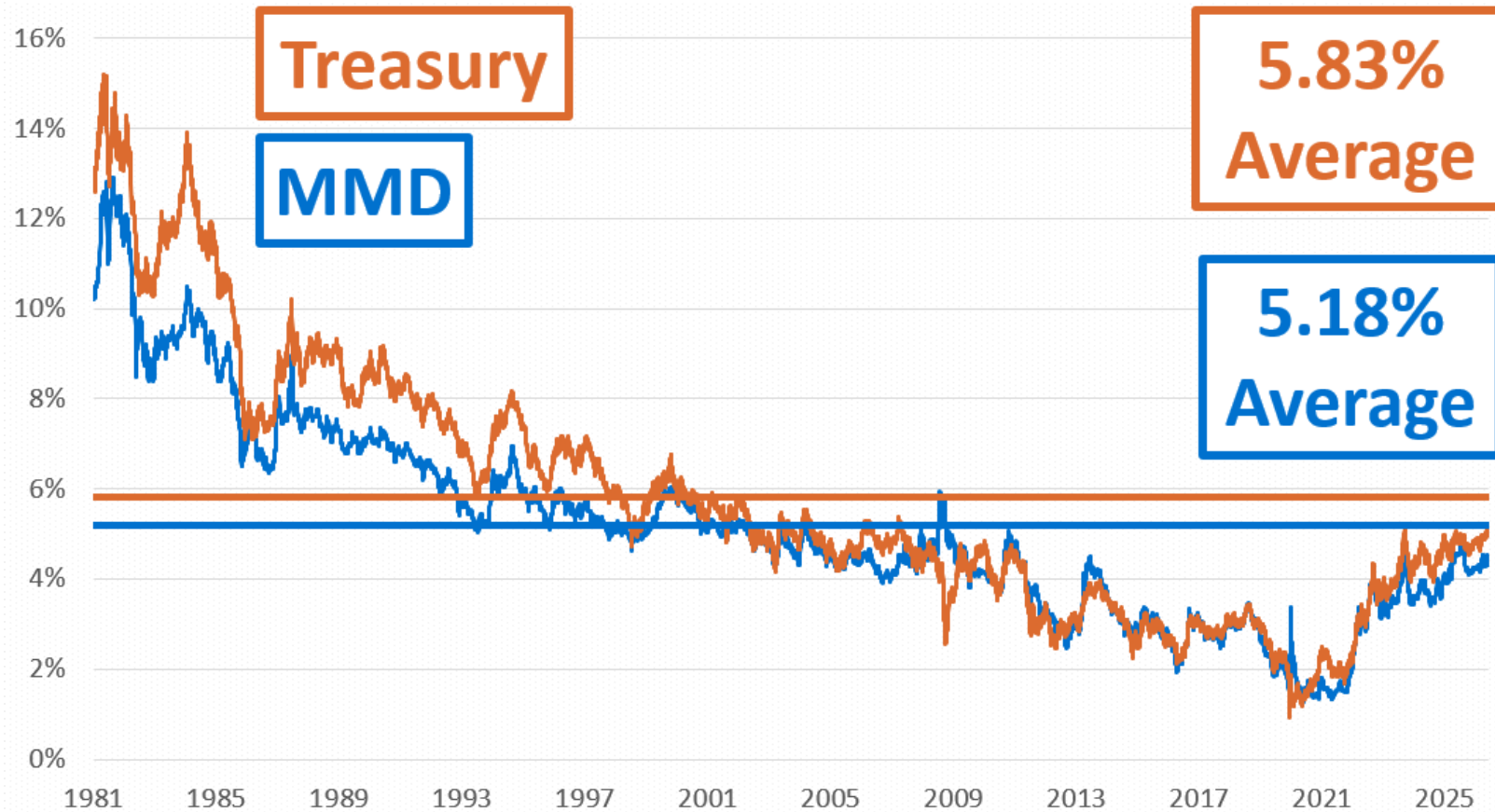
MMD VS. TREASURY (CONTINUED 2/4)

(10-YEAR) (2020-PRESENT)



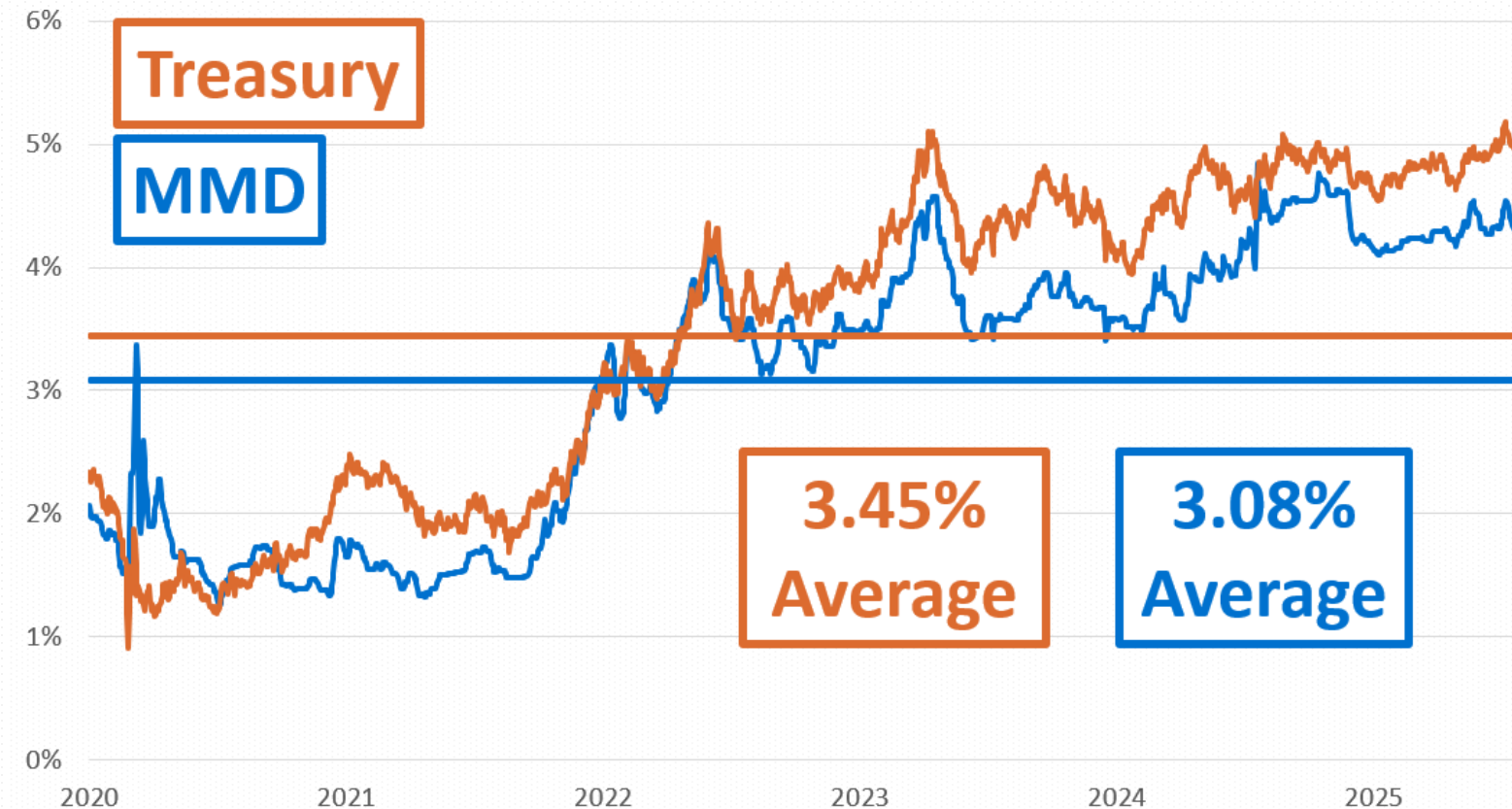
MMD VS. TREASURY (30-YEAR)

(CONTINUED 3/4)



MMD VS. TREASURY (CONTINUED 4/4)

(30-YEAR) (2020-PRESENT)



QUESTIONS?

CRAIG HILL

Managing Principal
NHA Advisors



SESSION TWO

Overview of a Debt Issuance



CRAIG HILL
Managing Principal
NHA Advisors

HARJOT SANGHA
Assistant City Administrator
City of Gilroy



Meet Gilroy

The “Garlic Capital of the World”



Santa Clara County

Southern Silicon Valley, California

~60,000 residents

A growing community

Mostly residential

tax base, with commercial growth

A History of Building for the Community

CIVIC FACILITIES



INFRASTRUCTURE



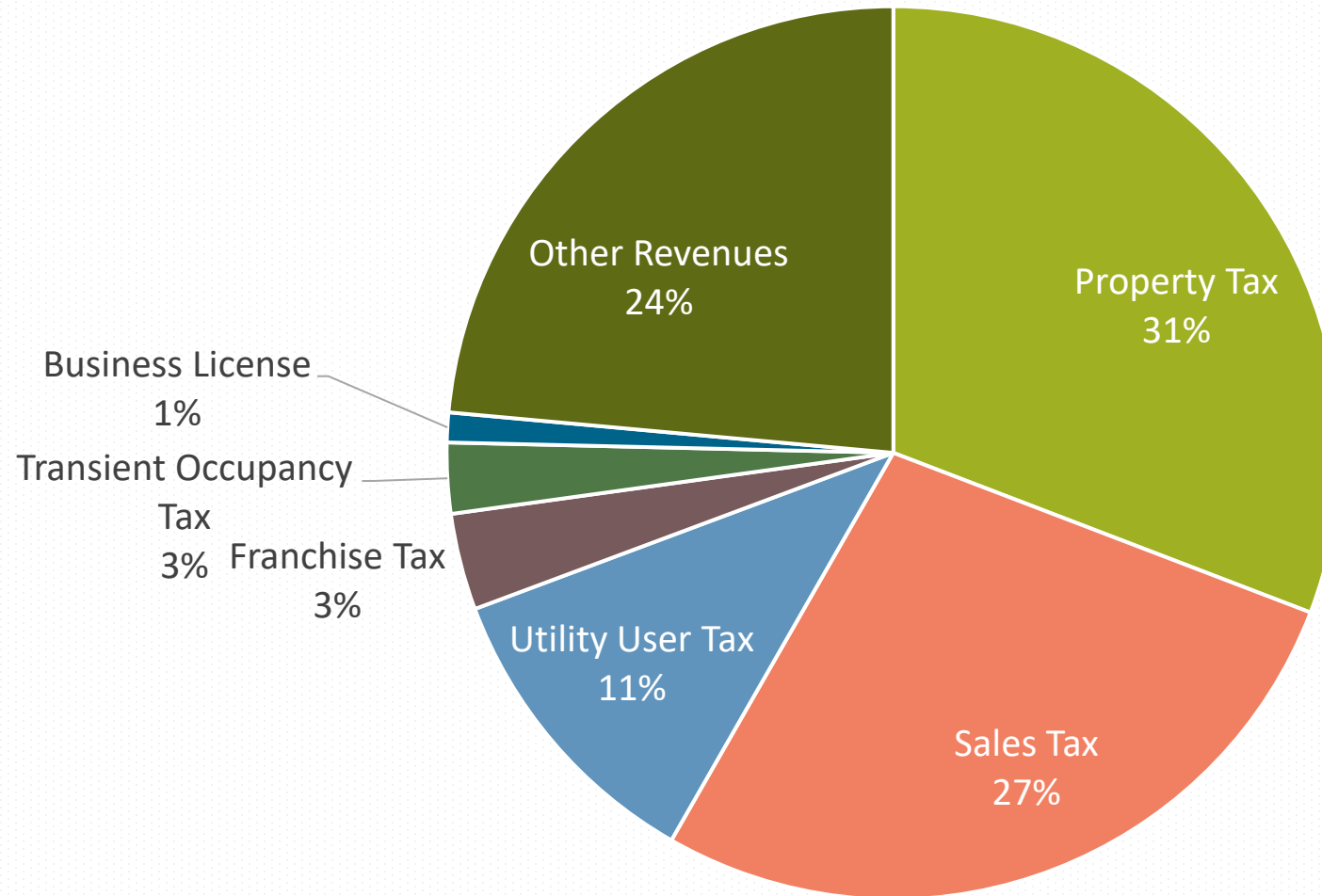
PARKS & RECREATION



THE LIBRARY

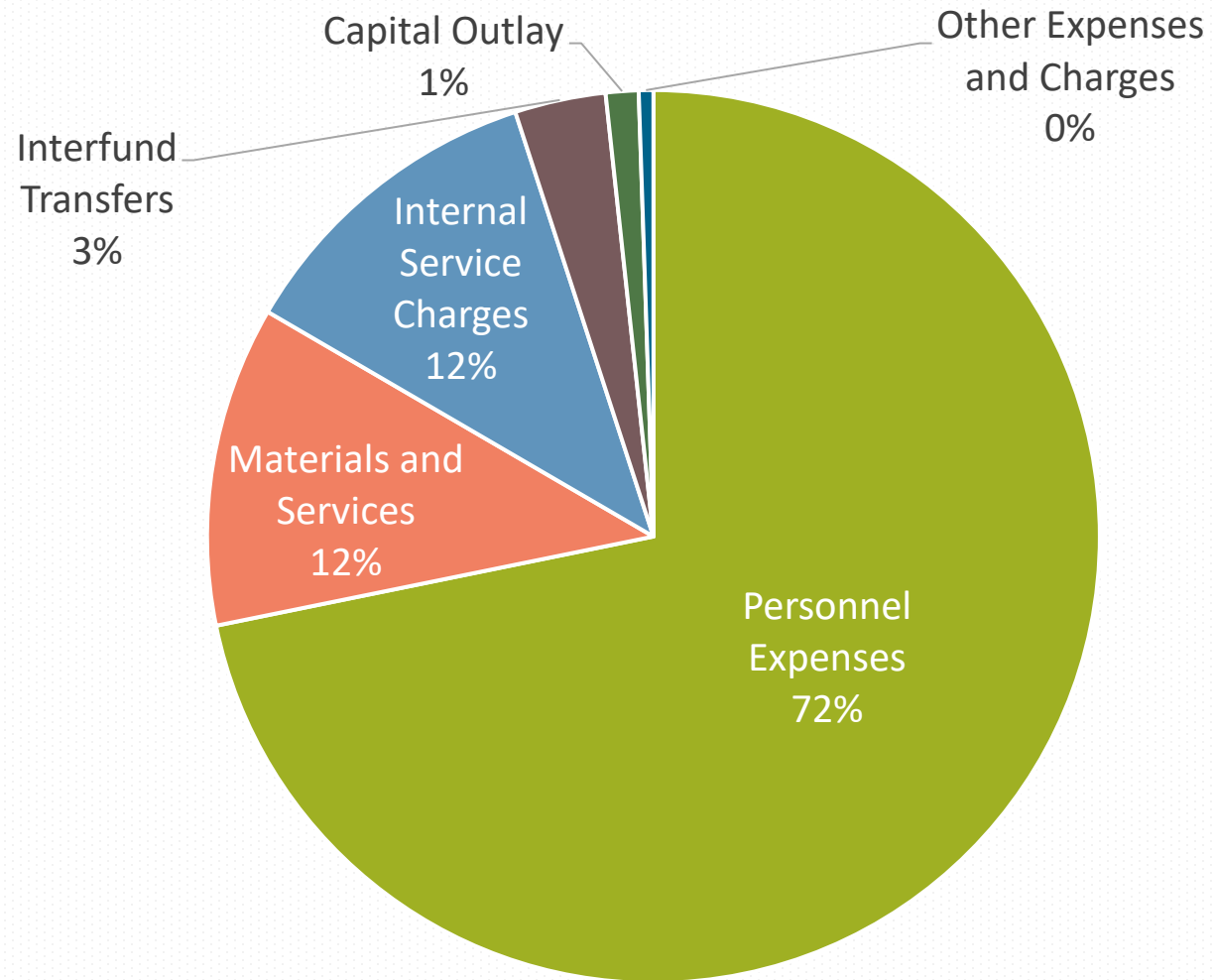


General Fund Sources - \$74M



Key: Over 75% consists of Tax Revenues

General Fund Uses - \$76M



Key: Primarily allocated for service delivery – Public Safety (Police and Fire), very little for Capital Outlay -1%

Generational Equity

*Useful Life of Asset
Being Financed*



Pay-Go / Cash Funded Scenario

Year	0	10	20	30	40	50
Ratepayers Paying for Project	✓	✗	✗	✗	✗	✗
Ratepayers Enjoying Benefit	✓	✓	✓	✓	✓	✓

10-Yr Financing Scenario

Year	0	10	20	30	40	50
Ratepayers Paying for Project	✓	✓	✗	✗	✗	✗
Ratepayers Enjoying Benefit	✓	✓	✓	✓	✓	✓

30-Yr Financing Scenario

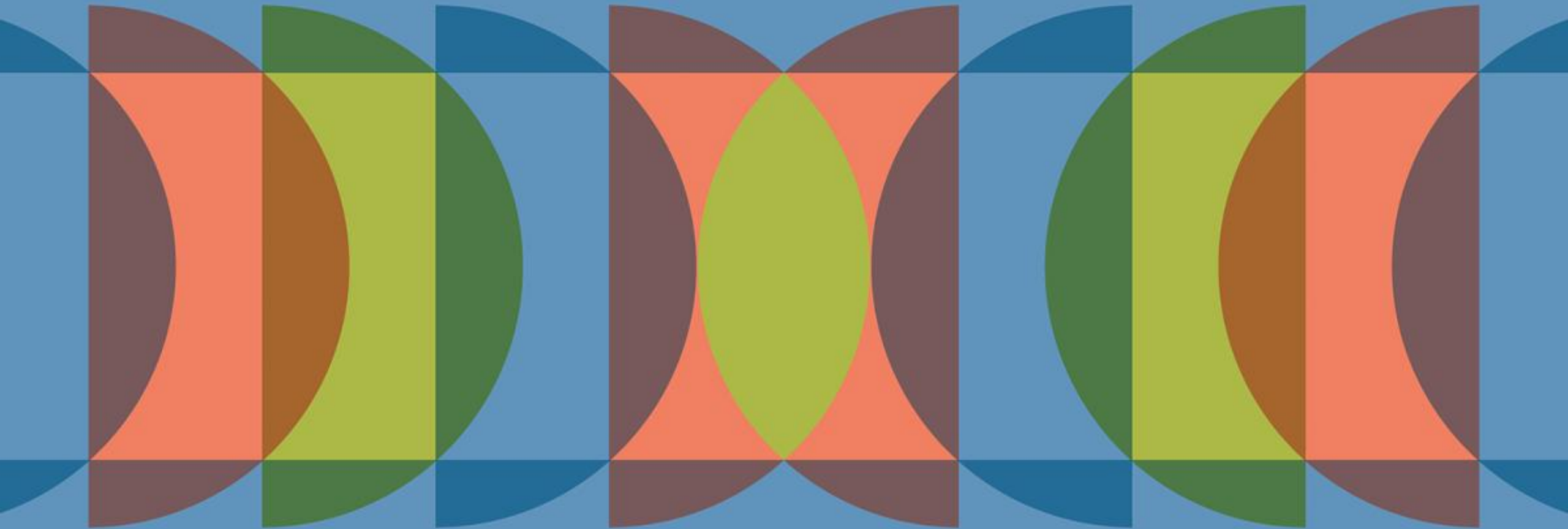
Year	0	10	20	30	40	50
Ratepayers Paying for Project	✓	✓	✓	✓	✗	✗
Ratepayers Enjoying Benefit	✓	✓	✓	✓	✓	✓

**Capital Improvement Program Summary
Budget by Project Category
FY24 - FY28**

By Project Category	Proposed FY24	Proposed FY25	Forecast FY26	Forecast FY27	Forecast FY28	5-Year Total	Percent
Streets	\$ 8,211,209	\$ 14,928,516	\$ 35,836,262	\$ 4,532,150	\$ 4,606,649	\$ 68,114,786	32%
Utilities	27,870,195	23,174,640	13,966,858	8,775,431	13,584,914	87,372,038	42%
Public Facilities	6,062,498	3,017,900	211,900	71,100	-	9,363,398	4%
Engineering	18,126,539	17,144,011	750,706	3,193,777	119,354	39,334,387	19%
Parks and Trails	1,201,379	4,340,971	350,000	350,000	350,000	6,592,350	3%
Utilities>Water	7,156,527	17,092,802	7,683,280	4,677,221	6,277,467	42,887,297	49%
Utilities>Wastewater	20,687,069	6,081,838	5,996,878	4,098,210	6,925,611	43,789,606	50%
Utilities>Storm Drain	26,599	-	286,700	-	381,836	695,135	1%
Total All Projects	\$ 61,471,820	\$ 62,606,038	\$ 51,115,726	\$ 16,922,458	\$ 18,660,917	\$ 210,776,959	100%

Capital Improvement Program Summary
Budget by Funding Source
FY24 - FY28

By Funding Source	Proposed FY24	Proposed FY25	Forecast FY26	Forecast FY27	Forecast FY28	5-Year Total	Percent
100 - General Fund	\$ 2,047,800	\$ 1,950,000	\$ 350,000	\$ 350,000	\$ 350,000	\$ 5,047,800	2%
200 - Sidewalk Repair Reserve	500,000	500,000	500,000	500,000	500,000	2,500,000	1%
205 - Gas Taxes	1,034,120	1,191,573	903,493	872,200	890,810	4,892,196	2%
210 - Road Funds	1,482,596	1,527,074	1,565,251	1,604,382	1,644,492	7,823,795	4%
212 - Measure B	900,000	4,500,000	4,950,000	900,000	900,000	12,150,000	6%
215 - Transportation/ Mobility Grai	402,600	1,399,153	-	-	-	1,801,753	1%
220 - Vehicle Registration Fee	230,000	240,500	491,525	555,568	571,347	2,088,940	1%
245 - CDBG	261,950	99,500	311,900	100,000	100,000	873,350	0.4%
400 - Capital Projects	1,284,805	2,673,571	-	-	-	3,958,376	1.9%
410 - Storm Drain Development In	231,827	230,811	631,506	605,477	501,190	2,200,811	1%
415 - Utility Undergrounding	-	-	405,900	2,588,300	-	2,994,200	1%
425 - Traffic Impact	2,913,050	8,660,209	27,325,993	-	-	38,899,252	18%
430 - Sewer Development Impact	1,100,226	1,411,972	1,341,170	1,941,401	4,086,062	9,880,831	5%
435 - Water Development Impact	3,550,800	-	-	2,885,454	3,029,726	9,465,980	4%
440 - Public Facilities Impact	13,888,793	13,441,107	-	-	-	27,329,900	13%
487 - Downtown Beautification	3,582,765	-	-	-	-	3,582,765	2%
615 - Facilities	682,200	517,900	-	71,100	-	1,271,200	0.60%
625 - Equipment Outlay	4,185,718	2,500,000	-	-	-	6,685,718	3%
700 - Sewer	19,586,843	4,669,866	4,655,708	2,156,809	2,839,549	33,908,775	16%
705 - Water	3,605,727	17,092,802	7,683,280	1,791,767	3,247,741	33,421,317	16%
Total All Projects	\$ 61,471,820	\$ 62,606,038	\$ 51,115,726	\$ 16,922,458	\$ 18,660,917	\$ 210,776,959	100%



CASE STUDY: MAIN LIBRARY

Why the Old Gilroy Library Had to Go

*An engineering study found the building impractical to fix.
Renovation would have cost more than building new*



Severe Overcrowding

4×

Population quadrupled while the Library's collection increased beyond capacity



Structural & Seismic Risk

1975

Mid-1970s concrete failed modern California seismic codes and retrofit was cost-prohibitive

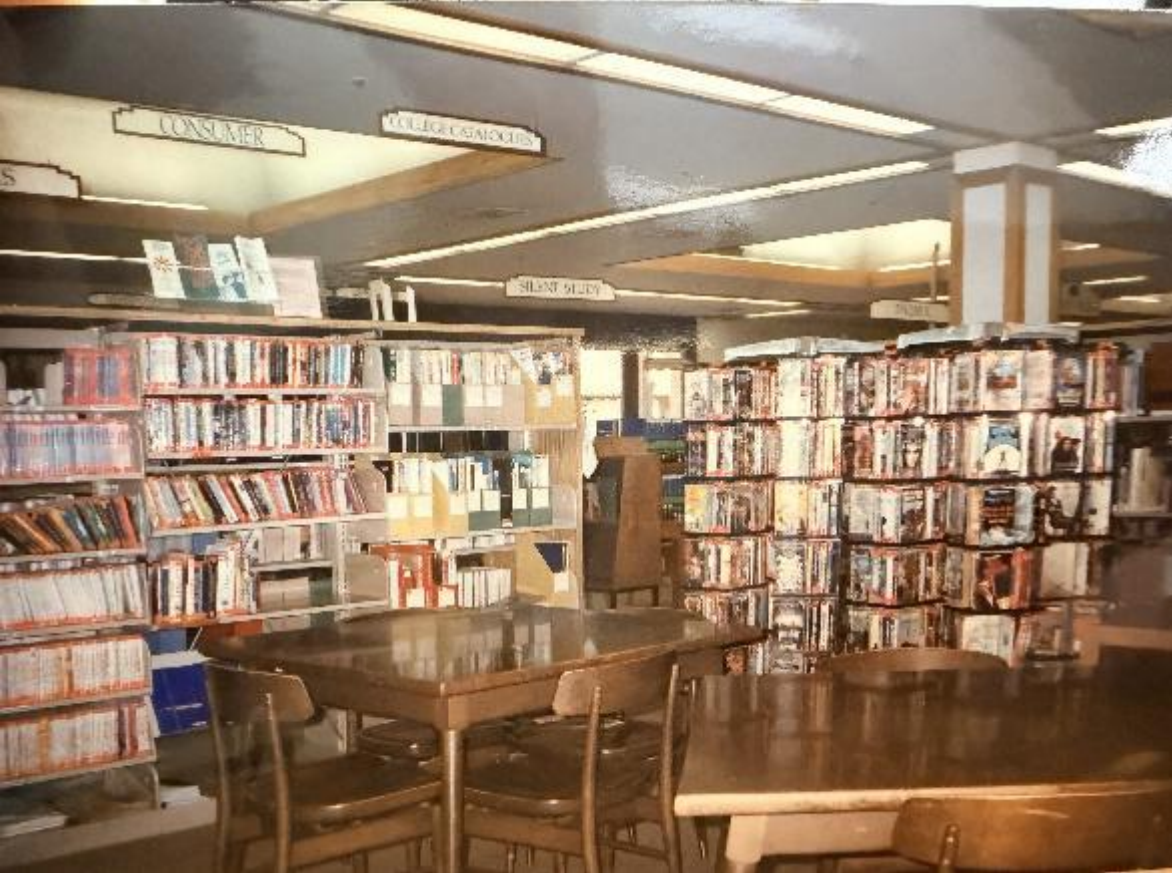


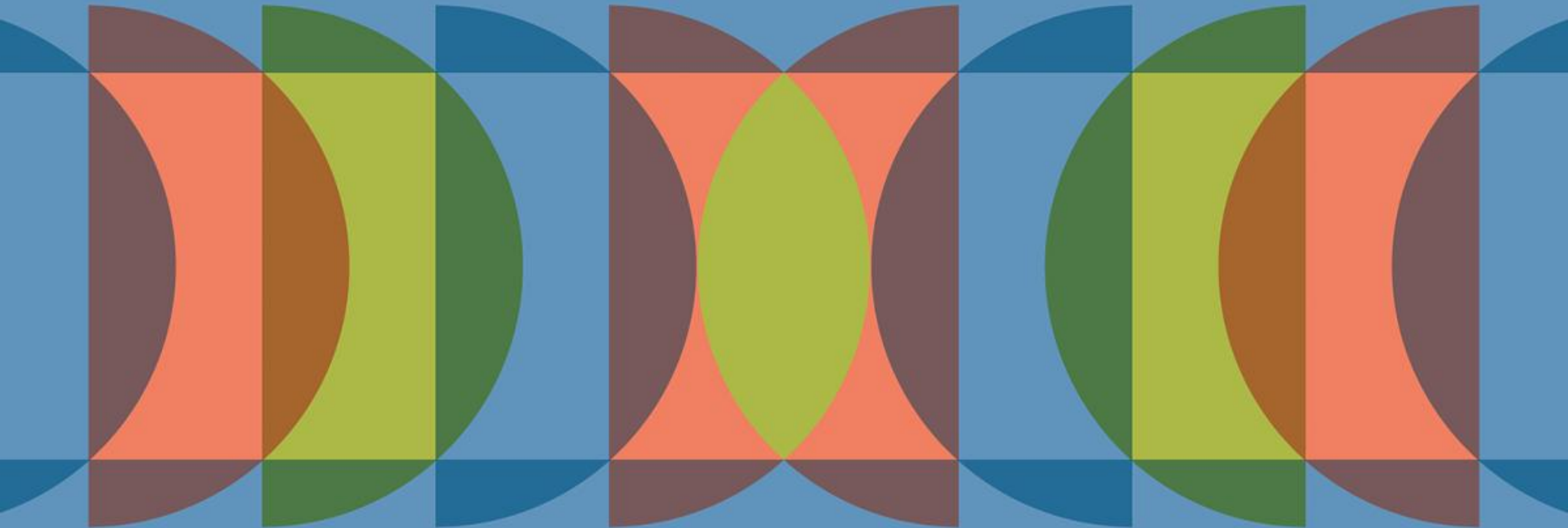
Outdated Infrastructure

Pre-Digital

Antiquated electrical, technology, and plumbing systems did not support modern library services or flexible community spaces







HOW DO WE PAY FOR IT?

The Options



Pay-Go



Lease
Revenue
Bond



Parcel Tax

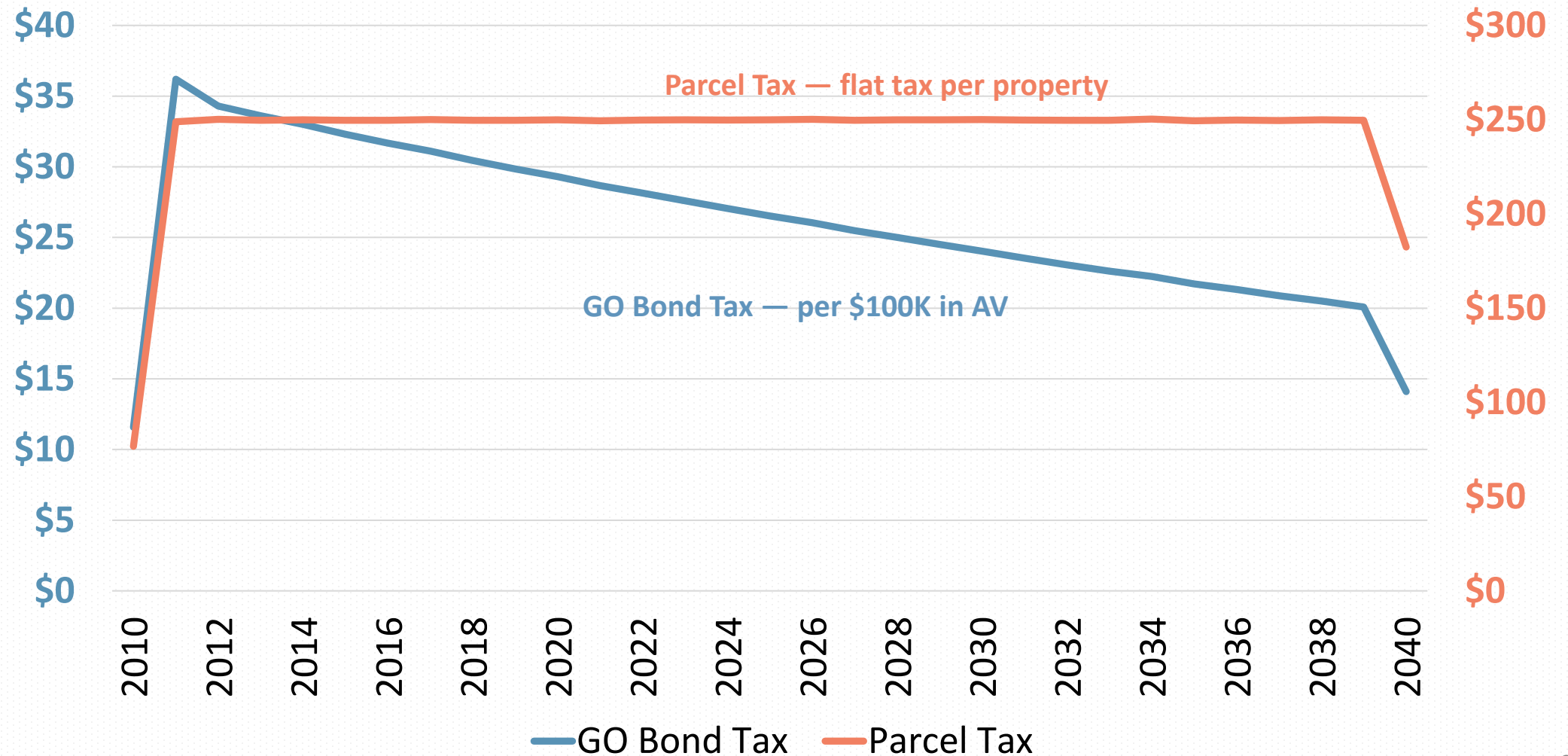


GO Bond



State Grants

Parcel Tax vs. GO Bond Tax Rate Projections





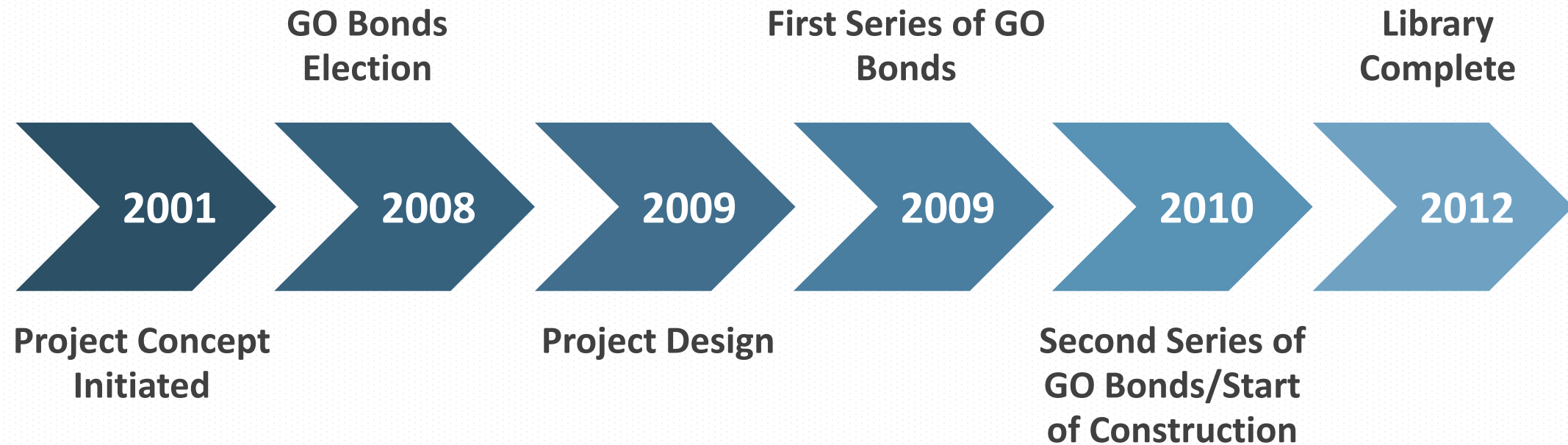
Gilroy Voted Yes

69%

approved the library bond

Clearing the two-thirds threshold required to pass.

Project Timeline



Years of planning finally pay off

After state funds fall through, community bands together to fund the \$37 million facility

BY CARLY GELSINGER
Staff Writer

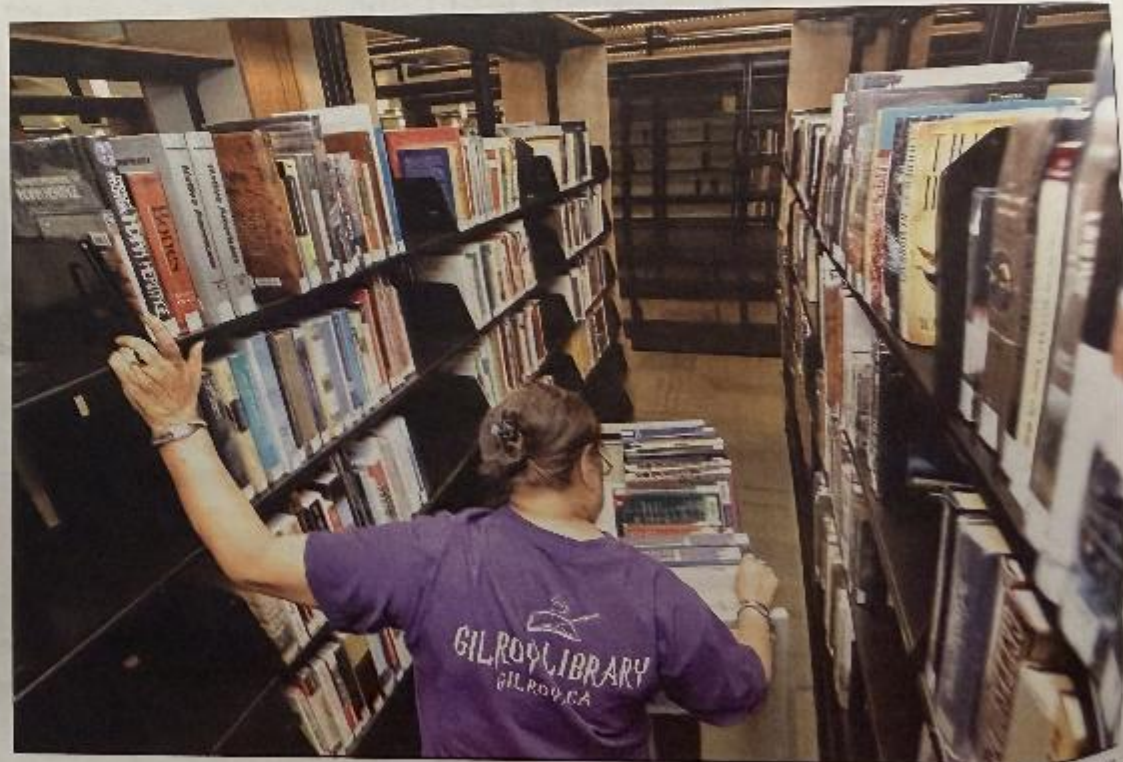
After more than 15 years of planning, the day that seemed as if it never would arrive is finally here: Gilroy's state-of-the-art new library will open its doors to the public on Saturday.

"The day we've worked for all these years is finally here," said Head Librarian Lani Yoshimura.

Excitement continues to mount in the new building. An elevator got last-minute checkups by a maintenance crew, while a computer technician fussed with the wires behind a copy machine. Library staff bantered with each other as they frantically shelved huge boxes of books. Yoshimura has been working 14-hour days to make sure everything comes together perfectly in time for the grand opening.

What is now a two-story, \$37 million, 53,000-square-foot public library that Yoshimura said could draw upward of 2,000 patrons per day, began in 1997 as a grassroots movement from community members who were committed to building a new library.

Built in 1975, the former 12,500-square-



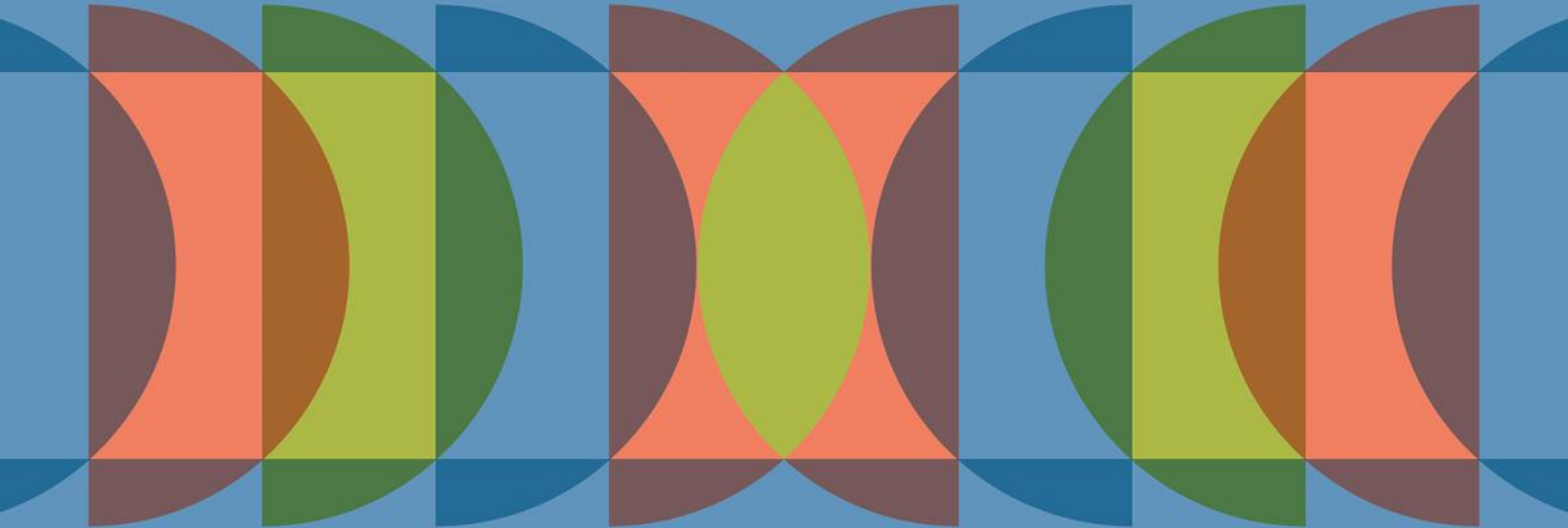
LORA SCHRAFT • STAFF PHOTOGRAPHER

Senior Library Clerk Socorro Alfaro, who has been working at the library for 35 years, stocks shelves in the adult non-fiction section on the second floor in preparation for the opening.

Grand opening schedule

10 a.m.

Honor Guard



ISSUING THE BONDS

Overview of Bond Sale Process



Plan & Authorize

Financing Plan,
Confirm Authority

Assemble Team

Advisor, Legal Counsel,
(*Underwriter*)

Structure Bonds

Set Bond Terms

**Documentation
& Credit Rating**

Disclosure & Credit
Rating

Sell & Close

Sell Bonds,
Deposit Proceeds

The Financing Team



Issuer

City of Gilroy



**Municipal
Advisor**



**Bond &
Disclosure
Counsel**

We Borrowed Only What Was Needed

GO Bond
Authorized

\$37M

Bonds
Issued

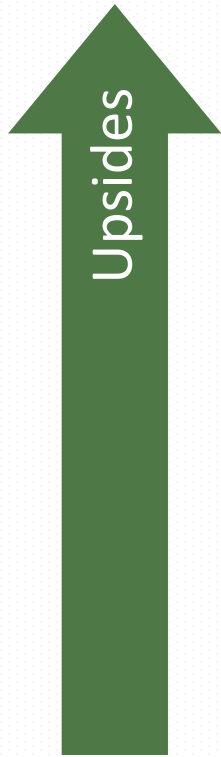
\$34M

The City has remaining GO Bond authorization

Measure F GO Bond Program Budget

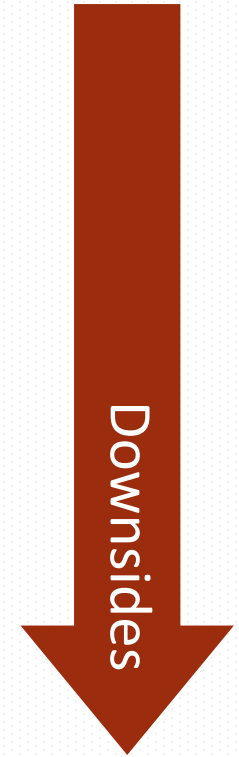
	2009 Bonds		2010 Bonds		Total
Bond Amount	\$	10,500,000	\$	23,500,000	\$ 34,000,000
Project Fund	<u>\$</u>	<u>10,500,000</u>	<u>\$</u>	<u>23,500,000</u>	<u>\$ 34,000,000</u>
Financing Costs	\$	220,000	\$	460,000	680,000

Strategy Behind Multiple Series

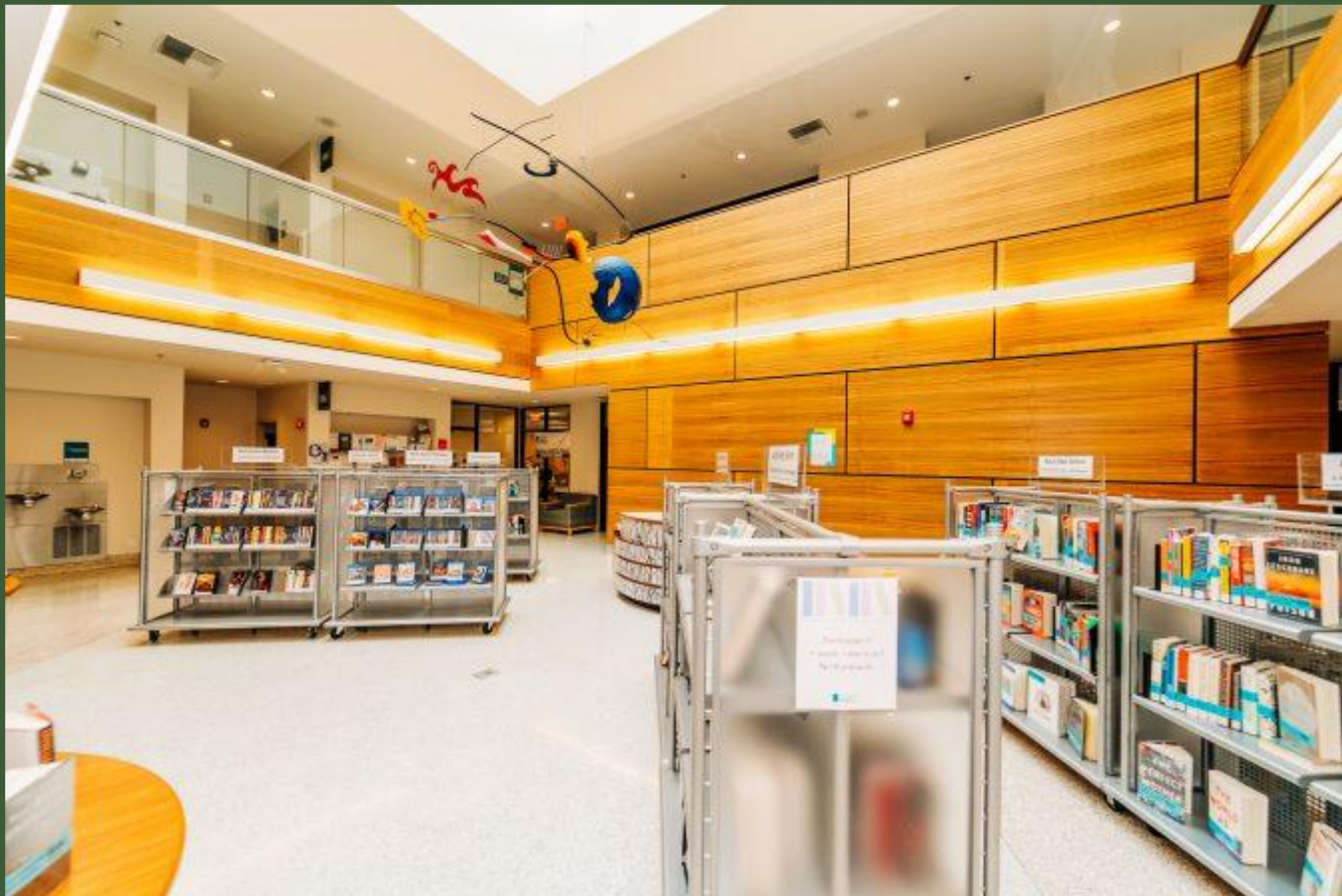


- “Dollar cost averaging the TIC”
- Ease in property tax increases as construction happens
- Federal tax law considerations

- Higher cost of issuance
- Greater interest rate risk







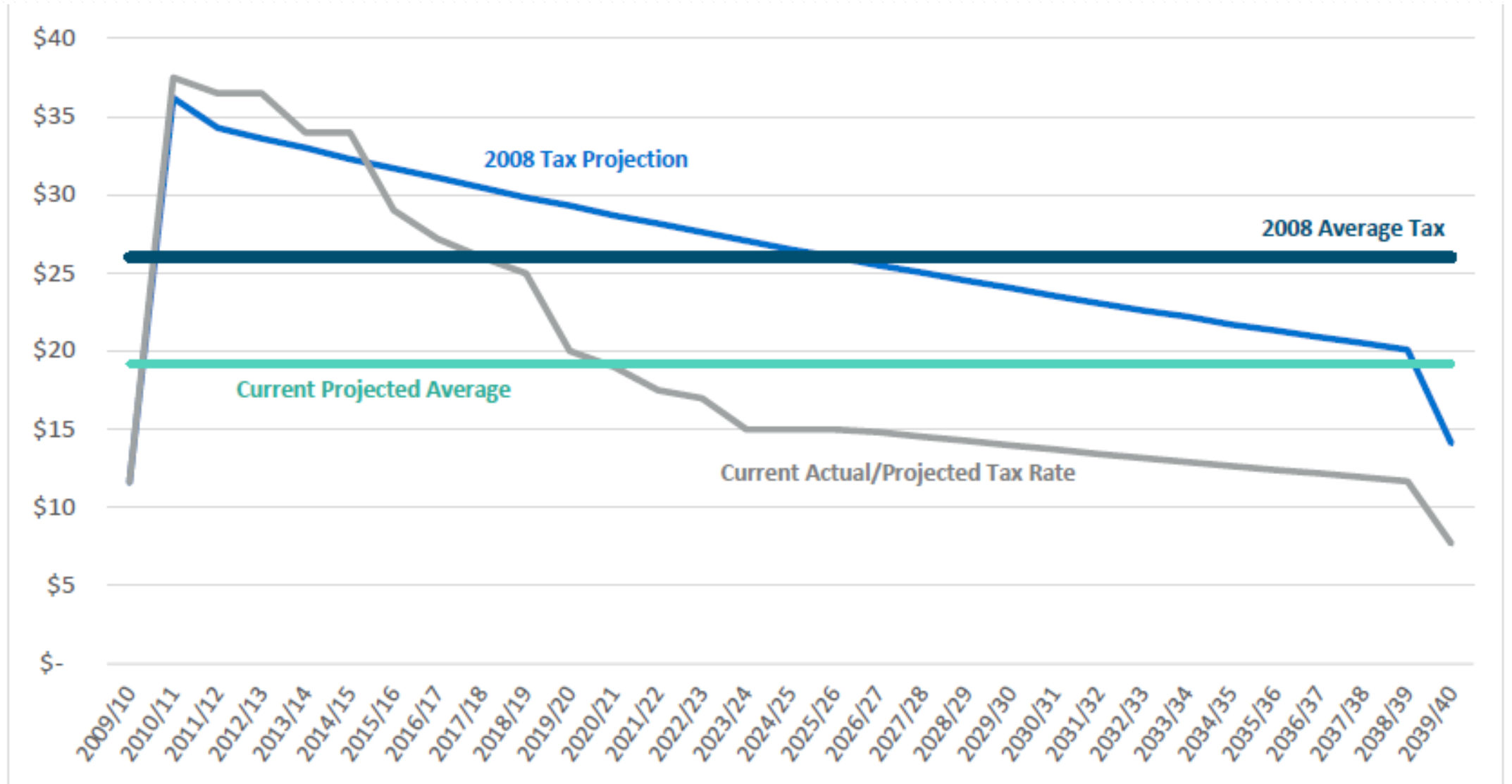


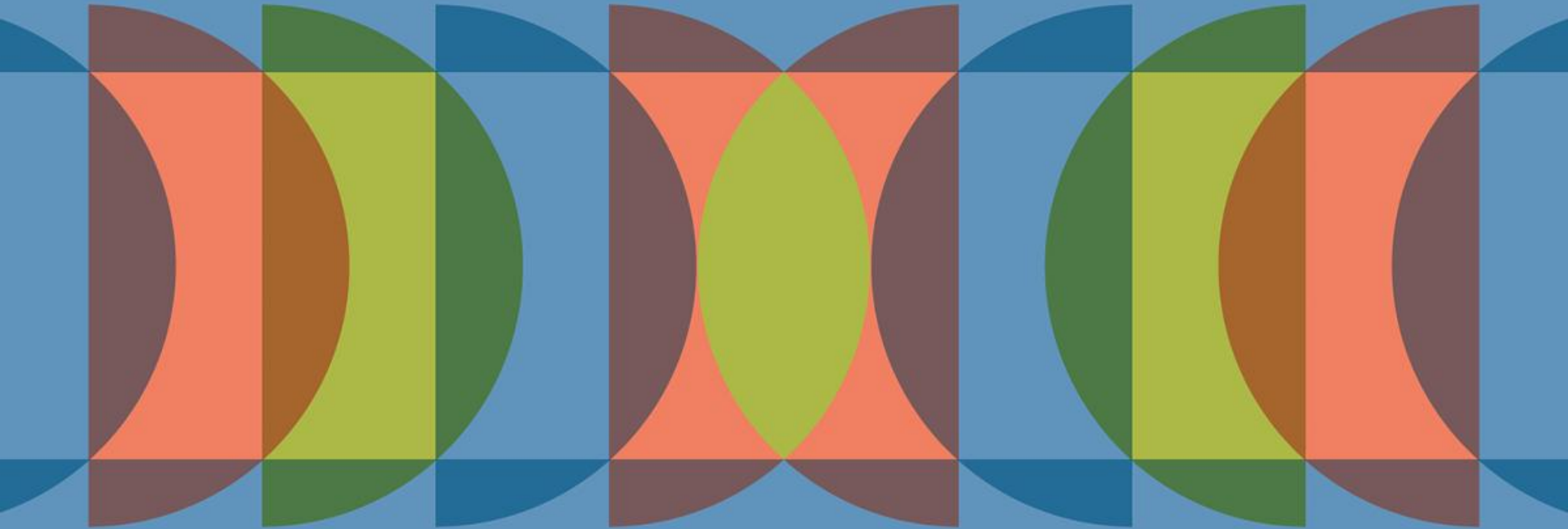


Ongoing City Responsibilities (Post Bond Closing)

- Expenditure of Bond Proceeds
- Annual Tax Rate Approval
 - Ad Valorem Property Tax used only for Bond Debt Service
- Annual Continuing Disclosure Filing
- 2019 Refinancing of Both Series

Original to Current Projected Tax Rate (PER \$100,000 A.V.)





CASE STUDY: SEWER TREATMENT PLANT EXPANSION

Sewer Treatment Plant Expansion

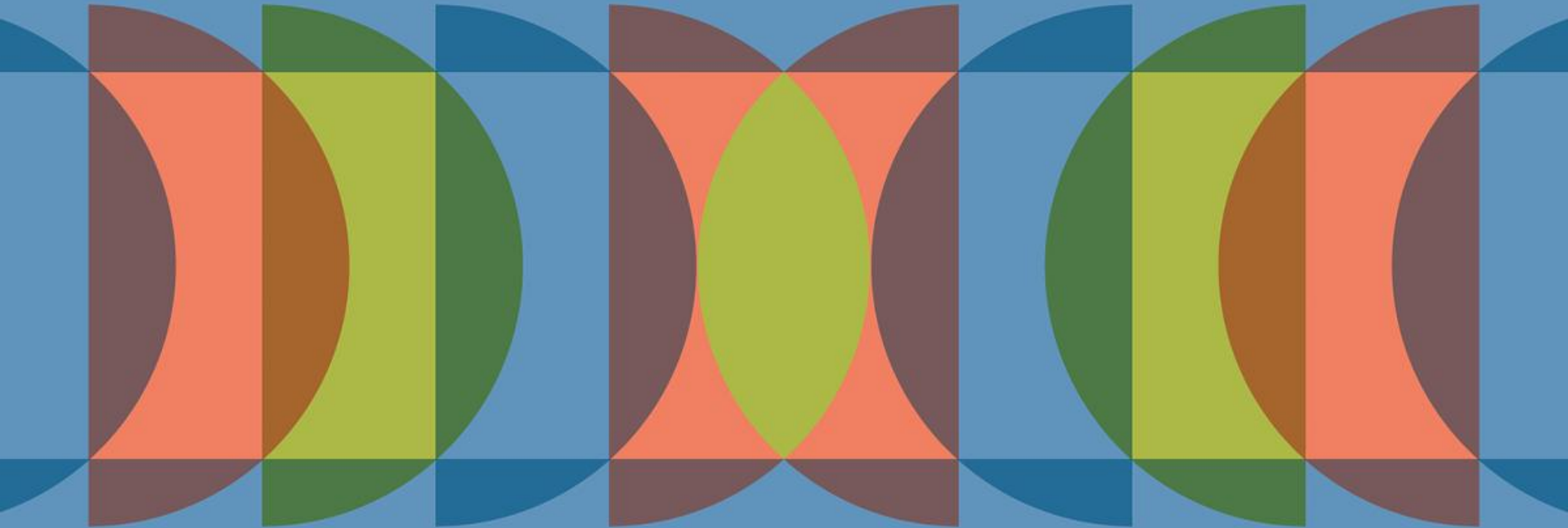
- \$82M Project to increase treatment capacity from 8.5 mgd to 11.0 mgd
- City of Gilroy's share: 58% = \$48M





Project Funding Strategy

- Pledge of net Sewer Rate Revenue
- Sewer Revenue Bonds
 - Sources - \$52.8M Bond Proceeds
 - Uses - \$50.0M Project Fund, \$2.4M Bond Payment, \$0.4K Issuance Cost
- Why Bond Financing:
 - Intergenerational Equity
 - Affordability and Gradual Rate Increases
 - Cash Preservation
- Takeaway: Financing Provided Lease Impact on City & Ratepayers



LESSONS LEARNED



QUESTIONS?



CRAIG HILL
Managing Principal
NHA Advisors

HARJOT SANGHA
Assistant City Administrator
City of Gilroy





BREAK



SESSION THREE

Bond Math

LORA NICHOLS

Vice President
Fieldman, Rolapp &
Associates, Inc.



Why are We Here

A bond is just a promise to pay—with enough math around it to keep things interesting.

Today, we're going to make that math a little less mysterious.



This presentation makes no recommendations and should not be construed to contain a recommendation to pursue any course of action.

What are Bonds?



- Municipal bonds are a type of security sold through the municipal capital markets to various investors (not just one financial institution i.e. commercial bank)
 - ✓ Issue is divided into different maturities and interest rates (i.e. 1-30 year maturities) to appeal to various investor types
- Municipal governments that issue bonds receive a cash payment at the time of issuance in exchange for a promise to repay investors principal plus interest over time

What is a Bond Price?

- Bond price is the price investors are willing to pay (changes based on daily market dynamics)
- Expressed as a percentage (%) of the face value of the bond



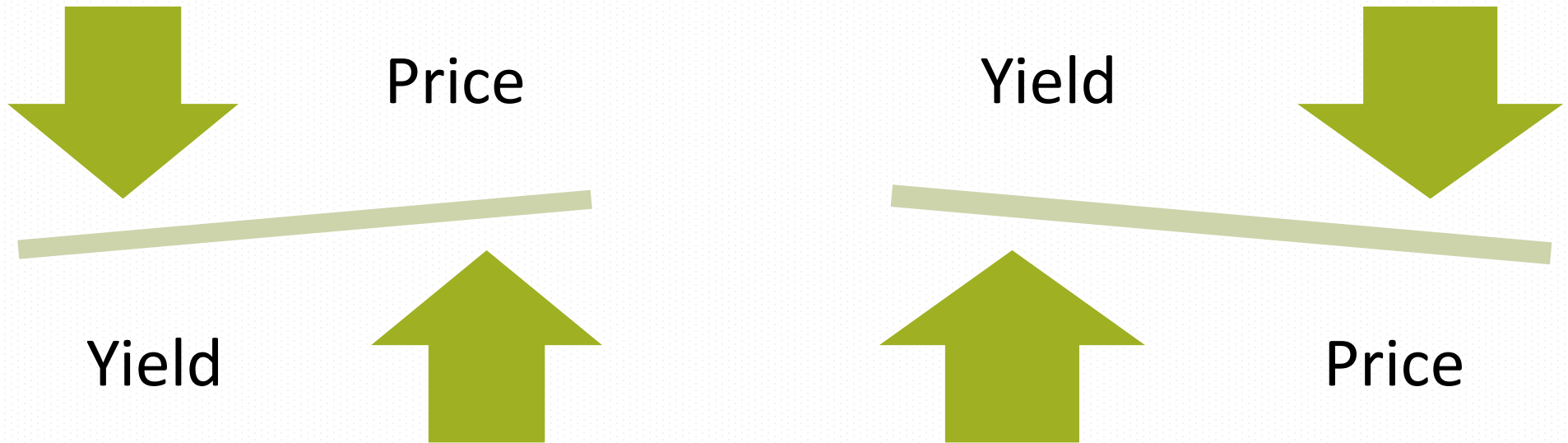
What is a Bond Yield?

- Yield corresponds to the annual return of the bond/investment, reflected as an annual percentage
- Bond yield is based on coupon payments the investor receives over time and the price paid to buy the bond
- Example: 4% yield is the bond is expected to return an average of 4% each year



Relationship Between Bond Price and Yield

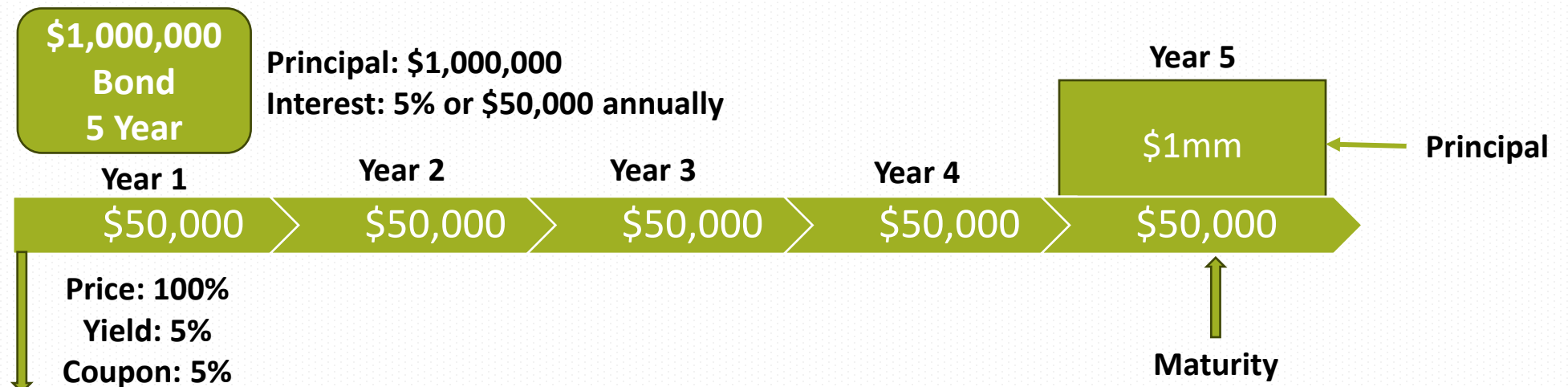
- Inverse Relationship
 - When one goes up, the other goes down



- Changes to Bond Prices and Yields can occur due to:
 - Micro and Macro economic factors
 - Current market and inflation changes
 - Credit Rating of Issuers (ability to repay the bonds)

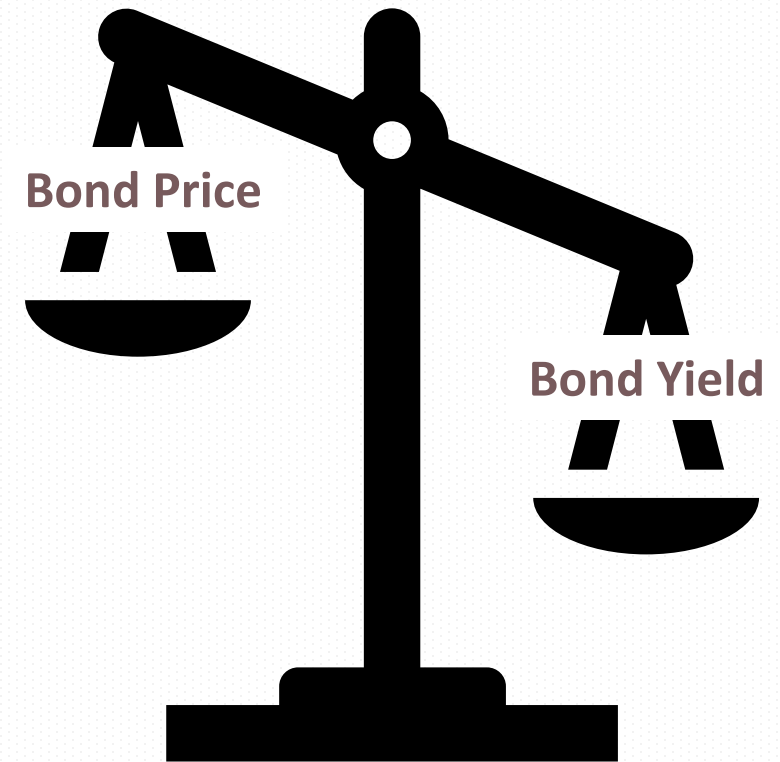
Key Terminology

- **Bond** = Security offered to the market with a promise to repay
- **Buyer** = “Investor” or “Lender” or “Purchaser”
- **Seller** = “Issuer” or “Borrower”
- **Term** = Total length of the loan (investors can buy individual maturities of the loan)
- **Maturity** = the date the Issuer pays back the full loan value (Final Maturity Date is the date the loan is fully paid off)
- **Principal** = or “Par Amount” or “Face Value” represents the value of the bond you will receive at maturity
- **Coupon** = the interest rate paid to the investor periodically
- **Price** = Amount lender is willing to lend for a return of future principal and interest payments
- **Yield** = Single rate that sets the present value of the principal and interest payments equal to the price



Coupons, Yields & Price

- **Coupon** is the interest rate assigned to the bond, typically paid semi-annually
- **Yield** is the return on the bond, if held to final maturity
- Relationship between the coupon and yield determines the price on the bond
- **Coupon** > **Yield** = Premium Bond (Price > 100%)
- **Coupon** < **Yield** = Discount Bond (Price < 100%)
- **Coupon** = **Yield** = Par Bond (Price = 100%)
- Prices & Yields move in opposite directions



Premium vs. Discount Bonds

- Premium Bonds (Original Issue Premium “OIP”)

\$10,000 5YR Bond

Premium	
Coupon	5%
Yield	4%
Price	108.176%

▲ \$1,689

- Price of 108.176% = \$10,811
- Receive annual interest = \$500 (\$2,500 5YR)
- Total Payment over 5YR = \$12,500

- Discount Bonds (Original Issue Discount “OID”)

\$10,000 5YR Bond

Discount	
Coupon	5.0%
Yield	5.5%
Price	96.193%

▲ \$2,881

- Price of 96.193% = \$9,619
- Receive annual interest = \$500 (\$2,500 5YR)
- Total Payment over 5YR = \$12,500



What is a Premium Bond?

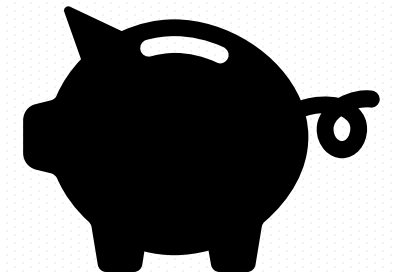
Bond Cash Flows

- Example: Purchase \$10,000 at 4% that matures in 5 years
- When the investor buys a bond, they are buying the cash flow
 - Receive interest (coupon payments) semi-annually over years 1 - 5
 - Receive the face value of the loan at maturity

Year	Face Value	Interest	Cash Flow
Year 1	\$0	\$400	\$400
Year 2	\$0	\$400	\$400
Year 3	\$0	\$400	\$400
Year 4	\$0	\$400	\$400
Year 5	\$10,000	\$400	\$10,400
Total	\$10,000	\$2,000	\$12,000

Time Value of Money

- Something received today is worth more than something received in two years
 - Spending 100 hours learning a skill today versus waiting 15 years to learn the same skill
 - Working out 5 hours a week as a young adult versus waiting 10 years to work out 5 hours a week
- Important to consider the value of time in dollars
- An Investor is buying a bond today with understanding the return will be over different times in the future
 - Price of bond purchased today takes into account this time value of money



What is Present Value (PV)?

- Measurement of the time value of money by calculating the value today of a future cash flow
- PV can compare cash flows received and/or paid over different periods
- PV is used to:
 - Estimate cost of future capital needs (how much is needed today)
 - Calculate the price of bond
 - Calculating the cost of an escrow for a refunding
 - Calculate different bond statistics (arbitrage yield, true interest cost)

Period	Value	PV at 4%
Year 1	\$2,000,000	\$1,923,077
Year 2	\$5,000,000	\$4,622,781
Year 3	\$3,000,000	\$2,666,989
TOTAL	\$10,000,000	\$9,212,847

How to Calculate Bond Price

- Bond Price represents the PV of the cash flow
- Example: Investor wants to buy a \$10,000 Bond with 4% Coupon
 - If current market yield is 4%, the value of the bond is \$10,000
 - If current market yield is 5%, the value of the bond is lower than market, and bonds would sell at a discount, less than \$10,000
 - If current market yield is 3%, the value of the bond is greater than market, and bonds would sell at a premium, greater than \$10,000

	Option 1 (OID)	Option 2 (Par)	Option 2 (OIP)
Coupon	4.0%	4.0%	4.0%
Yield	5.0%	4.0%	3.0%
Price	97.246%	100.000%	102.849%
Price (\$)	\$9,724	\$10,000	\$10,282

	Bond Cash Flow	PV of Option 1 (OID)	PV of Option 2 (Par)	PV of Option 3 (OIP)
Year 1	\$400	\$380	\$385	\$388
Year 2	\$400	\$362	\$370	\$377
Year 3	\$10,400	\$8,982	\$9,245	\$9,516
Total	\$11,200	\$9,724	\$10,000	\$10,282

Bond Yields

- Yield is the **interest rate** that reflects the present value of future debt service payments (**cash flow**) equal to **price**
- PV is used to calculate certain yields
 - Arbitrage Yield
 - True Interest Cost (TIC)
- Present Value (PV) =
$$\frac{1}{(1 + \text{rate})^{\text{number of periods}}}$$
- TIC is used to determine the winner of a competitive bond sale

		Present Value to 09/09/2026 @ 3.5916771637%
Date	Debt Service	
02/01/2027	705,168.06	695,335.66
08/01/2027	1,958,875.00	1,897,485.95
02/01/2028	867,250.00	825,251.13
08/01/2028	1,987,250.00	1,857,651.75
02/01/2029	839,250.00	770,678.28
08/01/2029	2,019,250.00	1,821,553.11
02/01/2030	809,750.00	717,583.89
08/01/2030	2,049,750.00	1,784,401.56
02/01/2031	778,750.00	665,977.77
08/01/2031	2,078,750.00	1,746,360.55
02/01/2032	746,250.00	615,865.63
08/01/2032	2,121,250.00	1,719,742.63
02/01/2033	711,875.00	566,950.73
08/01/2033	2,151,875.00	1,683,559.98
02/01/2034	675,875.00	519,454.98
08/01/2034	2,190,875.00	1,654,127.96
02/01/2035	638,000.00	473,197.19
08/01/2035	2,228,000.00	1,623,329.35
02/01/2036	598,250.00	428,197.51
08/01/2036	24,528,250.00	17,246,380.77
50,684,543.06		39,313,086.40

Proceeds Summary

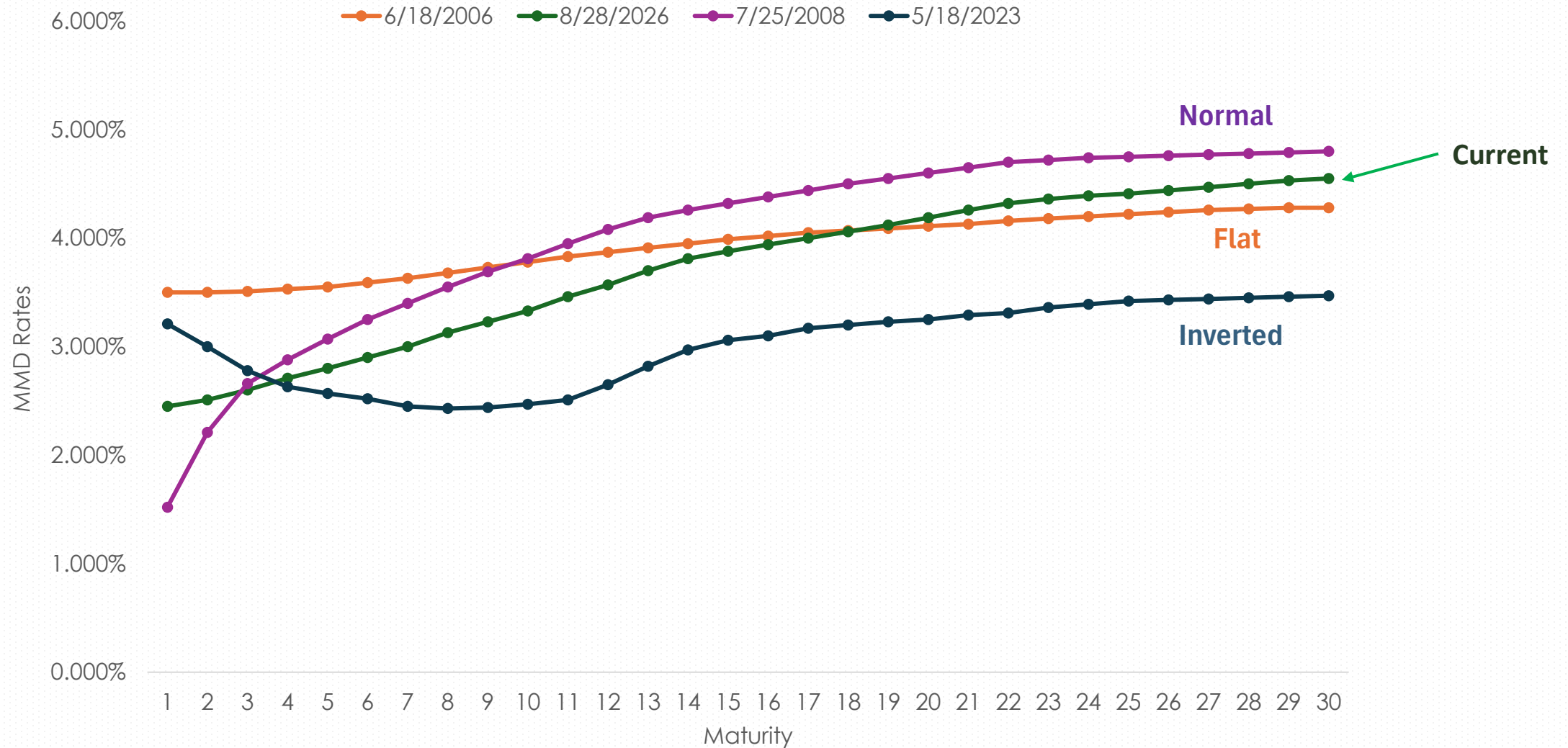
Delivery date	09/09/2026
Par Value	35,755,000.00
Premium (Discount)	3,558,086.40
Target for yield calculation	39,313,086.40

Coupon / Yield Relationship

- For a given coupon, the price an investor is willing to pay for a bond is inversely related to the yield

	Option 1 (OID) Discount	Option 2 (Par) Par	Option 2 (OIP) Premium
General Rule	Coupon < Yield	Coupon = Yield	Coupon > Yield
	Price < 100	Price = 100	Price > 100
Coupon	4.0%	4.0%	4.0%
Yield	5.0%	4.0%	3.0%
Price	97.246%	100.000%	102.849%

Types of Yield Curves



Issuer vs Investor Preferences

- All bonds issued require the same amount of proceeds, given the same present value of cash flow (debt service), how does an investor decide between OID, Par, or OIP Bonds
 - Is the Issuer indifferent?

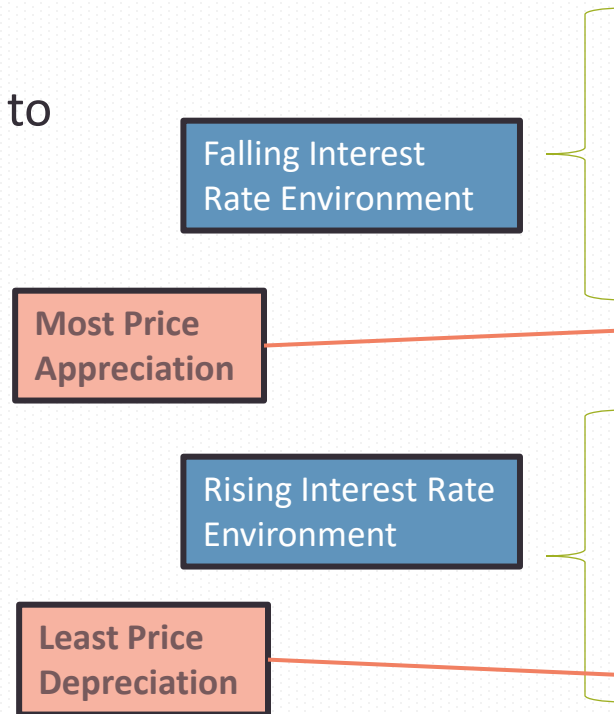
	Discount Bond	Par Bond	Premium Bond
Par Amount	\$31,025,000	\$30,345,000	\$28,840,000
Coupon	4.00%	4.25%	5.00%
Yield	4.25%	4.25%	4.25%
Issuer Borrowing Cost (%)	4.28%	4.28%	4.45%
Price	97.805%	100.000%	105.191%
Proceeds	\$30,344,010	\$30,345,000	\$30,337,123

- Retail investors are less sensitivity to coupons
 - Typically “buy and hold”
 - Less sensitive to tax implications
 - Retail-only periods allow par bonds to be pre-sold
 - Demand is strongest in years 1 – 10
- Institutional investors are NOT indifferent to coupons
 - Interest rate views (price protection, coupon reinvestment, duration, and convexity management)
 - Possible tax implications (Market discount rule)
 - Cash flow needs (replace refunded higher coupon bonds)

Chart is for illustrative purposes only

Price Volatility

- Premium bonds provide protection against rising interest rates
- Discount bonds provide opportunity for investors to enhance their return in falling rate environment



	Discount	Par	Premium
Purchase Date	10/1/2026	10/1/2026	10/1/2026
Maturity	10/1/2046	10/1/2046	10/1/2046
Coupon	4.00%	4.25%	5.00%
Yield	4.25%	4.25%	4.25%
Price	96.654%	100.00%	110.037%
Purchase Date	4/1/2027	4/1/2027	4/1/2027
Maturity	10/1/2046	10/1/2046	10/1/2046
Coupon	4.00%	4.25%	5.00%
Yield	3.25%	3.25%	3.25%
Price	112.259%	116.345%	128.604%
% Price Change	14.604%	14.360%	13.716%
Purchase Date	4/1/2027	4/1/2027	4/1/2027
Maturity	10/1/2046	10/1/2046	10/1/2046
Coupon	4.00%	4.25%	5.00%
Yield	5.25%	5.25%	5.25%
Price	83.235%	86.588%	96.647%
% Price Change	(12.205%)	(12.114%)	(11.874%)

Pricing Callable Bonds

- Depending on the type of bond an investor holds, the call option an issuer holds may affect the yield that an investor expects

	Discount Bond	Par Bond	Premium Bond
Settlement Date	10/1/2026	10/1/2026	10/1/2026
Maturity	10/1/2046	10/1/2046	10/1/2046
Call	10/1/2036	10/1/2036	10/1/2036
Price to Maturity	87.449%	100.000%	114.958%
Coupon	4.00%	4.00%	4.00%
Yield to Maturity	5.00%	4.00%	3.00%
Yield to Call (Worst)	5.29%	4.00%	2.83%

- If a callable bond is called, the investor receives a lower yield than originally represented (“yield to worst”)

Callable Bonds Mechanics

- Callable bonds are identified with an asterisk or footnote when it is priced to a date other than the maturity date

Maturity Date (August 1)	Principal Amount	Interest Rate	Yield	Price
2027	\$1,065,000	5.000%	2.310%	102.365
2028	1,120,000	5.000	2.390	104.803
2029	1,180,000	5.000	2.470	107.022
2030	1,240,000	5.000	2.560	108.986
2031	1,300,000	5.000	2.620	110.863
2032	1,375,000	5.000	2.730	112.279
2033	1,440,000	5.000	2.830	113.502
2034	1,515,000	5.000	2.980	114.113
2035	1,590,000	5.000	3.090	114.751
2036	1,675,000	5.000	3.210	115.068
2037	1,760,000	5.000	3.360	113.704 ^c
2038	1,850,000	5.000	3.480	112.628 ^c
2039	1,945,000	5.000	3.620	111.387 ^c
2040	2,040,000	5.000	3.740	110.336 ^c
2041	2,145,000	5.000	3.820	109.643 ^c
2042	2,260,000	5.000	3.890	109.040 ^c
2043	2,375,000	5.000	3.950	108.526 ^c
2044	2,495,000	5.000	4.030	107.846 ^c
2045	2,625,000	5.000	4.110	107.171 ^c
2046	2,760,000	5.000	4.210	106.334 ^c

^c Yield to optional redemption date of August 1, 2036 at par.

Pricing Callable Premium Bonds

- MSRB rules require Issuers to sell OIPs at the price and yield that reflects the worst case for the investor (i.e. lower yield, higher price, or price to call)
- A higher coupon premium bond has a better chance of being called in the future, but has a bigger “kick” to maturity if it is not called

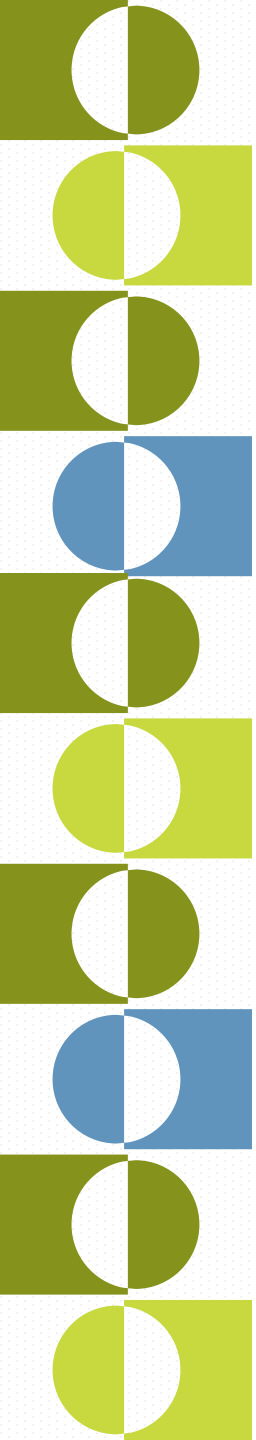
Bond Component	Maturity Date	Amount	Rate	Yield	Price	Yield to Maturity	Call Date	Call Price	Premium (-Discount)
Bond Component:									
	08/01/2027	1,065,000	5.000%	2.390%	102.293				24,420.45
	08/01/2028	1,120,000	5.000%	2.480%	104.633				51,889.60
	08/01/2029	1,180,000	5.000%	2.560%	106.762				79,791.60
	08/01/2030	1,240,000	5.000%	2.640%	108.677				107,594.80
	08/01/2031	1,300,000	5.000%	2.710%	110.428				135,564.00
	08/01/2032	1,375,000	5.000%	2.800%	111.874				163,267.50
	08/01/2033	1,440,000	5.000%	2.890%	113.101				188,654.40
	08/01/2034	1,515,000	5.000%	3.020%	113.812				209,251.80
	08/01/2035	1,590,000	5.000%	3.130%	114.417				229,230.30
	08/01/2036	1,675,000	5.000%	3.240%	114.793				247,782.75
	08/01/2037	1,755,000	5.000%	3.360%	113.704	C 3.478%	08/01/2036	100.000	240,505.20
	08/01/2038	1,850,000	5.000%	3.480%	112.628	C 3.679%	08/01/2036	100.000	233,618.00
	08/01/2039	1,945,000	5.000%	3.610%	111.475	C 3.861%	08/01/2036	100.000	223,188.75
	08/01/2040	2,040,000	5.000%	3.710%	110.598	C 3.998%	08/01/2036	100.000	216,199.20
	08/01/2041	2,145,000	5.000%	3.790%	109.902	C 4.104%	08/01/2036	100.000	212,397.90
	08/01/2042	2,260,000	5.000%	3.850%	109.384	C 4.185%	08/01/2036	100.000	212,078.40
	08/01/2043	2,375,000	5.000%	3.910%	108.868	C 4.258%	08/01/2036	100.000	210,615.00
	08/01/2044	2,495,000	5.000%	3.990%	108.186	C 4.337%	08/01/2036	100.000	204,240.70
	08/01/2045	2,620,000	5.000%	4.070%	107.508	C 4.410%	08/01/2036	100.000	196,709.60
	08/01/2046	2,760,000	5.000%	4.170%	106.668	C 4.489%	08/01/2036	100.000	164,036.80
		35,745,000							3,571,036.75

Investor's worse case (bonds called) / Issuer best case

▲ = 0.12% = “Kick to Maturity”

Investor's best case (bonds not called) / Issuer worst case

▲ = 0.32% = “Kick to Maturity”



Definitions

- **Arbitrage Yield** - The yield on an issue of bonds is used to apply investment yield restrictions. Yield is expressed as an annual percentage rate that is calculated to at least four decimal places. “Arbitrage” refers to the difference between the interest rate at which the bonds are issued, and the interest rate the bonds are invested (Investment Yield). Per IRS rules, if the Investment Yield exceeds the Arbitrage Yield, the dollar difference in earnings is “positive arbitrage” and must be rebated to the IRS. Conversely, if the Investment Yield is less than the Arbitrage Yield, the dollar difference in earnings is “negative arbitrage” and no rebate is owed.
- **True Interest Cost (TIC)** - The TIC is a method of calculating an issuer's borrowing interest cost, which considers the present value of the debt service payments. The rate necessary to discount the debt service payments, compounding semi-annually, to the purchase price received by the issuer at the time of bond closing. Similar to arbitrage yield in calculation method, except the target amount is reduced by the underwriters' discount also.
- **Net Interest Cost** - A method for computing the interest expense to the issuer of bonds for a particular issue. NIC accounts for any premium or discount and represents the dollar amount of interest payable over the life of an issue, without taking into account the time value of money (as is done in the TIC calculation method). The NIC rate is equal to:
$$(\text{Total Interest} + \text{Underwriter Fee} + \text{OID} - \text{Premium}) / \text{Total Bond Years}$$
, usually calculated from the dated date.
- **All-in True Interest Cost** - the discount rate, assuming semiannual compounding and a 30/360-day calendar, which is the net present value (NPV) of all payments of principal, interest, and future expenses equal to the par amount of bonds plus accrued interest plus premium less original issue discount less insurance premium less costs of issuance less other up front expenses, as applicable. The cash flows can be discounted to either the delivery date or the dated date.
- **Average Coupon** - The weighted average coupon of a bond issue, computed as the gross amount of bond interest divided by the number of bond years measured from the dated date (represents a 30/360-day calendar), or the average life of the bond.

Bond Statistics Calculations

- Calculates the yield that would be necessary to discount future principal and interest payments (cash flow) to equal the target value

	TIC	All-In TIC	Arbitrage Yield
Par Value	35,755,000.00	35,755,000.00	35,755,000.00
+ Accrued Interest			
+ Premium (Discount)	3,558,086.40	3,558,086.40	3,558,086.40
- Underwriter's Discount	-96,146.25	-96,146.25	
- Cost of Issuance Expense		-223,750.00	
- Other Amounts			
Target Value	39,216,940.15	38,993,190.15	39,313,086.40
Target Date	09/09/2026	09/09/2026	09/09/2026
Yield	3.938070%	4.002545%	3.591677%

Redemption Provisions

- Redemption is the ability for Issuer to refinance outstanding maturities on a certain date
- Redemption can be optional or mandatory

Optional Redemption	Mandatory Redemption
Flexibility to repay bond prior to maturity at a price (i.e. 100% - 105%)	Mandatory payment of principal on certain maturity dates
Issuer can call back stated maturities of the bond on an agreed upon date	Payment amounts are finalized the day of pricing
Issuers typically call a Bond for cash flow savings (similar to refinancing a mortgage)	

Optional Redemption

- Provides the Issuer with the option, not obligation, to call the bonds at a given price
 - Allows Issuer to have flexibility to repay bonds prior to stated maturity through a refinancing/refunding
- **Example:** Bond issued today can be sold with a call (optional redemption date) of August 1, 2036
 - Issuer can choose to call bonds any time on or after August 1, 2036

Optional Redemption. The 2026 Bonds maturing on or before August 1, 2036, are not subject to optional redemption prior to maturity. The 2026 Bonds maturing on August 1, 2037, and thereafter are subject to redemption prior to their stated maturity at the option of the Department, as a whole or in part on any date, by such maturities as are selected by the Department from any available source of funds on or after August 1, 2036, at a redemption price equal to the principal amount of the 2026 Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption.

Maturity Date (August 1)	Principal Amount	Interest Rate	Yield	Price
2027	\$1,065,000	5.000%	2.310%	102.365
2028	1,120,000	5.000	2.390	104.803
2029	1,180,000	5.000	2.470	107.022
2030	1,240,000	5.000	2.560	108.986
2031	1,300,000	5.000	2.620	110.863
2032	1,375,000	5.000	2.730	112.279
2033	1,440,000	5.000	2.830	113.502
2034	1,515,000	5.000	2.980	114.113
2035	1,590,000	5.000	3.090	114.751
2036	1,675,000	5.000	3.210	115.068
2037	1,760,000	5.000	3.360	113.704 ^c
2038	1,850,000	5.000	3.480	112.628 ^c
2039	1,945,000	5.000	3.620	111.387 ^c
2040	2,040,000	5.000	3.740	110.336 ^c
2041	2,145,000	5.000	3.820	109.643 ^c
2042	2,260,000	5.000	3.890	109.040 ^c
2043	2,375,000	5.000	3.950	108.526 ^c
2044	2,495,000	5.000	4.030	107.846 ^c
2045	2,625,000	5.000	4.110	107.171 ^c
2046	2,760,000	5.000	4.210	106.334 ^c

Chart is for illustrative purposes only

Mandatory Redemption

- Investor preferences may dictate the type of bond sold in the market
- Not all investors want a bond that matures longer than 20 years
 - Those that do may only be interested in a 25-year or 30-year bond
- Bond structure may include mandatory sinking funds between 20 – 30 year maturities (term bonds)
 - All bonds in these tranches are priced at the final maturity of the term bond

Bond Component	Maturity Date	Amount	Rate	Yield	Price	Yield to Maturity	Call Date	Call Price
Serial Bond:								
	08/01/2032	3,040,000	5.000%	2.610%	113.210			
	08/01/2033	2,855,000	5.000%	2.680%	114.733			
	08/01/2034	6,380,000	5.000%	2.780%	115.840			
	08/01/2035	625,000	5.000%	2.860%	116.888			
	08/01/2036	685,000	5.000%	2.930%	117.843			
	08/01/2037	735,000	5.000%	3.020%	116.992	C	3.160%	08/01/2036
	08/01/2038	780,000	5.000%	3.130%	115.961	C	3.373%	08/01/2036
	08/01/2039	845,000	5.000%	3.230%	115.033	C	3.547%	08/01/2036
	08/01/2040	915,000	5.000%	3.300%	114.389	C	3.676%	08/01/2036
	08/01/2041	390,000	5.000%	3.390%	113.567	C	3.805%	08/01/2036
	08/01/2042	415,000	5.000%	3.440%	113.114	C	3.892%	08/01/2036
	08/01/2043	435,000	5.000%	3.510%	112.483	C	3.983%	08/01/2036
	08/01/2044	455,000	5.000%	3.640%	111.322	C	4.104%	08/01/2036
	08/01/2045	485,000	5.000%	3.720%	110.614	C	4.185%	08/01/2036
	08/01/2046	510,000	5.000%	3.850%	109.476	C	4.290%	08/01/2036
		19,550,000						
Term Bond 2051:								
	08/01/2051	13,265,000	4.000%	4.230%	96.471			

Mandatory Redemption. The Bonds maturing on August 1, 2051 (the “2051 Term Bonds”) shall be subject to mandatory redemption on August 1 in the following respective years and in the following respective principal amounts by the application of Mandatory Sinking Fund Installments at a Redemption Price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption, without premium:

Year (August 1)	Principal Amount
2047	\$2,445,000
2048	2,545,000
2049	2,650,000
2050	2,755,000
2051*	2,870,000

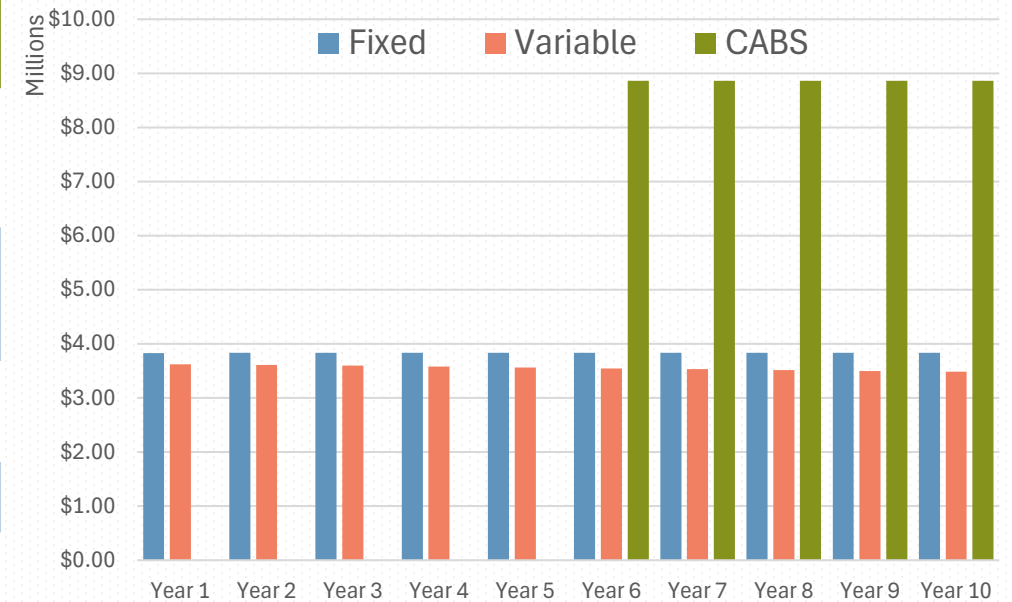
* Final Maturity

Chart is for illustrative purposes only

Fixed vs. Variable Bonds

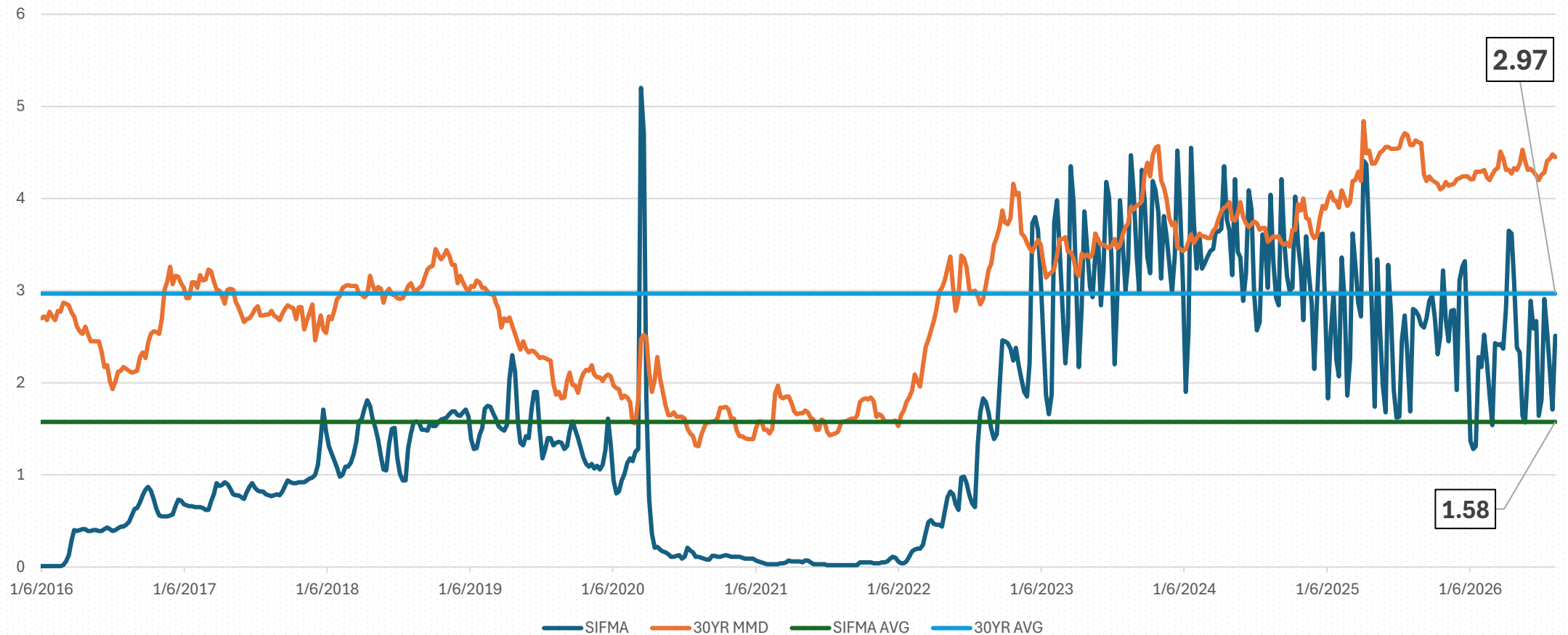
- While fixed rate bonds have set interest rates and yields known at pricing, variable bonds reset weekly (typically) and are subject to market movement
- Capital appreciate bonds (CAB) do not pay any interest until maturity dates (interest accretes)

	Fixed Rate Bonds	Variable Rate Bonds	Capital Appreciation Bonds (CAB)
Interest Rate	Fixed at Time of Pricing Medium Interest Rates	Variable (Reset Generally Weekly) Lowest Interest Rates	Fixed at Time of Pricing Higher Interest Rates
Debt Service Payments	Semi-Annual	Typically, Monthly Interest Payments	Compounds Semi-Annually; Paid at maturity Dates
Prepayment	Usually, 10 Years after Closing	Anytime	Non-callable or 10 Years after closing
Repayment	Typically, 30 Years	30 – 40 Years	Typically, 30 Years
Ongoing Fees	Low	High	Medium



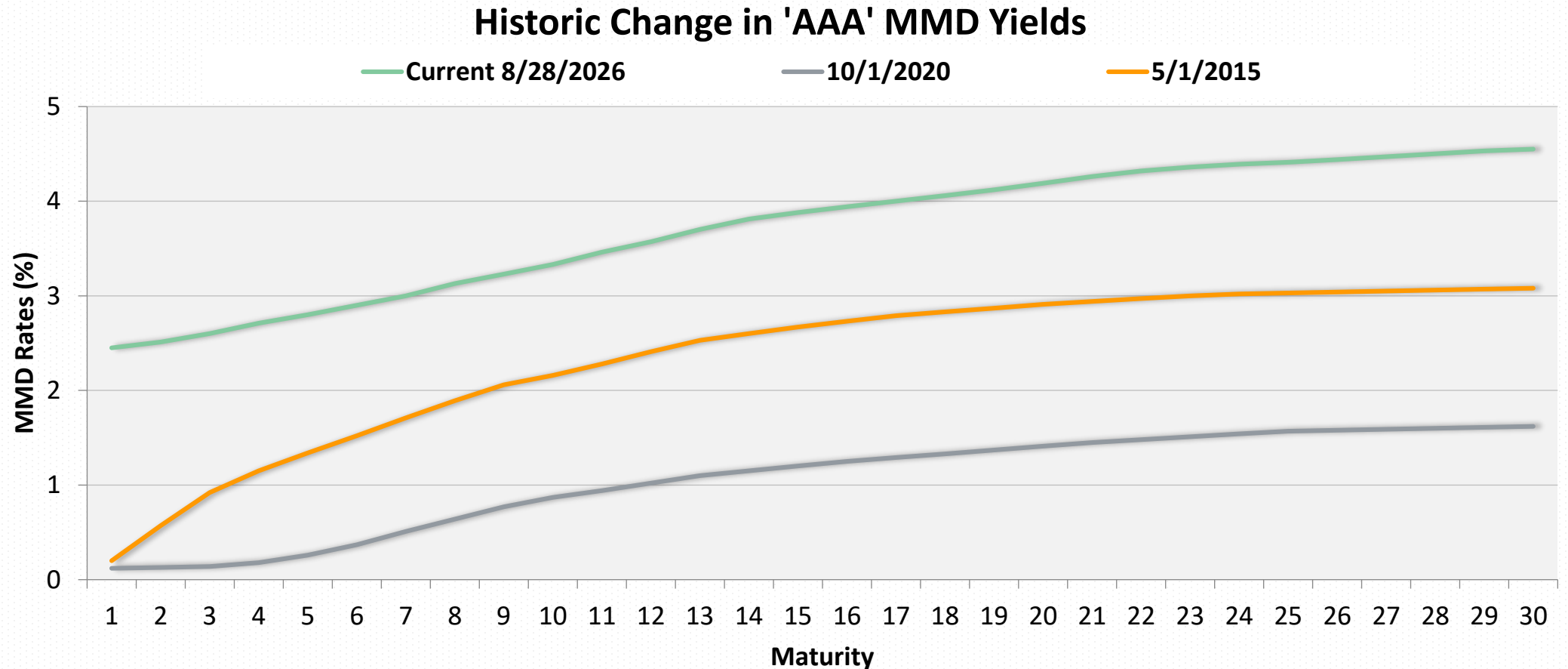
Short-Term Yields Vs. Long-term Fixed Rate

- Variable rates are based on short-term weekly indices that are typically lower than long-term yields



Tax-Exempt Market

- The current yield curve has risen across all maturities since 2015

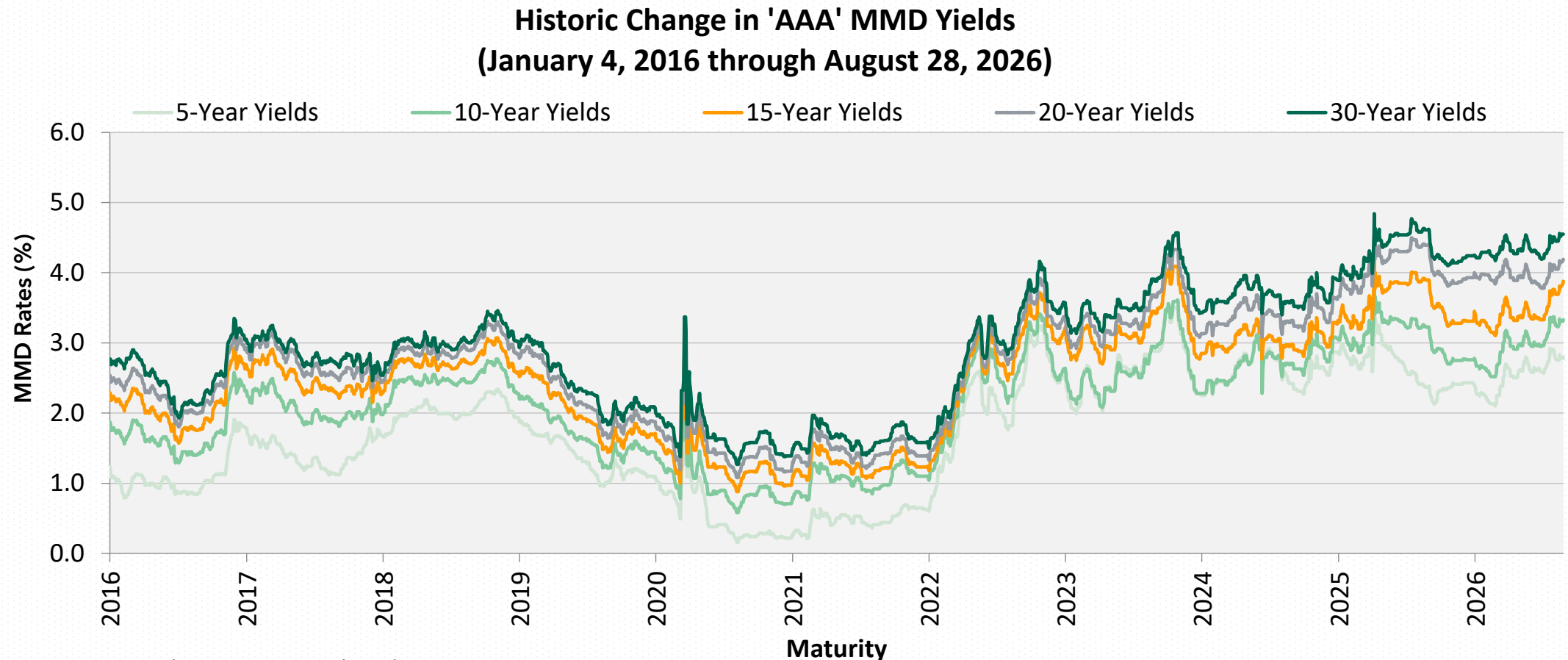


Source: Thomson Municipal Market Monitor

Note: “MMD” is the Municipal Market Date benchmark curve used to price tax-exempt municipal bonds

10YR Historic Change for MMD

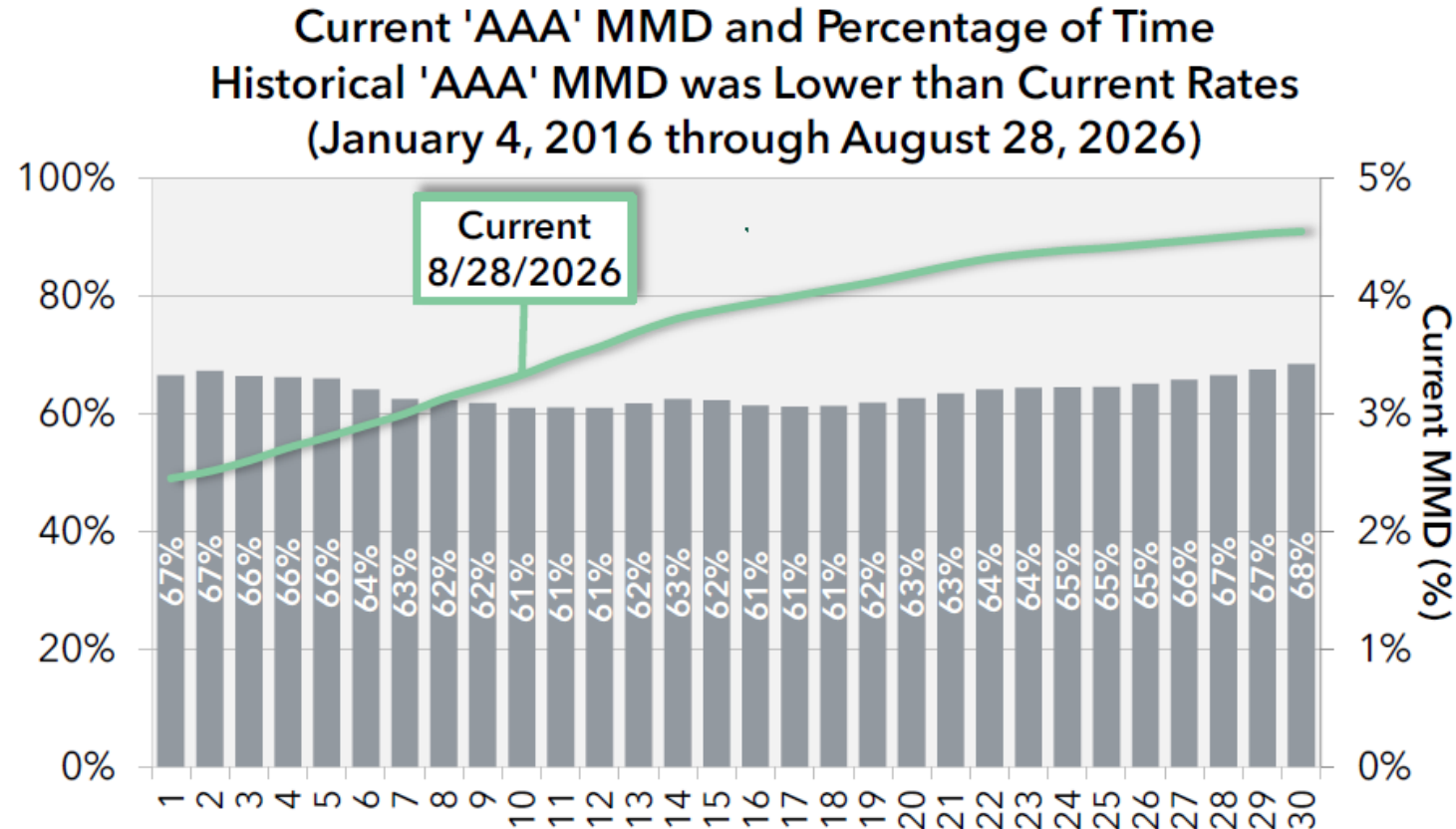
- The tax-exempt yield curve continues to show longer maturities with higher yields
- Current 2026 year has seen significant volatility



Note: "MMD" is the Municipal Market Date benchmark curve used to price tax-exempt municipal bonds

Tax-Exempt Market History

- The current tax-exempt market has been lower 60% - 70% of the time over the past ten years



Source: Thomson Municipal Market Monitor

Note: "MMD" is the Municipal Market Date benchmark curve used to price tax-exempt municipal bonds

Market Forecast

- Expectation for Fed Funds rate to hold steady through Q1 2027
- Market currently expects consistent rates through Q1 2027

Wall Street Median Forecast as of August 28, 2026

Metric	2026Q2	2026Q3	2026Q4	2027Q1
Fed Funds	3.75%	3.77%	3.78%	3.74%
3M SOFR	3.73%	3.71%	3.68%	3.64%
2Y Treas.	4.18%	4.12%	4.03%	3.94%
10Y Treas.	4.47%	4.57%	4.50%	4.45%
CPI YoY	3.90%	3.30%	3.30%	3.30%
Unemployment	4.30%	4.20%	4.30%	4.30%

Source: Bloomberg

QUESTIONS?

LORA NICHOLS

Vice President
Fieldman, Rolapp &
Associates, Inc.





LUNCH



SESSION FOUR

Long-term Financing Options



DAVID BRODSKY
Managing Director
KNN Public Finance



GRANT CARSON
Debt Capital Markets Specialist
City and County of San
Francisco



MELISSA SHICK
Managing Director
KNN Public Finance

The Right Long-Term Financing Solution Fits the Context

- Debt is not a resource; it is a tool for managing future resources
 - Accelerates delivery of a capital project vs. having to accumulate cash
 - Earlier service delivery
 - Savings when cost of borrowing is lower than construction inflation
 - Spreads cost of capital project over more of useful life of the asset
 - Generational equity
- Any debt issuance should be preceded by a longer-term financial plan that considers:
 - The project
 - Overall capital needs
 - The appropriate revenue sources to finance the project
 - The “right” combination of existing resources (i.e., pay-as-you-go) and future resources (debt)
- And after that, you can start talking about the specific tools of finance: bonds, loans, and all that jazz...

Projects are Often Funded with Multiple Resources

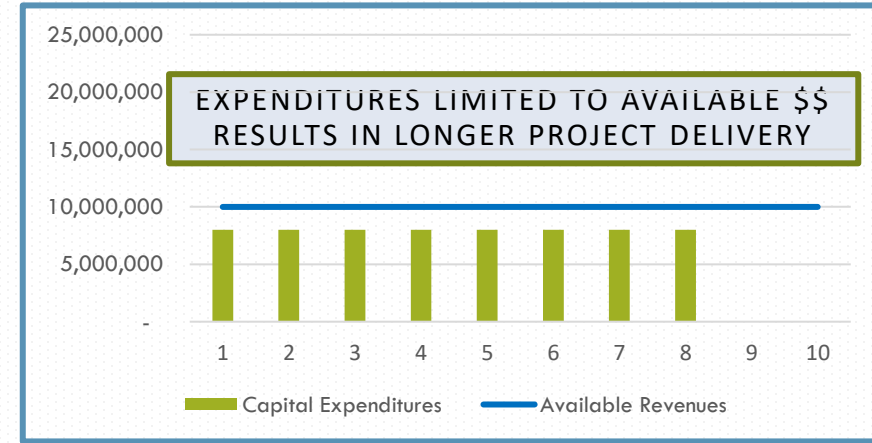
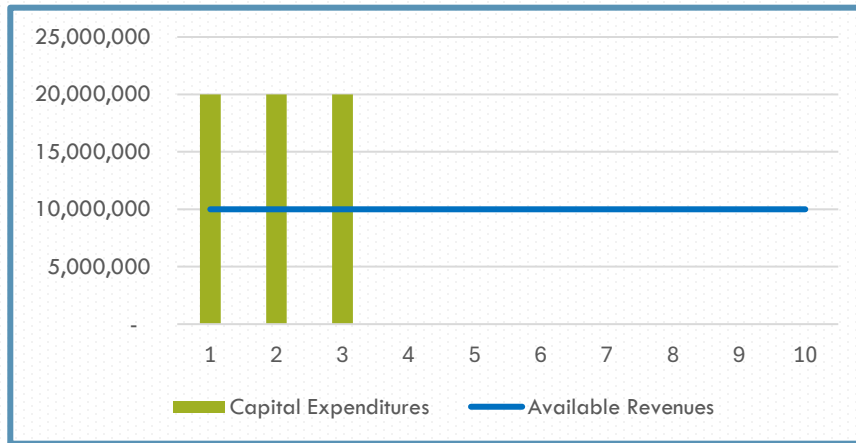
PROJECT FUNDING SOURCES

	AVAILABLE REVENUES/ CASH BALANCES	FEDERAL/STATE GRANTS OR LOANS	BORROW: BONDS, LOANS, NOTES
CHARACTERISTICS	• Available source of money or “Pay-As-You-Go” funds • Used for small and recurring capital projects	• “Free” money (with strings attached) • Used to offset funding gap of any capital project	• Future revenues leveraged to provide upfront project funding • Used for large capital projects
CONSIDERATIONS	• Projects built slowly over time • Opportunity cost of funds (i.e. lost interest earnings)	• Application process can be drawn-out and competitive • Timing of funds can be uncertain • May require oversight or thorough review	• Interest and financing costs • Staff resources required for financing process

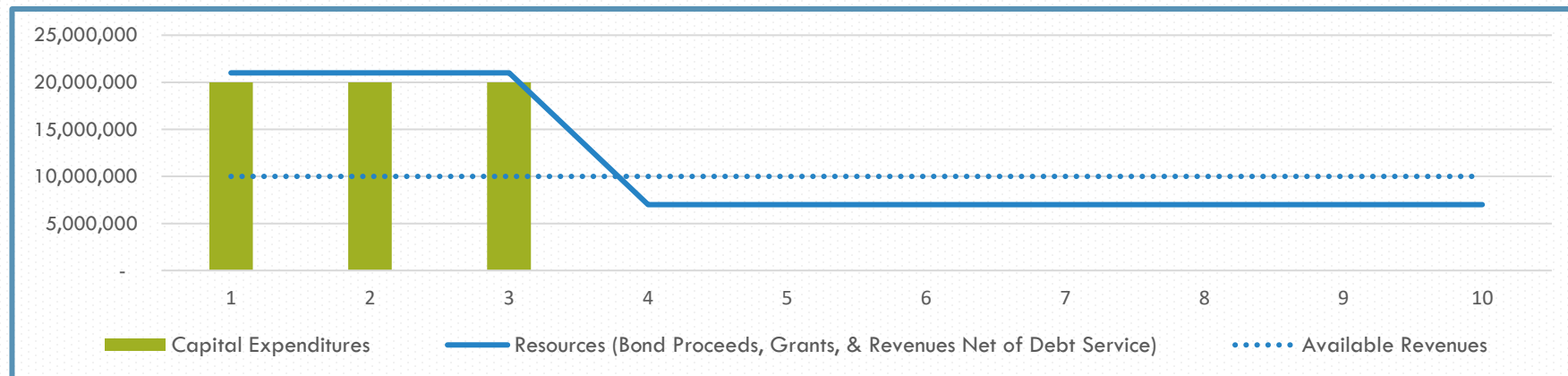
Financing plans often involve a mix of pay-go, grant funding, and financing

Why is Debt Utilized to Fund Projects?

CAPITAL EXPENDITURES ARE GREATER THAN AVAILABLE REVENUES



BONDING ACCELERATES FUTURE REVENUES TO DELIVER PROJECTS



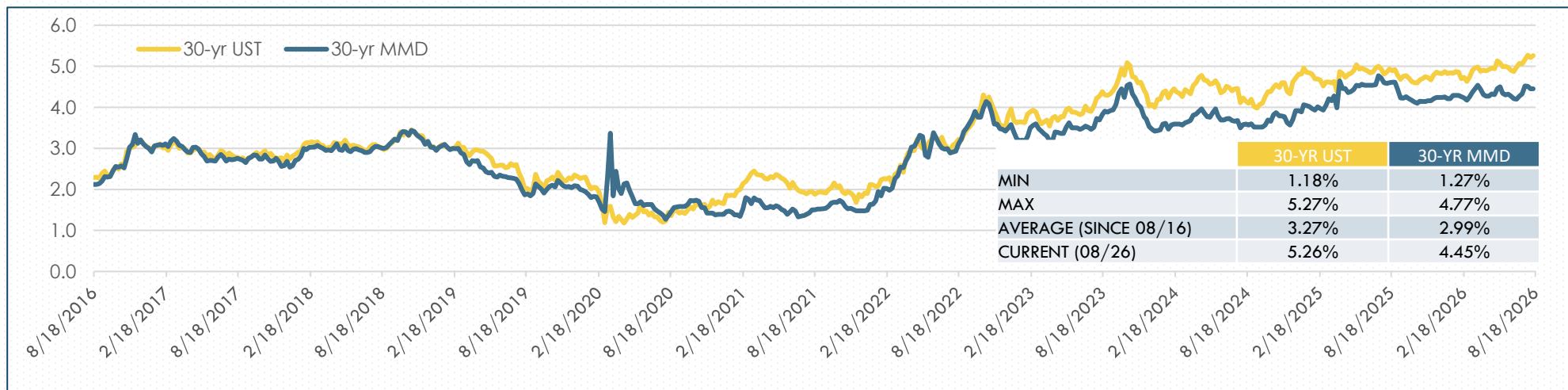
Public Agency Debt is Typically Tax-Exempt

- Public agencies benefit from tax-exemption
 - Most municipal bonds issued for infrastructure or capital improvements qualify to be issued on a tax-exempt basis
- Bondholders do not pay Federal income tax on interest earnings
 - Investors will purchase tax-exempt bonds at lower yields than taxable bonds
 - Allows a municipal issuer to raise capital at comparatively lower interest rates as compared to taxable (such as corporate) bonds

There are reasons that a public agency may issue taxable debt!

- **Use of proceeds for non-exempt uses**
- **Financing flexibility**
- **Advance refunding of outstanding obligations**

TAX-EXEMPT (MMD) VERSUS TAXABLE (UST) INTEREST RATES: TEN-YEAR HISTORY



Tax-Exempt Bond Proceeds & IRS Requirements

- **Purpose**
 - For governmental purposes – not for private use
- **Spending & Reasonable Expectation Test**
 - Expectation at issuance that bond proceeds will be expended over a specified period:
 - At least 5% of the bond proceeds spent within 6 months of issuance
 - And 85% of the bond proceeds spent within three years
- **Earnings**
 - Certain invested proceeds may not earn arbitrage (earnings rate > borrowing rate)
- **Certifications & Responsibilities**
 - Certification of compliance required to be made by issuer at time of issuance – i.e., tax certificate
 - Record keeping of the expenditure of bond proceeds in case there is an audit by the IRS

A Plan of Finance Determines the Timing & Amount of Debt

Identify Project Needs and Funding Resources

- Assess project readiness and environmental approvals
- Prioritize project(s) from CIP – i.e., high, medium, and low
- Determine project cost expectations
- Identify available cash, revenues, or outside funding sources



Develop Financial/Cash Flow Model

- Estimate amount and timing of annual capital expenditures
- Establish PAYGO and cash balance targets
- Identify amount and timing of “unfunded” or bonding need
- Group potential bond financings to satisfy IRS expenditure test requirements to access lower tax-exempt rates



Project Repayment Sources for Annual Debt Service

- Prepare pro forma debt service numbers and evaluate debt affordability
- Evaluate legally available and/or pledged revenues for debt repayment
- Coverage requirements

Available Revenue Sources Determine the Type of Debt

COMMON GOVERNMENTAL REVENUE SOURCES

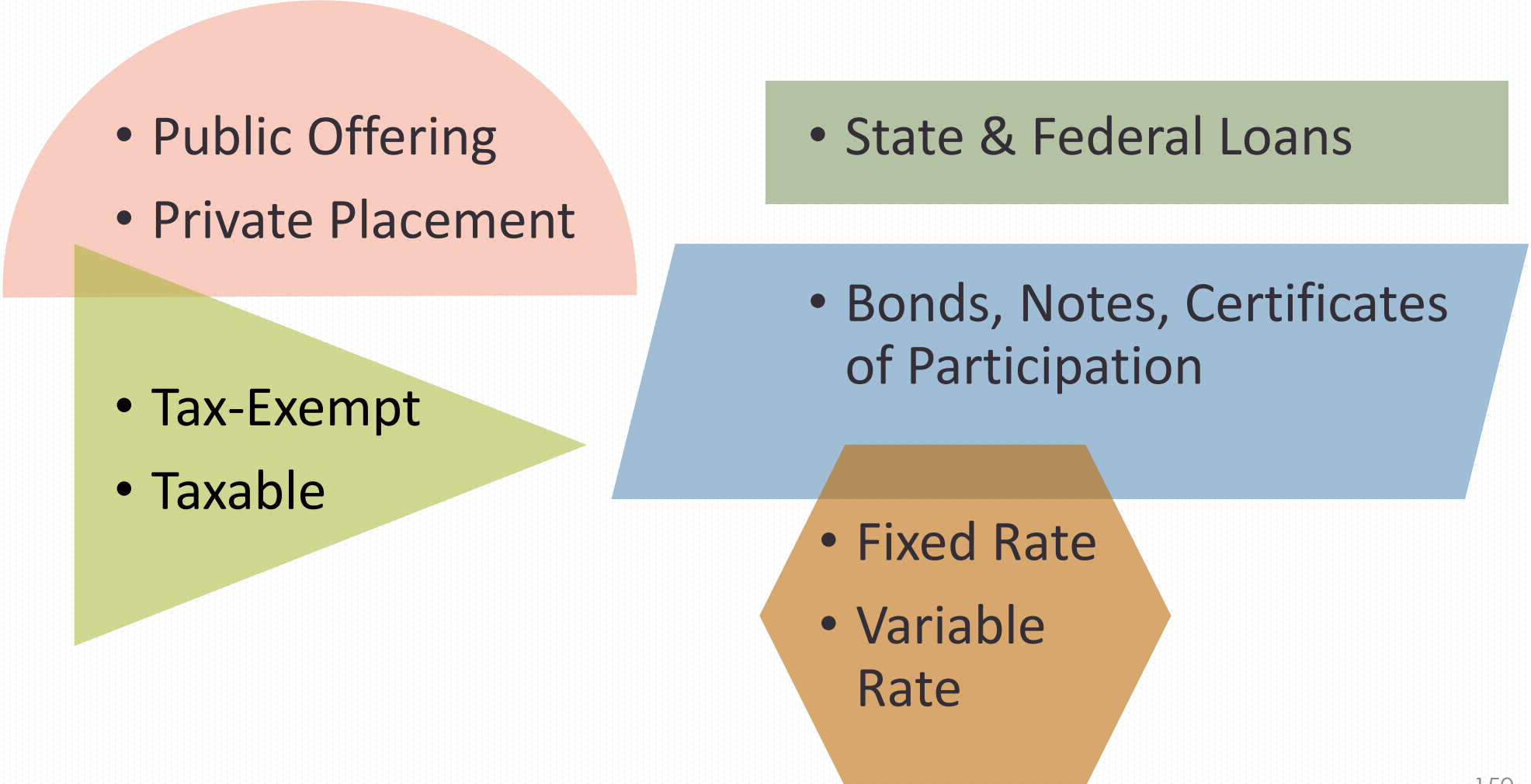
- General Fund revenues
- Enterprise revenues
- New voter-approved taxes
- User fees and charges
- Other?



THE SOURCE OF REPAYMENT WILL NARROW THE TYPE OF “DEBT” YOUR AGENCY CAN INCUR

- | | |
|--|---|
| <ul style="list-style-type: none">• General Obligation Bonds• Special Tax Bonds | <ul style="list-style-type: none">• Lease Revenue Bonds• Certificates of Participation• Revenue Bonds |
|--|---|

Debt Comes in All Shapes and Sizes...

- 
- Public Offering
 - Private Placement

- Tax-Exempt
- Taxable

- State & Federal Loans

- Bonds, Notes, Certificates of Participation

- Fixed Rate
- Variable Rate

So...What is “Debt?”

- US Constitution delegates municipal affairs to the states
- State law governs a local agency’s ability to raise revenue and commit it to long term obligations
- California Constitutional Debt Limitation restricts true “indebtedness”

ARTICLE 16 PUBLIC FINANCE SEC. 18. No county, city, town, township, board of education, or school district, shall incur any indebtedness or liability in any manner or for any purpose exceeding in any year the income and revenue provided for such year, without the assent of two-thirds of the qualified electors thereof, voting at an election to be held for that purpose...; nor unless before or at the time of incurring such indebtedness provision shall be made for the collection of an annual tax sufficient to pay the interest on such indebtedness as it falls due, and also provision to constitute a sinking fund for the payment of the principal thereof...

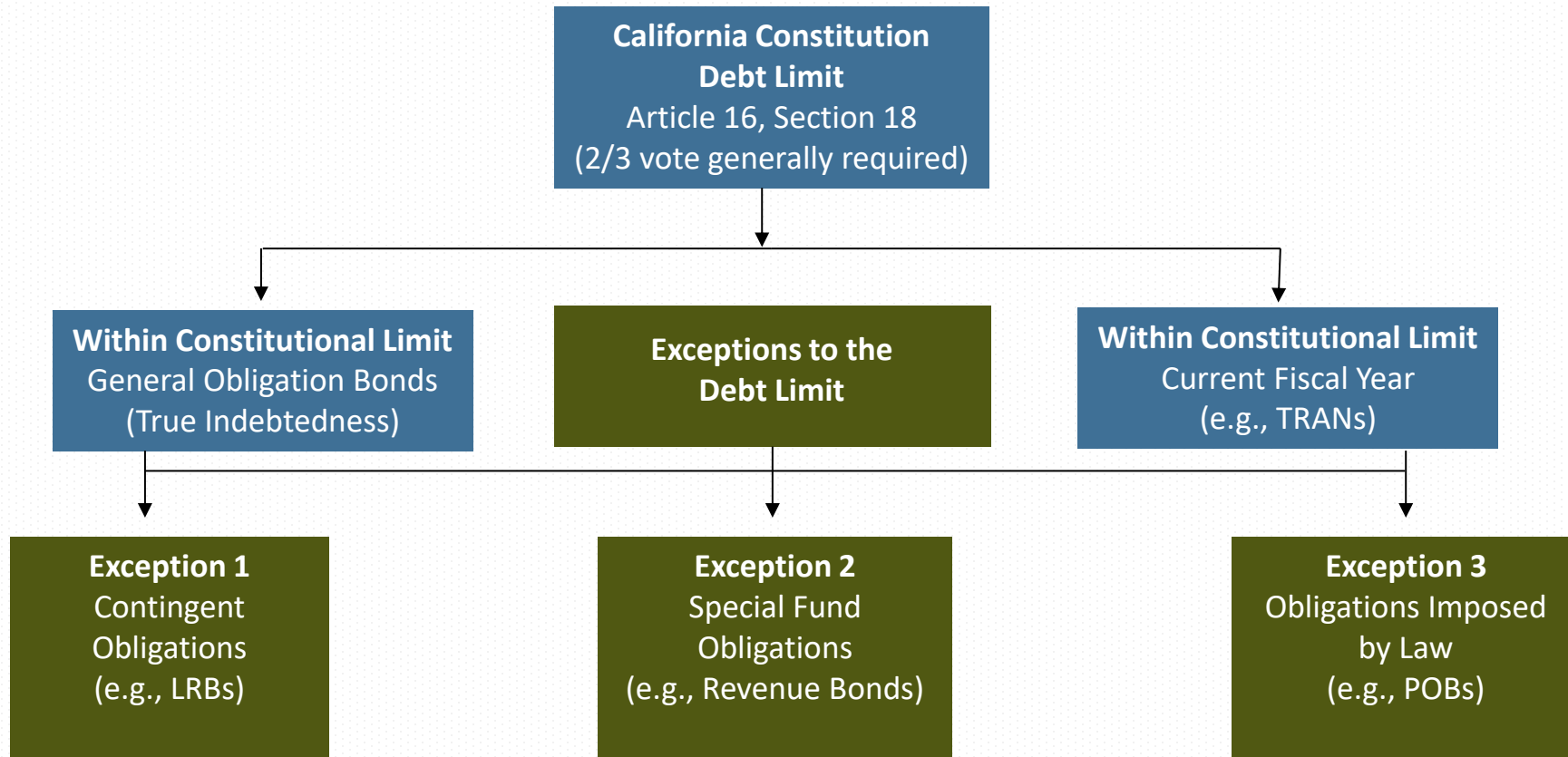
What is Debt...in California?

- California courts have identified a number of “exceptions” allowing issuance of debt-like securities if they meet the requirements set forth in their judicial opinions

“I have never been more struck by the good sense and the practical judgment of the Americans than in the manner in which they elude the numberless difficulties resulting from their... Constitution.” Alexis de Tocqueville, 1835

What is Debt...In California?

Exceptions to the Voter-Approval Requirement



The Type of Debt an Agency Issues is Driven by the Project Type and Revenue Pledge

TYPES OF BONDS

	GENERAL OBLIGATION	LEASE OBLIGATION	ENTERPRISE REVENUE	SPECIAL TAX REVENUE	SPECIAL TAX ON PROPERTY	SPECIAL ASSESSMENT
REVENUE PLEDGE	“Full faith and credit” of issuer Secured by property taxes	Lease payments for use of government asset; paid from general fund	Net revenue of a specified enterprise, such as water, sewer, solid waste, or parking	Bonds paid from a direct pledge of an add-on / special tax (typically sales tax)	Lien on property; bonds paid from tax levied in addition to normal 1% ad valorem tax	Lien on property; bonds paid from annual assessment on property that benefits
VOTE?	2/3rds vote threshold; Schools may be 55%	No public vote required	No public vote required	2/3rds vote threshold	2/3rds vote of property owners by acreage or by vote of registered voters	50% + 1 vote of assesses, weighted by amount of assessment



Bonds or COPs?

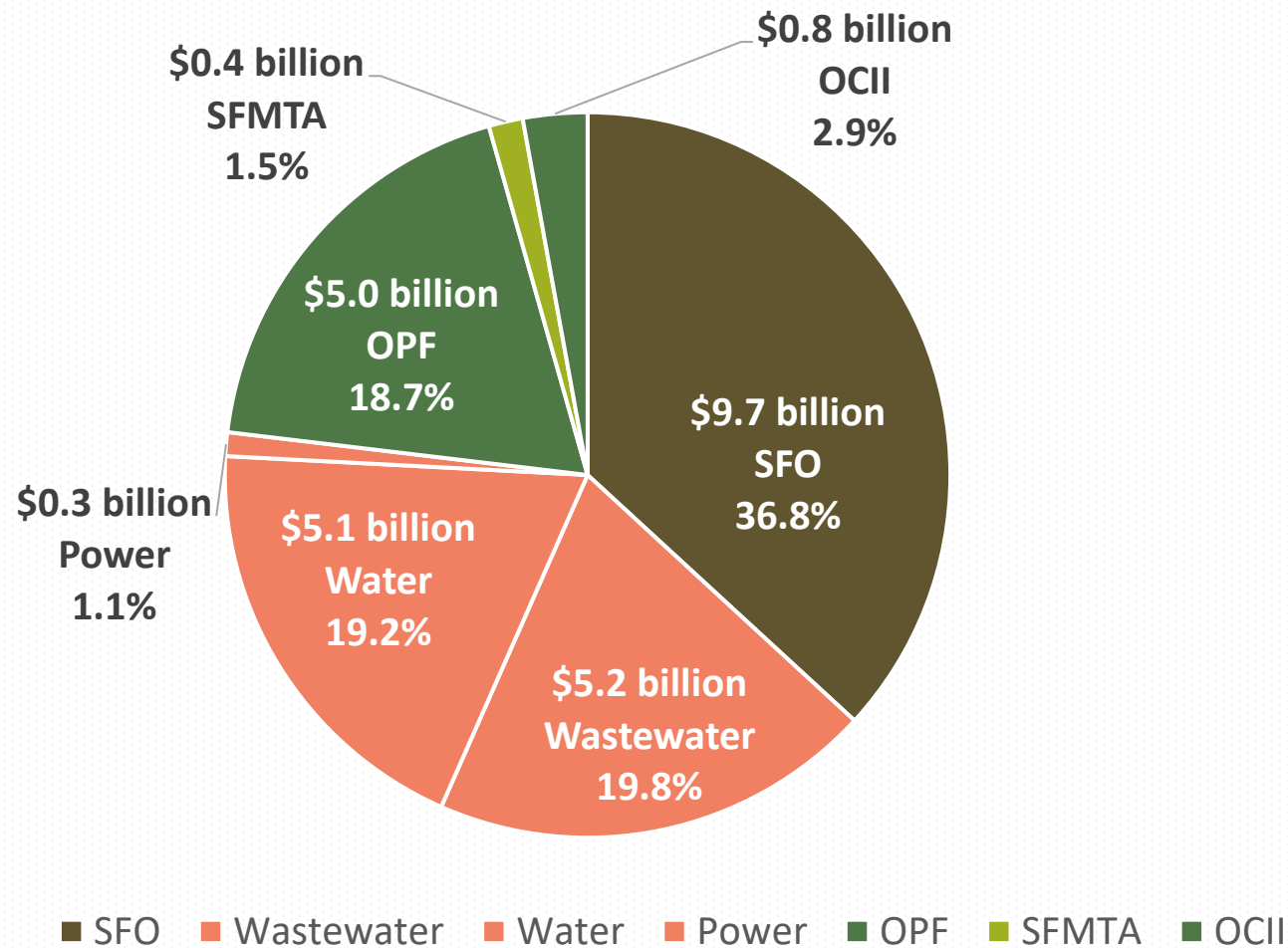
- Bonds are a debt
 - Usually have a statutory basis, such as GO, revenue bonds, assessment bonds
- Certificates of Participation (COPs) were created to address situations where statutory authority was limited for debt that otherwise met the constitutional debt limit exception
 - Originally used to avoid statutory restrictions on lease revenue bonds, such as requirement for competitive sale and maximum interest rates
 - Are based on a contract that is legal under one of the “debt limit exceptions”
- While most common for lease obligations, COPs can also be used for special fund obligations
 - Commonly used by general law cities to avoid 1941 Act voter requirements for enterprise revenue bonds
- **Bottom line:** Not much substantive difference between a “Bond” and a “COP”

City and County of San Francisco: Long-Term Borrowing Programs

TYPES OF BORROWING PROGRAMS

	OFFICE OF PUBLIC FINANCE PROGRAMS			OTHER AGENCY PROGRAMS	
	GENERAL OBLIGATION	LEASE OBLIGATION	SPECIAL TAX ON PROPERTIES & TAX INCREMENT	ENTERPRISE REVENUE	OCII
PROJECTS FUNDED:	• Affordable Housing • Streets & Roads • Parks & Recreation • Seismic & Earthquake Safety	• Administration & Other Facilities • Convention Center • Affordable Housing • Streets & Roads • Various City Capital Improvements	• Transbay Transit Center • Treasure Island • Mission Rock Facilities & Services	• Water & Sewer System Projects • Airport & Port Infrastructure • Transit Improvements	• Project Area Infrastructure • Affordable Housing

San Francisco Outstanding Debt



*Outstanding amounts as of June 30, 2025.

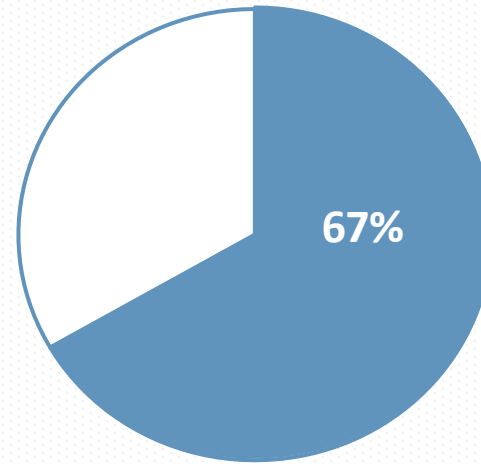
- Various agencies and departments within San Francisco issue debt
- \$26 billion is among the various issuing entities as follows:
 - \$10.6BN Public Utilities Commission
 - \$9.7BN San Francisco Airport
 - \$5.0BN Office of Public Finance
 - \$0.8BN Office of Community Investment & Infrastructure (Successor Agency)
 - \$0.4BN Municipal Transportation Agency
 - \$0.03BN Port

Voter Approved Indebtedness: General Obligation Bonds

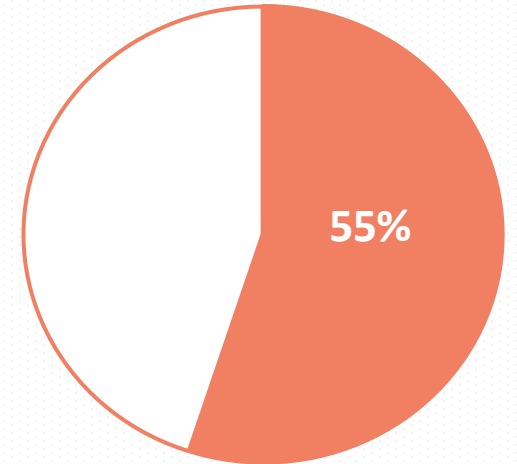
- True “indebtedness” under Constitutional debt limit
- Secured by special levy of ad valorem taxes
 - Generates additional revenue to pay debt service on bonds issued for capital improvements
- Approved by 2/3 majority vote
 - Proposition 39 school bonds approved by 55% majority

VOTER APPROVAL THRESHOLDS

CITIES AND SPECIAL DISTRICTS



SCHOOL DISTRICTS



San Francisco GO Bond Programs

- Under the State Constitution and San Francisco's City Charter, City bonds secured by ad valorem property taxes ("GO Bonds") can only be authorized by two-thirds approval of the voters
- San Francisco voters have authorized the issuance of \$7.2 billion in GO Bonds
- The City has issued \$5.5 billion in GO Bonds under voter-approved authorizations – with \$1.7 billion of authorized but unissued GO debt
- The City has also issued \$1.0 billion of GO Refunding Bonds to refinance outstanding GO Bonds

San Francisco GO Bond Programs (CONTINUED)

BOND AUTHORIZATION	ELECTION DATE	AUTHORIZED AMOUNT *	BONDS ISSUED*	AUTHORIZED & UNISSUED*
Seismic Safety Loan Program & Reauthorization for Affordable Housing	11/03/92 11/08/16	\$350,000,000	\$302,535,450	\$47,464,550
Clean & Safe Neighborhood Parks	02/05/08	\$185,000,000	\$185,000,000	--
San Francisco General Hospital & Trauma Center Earthquake Safety	11/04/08	\$887,400,000	\$887,400,000	--
Earthquake Safety & Emergency Response Bond	06/08/10	\$412,300,000	\$412,300,000	--
Road Repaving & Street Safety	11/08/11	\$248,000,000	\$248,000,000	--
Clean & Safe Neighborhood Parks	11/06/12	\$195,000,000	\$195,000,000	--
Earthquake Safety & Emergency Response Bond	06/03/14	\$400,000,000	\$400,000,000	--
Transportation & Road Improvement	11/04/14	\$500,000,000	\$500,000,000	--
Affordable Housing Bond	11/03/15	\$310,000,000	\$310,000,000	--
Public Health and Safety Bond	06/07/16	\$350,000,000	\$350,000,000	--
Embarcadero Seawall & Earthquake Safety	11/06/18	\$425,000,000	\$208,690,000	\$216,310,000
Affordable Housing Bond	11/05/19	\$600,000,000	\$492,460,000	\$107,540,000
Earthquake Safety & Emergency Response Bond	03/03/20	\$628,500,000	\$385,515,000	\$242,985,000
Health & Recovery Bond	11/04/20	\$487,500,000	\$374,805,000	\$112,695,000
Affordable Housing Bond	03/05/24	\$300,000,000	\$147,230,000	\$152,770,000
Health, Safe and Vibrant SF Bond	11/05/24	\$390,000,000	\$83,635,000	\$306,365,000
Earthquake Safety and Emergency Response Bond	06/02/26	\$535,000,000	\$0	\$535,000,000
TOTAL:		\$7,203,700,000	\$5,482,570,450	\$1,721,129,550

*As of July 1, 2026

Types of Projects Funded by GO Bonds



Senior, Low-Income, and Educator Housing



Earthquake Prevention



Street and Accessibility Improvements



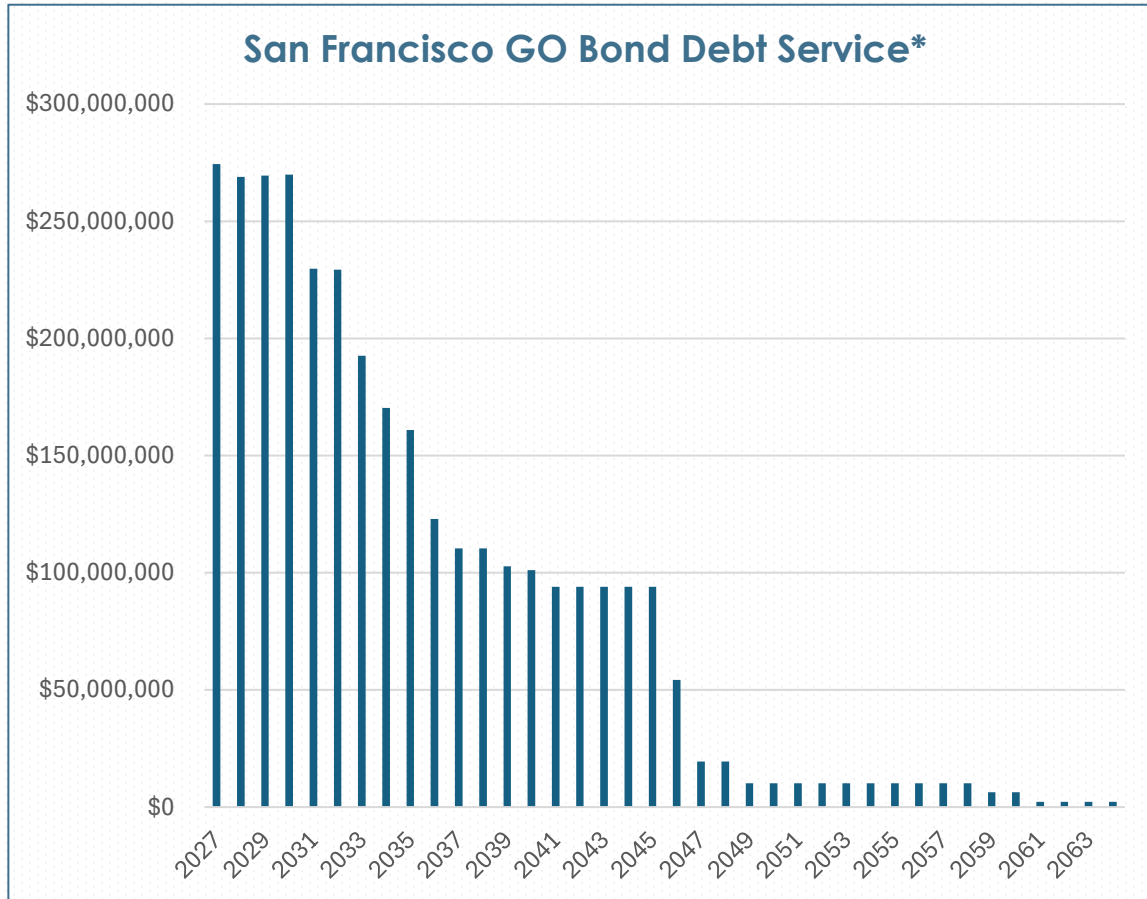
Hospital and Clinic Renovations



Parks, Trails, and Playgrounds



San Francisco GO Bond Program Management



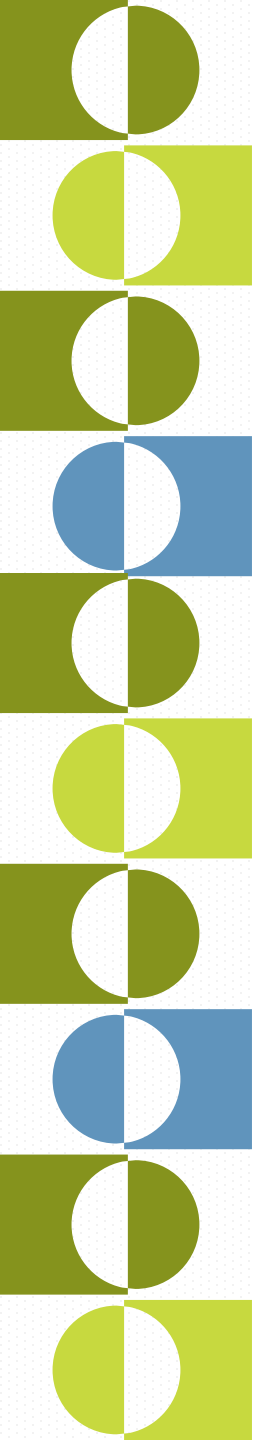
*As of July 1, 2026

- **City Charter Limitations:** City GO Bond par may not exceed 3% of assessed value

CITY CHARTER GO BOND LIMIT (\$ in billions)	
FY 2025-26 Total Net AV	\$357.80
Outstanding City GO Bonds*	\$2.36
City GO Bonds as a % of Net AV	0.70%

- **Policy Limitations:** City Tax Rate levy for **GO Bond debt service** may not exceed 0.12%

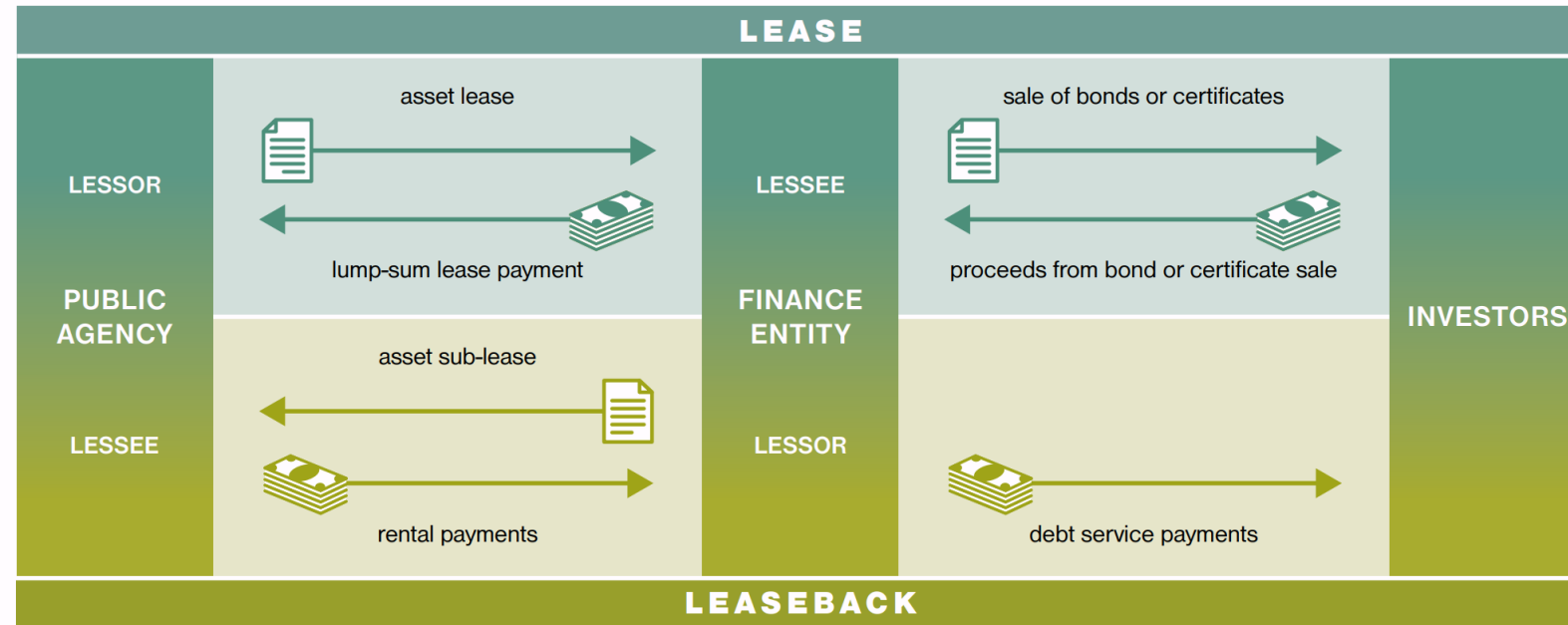
CITY POLICY TAX RATE LIMIT (\$ in billions)	
FY 2025-26 Total Net AV	\$357.80
Maximum City Tax Rate Levy	0.12%
FY 2025-26 Maximum GO Bond Debt Service	\$0.429



Exception 1: Lease Obligations

- Lease rules in California commonly referred to as “Offner-Dean,” after the two key California Supreme Court cases
 - Payment for “beneficial use and occupancy” of leased facilities in that year
 - Payment **abated** with loss of use and occupancy
 - No acceleration of future rent in the case of a payment failure
 - Rent cannot exceed “fair rental value” of leased assets
- Payable from “legally available funds”
 - In practice, this means general fund revenues
- Overcoming Abatement Risk
 - Capitalizing interest payments until project is complete
 - Asset transfer—lease leaseback of existing asset
 - Insurance
 - Reserve Fund

Lease Financing Mechanics



- Issuer leases an asset to a financing entity as leasing partner
- Issuer then subleases asset back, and agrees to make lease payments for use of property
- Lease payments serve as debt service on Lease Revenue Bonds or COPs
- Trustee can sue for rent if issuer does not make payments when asset available for use

San Francisco Lease Obligation Debt

LEASE BORROWING PROGRAM (AS OF 7/1/26)

GENERAL FUND CERTIFICATES OF PARTICIPATION (“COPs”)	
City COPs Issued Under the Master Indenture:	\$910,320,000
Other COPs Issued Under Separate Indentures:	\$493,835,000
TOTAL CITY COPs:	\$1,404,155,000
OTHER LEASE OBLIGATIONS	
Lease Purchase Financings	\$1,848,731
Lease Revenue Bonds	
Moscone Convention Center (Variable Rate)	\$26,200,000
Lease Revenue Bonds	
Other City Projects	\$11,755,000
TOTAL OTHER LEASE DEBT:	\$39,803,731

- The issuance of General Fund COPs is an important component of the ongoing delivery of the City’s Capital Plan
- The City’s COP issuances generally fund/finance the City’s general infrastructure needs and funding vehicles tend to include both short-term and long-term approaches
 - Commercial Paper Certificates of Participation
 - Certificates of Participation
- Uses of available City assets as Leased Property
 - Asset transfer
 - Project lease
- Over the next ten years, the City’s Capital Plan anticipates the approval and issuance of approximately \$480 million of COPs

San Francisco Master Lease Borrowing Program

MASTER LEASE BORROWING PROGRAM

- The City utilizes its Master Lease to finance various City capital projects; larger standalone projects may utilize a separate financing lease supported by the project itself
- Leased Property comprised of four essential City properties
 - The City may designate additional property as Leased Property, or substitute other improved real property for all or part of the Leased Property

CITY MASTER LEASE

Total Value of Master Lease Leased Property	\$1.4 Billion
Total Outstanding Master Lease COPs	\$910 Million
Authorized but Unissued Master Lease COPs	\$611 Million

$$\text{Base Rental Payments} = \text{Lease Payments} = \text{Debt Service Payments}$$

Payment Date	Certificates			Parity Certificates Debt Service ⁽¹⁾	Total Annual Fiscal Year Debt Service
	Principal	Interest	Total		
4/1/2026	\$14,140,000	\$4,929,056.94	\$19,069,056.94	\$40,570,450.00	\$59,639,506.94
10/1/2026	-	6,419,250.00	6,419,250.00	26,187,200.00	-
4/1/2027	11,900,000	6,419,250.00	18,319,250.00	40,867,625.00	91,793,325.00
10/1/2027	-	6,121,750.00	6,121,750.00	25,839,250.00	-
4/1/2028	12,495,000	6,121,750.00	18,616,750.00	41,233,975.00	91,811,725.00
10/1/2028	-	5,809,375.00	5,809,375.00	25,537,025.00	-
4/1/2029	13,120,000	5,809,375.00	18,929,375.00	41,504,850.00	91,780,625.00
10/1/2029	-	5,481,375.00	5,481,375.00	25,235,550.00	-
4/1/2030	13,775,000	5,481,375.00	19,256,375.00	41,801,450.00	91,774,750.00
10/1/2030	-	5,137,000.00	5,137,000.00	24,924,925.00	-
4/1/2031	14,465,000	5,137,000.00	19,602,000.00	42,120,025.00	91,783,950.00
10/1/2031	-	4,775,375.00	4,775,375.00	24,588,750.00	-
4/1/2032	15,185,000	4,775,375.00	19,960,375.00	33,195,150.00	82,519,650.00
10/1/2032	-	4,395,750.00	4,395,750.00	24,348,312.50	-
4/1/2033	15,945,000	4,395,750.00	20,340,750.00	33,393,187.50	82,478,000.00
10/1/2033	-	3,997,125.00	3,997,125.00	24,101,156.25	-
4/1/2034	16,740,000	3,997,125.00	20,737,125.00	33,631,731.25	82,467,137.50
10/1/2034	-	3,578,625.00	3,578,625.00	16,963,743.75	-
4/1/2035	17,580,000	3,578,625.00	21,158,625.00	31,678,143.75	73,379,137.50
10/1/2035	-	3,139,125.00	3,139,125.00	16,657,193.75	-
4/1/2036	18,460,000	3,139,125.00	21,599,125.00	29,808,743.75	71,204,187.50
10/1/2036	-	2,677,625.00	2,677,625.00	16,369,043.75	-
4/1/2037	19,385,000	2,677,625.00	22,062,625.00	27,808,671.88	68,917,965.63
10/1/2037	-	2,193,000.00	2,193,000.00	16,124,646.88	-
4/1/2038	20,355,000	2,193,000.00	22,548,000.00	28,036,946.89	68,902,593.77
10/1/2038	-	1,684,125.00	1,684,125.00	15,878,246.89	-
4/1/2039	21,370,000	1,684,125.00	23,054,125.00	28,279,887.51	68,896,384.40
10/1/2039	-	1,149,875.00	1,149,875.00	15,625,212.51	-
4/1/2040	22,435,000	1,149,875.00	23,584,875.00	28,528,593.76	68,888,556.27
10/1/2040	-	589,000.00	589,000.00	15,409,543.76	-
4/1/2041	23,560,000	589,000.00	24,149,000.00	28,730,775.01	68,878,318.77
10/1/2041	-	-	-	15,191,725.01	-
4/1/2042	-	-	-	16,122,675.00	31,314,400.01
10/1/2042	-	-	-	15,330,575.00	-
4/1/2043	-	-	-	15,981,531.25	31,312,106.25
10/1/2043	-	-	-	15,485,781.25	-
4/1/2044	-	-	-	15,828,675.00	31,314,456.25
10/1/2044	-	-	-	138,900.00	-
4/1/2045	-	-	-	7,083,900.00	7,222,800.00
Total	\$270,910,000	\$119,225,806.94	\$390,135,806.94	\$966,143,768.85	\$1,356,279,575.79



LAGUNA HONDA HOSPITAL



SAN BRUNO JAIL COMPLEX



ONE SOUTH VAN NESS



MOSCONE CENTER NORTH

Exception 2: Special Fund Obligations

- Debt limitation interpreted to define restricted “debt” as being paid out of general taxes (traditionally, property taxes)
 - Does not apply to debt that is paid for out of special revenues and used to finance an asset which is part of a project or system generating such revenues
 - Enterprise fund revenue debt, paid out of service fees and other user charges
- Concept expanded to all “special funds”
 - Special taxes, fees, assessments
- If special fund revenues are insufficient, there can be no obligation of local agency to pay debt service
 - Lack of a pledge of taxes a key fact distinguishing special fund obligations under California law
 - General Fund revenues usually cannot be transformed into special funds for purpose of securing debt

TYPES OF LIMITED OBLIGATION BONDS

- I. Special Tax (on Property) and Assessment Bonds
- II. Special Fund Bonds
 - Tax Increment Bonds
 - Sales Tax Revenue Bonds
- III. Enterprise Revenue Bonds

I. Special Tax & Assessment Bonds

- **Basic premise**

- Public agency sponsors creation of special district - Property owners agree to a charge on property to fund certain facilities

- **Bond financing**

- Bonds generate up-front funds for capital projects
- Repaid with special taxes or assessments levied annually on property tax bill
- Issuer may foreclose on delinquent parcels
- In the event of a foreclosure, land value serves as ultimate collateral securing repayment

BENEFITS & CONSIDERATIONS

Benefits

- New revenue stream created for projects
- No payment obligation for public agency

Considerations

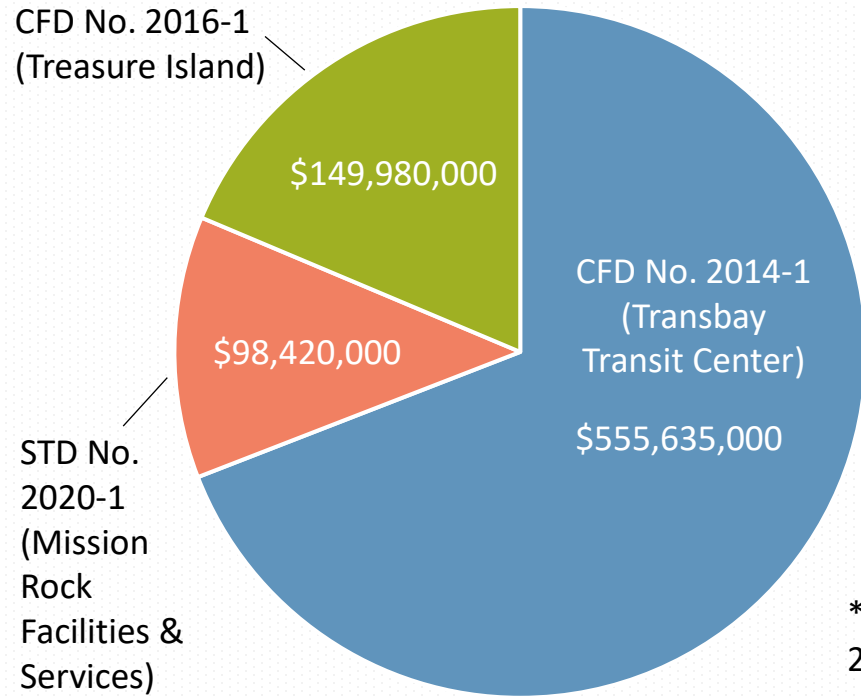
- Requires formation of district, which takes time, and voter (often property owner)-approval
- Development projects can be risky (e.g., hard to finance) in early stages
- Assessment spreads vulnerable to legal challenge

Special Tax & Assessment Bonds (CONTINUED)

	COMMUNITY FACILITIES DISTRICT (CFD)	ASSESSMENT DISTRICT (AD)
Statute	Mello-Roos Act of 1982	1915 Act/1913 Act
Security	Annual special tax on property tax roll	Annual assessment levied on property tax roll
Vote	2/3rds vote of undeveloped property owners (if less than 12 registered voters) or registered voters	Less than 50% majority protest (Protest Hearing)
Scope	Capital projects with "specific capital projects and maintenance benefits" only	Direct and special benefit improvements, no general public benefit
Spread of Lien	"Reasonable" spread of costs in special tax formula Dynamic payment obligation, can change as development proceeds	Spread must be proportional to benefit Fixed payment obligation

San Francisco Special Tax Bonds

SAN FRANCISCO CFD & STD BONDS*



Total Special Tax Bonds: \$804,035,000

*As of Jul 2026

- **Special Tax District (STD)**
 - Mission Rock
- **Community Facilities District (CFD)**
 - Transbay Transit Center

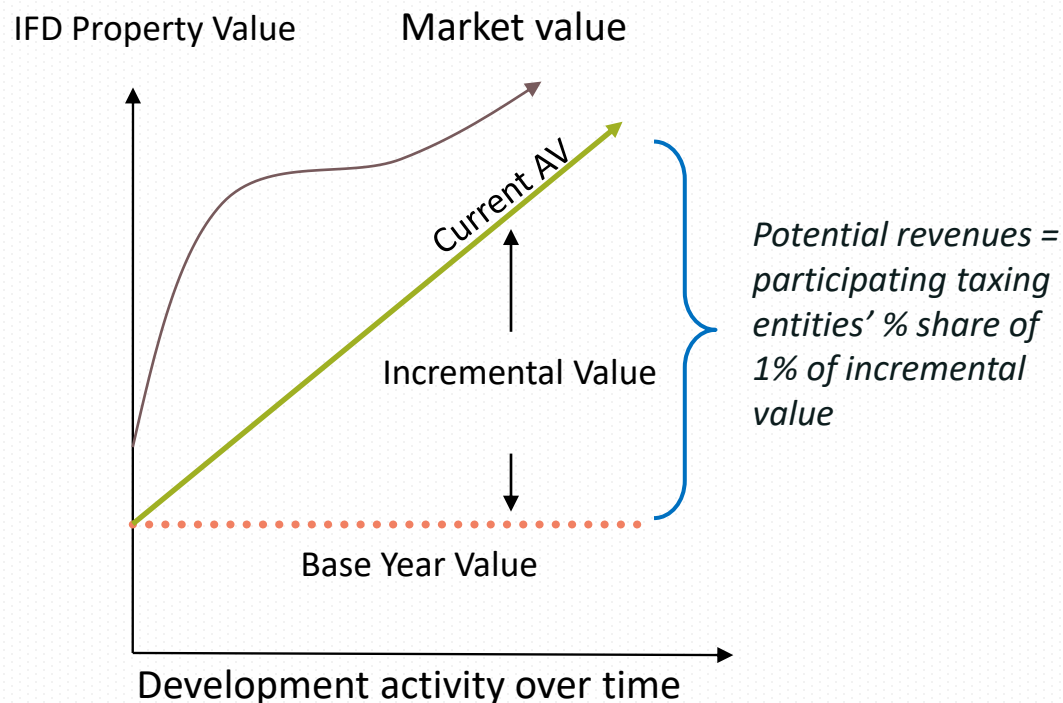


II. Special Fund Bonds

- Tax-Increment Bonds
 - Secured by dedicated share of property tax (tax increment)
 - While redevelopment bonds were limited by dissolution, replaced by more limited Enhanced Infrastructure Financing District (EIFD) bonds
- Sales Tax Revenue Bonds for special purposes or by special districts
 - Payable from and secured by revenues from the imposition of a sales and use tax on retail transactions within the issuer's boundaries
- Conduit Agency Bonds
 - To provide tax-exempt financing for certain “exempt” private activities, secured by a loan to entity

Tax Increment Bonds

- Three primary statutory vehicles in California
 - Enhanced Infrastructure Financing District (EIFD)
 - Infrastructure and Revitalization Financing District (IRFD)
 - Infrastructure Financing District (IFD)



BENEFITS & CONSIDERATIONS

When Used?

- For large-scale projects with significant rezoning and net fiscal benefit
- For projects that address infrastructure deficiencies and have long-term maintenance commitments
- Typically, in combination with other tools, like a CFD

Considerations

- Limited, passive revenue stream
- No tax increment revenue until growth occurs; assessed values lag development activity
- Tax increment revenues decline if assessed values decline
- Often limited geographic area with concentrated tax base

San Francisco Tax Increment Bonds

TREASURE ISLAND IRFD

Purpose: Captures property tax increment to issue bonds that pay for public improvements, transportation infrastructure, and affordable housing

Project Areas: Covers five specific zones—Project Area A on Yerba Buena Island and Project Areas B, C, D, and E on Treasure Island

Formation: Adopted on January 31, 2017, via Board of Supervisors Ordinance No. 21-17 following a public hearing and landowner vote

Bond Authorizations: The City has periodically authorized and issued tax increment revenue bonds under this district to maintain ongoing construction of facility infrastructure and affordable housing

- As of July 1, 2026 \$63.98 million IRFD No. 1 Bonds are outstanding

The Treasure Island Infrastructure and Revitalization Financing District (IRFD) No. 1 is a special financing district formed by the City and County of San Francisco in January 2017 to fund critical public infrastructure and affordable housing for the Treasure Island/Yerba Buena Island Development Project.



Sales Tax Revenue Bonds

- **Direct pledge of sales tax revenues** requires 2/3 voter approval
 - Most sales tax revenue bonds are issued by countywide transportation authorities
- General sales taxes (majority approval) can be used to pay debt service on **general fund lease debt**
 - **Example:** City passes a general sales tax measure for various purposes, including police and fire
 - **Project:** New police administration building
 - **Financing Vehicle:** General Fund lease debt
 - **Debt Service Payment:** Sales tax from special fund transferred to General Fund to offset

BENEFITS & CONSIDERATIONS

Benefits

- Broad-based tax support for public improvements
- Generates new revenue source to repay debt; no support from general fund

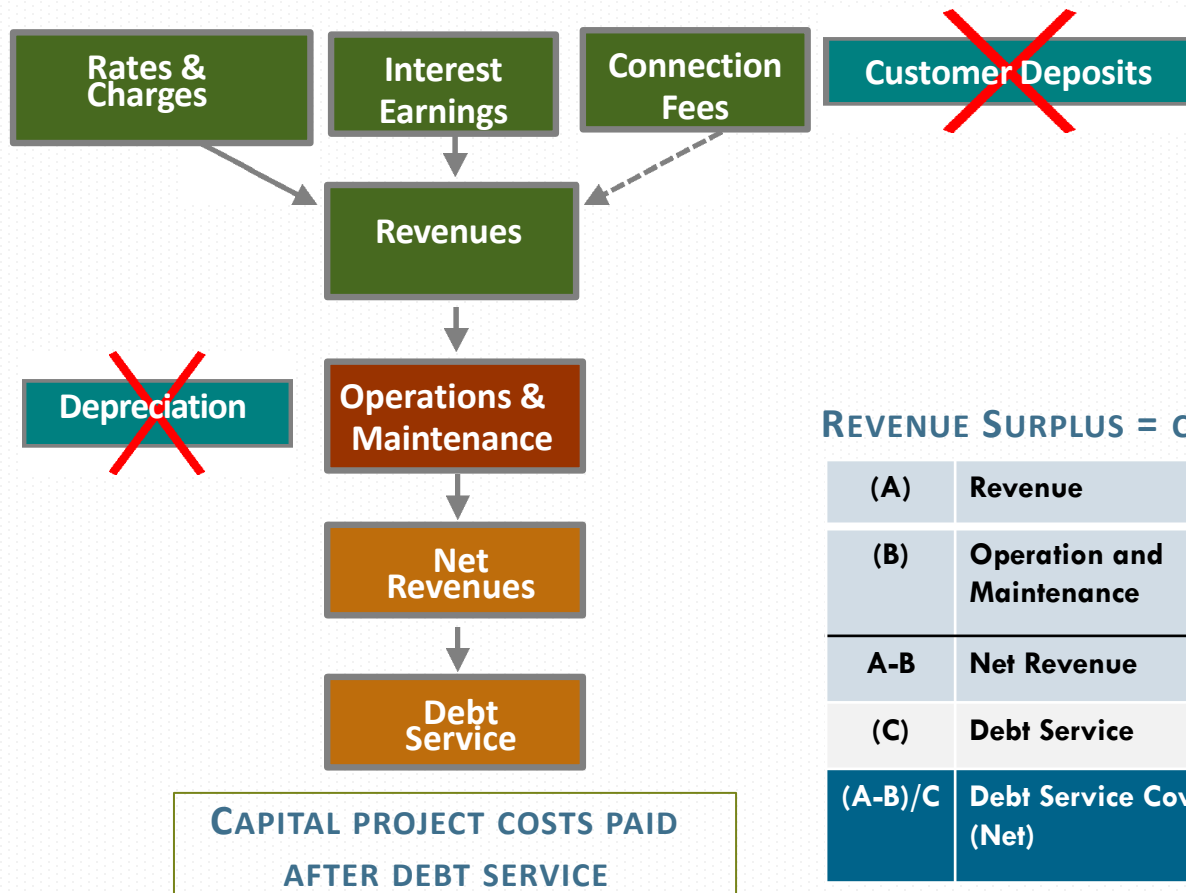
Considerations

- Time, expense and uncertain outcome of election
- Voter authorization of sales tax required: general tax (majority voter approval) v. special tax (2/3 voter approval)
- Sales tax increase

III. Enterprise Revenue Bonds

- Public agencies sell bonds secured by the following enterprises:
 - **Utilities:** Water, wastewater, electric, solid waste
 - **Transportation:** Airports, ports, toll roads, streets & roads, bridges
- Specific revenue stream pledged to bonds
 - Usually for a separate enterprise fund or separate agency supported by user fees
 - Enterprise typically consists of an entire revenue-generating system
- Revenue bond features
 - Rate covenants to maintain minimum coverage requirement
 - Requirements for issuing additional parity debt (Additional bonds test)

III. Enterprise Revenue Bonds (CONTINUED)



REVENUE SURPLUS = COVERAGE

(A)	Revenue	\$10,000,000
(B)	Operation and Maintenance	7,000,000
A-B	Net Revenue	\$3,000,000
(C)	Debt Service	1,500,000
(A-B)/C	Debt Service Coverage (Net)	2.0x

REVENUE BOND SECURITY PLEDGE

- **Net Revenue Pledge:** fees and charges of enterprise after payment of operations and maintenance (excluding depreciation); no security interest in physical assets of enterprise
- **Rate Covenant:** issuer commits to charge rates sufficient to pay debt service with a coverage cushion; may require rate increases in future with Proposition 218 process
- **Additional Bonds Test:** limits subsequent financings secured by same revenues

Exception 3: Obligation Imposed by Law

- **Debt is a non-contingent obligation of General Fund**
- **Pension Obligation Bonds (“POBs”)**
 - Most common use of this vehicle
 - Taxable bonds used to extinguish all or a portion of an agency’s unfunded pension liability
 - Proceeds are deposited with retirement association, resulting in potential investment gains or losses - risk arbitrage
 - Recent case law provides precedent that agencies can rely on in the issuances of POBs
- **Judgment Obligation Bonds (“JOBs”)**
 - AB 218 has resulted in a flood of litigation against local governments across California, prompting the consideration of JOBs to lessen the financial impacts on public programs and services

CITY OF SAN JOSÉ V. HOWARD JARVIS TAXPAYERS ASSOCIATION (DECEMBER 2025)

- California Supreme Court unanimously upheld the City of San José’s authorization of the issuance of up to approximately \$3.5 billion in POBs to refund the City’s unfunded actuarial pension liability (“UAL”), holding that—even if the bonds constitute “new” debt—the issuance falls within the exception to the constitutional debt limitation for an “obligation imposed by law” ... therefore:
- POBs do not require two-thirds voter approval under Article XVI, section 18(a) of the California Constitution
- The constitutional debt limit does not constrain the discretion over how to address such obligation, including by choosing to issue POBs without a vote

QUESTIONS?



DAVID BRODSKY
Managing Director
KNN Public Finance



GRANT CARSON
Debt Capital Markets Specialist
City and County of San
Francisco



MELISSA SHICK
Managing Director
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SESSION FIVE

Short-term Instruments



DAVID BRODSKY
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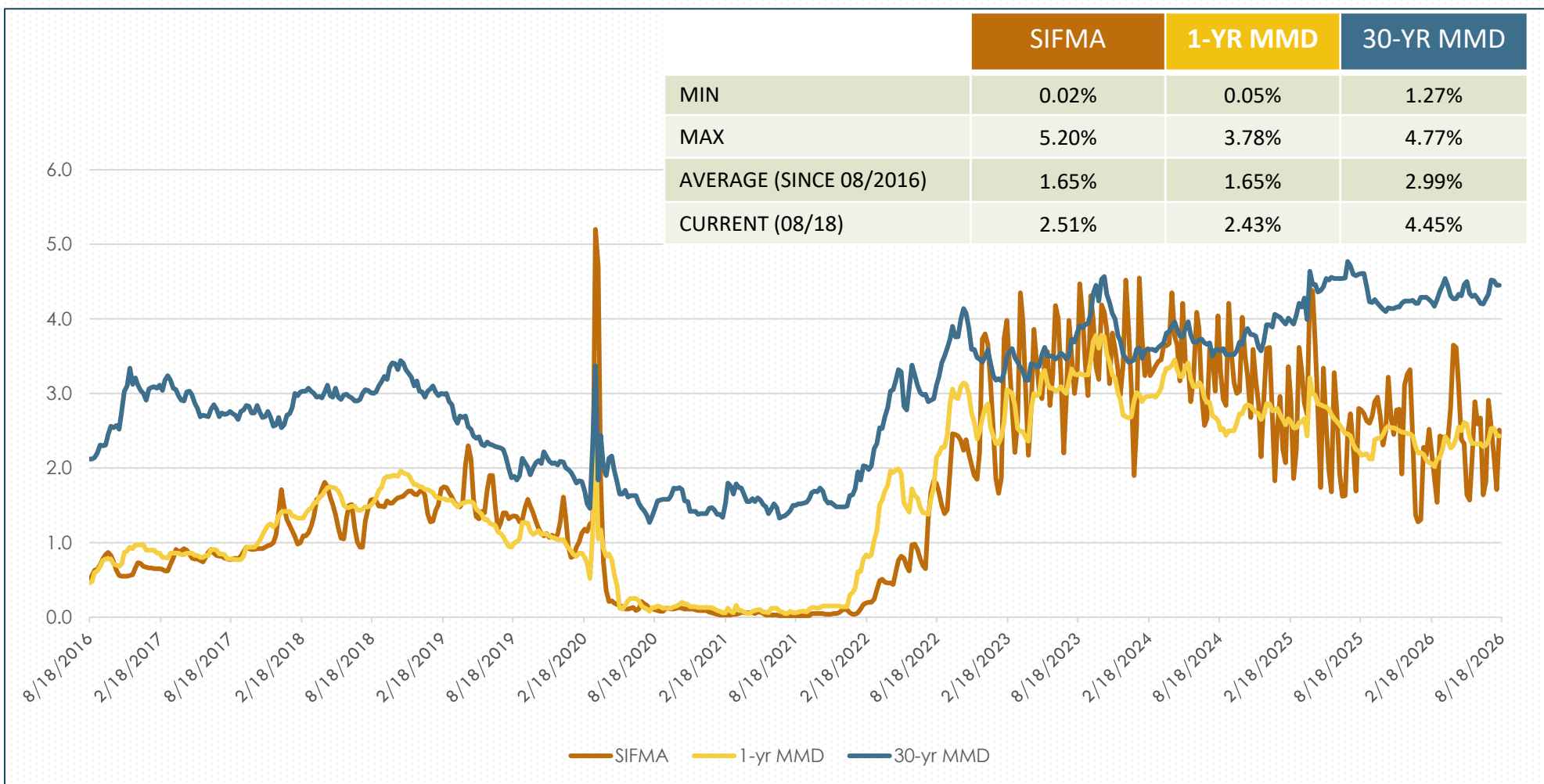
MELISSA SHICK
Managing Director
KNN Public Finance

Short-Term Debt is Loosely Defined

- In general, “**short-term**” is characterized as debt that bears interest based on short-term interest rates
- However...debt term/amortization may vary
 - Short-Term: 1-year to 3-years (generally)
 - Long-Term: Up to 30-years
- And...coupon structures may also vary
 - Fixed rate
 - Variable rate

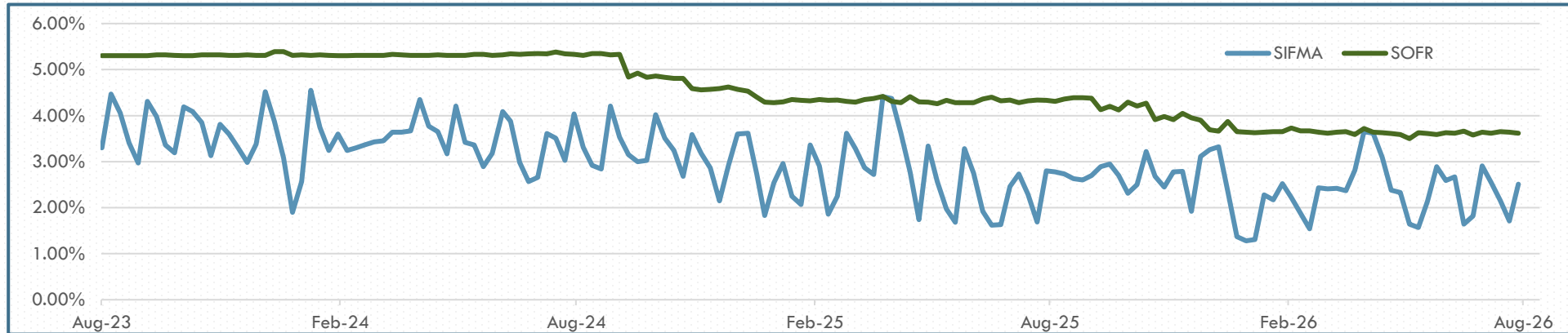
Short-Term Interest Rates Have Historically Provided a Lower Cost of Borrowing

SHORT-TERM VERSUS LONG-TERM INTEREST RATES (LAST TEN YEARS)

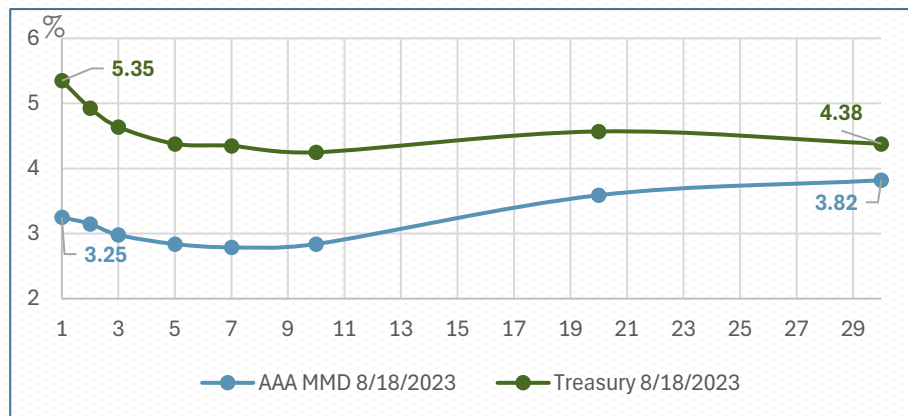


Short-Term Interest Rates Can be Variable or Fixed

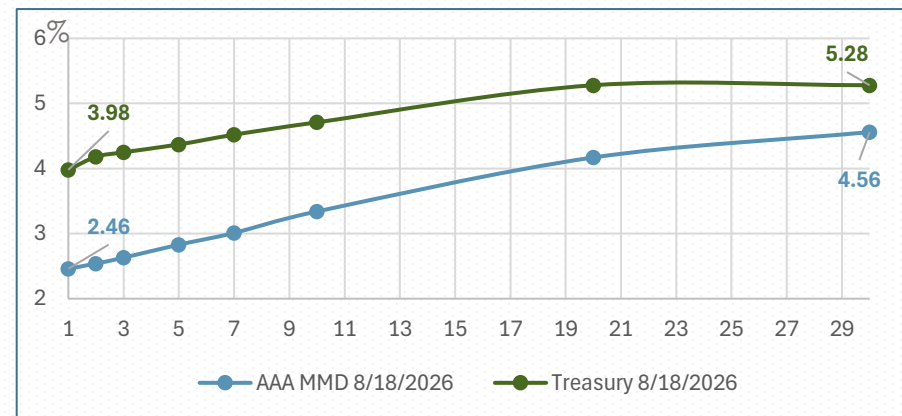
TAX-EXEMPT (SIFMA) & TAXABLE (SOFR) VARIABLE RATES (LAST THREE YEARS)



FIXED RATE YIELD CURVE (AUG 2023)



FIXED RATE YIELD CURVE (AUG 2026)



Types of Debt Characterized as “Short-Term”

I. BRIDGE FINANCINGS

- Provide interim financing for capital projects, to be taken out with permanent financing
- Types of bridge financings:
 - Commercial Paper (CP), Revolving Line of Credit
 - Bond or Grant Anticipation Notes (BANs or GANs)
- **Short-term** maturity at **fixed** or **variable short-term interest rates**

II. CASHFLOW FINANCINGS

- Provide working capital to pay operating expenses
- Most common type: Tax and Revenue Anticipation Notes (TRANS) accommodate early year expenditures such as pension prepayment and late year revenues such as property tax
- **Short term** maturity at **fixed short-term interest rates (typically)**

III. PERMANENT FINANCINGS

- Provide long-term funding at short-term interest rates by pairing a long, nominal maturity(s) with a variable interest rate
- Types of permanent financings:
 - Variable Rate Demand Obligations/Bonds (VRDOs/VRDBs)
 - Floating Rate Notes (FRNs)
 - Put Bonds
- **Long-term** maturity at **fixed** or **variable short-term interest rates**

I. Bridge Financings

Interim Borrowing Needs

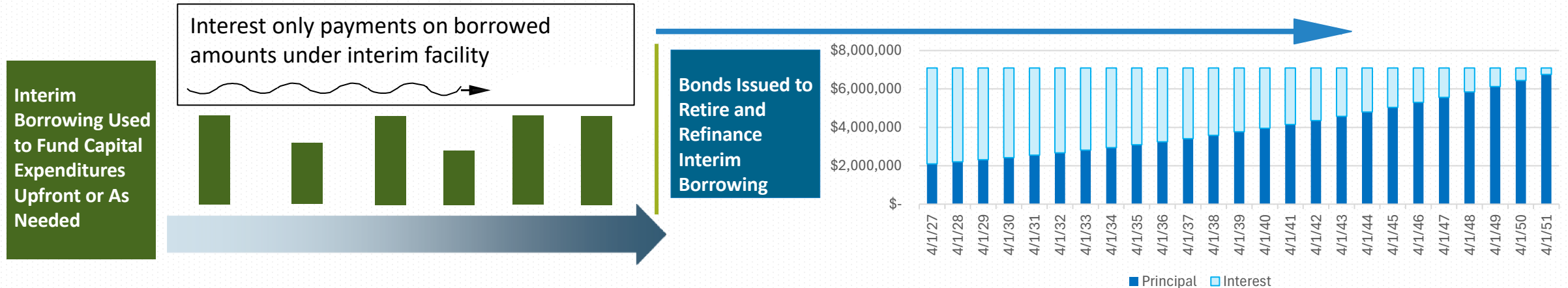
- **WHY** are bridge financings used?
 - Less certain about larger scale borrowing needs, but some initial project investment is needed
 - Desire to fund projects on a “just in time basis” as opposed to “upfront”
- **WHAT** are the primary types of interim financing vehicles?

	COMMERCIAL PAPER	BANK LINE OF CREDIT	SHORT-TERM LOANS (BANs or GANs)
Issuance Type	Public Offering	Private Placement/Bank	Public Offering OR Private Placement/Bank
Funding	Draw/Issued As Needed	Draw/Issued As Needed	Provided Upfront

I. Bridge Financings

Interim Borrowing Needs (Continued)

- **HOW** are bridge financings typically structured?
 - Short-term maturities 0-270 days (commercial paper) or ranging from 1- to 3-years (fixed notes)
 - Interest only with no repayment of principal until “take-out”
- **WHEN** are bridge financings repaid?
 - Typically, with long-term borrowings and sometimes with available revenues/grants



I. Bridge Financings: Commercial Paper

COMMERCIAL PAPER

Purpose	• Construction: Financing day-to-day costs of a construction project in which the issuer needs cash on hand in order to pay contractors and suppliers • Working Capital: Financing short-term obligations involved in daily operations, such as funding accounts payable and inventory needs • Interim financing: Providing the issuer with liquidity leading up to a larger and longer term bond issue
Benefit(s)	• Offers flexibility to create template for borrowing program and then draw down project funds as needed
Considerations(s)	• Interest rate risk related to rate reset process • Requires third-party (bank) liquidity
Interest Rate	• Liquidity costs + Fixed rate set to a stated maturity date between 1 and 270 days
Primary Buyer(s)	• Money Market Funds



- While CP Notes have fixed maturities, CP does not have a fixed long-term amortization schedule like bonds
 - The issuer maintains flexibility with respect to the timing, amounts, and how the CP outstanding principal will be repaid
- There are several ways in which an issuer can obtain the funds to provide payment to note holders at the CP Note maturity
 1. CP Notes can be “**rolled**” with proceeds of a subsequent CP Note issuance
 2. CP Notes can be “**refunded**” with proceeds of a long-term bond issuance
 3. CP Notes can be “**retired**” with available funds on hand

San Francisco General Fund Commercial Paper Program

- The City's CP program is a dynamic program employed by multiple City departments for multiple projects on different time schedules
- Structured as a lease financing security consistent with the City's long-term Certificates of Participation borrowing program
- Board authorization and approval of the issuance of long-term Certificates of Participation to finance City projects typically allow for the issuance of CP Notes to later be refinanced with the Certificates
 - *The proceeds of the Certificates will be used, together with other available funds of the City, to (i) finance and/or refinance the Project, including through the retirement of certain commercial paper notes of the City issued therefor; (ii) fund a debt service or other similar reserve, as appropriate; and (iii) pay costs of issuance of the Certificates*

CITY AND COUNTY OF SAN FRANCISCO COMMERCIAL PAPER PROGRAM

SERIES	AMOUNT	BANK	DEALERS
Series 1 & 2 Series 1 & 2T	\$150,000,000	T.D. Bank, N.A	J.P. Morgan
Series 3 Series 3-T	\$100,000,000	Bank of the West	US Bancorp

TAX-EXEMPT PROJECTS:

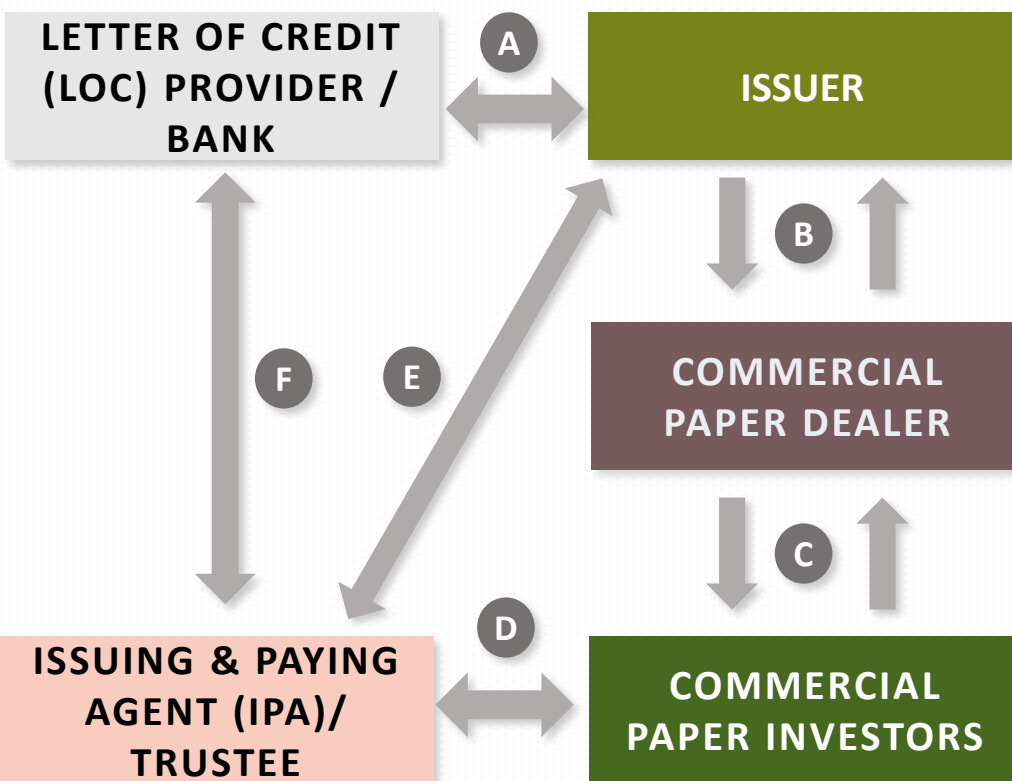
- ✓ Facility Improvements
- ✓ Streets & Roads
- ✓ Utility Infrastructure

TAXABLE PROJECTS:

- ✓ Affordable Housing
- ✓ Davies Hall, Opera Hall

San Francisco Commercial Paper Program Mechanics

PARTIES INVOLVED



KEY ROLES

- A** i) Issuer obtains bank support; ii) Bank provides credit or liquidity in the event CP notes cannot be rolled/placed with investor
- B** i) Issuer requests issuance of "new" CP or "rollover" of CP; ii) Issuer and Dealer determine maturity of CP notes
- C** CP notes sold through the Dealer either to a new investor or to an investor holding a maturing note
- D** i) IPA directs P&I payments to investors when note matures; ii) IPA deposits new money CP note proceeds from investors into project and cost of issuance funds; iii) IPA deposits principal from investors into LOC repayment funds
- E** i) Issuer transfers amount of interest due to IPA; ii) Issuer provides Issuance instructions to IPA; iii) IPA receives proceeds from new money notes for project costs and transfers to Issuer
- F** i) IPA draws on the LOC in the amount of principal and interest due at the CP Note maturity to pay investors; ii) IPA takes interest payment from Issuer and principal from investor to repay LOC draw

San Francisco Commercial Paper Issuance Management

- Flexibility to determine timing of issuance needs and the maturity of each issuance, but requires active program management
- Rollover occurs for each portion of the CP program on the relevant maturity date
- Actively work with dealer in selecting the maturity dates of individual CP Notes to minimize interest expense and align notes with program administration needs

EXAMPLE: \$100 MILLION CP PROGRAM									
	Jul-26	Oct-26	Jan-27	Apr-27	Jul-27	Oct-27	Jan-28	Apr-28	Jul-28
Note A - \$25 mm	New Note	Roll #1	Roll #2	Roll #3	Roll #4	Roll #5		Roll #6	
Note B - \$25 mm		New Note		Roll #1		Roll #2		Roll #3	
Note C - \$25 mm			New Note	Roll #1			Roll #2		
Note D - \$25 mm				New Note		Roll #1		Roll #2	
									\$100 mm Bonds

I. Bridge Financings: Bank Line of Credit

BANK LINE OF CREDIT

Purpose	• Construction: Financing day-to-day costs of a construction project in which the issuer needs cash on hand in order to pay contractors and suppliers • Working Capital: Financing short-term obligations involved in daily operations, such as funding accounts payable and inventory needs • Interim financing: Providing the issuer with liquidity leading up to a larger and longer term bond issue
Benefit(s)	• Offers flexible funding “as needed” • Can be more streamlined and easier administration as compared to commercial paper
Considerations(s)	• Interest rate risk related to rate reset process (if floating) • Requires bank agreement and bank terms
Interest Rate	• Floating rate + fixed credit spread based on SIFMA, SOFR (or % of SOFR) • Fixed rate + fixed credit spread set to a stated maturity
Lenders	• Direct Purchase Banks

- Mechanically, a bank line of credit provides the funding flexibility consistent with a commercial paper program, but does not require the following:
 - Public disclosure/offering memorandum
 - CP dealer
 - Credit ratings
- Bank credit is extended in form of a “loan” versus “liquidity”

I. Bridge Financings: BANs or GANs

BOND ANTICIPATION NOTES & GRANT ANTICIPATION NOTES

Purpose	Capital projects
Benefit(s)	Can provide seed financing in advance of a planned long-term financing
Consideration(s)	Hard maturity requires a high- degree of certainty around take- out mechanism
Interest Rate	Fixed at time of sale
Primary Buyer(s)	The investor base has shifted away from Money Market Funds (“MMF”) towards and short duration bond funds

ILLUSTRATION

BANs

- Sales tax authorization approved by voters but revenue collections do not begin for another two years
- Issuer can issue BANs now to tap future debt capacity
- BANs are repaid with long-term financing
- Credit ratings are typically based on expected terms of future take-out and assessment of future market access

GANs

- State or federal government provides grant commitment but funding does not flow immediately or is provided on an incremental or reimbursement basis (typical of transportation funding arrangements)
- GANs are issued to “accelerate” grant funding
- Credit ratings are typically based on the timing and reliability of expected grant receipts

II. Cash Flow Financings: TRANS

- **California Constitution limits “any indebtedness... exceeding in any year the income and revenue provided for such year”**
 - TRANS are indebtedness that is fully repaid out of current year revenues
 - Typically issued early in the fiscal year to fund payroll expenditures prior to receipt of property tax revenues
- **TRANS issued for cash flow**
 - Property tax and business license taxes are the most cyclical of revenues, received beginning in December
 - Salary expenditures are level all year
 - Some extraordinary expenditures may be front loaded (i.e. prepayments to retirement systems)
- **Some factors when considering issuing TRANS**
 - Real cashflow needs
 - Reinvestment opportunities (can keep any arbitrage as long as planned deficit occurs)
 - Costs of issuance are current expenses, not amortized over many years

II. Cash Flow Financings: TRANs

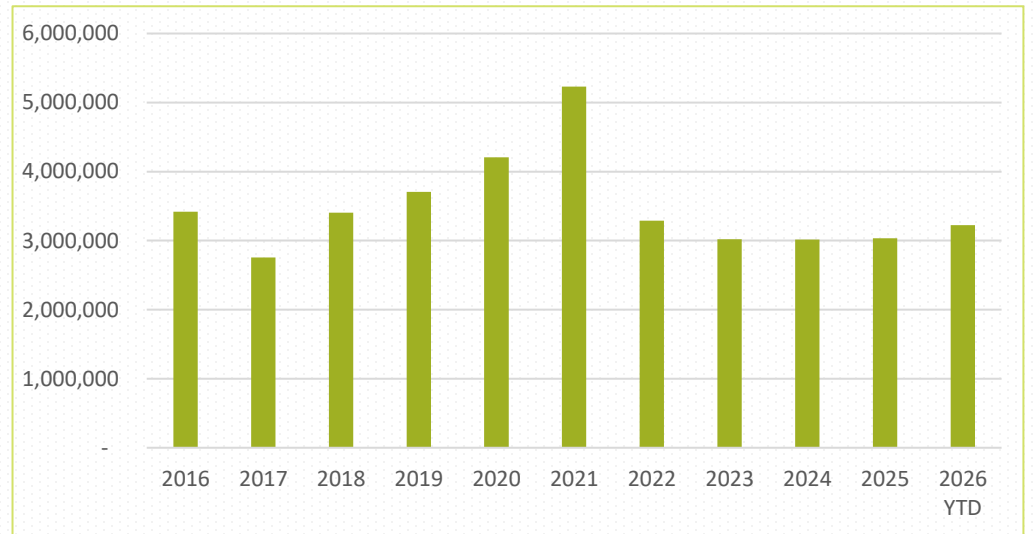
TAX AND REVENUE ANTICIPATION NOTES

Purpose	Cashflow borrowing or capital projects
Benefit(s)	Smooths-out inconsistent revenue stream, such as property taxes or grants
Consideration(s)	Short tenor and mandatory repayment require careful forecasting of future cashflows to appropriately time payment date(s)
Interest Rate	Fixed at time of sale
Primary Buyer(s)	The investor base has shifted away from Money Market Funds (“MMF”) towards and short duration bond funds
Requirement(s)	Statutory and tax limits

SELECT CALIFORNIA FY 2026-27 TRAN ISSUANCES

AMOUNT (\$000'S)	ISSUER	SALE DATE	MATURITY
\$ 1,440,570	City of Los Angeles	6/24/2026	6/24/2027
\$ 700,000	County of Los Angeles	6/9/2026	6/30/2027
\$ 350,000	County of Riverside	6/15/2026	6/30/2027
\$ 332,000	City of San Diego	6/16/2026	6/30/2027

HISTORICAL CALIFORNIA TRAN ISSUANCE VOLUME



III. Permanent Financings: Why Use Variable Rate Debt?

- **Debt Portfolio Diversification**
 - Interest cost, timing, investor base
- **Asset / Liability Balance**
 - Short-term investments naturally hedge variable rate liabilities
- **Prepayment Flexibility**
 - Remarketed securities often have flexible redemption terms; can be refinanced on any “put” date (daily, weekly, monthly, yearly)
- **Interest Cost Management**
 - Historically, has offered the lowest cost of capital
 - Can avoid locking in rates for long tenors in unfavorable markets

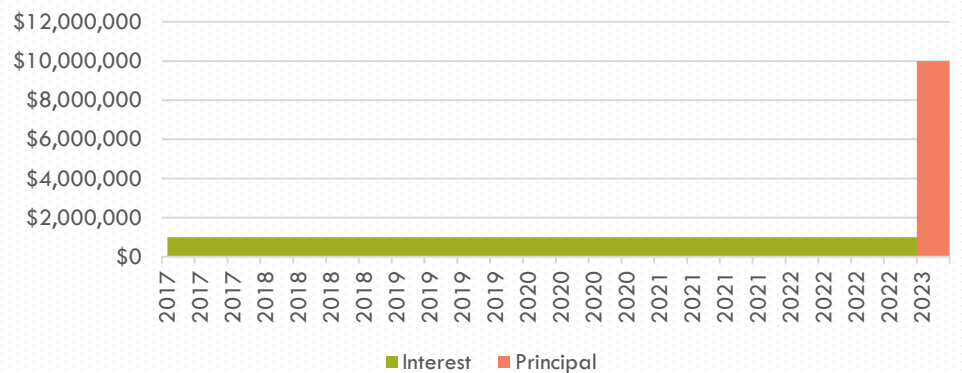
Thus...variable rate debt tends to be most utilized by issuers with large

- Enterprises
- Capital programs
- Debt programs

III. Permanent Financings: Fixed Rate Versus Variable Rate Interest

FIXED RATE DEBT

- Rates (coupons) are set on the day of the pricing and do not change
- Issuer will pay scheduled interest (usually twice a year) for as long as the bonds are outstanding



PRO

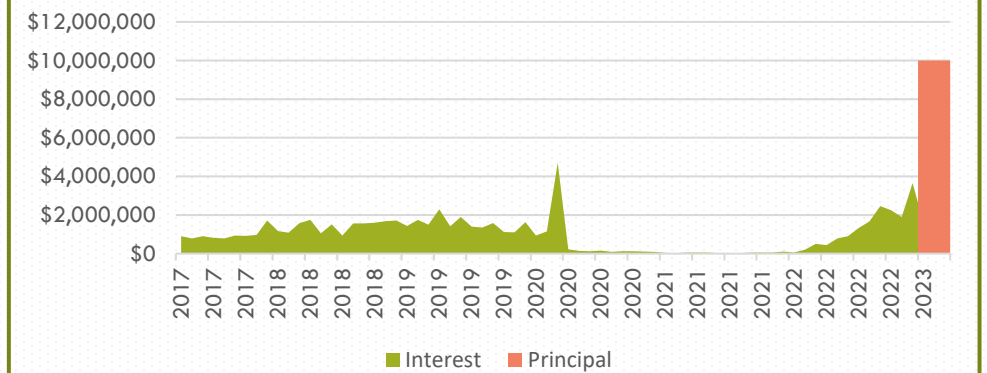
- Budget certainty
- No bank credit support necessary

CON

- Less flexible prepayment feature
- Can be higher cost

VARIABLE RATE DEBT

- Rates are reset to different coupons at predetermined points throughout the year
- Issuer's interest payments will vary for the life of the bonds based on market conditions or changes in an index



- Asset/liability management
- Portfolio diversification/flexibility

- Interest cost variability
- Requires bank credit support

III. Permanent Financings: Primary Variable Rate Financing Vehicles

Product Overview

DAILY VRDBS	WEEKLY VRDBS	FLOATING RATE NOTES	PUT BONDS
- Bonds with a long-term nominal maturity bearing interest at variable rates adjusted at daily or weekly intervals - VRDB holders have the option to tender securities for purchase to the issuer - Short-term tender features give VRDBs the liquidity and principal preservation characteristics of money market paper, allowing for pricing at the short end of the yield curve		- Alternative to traditional variable rate products (VRDBs) to generate committed floating rate funding - Interest is paid monthly at the index plus a spread, which is set at pricing and fixed through maturity or mandatory tender date	- Fixed rate bonds that have a long-term nominal maturity with a mandatory investor put prior to maturity - Priced to the put date, allowing issuers to lock in rates at the shorter end of the yield curve

Predominant Buyer	Money Market Fund	Money Market Fund	Short Duration Intermediate	Short Duration Intermediate
Maturity	Long-term (e.g. 30Y)	Long-term (e.g. 30Y)	Long-term (e.g. 30Y)	Long-term (e.g. 30Y)
Tender / Put Tenor	Daily	Weekly	1-10 Years	1-10 Years
Rate Reset Period	Daily	Weekly	On Mandatory Tender Date	On Put Date
Bank Liquidity Required?	Yes	Yes	No	No
Pricing	~SIFMA	~SIFMA	SIFMA + Spread % SOFR + Spread	MMD + Spread (+ Put Premium)

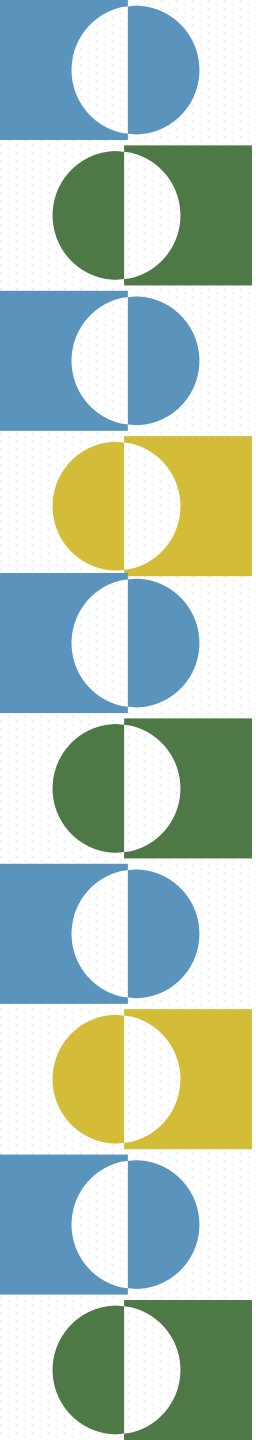
Bank Liquidity Concepts: CP and VRDBs

BANK LIQUIDITY FACILITIES

- Standby Bond Purchase Agreements (SBPA) or Revolving Credit Agreements
- Banks fund the purchase price of a failed remarketing
- Does not guarantee the payment of principal & interest
- The bank has the option to terminate or suspend payments immediately in case of:
 - Voluntary issuer bankruptcy
 - Issuer fails to pay principal or interest
 - Issuer defaults on parity debt
 - Involuntary bankruptcy
 - Issuer falls below investment grade
- VRDBs/CP carry bank's short-term ratings
- VRDBs carry issuer's long-term ratings

BANK DIRECT PAY LETTER OF CREDIT

- Reimbursement Agreement or Letter of Credit (LOC)
- Supports payment of principal and interest when due
- Banks must pay noteholders – guaranteed payment of principal and interest
- Issuer generally pays a larger premium to the bank for the guarantee
- The bank does not have the option to terminate or suspend payments despite:
 - Bankruptcy of the issuer
 - Downgrade in ratings
 - Default of the issuer on outstanding VRDBs or parity debt
- VRDBs/CP carry the bank's short-term ratings
- VRDBs carry bank's long-term ratings



Put Features: VRDBs, FRNs, and Put Bonds

VRDB PUT FEATURES – AT REMARKETING

- Investors can “put” VRDOs back to the remarketing agent at each rate reset date
 - If an investors “puts” the VRDO back, the remarketing agent will attempt to remarket the securities to a new investor
 - If a remarketing is unsuccessful, and the remarketing agent is unable to find new investors to purchase the VRDOs, the remarketing agent may, **but is not obligated to**, purchase the securities
 - If a remarketing is unsuccessful and the remarketing agent elects **not** to purchase the securities, the liquidity provider must purchase the securities

NOTE/BOND PUT FEATURES – AT TENDER DATE

Soft Put

- If notes/bonds are not refinanced at the mandatory tender date, the issuer pays a punitive stepped-up interest rate on the bonds/notes, but no event of default occurs
- The interest rate may “step-up” over a few periods if the bonds continue to remain outstanding, or it may automatically step up to a maximum rate
- May be structured similar to the “term-out” feature of a bank liquidity facility whereby principal is paid over a defined period

Hard Put

- If notes/bonds are not refinanced at the mandatory tender date, the issuer is considered to be in default

QUESTIONS?



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*Managing Director
KNN Public Finance*



BREAK



SESSION SIX

Initial Disclosure and Legal Documents



JACQUELYNNE JENNINGS

Counsel
ArentFox Schiff LLP

PATRICIA REAVEY
*Deputy Executive Director
of Finance and Administration*
Alameda County
Transportation Commission





How often does your agency issue debt?



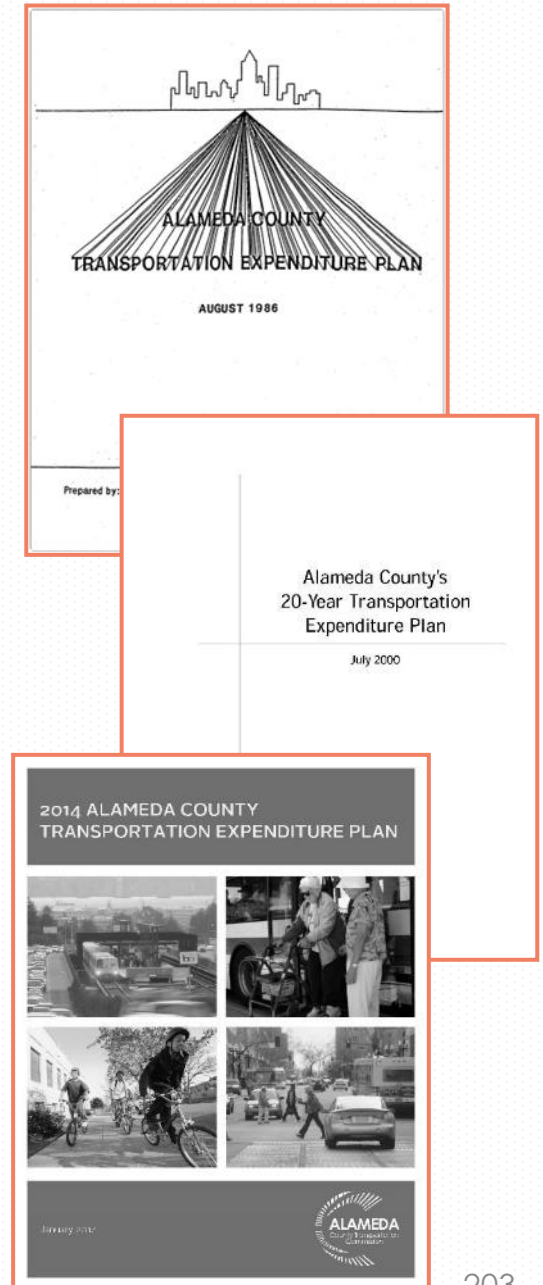
Overview of ArentFox Schiff

- ArentFox Schiff LLP is internationally recognized in core industries where business and the law intersect.
- With offices in Boston, Chicago, Los Angeles, New York, San Francisco, Silicon Valley, and Washington, DC, and more than 650 lawyers and policy professionals, ArentFox Schiff provides strategic legal counsel to clients that range from Fortune 500 corporations and start-ups, to state, local, and foreign governments, trade associations, and private individuals.
- Our attorneys know that being Smart in Your World isn't just about having great legal skills. It means knowing your business, your industry, and your goals — and using that insight to solve challenges creatively and efficiently. Through decades of service, our attorneys have understood that hard work and talent are just a starting point for being considered a premier law firm, a distinction that ArentFox Schiff has earned from The American Lawyer, Chambers USA, and Legal 500.
- As one of the most diverse general practice law firms in the country, ArentFox Schiff has roots in government service, a focus on legal excellence, and a commitment to the administration of justice. Our lawyers have consistently distinguished themselves as leaders in pro bono representation, while many continue to play prominent roles in public service.
- ArentFox Schiff is proud of its reputation for understanding our clients' business, their industry, and their world.

**Smart In
Your World[®]**

Alameda County Transportation Commission

- The Commission is a joint powers authority that plans, funds, and delivers significant transportation projects and programs throughout Alameda County
 - Alameda County Encompasses 821 square miles, with a population over 1.6 million
- Alameda CTC and its predecessor agencies have:
 - Collected and administered sales tax revenues since 1987,
 - Successfully delivered almost all projects included in both the 1986 and 2000 Measure B Transportation Expenditure Plans as promised to voters, and
 - Currently working to deliver projects and programs in the 2014 Measure BB Transportation Expenditure Plan



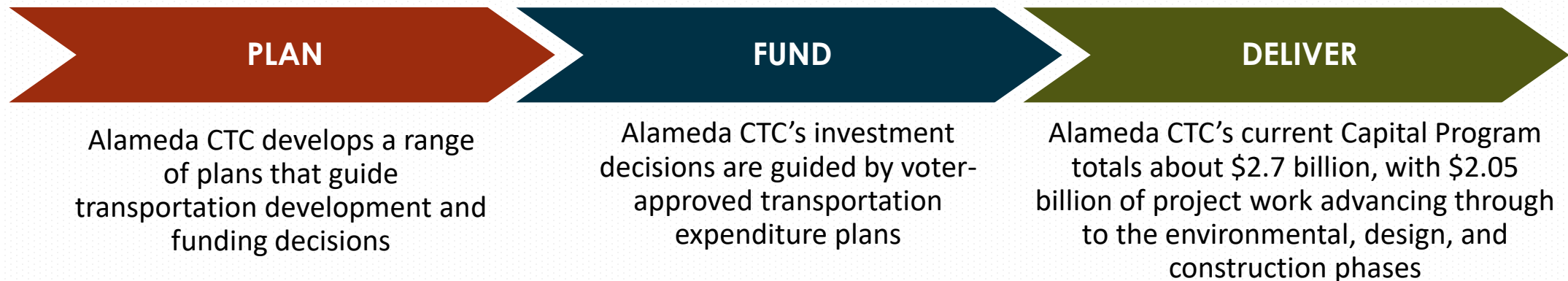
Alameda CTC Governance



- The governing body of Alameda CTC consists of 22 Commissioners:
 - All five County Supervisors,
 - Two representatives from the City of Oakland,
 - One representative from each of the 13 incorporated cities in the County,
 - One representative from San Francisco Bay Area Rapid Transit District (BART) and
 - One representative from the Alameda-Contra Costa Transit District (AC Transit)

Alameda CTC Overview

- Mission - to plan, fund and deliver transportation programs and projects that expand access and improve mobility to foster a vibrant and livable Alameda County.
- Manages Alameda County's one-cent transportation sales tax, Measure BB, approved by more than two-thirds of voters in 2014 in support of the 2014 Transportation Expenditure Plan (TEP) which includes various transportation projects and programs throughout Alameda County and expires in 2045
- Serves as Alameda County's congestion management agency
- Delivers more than \$350 million each year in transportation improvements that create jobs, enhance mobility and enrich communities



Alameda CTC Credit Highlights

- AAA ratings from both S&P and Fitch supported by many factors, including strong sales tax growth and central position within the Bay Area economy

Very Strong Regional Economy

- Broad and diverse tax base
- Strong employment and wealth indicators in the County

Robust Sales Tax Revenues

- FY2022 sales tax revenues were 1 cent and at all-time high of \$385.9M
- FY2023 collections up 7.9% over FY2022 through first half of fiscal year

Strong Debt Service Coverage and Liquidity

- MADS coverage ratio of 35.68x after Series 2022 Bonds issued
- Prudent management of cash flows with healthy balance in excess of \$660M before issuance

Strong Legal Provisions

- Gross sales tax revenue pledge net of administration costs
- Trustee intercept provides enhanced security
- ABT: 2.0x MADS
- Measure BB capital funding allocation of approximately 46% establishes “programmatic coverage” of approximately 2.25x

Management Strength and Stability

- Management team averages over 25 years of experience
- Proven track record of delivering projects on time and on budget
- Experience managing prior debt program under previous Measure B Sales Tax Measures



**Does your agency expect to issue debt
in fiscal year 2026-27?**

Preliminary Considerations

- **What** is being financed?
- **What** law authorizes the financing?
- **How** will the financing be structured?
- **What** is the source of funds to repay the borrowing?
- **Who** is the issuer's representative that will be responsible for ongoing compliance?
- **Who** will comprise the Financing Team?
- **What** is a Financing Team?





The Financing Team

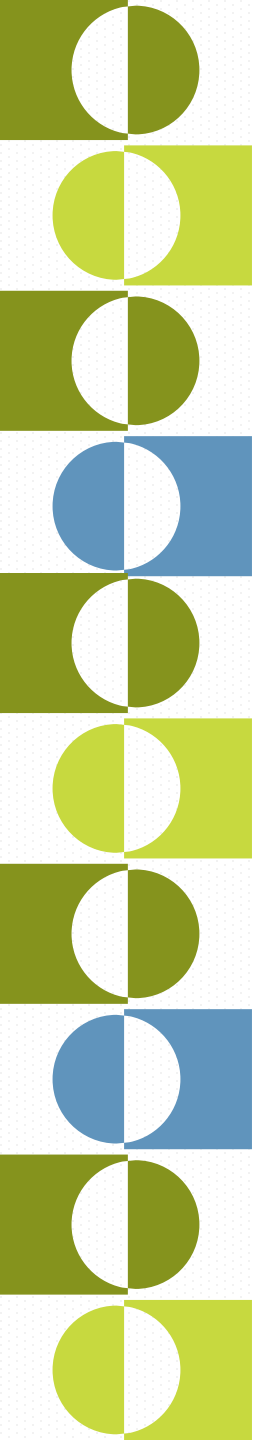
ISSUER TEAM + OTHER PROFESSIONALS = FINANCING TEAM

ISSUER TEAM

- Issuer
- Department Representatives
- Issuer's Counsel
- Bond Counsel
- Disclosure Counsel
- Municipal Advisor
- Feasibility Consultant
- Dissemination Agent
- Appraiser

OTHER PROFESSIONALS

- Trustee / Paying Agent / Fiscal Agent
- Trustee's Counsel
- Underwriter
- Underwriter's Counsel
- Securities Repository (DTC)
- Credit Enhancer
- Rebate Consultant
- Borrower and Borrower's Counsel (Conduit Transaction)
- Verification Agent (Refundings)
- Remarketing Agent (Variable Rate Transaction)
- Letter of Credit Bank (Variable Rate Transaction)



Disclosure Laws

- **Securities Act of 1933** – “Truth in Securities Law”
 - Requires that investors receive financial and other significant information for securities prior to sale
 - Section 17(a) – Antifraud Rule – Prohibits deceit, misrepresentations, and fraud in sale of securities
- **Exchange Act of 1934** – Created the SEC; conferred broad authority to the SEC to register, regulate, and oversee securities transactions and participants; and require periodic filings
 - **Section 10(b)** – prohibits use of manipulative or deceptive acts in connection with purchase or sale of securities
 - Rule 10b-5 – prohibits the making of untrue statements of material facts or omitting to state material facts that are necessary to make the statements in the offering document not misleading
- **Rule 10b-5**

Application of Disclosure Laws

- Federal antifraud laws require that municipal issuers use reasonable care to ensure that all information prepared in connection with their security offerings is “**materially**” accurate and does not omit a “**material**” fact that makes the information misleading.
- Whenever the issuer “speaks to the market”
- Examples:
 - Primary disclosure in Official Statements and Offering Memoranda
 - Annual Reports
 - Event Notices and Voluntary Filings Pursuant to Rule 15c2-12
 - Investor Communications
 - Other public statements made by the Issuer and its officials, including press releases, public statements, interviews, website, social media, and speeches
 - Reports delivered to governmental agencies
 - Issuer statements made that are reasonably expected to reach investors are also subject to antifraud provisions



What Makes a Statement or Omission Material?

- A statement or omission is material if:
 - “there is a **substantial** likelihood that a **reasonable** investor would consider it important in making the decision to purchase or sell the securities”
 - “there is **substantial** likelihood that having the information would have been viewed by the **reasonable** investor as having significantly altered the total mix of information available”
- Determined in the context of all relevant facts and circumstances, and upon the incurrence of each financial obligation
- **No set checklist**
- Guidance is primarily from SEC staff legal bulletins, SEC enforcement cases, and court decisions
- However, SEC staff legal bulletins are not legally binding but are statements of SEC staff views and may be used in enforcement actions



Has your agency established a disclosure working group?



If your agency has established a disclosure working group, are you a member?



Disclosure Policies and Procedures

- Provides general guidelines for the preparation of initial and continuing disclosure, including:
 - Identifying members of the Disclosure Working Group
 - Roles and responsibilities of Disclosure Working Group members for preparing disclosure
 - Defining a process for drafting, reviewing, and finalizing all disclosure documents
 - Identifying person(s) responsible for providing final sign-off for prepared disclosure
 - Empowering staff at all levels to provide input
 - Providing legislative body sufficient time for review and comment
 - Providing for periodic review and update of disclosure policies and procedures



Disclosure Policies and Procedures

(CONTINUED)

- Incorporates best practices
- Focuses on the “big picture”
- Encourages disclosure of the good and the bad
- Retains knowledgeable counsel and professionals
- Provides appropriate and regular training to officials and staff
- Is reviewed and revised periodically by the Disclosure Working Group



Has your agency adopted written disclosure policies and procedures?

What is an Official Statement?

NEW ISSUE—BOOK-ENTRY ONLY

RATINGS
S&P: "AAA"
Fitch: "AAA"

In the opinion of Norton Rose Fulbright US LLP, Los Angeles, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming compliance with certain covenants in the documents pertaining to the Series 2022 Bonds and requirements of the Internal Revenue Code of 1986, as described herein, interest on the Bonds is not included in the gross income of the owners thereof for federal income tax purposes. In the further opinion of Bond Counsel, interest on the Bonds is not treated as an item of tax preference for purposes of the federal alternative minimum tax. Bond Counsel is also of the opinion that, under existing law, interest on the Series 2022 Bonds is exempt from personal income taxes of the State of California. See "TAX MATTERS" herein.



\$124,030,000
ALAMEDA COUNTY TRANSPORTATION COMMISSION
Measure BB Senior Sales Tax Revenue Bonds
(Limited Tax Bonds)
Series 2022

Dated: Date of Delivery

Due: March 1 as shown on inside cover

The Alameda County Transportation Commission Measure BB Senior Sales Tax Revenue Bonds (Limited Tax Bonds), Series 2022 in the aggregate principal amount of \$124,030,000 (the "Series 2022 Bonds") are being issued by the Alameda County Transportation Commission ("Alameda CTC") pursuant to an Indenture, dated as of July 1, 2022, as supplemented by a First Supplemental Indenture, dated as of July 1, 2022 (together, the "Indenture"), each between Alameda CTC and U.S. Bank Trust Company, National Association, as trustee (the "Trustee"). Proceeds of the Series 2022 Bonds will be applied (i) to finance and/or reimburse Alameda CTC for certain costs of implementing a portion of the transportation improvements outlined in the 2014 Transportation Expenditure Plan, as described herein, and (ii) to pay costs of issuance of the Series 2022 Bonds. See "PLAN OF FINANCE" herein.

The Series 2022 Bonds will be registered in the name of Cede & Co, as holder of the Series 2022 Bonds and nominee for The Depository Trust Company ("DTC"), New York, New York. Purchasers will not receive certificates representing their interest in the Series 2022 Bonds purchased. The principal of and interest on the Series 2022 Bonds are payable by wire transfer to DTC which, in turn, will remit such principal or interest to the DTC Participants for subsequent disbursement to the beneficial owners of the Series 2022 Bonds, as more fully discussed herein.

The Series 2022 Bonds will mature in the amounts and will bear interest at the rates set forth in the inside cover page hereof. Interest is payable on March 1 and September 1 of each year, commencing September 1, 2022. The Series 2022 Bonds are being issued as fully registered bonds without coupons in the denominations of \$5,000 and any integral multiple thereof.

The Series 2022 Bonds are subject to optional and mandatory redemption prior to their maturity, as more fully described herein.

The Series 2022 Bonds are limited obligations of Alameda CTC secured by a pledge of the Pledged Revenues, consisting primarily of the Pledged Tax Revenues, and certain funds held by the Trustee. The Measure BB Sales Tax is an aggregate one percent (1.00%) retail transactions and use tax imposed in the County of Alameda (the "County"). In November 2014 more than two-thirds of the electorate of the County approved Measure BB to extend an existing one-half of one percent retail transactions and use tax then set to expire on March 31, 2022 and to impose and collect an additional one-half of one percent (1/2%) retail transactions and use tax. The Measure BB Sales Tax took effect on April 1, 2015 and was imposed at a rate of a one-half of one percent (1/2%) from April 1, 2015 through March 31, 2022. On April 1, 2022, the Measure BB Sales Tax increased to one percent. The Measure BB Sales Tax is scheduled to expire on March 31, 2045. The Series 2022 Bonds are secured by a pledge of Pledged Tax Revenues, which consist of amounts collected on account of the Measure BB Sales Tax, minus any refunds and any fees imposed by the California Department of Tax and Fee Administration for the performance of functions incident to the administration and operation of Ordinance No. 2014-1 and four percent administrative costs of Alameda CTC. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2022 BONDS" herein.

THE SERIES 2022 BONDS ARE LIMITED TAX BOND OBLIGATIONS OF ALAMEDA CTC PAYABLE SOLELY FROM PLEDGED REVENUES, PRIMARILY CONSISTING OF PLEDGED TAX REVENUES AND CERTAIN OTHER FUNDS PLEDGED UNDER THE INDENTURE, AND ALAMEDA CTC IS NOT OBLIGATED TO PAY THE SERIES 2022 BONDS EXCEPT FROM PLEDGED REVENUES AND THOSE CERTAIN OTHER FUNDS PLEDGED UNDER THE INDENTURE. THE SERIES 2022 BONDS DO NOT CONSTITUTE A DEBT OR LIABILITY OF THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION OF THE STATE OTHER THAN ALAMEDA CTC, OR A PLEDGE OF THE FULL FAITH AND CREDIT OF THE STATE OR OF ANY POLITICAL SUBDIVISION OF THE STATE. THE CREDIT OR TAXING POWER (OTHER THAN AS DESCRIBED HEREIN AND IN THE INDENTURE) OF ALAMEDA CTC IS NOT PLEDGED, FOR THE PAYMENT OF THE SERIES 2022 BONDS, THEIR INTEREST, OR ANY PREMIUM DUE UPON REDEMPTION OF THE SERIES 2022 BONDS. THE SERIES 2022 BONDS ARE NOT SECURED BY A LEGAL OR EQUITABLE PLEDGE OF, OR CHARGE, LIEN OR ENCUMBRANCE UPON, ANY OF THE PROPERTY OF ALAMEDA CTC OR ANY OF ITS INCOME OR RECEIPTS, EXCEPT THE PLEDGED REVENUES AND CERTAIN OTHER FUNDS PLEDGED UNDER THE INDENTURE.

This cover page contains certain information for general reference only. It is not a summary of the security or terms of this issue. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision with respect to the Series 2022 Bonds. Capitalized terms used and not defined on the cover of this Official Statement have the meanings ascribed thereto herein.

The Series 2022 Bonds will be offered when, and as if received by the Underwriters, subject to the approval of validity by Norton Rose Fulbright US LLP, Bond Counsel to Alameda CTC, and certain other conditions. Certain legal matters will be passed upon for Alameda CTC by its Disclosure Counsel, Stradling Yocca Carlson & Rauth, a Professional Corporation, and by Fennemore Wendel, General Counsel to Alameda CTC, and for the Underwriters by their counsel, Nixon Peabody LLP. It is anticipated that the Series 2022 Bonds in definitive form will be available for delivery through the facilities of DTC on or about July 14, 2022.

Citigroup

Goldman Sachs & Co. LLC

Jefferies

Dated: June 29, 2022

- A document prepared by or on behalf of a state or local government in connection with the issuance of municipal securities
- An official statement is similar to a prospectus that is used in corporate securities offerings
- Provides material information to investors about the transaction

Roadmap of the Official Statement

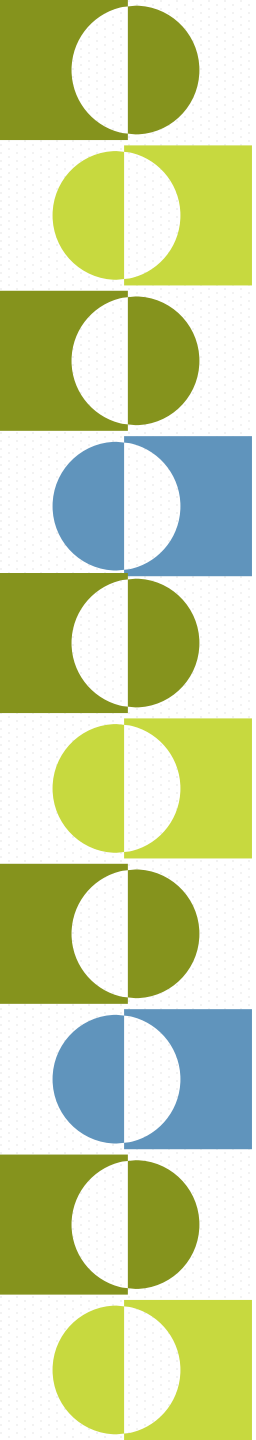
Material information needed by investors to make a decision to purchase the securities, including:

- Introduction
- Plan of Finance
- Sources and Uses of Funds
- Project Description
- Security for the Bonds and Sources of Payment
- Capital Improvement Plan
- Issuer Financial and Relevant Operating Information
- Risk Factors
- Absence of Material Litigation
- Continuing Disclosure Compliance
- Appendices
 - Audited Financial Statements
 - Economic, Demographic, and Statistical Data
 - Form of Bond Opinion
 - Form of Continuing Disclosure Undertaking
 - DTC Disclosure
 - Third Party Documents and Certifications
 - Summaries of Bond Security Documents



Basic Legal Documents

- Authorizing Resolution(s)
- Trust Agreement / Indenture of Trust / Indenture
- Loan Agreement / Leases / Installment Sale Agreement
- Preliminary Official Statement (POS) / Official Statement
- Bond Purchase Agreement (BPA) / Bond Purchase Contract
- Continuing Disclosure Undertaking (CDU)
- Tax Certificate
- Closing Certificates, Documents and Opinions



Authorizing Resolution

PARTIES:

- Issuer
- Borrower

PURPOSE:

- Authorizes the sale of the bonds by the Issuer and establishes the parameters for the issuance of the bonds, authorizes the execution and delivery of each of the financing documents, directs staff to take other actions necessary to complete the transactions, delegates officers to approve revisions to financing documents consistent with the parameters

KEY PROVISIONS:

- Maximum principal amount of bonds to be issued
- Maximum interest rate
- Maximum Underwriter's discount
- Maximum term
- Approves forms of the issuing documents, POS, BPA, and CDU
- Estimate of financing costs
- For refundings, the minimum savings to be achieved
- Delegation of Authority to Officers



Indenture of Trust / Trust Agreement / Bond Resolution / Bond Ordinance

PARTIES:

- Issuer
- Trustee
- For Ordinances and Resolutions, only the Issuer

PURPOSE:

- Evidences the contract between the Issuer and the Trustee for the benefit of the bondholders
- Establishes the rights, duties, responsibilities, and remedies of the Issuer and the Trustee
- Authorized the Trustee to administer the funds and property established as security for the bonds
- Specifies the security for repayment of the bonds

Indenture of Trust / Trust Agreement / Bond Resolution / Bond Ordinance

(CONTINUED)

KEY PROVISIONS:

- Definitions
- Permitted Investments
- Pledge of Collateral
- Reserve Fund
- Flow of Funds
- Additional Debt
- Interest Rates
- Principal and Interest Payment Dates
- Maturity Dates
- Redemption / Prepayment
- Defeasance Provisions
- Representations, Warranties and Covenants of the Issuer
- Maintenance of Rates, Fees & Charges
- Continuing Disclosure
- Rights and Responsibilities of the Trustee
- Events of Default and Remedies
- Insurance Provisions

(Blue text = Indicates provisions that require critical review)



Loan Agreement / Lease Agreement / Project or Facilities Lease / Installment Sale Agreement

PARTIES:

- Issuer
- Borrower

PURPOSE:

- Evidences the loan of bond proceeds by the Issuer to finance the project and for user (borrower) of the project to make payments sufficient in time and amount to repay the bonds
- For Installment Sale Agreements and Leases, the title to the project will transfer at the end of the term and maturity of the bonds

KEY PROVISIONS:

- Pledge of Revenues
- Lease Payments
- Additional Payments
- Representations & Warranties
- Covenants
- Prepayment Provisions
- Abatement

Preliminary and Final Official Statements

PARTIES:

- Issuer
- Borrower

PURPOSE:

- Discloses to investors why the bonds are being issued, including, terms of the bonds, descriptions of project(s) being financed or bonds being refunded, security and sources for repayment, risk factors, issuer financial and operating information, description of obligated parties, outstanding material litigation, and compliance with prior continuing disclosure undertakings
- Discloses all information a “reasonable investor” would consider to be important in making an investment decision to purchase the bonds
- The Preliminary Official Statement is complete as of its date except for pricing information and is used by the Underwriter to presell the bonds
- The Final Official Statement, reflecting pricing information, is dated the date the bonds are sold to the Underwriter

Preliminary and Final Official Statements (CONTINUED)

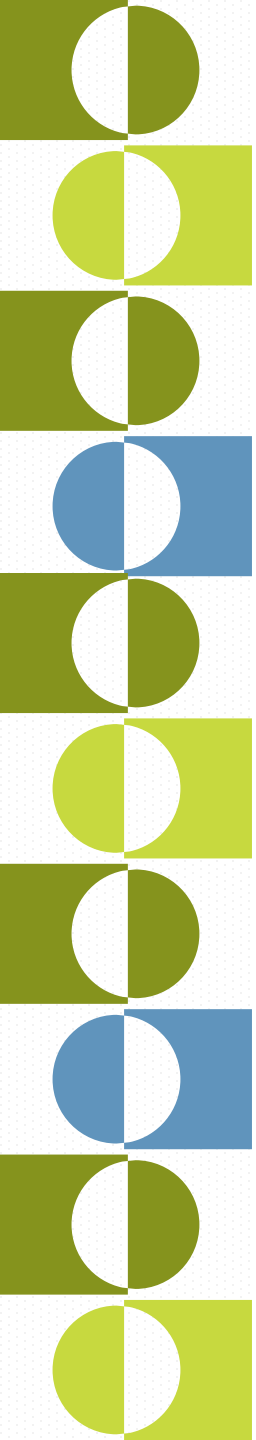
KEY PROVISIONS:

- Project Description
 - Size, location, costs, funding sources, contractor and type of contract, required approvals and stats thereof, expected commencement and completion dates
- Security for the Bonds and Sources of Payment
- Risk Factors
- Absence of Material Litigation
- Financial and Operating Information
- Continuing Disclosure
- Economic, Demographic, and Statistical Data

You Are Not Alone



What is your primary concern regarding disclosure?



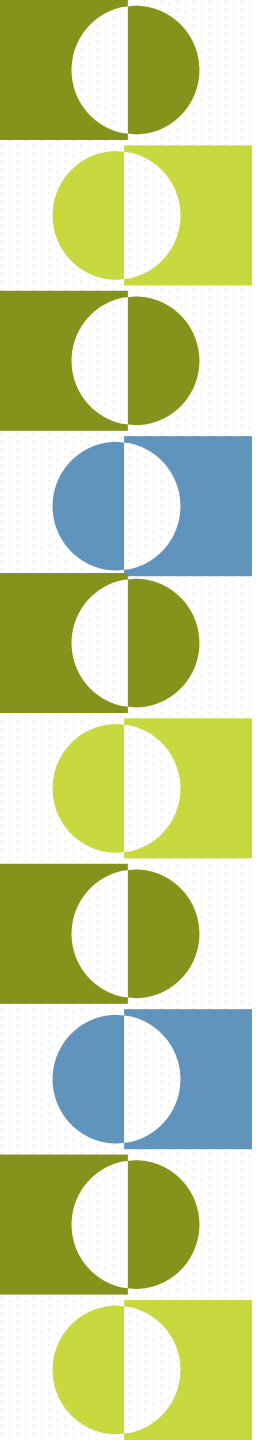
Bond Purchase Agreement/ Bond Purchase Contract

PARTIES:

- Issuer
- Underwriter
- Borrower
- Obligated Party

PURPOSE:

- Provides for the sale of the bonds by the Issuer to the Underwriter
- Specifies (i) the terms of the bonds; (ii) conditions precedent to the obligation of the Underwriter to purchase of the bonds; (iii) the delivery date of the bonds; (iv) the conditions permitting the Underwriter to withdraw from the agreement (the “Underwriter’s Outs”); (v) representations and warranties of the Issuer and Borrower, including a representation that the Preliminary Official Statement was deemed final by the Issuer as of its date and compliance with past continuing disclosure undertakings; (vi) the documents to be delivered at closing; (vii) the Underwriter's fees; (viii) the expenses to be paid by various parties; (ix) certain SEC requirements to be followed by all parties; and (x) the method for determining the issue price of the bonds
- Executed after the bonds have been priced by the Underwriter



Bond Purchase Agreement/ Bond Purchase Contract (CONTINUED)

KEY PROVISIONS:

- Pricing Information
 - Representation & Warranties
 - Underwriter's Outs
 - Expenses
 - Closing Conditions
 - Closing Documents
 - Form of Opinions
 - Redemption Provisions
 - Form of Issue Price Certificate (Tax-Exempt Bonds)



Continuing Disclosure Undertaking

PARTIES:

- Issuer
- Obligated Party
- Trustee
- Dissemination Agent

PURPOSE:

- Contains the undertakings of the Issuer (and each Obligated Party) to provide annual updates of specified information (Annual Reports) by a specified date certain and notices of the occurrence of significant events, generally within 10 days following occurrence, pursuant to Rule 15c2-12
- Remains in effect during the lifetime of the bonds



Continuing Disclosure Undertaking

(CONTINUED)

KEY PROVISIONS:

- Content of the Annual Report
 - Audited Financial Statements
 - Updates to specified tabular information
- Filing Date for the Annual Report
- List of 16 Significant Events
- Date for Filing Notices of the Occurrence of Significant Events
- Amendment Procedures
- Dissemination Agent Duties

ADDITIONAL CONSIDERATIONS:

- Rule 10b-5

Tax Certificate / Tax and Non-Arbitrage Certificate

PARTIES:

- Issuer
- Borrower (Conduit Transaction)

PURPOSE:

- Sets forth the certifications and covenants of the Issuer (and the Borrower) necessary to maintain the tax-exempt status of the bonds
- Includes rules for investment of the bond proceeds, compliance with arbitrage and rebate requirements

KEY PROVISIONS:

- Sources and Uses of Proceeds
- Investment of Proceeds
- Representations and Warranties
- Tax Compliance Program
- Others – depending upon the purpose of the financing

Closing Certificates, Documents, & Opinions

PARTIES:

- All

PURPOSE:

- *Documents the satisfaction or waiver of the conditions precedent to closing the transaction*
 - Issuer and Borrower Certificates
 - Receipts
 - Requisitions
 - Documents for Deposit of Funds
 - Opinions

Alameda CTC's Debt Issuance Approach

NEW ISSUE – BOOK-ENTRY ONLY

RATINGS
S&P: “AAA”
Fitch: “AAA”

In the opinion of Orrick Herrington & Sutcliffe LLP, Bond Counsel to Alameda CTC, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2014 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Series 2014 Bonds is not a specific preference item for purposes of the federal individual and corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Series 2014 Bonds. See “Tax Matters” herein.

 **\$137,145,000**
ALAMEDA COUNTY TRANSPORTATION COMMISSION
Sales Tax Revenue Bonds
(Limited Tax Bonds)
Series 2014

NEW ISSUE—BOOK-ENTRY ONLY

RATINGS
S&P: “AAA”
Fitch: “AAA”

In the opinion of Norton Rose Fulbright US LLP, Los Angeles, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming compliance with certain covenants in the documents pertaining to the Series 2022 Bonds and requirements of the Internal Revenue Code of 1986, as described herein, interest on the Bonds is not included in the gross income of the owners thereof for federal income tax purposes. In the further opinion of Bond Counsel, interest on the Bonds is not treated as an item of tax preference for purposes of the federal alternative minimum tax. Bond Counsel is also of the opinion that, under existing law, interest on the Series 2022 Bonds is exempt from personal income taxes of the State of California. See “TAX MATTERS” herein.

 **\$124,030,000**
ALAMEDA COUNTY TRANSPORTATION COMMISSION
Measure BB Senior Sales Tax Revenue Bonds
(Limited Tax Bonds)
Series 2022

- Based on ACTC Capital Improvement Plan and cash flow projections develop a long-term debt strategy with Municipal Advisor
- Alameda CTC funds capital projects on a pay-as-you-go basis as long as reasonably possible (minimize financing costs)
- Alameda CTC issues debt when funding is needed to move capital projects forward efficiently
- Gain Commission approval for:
 - Update to debt policy, as needed
 - Internal fund borrowing, as needed, to allow for optimal timing on entering the market
 - A par amount range in order to be responsive to market conditions on day of sale
 - Continuing disclosure certificate



Alameda CTC's Evolving Official Statement Topics

Additional disclosure items in 2022 Official Statement (OS) vs. 2014 OS

- Risk to Pledged Revenues
 - Economy
 - Effect of COVID-19
 - Risk of natural disasters (e.g. major earthquake since we live in California)
 - Investments
 - Market fluctuations
 - Reduced interest income
 - Cyber Security
 - Hacking, viruses, malware, ransomware and other attacks (Alameda CTC or CDTFA)
 - Climate Change
 - Sea level rise
 - Extreme temperatures and weather events

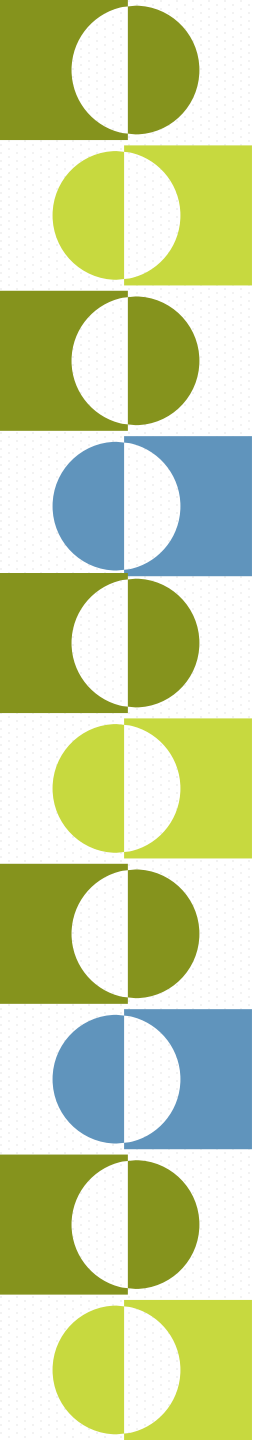


Issuer Considerations

- Disclosures in the OS are important to protect the issuer
 - Include material risks that may arise related to the revenues, project, industry, demographics, etc.
- Development of OS
 - Work with the Issuer's Counsel to prepare document
 - Review all sections prepared by Disclosure Counsel from publicly available documents closely (read everything to ensure authenticity and accuracy)
 - Discuss industry-specific risks and what should be included in OS
 - Slow down a transaction when necessary or let Disclosure Counsel know if information is not yet available and when it is expected to be available (e.g. audited financial statements, pledged revenues, etc.)

Takeaways

- Be mindful of your obligations under **Securities Laws**
- **Disclosure evolves** to reflect current circumstances and concerns
- Make sure that all the **right people are in the room**
- Raise concerning issues with your **Issuer Team**
- Follow **Adopted Policies and Procedures**
- Provide **Regular Training**
- Develop **Compliance Checklists**
- Frequent issuers should review the Official Statement for “**disclosure bloat**”
- **Tell the full story**



Additional Resources

- California Debt and Investment Advisory Commission
(www.treasurer.ca.gov/cdiac)
- Government Finance Officers Association
(www.gfoa.org)
- Municipal Securities Rulemaking Board
(www.msrb.org)
- National Association of State Auditors, Comptrollers and Treasurers
(www.nasact.org)
- National Federation of Municipal Analysts
(www.nfma.org)
- Securities Industry and Financial Markets Association
(www.sifma.org)

QUESTIONS?



JACQUELYNNE JENNINGS

Counsel
ArentFox Schiff LLP

PATRICIA REAVEY
*Deputy Executive Director
of Finance and Administration*
Alameda County
Transportation Commission





THANK YOU

Please complete the seminar evaluation and leave it on your table.

UPCOMING EVENTS

The 25th Annual CDIAC Pre-conference to *The Bond Buyer's*
36th Annual California Public Finance Conference:

Learning to Critically Examine Refunding Opportunities

October 14, 2026 | San Francisco, CA

Annual Municipal Disclosure Training

November 5, 2026 | Free Webinar

Advanced Public Funds Investing: Portfolio Management Strategies

February 2027 | Sacramento, CA

For more information, visit:

<https://www.treasurer.ca.gov/cdiac/education>